

Self-Insurance Risk Pools for Local Government and Nonprofit Corporations

October 23, 2015

Executive Summary:

The 2015 Legislature passed Senate Bill 5119, which creates a new chapter in chapter in [Title 48 Revised Code of Washington](#) that separates nonprofit joint self-insurance programs (risk pools) from local government (municipal) risk pools.

The updated law triggered the need for rulemaking to align state risk management rules with current law. The Washington Department of Enterprise Services (DES) worked closely with stakeholders throughout the rulemaking process.

The proposed change creates a separate rule chapter for local governments and also a separate rule chapter for nonprofit corporations. Previously, nonprofit organizations and municipal risk pools were covered by [the same chapter of the law](#).

DES held three workshops on the draft rules. All meetings will be held in Olympia at 1500 Jefferson St. in Room 2208. The workshops were held on:

- Thursday, July 9 from 10:30 a.m. to 12:30 p.m.
- Wednesday, July 15 from noon to 2 p.m.
- Wednesday, July 22 from 1:30 to 3:30 p.m.

Rule drafting work was highly participatory and built on progress made through the discussions at each subsequent workshop.

Aside from the new ability for nonprofit corporations to form risk pools with similar entities from other states, the new proposed rules largely reflect the current rule; any other changes will be mainly clarifications, operational streamlining and minor changes to match state law.

After filing proposed rules, DES will held a public hearing for each proposed rule in Eastern Washington and another public hearing for each proposed rule in Western Washington.

The updated law – [Senate Bill 5119](#) – took effect July 24 but did not specify a time frame for adopting new state rules. DES advised current risk pools conduct a business as usual approach until DES adopts the new rules. Nonprofit corporations were informed they may submit applications to change existing risk pools or to form new multi-state risk pools after July 24.

All risk pools affected by this rule were notified of the opportunity to provide input at public hearings to be held on October 6, 2015 in Ellensburg and on October 7, 2015 in Olympia. In addition, stakeholders were notified of the ability to provide input online at DES's website.

Stakeholders in support of the rule amendments said the streamlining and modernization of the rules makes the rules easier to administer. In addition, stakeholders indicated their appreciation for the being involved in the process as active participants

Other comments were minor in nature and concerns are readily clarified without additional rulemaking.

An additional comment was made by a stakeholder that did not participate in the workshops. The stakeholder proposed further amendments. No changes were made to the rule based on these comments.

Recommended agency action:

Under RCW 48.62.061, the State Risk Manager is required to write rules for the management, operation, and solvency of self-insurance programs, including the necessity and frequency of actuarial analyses and claims audits.

We recommend adoption of these proposed rule changes to comply with RCW 48.62.061 and Senate Bill 5119.