

HB 2787 A STAFF MEASURE SUMMARY

House Committee On Business and Labor

Action Date: 04/01/19

Action: Do pass with amendments and be referred to Revenue. (Printed A-Eng.)

Vote: 9-0-2-0

Yeas: 9 - Barker, Barreto, Boles, Bonham, Boshart Davis, Doherty, Evans, Fahey, Holvey

Exc: 2 - Bynum, Clem

Fiscal: No fiscal impact

Revenue: Revenue impact issued

Prepared By: Jan Nordlund, LPRO Analyst

Meeting Dates: 3/27, 4/1

WHAT THE MEASURE DOES:

Distinguishes, for tax purposes, between authorized and unauthorized insurers writing wet marine and transportation insurance. Establishes insurance producers of wet marine and transportation insurance must pay Department of Consumer and Business Services a premium tax equal to 0.75 percent of premiums the producer receives for insurance placed with unauthorized or nonadmitted insurers if insured entity's home state is Oregon.

ISSUES DISCUSSED:

- Difference between admitted and nonadmitted insurer
- Prohibition on advertising by nonadmitted insurers
- Importance of wet marine and transportation insurance in Oregon
- Whether policyholders are likely to see a cost increase

EFFECT OF AMENDMENT:

Moves proposed language setting tax at 0.75 percent of premium to new section in statute. Clarifies that tax is due from insurance producer, not licensee, of wet marine and transportation insurance.

BACKGROUND:

Wet marine and transportation insurance is concentrated along the Columbia and Willamette rivers and along the coast, but is utilized throughout Oregon. Some common wet marine and transportation insurance policyholders include tub and barge operators, marine construction firms, terminal operators, railroads engaged in interstate commerce, and importers/exporters. An example of risks insured include vessel insurance for clients involved in international trade. Wet marine and transportation insurance policies are written by insurers who may or may not be authorized to conduct insurance business in Oregon. There is no requirement to be licensed in order to transact wet marine and transportation insurance in Oregon, and such insurance is exempt from the definition of surplus lines of insurance. However, wet marine and transportation insurers must pay a tax to the Department of Consumer and Business Services based on underwriting profits. Nonadmitted and unauthorized insurers are allowed to operate without a certificate of authority from the Department but must sell through a broker and not advertise to the public.

House Bill 2787 A establishes a different tax calculation for unauthorized insurers who transact wet marine and transportation insurance than for authorized insurers who are in the same market. For unauthorized insurers, the measure sets the tax at 0.75 percent of gross premiums that the insurer receives for the insurance placed with unauthorized or nonadmitted insurers if the insured entity's home state is Oregon.