
HOUSE BILL 2371

State of Washington

62nd Legislature

2012 Regular Session

By Representatives Pearson, Kelley, Haler, Warnick, and McCune

Read first time 01/12/12. Referred to Committee on State Government & Tribal Affairs.

1 AN ACT Relating to improving state agency risk management
2 practices; amending RCW 43.19.760 and 43.19.781; adding a new section
3 to chapter 4.92 RCW; and adding a new section to chapter 43.10 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 43.19.760 and 1985 c 188 s 2 are each amended to read
6 as follows:

7 It is the policy of the state for the management of risks to which
8 it is exposed to apply the following principles consistently in a state
9 program of risk management:

10 (1) To identify those liability and property risks which may have
11 a significant economic impact on the state;

12 (2) To identify trends and developments in individual agencies'
13 risks and liabilities in order to minimize the state's fiscal exposure;

14 (3) To evaluate risk in terms of the state's ability to fund
15 potential loss rather than the ability of an individual agency to fund
16 potential loss;

17 ((+3)) (4) To eliminate or improve conditions and practices which
18 contribute to loss whenever practical;

19 ((+4)) (5) To assume risks to the maximum extent practical;

1 ~~((+5))~~ (6) To provide flexibility within the state program to meet
2 the unique requirements of any state agency for insurance coverage or
3 service;

4 ~~((+6))~~ (7) To purchase commercial insurance:

5 (a) When the size and nature of the potential loss make it in the
6 best interest of the state to purchase commercial insurance; or

7 (b) When the fiduciary of encumbered property insists on commercial
8 insurance; or

9 (c) When the interest protected is not a state interest and an
10 insurance company is desirable as an intermediary; or

11 (d) When services provided by an insurance company are considered
12 necessary; or

13 (e) When services or coverages provided by an insurance company are
14 cost-effective; or

15 (f) When otherwise required by statute; and

16 ~~((+7))~~ (8) To develop plans for the management and protection of
17 the revenues and assets of the state.

18 NEW SECTION. **Sec. 2.** A new section is added to chapter 4.92 RCW
19 to read as follows:

20 (1) The risk management review process is established. The purpose
21 of the risk management review process is to evaluate claims information
22 of state agencies with relatively high claim payments in order to
23 identify claim trends and patterns, and opportunities for corrective
24 action.

25 (2) If in any fiscal year payments from the liability account under
26 RCW 4.92.130 attributable to any single state agency exceed one million
27 dollars, exclusive of defense costs, then by December 31st of the
28 following fiscal year a risk management review team shall conduct a
29 risk management review of that agency and prepare a report as required
30 by this section. For purposes of this section, "state agency" means
31 "state agency" as defined in RCW 43.19.763.

32 (3) The risk management review team for an agency consists of:

33 (a) The agency head, or his or her designee;

34 (b) The agency risk manager;

35 (c) The director of the office of financial management's risk
36 management division, or his or her designee; and

1 (d) An assistant attorney general designated by the office of the
2 attorney general.

3 (4) In conducting the risk management review, the risk management
4 team must analyze factors that resulted in indemnity payments
5 attributable to the agency. The analysis must include, but is not
6 limited to:

7 (a) A review of data on agency claims and payments from the
8 liability account as prepared by the risk management division and the
9 agency;

10 (b) Identification of patterns and trends in the claims that
11 resulted in indemnity payments attributable to the agency;

12 (c) Analysis of the extent to which the actions of third parties
13 resulted in indemnity payments attributable to the agency;

14 (d) Analysis of the role of agency rules and policies in the
15 agency's liability, and determining whether these rules and policies,
16 or the absence thereof, affects risks that resulted in indemnity
17 payments;

18 (e) Evaluation of the role of statutory and common law in
19 establishing the risks that resulted in indemnity payments;

20 (f) Where certain activities are identified as posing particular
21 risks, evaluation of the benefit of providing the service to the public
22 in light of the risk posed to state resources and to the public; and

23 (g) Identification of a risk management action plan. The action
24 plan must identify (i) tangible, discrete actions to be taken to reduce
25 liability resulting from the identified risks; and (ii) any barriers to
26 these actions. The plan must include actions that may be taken within
27 the agency's existing resources and statutory authority, and it may
28 include actions that require additional resources or changes to
29 statutory authority.

30 (5) The risk management review team shall prepare a report
31 summarizing the risk team's analyses and risk management action plan as
32 required in subsection (4) of this section, along with any other
33 relevant information, analysis, or recommendations. The report must be
34 filed with the office of financial management's risk management
35 division, the attorney general, and the appropriate policy and fiscal
36 committees of the legislature by the following March 1st.

37 (6) Documents prepared during the course of a risk management

1 review are subject to the same restrictions on disclosure and
2 admissibility as are final reports of a loss prevention review team
3 under RCW 43.41.380.

4 **Sec. 3.** RCW 43.19.781 and 1989 c 419 s 6 are each amended to read
5 as follows:

6 (1) The office of risk management shall establish a coordinated
7 safety and loss control program to reduce liability exposure, safeguard
8 state assets, and reduce costs associated with state liability and
9 property losses.

10 (2) State agencies shall provide top management support and
11 commitment to safety and loss control, and develop awareness through
12 education, training, and information sharing.

13 (3) The office of risk management shall develop and maintain
14 centralized loss history information for the purpose of identifying and
15 analyzing risk exposures. Loss history information shall be privileged
16 and confidential and reported only to appropriate agencies.

17 (4) The office of risk management shall develop methods of
18 statistically monitoring agency and statewide effectiveness in
19 controlling losses.

20 (5) The office of risk management will routinely review agency loss
21 control programs as appropriate to suggest improvements, and observe
22 and recognize successful safety policies and procedures.

23 (6) The office of risk management shall provide direct assistance
24 to smaller state agencies in technical aspects of proper safety and
25 loss control procedures, upon request.

26 (7) The office of risk management shall participate in and provide
27 data and administrative support for risk management reviews conducted
28 by risk management review teams as provided in section 2 of this act.

29 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.10 RCW
30 to read as follows:

31 The office of the attorney general shall designate assistant
32 attorneys general to participate in risk management reviews as provided
33 in section 2 of this act.

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