HOUSE BILL REPORT
SB 6136

As Reported by House Committee On:
Labor & Workplace Standards

Title: An act relating to promoting transparency in certain industrial insurance rate increases.

Brief Description: Promoting transparency in certain industrial insurance rate increases.

Sponsors: Senator King.

Brief History:
Committee Activity:
Labor & Workplace Standards: 2/20/26, 2/24/26 [DP].

Brief Summary of Bill

- Requires the Department of Labor and Industries to annually publish the actuarially indicated rate for each workers' compensation risk classification and disclose when it sets a premium rate below the actuarially indicated rate for any classification.

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).

Background:

Under the Industrial Insurance Act, a worker who is injured in the course of employment or injured or disabled from an occupational disease is entitled to workers' compensation benefits. Benefits may include medical, temporary time-loss, vocational

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rehabilitation benefits, and permanent disabilities benefits. Employers must either insure through the Industrial Insurance Fund (State Fund) administered by the Department of Labor and Industries (L&I) or, if qualified, may self-insure. L&I administers the workers' compensation system and manages the State Fund.

Premium Rate Setting.
The State Fund includes four separate funds: the Accident Fund, the Medical Aid Fund, the Supplemental Pension Fund, and the Stay at Work Program Fund. The Accident Fund is used to pay time-loss benefits, permanent partial disability awards, and pensions. The Medical Aid Fund is used to pay medical and vocational rehabilitation benefits. The Supplemental Pension Fund is used to pay cost-of-living adjustments to workers receiving time-loss or pension payments. The Stay at Work Program Fund pays employers partial reimbursement for wages, training, and equipment costs provided under light duty or transitional work for injured workers. Employers and workers pay premiums to L&I for these four funds. Workers pay one-half of the amount for medical benefits within each risk classification, which is generally about 24 percent of the total premium. Premiums are paid based on hours worked, not wages earned.

Premium rates are generally based on the worker's risk of injury. To that end, L&I must classify all occupations or industries according to their hazard level. There are currently over 300 risk classifications. Hazardous industries generally pay higher rates. L&I is required to set premium rates at the lowest rate necessary to maintain actuarial solvency of the accident and medical aid funds in accordance with recognized insurance principles. L&I must design rates in a manner to limit fluctuations, encourage accident prevention, and facilitate collection. L&I annually calculates base rates for each risk classification based on five years of claim costs. L&I will not increase rates for any class by more than 25 percent compared to the overall rate change. An employer's final rate is the applicable base rate as modified by an experience factor, which compares an employer's actual claim history against others in the same risk class.

Contingency Reserve.
L&I maintains a contingency reserve to stabilize rates and cover unexpected future events that will likely occur. This includes economic downturns, natural disasters, or changes in law. The Workers' Compensation Advisory Committee sets reserve targets and manages the reserve. In recent years, L&I has used the reserve to keep premium rate increases lower than the actual expected cost of claims.

Annual Audits.
The State Auditor conducts annual audits of the State Fund and assesses premium rates based on actuarial principles.

Summary of Bill:

L&I must publish the actuarially indicated rate for each workers' compensation risk classification as part of its proposed premium rates for the upcoming year. If L&I limits the maximum premium rate increase for any risk classification below the level indicated by applying generally accepted actuarial principles to the risk class, L&I must publish information about the limitation when it proposes its premium rates, including:

- the rate classifications limited by L&I and the respective proposed rate;
- what the rate for the classification would have been according to generally accepted accounting principles had a maximum increase limitation not been set; and
- the premium rate increase imposed upon other risk classes as a result of the limitation.

L&I must also publish the information on its website and submit it to the Legislature and the Workers' Compensation Advisory Committee.

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 provides transparency in the rate setting process for the workers' compensation system. Last year L&I set the rates at 4.9 percent when the actuarial rate would have been closer to 13 percent. L&I covered the difference with reserve funds. Even if this information is accessible upon request, L&I should be more open about this process. It is important to understand what is affecting rates and what decisions are being made. This would include, for example, the impact of post-traumatic stress disorder–related claims across risk classes. Washington's workers' compensation system serves as a vital safety net for workers injured on the job. The rates also pose significant costs to businesses. With that in mind, it is reasonable that businesses, workers, and the Legislature have a clear understanding of the system's financial health. This bill is about transparency only—it does not affect L&I's authority to set rates. This will lead to an informed dialogue and a stronger, more trusted system.

(Opposed) None.

Persons Testifying: Senator Curtis King, prime sponsor; Andrea Reay, Washington Hospitality Association; Mike Ennis, Building Industry Association of Washington (BIAW); Jerry VanderWood, Associated General Contractors; and Kris Tefft, Washington Self-Insurers Association.

Persons Signed In To Testify But Not Testifying: None.