

**SENATE BILL REPORT**

**SB 5187**

**AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, JANUARY 28, 1993**

**Brief Description:** Eliminating insurance premium tax credits.

**SPONSORS:** Senators Moore, Pelz, Prentice and Fraser

**SENATE COMMITTEE ON LABOR & COMMERCE**

**Majority Report:** That Substitute Senate Bill No. 5187 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Fraser, McAuliffe, Pelz, Sutherland, and Vognild.

**Staff:** Blaine Gibson (786-7457)

**Hearing Dates:** January 14, 1993; January 26, 1993; January 28, 1993

**SENATE COMMITTEE ON WAYS & MEANS**

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** February 17, 1993

**BACKGROUND:**

Insurers who contribute to one of this state's insurance guaranty associations may deduct the amount of their contributions against their premium taxes owed to the state over a five-year period.

**SUMMARY:**

Insurers will no longer be able to offset any assessments paid to state guaranty associations against premium taxes owed to the state.

**EFFECT OF PROPOSED SUBSTITUTE:**

Technical conforming amendments are made.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR (Labor & Commerce):** None

**TESTIMONY AGAINST (Labor & Commerce):**

The insurance industry favors maintenance of the premium tax offset.

**TESTIFIED (Labor & Commerce):** Basil Badley, AIA, ACLI, & HIAA;  
Jean Leonard, State Farm, Washington Insurers

**TESTIMONY FOR (Ways & Means):**

This bill gets the state out of the business of insuring insurers. It levels the playing field among industries. A portion of losses of out-of-state policyholders from insolvent companies can be passed on to Washington taxpayers under the current credit system. This bill creates an incentive for the industry to police themselves.

**TESTIMONY AGAINST (Ways & Means):**

It is unfair for the policyholders of prudently managed companies to have to bear the losses resulting from poorly managed companies. The benefits paid by the guaranty associations are higher because of the credit. This bill would result in a disincentive to locate in this state.

**TESTIFIED (Ways & Means):** Senator Moore, prime sponsor (pro); Deborah Senn, Insurance Commissioner (pro); Basil Badley, AIA, ACLI, & HIAA (con); Dan Wolfe, Safeco Insurance (con); Mike Kapphahn, Farmers Insurance Group (con); Mel Sorensen, NAAI (con); Carol Monohon, NAAI (con); Jean Leonard, State Farm Insurance, Washington Insurers (con); Lincoln Ferris, Eagle Pacific Insurance (con)