

SENATE BILL REPORT

SHB 2512

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, February 23, 2010

Title: An act relating to nonresident surplus line brokers and insurance producers.

Brief Description: Concerning nonresident surplus line brokers and insurance producers.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Bailey, Kirby and Morrell; by request of Insurance Commissioner).

Brief History: Passed House: 1/28/10, 97-0.

Committee Activity: Financial Institutions, Housing & Insurance: 2/17/10, 2/23/10 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: Do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, McDermott and Parlette.

Staff: Diane Smith (786-7410)

Background: A surplus line insurer is an insurance company that does not have a certificate of authority issued by the Insurance Commissioner (Commissioner) to transact business in the state and may only operate under certain rules, specified by statute. The insurance offered by a surplus line broker must be of a type that is not available from authorized insurers, and the broker who sells this insurance must be licensed as a surplus line broker.

Applicants for licensure as resident and nonresident surplus line brokers and as resident and nonresident insurance producers must submit fingerprints as evidence of identity. However, the Commissioner must waive both the license application requirements and fingerprinting requirements for nonresident insurance producers when the nonresident applicant has a valid license in another state, if the other state has application requirements of the same basis and also requires fingerprinting. The Commissioner must also waive fingerprinting on the same basis for surplus line brokers.

Some of the same provisions applying both to resident and nonresident surplus line brokers are the expiration of the license if it is not timely renewed; the length of time for which the license is valid; and the request and fee for renewal of the license. These provisions for

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nonresident surplus line brokers are referenced to the statute applying to resident surplus line brokers. The statute referenced references a third statute for the fee for renewal.

The nonresident surplus line broker must appoint the Commissioner for service of legal process. Details of the accomplishment and processing of legal process are specified.

The nonresident producer and title insurance agent must appoint the Commissioner as attorney to receive service of legal process. But for stylistic differences, both (1) the nonresident producer and title agent, and (2) the nonresident surplus line broker have the same details of the accomplishment and processing of legal process.

Licensed insurance producers have bonding requirements.

In 2007, 2008, and 2009 legislation was passed that altered the regulatory framework for insurance producers and surplus lines brokers. These bills were based largely on the National Association of Insurance Commissioner's Producer Licensing Model Act. Among the many modifications were changes to the categories of licenses, background checks, fees, and commissions. All of these bills took effect on July 1, 2009.

Summary of Bill: The Commissioner may license a qualified nonresident as a surplus lines broker if the nonresident lives in a state that offers reciprocal licensing to a Washington resident. The license is for the same duration and costs the same fees as a resident's license. The nonresident surplus lines broker is not required to submit fingerprints as a part of a background check and is not required to meet the same financial responsibility requirements.

The Commissioner must waive certain license requirements for nonresident insurance producers if the applicant has a valid license from their home state and that state offers reciprocal treatment for insurance producers from this state. The nonresident insurance producer is not required to submit fingerprints as a part of a background check and is not required to meet the same financial responsibility requirements.

Entities acting as nonresident title agents must designate an officer to be responsible for compliance with the state's insurance laws and rules.

Standards for service of process are created for legal actions against a nonresident producer or surplus lines broker who may be served by service of process on the Commissioner. The Commissioner may adopt rules to implement the service of process provisions.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 26, 2010.

Staff Summary of Public Testimony: PRO: This bill gives reciprocal treatment to fingerprinting and other streamlining to bring more surplus lines brokers into our state in

areas not served already. This is the House companion to SB 6251. It is a good bill especially for agents in adjacent states.

Persons Testifying: PRO: Representative Bailey, prime sponsor; Drew Bouton, OIC.