

SENATE BILL REPORT

SHB 1027

As Reported by Senate Committee On:
Financial Institutions & Insurance, March 14, 2017

Title: An act relating to surplus line broker licensing.

Brief Description: Addressing surplus line broker licensing.

Sponsors: House Committee on Business & Financial Services (originally sponsored by Representatives Barkis, Vick, Stanford, Kirby and Ryu; by request of Insurance Commissioner).

Brief History: Passed House: 2/02/17, 98-0.

Committee Activity: Financial Institutions & Insurance: 3/14/17, 3/14/17 [DP].

Brief Summary of Bill

- Requires surplus line brokers to obtain an insurance producer license.
- Allows surplus line brokers moving to Washington up to 90 days to apply for a license without having to take the state exam.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators Angel, Chair; Mullet, Ranking Minority Member; Fain, Fortunato and Hobbs.

Staff: Jeff Olsen (786-7428)

Background: If insurance coverage cannot be purchased from an authorized insurer, a person may purchase coverage through a surplus line. Surplus line policies cover risks that do not fit normal underwriting patterns or standard insurance policies. Examples of surplus line insurance include insuring homes built on the side of a steep bank, rare art, or businesses that pose a high liability risk. Surplus line coverage may be purchased from an unauthorized insurer, only if the purchaser buys the insurance through a licensed surplus line broker.

A Washington resident may apply to the Office of the Insurance Commissioner (OIC) to obtain a surplus line broker license. An applicant for a resident surplus line broker license

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must furnish specified information to the OIC, including a criminal history background and fingerprints. An applicant for a resident surplus line broker license is not required to maintain a license as a resident insurance producer with property and casualty lines of authority.

For nonresidents, the OIC may license a person as a surplus line broker if the person is qualified and the person's resident state reciprocates by issuing licenses to residents of this state on a similar basis. To be eligible for a nonresident surplus line broker license, a nonresident person must generally meet the same qualifications as a resident applicant for a surplus line broker license.

Summary of Bill: An applicant for a resident surplus line broker license must have and maintain a license from the OIC as a resident insurance producer with property and casualty lines of authority. Each applicant for a resident surplus line broker license must pass the required examination and pay the required fee when applying for a license.

If a nonresident licensed as a resident surplus line broker in another state moves to this state and seeks licensure as a resident surplus line broker in this state, then the examination requirement is waived if the application is received by the OIC within 90 days of the cancellation of the surplus line broker's resident license in the other state.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on January 1, 2018.

Staff Summary of Public Testimony: PRO: This bill is a request legislation from the OIC and contains technical and clean up changes. The bill is the same as the companion bill the committee passed earlier in session.

Persons Testifying: PRO: Representative Andrew Barkis, Prime Sponsor; Lonnie Johns-Brown, OIC.

Persons Signed In To Testify But Not Testifying: No one.