

FINAL BILL REPORT

SB 5957

C 7 L 05

Synopsis as Enacted

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

Sponsors: Senators Fairley, Benton and Brown.

Senate Committee on Financial Institutions, Housing & Consumer Protection

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: 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.

Votes on Final Passage:

Senate	47	1
House	97	0

Effective: March 15, 2005