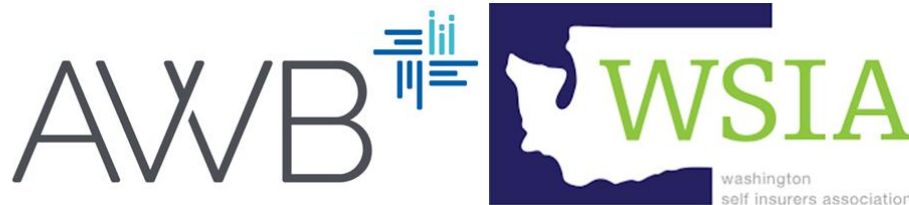


Kris Tefft

From: Kris Tefft
Sent: Wednesday, February 26, 2025 7:24 PM
To: kris.tefft@wsiasn.org
Subject: Please Oppose SB 5463, Workers' Comp/Self-Insurers

Importance: High



Honorable Members of the Washington State Senate:

As the state's leading business, manufacturing, and technology association and the association specifically representing the public, private and non-profit employers who self-insure for workers' compensation, we are writing to express significant opposition to SB 5463, a proposal to expand the "duty of good faith and fair dealing" to private and non-profit self-insured employers. Simply put, this bill would create far-reaching unintended consequences without addressing any substantive issues. The bill was pulled from Rules today (February 26th) and as you go into caucus and potential floor debate on the bill this week, we ask that you consider:

The Bill is Unnecessary

Self-insured employers are already comprehensively regulated by the Department of Labor & Industries (L&I). They are subject to continuous reporting, quarterly and annual program audits, and penalties for violations—including decertification from self-insurance. Claims managers are held to rigorous standards requiring state certification, extensive training, adherence to a Code of Ethics, and continuing education. Third-party administrators (TPAs) are also strictly regulated, licensed, and subject to penalties.

No Tangible Benefits

SB 5463 does not enhance worker benefits, improve workplace safety, or streamline claims administration. Instead, it imposes vague legal standards and excessive penalties that serve only to punish employers anytime there is a difference of opinion over the entitlement or amount of a worker's benefits. The 2023 legislation (HB 1521) this bill expands effectively addressed concerns about municipal employers raised by firefighters. In fact, two of the municipalities at issue in HB 1521 have since voluntarily left self-insurance. Problem solved.

Unintended Consequences

Expansion of the underlying law's "three strikes" provision with this bill would destabilize the financial backing of private self-insured programs. Employers face heightened risks of decertification under unclear standards, which could imperil their legally required financial obligations, jeopardize access to reinsurance and collateral, and destabilize hundreds of millions of dollars in liabilities. The State Fund – whose claims managers already have a nation-leading 230 claims per adjudicator to manage -- is ill-equipped to absorb the claims and benefit costs of decertified self-insurers, creating unnecessary strain on Washington's workers' compensation system.

Heavy Fiscal Impact

The bill's fiscal note indicates \$10 million biennially to implement. Every dollar of that is for legal fees between the Attorney General's Office and Labor & Industries and new administrative FTEs to handle an anticipated 166 percent increase in penalty referrals incentivized by the high penalties of the underlying law. Not a dollar of that goes to supporting or enhancing worker benefits.

Please reject SB 5463.