

# SENATE BILL REPORT

## SB 6715

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As Reported by Senate Committee On:  
Financial Institutions, Housing & Insurance, January 27, 2010

**Title:** An act relating to surplus line coverage.

**Brief Description:** Modifying surplus line coverage provisions.

**Sponsors:** Senator Berkey.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 1/26/10, 1/27/10 [DPS].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Majority Report:** That Substitute Senate Bill No. 6715 be substituted therefor, and the substitute bill do pass.

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

**Staff:** Diane Smith (786-7410)

**Background:** A surplus lines insurer is an insurance company that does not have a certificate of authority issued by the Insurance Commissioner to transact business in the state, and may only operate under certain rules, specified by statute. They are also called unauthorized insurers.

The insurance offered by surplus lines brokers must be of a type that is not available from authorized insurers, and the brokers must be licensed as surplus lines brokers. The surplus line broker must make the determination whether the type of insurance is available from authorized insurers and swear to having done so at the time of procuring that insurance. The affidavit must be filed with the Office of Insurance Commissioner (OIC) within 30 days after the insurance is procured.

The surplus lines broker must make two inquiries: is the insurance not procurable from a majority of the authorized insurers after diligent effort; and is the placing of the business with an unauthorized insurer not for the purpose of obtaining a lower premium rate or to secure any other competitive advantage.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Summary of Bill (Recommended Substitute):** The affidavit is renamed a declaration. It may be in an electronic format. It must include the statement in the exact form provided, and include that the declaration is made under the penalty of perjury. The declaration is an oath under the criminal code.

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute):** One section is added to the bill to conform another reference to the term, affidavit, to the term, declaration, as used in the original bill.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** PRO: Passage of this bill will speed filing for the surplus line brokers. The current method is a bit old fashioned. This bill eliminates the notarization requirement and permits electronic filing. It does need a small amendment. The change of the affidavit to a declaration allows for electronic signature to bring us into the 21st century. The bill allows the OIC to accommodate more reciprocity with other states. These changes will help brokers comply with the 30-day requirement.

**Persons Testifying:** PRO: Drew Bouton, OIC; Robert Hope, Surplus Line Association of Washington.