CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1521**

Chapter 293, Laws of 2023

68th Legislature

2023 Regular Session

WORKERS' COMPENSATION CLAIMS—DUTIES OF SELF-INSURED EMPLOYERS AND THIRD-PARTY ADMINISTRATORS

EFFECTIVE DATE: July 1, 2024

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| Passed by the House April 22, 2023  Yeas 84 Nays 14  LAURIE JINKINS  **Speaker of the House of Representatives**  Passed by the Senate April 20, 2023  Yeas 29 Nays 19  DENNY HECK  **President of the Senate** | CERTIFICATE  I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1521** as passed by the House of Representatives and the Senate on the dates hereon set forth.  BERNARD DEAN  Chief Clerk |
| Approved May 4, 2023 3:19 PM | May 5, 2023 |
| JAY INSLEE  **Governor of the State of Washington** | **Secretary of State**  **State of Washington** |

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**SUBSTITUTE HOUSE BILL 1521**

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AS AMENDED BY THE SENATE

Passed Legislature - 2023 Regular Session

**State of Washington 68th Legislature 2023 Regular Session**

**By** House Labor & Workplace Standards (originally sponsored by Representatives Bronoske, Stonier, Wylie, Berry, and Pollet)

AN ACT Relating to industrial insurance self-insured employer and third-party administrator penalties and duties; amending RCW 51.48.080, 51.48.017, and 51.14.080; adding new sections to chapter 51.14 RCW; creating a new section; prescribing penalties; and providing an effective date.

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

**Sec.**  RCW 51.48.080 and 2020 c 277 s 6 are each amended to read as follows:

(1) Every person, firm, or corporation who violates or fails to obey, observe, or comply with any statutory provision of this ((~~act~~)) title or rule of the department promulgated under authority of this title, shall be subject to a penalty of not to exceed ((~~one thousand dollars~~)) $1,000.

(2) The department may, for a violation of section 3 of this act, assess a penalty not to exceed three times the penalties provided in subsection (1) of this section, including adjustments pursuant to RCW 51.48.095.

**Sec.**  RCW 51.48.017 and 2020 c 277 s 2 are each amended to read as follows:

(1) Every time a self-insurer unreasonably delays or refuses to pay benefits as they become due, the self-insurer shall pay a penalty not to exceed the greater of ((~~one thousand dollars~~)) $1,000 or ((~~twenty-five~~)) 25 percent of: (a) The amount due or (b) each underpayment made to the claimant. For purposes of this section, "the amount due" means the total amount of payments due at the time of the calculation of the penalty.

(2) In making the determination of the penalty amount, the department shall weigh at least the following factors: The amount of any payment delayed, employer communication of the basis for or calculation of the payment, history or past practice of underpayments by the employer, department orders directing the payment, and any required adjustments to the amount of the payment.

(3) The director shall issue an order determining whether there was an unreasonable delay or refusal to pay benefits and the penalty amount owed within ((~~thirty~~)) 30 days upon the request of the claimant. Such an order shall conform to the requirements of RCW 51.52.050.

(4) The penalty shall accrue for the benefit of the claimant and shall be paid to the claimant with the benefits which may be assessed under this title.

(5) The department may, for a violation of section 3 of this act, assess a penalty not to exceed three times the penalties provided in subsection (1) of this section, including adjustments pursuant to RCW 51.48.095.

(6) This section applies to all requests for penalties made after September 1, 2020.

NEW SECTION. **Sec.**  A new section is added to chapter 51.14 RCW to read as follows:

(1) All self-insured municipal employers and self-insured private sector firefighter employers and their third-party administrators have a duty of good faith and fair dealing to workers relating to all aspects of this title. The duty of good faith requires fair dealing and equal consideration for the worker's interests.

(2) A self-insured municipal employer or self-insured private sector firefighter employer or their third-party administrator violates its duty to the worker if it coerces a worker to accept less than the compensation due under this title, or otherwise fails to act in good faith and fair dealing regarding its obligations under this title.

(3) The department shall adopt by rule additional applications of the duty of good faith and fair dealing as well as criteria for determining appropriate penalties for violations. In adopting a rule under this subsection, the department shall consider, among other factors, recognized and approved claim processing practices within the insurance industry, the department's own experience, and the industrial insurance and insurance laws and rules of this state.

(4) The department shall investigate each alleged violation of this section upon the filing of a written complaint or upon its own motion. After receiving notice and a request for a response from the department, the municipal employer or private sector firefighter employer or their third-party administrator may file a written response within 10 working days. If the municipal employer or private sector firefighter employer or their third-party administrator fails to file a timely response, the department shall issue an order based on available information.

(5) The department shall issue an order determining whether a violation of this section has occurred, in conformance with RCW 51.52.050, within 30 calendar days of receipt of a complete complaint or its own motion. An order finding that a violation has occurred must also order the municipal employer or private sector firefighter employer to pay a penalty of one to 52 times the average weekly wage at the time of the order, depending upon the severity of the violation, which accrues for the benefit of the worker.

(6) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Municipal" means any counties, cities, towns, port districts, water-sewer districts, school districts, metropolitan park districts, fire districts, public hospital districts, regional fire protection service authorities, education service districts, or such other units of local government.

(b) "Private sector firefighter employer" means any private sector employer who employs over 50 firefighters, including supervisors, on a full-time, fully compensated basis as a firefighter of the employer's fire department, only with respect to their firefighters.

**Sec.**  RCW 51.14.080 and 1986 c 57 s 7 are each amended to read as follows:

(1) Certification of a self-insurer shall be withdrawn by the director upon one or more of the following grounds:

((~~(1)~~)) (a) The employer no longer meets the requirements of a self-insurer; or

((~~(2)~~)) (b) The self-insurer's deposit is insufficient; or

((~~(3)~~)) (c) The self-insurer intentionally or repeatedly induces employees to fail to report injuries, induces claimants to treat injuries in the course of employment as off-the-job injuries, persuades claimants to accept less than the compensation due, or unreasonably makes it necessary for claimants to resort to proceedings against the employer to obtain compensation; or

((~~(4)~~)) (d) The self-insurer habitually fails to comply with rules and regulations of the director regarding reports or other requirements necessary to carry out the purposes of this title; or

((~~(5)~~)) (e) The self-insurer habitually engages in a practice of arbitrarily or unreasonably refusing employment to applicants for employment or discharging employees because of nondisabling bodily conditions; or

((~~(6)~~)) (f) The self-insurer fails to pay an insolvency assessment under the procedures established pursuant to RCW 51.14.077; or

(g)(i) For a self-insured municipal employer, the self-insurer has been found to have violated the self-insurer's duty of good faith and fair dealing three times within a three-year period.

(ii) For purposes of determining whether there have been three violations within a three-year period, the director must use the date of the department's order. Any subsequent order of the department, board of industrial insurance appeals, or courts affirming a violation occurred relates back to the date of the department's order.

(iii) Errors or delays that are inadvertent or minor are not considered violations of good faith and fair dealing for purposes of this subsection (1)(g).

(2) The director may delay withdrawing the certification of the self-insured municipal employer while the employer has an enforceable contract with a licensed third-party administrator that may not be legally terminated. However, the self-insured municipal employer may not renew or extend the contract.

(3) For the purposes of this section, "municipal" has the same meaning as defined in section 3 of this act.

NEW SECTION. **Sec.**  A new section is added to chapter 51.14 RCW to read as follows:

Nothing in this act shall be interpreted as allowing a private cause of action outside of the original jurisdiction of the department to assess penalties and rights to appeal as provided in this title.

NEW SECTION. **Sec.**  This act applies to all claims regardless of the date of injury.

NEW SECTION. **Sec.**  This act takes effect July 1, 2024.

**--- END ---**

Passed by the House April 22, 2023.

Passed by the Senate April 20, 2023.

Approved by the Governor May 4, 2023.

Filed in Office of Secretary of State May 5, 2023.