
Financial Institutions & Insurance Committee

HB 2512

Brief Description: Concerning nonresident surplus line brokers and insurance producers.

Sponsors: Representatives Bailey, Kirby and Morrell; by request of Insurance Commissioner.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Modifies licensing requirements for nonresident insurance producers and nonresident surplus lines brokers.
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Hearing Date: 1/14/10

Staff: Jon Hedegard (786-7127).

Background:

The Office of the Insurance Commissioner (OIC) licenses and regulates insurance producers doing business in this state. An insurance producer is a person required to be licensed under the laws of the state to sell, solicit, or negotiate insurance.

Licensing of Insurance Producers

Insurance producers must meet a number of licensing requirements, including:

- background checks, including fingerprints;
- pre-license education and testing;
- continuing education;
- certain bond requirements for placing business with a company that has not appointed the producer; and
- fees.

Surplus Lines and Licensing of Surplus Line Brokers

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.

Under insurance statutes, if coverage cannot be purchased from an authorized insurer, the coverage may be purchased from an unauthorized insurer only if:

- the purchaser procures the insurance through a licensed surplus line broker;
- a diligent effort is made to find the coverage from authorized insurers; and
- the purpose for using an unauthorized insurer is something other than securing a lower premium rate than would be accepted by any authorized insurer.

Licensing requirements regarding surplus line brokers include:

- background checks, including fingerprints;
- minimum bonding amounts of \$20,000 in the name of the state to ensure compliance with the law and pay taxes and \$100,000 in the name of the state or a named insured for liability;
- record-keeping; and
- reporting.

In 2007, 2008, and 2009, legislation was passed that altered the regulatory framework for insurance producers and surplus lines brokers. These bills were based largely on the National Association of Insurance Commissioner's Producer Licensing Model Act. Among the many modifications were changes to the categories of licenses, background checks, fees, and commissions. All of these bills took effect on July 1, 2009.

Summary of Bill:

The Commissioner may license a qualified nonresident as a surplus lines broker if the nonresident lives in a state that offers reciprocal licensing to a Washington resident. The license is for the same duration and costs the same fees as a resident's license. The nonresident surplus lines broker is not required to submit fingerprints as a part of a background check and is not required to meet the same financial responsibility requirements.

The Commissioner must waive certain license requirements for nonresident insurance producers if the applicant has a valid license from their home state and that state offers reciprocal treatment for insurance producers from this state. The nonresident insurance producer is not required to submit fingerprints as a part of a background check and is not required to meet the same financial responsibility requirements.

Entities acting as nonresident title agents must designate an officer to be responsible for compliance with the state's insurance laws and rules.

Standards for service of process are created for legal actions against a nonresident producer or surplus lines broker who may be served by service of process on the Commissioner. The Commissioner may adopt rules to implement the service of process provisions.

Appropriation: None.

Fiscal Note: Available.

Effective Date: July 26, 2010