

HB

355

# HOUSE COMMITTEE REPORT

(7)

Date Referred: May 6, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 5/15/90

The LABOR & COMMERCE Committee considered:

HB 355

HOUSE BILL NO. 355

[IMPOSING A UNIFORM PREMIUM TAX]

"An Act relating to imposition of a uniform insurance premium tax; and providing for an effective date."

**RECOMMENDATIONS:**

- [ ] be replaced with CS HB 355 (L+C) [ ] the same title
- [ ] have attached amendment(s) [  ] a new title
- [  ] do pass
- [ ] do not pass
- [ ] no recommendation
- [ ] individual recommendations
- [ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

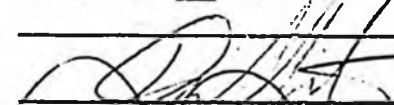

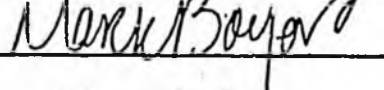
ATTACHES NEW FISCAL NOTE(S):  
(Dept)

APPROVES PREVIOUS:  
(Date/Dept)

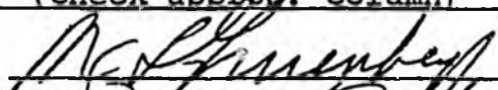
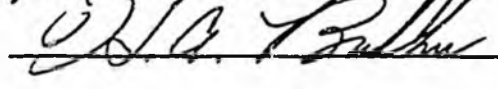
- [ ] fiscal impact \_\_\_\_\_
- [ ] zero fiscal note \_\_\_\_\_
- [ ] zero with analysis \_\_\_\_\_

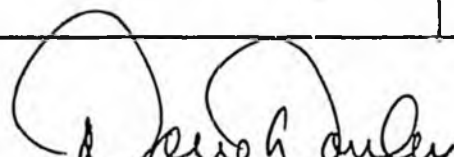
- [  ] fiscal note(s) \_\_\_\_\_
- [ ] zero fiscal note(s) \_\_\_\_\_
- [ ] zero fn/analysis \_\_\_\_\_

**SIGNING DO PASS:**

\_\_\_\_\_  
 (Finkelstein)  
  
  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**SIGNING:**  
(Check approp. column)

	Do Not Pass	No Rec	Amend
		-	
		-	

  
 \_\_\_\_\_  
 Chairman's Signature

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Economic Dev.  
 Title: An Act relating to imposition of a uniform insurance premium tax; and providing for an effective date BRU: Insurance  
 Sponsor: House Labor & Commerce Components: Operations  
 Requestor: House Labor & Commerce

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>						
<b>CAPITAL</b>						
<b>REVENUE</b>	1,728.4	1,728.4	1,728.4	1,728.4		

**FUNDING:** (Thousands of Dollars)

GENERAL FUND	1,728.4	1,728.4	1,728.4	1,728.4		
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

SEE ATTACHED PAGE

Prepared by: Joan Brown, Administrative Officer Phone: 465-2597  
 Division: Insurance Date: \_\_\_\_\_

Approved by Commissioner: Larry Marcilieff *SM* Date: 465-2500  
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

**ANALYSIS**

It appears that this legislation would generate the following additional revenue:

Section 1	- Hospital and Medical Service Corporations	\$1,351,911.00
Section 2	- Wet Marine and Transportation Insurance	134,724.00
Section 4	- Independently Procured Insurance	[3,000.00]
Section 6	- Title Insurance Companies	148,224.00
Section 7	- MICA	<u>96,557.00</u>
	<b>NEW REVENUE</b>	<b><u>\$1,728,416.00</u></b>

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## FISCAL NOTE

**REQUEST:** \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: An Act relating to insurance premium taxes;  
and providing for an effective date

Agency Affected: Commerce & Econ. Dev.  
BRU: Insurance

Sponsor: Labor & Commerce Committee  
Requestor: House Labor & Commerce

Components: Operations

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	159.2	167.1	175.4	184.2	193.4	203.0

**FUNDING:** (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	0	0	0	0	0

**POSITIONS:**

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary) No fiscal impact in FY90.

Prepared by: Don Koch, Chief of Market Surveillance  
Division: Insurance

Phone: 465-2577  
Date: 1-19-90

Approved by Commissioner: Larry Merculieff  
Agency: Commerce and Economic Development

Date: 1/1/90

**Distribution (by preparer):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



November 23, 1989

## M E M O R A N D U M

To: Members, House Labor and Commerce Committee

From: Representative Dave Donley, Chair  
House Labor and Commerce Committee

Re: HB 355 - Uniform Premium Tax

HB 355 establishes a uniform premium tax of 2.7 percent for insuring property or risks located in Alaska.

The premium tax is one of the largest sources of revenues to the state, generating between twenty and twenty-eight million dollars a year. The complexity of the current statute and the differences between the rates paid by various insurers makes collection and regulation of the premium tax needlessly difficult for the Division of Insurance. HB 355 will make it easier for the Division to collect the premium tax and to regulate the industry.

Property/casualty and life/disability insurers already pay a 2.7 percent premium tax. A uniform premium tax will generate an estimated \$1,728,416.00 additional general fund dollars per year by making the tax rate for hospital and medical service corporations, wet marine and transportation insurance, independently procured insurance and title insurance companies consistent with the rate other insurers pay.

There is a proposed committee substitute in your file that incorporates amendments requested by the Division of Insurance (see attached analysis and fiscal note). Jim Jordan, Acting Director of the Division of Insurance will be present to testify and answer questions at our November 28 hearing.

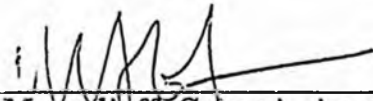
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CSHB 355 (L&C): "An Act relating to imposition of a uniform insurance premium tax; and providing for an effective date.

While this department is neutral on the subject of tax level, we do support this proposed legislation due to its effect on the Division of Insurance. The Act substantially makes the rate of insurance premium tax uniform at 2.7% and provides for a common method of computation. This simplifies the application and calculation of the tax as well as the collection of the tax.

The Division of Insurance now has a number of sources with which to confirm taxes based on gross premium income. It does not have a practical means to determine or confirm taxes based on gross underwriting profit, the method currently used on some wet marine and transportation insurance placements. Except for hospital and medical service corporations, tax would be uniformly applied to gross premium income.

Presently, there are eight different tax rates in the insurance code involving at least three different methods of calculation with resultant variety of the forms utilized to aid in the proper calculation of the appropriate tax. This legislation would allow the Division of Insurance to operate more efficiently in its tax collection role by consolidating the rate and method of taxation.

  
\_\_\_\_\_  
Larry Mercurieff, Commissioner

Date: 24/1/90

LW/dgl6187D  
12490a

HB 355

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

7th FLOOR FRONTIER BLDG.  
3601 C STREET, SUITE 740  
ANCHORAGE, ALASKA 99503-5934  
PHONE: (907) 562-3626

### DIVISION OF INSURANCE

January 2, 1990

Honorable Dave Donley  
House Labor and Commerce Committee  
Alaska State Legislature  
P. O. Box Y  
Juneau, AK 99811

Dear Representative Donley:

RE: Work Draft for CS HB 355 (Uniform Premium Tax)

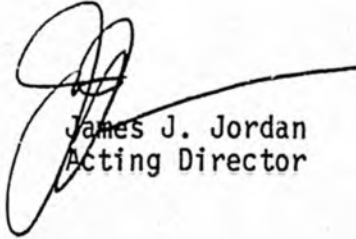
You requested that I provide you with the fiscal impact of the Work Draft for CS HB 355. The analysis is as follows:

	<u>HB 355</u>	<u>Work Draft CS HB 355</u>
Section 1 Hospital and Medical Service Corporations	\$1,351,911	\$ -0-
Section 2 Wet Marine and Transportation Insurance	134,724	134,724
Section 4 Independently Procured Insurance	[3,000]	[3,000]
Section 6 Title Insurance Companies (Section 7 in Work Draft CS HB 355)	148,224	148,224
Section 7 MICA (Section 8 in Work Draft CS HB 355)	96,557	[120,697]
	<hr/>	<hr/>
NEW REVENUE	\$1,728,416	\$159,251

(NOTE: This includes the change relating to Hospital or Medical Service Corporation directed in your memorandum to Mike Ford dated December 11, 1989.

Let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be 'JJ', with a long horizontal line extending to the right.

James J. Jordan  
Acting Director

CC: Linda Wild,  
Special Assistant  
Dept. of Commerce &  
Economic Development

JJ/sh  
2716

HB 355



**Alaska National**  
INSURANCE COMPANY

*A policy of service and protection*

January 19, 1990

The Honorable Dave Donley  
Chairman, House Labor and  
Commerce Committee  
P.O. Box V  
Juneau, Alaska 99811

Dear Mr. Donley:

We have received an Insurance Issues report on a House Labor and Commerce Committee work session held on November 28, 1989, to consider H.B. 355. This is the bill that would impose a uniform insurance premium tax of 2.7 percent.

Quoting from that report:

"Before the work session, Acting Insurance Director Jim Jordan advised Rep. Dave Donley, the committee chairman, that the Division had a neutral position on the bill and offered several technical amendments. A draft substitute was prepared for the work session, incorporating Jordan's suggested changes, but he said he still remained neutral on the legislation because he was concerned about the situation involving Blue Cross of Washington and Alaska. Jordan said that the premium tax is an expense that is passed through directly to the consumer. He suggested that with the high cost of health insurance, the committee might consider exempting medical services corporations. Jordan estimated the increased premium tax in this area would add \$1.5 million to health insurance costs in Alaska. The committee agreed to exempt the medical services corporations and MICA."

We believe that exempting medical services corporations and MICA from the bill raises some equal protection constitutional issues. We agree with Director Jordan "that the premium tax is an expense that is passed through directly to the consumer." We then ask:

Why should a consumer who receives health care insurance from a medical service corporation not have to pay this expense whereas his neighbor who buys his medical insurance from another insurer does?

**RECEIVED**  
JAN 22 1990

The Honorable Dave Donley  
January 19, 1990  
Page 2

Why should a physician (or, ultimately, the patients of that physician) who buys medical malpractice insurance from MICA not have to pay this expense whereas a competing physician (or, his patient) who buys insurance from another insurer does?


Why should policyholders of insurers who provide medical insurance through the workers' compensation, general and auto liability insurance system have to pay this expense whereas the proposed exempted do not?

If the Legislature wants to help out the consumer with premium tax expense, it seems to us that the proper way to do that is to reduce the rate (California's is 2.35%) but charge everyone equally.

There is one other item. We do not have a current draft of H.B. 355. The one we have from last year would continue taxing wet marine insurers on their gross underwriting profit, normally a small percentage of direct premium income. We believe that the tax on marine insurers should be applied to direct premium income to meet the test we advocate above. (We are putting our money where our mouth is on this issue since we are beginning to underwrite marine insurance this year).

Your comments would be appreciated.

Sincerely,



James E. Pfeifer  
President

JEP:lw

cc: Senator Tim Kelly  
Acting Director Jim Jordan

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



November 15, 1989

## M E M O R A N D U M

To: Mike Ford, Attorney  
Legislative Legal Services

From: Representative Dave Donley, Chair  
House Labor and Commerce Committee

Re: Draft CS for HB 355

Please prepare a draft House Labor and Commerce proposed committee substitute for HB 355 incorporating the suggested changes outlined in the attached letter from former Division of Insurance Director Paul Roller.

The omission of changes for tax rates for unauthorized insurance in AS 21.33.055(a) was inadvertent. Insert new language into the draft CS similar to sections 4 and 5 as suggested in Roller's comments under Section 2, Page 2. In addition, the attached amendment (6-1382Aa, Ford, 6/30/89) should be included in the draft CS.

We need this draft CS as soon as possible in order to prepare for public hearings on November 28. Contact Jim Jordan at the Division of Insurance or Ginger Baim at 561-7629 if you have any questions or need additional information.

Enclosure

dd/gb

STATE OF ALASKA

STEVE COWPER, GOVERNOR

**DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT**

DIVISION OF INSURANCE

P. O. BOX D  
JUNEAU, ALASKA 99811-0800  
PHONE: (907) 465-2515

502-5626

July 7, 1989

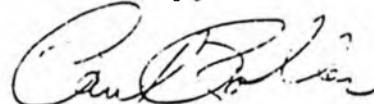
Honorable Dave Donley  
House of Representatives  
3111 "C" Street, Suite 450  
Anchorage, AK 99503

Dear Dave,

Staff has reviewed HB 355 relating to a uniform premium tax, and I've enclosed a draft copy of our bill analysis. The analysis has not been released to anyone else yet but is due in our Commissioner's Office as soon as possible but not later than July 25.

I would like to talk with you about the bill once you've had a chance to study our analysis. I will be out of the state from July 17-24. Jim Jordan will, of course, be available in my absence.

Sincerely,



Paul Roller  
Director

PR/dg14694D  
070789a  
Enclosure

An Act relating to imposition of a uniform insurance premium tax; and providing for an effective date.

Section 1

This section repeals and reenacts AS 21.09.210(b) which establishes the rate of taxation. The section changes the tax rate for hospital and medical service corporations from 6% of gross premiums less claims paid to 2.7% of direct premium income. This will increase taxes paid by hospital and medical service corporations from \$399,878 to \$1,751,789, an increase of \$1,351,911 based on calendar 1988 data.

Two technical amendments are suggested:

1. On page 1, line 10, after the word "insurer," insert "and each formerly authorized insurer with respect to premiums received while an authorized insurer."

This language is in the existing statute and simply clarifies that, if an insurer withdraws from the state for whatever reason before year-end, it is still liable for premium taxes on insurance written while authorized.

2. On page 1, line 13, after the word "risks," insert "resident" and, after the word "located," insert "or to be performed."

This is in keeping with language in other draft bills and in regulations.

One further substantive amendment is recommended:

On page 1, line 22, after the word "tax," add a new sentence: "The director may promulgate regulations to require tax payments to be made on other than an annual basis."

This would give the director the flexibility to require monthly or quarterly tax payments as has been discussed with the Department of Revenue in order to increase the state's interest earnings. Several states already require quarterly payments and Hawaii requires monthly payments.

Section 2

This section repeals and reenacts AS 21.09.210(d). The effect is to increase the tax rate on wet marine and transportation insurance from .75% to 2.7%. Based on 1988 data, tax collections would increase from \$51,817 to \$186,541, an increase of \$134,724. This figure is very rough because the division combines all wet marine and transportation taxes even though some companies pay based on gross underwriting profit and some pay based on gross premiums.

### Section 3

This section adds a new subsection (j) to AS 21.09.210 which requires that the commissioner of administration separately account for the premium taxes collected by the division. The Legislature may then appropriate the annual estimated balance to the Medical Malpractice Matching Fund (MMMMF). This matching fund is established in HB 350. In addition, HB 349 makes an initial appropriation of \$500,000 to the matching fund from the unexpended and unobligated funds repaid to the medical malpractice liability revolving loan fund. As of June 22, 1989, the medical malpractice liability revolving loan fund balance is \$1,972,870.

This section will have the effect of reducing general fund revenue by the amount required for the operation of the MMMMF on an annual basis. Only health care providers insured by the Medical Indemnity Corporation of Alaska (MICA) are eligible to receive matching funds and eligibility criteria are established based on the relationship between the health care provider's annual income and insurance premium. So while not all MICA-insured providers will be eligible depending upon their income and premium amounts, in 1988 MICA generated \$8,046,470 in premiums. The division does not have the data available to further define the possible effect on the general fund.

→ A technical amendment is needed on page 2, line 9. The word "loan" should be deleted. The fund as established in HB 350 is called the Medical Malpractice Matching Fund.

### Section 4

AS 21.33.061(c) is repealed and reenacted. The effect is to reduce the current 3% tax rate on independently procured insurance to 2.7% for lines other than marine insurance. The tax rate on marine insurance will increase from .75% to 2.7%. The monetary effect is minimal on the change from 3% to 2.7%. Based on 1988 data, which also includes unauthorized insurance premium tax, there is a reduction of \$3,000.

yes. It should be noted that the tax rates for unauthorized insurance in AS 21.33.055(a) are not amended by this legislation. If this was inadvertent, a new section with language similar to sections 4 and 5 could be inserted.

### Section 5

Minor amendments to AS 21.33.061(e) to reflect the new section references for the tax rates and tax due date.

This section needs to be amended to incorporate the possibility of quarterly or monthly tax payments. On page 2, line 19, after the word, "paid," insert "when due" and delete "by April 1 of each year."

### Section 6

AS 21.66.110 is amended to increase the tax rate from 1% to 2.7% on gross premiums received by title insurance companies. Using 1988 data, this would increase tax revenue by \$148,224 from \$87,190 to \$235,414.

Section 7

AS 21.88.060 is amended to increase the tax rate from 1.5% to 2.7% on direct premium income received by MICA. Using 1988 data, this would increase tax revenue by \$96,557, from \$120,697 to \$217,254.

Section 8

This section deletes AS 21.09.210(h) which exempted title insurance companies from AS 21.09.210. Pursuant to Section 6 of the bill, title insurance companies will pay the same tax rate as the other admitted insurance companies.

W→ One suggested amendment would be to phase in the tax increase for title insurance companies due to the continuation of the depressed real estate market.

Section 9

This section simply states that the provisions of the Act apply to policies issued or renewed after the effective date of the section.

Sections 10 and 11

These sections specify the effective dates.

In summary, it appears that this legislation would generate the following additional revenue:

Section 1	- Hospital and Medical Service Corporations	\$1,351,911.00-
Section 2	- Wet Marine and Transportation Insurance	134,724.00
Section 4	- Independently Procured Insurance	[3,000.00]
Section 6	- Title Insurance Companies	148,224.00
Section 7	- MICA	[120,000.00] <u>-96,557.00-</u>
NEW REVENUE		<u>\$1,728,416.00</u>

Depending on the estimate for resources needed for the medical malpractice matching fund, it is possible this legislation could generate enough revenue to cover the costs of the matching fund.

6-1382Aa  
Ford  
6/30/89

A M E N D M E N T

OFFERED IN THE HOUSE

BY DONLEY

TO: HB 355

Page 2, line 29, through page 3, line 2:

Delete all material and insert

"Sec. 21.88.060. PREMIUM TAX EXEMPTION. Premium income received by the corporation for insurance issued under this chapter is exempt from taxation."

Insurance Premium Tax Rates by State

State	P&C Tax	Wet Marine Tax	Fire Marshall	Other Fire	Total Tax
AL	4.00 GP	4.00 GP	None	None	4.00 GP
AK	2.70 GP	0.75 Pr	None	None	2.70 GP
AZ	1.70 GP	1.70 GP	0.20 †	None	1.90 GP
AR	2.50 GP	0.75 Pr	None	None	2.50 GP
CA	2.35 GP	5.00 Pr(3)	None	None	2.35 GP
CO	2.25 GP	2.25 GP	None	None	2.25 GP
CT	2.00 GP	5.00 Pr(3)	None	None	2.00 GP
DE	1.75 GP	5.00 Pr(3)	None	None	1.75 GP
DC	2.00 GP	2.00 GP	None	None	2.00 GP
FL	2.00 GP	0.75 Pr	0.63 †	None	2.63 GP
GA	2.25 GP	2.25 GP	None	2.50 †	4.75 GP
HI	4.28 GP	0.88 Pr	None	None	4.28 GP
ID	3.00 GP	3.00 GP	None	None	3.00 GP
IL	2.00 GP	2.00 GP	1.00 †	2.00 †	5.00 GP
IN	2.00 GP	2.00 GP	0.50 incl	None	2.00 GP
IA	2.00 GP	6.50 Pr(3)	None	None	2.00 GP
KS	2.00 GP	2.00 GP	1.25 †	2.00 †	5.25 GP
KY	2.00 GP	2.00 GP	0.75 †	None	2.75 GP
LA	1.85 GP	1.85 GP	1.25 †	2.25 †	5.35 GP
ME	2.00 GP	2.00 GP	0.75 †	None	2.75 GP
MD	2.00 GP	2.00 GP	None	None	2.00 GP
MA	2.28 GP	5.70 Pr(3)	None	None	2.28 GP
MI	2.35 GP	2.35 GP	None	None	2.35 GP
MN	2.00 GP	5.00 Pr(3)	2.00 †	2.00 †	6.00 GP
MS	3.00 GP	3.00 GP	0.50 †	None	3.50 GP
MO	2.00 GP	2.00 GP	None	None	2.00 GP
MT	2.75 GP	2.75 GP	0.75 †	1.25 †	4.75 GP
NE	1.00 GP	1.00 GP	0.75 †	None	1.75 GP
NV	3.00 GP	3.00 GP	None	None	3.00 GP
NH	2.00 GP	5.00 Pr	None	None	2.00 GP
NJ	2.00 GP	5.00 Pr(3)	None	None	2.00 GP
NM	3.00 GP	3.00 GP	None	None	3.00 GP
NY	2.60 GP	2.60 GP	1.25 †	None	3.85 GP
NC	2.50 GP	2.50 GP	1.00 †	0.50 †	4.00 GP
ND	2.50 GP	2.50 GP	None	None	2.50 GP
OH	2.50 GP	2.50 GP	0.75 †	None	3.25 GP
OK	4.00 GP	4.00 GP	0.31 †	None	4.31 GP
OR	2.25 GP	5.00 Pr(3)	1.00 †	None	3.25 GP
PA	2.00 GP	5.00 Pr	None	None	2.00 GP
RI	2.00 GP	5.00 Pr(3)	None	None	2.00 GP
SC	2.00 GP	2.00 GP	None	1.10 †	3.10 GP
SD	2.50 GP	2.50 GP	0.50 †	None	3.00 GP
TN	2.50 GP	2.50 GP	0.75 †	None	3.25 GP
TX	3.50 GP	3.50 GP	1.25 †	None	4.75 GP
UT	2.25 GP	5.00 Pr	None	None	2.25 GP
VT	2.00 GP	2.00 GP	None	None	2.00 GP
VA	2.75 GP	2.75 GP	None	None	2.75 GP
WA	2.00 GP	0.95 Pr	None	None	2.00 GP
WV	4.00 GP	4.00 GP	0.50 †	None	4.50 GP
WI	2.38 GP	0.50 GP	None	2.00 †	4.38 GP
WY	2.50 GP	0.75 Pr	None	None	2.50 GP

## Tax Rates by State

State	P&C Tax	Wet Marine Tax	Fire Marshall	Notes
AL	4.00	4.00 GP	None	
AK	2.70	0.75 Pr	None	
AZ	1.70	1.70 GP	0.20 †	
AR	2.50	0.75 Pr	None	
CA	2.35	5.00 Pr(3)	None	
CO	2.25	2.25 GP	None	
CT	2.00	5.00 Pr(3)		???????
DE	1.75	5.00 Pr(3)	None	
DC	2.00	2.00 GP	None	
FL	2.00	0.75 Pr	0.63 †	
GA	2.25	2.25 GP	None	† max of 2.50 by county
HI	4.28	0.82 Pr	None	
ID	3.00	3.00 GP	None	
IL	2.00	2.00 GP	1.00 †	† 2.00 for Fire Dept
IN	2.00	2.00 GP	0.50 incl	
IA	2.00	6.50 Pr(3)	None	
KS	2.00	2.00 GP	1.25 †	† 2.00 Firefighters Relief
KY	2.00	2.00 GP	0.75 †	
LA	1.85	1.85 GP	1.25 †	† 2.25 Fire Dept & Training
ME	2.00	2.00 GP	0.75 †	
MD	2.00	2.00 GP	None	
MA	2.28	5.70 Pr(3)	None	
MI	2.35	2.35 GP	None	
MN	2.00	5.00 Pr(3)	2.00 †	† 2.00 Firemens Relief Fund
MS	3.00	3.00 GP	0.50 †	
MO	2.00	2.00 GP	None	
MT	2.75	2.75 GP	0.75 †	† 1.25 Firemens Pension
NE	1.00	1.00 GP	0.75 †	
NV	3.00	3.00 GP	None	
NH	2.00	5.00 Pr	None	
NJ	2.00	5.00 Pr(3)	None	
NM	3.00	3.00 GP	None	
NY	2.60	2.60 GP	1.25 †	
NC	2.50	2.50 GP	1.00 †	† 0.50 Firemens Relief Fund
ND	2.50	2.50 GP	None	
OH	2.50	2.50 GP	0.75 †	
OK	4.00	4.00 GP	0.31 †	
OR	2.25	5.00 Pr(3)	1.00 †	
PA	2.00	5.00 Pr	None	
RI	2.00	5.00 Pr(3)	None	
SC	2.00	2.00 GP	None	† 1.10 Fire Dept & Inspectic
SD	2.50	2.50 GP	0.50 †	
TN	2.50	2.50 GP	0.75 †	
TX	3.50	3.50 GP	1.25 †	
UT	2.25	5.00 Pr	None	
VT	2.00	2.00 GP	None	
VA	2.75	2.75 GP	None	
WA	2.00	0.95 Pr	None	
WV	4.00	4.00 GP	0.50 †	
WI	2.38	0.50 GP	None	† 2.00 Fire Dept Dues
WY	2.50	0.75 Pr	None	

Preferential Tax Rates for Wet Marine

HBZ 30

State	P&C Tax	Wet Marine Tax
AK	2.70 GP	0.75 Pr
AR	2.50 GP	0.75 Pr
FL	2.00 GP	0.75 Pr
WY	2.50 GP	0.75 Pr
HI	4.28 GP	0.88 Pr
WA	2.00 GP	0.95 Pr
NH	2.00 GP	5.00 Pr
PA	2.00 GP	5.00 Pr
UT	2.25 GP	5.00 Pr
CA	2.35 GP	5.00 Pr(3)
CT	2.00 GP	5.00 Pr(3)
DE	1.75 GP	5.00 Pr(3)
MN	2.00 GP	5.00 Pr(3)
NJ	2.00 GP	5.00 Pr(3)
OR	2.25 GP	5.00 Pr(3)
RI	2.00 GP	5.00 Pr(3)
MA	2.28 GP	5.70 Pr(3)
IA	2.00 GP	6.50 Pr(3)
WI	2.38 GP	0.50 GP

Notes:

- GP = Gross Premium
- Pr = Profit
- Pr(3) = Average 3 Year Profit

19 States have a preferential tax treatment for Wet Marine insurance

## Added Premium Tax for Fire Marshall & Fire Related

State	P&C Tax	Fire Marshall Tax	Additional Fire Related Tax
AK	2.70	None	
AZ	1.70	0.20 †	
FL	2.00	0.63 †	
GA	2.25	None	† max of 2.50 by county
IL	2.00	1.00 †	† 2.00 for Fire Department
IN	2.00	0.50 incl	
KS	2.00	1.25 †	† 2.00 Firefighters Relief
KY	2.00	0.75 †	
LA	1.85	1.25 †	† 2.25 Fire Dept & Training
ME	2.00	0.75 †	
MN	2.00	2.00 †	† 2.00 Firemens Relief Fund
MS	3.00	0.50 †	
MT	2.75	0.75 †	† 1.25 Firemens Pension
NE	1.00	0.75 †	
NY	2.60	1.25 †	
NC	2.50	1.00 †	† 0.50 Firemens Relief Fund
OH	2.50	0.75 †	
OK	4.00	0.31 †	
OR	2.25	1.00 †	
SC	2.00	None	† 1.10 Fire Dept & Inspection
SD	2.50	0.50 †	
TN	2.50	0.75 †	
TX	3.50	1.25 †	
WV	4.00	0.50 †	
WI	2.38	None	† 2.00 Fire Dept Dues

### Notes:

All tax rates above apply to gross premium

20 states have an added insurance premium tax for the Fire Marshall's office.

1 state has an amount in the insurance premium tax allocated for the Fire Marshall's office.

9 states have an added insurance premium tax for a fire related purpose.

	GROSS PREMIUM	CURRENT TAX RATE	CURRENT TAX REVENUE	ADDITIONAL REVENUE ALL AT 2.7% G.P.	ADDITIONAL REVENUE 3% G.P. LTD P/C	ADDITIONAL REVENUE ALL AT 3% G.P.	ADDITIONAL REVENUE 3.5% G.P. LTD P/C	ADDITIONAL REVENUE ALL AT 3.5% G.P.
LIFE AND DISABILITY INSURANCE	199,450,000	2.7% G.P.	5,385,154	NO CHANGE	598,950	598,950	1,595,600	1,595,600
LIFE AND DISABILITY STATE + MUNEP	56,760,081	0%	0	NO CHANGE	NO CHANGE	NO CHANGE	NO CHANGE	NO CHANGE
HOSPITAL / MEDICAL SERVICE CORP	60,001,429	6% OF PROFIT	269,629	1,850,400	NO CHANGE	1,530,400	NO CHANGE	1,850,420
PROPERTY/ CASUALTY INSURANCE	656,240,740	2.7% G.P.	17,718,544	NO CHANGE	1,968,722	1,968,722	5,249,926	5,249,926
WBT MARINE AND TRANSPORTATION	12,485,966	0.75% OF PROFIT	58,146	278,958	NO CHANGE	316,415	NO CHANGE	378,842
TITLE INSURANCE	16,507,725	1% G.P.	165,077	280,700	NO CHANGE	330,154	NO CHANGE	412,693

PREPARED BY:  
ALASKA DIVISION OF INSURANCE  
4-21-87

23,996,550    1,909,958    2,567,072    4,744,041    6,845,526    9,467,482



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
BILL ANALYSIS

DEPARTMENT Commerce & Econ. Dev.	ISSUES Insurance	BILL NUMBER HB 355	SPONSOR Labor & Commerce Committee
SHORT TITLE OF BILL: AN ACT relating to imposition of a uniform insurance premium tax; and providing for an effective date.			
DEPARTMENT POSITION Neutral			
PREPARED BY <i>[Signature]</i>	DATE 4/8/89	EXAMINER'S SIGNATURE <i>[Signature]</i>	DATE 16/11

**SUMMARY**

OTHER AGENCIES AFFECTED BY BILL None	AGENCY(IES) AFFECTED BY BILL Insurers
LEGISLATIVE AGENCIES FOR BILL Unknown	ORGANIZATIONAL SUPPORTERS TO BILL Blue Cross of Washington and Alaska Medical Indemnity Corp. of Alaska Title Insurance Companies

FEDERAL REPORT  NONE  FEDERAL NOTE ATTACHED

ANALYSIS OF BILLOUTCOME EFFECTS

See attached.

AMENDMENTS PROPOSED

See attached.

**STATE OF ALASKA  
1989 LEGISLATIVE SESSION**

BILL VERSION: \_\_\_\_\_  
PUBLISH DATE: \_\_\_\_\_

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Economic Dev.  
 Title: An Act relating to imposition of a BRU: Insurance  
uniform insurance premium tax; and providing for an effective date  
 Sponsor: \_\_\_\_\_ Components: Operations  
 Requester: \_\_\_\_\_

**EXPENDITURES / REVENUES : (Thousands of Dollars)**

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>						

CAPITAL						
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REVENUE			1,728.4	1,728.4	1,728.4	1,728.4
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**FUNDING: (Thousands of dollars)**

GENERAL FUND			1,728.4	1,728.4	1,728.4	1,728.4
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary.)

SEE ATTACHED PAGE

Prepared by: Joan Brown, Administrative Officer  
 Division: Insurance

Phone: 465-2597  
 Date: \_\_\_\_\_

Approved by Commissioner: Larry Merculieff  
 Agency: Department of Commerce & Economic Development

Phone: 465-2500  
 Date: \_\_\_\_\_

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

**ANALYSIS**

It appears that this legislation would generate the following additional revenue:

Section 1	- Hospital and Medical Service Corporations	\$1,351,911.00
Section 2	- Wet Marine and Transportation Insurance	134,724.00
Section 4	- Independently Procured Insurance	[3,000.00]
Section 6	- Title Insurance Companies	148,224.00
Section 7	- MICA	<u>26,557.00</u>
	<b>NEW REVENUE</b>	<b><u>\$1,728,416.00</u></b>

5210D-2  
091289b

6-1382E  
Ford  
11/22/89

Original sponsor: Labor and Commerce Committee

1 IN THE HOUSE

BY THE LABOR AND  
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 355 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to imposition of a uniform insurance  
7 premium tax; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 21.09.210(b) is repealed and reenacted to read:

10 (b) By April 1 of each calendar year, an authorized insurer, or  
11 formerly authorized insurer with respect to premiums received while an  
12 authorized insurer in this state, shall pay to the director a tax  
13 equal to 2.7 percent of the total direct premium income received  
14 during the preceding calendar year for insuring property or risks  
15 resident, located, or to be performed in the state. In computing the  
16 tax due under this subsection, an insurer may deduct from total direct  
17 premium income applicable cancellations, returned premiums, the unab-  
18 sorbed portion of any deposit premium, all policy dividends, unab-  
19 sorbed premiums refunded to policyholders, refunds, savings, savings  
20 coupons, and other similar returns paid or credited to a policyholder.  
21 A deduction from direct premium income may not be made for the cash  
22 surrender value of a policy. Consideration received for an annuity  
23 contract may not be considered direct premium income and is not sub-  
24 ject to tax imposed by this subsection. The director may adopt  
25 regulations that require tax payments be made on other than an annual  
26 basis.

27 \* Sec. 2. AS 21.09.210(d) is repealed and reenacted to read:

28 (d) An authorized insurer who issues a wet marine or transporta-  
29 tion contract in this state shall pay the tax imposed under (b) of

1 this section on the insurer's gross underwriting profit in the preced-  
2 ing calendar year. The gross underwriting profit is computed by  
3 deducting from net premiums the net losses paid during the preceding  
4 calendar year. In the case of an insurer issuing participating con-  
5 tracts, the gross underwriting profit may not include an amount re-  
6 funded or paid as a participation dividend by the insurer to the  
7 holder of the contract.

8 \* Sec. 3. AS 21.09.210 is amended by adding a new subsection to read:

9 (j) The commissioner of administration shall separately account  
10 for premium taxes collected by the division of insurance that the  
11 division deposits in the general fund. The annual estimated balance  
12 in the account may be appropriated by the legislature to the Alaska  
13 medical malpractice matching fund under AS 21.88.310.

14 \* Sec. 4. AS 21.33.055(a) is repealed and reenacted to read:

15 (a) Except for a premium received for lawfully procured surplus  
16 lines insurance or a premium received for independently procured  
17 insurance on which a tax has been paid under AS 21.33.061, a premium,  
18 membership fee, assessment, or other consideration received for insur-  
19 ance issued by a nonadmitted insurer is subject to the tax imposed  
20 under AS 21.09.210(b). Insurance on subjects resident, located, or to  
21 be performed in this state procured through negotiation or applica-  
22 tion, in whole or in part occurring in or out of this state, or for  
23 which premiums in whole or in part are remitted directly or indirectly  
24 from in or out of this state, shall be considered to be insurance  
25 procured, continued, or renewed in this state. On default of a nonad-  
26 mitted insurer in the payment of the tax, the insured shall pay the  
27 tax to the director as required under AS 21.09.210(b). If the tax  
28 prescribed under AS 21.09.210(b) is not paid when due the tax shall be  
29 increased by a penalty of 25 percent and by an additional penalty not

1 to exceed \$100 a day from the date the payment was due to the date  
2 paid.

3 \* Sec. 5. AS 21.33.061(c) is repealed and reenacted to read:

4 (c) A premium, membership fee, assessment, or other considera-  
5 tion received for insurance issued by a nonadmitted insurer is subject  
6 to the tax imposed under AS 21.09.210(b).

7 \* Sec. 6. AS 21.33.061(e) is amended to read:

8 (e) If the insured fails to withhold from the premium the amount  
9 of tax levied, the insured is liable for the amount and shall pay the  
10 tax to the director as required under AS 21.09.210(b) [WITHIN THE TIME  
11 STATED IN (c) OF THIS SECTION]. If the tax prescribed under AS 21.-  
12 09.210(b) [BY THIS SECTION] is not paid when due [WITHIN THE TIME  
13 STATED IN (c) OF THIS SECTION], the tax shall be increased by a penal-  
14 ty of 25 percent and by [THE AMOUNT OF] an additional penalty not to  
15 exceed \$100 per day from the date the payment was due to the date  
16 paid.

17 \* Sec. 7. AS 21.66.110 is repealed and reenacted to read:

18 Sec. 21.66.110. ANNUAL TAX ON TITLE INSURANCE PREMIUMS. A title  
19 insurance company shall pay the tax imposed under AS 21.09.210(b) on  
20 gross title insurance premiums received during the calendar year.

21 \* Sec. 8. AS 21.88.060 is repealed and reenacted to read:

22 Sec. 21.88.060. PREMIUM TAX EXEMPTION. Premium income received  
23 by the corporation for insurance issued under this chapter is exempt  
24 from taxation.

25 \* Sec. 9. AS 21.09.210(h) is repealed.

26 \* Sec. 10. APPLICABILITY. This Act applies to insurance policies that  
27 are issued or renewed on or after the effective date of this section.

28 \* Sec. 11. Section 3 of this Act takes effect on the effective date of  
29 an Act establishing the Alaska medical malpractice matching fund.

1       \* Sec. 12. Except for sec. 3 of this Act, this Act takes effect July 1,  
2 1990.  
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6-1382H  
Ford  
1/24/90

Original sponsor(s): LABOR & COMMERCE COMMITTEE

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 355 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to insurance premium taxes; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 21.09.210(b) is repealed and reenacted to read:

10 (b) Except for a hospital and medical service corporation, by  
11 April 1 of each calendar year, an authorized insurer, or formerly  
12 authorized insurer with respect to premiums received while an autho-  
13 rized insurer in this state, shall pay to the director a tax on gross  
14 premium income received during the preceding calendar year for insur-  
15 ing property or risks resident, located, or to be performed in the  
16 state at the rate of 2.7 percent. By April 1 of each calendar year, a  
17 hospital and medical service corporation shall pay to the director a  
18 tax on gross premium income received during the preceding calendar  
19 year for health care insurance at the rate of six percent of gross  
20 premium income less claims paid. In computing the tax due under this  
21 subsection, an insurer may deduct from gross premium income applicable  
22 cancellations, returned premiums, the unabsorbed portion of any de-  
23 posit premium, all policy dividends, unabsorbed premiums refunded to  
24 policyholders, refunds, savings, savings coupons, and other similar  
25 returns paid or credited to a policyholder. A deduction from gross  
26 premium income may not be made for the cash surrender value of a  
27 policy. Consideration received for an annuity contract may not be  
28 considered gross premium income and is not subject to tax imposed by  
29 this subsection. The director may adopt regulations that require tax

1 payments be made on other than an annual basis.

2 \* Sec. 2. AS 21.09.210 is amended by adding a new subsection to read:

3 (j) The commissioner of administration shall separately account  
4 for premium taxes collected by the division of insurance that the  
5 division deposits in the general fund. The annual estimated balance  
6 in the account may be appropriated by the legislature to the Alaska  
7 medical malpractice matching fund under AS 21.88.310.

8 \* Sec. 3. AS 21.33.055(a) is repealed and reenacted to read:

9 (a) Except for a premium received for lawfully procured surplus  
10 lines insurance or a premium received for independently procured  
11 insurance on which a tax has been paid under AS 21.33.061, a premium,  
12 membership fee, assessment, or other consideration received for insur-  
13 ance issued by a nonadmitted insurer is subject to the tax imposed on  
14 insurers other than hospital and medical service corporations under  
15 AS 21.09.210(b). Insurance on subjects resident, located, or to be  
16 performed in this state procured through negotiation or application,  
17 in whole or in part occurring in or out of this state, or for which  
18 premiums in whole or in part are remitted directly or indirectly from  
19 in or out of this state, shall be considered to be insurance procured,  
20 continued, or renewed in this state. On default of a nonadmitted  
21 insurer in the payment of the tax, the insured shall pay the tax to  
22 the director as required under AS 21.09.210(b). If the tax imposed  
23 under this subsection is not paid when due the tax shall be increased  
24 by a penalty of 25 percent and by an additional penalty not to exceed  
25 \$100 a day from the date the payment was due to the date paid.

26 \* Sec. 4. AS 21.33.061(c) is repealed and reenacted to read:

27 (c) A premium, membership fee, assessment, or other considera-  
28 tion received for insurance issued by a nonadmitted insurer is subject  
29 to the tax imposed on insurers other than hospital and medical service

corporations under AS 21.09.210(b).

\* Sec. 5. AS 21.33.061(e) is amended to read:

(e) If the insured fails to withhold from the premium the amount of tax levied, the insured is liable for the amount and shall pay the tax to the director as required under AS 21.09.210(b) [WITHIN THE TIME STATED IN (c) OF THIS SECTION]. If the tax imposed under [PRESCRIBED BY] this section is not paid when due [WITHIN THE TIME STATED IN (c) OF THIS SECTION], the tax shall be increased by a penalty of 25 per cent and by [THE AMOUNT OF] an additional penalty not to exceed \$100 per day from the date the payment was due to the date paid.

\* Sec. 6. AS 21.66.110 is repealed and reenacted to read:

Sec. 21.66.110. ANNUAL TAX ON TITLE INSURANCE PREMIUMS. A title insurance company shall pay the tax imposed on insurers other than hospital and medical service corporations under AS 21.09.210(b) on gross premium income received during the calendar year.

\* Sec. 7. AS 21.88.060 is repealed and reenacted to read:

Sec. 21.88.060. PREMIUM TAX EXEMPTION. Premium income received by the corporation for insurance issued under this chapter is exempt from taxation.

\* Sec. 8. AS 21.09.210(d) and 21.09.210(h) are repealed.

\* Sec. 9. APPLICABILITY. This Act applies to insurance policies that are issued or renewed on or after the effective date of this section.

\* Sec. 10. Section 2 of this Act takes effect on the effective date of an Act establishing the Alaska medical malpractice matching fund.

\* Sec. 11. Except for sec. 2 of this Act, this Act takes effect July 1, 1990.

6-1382H  
Ford  
12/27/89

Original sponsor(s): LABOR & COMMERCE COMMITTEE

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 355 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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13 rized insurer in this state, shall pay to the director a tax on gross  
14 premium income received during the preceding calendar year for insur-  
15 ing property or risks resident, located, or to be performed in the  
16 state at the rate of 2.7 percent. By April 1 of each calendar year, a  
17 hospital and medical service corporation shall pay to the director a  
18 tax on gross premium income received during the preceding calendar  
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28 considered gross premium income and is not subject to tax imposed by  
29 this subsection. The director may adopt regulations that require tax

1 payments be made on other than an annual basis.

2 \* Sec. 2. AS 21.09.210(d) is repealed and reenacted to read:

3 (d) An authorized insurer who issues a wet marine or transporta-  
4 tion contract in this state shall pay a tax at the rate imposed on  
5 insurers other than hospital and medical service corporations under  
6 (b) of this section on the insurer's gross underwriting profit in the  
7 preceding calendar year. The gross underwriting profit is computed by  
8 deducting from net premiums the net losses paid during the preceding  
9 calendar year. In the case of an insurer issuing participating con-  
10 tracts, the gross underwriting profit may not include an amount re-  
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25 insurers other than hospital and medical service corporations under  
26 AS 21.09.210(b). Insurance on subjects resident, located, or to be  
27 performed in this state procured through negotiation or application,  
28 in whole or in part occurring in or out of this state, or for which  
29 premiums in whole or in part are remitted directly or indirectly from

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2 continued, or renewed in this state. On default of a nonadmitted  
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17 STATED IN (c) OF THIS SECTION]. If the tax imposed under [PRESCRIBED  
18 BY] this section is not paid when due [WITHIN THE TIME STATED IN (c)  
19 OF THIS SECTION], the tax shall be increased by a penalty of 25 per-  
20 cent and by [THE AMOUNT OF] an additional penalty not to exceed \$100  
21 per day from the date the payment was due to the date paid.

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23 Sec. 21.66.110. ANNUAL TAX ON TITLE INSURANCE PREMIUMS. A title  
24 insurance company shall pay the tax imposed on insurers other than  
25 hospital and medical service corporations under AS 21.09.210(b) on  
26 gross premium income received during the calendar year.

27 \* Sec. 8. AS 21.88.060 is repealed and reenacted to read:

28 Sec. 21.88.060. PREMIUM TAX EXEMPTION. Premium income received  
29 by the corporation for insurance issued under this chapter is exempt

1 from taxation.

2 \* Sec. 9. AS 21.09.210(h) is repealed.

3 \* Sec. 10. APPLICABILITY. This Act applies to insurance policies that  
4 are issued or renewed on or after the effective date of this section.

5 \* Sec. 11. Section 3 of this Act takes effect on the effective date of  
6 an Act establishing the Alaska medical malpractice matching fund.

7 \* Sec. 12. Except for sec. 3 of this Act, this Act takes effect July 1,  
8 1990.

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