

# SENATE BILL REPORT

## 2SHB 1938

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As Reported By Senate Committee On:  
Labor, Commerce & Trade, February 22, 1996

**Title:** An act relating to administration of the responsibilities of self-insurers.

**Brief Description:** Modifying the administration of the responsibilities of self-insurers.

**Sponsors:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas, Mielke, Horn and Reams).

**Brief History:**

**Committee Activity:** Labor, Commerce & Trade: 2/20/96, 2/22/96 [DPA, DNPA].

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### SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

**Majority Report:** Do pass as amended.

Signed by Senators Pelz, Chair; A. Anderson, Deccio, McDonald and Newhouse.

**Minority Report:** Do not pass as amended.

Signed by Senators Heavey, Vice Chair; and Franklin.

**Staff:** Jack Brummel (786-7428)

**Background:** Employers covered by industrial insurance law must insure their responsibilities under the law by self-insuring or by purchasing insurance from the Department of Labor and Industries (L&I). Employers that self-insure must meet statutory requirements.

An employer who self-insures may reinsure up to 80 percent of its liabilities with any company authorized to transact reinsurance in Washington. The reinsurer may not participate in the administration of the employer's self-insurance program.

**Summary of Amended Bill:** Until July 1, 2000, a subsidiary, holding company, or affiliated legal entity of a reinsurer of a self-insurer's liability under industrial insurance law may participate in the administration of the self-insurance program if the subsidiary, holding company, or affiliated legal entity does not provide reinsurance and if the participation does not conflict with fiduciary duties.

L&I is to adopt rules and conduct a study of outcomes and practices of self-insurers with affiliated reinsurers and administrators.

**Amended Bill Compared to Substitute Bill:** The amended bill has an expiration date of July 1, 2000 and requires rules and a study.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill removes the prohibition on insurance carriers from being related to third party administration of claims for self-insurers. It would encourage more reinsurers to enter the Washington market and give more choice to self-insurers.

**Testimony Against:** This would erase the firewall between third party administrators and reinsurers.

**Testified:** Lincoln Ferris, Service Group of America (pro); Bill Givens, Insurance Agents and Brokers of the West (pro); Dan Wolfe, Safeco (pro); Lee Eberle (con); Robby Stern, WA State Labor Council (con).