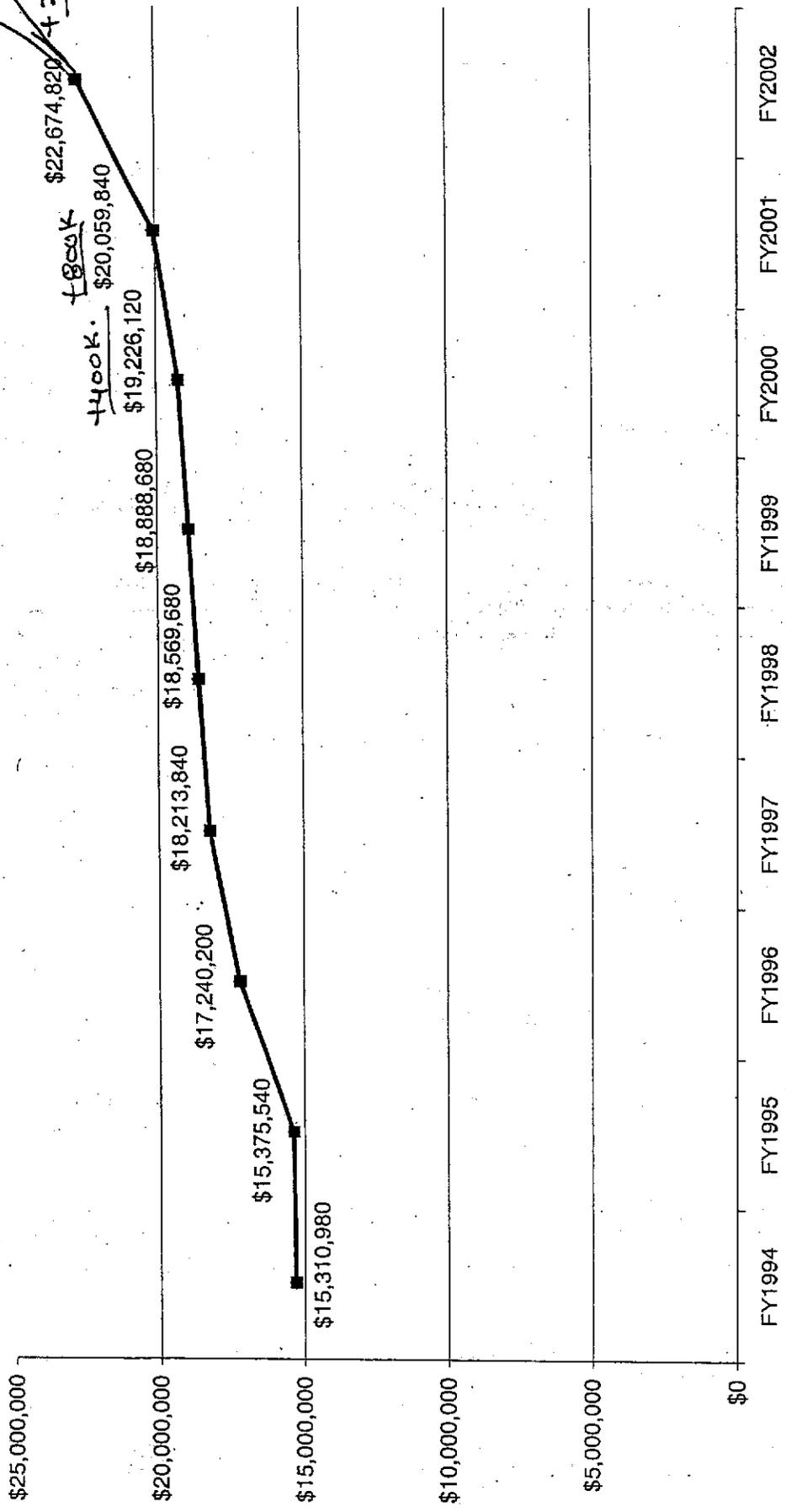


EXHIBIT 1
 DATE 4-8-05
 SB 197

2.75% Insurance Premium Tax Collected on Fire Portion of Premiums
 Source: State Auditor's Office, Rounded Estimates
 Chart by Sheri S. Heffelfinger, LSD
 March 13, 2003

2004
 28,681,365



1800K
 42.5mil

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Description: The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Gross underwriting profit is essentially insurance premium income. In addition, various insurance fees and licenses are also collected.

Applicable Tax Rate(s): The current tax rate is 2.75% of net premiums on policies sold in Montana. In addition, for each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay \$0.70 to the State's Insurance Commissioner. This fee is used to fund the voluntary statewide genetics program established in statute (50-19-211, MCA).

Senate Bill 132 (passed by the 1999 legislature) eliminated many disparate fees on insurance companies, which had partially been deposited into the general fund, and replaced them with a single company annual fee of \$1,900. Revenue from this fee is deposited to the state special revenue fund for administration of insurance activities.

Distribution: The majority of insurance tax and license fee proceeds are deposited into the general fund.

Summary of Legislative Action:

Senate Bill 373 – Before conducting insurance business in the state, a captive insurance company must obtain a license from the Secretary of State and pay a \$200 fee and reasonable costs for legal, financial, and examination services. Each captive insurance company must pay insurance premium taxes based on direct premiums collected at the following rates:

1. 0.4 percent on the first \$20 million
2. 0.3 percent on the next \$20 million
3. 0.2 percent on the next \$20 million
4. 0.075 percent on each subsequent amount collected

Each captive insurance company must pay insurance premium taxes based on assumed reinsurance premiums at the following rates:

1. 0.225 percent on the first \$20 million
2. 0.15 percent on the next \$20 million
3. 0.05 percent on each subsequent amount collected

The minimum aggregate tax owed for both taxes is \$5,000. The Secretary of State estimates that two new captive insurance companies will be licensed each fiscal year and that examination fees for each company will be \$10,000 for additional state special revenue of \$20,000 each fiscal year. Increased insurance premium tax revenue deposited to the general fund is expected to be \$10,000 in fiscal 2002 and \$20,000 in fiscal 2003.

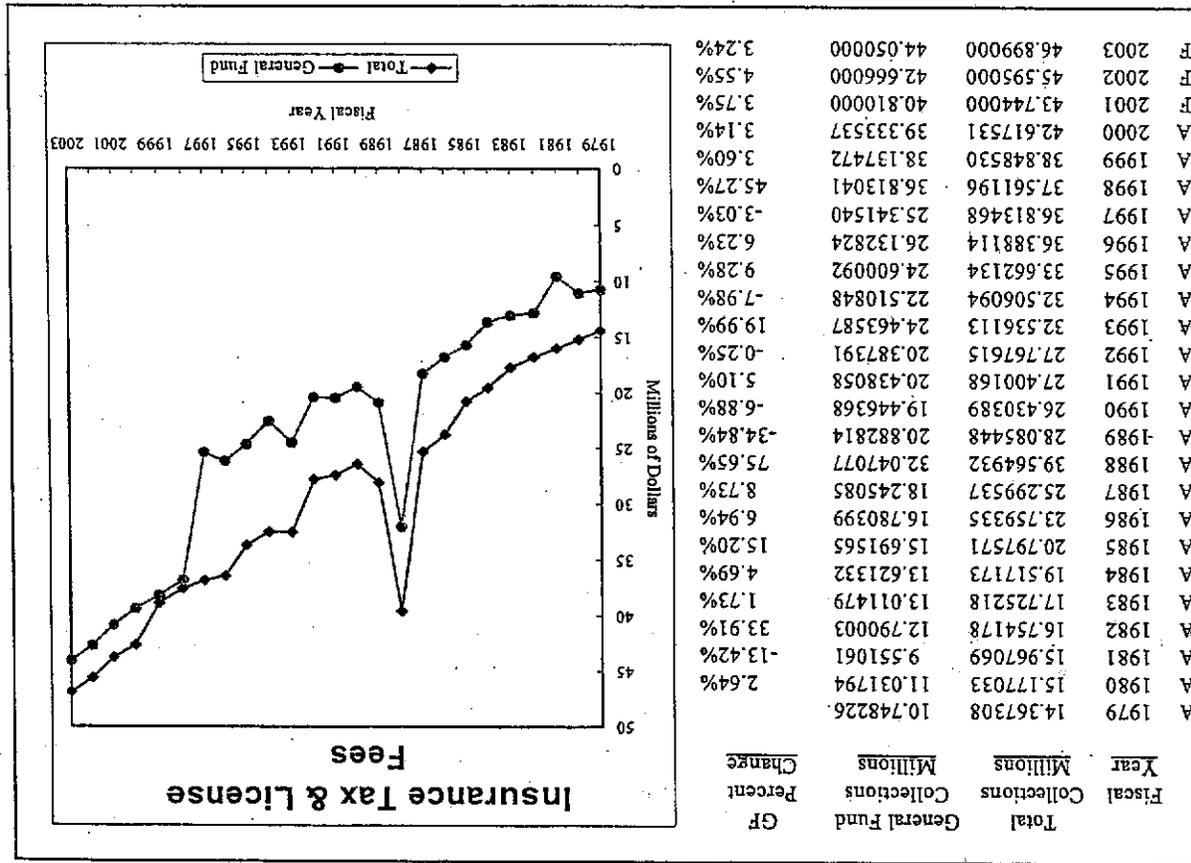
Insurance Tax & License Fees – Legislation Passed by 57th Legislature			
Estimated General Fund Impact for the 2003 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
SB0373 Licensing and regulation of captive insurers		10,000	20,000
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$10,000</u>	<u>\$20,000</u>

Statute: Title 33, Chapter 2 and Chapter 14, MCA

% of Total FY 2000 General Fund Revenue: 3.38%

Legislative Fiscal Division Revenue Estimate Profile Insurance Tax & License Fees

Revenue Projection:



This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2001 legislature that may affect future estimates of this revenue source.

Revenue Estimate Assumptions

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Non-GF Fees</u>	<u>GF Fees</u>	<u>Unexplained</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	42.617531	39.333537	3.283994	1.028229	1.605734
Forecast	2001	43.744000	40.810000	2.934490	0.000000	0.000000
Forecast	2002	45.565000	42.656000	2.908990	0.000000	0.000000
Forecast	2003	46.859000	44.030000	2.828990	0.000000	0.000000

	<u>t</u>	<u>Genetics</u>	<u>Premium Tax</u>	<u>Offsets</u>	<u>Refunds</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.542398	40.121480	2.082935	1.881369
Forecast	2001	0.550000	41.397945	0.908000	0.230000
Forecast	2002	0.555000	42.715021	0.384000	0.230000
Forecast	2003	0.560000	44.073999	0.374000	0.230000