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Proposed tax increase on home, auto & business insurance unfair to consumers, P&C insurers say

***Olympia, WA* –** National and state associations representing leading property & casualty insurance companies based in Washington and across the nation are urging Washington legislators to reject a proposed $125 million increase in the state's insurance premium tax to fund wildfire prevention and suppression, warning that the increase would unfairly increase insurance costs and impact consumers.

The **American Property Casualty Insurers Association (APCIA), National Association of Mutual Insurance Companies (NAMIC)** and **Northwest Insurance Council (NWIC)**, whose member insurance companies underwrite more than 65% percent of all property & casualty insurance policies in force in Washington, noted that Washington's existing premium tax – a 2 percent tax on all insurance premiums paid ultimately by consumers – currently generates $1.4 billion in revenue to help fund state government programs and services, including fire services and agencies.

"Taxes on insurance companies and our customers are contributing to support the state budget – including efforts to train wildland firefighters, prevent loss and improve forest health – and insurance consumers are doing their part to protect the investment they make in their homes, vehicles and businesses when they buy insurance," said APCIA's State Government Relations Vice President Mark Sektnan. "Improving forest health and protecting wildlands and communities is a societal good, and should be a priority shared by all taxpayers, not just insurance consumers."

SB 5996, introduced the same week as House and Senate Democrats proposed a $54 billion two-year state budget, would impose an additional .52 percent exclusively on all lines of Property & Casualty insurance, on top of the existing 2 percent insurance premium tax. Revenue from the tax increase would go into a newly-established "Wildfire Prevention and Suppression Account" to add funding for the state Department of Natural Resources and other state agencies including the military department, the state parks department and the Washington State Patrol. Proponents say the money is needed to pay for wildfire suppression and prevention, as part of a 10-year plan to reduce wildfire risk.

For insurers, the concern is not whether such programs are needed or valuable, but rather that legislators are replacing funds currently available in the state's general fund budget – paid for by all taxpayers – with funds that will come from a single source: insurance premiums paid by all P&C insurance policyholders.

“For all practical purposes, the proposed legislation is a ‘hidden tax’ being imposed by the legislature on a select group of citizens (insurance consumers) for public safety services that are or should be addressed in the state’s taxing system. The proposed legislation would establish a very concerning public policy precedent of bypassing the established tax proposal process and imposing taxes, possibly duplicative taxes, on citizens via fees, taxes, and surcharges imposed upon private business entities that ultimately pass on the tax to their consumers,” said NAMIC Senior Regional Vice President Christian J. Rataj.

As proposed, the 25 percent tax increase will apply to and could impact a variety of insurance policy types – not just personal or commercial property insurance. SB 5996 would increase the tax on all P&C lines, including home, auto, commercial property, business owners’ liability, medical malpractice, inland marine, construction contractor liability, municipal and school district excess liability, umbrella policies, even insurance for mobile phones.

In addition to the state’s existing 2 percent premium tax, P&C insurance companies also pay a .125 percent (one-eighth of one percent) premium tax surcharge that fully and exclusively funds the operation and staff of Washington’s Office of Insurance Commissioner.

NWIC President Kenton Brine, whose members also include Washington-domiciled insurers, warned that the tax increase would put Washington-based insurers at a competitive disadvantage to out-of-state companies as they compete for business in neighboring states and lower-tax states across the country.

“Insurance taxes and regulations uniquely include a retaliatory tax feature that requires an insurer writing business in a state to pay that state’s tax rate or the insurer’s home state tax rate – whichever is higher. So a Washington-based insurer also competing for business in California, Idaho, Illinois or 33 other states would pay higher taxes not only in Washington, but in those states as well, while their competitors from lower-tax states would not,” Brine said. “Why would our state punish companies that choose to call Washington home?”

SB 5996 has been scheduled for a public hearing in the state Senate Ways and Means Committee on Monday, April 8. At the hearing, insurance agents and companies, along with some of the state’s major employer industries, will testify against the tax increase, urging legislators instead to use existing revenues, which include $1.4 billion in taxes paid by insurance companies and insurance consumers.

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