NW Insurance Council

Media Alert

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Release Date: 12-2-2019
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NW Insurance Council Statement in Response to Insurance Premium Tax (Policy Surcharge)

Earlier today, Washington Commissioner of Public Lands Hilary Franz and State Representative Joe Fitzgibbon (D-Seattle) unveiled legislation for the 2020 session that would require insurers to add a $5 surcharge on every Property & Casualty (P&C) insurance policy in force in Washington. The tax is intended to raise $126 million to fund a dedicated account to improve forest health and wildfire suppression.

The new proposal is similar to one introduced in the Washington Senate during the 2019 session (SB 5996), which died without a floor vote in either chamber (but is eligible for consideration in 2020). The key difference between the measures is that SB 5996 imposed a 25 percent increase in the state's tax on insurance premiums paid by P&C insurers, while the new proposal is a surcharge imposed directly on insurance policyholders.

On behalf of insurance policyholders in Washington, NW Insurance Council continues to have serious concerns about this new tax. Here's why:

1. Investing in forest health and putting out wildfires when they occur is an investment that benefits everyone in our state, by saving public and private lands and protecting public health and safety. Yet once again, the proposal from Olympia exclusively targets insurance policyholders to pay for it.

2. Proponents have said that for an average policyholder, the surcharge will cost "less than a Coke." But they ignore the impact on small and larger businesses as well as families that have multiple insurance policies to protect their properties, vehicles (including boats and RVs), businesses and possessions.

3. Note: this surcharge is NOT limited to homes and cars, as is implied by bill proponents. It applies to ***ALL P&C policies***. Homeowners, Renters, Auto, Personal Liability, Business

Owners, Farm policies, marine policies, boats, recreational vehicles, motorcycles and more. The ONLY line of P&C specifically excluded from the surcharge in the proposed bill is Medical Liability (Malpractice insurance).

4. The surcharge is a regressive tax. The owner of a million-dollar summer home and luxury car directly in the fire threat zone will pay the same $5 surcharge as a low-income single parent with a renters' policy and a used sedan who lives far from forest fire dangers.

5. Shifting the tax from insurers (through the state insurance premium tax) to policyholders does NOT eliminate the threat of unfair taxation of Washington-based insurance companies when they do business in other states. Simply put, Washington legislators cannot prevent other states from viewing taxes collected and paid by Washington insurers as premium tax revenue. Laws in every state require insurers to pay the tax rate in their home state or the state where they are doing business; whichever is higher. So if insurers are paying a new, higher amount of revenue in Washington, they may still have to pay higher taxes in other states where they do business, even under the new "surcharge" scheme.

For additional information or for interviews, contact NW Insurance Council: 206.624.3330, Kenton Brine (kenton.brine@nwinsurance.org) or Sandi Henke (sandi.henke@nwinsurance.org) or visit www.nwinsurance.org.

NW Insurance Council is a nonprofit, insurer-supported organization providing information about home, auto and business insurance to consumers, media and public policymakers in Washington, Oregon and Idaho.

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