SENATE BILL REPORT
SB 5665

As of February 13, 2009

Title: An act relating to a joint self-insurance program for affordable housing and nonprofit entities.

Brief Description: Authorizing a joint self-insurance program for two or more affordable housing entities or nonprofit entities.

Sponsors: Senators Berkey, Benton, Franklin, Parlette, Hobbs and Shin.

Brief History:
Committee Activity: Financial Institutions, Housing & Insurance: 2/11/09.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Staff: Philip Brady (786-7460)

Background: Local government entities, including local housing authorities, have the authority to individually or jointly self-insure against risks, jointly purchase insurance or reinsurance, and contract for risk management, claims, and administrative services.

Local government joint self-insurance risk pools are authorized to create and delegate powers to a separate legal or administrative entity, and to obligate the pool's participants to pledge revenues or contribute money to secure the obligations or pay the expenses of the pool, including the establishment of a reserve or fund for coverage. Risk pools are authorized to sell revenue bonds and short-term obligations and establish lines of credit. Subject to specified conditions, local government entities may enter into joint self-insurance pools with similar entities from other states (multistate risk pools). The Risk Management Division within the Office of Financial Management (OFM) is responsible for the regulation of these pools. These pools are excluded from the definition of "insurer" under the insurance code.

Nonprofit organizations may form or join self-insurance risk pools with other nonprofit corporations and local government entities, but have no authorization to join risk pools that include entities in other states.

Summary of Bill: Affordable housing entities may create or join multistate risk pools. These risk pools are similar to existing local government and nonprofit entity risk pools, but are governed by a new parallel chapter rather than the existing statute. The primary

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differences are that nonprofit multistate risk pools are not subject to review by the state auditor, are not required to submit reports or lists of proposed investments to the auditor, and are unable to sell bonds or obligations or establish lines of credit. They are not advised by the Property and Liability or Health and Welfare Advisory Boards. They must submit legal determinations of state and federal tax liabilities to the risk manager when applying to form a risk pool.

The risk manager is directed to adopt rules governing joint self-insurance programs by January 1, 2010.

Appropriation: None.

Fiscal Note: Available.
[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2010.

Staff Summary of Public Testimony: PRO: Other affordable housing organizations pay more for the same coverage than public housing authorities do for coverage from HARPP. This would level the playing field. Affordable housing has shifted from public entities towards private nonprofits, and HARPP can't currently insure the nonprofits. HARPP is the primary pool for Washington governmental entities. It has stable rates and high retention. It wants to be able to form a multistate pool to capture the nonprofits and housing authorities.

OTHER: The language is unduly vague with regards to which nonprofits would be permitted to participate in multistate pools.

Persons Testifying: PRO: Dolor Saquine, King County Housing Authority; William Gregory, HARRP; James Kennedy, Kennedy & Kennedy.

OTHER: Mel Sorensen, Property Casualty Insurance; Drew Bouton, Office of the Insurance Commissioner.