

SENATE BILL REPORT

SB 5838

As Reported By Senate Committee On:
Financial Services, Insurance & Housing, February 27, 2003

Title: An act relating to liability for taxes on unlawful or delinquent insurers or taxpayers.

Brief Description: Establishing liability for taxes on unlawful or delinquent insurers or taxpayers.

Sponsors: Senators Winsley, B. Sheldon and Kline; by request of Insurance Commissioner.

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 2/27/03 [DPS].

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 5838 be substituted therefor, and the substitute bill do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Keiser, Prentice, Roach and Zarelli.

Staff: Alison Mendiola-Hamilton (786-7576)

Background: Current law imposes a maximum delinquency penalty of 20 percent on insurers for premium taxes that are past due. For taxes that are delinquent more than 60 days, no additional penalty or interest charge is imposed.

Unauthorized insurers that transact the business of or issue health coverage in Washington, although subject to administrative cease and desist orders, are not subject to premium tax.

Summary of Substitute Bill: Interest is added to the existing penalty on delinquent premium tax payment against insurers or health maintenance organizations (HMOs) for payments that are delinquent more than 60 days. Interest accrues at the judgment interest rate (currently 12 percent).

Insurers, HMOs, health care service contracts (HCSCs), or agents that transact business in Washington without a certificate of authority, registration, or license, are subject to premium tax. This does not change current law relating to authorized, registered, or licensed insurers, HMOs, HCSCs, or agents.

The tax is computed by the portion of the premium received that is allocated to participants located in Washington.

All premiums written, procured, or received in Washington or that are for a policy or contract negotiated in Washington are subject to tax unless a premium is properly allocated or apportioned and reported as a taxable premium of another state.

The tax does not apply to premium on risks that are: 1) properly allocated to federal or international waters; 2) that are under the jurisdiction of a foreign government; or 3) are properly issued as it relates to surplus lines.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This bill adds a tool to go after unlicensed insurers. This creates an incentive for delinquent insurers to pay their premium taxes.

Testimony Against: None.

Testified: John Woodall, Insurance Commissioner's Office (pro).