

FINAL BILL REPORT

2ESHB 1592

FULL VETO

As Passed Legislature

Brief Description: Crediting certain insurance premium taxes.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas, Dellwo, Mielke and G. Fisher).

House Committee on Financial Institutions & Insurance

House Committee on Finance

Background: Insurance guaranty associations are statutorily created organizations comprised of all insurance companies authorized to write a particular type of insurance in the state. The associations typically are governed by a board of directors made up of representatives of the insurance industry, the state insurance regulator, and sometimes the general public. The associations are statutorily required to protect policyholders when an insurance company becomes insolvent or a court orders liquidation of the company. Generally, there are statutory limits on the amount of protection provided by insurance guaranty associations. Insurance guaranty associations assess member insurance companies after an insolvency occurs to raise funds to protect policyholders adversely affected by the insolvency. The assessment in any one year is limited by statute, usually to 2 percent of premiums.

Washington has two insurance guaranty associations. The Washington Insurance Guaranty Association protects property and casualty policyholders. The Washington Life and Disability Insurance Guaranty Association protects life and disability insurance policyholders. When an insolvency or liquidation occurs, the member insurance companies of the affected guaranty association are assessed based on their percentage of Washington premiums; the assessment is limited to 2 percent of a member company's Washington premiums. An insurance company is exempt from paying assessments if the assessments would make the company insolvent.

In 1993, a tax credit for assessments paid to guaranty associations by member insurance companies was removed from law.

Summary: Insurance companies that pay an assessment to the Washington Insurance Guaranty Association or the Washington Life and Disability Insurance Guaranty Association are entitled to a tax credit, in the amount of the assessment, against premium taxes owed. The tax credit must be taken over ten years. The tax credit is

prospective only; it applies to assessments that occur after the effective date of the bill.

Votes on Final Passage:

House 76 21

First Special Session

House 78 19

Second Special Session

House 75 18

Senate 34 13