

SENATE BILL REPORT

SB 5668

As Passed Senate, March 15, 1995

Title: An act relating to sureties for industrial insurance self-insurers.

Brief Description: Revising provisions relating to sureties for industrial insurance self-insurers.

Sponsors: Senators Hale, Wood, Fraser, Pelz, Prince, Newhouse, A. Anderson, Palmer, Franklin, Hargrove, Bauer, Deccio, C. Anderson, Prentice and Winsley.

Brief History:

Committee Activity: Labor, Commerce & Trade: 2/14/95, 2/16/95 [DP].
Passed Senate, 3/15/95, 47-0.

SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

Majority Report: Do pass.

Signed by Senators Pelz, Chair; Heavey, Vice Chair; Deccio, Franklin, Fraser, Hale, Newhouse, Palmer and Wojahn.

Staff: Max Williams (786-7439)

Background: Self-insured employers are required to deposit money, corporate securities, bonds or letters of credit to an escrow account to insure payment of reasonably foreseeable compensation and assessments in case of the employer's default or bankruptcy.

Some bankrupt defaulting self-insurers have filed suit to obtain these sureties for the benefit of third-party creditors.

Summary of Bill: It is clarified that in the event of default, the self-insurer loses all right and title to, any interest in, and any right to control the surety. The Department of Labor and Industries retains the surety of a defaulting self-insurer.

Appropriation: None.

Fiscal Note: Requested on February 1, 1995.

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

Testimony For: This bill will prevent defaulting self-insurers from obtaining their sureties to pay off third party creditors. In the absence of this surety, defaulted claims must be paid out of the insolvency trust fund which is created through assessments made against all self-insurers. This hurts the entire industry. This bill will preserve the integrity of the insolvency trust fund as a final safety net.

Testimony Against: None.

Testified: PRO: Steve Harrington, WA Self-Insurers Assn.; Jody Moran, Dept. of Labor and Industries; Clif Finch, AWB; NEUTRAL: Steve Wehrly, WA Assn. of Insurance Brokers.