



## NEWS RELEASE

January 6, 2010  
FOR IMMEDIATE RELEASE

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### **AUDIT MAKES CASE FOR WORKERS' COMP REFORM**

OLYMPIA—A legislatively mandated audit by State Auditor Brian Sonntag has revealed the workers' compensation system run by the state Department of Labor & Industries is likely headed for collapse.

The audit's findings reinforce BIAW and the business community's urgent call to reform the state's broken workers' compensation system.

According to the audit, the state's workers' comp system has a 90% chance of becoming insolvent within the next five years. The system has been so mismanaged and is so far in the hole that a 33% increase in workers' comp taxes is necessary next year to keep it solvent. Washington's workers' comp taxes have already increased 53.8% over the past ten years.

“Based on the state's audit, it is not a question of if, but when, the workers' comp system will run out of money,” said BIAW Deputy Legislative Policy Director Amy Brackenbury. “BIAW and the business community have been sounding the alarm for years, warning the bloated and inefficient workers' comp system cannot be sustained given L&I's failure to curb the spiraling costs of injured worker claims and their desperate attempts to mask the problem by artificially suppressing workers' comp taxes in recent years,” said Brackenbury. “The chickens are coming home to roost, and employers will, at some point in the near future, face staggering rate increases to pay for L&I's mismanagement,” she said. “Now is the time to reform the system.”

BIAW will lobby to pass legislation in the upcoming Legislative Session to end L&I's monopoly by allowing private competition in the workers' comp system as 46 other states do. Washington is one of only four states with a government monopoly on workers' comp that forbids private competitors from offering industrial insurance coverage to employers—Washington's employers are forced to pay L&I for industrial insurance coverage and to manage injured worker claims.

The result has been a system rife with waste and inefficiency. Employers pay taxes that are among the highest in the nation, despite drastically improving workplace safety—injured worker claims have dropped 55% since 1990. While the number of claims has decreased, the length of those claims has increased. In Washington, the average injured worker misses 270 days of work, three times the national average. And if an injured worker's claim hasn't been closed after two years they have a 50-50 chance of never returning to work, rather awarded a life-long pension.

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If the legislature fails to pass legislation privatizing the workers' comp system, BIAW is preparing to support an initiative bringing Washington in line with 46 other states in allowing private insurance companies to compete with L&I to sell employers workers' comp insurance.

“Allowing competition is the fix our state’s workers’ comp system needs,” said Brackenbury. “Other states that have switched from a state monopoly to privatization have all reaped significant rewards in the form of lower workers’ comp costs for employers and more efficient claims management for workers,” she said. “Washington employers and workers deserve those same rewards.”

*Known as the “champion of affordable housing,” the Building Industry Association of Washington is the largest trade association in Washington State, representing over 300,000 families and 11,500 member companies involved in the homebuilding business.*

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