

FINAL BILL REPORT

SB 6136

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Synopsis as Enacted

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

Sponsors: Senator King.

Senate Committee on Labor & Commerce
House Committee on Labor & Workplace Standards

Background: Workers' Compensation—General. A worker who is injured in the course of employment or injured or disabled from an occupational disease is entitled to workers' compensation benefits under the Industrial Insurance Act. Benefits may include medical, temporary time-loss, vocational rehabilitation benefits, and permanent disability benefits. The Department of Labor and Industries (L&I) administers the workers' compensation system.

Premium Rates. In Washington, all employers must provide workers' compensation coverage for their employees. Most employers pay premiums to L&I for this insurance. Those are known as state fund employers because they insure through the state fund. Workers pay one-half of the amount for medical benefits within each risk classification, which is generally about 24 percent of the total premium. Rates are paid based on hours worked, not wages earned.

L&I must classify all occupations or industries by their degree of hazard and fix basic rates of premium to be:

- the lowest necessary to maintain actuarial solvency of the accident and medical aid funds in accordance with recognized insurance principles; and
- designed to attempt to limit fluctuations in premium rates.

L&I must formulate and adopt rules governing the method of premium calculation and collection and providing for a rating system consistent with recognized principles of workers' compensation insurance which must be designed to stimulate and encourage accident prevention and to facilitate collection. L&I annually proposes four overall rates

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based on over 300 risk classes and also bases individual rates on the experience rating of over 200,000 individual employers. An individual state fund employer's rates depend on its industry and individual safety records.

State Auditor Report. The state auditor must conduct annual audits of the state workers' compensation fund. The audit must include:

- an opinion on whether the financial statements were prepared in accordance with generally accepted accounting principles;
- an assessment of the financial impact of the proposed rate level on the actuarial solvency of the accident, medical aid, and pension reserve funds, taking into consideration the risks inherent with insurance and the effects of the actuarial assumptions, discount rates, reserving, retrospective rating program, refunds, and individual employer rate classes, as well as the standard accounting principles used for insurance underwriting purposes; and
- a statement of actuarial opinion on whether the loss and loss adjustment expense reserves for the accident, medical aid, and pension reserve funds were prepared in accordance with generally accepted accounting principles.

The state auditor must provide an annual report to the Governor, the Legislature, the Office of Financial Management, and L&I, on the results of the financial audit and reviews and may include recommendations.

Workers' Compensation Advisory Committee Recommendations. Following the annual state auditor's report, the Workers' Compensation Advisory Committee (advisory committee) may make recommendations to L&I on:

- the level of a contingency reserve that are appropriate to maintain actuarial solvency of the accident and medical aid funds, limit premium rate fluctuations, and account for economic conditions; and
- when surplus funds exist in the trust funds, when L&I should give premium dividends, or similar measures, or temporarily reduce rates below the rates, including any recommendations regarding notifications that should be given before taking the action.

Summary: 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 class 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 required information on its website and as part of its proposed premium rates for the upcoming year; and
- submit the information to the Legislature and to the advisory committee.

Legislative findings are provided.

Votes on Final Passage:

Senate 48 0

House 94 0

Effective: June 11, 2026