

**Statement
Insurance Association of Connecticut
Finance, Revenue & Bonding Committee**

March 9, 2016

**HB 5594 AN ACT IMPOSING A SURCHARGE ON CERTAIN PERSONAL
RISK INSURANCE POLICIES TO FUND REGIONAL FIRE SCHOOLS' OPERATING
BUDGETS AND CERTAIN FIREFIGHTER TRAINING COSTS AND PURCHASES OF
FIRE EQUIPMENT**

My name is Dallas Dodge, and I serve as Counsel to the Insurance Association of Connecticut ("IAC"). The IAC opposes House Bill 5594, **An Act Imposing a Surcharge on Certain Personal Risk Insurance Policies to Fund Regional Fire Schools' Operating Budgets and Certain Firefighter Training Costs and Purchases of Fire Equipment.**

The "surcharge" imposed by HB 5594 is, by any reasonable definition, a tax. This new tax would have serious negative economic consequences for insurers – especially those based in Connecticut – and it could also have the effect of penalizing responsible homeownership.

Forty-nine states have a retaliatory system of taxation for insurance premiums. Typically, this means that a non-domestic insurer must pay the greater of the actual tax, fee and assessment burden imposed in either (1) the state in which the insurance company is writing premium (i.e. the state where the company is filing a return) or (2) the state in which the insurer is domiciled. This means that, for Connecticut-based insurers, the effect of the tax increase in HB 5594 would be amplified because their tax burden would increase not only in Connecticut, but also in other states in which they offer homeowners and renters insurance.

Insurance – in the form of policies sold in other states – is one of Connecticut’s largest service exports, and the insurance industry is responsible for employing tens of thousands of Connecticut residents. Raising taxes throughout the country on insurers that have chosen to make Connecticut their home is not productive. HB 5594 will make it more difficult for Connecticut-based insurers to compete in other states, which could harm Connecticut employment.

This new tax could also have the effect of raising the cost of homeowners and renters insurance for Connecticut consumers. This is because, in setting rates, insurers take into account taxes, licenses and fees.

With Connecticut’s economic recovery lagging behind the rest of the country, and wallets being squeezed by stagnant wages, a high cost of living, and a high tax burden, already cash-strapped households cannot afford the costs that could be imposed by this new tax.

By potentially increasing the cost of homeowners and renters policies, HB 5594 would essentially penalize responsible decision-making. Homeowners and renters insurance serves both individuals and the community at large. A home and its contents are oftentimes a person’s most valuable asset and, for many households, insurance provides protection against financial ruin in the event of a catastrophic loss. Because many people cannot afford to pay out of pocket if their home is seriously damaged or destroyed, homeowners insurance also protects the community from damaged property becoming blighted or unsafe. For these reasons, the state should set policies that encourage homeowners and renters to purchase adequate insurance. HB 5594, however, could take the state in the opposite direction.

The insurance industry strongly supports fire prevention and safety. But the entire community – not just insured households – benefits from a well-trained and well-equipped firefighting force. It is simply unfair to single out and tax homeowners and renters insurance premiums to fund the training and equipping of firefighters.

The new tax created by HB 5594 would increase the cost of doing business for one of Connecticut's most important industries, and could affect the cost of important consumer products. Yet there is absolutely no guarantee that the funds collected from this new tax would even be used for the intended purpose. In the past, the state has raided other so-called dedicated funds, such as the Special Transportation Fund. In a period of declining revenues and constant budget crises, it is well within the realm of possibility that a newly created "Connecticut Fire Safety Fund" would be similarly raided.

For all of the aforementioned reasons, the IAC opposes this new tax. Thank you for the opportunity to testify.