

# Industrial Insurance

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**RCW** Chapters 51.12 and 51.16

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**Tax Base** Most employers in Washington must carry no-fault industrial insurance for employees, known as workers' compensation. The state bases the premium on the number of hours worked by employees.

Tax exemptions may exempt certain employers from the tax or reduce the taxes. For more information, refer to Chapters 51.12 and 51.16 RCW.

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**Tax Rate** The state intends for the premium rate to reflect the costs the state expects a business to add to the workers' compensation system. The state bases this on:

- Risk classification.
- Base rates.
- Experience factor.

The state calculates the premium rate by:

1. Multiplying a business' experience factor by the sum of the Accident Fund, Medical Aid Fund, and Stay at Work base rates.
2. Adding the base rate for the Supplemental Pension Fund.

### Risk Classification

The state classifies each business according to the degree of hazard associated with its occupation or industry. Over 300 risk classifications exist. A business may have more than one risk classification if it meets certain criteria.

### Experience Factor

The experience factor is a prediction of how a business' future claim costs compare to its risk classification. The experience factor adjusts the base rates by comparing a business' experience with all businesses in the same risk class.

### Base rates

Base rates vary by risk classification. The four base rates include:

- Accident Fund: Pays for injured workers' wage replacement, permanent disability or death benefits, and some vocational retraining.
- Medical Aid Fund: Pays for healthcare and private vocational counselors for covered services provided to injured workers.

# Industrial Insurance

- Stay at Work: Partially reimburses employers for wages, training, and equipment costs provided under light duty or transitional work for injured workers.
- Supplemental Pension Fund: Pays COLAs on extended wage replacement benefits. This base rate is the same for all businesses regardless of risk classification.

Employers pay (after adjusting for experience factor):

- 100% of the Accident Fund.
- 50% of the Medical Aid Fund.
- 50% of Stay at Work.
- 50% of the Supplemental Pension Fund.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2021	\$2,445,313	-7.2%	8.2%
2020	\$2,635,304	0.3%	9.8%
2019	\$2,627,669	-3.5%	10.2%
2018	\$2,723,488	3.2%	11.4%
2017	\$2,638,150	7.9%	12.0%
2016	\$2,444,264	5.3%	12.0%
2015	\$2,321,211	7.4%	12.4%
2014	\$2,160,494	3.1%	12.1%
2013	\$2,094,760	4.1%	12.3%
2012	\$2,011,360	8.6%	12.4%

Source: Washington State Department of Labor and Industries

**Distribution of Receipts**

The Washington State Industrial Insurance Fund receives all the receipts. The receipts pay for:

- Medical treatment, partial wage replacement, and other industrial insurance benefits to employees injured on the job.
- Operational and administrative expenses of the Department of Labor and Industries.

The State Investment Board invests unspent funds.

**Levied by**

State

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**Administration** Department of Labor and Industries

Employers receive an annual rate notice summarizing insurance coverage beginning in January.

Each employer files quarterly reports and premium payments based on its industry and workers' hours.

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- History**
- 2011 Added changes to help prevent large rate increases in the future, including the Stay at Work Program, structured settlement agreements, and a rainy-day fund.
  - 1972 Extended mandatory coverage from only extra-hazardous industries to include non-hazardous industries.
  - 1972 Allowed firms with substantial financial resources and effective accident prevent programs to self-insure.
  - 1911 Established the industrial insurance program.
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