

VETO MESSAGE ON SHB 1592

June 16, 1995

To the Honorable Speaker and Members,

The House of Representatives of the State of Washington

Ladies and Gentlemen:

I am returning herewith, without my approval, Second Engrossed Substitute House Bill No. 1592 entitled:

"AN ACT Relating to credit against the premium tax for guaranty association assessments paid by insurers;"

Second Engrossed Substitute House Bill No. 1592 reinstates an insurance premiums tax credit for assessments paid to insurance guaranty associations.

Insurance guaranty associations are statutorily created organizations comprised of all insurance companies authorized to write a particular type of insurance. In the event a member insurance company becomes insolvent, the Insurance Commissioner makes assessments against the remaining members in order to pay any outstanding claims.

Prior to 1993, insurance companies were allowed an insurance premiums tax credit for assessments paid to the associations. The credit was taken over a five-year period. In 1993, the legislature eliminated the credit prospectively by limiting the credit to assessments paid prior to April 1, 1993.

Second Engrossed Substitute House Bill No. 1592 would reverse the 1993 legislative decision by allowing the tax credit for assessments paid after the bill's effective date.

The 1993 Legislature, in removing the credit, correctly determined that the insurance industry, not taxpayers, should protect policy holders when an insurance company becomes insolvent.

The insurance guaranty associations benefit the insurance industry indirectly by assuring public confidence in the industry's products. Furthermore, solvent companies who pay these assessments directly benefit by absorbing the customers of companies that become insolvent.

For these reasons, I have vetoed Second Engrossed Substitute House Bill No. 1592 in its entirety.

Respectfully submitted,
Mike Lowry
Governor