

**REVENUE:**

**FISCAL:**

**SUBSEQUENT REFERRAL TO:**

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**Action:**

**Vote:**

**Yeas:**

**Nays:**

**Exc.:**

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**Meeting Dates:** 4/13

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**WHAT THE MEASURE DOES:** Provides that insurer does not require certificate of authority to transact wet marine and transportation insurance.

**ISSUES DISCUSSED:**

**EFFECT OF COMMITTEE AMENDMENT:**

**BACKGROUND:** Surplus lines insurers provide coverage for risks that licensed insurers are either unable or unwilling to write. The surplus lines market serves two critical functions:

1. Surplus lines insurers cover unique and unusual risks that have atypical underwriting characteristics (such as satellites or large marine vessels) or risks that are undesirable to licensed insurers (such as coastal property insurance).
2. The surplus lines industry provides additional capacity where an insured needs higher coverage limits than those that are available in the licensed market. Surplus lines insurers are also able to provide policy terms specifically tailored to a particular insured.

Thus, the insurance buying public benefits greatly from the existence of the surplus lines market because the market accepts risks that licensed insurers decline for a variety of underwriting and business reasons. Furthermore, the ability to purchase coverage from surplus lines carriers often relieves commercial insureds from having to forego coverage entirely.

Wet Marine and Transportation insurance is needed throughout Oregon, but with concentrations along the Columbia and Willamette Rivers and along the coast. In Oregon, the types of clients that may need wet marine and transportation insurance, include tug and barge operators, marine construction firms, terminal operators, railroads engaged in interstate commerce, blue water ships and importers/exporters, particularly with respect to Oregon's wineries and agricultural products.

Wet marine risks that would be placed with surplus lines insurers, include vessel insurance for a clients involved in international trade and clients involved in a niche marine business such as offshore support work requiring specific coverage terms and underwriting expertise.

Senate Bill 935 makes a technical clarification to the Oregon Insurance Code to make clear that wet marine and transportation insurance may be sold by insurers that do not have a certificate of authority (license) in Oregon. Most states do not require wet marine and transportation insurance to be written by licensed insurers because there is only

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limited insurance coverage available for these risks. Due to this lack of capacity from licensed insurers, it is important that unauthorized or surplus lines insurers be allowed to write wet marine and transportation insurance to meet the demand for coverage of these risks.