

SENATE BILL REPORT

SB 6048

As Passed Senate, March 17, 1999

Title: An act relating to the entrance criteria for retrospective rating groups.

Brief Description: Creating a retrospective rating plan.

Sponsors: Senators Haugen, Hochstatter, Loveland, T. Sheldon, Oke, Goings, Rasmussen and Hale; by request of Department of Labor & Industries.

Brief History:

Boosted to Second Reading, 3/4/99.

Passed Senate, 3/17/99, 46-2. Reconsidered: Passed Senate, 46-2.

Staff: Jack Brummel (786-7428)

Background: The Department of Labor and Industries has adopted rules providing for retrospective adjustment of an employer's industrial insurance premium under a retrospective rating plan. The plan is also available to groups of employers that meet statutory requirements for group insurance including the requirement that the occupations or industries of the employers in the group must be substantially similar. The plan is available on a voluntary basis for a one-year period, beginning in January, April, July, or October, and may be renewed at the end of that year. The plan must be consistent with recognized insurance principles and be administered under rules adopted by the department.

Under retrospective rating, a participating firm's premium is adjusted based on injury claims within the designated period. Claim costs that are lower than expected result in a refund; higher costs result in higher charges. Employers enrolled in the retrospective rating program received \$88 million in refunds in the 12-month period ending in April of 1998. The Attorney General's Office has notified the department that it has not complied with the requirement that the occupations or industries of employers in a group must be substantially similar.

Summary of Bill: The department's retrospective rating plan is statutorily mandated. Participating employers or groups of employers must comply with the department's rules. Retrospective rating groups must exist for some purpose independent of insurance purposes, be composed of employers who are substantially similar in activities, and seek to substantially improve workplace safety, injury prevention, and claims management for members. Insurers and insurance brokers, agents or solicitors may not form or sponsor a retrospective rating group. Employers who were members of mistakenly approved retrospective rating groups may continue in that group. Mistakenly approved groups remain approved and are not subject to certain requirements that apply to other groups.

Groups required by the department to pay additional net premium assessments in two consecutive coverage periods must be placed on probation. A third consecutive additional assessment results in the group being denied future enrollment and the sponsoring entity may not sponsor another group for five years. Each retrospective rating group may be treated as a single entity for purposes of dividends or premium discounts.

Appropriation: None.

Fiscal Note: Not requested.

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