

# HOUSE BILL REPORT

## HB 1721

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As Reported By House Committee On:  
Financial Institutions & Insurance

**Title:** An act relating to jointly administered health and welfare benefits trusts.

**Brief Description:** Authorizing jointly administered health and welfare benefits trusts for local government employees.

**Sponsors:** Representatives R. Meyers, Dorn, Zellinsky, Wang, Reams, G. Fisher, H. Myers and Mielke.

**Brief History:**

Reported by House Committee on:  
Financial Institutions & Insurance, March 3, 1993, DPS.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Dorn; Grant; R. Johnson; Kessler; Kremen; Lemmon; R. Meyers; Reams; Schmidt; and Tate.

**Staff:** John Conniff (786-7119).

**Background:** In 1991, the Legislature overhauled the statute governing local government self-insurance programs. All local government entities were authorized to self-insure property and liability risks and employee health and welfare benefits only as permitted under the new act. The state risk manager was granted regulatory jurisdiction over such programs.

Under the new act, the state risk manager must either approve or disapprove a plan to create self-insurance programs providing employee health and welfare benefits. The state risk manager must also approve or disapprove any change to the initial plan.

The state risk manager may order any approved program to cease and desist any act or practice in violation of the act or threatening the solvency of the program. If the program

fails to comply with the order, the risk manager must notify the state auditor and the attorney general of the violation.

Under the new act, local governments must have complete control over any joint self-insurance program. Investment of program funds must comply with statutes governing the investment of by the local government entity creating or participating in the program.

**Summary of Substitute Bill:** Local government self-insurance programs established as trusts for employee health and welfare benefits may share controlling authority with employees if the local government maintains at least half the voting interests, if no more than one non-employee union representative has a voting right, and if the trust agreement contains provisions for breaking any voting deadlocks.

A local government self-insured trust plan must contain a provision that trust funds be expended only for purposes of the trust, consistent with statutes and rules governing the local government creating the trust.

Local government self-insurance programs that have been created as employee trusts must comply with state laws governing local government self-insurance programs within 180 days from the effective date of the act unless the state risk manager extends the compliance deadline for 90 additional days.

**Substitute Bill Compared to Original Bill:** Provisions exempting local government self-insurance programs established as trusts from various state regulatory requirements are replaced with provisions that authorize certain practices by such trusts.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** State law is unclear as to whether local government self-insurance programs may be established as employee trusts. At least one such trust program has been found to violate state law regulating local government self-insurance because the local government shares voting control of the trust with employees and their union representatives. This trust program should be allowed to continue in operation since the trust is successful and financially sound.

**Testimony Against:** None.

**Witnesses:** Jean Leonard, Sound Partnership, Paul Morris, Sound Partnership; Tom Pursley, William Mercer; Mel Sorensen, Washington Physicians Services and Blue Cross of Washington and Alaska; and John Kuamme, Tacoma Public Schools (all in favor).