Senate

General Assembly **File No. 412**

February Session, 2000

Substitute Senate Bill No. 590

Senate, April 4, 2000

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

An Act Concerning Insurance Guaranty Fund Credits.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (h) of section 38a-866 of the general statutes is repealed and the following is substituted in lieu thereof:

(h) (1) Each insurer paying an assessment under sections 38a-858 to 38a-875, inclusive, may offset [fifty] one hundred per cent of the amount of such assessment against its premium tax liability to this state under chapter 207. [accrued with respect to business transacted in such year.] Such offset shall be taken over a period of the five successive tax years following the year of payment of the assessment, at the rate of twenty per cent per year of the assessment paid to the association. Each insurer which has offset assessments paid to the association from its premium tax liability to the state shall pay to the state [fifty] one hundred per cent of any sums which are acquired by refund from the association pursuant to subsection (f) of this section.

The association shall notify the commissioner that such refunds have been made.

(2) An insurer may transfer any offset provided under this subsection to an affiliate, as defined in section 38a-1, of that insurer.

Sec. 2. Section 38a-841 of the general statutes is amended by adding subdivision (3) as follows:

(NEW) (3) (A) Each insurer paying an assessment under sections 38a-836 to 38a-853, inclusive, may offset one hundred per cent of the amount of such assessment against its premium tax liability to this state under chapter 207. Such offset shall be taken over a period of the five successive tax years following the year of payment of the assessment, at the rate of twenty per cent per year of the assessment paid to the association. Each insurer which has offset assessments paid to the association from its premium tax liability to the state shall pay to the state one hundred per cent of any sums which are acquired by refund from the association pursuant to subdivision (2) of this section. The association shall notify the commissioner that such refunds have been made.

(B) An insurer may transfer any offset provided under this subdivision to an affiliate, as defined in section 38a-1, of that insurer.

Sec. 3. Section 38a-849 of the general statutes is repealed.

Sec. 4. This act shall take effect from its passage and shall be applicable to income years commencing on and after January 1, 2000.

FIN ***Committee Vote:*** Yea 39 Nay 0 JFS

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Future Revenue Loss

Affected Agencies: Department of Revenue Services

Municipal Impact: None

Explanation

State Impact:

A revenue loss in 5 to 10 years could be up to $1 to $2 million per year as a result of allowing insurance companies to offset 100% of payments to the life and health insurance guaranty fund or the property-casualty insurance guaranty fund against their premium tax liability. Current law allows insurers to offset 50% of payments made into the life and health insurance guaranty fund against their insurance premiums tax liability.

OLR Bill Analysis
sSB 590

AN ACT CONCERNING INSURANCE GUARANTY FUND CREDITS.

SUMMARY:
This bill allows insurance companies to offset their premium tax liability by the full amount of any assessments they pay to the Connecticut Insurance Guaranty Association and the Connecticut Life and Health Guaranty Association. They must spread the offsets out over the five years following the assessment, reducing their premium tax liability each year by 20% of the assessment payment.

Under current law, insurers may offset their premium tax with 50% of any assessment they pay to the Connecticut Life and Health Insurance Guaranty Association and they may take the entire offset in one year. There is currently no offset for assessments paid to the Connecticut Insurance Guaranty Association. Under the bill, insurers who take the offsets must pay over to the state 100% rather than 50% of any refunds they receive from the associations when association assets exceed liabilities.

The bill also allows insurers to transfer offsets to their affiliates, which they cannot currently do. An affiliate is a company that, directly or indirectly, the insurer controls; controls the insurer; or along with the insurer, is controlled by a third entity.

Finally, the bill eliminates a requirement that insurance companies pass through Connecticut Insurance Guaranty Association assessments in their premiums and makes it clear that the offsets are to be taken against the premium tax.

EFFECTIVE DATE: Upon passage and applicable to income years beginning on or after January 1, 2000

BACKGROUND

The Associations

The Connecticut Insurance Guaranty Association pays the valid claims of state residents when a property-casualty insurer becomes financially impaired or insolvent. The Connecticut Life and Health Insurance Guaranty Association pays valid claims of residents and others when a Connecticut-chartered or a licensed nonresident life and health insurer becomes financially impaired or insolvent.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 39 Nay 0