

JOSEPH P. GUNSET
General Counsel

LLOYD'S

April 29, 2019

House Committee on Revenue
Oregon State Legislature
900 Court St. NE
Salem, OR 97301

Re: Wet Marine and Transportation Insurance

Dear Committee Members:

Thank you Chair Nathanson and members of the Committee on Revenue. My name is Joseph Gunset, and I am the General Counsel for Lloyd's America, Inc. I write on behalf of the underwriters that operate in the Lloyd's of London insurance market.

Lloyd's is the world's leading market for specialist insurance and reinsurance. Lloyd's has a longstanding commitment to the U.S. insurance market and has written insurance in the U.S. since the 19th century. The U.S. is Lloyd's largest market representing approximately 44% of Lloyd's total global premiums. In 2018, Lloyd's wrote \$87.7 million in surplus lines and \$24 million in reinsurance premiums in Oregon.

The reason I am writing to you is because the Oregon Insurance Code requires an amendment to harmonize the taxation of unauthorized insurers writing wet marine and transportation insurance in Oregon. As you may know, nonadmitted insurers (also known as unauthorized insurers) provide coverage for risks that authorized insurers are either unable or unwilling to write. The types of risks for which coverage from the nonadmitted market is needed often have atypical underwriting characteristics and may require very large limits of liability. One area where that flexibility and capacity is especially important is marine and transportation insurance.

Lloyd's specializes in providing the complex and high limit coverages that are needed to cover large marine and transportation risks like blue water ships, railroads, and aircrafts engaged in interstate commerce. Some other examples of marine and transportation risks we insure include tug and barge operators, marine construction firms, terminal operators, vessel repairers, and vessel construction firms. While authorized carriers are able to provide coverage for the smaller marine risks such as a small tug or fishing vessel, there are certain wet marine risks for which nonadmitted insurers are essential. These risks include vessel insurance for clients involved in international trade (i.e. importers/exporters) particularly with respect to Oregon's wineries and agricultural products; clients whose business activities require very high limits of liability by law, such as marine insurance that includes coverage for oil pollution; clients involved in a niche marine business such as offshore support work requiring specific coverage terms and underwriting/claims expertise; and placements where the capacity and/or limits needed are not available from licensed insurers. For example, when the *New Carissa* sank off the coast of Coos Bay in 1999, it was nonadmitted insurers that paid for the clean-up and recovery.

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House Bill 2787 is needed because the manner in which Oregon taxes wet marine and transportation insurance written by nonadmitted insurers is inconsistent with the manner in which nonadmitted insurers are taxed for all other lines of business. Specifically, for all other lines of business nonadmitted insurers pay a tax based on a percentage of the insurance premium, which is remitted by the insurance broker, whereas for wet marine and transportation insurance insurers pay a tax based on a percentage of their underwriting profit solely for the wet marine line of business, and this tax is remitted directly by the carrier. Oregon's approach is also inconsistent with how all other states tax wet marine and transportation insurance written by nonadmitted insurers. This has created confusion and difficulties for nonadmitted insurers providing this coverage to Oregon policyholders. House Bill 2787 would convert Oregon's unauthorized wet marine and transportation tax from an underwriting profits tax into a premium tax to be remitted by the broker. This would ensure that Oregon's taxation of nonadmitted carriers is consistent across all lines of business and consistent with the approach of all other states. We urge you to pass House Bill 2787 to achieve this result.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gerald P. Hensel". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.