

HOUSE BILL REPORT

HB 1275

As Reported by House Committee On:
Labor & Workplace Standards

Title: An act relating to establishing department authority to ensure payment is received from the self-insured employer after a self-insured group or municipal employer has their self-insurer certification withdrawn.

Brief Description: Establishing department authority to ensure payment is received from the self-insured employer after a self-insured group or municipal employer has their self-insurer certification withdrawn.

Sponsors: Representatives Scott, Berry, Ramel, Reed, Ormsby, Parshley, Pollet, Simmons and Hill; by request of Department of Labor & Industries.

Brief History:

Committee Activity:

Labor & Workplace Standards: 1/21/25, 1/29/25 [DP].

Brief Summary of Bill

- Requires the Department of Labor and Industries (L&I) to fulfill the workers' compensation obligations of any decertified self-insurance group or decertified municipal employer.
- Requires a decertified self-insurance group or decertified municipal employer to reimburse L&I for any payments made on its behalf.

HOUSE COMMITTEE ON LABOR & WORKPLACE STANDARDS

Majority Report: Do pass. Signed by 9 members: Representatives Berry, Chair; Fosse, Vice Chair; Scott, Vice Chair; Schmidt, Ranking Minority Member; Ybarra, Assistant Ranking Minority Member; Bronoske, McEntire, Obras and Ortiz-Self.

Staff: Kelly Leonard (786-7147).

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

Background:

Self-Insured Employers.

Workers' compensation insurance provides relief to workers from injuries or illness sustained in the course of their employment. Employers in Washington must obtain coverage either through the industrial insurance fund administered by the Department of Labor and Industries (L&I) or by qualifying to self-insure.

Self-insurance is a program in which the employer covers all costs associated with an on-the-job injury or occupational disease. Self-insured employers administer their own claims, and must maintain records of all payments and disputes. Self-insured employers may contract with a third-party administrator to administer claims. Third-party administrators must be licensed by L&I, and claims administrators must maintain certification through L&I. Self-insured employers have a long-term obligation to pay benefits during the lifetime of their claims. This commitment remains the employer's responsibility whether their self-insurance certification continues to be in effect or is surrendered or terminated.

State law authorizes certain public employers to form self-insurance groups. There are three categories of self-insurance groups: (1) school districts or educational service districts; (2) public hospital districts or hospitals; and (3) private hospitals. A self-insurance group is considered to be the employer for purposes of workers' compensation, and must comply with certain L&I requirements.

Decertification.

L&I must decertify a self-insured employer in circumstances where the:

- employer no longer meets the requirements to self-insure;
- employer's deposit is insufficient;
- employer 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;
- employer habitually fails to comply with L&I rules regarding reports or other requirements;
- employer habitually engages in a practice of arbitrarily or unreasonably refusing employment to applicants for employment or discharging employees because of nondisabling bodily conditions;
- employer fails to pay an insolvency assessment according to certain requirements; or
- employer is a municipality and has been found to have violated the duty of good faith and fair dealing three times within a three-year period.

L&I may delay withdrawing the certification of a 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.

Summary of Bill:

If a self-insurance group or self-insured county, city, or other municipal employer has its self-insurer status terminated, L&I must fulfill its obligations including paying compensation. The decertified group or municipal employer remains liable to L&I and must reimburse L&I for all payments made through quarterly charges.

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 is agency request legislation from the Department of Labor and Industries (L&I). It will provide L&I with the authority to administer and pay workers' compensation injury claims when a self-insured employer has been decertified. It is important to ensure that injured workers still receive benefits, particularly following a recent change to the law directing L&I to decertify certain municipal employers for violating a duty of good faith and fair dealing. This has not occurred yet, but L&I wants to be prepared to assist workers in these cases.

(Opposed) None.

Persons Testifying: Representative Shaun Scott, prime sponsor; and Tammy Fellin, Department of Labor and Industries.

Persons Signed In To Testify But Not Testifying: None.