

SENATE BILL REPORT

SB 5957

As Passed Senate, March 8, 2005

Title: An act relating to escrow accounts required of self-funded multiple employer welfare arrangements.

Brief Description: Changing the terms for the escrow accounts required of self-funded multiple employer welfare arrangements.

Sponsors: Senators Fairley, Benton and Brown.

Brief History:

Committee Activity: Financial Institutions, Housing & Consumer Protection: 2/23/05 [DP].
Passed Senate: 3/8/05, 47-1.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Delvin, Franklin, Keiser, Prentice and Schmidt.

Staff: Joanne Conrad (786-7472)

Background: A "Multiple Employer Welfare Arrangement" (MEWA) is a group insurance purchasing arrangement defined by the federal Employee Retirement Income Security Act of 1974 (ERISA). MEWAs generally allow employers to offer employee benefits at lower cost. Although ERISA usually preempts state attempts to regulate these types of benefits, in the case of MEWAs, states can set standards.

In 2004, Washington State joined approximately 40 other states, by enacting a MEWA law. The law created a regulatory scheme, giving the Office of the Insurance Commissioner (OIC) oversight of MEWAs. Currently, one MEWA has been certified in Washington State, one more has submitted an application, and two are in the process of preparation.

An issue, which was foreseen in last year's law, is that the U.S. Department of Labor or a federal court must decide the legality of imposing state premium taxes on MEWAs. The MEWA Act required MEWAs to pay into an escrow account, in anticipation of the outcome of the tax ruling. If the taxes are determined to be owed, the state will get the escrow funds, if not, they will be returned to the MEWA. Currently, the one existing MEWA must begin paying into the escrow account on March 1, 2005.

Summary of Bill: Beginning either upon the certification of the fourth MEWA by the OIC, or April 1, 2006, whichever is earlier, MEWAs must deposit state premium taxes and assessments into an interest bearing escrow account. Upon final determination that the taxes are not preempted by ERISA, the funds would be transferred to the State Treasurer.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Emergency clause. Bill takes effect immediately upon passage.

Testimony For: This bill is needed, in order to prevent the inequity of requiring just one of four MEWAs to pay into the escrow account this year.

Testimony Against: None.

Who Testified: PRO: Lisa Thatcher, Timber Products Manufacturing Assn.

CON: No one.