

available state-wide. It is the intent of the legislature to enhance the total child support program in this state by granting the office of support enforcement administrative powers and flexibility. If the exercise of this authority is used to supplant or replace the role of the prosecuting attorneys for reasons other than economy or federal compliance, the Washington association of prosecuting attorneys shall report to the committees on judiciary of the senate and house of representatives.

Passed the House April 23, 1985.

Passed the Senate April 18, 1985.

Approved by the Governor May 13, 1985.

Filed in Office of Secretary of State May 13, 1985.

## CHAPTER 277

[Substitute House Bill No. 84]

### SCHOOL DISTRICTS AND EDUCATIONAL SERVICE DISTRICTS—SELF-FUNDING OF EMPLOYEE LOSS OF TIME AND HEALTH BENEFIT PLANS

AN ACT Relating to local government insurance; amending RCW 48.62.010, 48.62.030, 48.62.070, 48.62.080, 48.62.100, 48.62.110, 28A.58.420, and 48.01.050; adding a new section to chapter 48.62 RCW; and creating a new section.

Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 1, chapter 256, Laws of 1979 ex. sess. and RCW 48.62.010 are each amended to read as follows:

The legislature finds that local governmental entities in this state are experiencing a trend of vastly increased insurance premiums for the renewal of identical insurance policies, that fewer insurance carriers are willing to provide local governmental entities with insurance coverage, and that some local governmental entities are unable to obtain desired insurance coverage.

It is the intent of this legislation to clearly provide for the authority of local governmental entities to individually self-insure, self-fund under section 3 of this 1985 act, purchase individual insurance coverage, and obtain risk management, claims, and administrative services. It is also the intent of this legislation to grant local governmental entities the maximum flexibility to enter into agreements with each other to provide joint programs, which include programs for joint self-funding under section 3 of this 1985 act, the joint purchasing of insurance, joint self-insuring, and joint contracting for or hiring personnel to provide risk management, claims, and administrative services.

Sec. 2. Section 3, chapter 256, Laws of 1979 ex. sess. as amended by section 17, chapter 59, Laws of 1983 and RCW 48.62.030 are each amended to read as follows:

The governing body of any local governmental entity may, as an alternative or in addition to the establishment of a self-funded plan, a self-insurance reserve, or the purchasing of insurance, contract for or hire

personnel to provide risk management, claims, and administrative services. Moneys made available and moneys expended by school districts and educational service districts for the purpose of implementing any provision of RCW 48.62.010 through 48.62.120 or RCW 36.16.138 shall be subject to such rules of the superintendent of public instruction as the superintendent may adopt governing the budgeting and accounting of such plan or reserves.

NEW SECTION. Sec. 3. A new section is added to chapter 48.62 RCW to read as follows:

(1) School districts and educational service districts may, either individually or in combination with other such districts, self-fund their employees' loss of time and health benefit plans if (1) the plans, their manner of operation, and the managers meet standards established by the superintendent of public instruction; and (2) the plan is fully covered by an excess loss insurance policy issued by an insurer which has a certificate authorizing it to provide insurance in this state. Self-funded plans shall also comply with the mandatory coverage provisions of chapter 48.44 RCW. Claims under such plans shall be administered by competent, disinterested third parties acting independently of all school districts and their personnel. Such a plan or any trust established thereunder shall not be deemed to be an insurance company and shall not be deemed to be engaged in the business of insurance for purposes of the insurance code.

(2) Any plan authorized by this section is not subject to chapter 48.42 RCW and shall be subject to audit by the state auditor.

Sec. 4. Section 7, chapter 256, Laws of 1979 ex. sess. and RCW 48.62.070 are each amended to read as follows:

The assets of any organization of local governmental entities that is organized under RCW 48.62.040 or section 3 of this 1985 act which is established for the purpose of jointly self-funding or self-insuring may, pursuant to RCW 48.62.080, be invested only in the following classes of securities and investments:

(1) Savings or time accounts in banks, trust companies, and mutual savings banks which are doing business in this state, up to the amount of insurance afforded such accounts by the federal deposit insurance corporation;

(2) Accounts in savings and loan associations which are doing business in this state, up to the amount of insurance afforded such accounts by the federal savings and loan insurance corporation;

(3) Investment deposits in banks, trust companies, mutual savings banks, and savings and loan associations, which are doing business in this state, available for investment and secured by collateral in accordance with the provisions of chapter 39.58 RCW;

(4) Certificates, notes, bonds, or other obligations or securities of the United States or any of its agencies, or of any corporation wholly owned by the government of the United States;

(5) Federal home loan bank notes and bonds, federal land bank bonds, and federal national mortgage association notes, debentures, and guaranteed certificates of participation, or the obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system;

(6) Direct and general obligation bonds and warrants of the state of Washington or any other state of the United States;

(7) Direct and general obligation bonds and warrants of any local governmental entity of this state having the power to levy general taxes which are payable from general ad valorem taxes;

(8) Revenue bonds of this state or any authority, board, commission, committee, or similar agency thereof;

(9) Motor vehicle fund warrants when authorized by agreement between the state finance committee and the state transportation commission requiring repayment of invested funds from any moneys in the motor vehicle fund available for state highway construction; and

(10) Bonds, securities, and obligations which are designated to be authorized security for all public deposits pursuant to RCW 35.58.510, 35.81.110, 35.82.220, 39.60.030, 39.60.040, and 54.24.120.

Sec. 5. Section 8, chapter 256, Laws of 1979 ex. sess. and RCW 48.62.080 are each amended to read as follows:

(1) Any organization of local governmental entities that is organized under RCW 48.62.040 which is established for the purpose of jointly self-insuring may invest all or a portion of its assets by one or more of the following methods:

~~((1))~~ (a) Directly invest such assets itself; or

~~((2))~~ (b) Deposit such assets with the treasurer of any county within whose territorial limits any of its member local governmental entities lies, to be invested by such treasurer for the organization.

(2) Any organization of school districts or educational service districts that is organized under section 3 of this 1985 act which is established for the purpose of jointly self-funding may invest all or a portion of its assets by depositing such assets with the treasurer of any county within whose territorial limits any of its member districts lies, to be invested by such treasurer for the organization.

Sec. 6. Section 10, chapter 256, Laws of 1979 ex. sess. and RCW 48.62.100 are each amended to read as follows:

Any organization of local governmental entities that is organized under RCW 48.62.040 or section 3 of this 1985 act shall have the flexibility to perform its functions and at its option may, if such functions and actions are within its purview as established by the agreement or contract adopted pursuant to chapter 39.34 RCW that lists the powers and functions of the organization, do any of the following:

(1) Contract or otherwise provide for risk management and loss control services;

(2) Contract or otherwise provide legal counsel for the defense of claims and/or other legal services;

(3) Consult with the state insurance commissioner and/or the state risk manager;

(4) Jointly purchase insurance coverage in such form and amount as the organization's participants may by contract agree; and

(5) Possess any other powers and perform all other functions reasonably necessary to carry out the purposes of this chapter.

Sec. 7. Section 11, chapter 256, Laws of 1979 ex. sess. and RCW 48-.62.110 are each amended to read as follows:

Any organization of local governmental entities that is organized under RCW 48.62.040 or section 3 of this 1985 act may provide for private meetings to consider litigation and settlement of claims when it appears that public discussion of these matters would impair the organization's ability to conduct its business effectively.

Notwithstanding any provision to the contrary contained in the public disclosure act, chapter 42.17 RCW, in a claim or action against the state or any local governmental entity, no person shall be entitled to discover that portion of funds or liability reserve established for purposes of satisfying a claim or cause of action, except that the reserve is discoverable in any supplemental or ancillary proceeding to enforce a judgment.

Sec. 8. Section 28A.58.420, chapter 223, Laws of 1969 ex. sess. as last amended by section 1, chapter 255, Laws of 1977 ex. sess. and RCW 28A-.58.420 are each amended to read as follows:

(1) The board of directors of any of the state's school districts may make available liability, life, health, health care, accident, disability and salary protection or insurance or any one of, or a combination of the enumerated types of insurance, or any other type of insurance or protection, for the members of the boards of directors, the students, and employees of the school district, and their dependents. Such coverage may be provided by contracts with private carriers, self-insurance, or self-funding pursuant to chapter 48.62 RCW, or in any other manner authorized by law.

(2) Whenever funds shall be available for these purposes the board of directors of the school district may contribute all or a part of the cost of such protection or insurance for the employees of their respective school districts and their dependents. The premiums on such liability insurance shall be borne by the school district. The premiums due on such protection or insurance shall be borne by the assenting school board member or student: PROVIDED, That the school district may contribute all or part of the costs, including the premiums, of life, health, health care, accident or disability insurance which shall be offered to all students participating in interschool activities on the behalf of or as representative of their school or

school district. All contracts for insurance or protection written to take advantage of the provisions of this section shall provide that the beneficiaries of such contracts may utilize on an equal participation basis the services of those practitioners licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57 and 18.71 RCW.

Sec. 9. Section .01.05, chapter 79, Laws of 1947 as last amended by section 13, chapter 256, Laws of 1979 ex. sess. and RCW 48.01.050 are each amended to read as follows:

"Insurer" as used in this code includes every person engaged in the business of making contracts of insurance, other than a fraternal benefit society. A reciprocal or interinsurance exchange is an "insurer" as used in this code. Two or more hospitals, as defined in RCW 70.39.020(3), which join and organize as a mutual corporation pursuant to chapter 24.06 RCW for the purpose of insuring or self-insuring against liability claims, including medical liability, through a contributing trust fund shall not be deemed an "insurer" under this code. Two or more local governmental entities, as defined in RCW 48.62.020, which pursuant to RCW 48.62.040, section 3 of this 1985 act, or any other provision of law join together and organize to form an organization for the purpose of jointly self-insuring or self-funding shall not be deemed an "insurer" under this code.

NEW SECTION. Sec. 10. This act applies retrospectively to group self-funded plans formed on or after January 1, 1983.

Passed the House March 19, 1985.

Passed the Senate April 18, 1985.

Approved by the Governor May 13, 1985.

Filed in Office of Secretary of State May 13, 1985.

---

## CHAPTER 278

[Substitute Senate Bill No. 3332]

### SCHOOL DISTRICTS AND EDUCATIONAL SERVICE DISTRICTS—JOINT SELF-INSURANCE—AUTHORITY MODIFIED

AN ACT Relating to local school district and educational service district insurance transactions; and amending RCW 48.62.040.

Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 4, chapter 256, Laws of 1979 ex. sess. and RCW 48.62.040 are each amended to read as follows:

(1) Except as provided in subsection (2) of this section, the governing body of any one or more local governmental entities may, as an alternative or in addition to exercising any one or more of the powers granted in RCW 48.62.030 and 36.16.138, as now or hereafter amended, or any other provision of law, form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or