

AMENDATORY SECTION (Amending WSR 99-23-107, filed 11/17/99, effective 12/27/99)

WAC 296-15-221 Self insurers' reporting requirements. (1)
What information must self insurers report to the department? Each self insurer must provide the department:

(a) The name, title, address and phone number of the single contact person who is the liaison with the department in all self insurance matters. This contact will be sent all department correspondence and is responsible for forwarding information to appropriate parties for timely action.

(b) A copy of its current policy of applying sick leave, health and welfare benefits or any other compensation in conjunction with, or as a substitute for, time loss benefits.

(2) **When must self insurers notify the department of business status changes?** Self insurers must notify the department in writing:

(a) Immediately, of any plans to:

(i) Cease business entirely or cease business in Washington;
or

(ii) Dispose of controlling financial interest of the original self insurer. The self insurer must surrender its certificate for cancellation if requested by the department.

(b) Within thirty days, of any:

(i) Amendment(s) or modification(s) to the self insurer's articles, charter or agreement of incorporation, association, copartnership or sole proprietorship which will materially change the business identity or structure originally certified.

(A) The department may require additional documentation.

(B) If the self insurer becomes a subsidiary to another firm, the parent must provide the department with its written guarantee on L&I form F207-040-001 to assume responsibility for all workers' compensation liabilities of the subsidiary if the subsidiary defaults on its liabilities. See WAC 296-15-021 for additional information.

(ii) Separation (for example, divestiture or spinoff) of any part of the original self insurer.

(A) The original self insurer remains responsible for claims liability of the separated part up to the date of separation unless the department approves an alternative.

(B) If the separating part wishes to continue being self insured, it must submit an application for self insurance certification (L&I Form F207-001-000) to the department at least thirty days before separation (~~and requested certification~~).

(C) If certification cannot be granted before separation, industrial insurance coverage must be purchased from the state fund

~~((from))~~ effective the date of separation.

(iii) ~~((Relocating, adding or closing))~~ Relocation, addition or closure of physical locations.

(3) **When must self insurers notify the department of administrative changes?** A self insurer must notify the department in writing within ten days, of any change to its:

(a) Single contact person who is the liaison with the department in all self insurance matters. The self insurer must include the contact's title, address and phone number.

(b) Contract with a service organization(~~(=)~~) or third party administrator independent of the self insurer which will participate in the self insurer's responsibilities. The self insurer must submit a copy of the new or updated service contract. See WAC 296-15-021 for additional information.

(c) Administrator of its workers' compensation program, if the self insurer is self administered instead of contracting with a service organization or third party administrator.

(4) **What reports must self insurers submit to the department?** Each self insurer must submit:

(a) Complete and accurate quarterly reports summarizing worker hours and claim costs paid the previous quarter. Self insurers must use a form substantially similar to the preprinted ((SIQTRR)) Quarterly Report for Self-Insured Business, L&I form F207-006-000, form sent by the department. ((Payment is due the 30th day after receiving the preprinted report from the department.)) This report is the basis for determining the administrative, second injury fund, supplemental pension, asbestosis and insolvency trust assessments. Payment is due by the date specified on the preprinted report sent by the department.

(i) ~~((Administrative, second injury fund and insolvency trust assessments are based on a self insurer's total claim costs. Total))~~ Worker hours must be reported as defined in chapter 296-17 WAC General reporting rules, audit and recordkeeping, rates and rating system for Washington workers' compensation insurance.

(ii) Claim costs ((during a quarter)) include, but are not limited to:

(A) Time loss compensation. Include the amount of time loss the worker would have been entitled to if kept on full salary.

(B) Permanent partial disability (PPD) awards.

(C) Medical bills.

(D) Prescriptions.

(E) Medical appliances.

(F) Independent medical examinations and/or consultations.

(G) Loss of earning power.

(H) Travel expenses for treatment or rehabilitation.

(I) Vocational rehabilitation expenses.

(J) Penalties paid to injured workers.

(K) Interest on board orders.

~~((ii) Supplemental pension (SPRF) and asbestosis fund assessments are based on a self insurer's worker hours. Worker hours must be reported as defined in chapter 296-17 WAC General reporting rules, classifications, audit and recordkeeping, rates~~

~~and rating system for Washington workers' compensation insurance.~~

~~Note: Self insurers may request reimbursement quarterly from SPRF as authorized under Title 51 RCW. Use a form substantially similar to L&I form F207-011-000 or F207-011-222, if there is Social Security offset.~~

~~(iii) The administrative assessment covers department administrative costs, including expenses of other department divisions, the University of Washington environmental research facility, the board of industrial insurance appeals and other general administrative costs. The administrative assessment rate is applied to a self insurer's total claim costs.~~

~~(A) The administrative assessment rate is based on the actual costs of the previous fiscal year and the anticipated costs of the upcoming fiscal year. Employers certified after the fiscal year used for calculation will be assessed at a rate that does not include prior fiscal periods.~~

~~(B) Employers no longer self insured must pay an adjusted assessment rate until one year after all self insurance liabilities and responsibilities are terminated.~~

~~(C) The minimum quarterly assessment is twenty five dollars.~~

~~(iv) The second injury fund rate will be based on anticipated second injury fund costs.~~

~~(A) Self insurers' contributions to the second injury fund will be recorded in the self insurers' account, separate from the state fund account.~~

~~(B) The self insurers' second injury fund must maintain a two hundred thousand dollar minimum balance.~~

~~(v) Insolvency trust members (all self insurers except school districts, cities and counties) are also assessed to cover claim payments made by the department on behalf of insolvent self insurers. School districts, cities and counties are exempt from and are not covered by this insolvency trust. Any interest earned on the assessment becomes part of the insolvency trust fund. The insolvency assessment rate is applied to a self insurer's total claim costs. Failure to pay an insolvency trust assessment is grounds for withdrawal of certification. Members who voluntarily surrender certification must continue to pay this assessment for three years after the date of surrender.))~~

~~(b) A complete and accurate annual report of all claim costs paid for each year of liability with an estimate of future claim costs. The self insurer must use a form substantially similar to the Annual Report for Self-Insured Businesses (SIF-7), L&I form F207-007-000. This report is due March 1 ((and is the basis for)) of each year. The department((~~ts~~)) uses this for the annual determination of each self insurer's surety requirement.~~

~~(c) A fully audited financial statement within six months after the end of the self insurer's fiscal year. This report demonstrates the self insurer's continued ability to provide benefits and pay assessments as required. The department will consider a written request for filing time extension.~~

~~(i) This statement must be prepared by a certified public accountant.~~

~~(ii) A self insurer with a parental guarantee may submit the parent's fully audited financial statement if the parent's audited~~

statement includes the financial condition of all subsidiaries, including the self insurer.

(iii) A political subdivision of the state may submit a state auditor's report if it includes the self insurer's audited financial statement. If the state auditor does not audit the self insurer annually, (~~political subdivisions~~) the self insurer must submit financial statements prepared internally for (~~the years between~~) any year a report(~~s~~) by the state auditor is not available.

NEW SECTION

WAC 296-15-223 Self insurance administrative assessment. (1)

The administrative assessment covers the department's administrative costs, including direct and indirect expenses of each department division, the University of Washington environmental research facility, and the board of industrial insurance appeals. The assessment is paid quarterly at the same time a self insurer submits its quarterly report.

(2) The administrative assessment rate is determined annually for each fiscal year. Each self insured employer uses one of three rates:

(a) The base administrative rate is based on the actual costs of the previous fiscal year and the anticipated costs of the upcoming fiscal year. This rate is used by any active self insured employer certified after the fiscal year used for calculation.

(b) The adjusted administrative assessment rate includes the base rate with adjustments for over or under collections from prior periods. This rate is used by any active self insured employer certified during or prior to the fiscal year used for calculation.

(c) Employers who have voluntarily surrendered their self insurance certificate must pay the inactive rate until one year after all self insurance liabilities and responsibilities are terminated. Usually, administrative assessment payments for inactive self insurers can stop after reporting total claims costs of zero dollars for four consecutive quarters. Payments may again be due if any future costs are reported.

(3) The total administrative assessment due each quarter is calculated by multiplying the self insurer's rate by their total claims costs during that quarter.

(4) The minimum quarterly administrative assessment for all self insured employers is twenty-five dollars, unless the self insurer is not required to make payment (see subsection (2)(c) of this section).

NEW SECTION

WAC 296-15-225 Self insurance second injury fund assessment.

(1) The second injury fund assessment is based on anticipated second injury fund costs. The fund is used to relieve employers' costs related to pensions that result from the combined effects of the industrial injury and another prior injury, preferred worker claims, and job modifications. Fifty percent of all self insurers' second injury fund assessment rate is based on the self insurers' estimated expenditures from the second injury fund. The other fifty percent is experience rated based on each self insured employer's actual expenditures from the fund. See RCW 51.44.040 for more information about experience rating. The second injury fund assessment is paid by active and inactive self insurers quarterly at the same time a self insurer submits its quarterly report.

(2) Self insurers' relief from and contributions to the second injury fund will be recorded in an account separate from the state fund account. The self insurers' second injury fund must maintain a two hundred thousand dollar minimum balance.

(3) The second injury fund assessment rate is determined annually for each fiscal year.

(a) Each self insurer uses one of two rates for the fifty percent of the second injury fund assessment rate that is based on total estimated expenditures.

(i) The base second injury fund assessment rate is based on fifty percent of the estimated costs for the coming fiscal year. This rate is used by any self insured employer certified after the fiscal year used for calculation.

(ii) The adjusted second injury fund assessment rate includes the base rate with adjustments for over or under collections from prior periods. This rate is used by any self insured employer certified during or prior to the fiscal year used for calculation. This rate is also used by any self insurer who has voluntarily surrendered its self insurance certificate.

(b) The second fifty percent of the second injury fund assessment is experience rated for each self insurer based on each self insurer's actual use of the second injury fund in the previous three fiscal years.

Note: The department may estimate claims cost data when actual data from an employer has yet to be provided.

Each self insurer's experience rating will be calculated using the following steps:

- | | |
|-------|---|
| (i) | $\frac{\text{A self insurer's total second injury fund expenditures for the previous three fiscal years}}{\text{Total second injury fund expenditures for all self insurers in the previous three fiscal years}}$ |
| (ii) | $\frac{\text{A self insurer's self insured claims costs for the previous three fiscal years}}{\text{Total self insured claims costs for all self insurers in the previous three fiscal years}}$ |
| (iii) | $\frac{[\text{The result of (b)(i) of this subsection}] + [\text{The result of (b)(ii) of this subsection}]}{\text{of this subsection}}$ |

$$(iv) \frac{\text{The result of (b)(iii) of this subsection}}{\text{The result of (b)(ii) of this subsection}} = \text{the self insurer's experience rate}$$

(c) Each self insurer's final combined second injury fund assessment rate is calculated using the following formula:

- (i) 1/2 x [the appropriate base or adjusted rate]
- (ii) [The result of (c)(i) of this subsection] x [the self insurer's experience rate]
- (iii) [The result of (c)(i) of this subsection] + [The result of subsection (c)(ii) of this subsection] = the final combined second injury fund assessment rate.

(4) The total second injury fund assessment due each quarter is calculated by multiplying the self insurer's final combined second injury fund assessment rate by the self insurer's total claims costs during that quarter.

NEW SECTION

WAC 296-15-227 Self insurance insolvency trust fund assessment. (1) The insolvency trust fund assessment is paid by all insolvency trust members to cover claim payments made by the department on behalf of insolvent self insurers. The assessment is paid quarterly at the same time a self insurer submits its quarterly report.

(a) Self insured school districts, cities, and counties are exempt from and are not covered by this insolvency trust. These self insurers are not liable for the insolvency trust fund assessment.

(b) Any interest earned on insolvency trust fund assessments paid by self insurers will be added to the balance of the insolvency trust fund.

(c) Failure to pay an insolvency trust fund assessment is grounds for withdrawal of self insurance certification.

(2) The insolvency trust fund assessment rate is determined annually for each fiscal year.

(3) Insolvency trust members who voluntarily surrender their self insurance certification must continue to pay this assessment for three years after the date of surrender.

(4) The total insolvency trust fund assessment due each quarter is calculated by multiplying the insolvency trust fund assessment rate by an insolvency trust member's total claims costs during that quarter.

NEW SECTION

WAC 296-15-229 Self insurance supplemental pension reimbursement fund (SPRF) and asbestosis fund assessments. (1) The SPRF relieves employers from cost of living increases on benefits paid to workers. The SPRF assessment is paid quarterly at the same time a self insurer submits its quarterly report.

(a) The SPRF rate is determined annually for each calendar year.

(b) The total SPRF assessment due each quarter is calculated by multiplying the SPRF assessment rate by a self insurer's worker hours during that quarter.

(c) One-half of the SPRF assessment may be withheld from employee wages or salaries.

(d) Self insurers may request reimbursement from the SPRF quarterly, as authorized under Title 51 RCW, or they may deduct eligible SPRF reimbursement amounts directly from their quarterly SPRF assessment. If requesting reimbursement from the SPRF quarterly, the self insurer must use a form substantially similar to L&I form F207-011-000 or, if there is Social Security offset, L&I form F207-011-222.

(2) The asbestosis fund provides benefits to workers who have been diagnosed with an industrially related asbestosis condition during the often lengthy process of determining the liable employer. The asbestosis fund assessment is paid quarterly at the same time a self insurer submits its quarterly report.

(a) The asbestosis fund assessment rate is determined annually for each calendar year.

(b) The total asbestosis fund assessment due each quarter is calculated by multiplying the asbestosis fund assessment rate by a self insurer's worker hours during that quarter.

(c) One-half of the asbestosis fund assessment may be withheld from employee wages or salaries.