

FINAL BILL REPORT

SSB 5334

C 300 L 97

Synopsis as Enacted

Brief Description: Crediting certain insurance premium taxes.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Winsley, Heavey, Finkbeiner, Benton, Rasmussen, Hale and West).

Senate Committee on Ways & Means

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 that 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 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.

Insurance premiums are exempt from the state business and occupation tax and are subject to an insurance premiums tax instead. In 1993, a credit against this tax for assessments paid to guaranty associations by member insurance companies was removed. The credit was taken over a five-year period.

Summary: Insurance companies that pay an assessment to the Washington Insurance Guaranty Association or the Washington Life and Disability Insurance Guaranty Association receive a tax credit against premium taxes equal to 100 percent of the assessment. The tax credit is to be taken over five years. Credits are limited to assessments that are for insurance companies that become insolvent after the effective date of the act.

Votes on Final Passage:

Senate 38 9
House 76 21 (House amended)
Senate 37 9 (Senate concurred)

Effective: July 27, 1997