

# Industrial Insurance

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RCW 51.16.035

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**Tax Base** The majority of employers covered under the state of Washington Industrial Insurance Fund pay premiums (taxes) based on the number of hours worked by their employees.

Tax exemptions may reduce the tax liability for this tax base. For more information, refer to RCW's 51.16.210, 51.16.230, and 51.16.242.

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**Tax Rate** The insurance premium is intended to reflect the costs that a business is expected to add to the workers' compensation system. Premiums are calculated based on the hours worked by employees each quarter.

Each business is placed in a risk class based on the degree of hazard associated with the occupation.

Five factors create the insurance premium rates within each class:

- Base rates: The same base rates are used by all employers within a particular risk class. There are four base rates:
  - Accident Fund: Provides for wage replacement, permanent disability and death benefits, as well as certain vocational rehabilitation benefits for injured workers.
  - Medical Aid Fund: Provides for medical care and vocational rehabilitation counselor services for injured workers.
  - Stay at Work Fund: Provides partial reimbursement for wages, training, and equipment to employers who provide light duty or transitional work for injured workers.
  - Supplemental Pension Fund: Provides for cost of living adjustments for injured workers receiving extended wage replacement benefits, which is the same rate for all classes.
- Experience Rating
  - Predicts how much better or worse a business's claim costs are likely to be in the future compared to the benchmark for the particular class.
- Insurance Premium Rate
  - Calculated as the business experience modification factor x (class accident fund base rate + Class medical Aid fund base rate + class stay at work base rate + supplemental pension fund base rate).

Rates vary greatly based on risk class. There are approximately 324 risk classes and different experience ratings for each business within the risk

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class. Exclusive of the experience ratings, premiums can range from seven cents per hour worked to twenty three dollars per hour worked based on the risk class.

Workers pay half of the medical aid fund rate + half of the stay at work rate + half of the supplemental pension fund rate – after modified with the experience rating. On average, workers pay about 25% of the total premium while the employer pays the remaining 75%.

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### Recent Collections (\$000)

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$2,723,488	3.2%	12.9%
2017	\$2,638,150	7.9%	13.7%
2016	\$2,444,264	5.3%	13.5%
2015	\$2,321,211	7.4%	13.8%
2014	\$2,160,494	3.1%	13.5%
2013	\$2,094,760	4.1%	13.7%
2012	\$2,011,360	8.6%	13.9%
2011	\$1,852,783	8.0%	13.0%
2010	\$1,714,749	-6.9%	12.8%
2009	\$1,841,914	26.8%	12.0%

Source: Washington State Department of Labor and Industries

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### Distribution of Receipts

All industrial insurance premiums are collected and eventually paid as benefits or administrative expenses by the Washington State Fund, which is managed by the Department of Labor and Industries. This fund provides:

- Industrial insurance benefits to employees who are injured on the job.
- Compensation that includes medical expenses, time-loss payments for persons who are unable to work because of an industrial accident, vocational rehabilitation and retraining if the injured worker is unable to continue in the same occupation, and pension benefits for persons who are permanently and totally disabled as a result of the accident.

If these funds are not immediately spent, they are invested by the State Investment Board.

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**Administration** Department of Labor and Industries.

Employers receive an annual rate notice which identifies the risk classes assigned to them, their experience modification factor, and their base rate charged per hour for each class. Employers file a quarterly report indicating their total worker hours per risk class. The worker-hours are multiplied by the experience modification factor and the base rate to determine the firm's industrial insurance premium obligation. The report and the premium payment are due by the end of the month following the close of the calendar quarter, for the calendar quarter.

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**History**

2011 Legislation made many 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 Legislation extended mandatory coverage from only extra-hazardous industries to include non-hazardous industries.

1972 Self-insurance was allowed for firms that have substantial financial resources and effective accident prevent programs.

1911 The industrial insurance program is established.

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