



# LOVSTED ~ WORTHINGTON

Insurance • Surety Bonding • Risk Management

October 27, 2010

## Lovsted Worthington's Thoughts on Initiative 1082

As an insurance broker, we have been asked a lot of questions concerning Initiative 1082 on the November ballot, which concerns workers compensation insurance in Washington. We are admittedly biased – if passed, Initiative 1082 will allow insurance brokers to sell workers compensation coverage for private insurers. For us, this is like a storekeeper adding a new product to his store – if the product sells well; it represents a new source of revenue from which we may benefit.

Initiative 1082 is largely about choice – should employers be given the option to purchase this coverage outside of buying it from the state? Currently, employers in Washington have no other options (outside of self insurance) – private coverage is not permitted – however in 46 other states, it is allowed. If private carriers can come in and compete effectively with the state, should they be allowed to?

Proponents cite statistics that suggest the state is doing a poor job of running this line of insurance. Washington's overall costs have consistently gone up, while claim frequency has declined, and claim benefits are among the highest in the nation. The State Auditor's office released a report that indicates that without major rate increases, the state's accident fund may become insolvent in a few short years. There is good capacity for the coverage in the private sector, with hundreds of insurers actively competing in the marketplace which has driven the cost of the coverage down.

Opponents suggest that if private insurers are allowed to compete, it will undermine the integrity of the state's system even further. They suggest that benefits will be cut and workers will not receive adequate compensation. The initiative actually maintains the existing benefit levels, but would allow private insurers to manage the claims, which could have the effect of shortening the amount of time loss coverage for some injuries.

While admittedly biased, we believe that this coverage is available and competitive in the free market, and that Washington businesses would benefit from the competition. We strive to provide insurance alternatives and options to our clients of all types, and a government monopoly on workers compensation coverage makes this impossible. Employers are like any other consumers, looking for the best available options – what consumer doesn't want a few alternatives to choose from?

If the state proves to be a well managed competitor, they will retain their position in the market; this has happened in other states that have opened up to private competition. Private carriers may offer alternatives that may give employers options they didn't have from both a price and service standpoint and have capacity to provide it in the marketplace on a competitive level. Worker benefits remain prescribed by the state and regulated by the Insurance Commissioner. Overall, it makes Washington a better place to locate a business, and provides employers, both large and small, more options.

While these represent our management thoughts, each voter is granted the right to make their own decisions; it's the American Way. So please, exercise your rights this election and vote for the option you feel is best.

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