

Multiple Agency Fiscal Note Summary

Bill Number: 5315 2S SB	Title: Captive insurance
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Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of Insurance Commissioner	34,195,000	34,195,000	34,195,000	4,655,000	4,655,000	4,655,000	4,655,000	4,655,000	4,655,000
Total \$	34,195,000	34,195,000	34,195,000	4,655,000	4,655,000	4,655,000	4,655,000	4,655,000	4,655,000

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Insurance Commissioner	.8	0	0	233,399	.6	0	0	149,560	.6	0	0	149,560
University of Washington	.0	0	0	0	.0	0	0	0	.0	0	0	0
Washington State University	.0	0	0	0	.0	0	0	0	.0	0	0	0
Eastern Washington University	.0	0	0	0	.0	0	0	0	.0	0	0	0
Central Washington University	.0	0	0	0	.0	0	0	0	.0	0	0	0
The Evergreen State College	.0	0	0	0	.0	0	0	0	.0	0	0	0
Western Washington University	.0	0	0	0	.0	0	0	0	.0	0	0	0
Community and Technical College System	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.8	0	0	233,399	0.6	0	0	149,560	0.6	0	0	149,560

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
University of Washington	.0	0	0	.0	0	0	.0	0	0
Washington State University	.0	0	0	.0	0	0	.0	0	0
Eastern Washington University	.0	0	0	.0	0	0	.0	0	0
Central Washington University	.0	0	0	.0	0	0	.0	0	0
The Evergreen State College	.0	0	0	.0	0	0	.0	0	0
Western Washington University	.0	0	0	.0	0	0	.0	0	0
Community and Technical College System	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

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Prepared by: Jason Brown, OFM	Phone: (360) 742-7277	Date Published: Final 2/22/2021
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Individual State Agency Fiscal Note

Bill Number: 5315 2S SB	Title: Captive insurance	Agency: 160-Office of Insurance Commissioner
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
General Fund-State 001-1	31,867,500	2,327,500	34,195,000	4,655,000	4,655,000
Total \$	31,867,500	2,327,500	34,195,000	4,655,000	4,655,000

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.1	0.6	0.8	0.6	0.6
Account					
Insurance Commissioners Regulatory Account-State 138-1	158,619	74,780	233,399	149,560	149,560
Total \$	158,619	74,780	233,399	149,560	149,560

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/16/2021
Agency Preparation: Michael Walker	Phone: 360-725-7036	Date: 02/17/2021
Agency Approval: Bryon Welch	Phone: 360-725-7037	Date: 02/17/2021
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 02/17/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 3(1) requires that within 120 days after the effective date of this section or, if later, within 120 days after first issuing a policy that covers WA risks, an entity acting as an eligible captive insurer must register with the Office of Insurance Commissioner (OIC).

Section 3(2) requires the OIC to approve an eligible captive insurer's registration if the eligible captive insurer has sufficiently demonstrated that its assets exceed its liabilities by at least \$1 million, has the ability to pay its debts as they come due, are in good standing in its jurisdiction of domicile, and the has paid a fee of \$2,500.

Section 3(3) allows the Commissioner to request additional documentation and information if needed to show that these requirements have been met.

Section 3(5) allows a registered captive insurer to renew its certificate of registration for successive periods of 12 months each if the registered captive insurer has sufficiently demonstrated that its assets exceed its liabilities by at least \$1 million, has the ability to pay its debts as they come due, are in good standing in its jurisdiction of domicile, and has paid a renewal fee in an amount set by the OIC, not to exceed \$2,500.

Section 4(1) requires registered eligible captive insurers to pay, on or before March 1st of each year, a 2% tax on premiums for insurance directly procured by and provided to its parent or another affiliate for WA risks during the preceding calendar year. Taxes collected must be deposited to the General Fund.

Sections 4(5) requires registered eligible captive insurers to pay the penalties and interest provided in RCW 48.14.060 if they fail to remit the tax provided by section 4(1) by the last day of the month in which the tax becomes due. Fines collected must be deposited to the General Fund.

Sections 4(6) requires eligible captive insurers to pay taxes on premiums for any period after January 1, 2011, if not previously remitted to the OIC and limits such taxes to an eligible captive insurer's WA risks. Taxes due for periods before July 1, 2021 are not subject to the penalties or interest provided in RCW 48.14.060.

Section 5 authorizes the OIC to use any of the powers established under Title 48 RCW to enforce the laws of this state. An eligible captive insurer that violates any provision of this chapter will be subject to the fines and penalties applicable to authorized insurers generally, including revocation, suspension, and refusal to renew registration. An eligible captive insurer that fails to register under this act is acting as an unlawful, unauthorized insurer and is subject to the fines and penalties applicable to unlawful, unauthorized insurers generally.

Section 6 allows the OIC to adopt rules as necessary to implement this act.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Assumptions:

The Office of Insurance Commissioner (OIC) is using data derived from a contracted captive insurance study completed by Milliman in January 2021. The captive insurance study reflects a range of low, medium and high estimated numbers of eligible captive insurers and taxable premium volume. Although a range of low, medium,

and high estimates will also be reflected in the narrative below for informational purposes, the fiscal note only reflects the medium range assumptions.

REGISTRATION AND RENEWAL FEES:

Section 3(2) requires the OIC to approve an eligible captive insurer's registration if the eligible captive insurer has sufficiently demonstrated that its assets exceed its liabilities by at least \$1 million, has the ability to pay its debts as they come due, are in good standing in its jurisdiction of domicile, and has paid a fee of \$2,500. Section 3(5) allows a registered captive insurer to renew its certificate of registration for successive periods of 12 months each if the registered captive insurer has sufficiently demonstrated that its assets exceed its liabilities by at least \$1 million, has the ability to pay its debts as they come due, are in good standing in its jurisdiction of domicile, and has paid a renewal fee in an amount set by the OIC, not to exceed \$2,500.

Low Estimates:

FY2022: \$90,000 (36 registrations x \$2,500)

FY2023 and after: \$90,000 (36 registration renewals x \$2,500)

Medium Estimates:

FY2022: \$127,500 (51 registrations x \$2,500)

FY2023 and after: \$127,500 (51 registration renewals x \$2,500)

High Estimates:

FY2022: \$205,000 (82 registrations x \$2,500)

FY2023 and after: \$205,000 (82 registration renewals x \$2,500)

INSURANCE PREMIUM TAXES:

Section 4(1) requires registered eligible captive insurers to pay, on or before March 1st of each year, a 2% tax on premiums for insurance directly procured by and provided to its parent or another affiliate for WA risks during the preceding calendar year. Taxes collected must be deposited to the General Fund.

Low Estimates:

Beginning FY2022: \$2,000,000 (\$100,000,000 premium volume per year x 2% tax)

Medium Estimates:

Beginning FY2022: \$2,200,000 (\$110,000,000 premium volume per year x 2% tax)

High Estimates:

Beginning FY2022: \$2,600,000 (\$130,000,000 premium volume per year x 2% tax)

PENALTIES/INTEREST/FINES:

Sections 4(5) requires registered eligible captive insurers to pay the penalties and interest provided in RCW 48.14.060 if they fail to remit the tax provided by section 4(1) by the last day of the month in which the tax becomes due. For purposes of this fiscal note, it is assumed that all taxes will be remitted by the due date.

BACK TAXES:

Sections 4(6) requires eligible captive insurers to pay taxes on premiums for any period after January 1, 2011, if not previously remitted to the OIC and limits such taxes to an eligible captive insurer's WA risks. Taxes due for periods before July 1, 2021 are not subject to the penalties or interest provided in RCW 48.14.060.

FY2022 (a one-time collection of back premium taxes): \$29,540,000 (\$1,477,000,000 premium volume for tax years 2011 - 2020 x 2% tax)

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Assumptions: Because of the need to adopt rules and modify IT systems to accommodate registration and tax and fee collection, it is assumed that entities will be required to register and start reporting beginning in January 2022. Estimates for the number of hours required by the various employee classifications listed below are based on past experience in reviewing and processing similar type applications in terms of complexity of regulatory requirements. For the purposes of evaluating expenditures, we will use the medium number of captives to estimate our potential expenditures.

Section 3(1) and 3(5) requires eligible captive insurers to register and annually renew the registrations with the OIC and pay the registration and renewal fees. It is expected to require approximately 12 hours per registration/renewal, or a total of 612 hours (51 registrations x 12 hours) beginning in FY2022 of a Functional Program Analyst 4 to review the registrations to determine if the applicants meet the financial requirements, seek additional information and/or clarification of submitted documentation, finalize and document approval decision, and prepare certificates of registration.

Section 4(1) requires registered eligible captive insurers to pay, on or before March 1st of each year, a 2% tax on premiums for insurance directly procured by and provided to its parent or another affiliate for WA risks during the preceding calendar year.

Sections 4(5) requires registered eligible captive insurers to pay the penalties and interest provided in RCW 48.14.060 if they fail to remit the tax provided by section 4(1) by the last day of the month in which the tax becomes due.

Sections 4(6) requires eligible captive insurers to pay taxes on premiums for any period after January 1, 2011, if not previously remitted to the OIC and limits such taxes to an eligible captive insurer's WA risks. Taxes due for periods before July 1, 2021 are not subject to the penalties or interest provided in RCW 48.14.060.

Sections 3 and 4 requires the OIC to make changes to its Information Technology (IT) systems to enable eligible captive insurers to register and renew, report premiums, and pay taxes as well as report and collect penalty fees for those who are past due. The changes to IT systems would include a combination of system configuration changes and software programming enhancements. The OIC's IT staff will implement these changes in-house to ensure that the system changes align with the existing IT infrastructure and technical approaches that OIC uses in its applications and online e-commerce websites. The cost estimate for the system changes and new software development is assumed to be a one-time cost and estimated at 503 hours over 3 months utilizing five IT staff. The cost estimate to implement this bill is based on what it cost the OIC to recently build the fiscal tax screens in ORCA, the agency's new back-office system as well as enhancements to the existing SIMBA Online system.

Section 5 authorizes the OIC to use any of the powers established under Title 48 RCW to enforce the laws of this state. An eligible captive insurer that violates any provision of this chapter will be subject to the fines and penalties applicable to authorized insurers generally, including revocation, suspension, and refusal to renew registration. An eligible captive insurer that fails to register under this act is acting as an unlawful, unauthorized insurer and is subject to the fines and penalties applicable to unlawful, unauthorized insurers generally. Beginning in FY2022, the OIC anticipates 5 enforcement cases a year, with one case per year requiring an administrative hearing, to address this new captive framework, including but not limited to, failure to register, failure to remit back premium taxes and other violations related to revocation and/or suspension. Investigations generally take anywhere between 25-80 hours per case and enforcement actions require the equivalent of approximately 25 hours per action. For purposes of this fiscal note, it is assumed that investigations will require an average of 35 hours per case, or a total of 175 hours (5 cases x 35 hours) per year of an Investigator 3 and enforcement actions will require an average of 25 hours per enforcement action, or a total of 125 hours (5 cases x 25 hours) per year of an Insurance Enforcement Specialist.

Section 6 allows the OIC to adopt rules as necessary to implement this act. We anticipate this will be ‘normal’ rule making.

Ongoing Costs:

Salary, benefits and associated costs for .37 FTE Functional Program Analyst 4; .11 FTE Investigator 3; and .08 FTE Insurance Enforcement Specialist effective FY2022.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
138-1	Insurance Commissioners Regulatory Account	State	158,619	74,780	233,399	149,560	149,560
Total \$			158,619	74,780	233,399	149,560	149,560

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.1	0.6	0.8	0.6	0.6
A-Salaries and Wages	94,408	43,949	138,357	87,898	87,898
B-Employee Benefits	32,487	15,875	48,362	31,750	31,750
C-Professional Service Contracts					
E-Goods and Other Services	31,724	14,956	46,680	29,912	29,912
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	158,619	74,780	233,399	149,560	149,560

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Functional Program Analyst 4	78,408	0.4	0.4	0.4	0.4	0.4
Insurance Enforcement Specialist	87,120	0.1	0.1	0.1	0.1	0.1
Investigator 3	72,432	0.1	0.1	0.1	0.1	0.1
IT Applications Developer - Journey	96,888	0.1		0.1		
IT Applications Developer - Senior	112,176	0.1		0.1		
IT Architecture - Senior	112,104	0.0		0.0		
IT Business Analyst - Senior	112,104	0.0		0.0		
IT Data Management - Senior	109,500	0.0		0.0		
Senior Policy Analyst	91,896	0.2		0.1		
Total FTEs		1.1	0.6	0.8	0.6	0.6

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 6 allows the OIC to adopt rules as necessary to implement this act. OIC anticipates the need to provide process clarification as well as guidance on what allocation methods are “reasonable” under sections 4(2). This will require a ‘normal’ rulemaking process in FY2022.

Individual State Agency Fiscal Note

Bill Number: 5315 2S SB	Title: Captive insurance	Agency: 360-University of Washington
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/16/2021
Agency Preparation: Lauren Hatchett	Phone: 2066167203	Date: 02/19/2021
Agency Approval: Kelsey Rote	Phone: 2065437466	Date: 02/19/2021
OFM Review: Breann Boggs	Phone: (360) 485-5716	Date: 02/19/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

2S SB 5315 seeks to create a framework for registering eligible captive insurers and imposing a premium tax on the risk covered by premiums allocable to Washington state.

Section 3 requires captive insurers to pay an annual registration fee. This section would require the University of Washington to annually register the captive and pay a \$2,500 registration fee. Associated costs needed to meet this requirement are nominal and would be absorbed within existing resources.

Section 4 exempts captive insurers affiliated with public institutions of higher education from both future and retrospective 2 percent premium taxes.

Section 5 states that there will be fines and/or penalties for eligible captive insurers that fail to register under this act.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5315 2S SB	Title: Captive insurance	Agency: 365-Washington State University
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/16/2021
Agency Preparation: Emily Green	Phone: 5093359681	Date: 02/19/2021
Agency Approval: Chris Jones	Phone: 509-335-9682	Date: 02/19/2021
OFM Review: Breann Boggs	Phone: (360) 485-5716	Date: 02/22/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

2S SB 5315 Captive Insurance creates a framework for public institutions of higher education to manage their risks through captive insurance.

This bill would not fiscally impact WSU.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5315 2S SB	Title: Captive insurance	Agency: 370-Eastern Washington University
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/16/2021
Agency Preparation: Alexandra Rosebrook	Phone: (509) 359-7364	Date: 02/19/2021
Agency Approval: Alexandra Rosebrook	Phone: (509) 359-7364	Date: 02/19/2021
OFM Review: Breann Boggs	Phone: (360) 485-5716	Date: 02/22/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 provides a framework for Washington private entities and public institutions of higher education to manage their risks through captive insurers will facilitate the growth and safety of those entities and protect the public interest.

Section 3 provides the requirements relating to captive insurance (1) within 120 days after the effective date of this section an entity acting as an eligible captive insurer must register with the commissioner. (2) The commissioner will approve the registration if the identified requirements are met. (3) The commissioner may deny registration for any eligible captive insurer that fails to meet the requirements. (5) A registered captive insurer may renew its certificate of registration for successive periods of 12 months by paying a renewal fee not to exceed \$2,500. (6) A registered captive insurer may provide only property and casualty insurance. A registered eligible captive insurer may insure risks of its affiliates and obtain or provide reinsurance for ceded or assumed risks insured in this state or elsewhere.

Section 4 (1) A registered eligible captive insurer must remit to the state treasurer through the commissioner a tax in the amount of 2% of the premiums. (2) For the purposes of this section, "Washington risks" means the share of risk covered by the premiums that is allocable to this state, based on where the underlying risks are located or where the losses or injuries giving rise to covered claims arise. (3) The registered eligible captive insurer must share its methodology and relevant analysis in determining its allocation with the commissioner. (4) A registered eligible captive insurer is not liable for premium tax on moneys received as a reinsurer or on insurance placed through a surplus lines broker. (5) If a registered eligible captive insurer fails to remit the tax provided by the deadline penalties and interest is assessed. Taxes on premiums are due under this section from an eligible captive insurer after January 1, 2011. (7) Taxes on premiums may not be imposed on or collected from an eligible captive insurer affiliated with a public institution of higher education.

Section 5 (1) The commissioner is authorized to make use of any of the powers established under Title 48 RCW to enforce the laws of this state. (2) An eligible captive insurer that fails to register under this act is acting as an unlawful, unauthorized insurer and is subject to the fines and penalties.

EWU does not currently use a captive insurer therefore, we anticipate no fiscal impact.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5315 2S SB	Title: Captive insurance	Agency: 375-Central Washington University
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/16/2021
Agency Preparation: Erin Sargent	Phone: 509-963-2395	Date: 02/19/2021
Agency Approval: Lisa Plesha	Phone: (509) 963-1233	Date: 02/19/2021
OFM Review: Breann Boggs	Phone: (360) 485-5716	Date: 02/22/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

2S SB 5315 identifies the legislature's intention to establish a framework to register captive insurers that insure Washington-based entities, establishes taxes and fees, and adds definitions.

As the current bill reads, CWU does not anticipate any fiscal impacts pertaining to this bill. CWU is not currently acting as a captive owner or using any captive insurers. DES maintains the authority to control all property and casualty insurance coverage for CWU.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5315 2S SB	Title: Captive insurance	Agency: 376-The Evergreen State College
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/16/2021
Agency Preparation: Holly Joseph	Phone: 360-867-6652	Date: 02/18/2021
Agency Approval: Holly Joseph	Phone: 360-867-6652	Date: 02/18/2021
OFM Review: Breann Boggs	Phone: (360) 485-5716	Date: 02/18/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The 2nd substitute SB 5315 relates to the creation of a framework for captive insurance programs in WA state for private entities and public institutions of higher education. The Evergreen State College currently does not participate in a captive insurance program, and does not intend to establish one in the future, therefore there is no fiscal impact for this bill.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5315 2S SB	Title: Captive insurance	Agency: 380-Western Washington University
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/16/2021
Agency Preparation: Kristen Stouder	Phone: (360) 650-2811	Date: 02/18/2021
Agency Approval: Ted Castro	Phone: (360) 650-4694	Date: 02/18/2021
OFM Review: Breann Boggs	Phone: (360) 485-5716	Date: 02/18/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 declares the intent of the bill to establish a framework for captive insurers to register and pay taxes on premiums.

Section 2 contains definitions. A public institution of higher education meets the definition of a “captive owner”.

An “eligible captive insurer” is defined as an insurance company that is at least partially owned by a captive owner, insures risks of the captive owner, one or more of its insureds have a principal place of business in Washington, has assets that exceed its liabilities by at least \$1M and is licensed as a captive insurer by the jurisdiction in which it is domiciled.

Section 3 establishes new requirements for captive insurers for registration and fees. Within 120 days after the effective date or after issuing a policy that covers Washington risks, an eligible captive insurer must register with the commissioner and pay a fee of \$2,500. The registered captive insurer may annually renew its registration by meeting requirements set forth and paying a \$2,500 renewal fee. Section 3.6 specifies that registered eligible captive insurers may only provide property and casualty insurance.

Section 4 contains new requirements for taxes for eligible captive insurers. Failure to remit the tax as described may result in penalties. Section 4.7 exempts public institutions of higher education from tax collection on premiums.

Section 10 amends RCW 82.04.320 (business and occupation excise tax exemptions) to exempt eligible captive insurers affiliated with a public institution of higher education from paying the tax described in Section 4.

Taken together, should an institution of higher education participate in the captive insurance process, the institution would be required to pay the annual renewal fee in Section 3, but exempt from taxes described in Section 4.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Western Washington University (WWU) anticipates no fiscal impact from this bill. WWU does not currently participate in captive insurance programs, nor does WWU plan to in future years. At this time there is no fiscal impact should 2S SB 5315 pass.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5315 2S SB	Title: Captive insurance	Agency: 699-Community and Technical College System
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/16/2021
Agency Preparation: Brian Myhre	Phone: 360-704-4413	Date: 02/19/2021
Agency Approval: Cherie Berthon	Phone: 360-704-1023	Date: 02/19/2021
OFM Review: Breann Boggs	Phone: (360) 485-5716	Date: 02/22/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

A captive insurance company is one created and owned by a non-insurance company to insure the risks of its owner. A captive insurer operates like any commercial insurer, issuing policies, collects premiums, and pays claims. Captive insurers do not offer insurance to the public.

This bill would create a framework in the state of Washington for registering eligible captive insurers and impose a premium tax on premiums paid. Entities authorized to form a captive insurer include public Institutions of Higher Education. Eligible captive insurers can only provide property and casualty insurance.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No cash receipts impact.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

No expenditure impact.

This bill does not require the formation of captive insurers by public Institutions of Higher Education, or any other actions to be taken. Therefore, there is no fiscal impact.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required