

# HOUSE BILL REPORT

## HB 1431

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**As Reported by House Committee On:**  
Consumer Protection & Business

**Title:** An act relating to joint self-insurance programs for property and liability risks.

**Brief Description:** Concerning joint self-insurance programs for property and liability risks.

**Sponsors:** Representatives Kirby and Vick; by request of Board of Pilotage Commissioners.

**Brief History:**

**Committee Activity:**

Consumer Protection & Business: 1/30/19, 2/5/19 [DP].

**Brief Summary of Bill**

- Authorizes the Board of Pilotage Commissioners (Board) to participate in local government joint self-insurance programs for property and liability risks.

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### HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

**Majority Report:** Do pass. Signed by 12 members: Representatives Kirby, Chair; Reeves, Vice Chair; Vick, Ranking Minority Member; Hoff, Assistant Ranking Minority Member; Barkis, Dufault, Ryu, Santos, Stanford, Volz, Walen and Ybarra.

**Staff:** Robbi Kesler (786-7153).

**Background:**

The Washington State Board of Pilotage Commissioners.

The Board of Pilotage Commissioners (Board) is comprised of nine members; the assistant secretary of the Washington State Department of Transportation, the Director of the Department of Ecology, and seven members appointed by the Governor. The Board may adopt rules to administer the State pilotage laws, issue training and pilot licenses, establish a comprehensive training program to train and evaluate pilots for licensing, fix annual pilotage tariffs, and establish standards for reporting and investigating incidents involving state-piloted vessels.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

### Joint Self-Insurance Program.

State law authorizes various types of joint self-insurance programs for different types of entities, which are generally regulated by the State Risk Manager (Risk Manager). There is a local government joint self-insurance program, as well as joint self-insurance programs for affordable housing entities, nonprofit corporations, and public benefit hospital entities.

Separate from these programs, under authority of chapter 4.92 RCW regarding actions and claims against the state, the Risk Manager implements the Washington Self-Insurance Liability Program to finance the payment of tort claims against the state. The Risk Manager charges participating state agencies an assessment to participate, which is an amount of money based on a formula considering the previous six years of incurred losses.

Through a local government joint self-insurance program, the governing body of a local government entity may individually self-insure, may join or form a self-insurance program together with other entities, and may jointly purchase insurance or reinsurance with other entities for property and liability risks, and health and welfare benefits. In addition, the entity or entities may contract for or hire personnel to provide risk management, claims, and administrative services.

The assets of a joint self-insurance program may be invested only in accordance with the general investment authority that participating local government entities possess as a governmental entity. A local government joint self-insurance program may contract indebtedness and sell revenue bonds evidencing the indebtedness and may accept loans of the proceeds of the bonds. The Risk Manager has rule-making authority pertaining to local government joint self-insurance programs and must adopt rules governing the management and operation of both individual and joint local government self-insurance programs covering property or liability risks, as well as individual and joint local government self-insured health and welfare benefits programs.

Prior approval of a program is required for joint local government self-insurance programs for property and liability risks. The entities or entity proposing the program's creation must submit a plan of management and operation to the Risk Manager and the State Auditor that provides specific information, including information about the covered risks, the amount and methods of financing, proposed claim reserving practices, the form of a joint program and member agreement, proposed accounting, a professional analysis of the proposal's feasibility, and other information. Generally, every joint self-insurance program covering liability or property risks must provide for the contingent liability of participants in the program if assets of the program are insufficient to cover the program's liabilities.

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### **Summary of Bill:**

The Board of Pilotage Commissioners (Board) may participate in a local government joint self-insurance program covering liability risks.

The Board is added to the authorizing statute for local government joint self-insurance programs in the following areas:

- the investment authority of programs;
  - the process for program participants to designate a person as a treasurer of the program;
  - restrictions on depositing of program funds;
  - the prohibition on employees or officials of a program participant receiving anything of value for services rendered in connection with the operation and management of the program; and
  - exceptions to the prohibition on local government entities participating in a joint self-insurance program in which local government entities do not retain complete control.
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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill would allow the Board of Pilotage Commissioners (Board) to buy reasonably priced insurance through a local government insurance pool. A local government insurance pool may offer reasonable premium costs and are willing to consider the Board as a member.

(Opposed) None.

**Persons Testifying:** Representative Kirby, prime sponsor; and Sheri Tonn, Board of Pilotage Commissioners.

**Persons Signed In To Testify But Not Testifying:** None.