

SENATE BILL REPORT

SB 6136

As of January 23, 2026

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 & Commerce: 1/23/26.

Brief Summary of Bill

- Requires the Department of Labor and Industries (L&I) to publish the actuarially indicated rate for each workers' compensation risk classification as part of its proposed premium rates.
- Requires L&I to publish specified information 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.

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Susan Jones (786-7404)

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 (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.

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.

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 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 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 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.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Caps are useful but without the full information, we are left with a misunderstanding of the status of the Program. L&I is required to publish the indicated rate for each class, what that rate should have been for classes capped at the 15 percent, and the rate increase for all classes without the 15 percent cap. This bill will improve transparency at no additional cost.

This bill takes an important step towards greater transparency and understanding in how workers' compensation rates are developed and finalized. Like many state programs, Washington's workers compensation system serves as a vital safety net for employees. It is reasonable that employers, employees, and the Legislature have a clear understanding of the system's financial health, its solvency, claims experience, and information that drives rate decisions.

For many small employers, workers' compensation remains one of the most significant and least understood costs of doing business. When stakeholders can see and understand the numbers behind rate decisions, it leads to more informed dialogue and a stronger, more trusted system. Providing greater visibility into how rates are set helps employers plan responsibly, invest in workplace safety, and strengthen their partnership with L&I.

The bill does not remove the L&I Director's discretion. It simply requires the publishing of indicated rates, which are not available to the public. There's limited transparency in terms of the indicated rate when it is shared with the advisory committee. Employers deserve to know whether their rates reflect their own risk classes or whether they are subsidizing other classes to reserve use. The earnings from the reserve should be equitably shared and not just subsidizing one class more than the others.

This bill is a good step forward to bring greater transparency of a program that is showing some concerning warning signs, including solvency concerns. Washington rates have increased by approximately 22 percent since 2020. The system is paying about \$1.80 in benefits and costs for every dollar it collects in premiums this year, creating a growing imbalance.

The average rate this year is 4.9 percent. However, the actuarial rate used to keep the systems fully solvent would have been 13 percent. L&I filled that gap by drawing down on reserves by about \$240 million. Repeated reliance on reserves raises questions about the long-term sustainability of the program. It may feel prudent at the time, but it obscures true program costs and delays necessary policy considerations to support system reform and sustainability. The trend of using reserves is not sustainable.

OTHER: L&I wants to make sure they will provide the information needed. For example, in 2026, the breakeven rate from L&I's actuaries was indicated to be 13 percent increase. The proposed and adopted increase was 4.9 percent. Under the bill, L&I would have to publish the difference for the more than 300-risk classes. Also, for the handful of rates classes that L&I caps because of an internal policy because the increase is due to something in employers' control or when they split a risk class, like the warehouse risk class, L&I would have to publish the information.

L&I is trying to be consistent with the priorities of steady and predictable rates. The cap comes from these priorities. L&I share this information with their external finance committee and the advisory committee quarterly.

Persons Testifying: PRO: Senator Curtis King, Prime Sponsor; Andrea Reay, Washington Hospitality Association; Rose Gundersen, WA Retail Association; Mike Ennis, Building Industry Association of Washington (BIAW); James Crandall, AWB.

OTHER: Tammy Fellin, Department of Labor & Industries.

Persons Signed In To Testify But Not Testifying: No one.