

WITHDRAWN

FEB 5 1997

COMMERCE AND REGULATION

HOUSE FILE

166

BY LAMBERTI

Passed House, Date _____ Passed Senate, Date _____
 Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
 Approved _____

A BILL FOR

1 An Act relating to the exemption from insurance regulation of a
 2 multiple employer welfare arrangement and providing an
 3 effective date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 166

WITHDRAWN

TLSB 1907HH 77

mj/jj/8

1 Section 1. Section 507A.4, subsection 10, Code 1997, is
2 amended to read as follows:

3 10. Transactions involving a multiple employer welfare
4 arrangement, as defined in section 3 of the federal Employee
5 Retirement Income Security Act of 1974, 29 U.S.C. § 1002,
6 paragraph 40, if the multiple employer welfare arrangement
7 meets all of the following conditions:

8 a. The arrangement is administered by an authorized
9 insurer or an authorized third-party administrator.

10 b. The arrangement has been in existence and provided
11 health insurance for at least ~~fifteen~~ ten years prior to July
12 1, ~~1994~~ 1997.

13 c. The arrangement was established by a trade, industry,
14 or professional association of employers, or by a nonprofit
15 corporation organized primarily to serve cooperatives, that
16 has a constitution or bylaws, and has been organized and
17 maintained in good faith for at least ~~twenty~~ ten continuous
18 years prior to July 1, ~~1994~~ 1997.

19 Sec. 2. 1994 Iowa Acts, chapter 1038, section 3, as
20 amended by 1995 Iowa Acts, chapter 33, section 1, and 1996
21 Iowa Acts, chapter 1024, section 1, is repealed.

22 Sec. 3. EFFECTIVE DATE. This Act, being deemed of
23 immediate importance, takes effect upon enactment.

24 EXPLANATION

25 This bill amends the requirements a multiple employer
26 welfare arrangement (MEWA) must meet to be exempt from the
27 provisions of chapter 507A, relating to unauthorized insurers,
28 and repeals the section repealing 1994 Iowa Acts, chapter
29 1038, which exempts such arrangements from regulation by the
30 insurance division of the department of commerce.

31 The bill provides that an MEWA must have been in existence
32 for at least 10 years prior to July 1, 1997, to be exempt from
33 chapter 507A. Currently, an MEWA must have been in existence
34 for at least 15 years prior to July 1, 1994. The bill also
35 provides that such arrangement may have been established by a

1 nonprofit corporation organized primarily to serve
2 cooperatives which has been organized for at least 10
3 continuous years. Currently, MEWAs must have been established
4 by a trade, industry, or professional association of employers
5 which has been organized for at least 20 continuous years.

6 The bill is made effective upon enactment.

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**HOUSE FILE 166
FISCAL NOTE**

A fiscal note for House File 166 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 166 amends the requirements a Multiple Employer Welfare Arrangement (MEWA) must meet to qualify for exemption from regulation by the Insurance Commissioner and repeals Chapter 1038, Section 3 of the 1994 Iowa Acts specifying an ending date for the exemption.

BACKGROUND

MEWAs are defined in Section 3 of the federal Employee Retirement Income and Security Act of 1974 (ERISA) as employee welfare plans established to offer benefits to employees of two or more employers.

Under Section 507A.4(10), Code of Iowa, MEWAS complying with certain restrictions are exempt from the regulatory authority of the Insurance Division and are permitted to self-insure. House File 166 reduces the specified requirements and enables additional insurance arrangements to qualify for the MEWA exemption.

Under current law, an insurance arrangement must have been in existence for at least 15 years prior to July 1, 1994, and must have been legally organized and maintained for at least 20 continuous years prior to July 1, 1994. The Bill exempts insurance arrangements which have been in existence for at least ten years prior to July 1, 1997, and have been legally organized and maintained for at least ten continuous years prior to July 1, 1997. House File 166 also adds nonprofit cooperatives to the list of entities that may qualify for exemption upon meeting the specified timelines.

ASSUMPTIONS

1. An unknown number of additional MEWAs would qualify for exemption under the expanded exemptions of House File 166.
2. An unknown number of the additional MEWAs which qualify for exemption would choose to self-insure and would not pay premiums to State-licensed insurers.
3. Revenues to the State General Fund would decrease as a result of self-insurance because the State would not collect the 2.0% premium tax charged to State-licensed insurers.

FISCAL IMPACT

The 2.0% insurance premium tax charged to State-licensed insurers generated \$104.3 million in FY 1996 and \$102.1 million in FY 1995.

At present, only one MEWA qualifies for exemption under Chapter 507A. The

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number of additional MEWAs that would qualify for exemption under House File 166 and would choose to self-insure is unknown. Therefore, the fiscal impact resulting from decreased premium taxes cannot be determined.

SOURCES

Department of Commerce

(LSB 1907hh, DAA)

FILED MARCH 11, 1997

BY DENNIS PROUTY, FISCAL DIRECTOR