



House of Representatives

General Assembly

File No. 36

January Session, 2009

House Bill No. 6278

House of Representatives, March 9, 2009

The Committee on Insurance and Real Estate reported through REP. FONTANA, S. of the 87th Dist., Chairperson of the Committee on the part of the House, that the 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:

1 Section 1. Subdivision (3) of section 38a-841 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2009, and applicable to income years commencing on or after January 1,*
4 *2009*):

5 (3) (A) Each insurer paying an assessment under sections 38a-836 to
6 38a-853, inclusive, may offset [one hundred] fifty per cent of the
7 amount of such assessment against its premium tax liability to this
8 state under chapter 207. Such offset shall be taken over a period of the
9 five successive tax years following the year of payment of the
10 assessment, at the rate of twenty per cent per year of the assessment
11 paid to the association. Each insurer to which has been refunded by the
12 association, pursuant to subdivision (2) of this section, all or a portion
13 of an assessment previously paid to the association by the insurer shall
14 be required to pay to the Department of Revenue Services an amount
15 equal to the total amount that has been claimed as an offset against the

16 premiums tax liability on the premiums tax return or returns, as the
17 case may be, filed by such insurer and that is attributable to such
18 refunded assessment, provided the amount required to be paid to said
19 department shall not exceed the amount of the refunded assessment. If
20 the amount of the refunded assessment exceeds the total amount that
21 has been claimed as an offset against the premiums tax liability on the
22 premiums tax return or returns filed by such insurer and that is
23 attributable to such refunded assessment, such excess may not be
24 claimed as an offset against the premiums tax liability on a premiums
25 tax return or returns filed by such insurer or, if the offset has been
26 transferred to another person pursuant to subparagraph (B) of this
27 subdivision, by such other person. For purposes of this subparagraph,
28 if the offset has been transferred to another person pursuant to
29 subparagraph (B) of this subdivision, the total amount that has been
30 claimed as an offset against the premiums tax liability on the
31 premiums tax return or returns filed by such insurer includes the total
32 amount that has been claimed as an offset against the premiums tax
33 liability on the premiums tax return or returns filed by such other
34 person. The association shall promptly notify the Commissioner of
35 Revenue Services of the name and address of the insurers to which
36 such refunds have been made, the amount of such refunds and the
37 date on which such refunds were mailed to such insurer. If the amount
38 that an insurer is required to pay to the Department of Revenue
39 Services has not been so paid on or before the forty-fifth day after the
40 date of mailing of such refunds, the insurer shall be liable for interest
41 on such amount at the rate of one per cent per month or fraction
42 thereof from such forty-fifth day to the date of payment.

43 (B) An insurer, in this subparagraph called "the transferor", may
44 transfer any offset provided under subparagraph (A) of this
45 subdivision to an affiliate, as defined in section 38a-1, of the transferor.
46 Any such transfer of the offset by the transferor and any subsequent
47 transfer or transfers of the same offset shall not affect the obligation of
48 the transferor to pay to the Department of Revenue Services any sums
49 which are acquired by refund from the association pursuant to
50 subdivision (2) of this section and which are required to be paid to the

51 Department of Revenue Services pursuant to subparagraph (A) of this
52 subdivision. Such offset may be taken by any transferee only against
53 the transferee's premium tax liability to this state under chapter 207.
54 The Commissioner of Revenue Services shall not allow such offset to a
55 transferee against its premium tax liability unless the transferor, the
56 affiliate to which the offset was originally transferred, each subsequent
57 transferor and each subsequent transferee have filed such information
58 as may be required on forms provided by said commissioner with
59 respect to any such transfer or transfers on or before the due date of
60 the premium tax return on which such offset would have been taken
61 by the transferor if no transfer had been made by the transferor.

62 Sec. 2. Subsection (h) of section 38a-866 of the general statutes is
63 repealed and the following is substituted in lieu thereof (*Effective July*
64 *1, 2009, and applicable to income years commencing on or after January 1,*
65 *2009*):

66 (h) (1) Each insurer paying an assessment under sections 38a-858 to
67 38a-875, inclusive, may offset [one hundred] fifty per cent of the
68 amount of such assessment against its premium tax liability to this
69 state under chapter 207. Such offset shall be taken over a period of the
70 five successive tax years following the year of payment of the
71 assessment, at the rate of twenty per cent per year of the assessment
72 paid to the association. Each insurer to which has been refunded by the
73 association, pursuant to subsection (f) of this section, all or a portion of
74 an assessment previously paid to the association by the insurer shall be
75 required to pay to the Department of Revenue Services an amount
76 equal to the total amount that has been claimed as an offset against the
77 premiums tax liability on the premiums tax return or returns, as the
78 case may be, filed by such insurer and that is attributable to such
79 refunded assessment, provided the amount required to be paid to said
80 department shall not exceed the amount of the refunded assessment. If
81 the amount of the refunded assessment exceeds the total amount that
82 has been claimed as an offset against the premiums tax liability on the
83 premiums tax return or returns filed by such insurer and that is
84 attributable to such refunded assessment, such excess may not be

85 claimed as an offset against the premiums tax liability on a premiums
86 tax return or returns filed by such insurer or, if the offset has been
87 transferred to another person pursuant to subdivision (2) of this
88 subsection, by such other person. For purposes of this subdivision, if
89 the offset has been transferred to another person pursuant to
90 subdivision (2) of this subsection, the total amount that has been
91 claimed as an offset against the premiums tax liability on the
92 premiums tax return or returns filed by such insurer includes the total
93 amount that has been claimed as an offset against the premiums tax
94 liability on the premiums tax return or returns filed by such other
95 person. The association shall promptly notify the Commissioner of
96 Revenue Services of the name and address of the insurers to which
97 such refunds have been made, the amount of such refunds, and the
98 date on which such refunds were mailed to each such insurer. If the
99 amount that an insurer is required to pay to the Department of
100 Revenue Services has not been so paid on or before the forty-fifth day
101 after the date of mailing of such refunds, the insurer shall be liable for
102 interest on such amount at the rate of one per cent per month, or
103 fraction thereof, from such forty-fifth day to the date of payment.

104 (2) An insurer, in this subdivision called "the transferor", may
105 transfer any offset provided under subdivision (1) of this subsection to
106 an affiliate, as defined in section 38a-1, of the transferor. Any such
107 transfer of the offset by the transferor, and any subsequent transfer or
108 transfers of the same offset, shall not affect the obligation of the
109 transferor to pay to the Department of Revenue Services any sums
110 which are acquired by refund from the association pursuant to
111 subsection (f) of this section and which are required to be paid to the
112 Department of Revenue Services pursuant to subdivision (1) of this
113 subsection. Such offset may be taken by any transferee only against the
114 transferee's premium tax liability to this state under chapter 207. The
115 Commissioner of Revenue Services shall not allow such offset to a
116 transferee against its premium tax liability unless the transferor, the
117 affiliate to which the offset was originally transferred, each subsequent
118 transferor and each subsequent transferee have filed such information
119 as may be required on forms provided by said commissioner with

120 respect to any such transfer or transfers on or before the due date of
121 the premium tax return on which such offset would have been taken
122 by the transferor, if no transfer had been made by the transferor.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2009, and applicable to income years commencing on or after January 1, 2009</i>	38a-841(3)
Sec. 2	<i>July 1, 2009, and applicable to income years commencing on or after January 1, 2009</i>	38a-866(h)

INS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 10 \$	FY 11 \$
Revenue Serv., Dept.	GF - Revenue Gain	750,000	2,250,000

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill is estimated to result in a General Fund revenue gain from the insurance premiums tax of approximately \$750,000 in FY 10 and \$2,250,000 in FY 11. The bill reduces the amount of assessments an insurer pays to a state insurance guaranty association that it can use to offset its premium tax liability.

The Out Years

The revenue gain indicated above is estimated to grow to \$3.8 million in FY 12, \$5.3 million in FY 13, \$6.8 million in FY 14, and \$7.6 million in FY 15 as the reduction in the allowable tax credit is phased in.

Source: Department of Revenue Services and Connecticut Insurance Department.

OLR Bill Analysis**HB 6278*****AN ACT CONCERNING INSURANCE GUARANTY FUND CREDITS.*****SUMMARY:**

This bill reduces, from 100% to 50%, the amount of assessments an insurer pays to a state insurance guaranty association that it can use to offset (reduce) its premium tax liability. By law, the tax offset must be taken over a five-year period and may be transferred to an affiliate.

EFFECTIVE DATE: July 1, 2009, and applicable to income years beginning on or after that date.

BACKGROUND***Insurance Guaranty Associations***

Connecticut has two insurance guaranty associations, the Connecticut Insurance Guaranty Association (property and casualty) and the Connecticut Life and Health Insurance Guaranty Association. By law, insurers must participate in and pay assessments to the associations. If an insurance company defaults, the appropriate guaranty association pays valid claims of policyholders and other claimants, up to the dollar limits of the applicable policy, subject to ceilings fixed by state law.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 13 Nay 6 (02/24/2009)