

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. Various insurance and license fees are also collected.

Statutory Reference:

- Tax Rate (MCA) – 33-2-705(2), 33-2-311, 33-28-201(1&2), 50-3-109(1)
- Fee Rate (MCA) – 33-2-708(1&2), 33-14-201(2), 33-2-712, 33-38-105
- Tax Distribution (MCA) – 33-2-708(3), 33-2-712, 50-3-109(1), 33-28-120
- Date Due – March 1st each year (33-2-705(1), 33-2-712, 33-28-201(1&2)). Quarterly payments due the 15th of April, June, September, and December (Administrative Rules 6.6.2704, 6.6.2705)

Applicable Tax Rate(s): The current tax rate is 2.75% of net premiums (including cancellation and return premiums) on policies sold in Montana. In addition to this tax, there is a 2.5 % tax on the fire portion of net premiums for selected risks. Beginning FY 2008 with the enactment of HB 278 (2007 session), for each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay \$1.00 to the State Insurance Commissioner. The fee had been scheduled to be reduced to \$0.70, but the legislation extended the \$1.00 fee indefinitely. This fee is deposited to the state special revenue fund and used to fund the 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. The following lists various insurance related fees. Captive insurance companies are taxed 0.4% on the first \$20 million of net direct premiums and 0.3% on each subsequent dollar collected. The annual \$5,000 minimum tax is prorated based on the quarter in which the company is first licensed.

Insurance Fees Collected by the State Auditor				
Fee	Amount	MCA Cite	ARM Cite	
<u>General Fund</u>				
Farm mutual insurer filing of articles of incorporation	10.00	33-4-202		
Farm mutual county insurer certificate of authority	10.00	33-4-505		
Farm mutual state insurer certificate of authority	25.00	33-4-505		
Benevolent association certificate of authority and reinstatement	25.00	33-6-401		
Fraternal benefit society report filing	25.00	33-7-118		
Fraternal benefit society certificate of authority renewal	10.00	33-7-217		
Fraternal benefit society lapsed certificate of authority reinstatement	25.00	33-7-217		
Insurance administrator certificate of registration application and renewal	100.00	33-17-603		
Medical care discount card certification and renewal	100.00	33-38-105		
<u>State Auditor's Office</u>				
Domestic and foreign insurer accreditation	275.00	33-1-313	6.6.4101	
Insurance producers charges and expenses for examinations	Variable	33-1-413		
Reinstatement of certificate of authority	100.00	33-2-117		
Certificate of authority	1,900.00	33-2-708		
Non-resident application for original license	100.00	33-2-708		
Non-resident biennial license renewal	50.00	33-2-708		
Non-resident lapsed license reinstatement	100.00	33-2-708		
Resident lapsed insurance producer's license reinstatement	100.00	33-2-708		
Surplus lines insurance producer license application	50.00	33-2-708		
Surplus lines insurance producer license biennial renewal	100.00	33-2-708		
Surplus lines insurance lapsed producer license reinstatement	200.00	33-2-708		
Insurance adjuster license application	50.00	33-2-708		
Insurance adjuster license biennial renewal	100.00	33-2-708		
Insurance adjuster lapsed license reinstatement	200.00	33-2-708		
Insurance consultant license application	50.00	33-2-708		
Insurance consultant license biennial renewal	100.00	33-2-708		
Insurance consultant lapsed license reinstatement	200.00	33-2-708		
Rental car entity producer license application	100.00	33-2-708		
Rental car entity producer quarterly filing	25.00	33-2-708		
A copy of each document page	0.50	33-2-708		

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Insurance Fees Collected by the State Auditor (continued)			
Fee	Amount	MCA Cite	ARM Cite
Review of each course or program submitted for continuing education	75.00	33-2-708	
Genetics program fee for each MT resident insured	1.00	33-2-712	
Surplus lines stamping fee	1% of base	33-2-321	6.6.2804
Charges and expenses for examinations	Variable	33-4-315	
Fraternal benefit society charges and expenses for examinations	Variable	33-7-119	
Fraternal benefit society service of process	2.00	33-7-123	
Guaranty associations charges and expenses for examinations	Variable	33-10-218	
Premium finance company license application	100.00	33-14-201	
Premium finance company license renewal	100.00	33-14-201	
Rating & advisory organization charges and expenses for examinations	Variable	33-16-106	
Rating & advisory organization license application	100.00	33-16-403	
Insurance producers background examination	Variable	33-17-201	
Insurance producers charges and examinations	Variable	33-17-212	
Review of each non-resident course submitted for continuing education	75.00	33-17-1206	6.6.4213
Viatical settlement provider registration application	1,900.00	33-20-1315	6.6.8502
Viatical settlement broker license	50.00	33-20-1315	6.6.8502
Viatical settlement provider license renewal	1,900.00	33-20-1315	6.6.8503
Captive insurance company license application	200.00	33-28-102	
Captive insurance company license renewal	300.00	33-28-102	
Captive insurance company examinations and investigations	Variable	33-28-108	
Health service corporation certified copies	0.50	33-30-204	
Health service corporation membership contract filing	25.00	33-30-204	
Health service corporation membership contract package filing	100.00	33-30-204	
Health service corporation filing statement	25.00	33-30-204	
Health service corporation license	300.00	33-30-204	
Health service corporation license renewal	300.00	33-30-204	
Health maintenance organization certification of authority	300.00	33-31-212	
Health maintenance organization amendment to documents	25.00	33-31-212	
Health maintenance organization statement filing	25.00	33-31-212	
Health maintenance organization certification of authority renewal	300.00	33-31-212	
Health maintenance organization charges & examinations	Variable	33-31-401	
Actual cost to review an application for a managed care community netw	Variable	53-6-703	6.6.5805

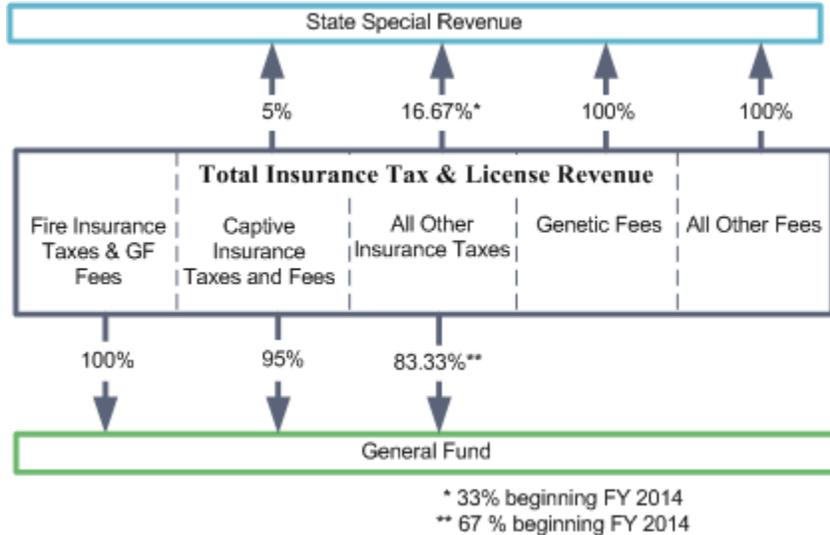
Distribution: With the approval of Initiative 155 by the electorate in November 2008, 67% of insurance tax proceeds from the tax on surplus lines premiums and net premiums have been deposited into the general fund. The remaining 33% of revenue have been deposited to the state special revenue to expand the children health insurance program and Medicaid eligibility of uninsured children. HB 676 enacted by the 2009 Legislature temporarily changed the 33% distribution to 16.67% for the 2011 and 2013 biennia with 83.33% deposited to the general fund. Beginning FY 2014 the distribution will again be 33% with 67% deposited to the general fund. All fire insurance premiums are deposited to the general fund. Due to enactment of SB 161 by the 2007 Legislature, 5% of premium tax revenue from captive insurance company and all fees and assessments on captive insurance companies are deposited to a state special revenue fund to be used to administer captive insurance captive insurance company statutes and reimburse expenses incurred in promoting captive insurance in Montana. The other 95% of captive insurance premium tax revenue is deposited to the general fund. License fees and the 1% stamping fee on surplus lines insurance premiums are deposited into the state special revenue fund for use by the State Auditor. Beginning October 2005, the genetic fee revenue is deposited to the state special revenue fund.

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Distribution Chart:



Collection Frequency: Quarterly and annually

% of Total General Fund Revenue:

FY 2004 – 4.11%	FY 2007 – 3.33%	FY 2010 – 3.37%
FY 2005 – 3.74%	FY 2008 – 3.26%	FY 2011 – 3.25%
FY 2006 – 3.44%	FY 2009 – 2.77%	FY 2012 – 3.15%

Revenue Estimate Methodology:

Most insurance tax and license fee revenue is from premium taxes with minor amounts from various fees. Estimates are made for these components based on measures of growth and then summed. This total is reduced by estimates of refunds and guarantee offsets. Guarantees are amounts that members of the Montana comprehensive health associations are required to pay into a reserve account (up to 1% of the total disability insurance premium received from Montana residents). The amount of these payments reduces (offsets) premium tax liabilities dollar for dollar (33-22-1513(7), MCA).

Data

The state accounting system (SABHRS) provides historical collection data for insurance premium taxes, genetics program fees, and various general fund and state special revenue fees. The State Auditor’s Office provides historical data and future estimates of offsets and refunds.

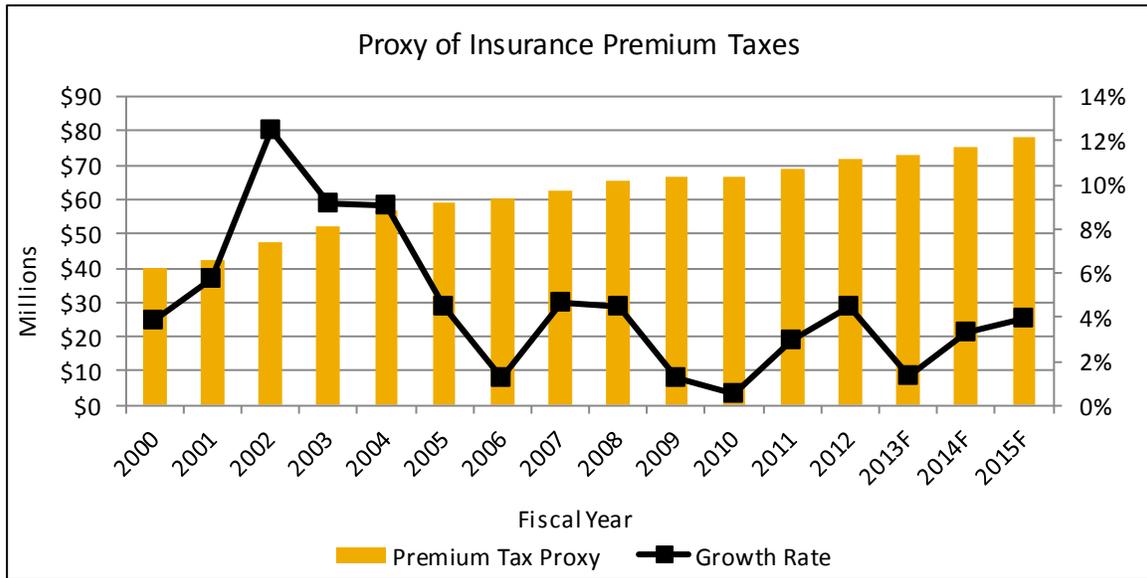
Analysis

Because offsets and refunds can vary substantially, they are added to the amounts shown on the state accounting system to more accurately reflect total taxes. Total premium taxes are modeled against long-term interest rates, housing starts and the S & P 500 index.

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Insurance Tax & License Fees

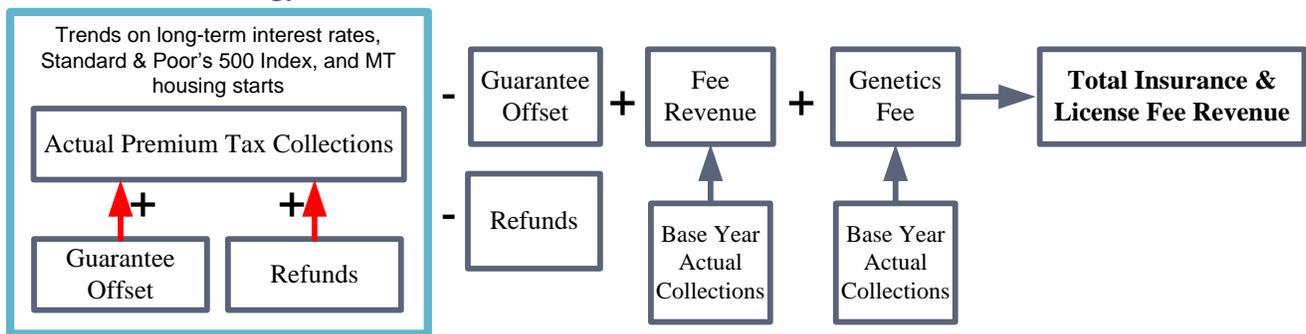


From the estimated amounts, offsets and refunds as estimated by the State Auditor’s Office are subtracted to produce the amount of net premium taxes expected to be received by the state. If no better information is available, the estimates for the other components such as genetics program fees, general fund fees, and state special revenue fees are a continuation of the last known fiscal year amounts.

Adjustments and Distribution

Once each component has been estimated adjustments, if any, are made. Since each component is estimated separately and each goes to either the general fund or the state special revenue fund, the distribution of the revenue has already been done.

Forecast Methodology:



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Revenue Estimate Assumptions:

	t	Total Tax	GF Tax	Non-GF Fees	GF Fees	CHIP
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2002	51.084	47.291	3.793	0.291	
Actual	2003	54.790	50.810	3.980	0.378	
Actual	2004	61.063	56.533	4.530	0.623	
Actual	2005	61.290	57.308	3.981	-0.417	
Actual	2006	64.521	58.795	4.816	0.199	
Actual	2007	66.321	61.074	4.200	0.002	
Actual	2008	69.269	64.004	4.504	0.068	
Actual	2009	71.122	50.038	5.323	0.030	14.622
Actual	2010	70.581	54.892	4.872	0.024	9.661
Actual	2011	74.599	57.964	5.165	0.024	9.960
Actual	2012	75.706	58.951	5.019	0.028	10.401
Forecast	2013	76.787	59.087	5.019	0.028	11.056
Forecast	2014	80.502	50.817	5.019	0.028	23.040
Forecast	2015	83.478	52.869	5.019	0.028	23.964

	t	Genetics	Premium Tax	Offsets	Refunds
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2002	0.570	47.683	0.740	0.513
Actual	2003	0.563	52.038	1.463	0.707
Actual	2004	0.583	56.775	1.161	0.287
Actual	2005	0.635	59.309	1.650	0.568
Actual	2006	0.911	60.064	1.116	0.353
Actual	2007	1.047	62.880	1.679	0.128
Actual	2008	0.750	65.703	1.576	0.180
Actual	2009	1.138	66.508	1.704	0.173
Actual	2010	1.135	66.880	2.079	0.252
Actual	2011	1.480	68.871	0.826	0.115
Actual	2012	1.295	71.963	2.400	0.200
Forecast	2013	1.295	72.944	2.300	0.200
Forecast	2014	1.295	75.359	1.000	0.200
Forecast	2015	1.295	78.336	1.000	0.200

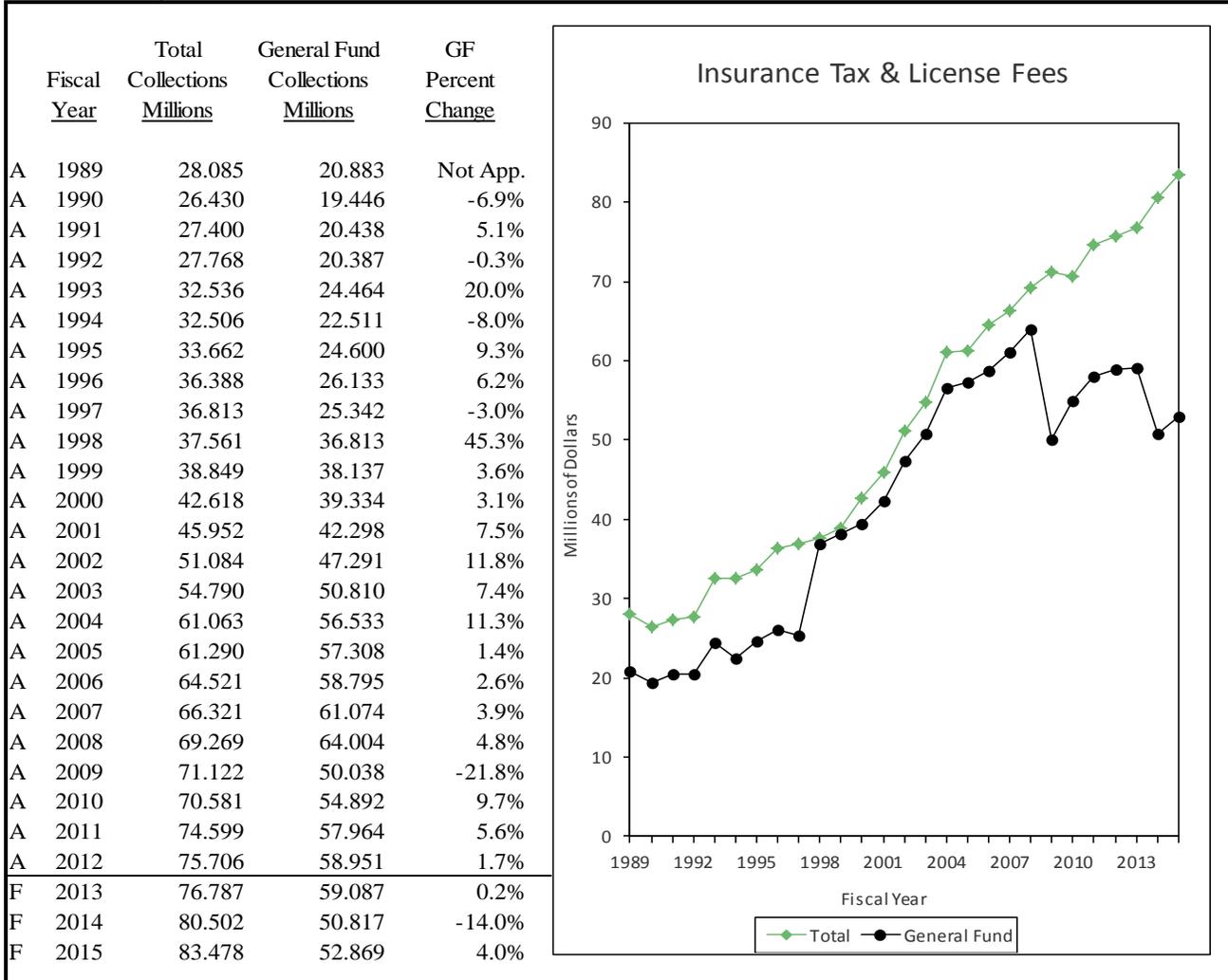
Total Tax = Non-GF Fees + GF Fees + Genetics + Premium Tax - Offsets - Refunds
 GF Tax = GF Fees + Premium Tax - Offsets - Refunds - CHIP

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Revenue Projection:



Data Source(s): SABHRS, State Auditor

Contacts: State Auditor