
HOUSE BILL 2188

State of Washington

69th Legislature

2026 Regular Session

By Representatives Schmidt, Dufault, Abbarno, McEntire, Jacobsen, Ybarra, Barnard, Graham, and Couture

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1 AN ACT Relating to promoting transparency in certain industrial
2 insurance rate increases; amending RCW 51.16.035; and creating a new
3 section.

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

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

6 (a) Open and transparent governance is an absolute necessity for
7 any state program. With it, the people the government serves are
8 fully informed of its successes and can appropriately address its
9 shortfalls. In its absence, failures continue onward unchecked. At a
10 minimum, the lack of transparent decision making shakes the public's
11 confidence in the state;

12 (b) This axiom is strained during the premium rate-setting
13 process for the state's workers' compensation program. It has become
14 common practice to artificially limit the premium rate change for
15 certain risk classes below what it should be based on actuarial
16 principles. Meanwhile, the rate classes limited, their actual
17 premium, and how the limited rate is subsidized across other risk
18 classes is not presented in a clear and concise manner;

19 (c) This practice leads to increased use of contingency reserves
20 to further limit proposed rates. The department of labor and
21 industries has utilized contingency reserves to cap the proposed

1 premium rate for three consecutive years. In the latest rate setting
2 this is an 8.1 percent reduction from the "break-even" rate, leading
3 to a \$240,000,000 reduction in contingency reserves. Use of reserves
4 to limit the annual rate increase, while laudable in the short term,
5 is not a sustainable option;

6 (d) This practice clouds the workers' compensation program's true
7 costs, leaves the people uninformed, and makes the legislature slow
8 to the draw on potential reforms.

9 (2) Therefore, it is the intent of the legislature to promote
10 open and transparent governance, and to ensure the continued health
11 of the state's workers' compensation program, through the proper
12 reporting of annually proposed premium rates.

13 **Sec. 2.** RCW 51.16.035 and 2005 c 410 s 1 are each amended to
14 read as follows:

15 (1) The department shall classify all occupations or industries
16 in accordance with their degree of hazard and fix therefor basic
17 rates of premium which shall be:

18 (a) The lowest necessary to maintain actuarial solvency of the
19 accident and medical aid funds in accordance with recognized
20 insurance principles; and

21 (b) Designed to attempt to limit fluctuations in premium rates.

22 (2) The department shall formulate and adopt rules governing the
23 method of premium calculation and collection and providing for a
24 rating system consistent with recognized principles of workers'
25 compensation insurance which shall be designed to stimulate and
26 encourage accident prevention and to facilitate collection. The
27 department may annually, or at such other times as it deems necessary
28 to achieve the objectives under this section, readjust rates in
29 accordance with the rating system to become effective on such dates
30 as the department may designate.

31 (3) (a) After the first report is issued by the state auditor
32 under RCW 51.44.115, the workers' compensation advisory committee
33 shall review the report and, as the committee deems appropriate, may
34 make recommendations to the department concerning:

35 (i) The level or levels of a contingency reserve that are
36 appropriate to maintain actuarial solvency of the accident and
37 medical aid funds, limit premium rate fluctuations, and account for
38 economic conditions; and

1 (ii) When surplus funds exist in the trust funds, the
2 circumstances under which the department should give premium
3 dividends, or similar measures, or temporarily reduce rates below the
4 rates fixed under subsection (1) of this section, including any
5 recommendations regarding notifications that should be given before
6 taking the action.

7 (b) Following subsequent reports issued by the state auditor
8 under RCW 51.44.115, the workers' compensation advisory committee
9 may, as it deems appropriate, update its recommendations to the
10 department on the matters covered under (a) of this subsection.

11 (4) In providing a retrospective rating plan under RCW 51.18.010,
12 the department may consider each individual retrospective rating
13 group as a single employing entity for purposes of dividends or
14 premium discounts.

15 (5) The department shall publish the actuarially indicated rate
16 for each risk classification as part of its proposed premium rates
17 for the upcoming year.

18 (6)(a) If the director limits the maximum premium rate increase
19 for any risk classification below the level indicated by applying
20 generally accepted actuarial principles to the risk class, the
21 department must publish information about the limitation when it
22 proposes its premium rates for the upcoming year. Such information
23 must include, but is not limited to:

24 (i) The rate classifications limited by the director and the
25 respective proposed rate;

26 (ii) What the rate for the class would have been according to
27 generally accepted actuarial principles had a maximum increase
28 limitation not been set by the director;

29 (iii) The premium rate increase imposed upon other risk classes
30 as a result of the limitation.

31 (b) The department shall publish the information described in
32 this subsection (6) on its website and as part of its proposed
33 premium rates for the upcoming year.

34 (c) The department shall submit the information described in this
35 subsection (6) to the appropriate committees of the legislature and
36 to the workers' compensation advisory committee.

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