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## Finance Committee

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### HB 2211

**Brief Description:** Addressing surplus lines of insurance.

**Sponsors:** Representative Fagan.

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| <p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Clarifies the premium tax levied on surplus lines insurance.</li></ul> |
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**Hearing Date:** 2/4/14

**Staff:** Richelle Geiger (786-7175).

**Background:**

Surplus Lines Insurance.

Generally, insurance companies must receive authorization from the Office of the Insurance Commissioner (OIC) to insure liability within Washington. Authorized insurance companies will not provide coverage if the liability does not fit normal underwriting patterns or standard insurance policies. Surplus lines insurance is coverage that cannot be procured from an authorized insurance company.

Surplus lines insurance companies; (1) have more flexibility to design and price their policies than authorized insurance companies; (2) are not licensed by the OIC; (3) are not subject to OIC rate and policy oversight; (4) can insure liability located both domestically and internationally; and (5) are allowed to obtain insurance for a consumer from an insurance company not licensed in Washington.

Under insurance statutes, if coverage cannot be purchased from an authorized insurer, the coverage may be purchased from an unauthorized insurer through a surplus lines broker if a diligent effort is made to find the coverage from an authorized insurer, and the purpose for using an unauthorized insurer is not to secure a lower premium rate than would be accepted by any authorized insurer.

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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.*

Surplus Lines Premium Tax.

Surplus line brokers must remit a two percent tax on the premiums of their transactions. If Washington is the insured's legal state of residence or where the insured maintains its headquarters, the tax is levied on the entire premium of surplus lines of property or casualty insurance. For all other surplus lines of insurance, the tax is levied on the portion of the premium attributable to the liability located in Washington.

**Summary of Bill:**

Surplus lines property and casualty insurance premium tax must be levied on the entire premium where the liability insured is located inside the United States or its territories, regardless of whether the liability is located in Washington. If the surplus lines insurance covers liability located outside of the U.S. and its territories, no tax is due or payable for the portion of the premium attributable to liability located outside the U.S. and its territories.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.