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Oppose SB 5463: A Costly and Unnecessary Disruption to Washington's Workers' Comp System

As the state's leading business associations and self-insured employers, we strongly oppose SB 5463, which expands the "duty of good faith and fair dealing" to private and non-profit self-insurers, creating significant unintended consequences without addressing substantive issues.

The Bill is Unnecessary

Self-insured employers, covering over 1 million workers, are already strictly regulated by L&I, subject to audits, reporting, and penalties—including decertification. Claims managers require state certification, extensive training, and adherence to a Code of Ethics. No benefit decision is made without L&I authorization, and all decisions are subject to dispute resolution. TPAs are also licensed and regulated. The Department has full authority to act against bad actors under existing laws.

No Tangible Benefits

SB 5463 does not improve worker benefits, safety, or claims administration. Instead, it imposes vague legal standards and excessive penalties for disputes over benefit entitlement or amounts. HB 1521 in 2023 already addressed concerns regarding municipal employers, leading two municipalities to voluntarily leave self-insurance. The vast majority of claims—over 90%—are processed without disputes, and existing informal and formal appeals ensure due process when disagreements arise.

Unintended Consequences

Expanding the "three strikes" provision would destabilize self-insured programs, jeopardizing financial obligations, access to reinsurance, and employer collateral. This financial backing ensures injured workers receive benefits. Additionally, the overloaded State Fund, with a nation-leading 230 claims per adjudicator, cannot absorb decertified self-insurers' claims, straining Washington's workers' compensation system.

Heavy Fiscal Impact

The bill's fiscal note projects **\$10 million per biennium** in legal fees and administrative costs due to a **166% increase in penalty referrals**. Not a single dollar enhances worker benefits.

We urge opposition to SB 5463 to protect an already well-regulated self-insurance system.

