
SENATE BILL 5277

State of Washington

62nd Legislature

2011 Regular Session

By Senators Holmquist Newbry, King, and Parlette

Read first time 01/19/11. Referred to Committee on Labor, Commerce & Consumer Protection.

1 AN ACT Relating to adjusting workers' compensation premium rates;
2 amending RCW 51.16.035; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature recognizes the high level of
5 authority and the corresponding high level of responsibility that the
6 department of labor and industries has in setting workers' compensation
7 rates for employers. By setting rates for employers with virtually no
8 legislative oversight, the department's taxing authority is significant
9 and its impact is broad. The legislature finds that this taxing power
10 necessarily comes with a responsibility to the public not only to set
11 rates that are fair and sustainable, but also to provide a transparent
12 process that allows adequate time for employers to review information
13 about the funds and plan for potential rate changes. The 2011 rates
14 were not set in an adequately transparent and deliberative process, and
15 the legislature finds it necessary to set standards for the minimum
16 level of information to be provided and the time frame for doing so in
17 order to afford sufficient notice to employers about potential tax
18 increases.

1 **Sec. 2.** RCW 51.16.035 and 2005 c 410 s 1 are each amended to read
2 as follows:

3 (1) The department shall classify all occupations or industries in
4 accordance with their degree of hazard and fix therefor basic rates of
5 premium which shall be:

6 (a) The lowest necessary to maintain actuarial solvency of the
7 accident and medical aid funds in accordance with recognized insurance
8 principles; and

9 (b) Designed to attempt to limit fluctuations in premium rates.

10 (2) The department shall formulate and adopt rules governing the
11 method of premium calculation and collection and providing for a rating
12 system consistent with recognized principles of workers' compensation
13 insurance which shall be designed to stimulate and encourage accident
14 prevention and to facilitate collection. The department must annually
15 adjust rates to become effective on January 1 of each year. In order
16 to provide enough time for public notice and input, the department must
17 annually provide the workers' compensation advisory committee with an
18 analysis of the status and health of the funds and indicated premium
19 rates for the following calendar year by the end of September. The
20 department may (~~annually, or~~) also at such other times as it deems
21 necessary to achieve the objectives under this section, readjust rates
22 in accordance with the rating system to become effective on such dates
23 as the department may designate.

24 (3)(a) After the first report is issued by the state auditor under
25 RCW 51.44.115, the workers' compensation advisory committee shall
26 review the report and, as the committee deems appropriate, may make
27 recommendations to the department concerning:

28 (i) The level or levels of a contingency reserve that are
29 appropriate to maintain actuarial solvency of the accident and medical
30 aid funds, limit premium rate fluctuations, and account for economic
31 conditions; and

32 (ii) When surplus funds exist in the trust funds, the circumstances
33 under which the department should give premium dividends, or similar
34 measures, or temporarily reduce rates below the rates fixed under
35 subsection (1) of this section, including any recommendations regarding
36 notifications that should be given before taking the action.

37 (b) Following subsequent reports issued by the state auditor under

1 RCW 51.44.115, the workers' compensation advisory committee may, as it
2 deems appropriate, update its recommendations to the department on the
3 matters covered under (a) of this subsection.

4 (4) In providing a retrospective rating plan under RCW 51.18.010,
5 the department may consider each individual retrospective rating group
6 as a single employing entity for purposes of dividends or premium
7 discounts.

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