

FINANCIAL SERVICES ADMIN

Self-Insurance Premium Reduction



2016 SUPPLEMENTAL BUDGET

Request	FY16	FY17	15-17
FTE	0.0	0.0	0.0
GF-State	\$0	\$(329,000)	\$(329,000)
Total	\$0	\$(400,000)	\$(400,000)

DECISION PACKAGE SUMMARY

Washington State’s Risk Officer suggests that DSHS could save \$400,000 in premium costs, if DSHS limits its Self-Insurance Liability coverage to events that happened back to 7/1/2004, and give up coverage for the years 7/1/1990 to 6/30/2004. However, if DSHS were to do so, Children’s Administration would still be responsible for paying tort claim lawsuit payouts for periods prior to July 1, 2004 from its operating budget **unless legislation were enacted limiting the period by which victims of child sex abuse could file tort claims.** Consequently, this Decision Package is a companion to request legislation (Z-0549.1).

PROBLEM STATEMENT

Because the law with respect to sexual abuse of child victims now permits claims when claimants connect abuse to harm, DSHS is exposed to unknown claims for a very long period of time. Until there is a change in legislation, it may not be advisable to make this change to the excess insurance policy. The following is a summary of the proposed change:

Expiring premium:	\$4,750,000
Renewal premium:	\$4,700,000
Renewal premium option*:	\$4,300,000

* This option involves moving the retro date forward from 7-1-1990 to 7-1-2004. So, bad things that happened between 7-1-1990 and 6-30-2004, that result in claims in the future would not be covered. Note that the limit for the period 7-1-1990 to 7-1-2004 is \$25M, not \$40M. That’s because the state did not raise the policy limits to \$40M until 7-1-2004.

PROPOSED SOLUTION

Propose the Legislation establishing a finite timeframe from which victims of child sex abuse could file a tort claim/lawsuit (within 10 years of reaching the age of maturity; i.e. age 28). If accepted, the department would renew at the lower premium of \$4,300,000, which includes a savings of \$400,000.

EXPECTED RESULTS

In the near-term, the department would save \$400,000 in premium options. In the long-term, if the legislation passed, the payouts (and premium impact) would be reduced because there would be a 10-limit on the time period that injured parties could file tort claims/lawsuits.

STAKEHOLDER IMPACT



DSHS VISION

People are healthy • People are safe • People are supported • Taxpayer resources are guarded

DSHS MISSION

To transform lives

DSHS VALUES

Honesty and Integrity • Pursuit of Excellence • Open Communication • Diversity and Inclusion • Commitment to Service

The Washington Association of Justice would likely oppose the proposal, while the Department of Enterprise Services Risk Management supports the proposal.