

**REPORT OF THE
SECRETARY OF COMMERCE AND TRADE**

**REPORT ON THE EFFECT OF
GROSS PREMIUM TAX RATES
ON THE ATTRACTION OF
INSURANCE BUSINESS TO
THE COMMONWEALTH**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 49

**COMMONWEALTH OF VIRGINIA
RICHMOND
2000**



COMMONWEALTH of VIRGINIA

Office of the Governor

December 15, 1999

James S. Gilmore, III
Governor

Barry E. DuVal
Secretary of Commerce and Trade

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia 23219

Members of the Virginia General Assembly
General Assembly Building
Richmond, Virginia 23219

Dear Governor Gilmore and Members of the General Assembly:

I am pleased to submit to you the *Report on the Effect of Gross Premium Tax Rates on the Attraction of Insurance Business to the Commonwealth*. This study fulfills the directives of House Joint Resolution 559 passed during the 1999 Session of the General Assembly. I trust that you will find the study report responsive and informative.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Barry E. DuVal", written over a white background.

Barry E. DuVal

Enclosure

REPORT ON THE EFFECT OF GROSS PREMIUM TAX RATES ON THE ATTRACTION OF INSURANCE BUSINESS TO THE COMMONWEALTH

PREFACE

AUTHORITY DIRECTING THE STUDY

House Joint Resolution 559 (1999) was passed requesting that the Secretary of Commerce and Trade study the probable effects a reduction in the gross premium tax rate would have on the Commonwealth's ability to attract insurance businesses to Virginia. The Resolution specified three issues for study regarding the potential reduction in the premium tax on (1) the efforts to attract insurance companies to the Commonwealth, (2) the impact on the Commonwealth's general fund revenue, and (3) the impact on the retaliatory tax burden borne by insurers currently domiciled in Virginia.

ACKNOWLEDGMENTS

The Secretary wishes to acknowledge the work of staff of the Virginia Economic Development Partnership and the State Corporation Commission in conducting the research for this study.

EXECUTIVE SUMMARY

The Commonwealth has been studying the status of taxes imposed on insurance companies since 1986. In 1987, the Commonwealth lowered its premium tax rate from 2.75% to the current rate of 2.25%. House Joint Resolution 202 (1996) established a select committee to study how Virginia's tax rate compared to other states. In 1998, the Assembly enacted a tax credit for Virginia insurance companies paying the retaliatory tax.

The domestic insurance business in Virginia has been stable and there have not been significant changes in the number of insurance companies domiciled in Virginia. Over the last five years, the amount of relocation activity involving the insurance industry has been relatively low within the Commonwealth. Nonetheless, the amount of investment and new jobs typically associated with the insurance industry make these companies an attractive economic development opportunity. Of the companies that discussed relocation with state economic development officials, one ultimately decided to locate in Virginia. During the same period, however, Virginia saw significant expansions in the operations of several insurance companies.

While a causal relationship between premium tax rates and insurance company relocations cannot be demonstrated with certainty, tax rates play a role in the perception companies have of a state's business climate. Given the way corporations consider sites for expansion or relocation, it is likely that a state's premium tax rate is a significant locational factor for insurance companies. To the extent that companies look at this factor, it is likely that many of the thirty-two states (with lower rates) would be considered as sites before Virginia. In addition, while reducing the premium tax rate may not cause new companies to domesticate in Virginia, it might expand the operations of out-of-state insurers here. Also, since Virginia companies have to pay retaliatory taxes in thirty-two states, the growth of domestic insurers may be impeded. That is, Virginia companies may decide not to expand operations outside the state because they will have to pay the retaliatory tax.

Virginia's current premium tax rate is 2.25%. According to the State Corporation Commission, if the rate were reduced to 2.0% over the course of 5 years, the cost to the Commonwealth in lost revenue would average approximately \$20 million per year for that five-year period. As the premium tax rate goes down, however, one would expect, in theory, that revenue from the retaliatory tax to increase, if only modestly. In addition, as payments of retaliatory taxes by Virginia companies decrease, the Commonwealth's liability for claims on the retaliatory tax credit should decrease. Under current conditions, however, these two factors would not even approach offsetting the lost revenues from the premium tax reduction.

In 1997, the retaliatory tax burden borne by insurers domiciled in Virginia just exceeded \$3 million. The true impact on the retaliatory tax burden cannot be determined with any

certainty into the future. This is because the determining factors in calculating this impact are whether other states' regulatory costs and the amount of business conducted by Virginia companies in these states. These are factors that we cannot accurately predict. In theory, however, if Virginia were to lower its premium tax rate to 2.0%, Virginia companies would expect to pay retaliatory taxes in twelve states instead of thirty-two, which should reduce their tax burden further.

FINDINGS

- ◆ Virginia does not have a dominant Virginia-based insurance industry compared to traditional insurance states like New York and Connecticut.
- ◆ Since Virginia companies have to pay retaliatory taxes in thirty-two states, the external growth of domestic insurers may be impeded, but this situation may be offset at least in part by the retaliatory tax credit.
- ◆ While a causal relationship between premium tax rates and insurance company relocations cannot be demonstrated with certainty, tax rates play an important role in creating the perceptions companies have of a state's business climate.
- ◆ Over the last five years, there have been many relocations and consolidations due to mergers and acquisitions and expansions in operations; however, even with states lowering their premium tax rates during the same period, companies have not moved to change their state of domicile.
- ◆ It cannot be determined whether a reduction in the gross premium tax rate will necessarily have a significant effect on the Commonwealth's ability to attract new domestic insurance companies in the immediate future. It may be, however, that the expansion of operations by out-of-state and domestic companies would accelerate. Nevertheless, if large insurance companies were to approach the Commonwealth with a clear interest in locating in Virginia, the anticipated return on that new investment could change the calculations, making a premium tax reduction more feasible.

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BACKGROUND

The Commonwealth has been studying the status of taxes imposed on insurance companies since 1986.

House Joint Resolution 202 (1996) established a select committee to study how Virginia's tax rate compared to other states. The Committee found that Virginia's gross premium tax rate exceeded both the national average and the median rates of gross premium taxes on life insurance policies charged by the other forty-eight states that charge such a tax. In addition, the Committee found that Virginia's tax rate assessed on property and casualty insurance was higher than the median rate levied by forty-nine states. The disparity in rates is important to insurance companies domiciled in Virginia because they have to pay a retaliatory tax on the difference in tax rates on policies written in other states. The Committee's report points out that in 1987, the Commonwealth lowered its premium tax from 2.75% to the current rate of 2.25% and this rate reduction did not attract new insurance companies to Virginia.

The presence of the retaliatory tax has been seen as a barrier to the Commonwealth's ability to attract insurance companies to locate their businesses in Virginia. The Committee concluded, however, that the correlation between a state's premium tax and its insurance industry employment was unclear. The Committee's report detailed four options for addressing the issue: 1) establish a retaliatory tax credit for Virginia insurers, 2) reduce the premium tax rate, 3) credit for special fund fees, and 4) establish reciprocal nonretaliation agreements with other states. The Committee's report examines the fiscal impact of reducing the premium tax incrementally over five years to a rate of 2.0% but no recommendation to pursue such a reduction in the tax was recommended.

One year later (1998), the Assembly enacted a tax credit for Virginia insurance companies paying the retaliatory tax.

THE INSURANCE INDUSTRY IN VIRGINIA

As of September 1, 1999, there were a total of 1573 insurance companies operating in Virginia. Of that total, 124 are considered Virginia domestic companies (that means Virginia is their state of domicile). There are 11 insurance companies headquartered in Virginia.¹

FIGURE 1

<u>TYPE OF LICENSE</u>	<u>TOTAL #</u>	<u>VIRGINIA DOMESTIC²</u>
Life and Health	546	15
Property and Casualty	752	20
Health Maintenance Orgs.	28	19

There are approximately 780 other licensed entities including auto clubs, home protection companies, and surplus line carriers, which brings the total licensed companies in Virginia to more than 2450.

The domestic insurance business in Virginia has been stable and there have not been significant changes in the number of insurance companies domiciled in Virginia. Over the last five years, the amount of relocation activity involving the insurance industry has been relatively low within the Commonwealth. Nonetheless, the amount of investment and new jobs associated with the insurance industry make these companies an attractive economic development opportunity. Of the companies that discussed relocation with state economic development officials, one ultimately decided to locate in Virginia. During the same period, however, Virginia saw significant expansions in the operations of several insurance companies.

PREMIUM TAXES

Insurance companies are taxed in most states on the gross receipts resulting from policies written in that state. Policies are typically written at the company's headquarters for tax purposes. In many states, insurance companies pay the premium tax in lieu of corporate income or franchise taxes but a few states have recently eliminated the premium tax in favor of an alternative corporate or business tax. In Virginia, pursuant to § 58.1-2500 et seq., insurance companies pay a 2.25% premium tax in lieu of the 6% corporate income tax.

In 1999, premium taxes across the country ranged from a rate of 0.5% to 3.5%. The table below shows state tax rates from 1985 to 2004. While the table seeks to make reasonable comparisons of each state tax rate, the reality is that some levies are not accounted for. Often states have review or other fees that are charged to regulate the industry and while these fees could impact the overall rates, they are not included in the figures used for this study. The 2004 projections are based either on legislative changes already enacted or on the assumption that the rate will remain unchanged. Since 1985, twenty-one states have

enacted reductions in tax rates for life insurance premiums and two states have enacted increases in the tax rate.

TABLE 1

State	1985 Rate	1999 Rate	Anticipated 2004 Rate	Action
Alabama	3.0	2.5	2.3	Lowered
Alaska	3.0	2.7	2.7	Lowered
Arizona	2.0	2.0	2.0	
Arkansas	2.5	2.5	2.5	
California	2.35	2.35	2.35	
Colorado	2.25	2.05	2.0	Lowered
Connecticut	2.0	1.75	1.75	Lowered
Delaware	2.0	2.0	2.0	
Florida	2.0	1.75	1.75	Lowered
Georgia	2.25	2.25	2.25	
Hawaii	3.197	2.75	2.75	Lowered
Idaho	3.0	2.75	2.75	Lowered
Illinois	2.0	.05	.05	Lowered
Indiana	2.0	2.0	2.0	
Iowa	2.0	2.0	2.0	
Kansas	2.0	2.0	2.0	
Kentucky	2.0	2.0	1.5 ³	Lowered
Louisiana	2.25	2.25	2.25	
Maine	2.0	2.0	2.0	
Maryland	2.0	2.0	2.0	
Massachusetts	2.0	2.0	2.0	
Michigan	2.0	EPT ⁴	-	Lowered
Minnesota	2.0	2.0	2.0	
Mississippi	3.0	3.0	3.0	
Missouri	2.0	2.0	2.0	
Montana	2.75	2.75	2.75	
Nebraska	2.0	1.0	1.0	Lowered
Nevada	3.0	3.5	3.5	Raised
New Hampshire	2.0	2.0	2.0	
New Jersey	2.0	2.1	2.1	Raised
New Mexico	3.0	3.0	3.0	
New York	.08	0.7 ⁵	0.7	Lowered
North Carolina	2.5	1.9	2.0	Lowered
North Dakota	2.0	2.0	2.0	
Ohio	2.5	2.3 ⁶	1.4	Lowered

Oklahoma	4.0	2.25	2.25	Lowered
Oregon	2.25	EPT ⁷	-	Lowered
Pennsylvania	2.0	2.0	2.0	
Rhode Island	2.0	2.0	2.0	
South Carolina	3.0	0.75	0.75	Lowered
South Dakota	2.5	2.5	2.5	
Tennessee	2.0	1.8	1.75	Lowered
Texas	2.5	1.75	1.75	Lowered
Utah	2.25	2.25	2.25	
Vermont	2.0	2.0	2.0	
Virginia	2.75	2.25	2.25	Lowered
Washington	2.16	2.0	2.0	Lowered
West Virginia	3.0	3.0	3.0	
Wisconsin	2.0	2.0	2.0	
Wyoming	2.5	0.75	0.75	Lowered

Source: Metropolitan Life Insurance Corporation, 1999; State Tax Handbook, 1999.

In order to provide some context for the relative magnitude of the insurance premium tax, the American Council of Life Insurance (ACLI) has developed a methodology to equate premium taxes with corporate income taxes. The methodology is based on detailed 1995 state premium tax and net income data for life and health insurance companies. A portion of the net income (defined as the sum of the net gain from operations after dividends to policy holders and before taxes, plus capital gains before taxes) for life and health insurers was allocated to Virginia based on the ratio of insurers' Virginia premiums to their total U.S. premiums. The premiums paid in Virginia were divided by the income allocated to Virginia to determine the effective corporate income tax rate for insurers doing business in Virginia. Using this methodology, the ACLI calculates that it would take an income tax rate of approximately 15.1% to equal the tax revenue generated from a 2.25% premium tax like Virginia's. Therefore, according to this formula, Virginia's premium taxes are approximately 2.5 times more than the corporate income tax rate of 6%.

RETALIATORY TAXES

In addition to the direct taxes on insurance companies, all states except Hawaii have retaliatory taxes that require out-of-state insurance companies to pay an additional tax if the company's home state levies a higher tax rate. This retaliatory tax is levied on the difference between the tax rate charged in the taxing state and the tax rate of the company's home state. For example, if a Virginia insurer does business in Maryland where the premium tax rate is 2.0%, the Virginia insurer must pay Maryland the 2.0% premium tax on its Maryland premiums plus a retaliatory tax of 0.25% of its Maryland

premiums to match the rate a Maryland insurer would have to pay in Virginia. Using the 1999 values in Table 1, a Virginia insurance company doing business in all fifty states would pay retaliatory taxes on its business in the 32 states with lower premium tax rates than the 2.25%.

The goals of retaliatory taxes are to: 1) secure even-handed treatment by legislatures of all states thereby promoting interstate commerce; 2) make unfavorable tax discrimination against out-of-state insurers less attractive, and 3) encourage uniform and moderate levels of taxation nationwide.

In 1981, the U.S. Supreme Court upheld the use of retaliatory taxes in Western and Southern Life Insurance Co. v. Board of Equalization, 451 U.S. 648 (1981). The Court held that retaliatory taxes advanced a legitimate state purpose in promoting the interstate business of domestic insurance companies of the enacting state by discouraging other states from enacting excessive or discriminatory taxes on the enacting state's domestic companies. The insurance industry argues that the premium tax rate reductions seen since 1985 are the direct result of pressure exerted by other state's retaliatory taxes. That is, in order to minimize the impact of retaliatory taxes on domestic companies, some states have reduced premium taxes at home.

Instead of reducing its premium tax, Virginia addressed this situation through an alternative means. In 1998, Virginia enacted a retaliatory tax credit to reimburse Virginia domestic companies for the retaliatory tax paid to other states (at § 38.2-1026 et seq.).

THE ROLE OF RETALIATORY TAXES IN CORPORATE RELOCATION

A literature search was conducted to determine the number of insurance companies that had moved or intended to move their headquarters' domicile from one state to another because of current tax laws in its home state. The search uncovered many relocations and consolidations due to mergers and acquisitions; however, there was only one instance over the last five years of a company citing tax-related issues as its reason for re-domesticating in another state.

That company, American United Life Insurance Company, based in Indianapolis, Indiana, announced in May 1999 that its companies had decided to restructure as a mutual holding company and planned to re-domesticate in a state that would provide it with a more favorable business climate. Indiana does not currently allow insurance companies to be mutual holding companies. The companies affected by this decision include American United Life Insurance Company, State Life Insurance Company, Indianapolis Life Insurance Company and its subsidiaries, all domiciled in Indianapolis,

Indiana and Pioneer Mutual Life, domiciled in Fargo, North Dakota. The companies did not announce to which state they planned to move.⁸ In what is seen as a preemptive response to this announcement, the Governor of Indiana has formed a special task force to examine insurance industry issues.⁹

While a causal relationship between premium tax rates and insurance company relocations cannot be demonstrated with certainty, tax rates play a role in the perception companies have of a state's business climate. Given the way corporations consider sites for expansion or relocation, it is likely that a state's premium tax rate is a significant locational factor for insurance companies. To the extent that companies look at this factor, it is likely that many of the thirty-two states (with lower rates) would be considered as sites before Virginia. In addition, while reducing the premium tax rate may not cause new companies to domesticate in Virginia, it might expand the operations of out-of-state insurers here. Also, since Virginia companies have to pay retaliatory taxes in thirty-two states, the growth of domestic insurers may be impeded. That is, Virginia companies may decide not to expand operations outside the state because they will have to pay the retaliatory tax.

IMPACT ON GENERAL FUND REVENUE

Virginia's current premium tax rate is 2.25%. According to the State Corporation Commission, if the rate were reduced to 2.0% over the course of 5 years, the cost to the Commonwealth in lost revenue would average approximately \$20 million per year for that five-year period (see Appendix B).¹⁰

As the premium tax rate goes down, however, one would theoretically expect revenues from the retaliatory tax to increase, if only modestly. In addition, as payments of retaliatory taxes by Virginia companies decrease, the Commonwealth's liability for claims on the retaliatory tax credit should decrease. Under current conditions, however, these two factors would not even approach offsetting the lost revenues from the premium tax reduction.

IMPACT ON RETALIATORY TAX BURDEN BORNE BY VIRGINIA INSURERS

In 1997, the retaliatory tax burden borne by insurers domiciled in Virginia just exceeded \$3 million. The true impact on the retaliatory tax burden cannot be determined with any certainty into the future. This is because the determining factors in calculating this impact are whether other states' regulatory costs and the amount of business conducted by Virginia companies in these states. These are factors that we cannot accurately predict. In theory, however, if Virginia were to lower its premium tax rate to 2.0%, Virginia

companies would expect to pay retaliatory taxes in twelve states instead of thirty-two, which should reduce their tax burden further.

FINDINGS

- ◆ Virginia does not have a dominant Virginia-based insurance industry compared to traditional insurance states like New York and Connecticut.
- ◆ Since Virginia companies have to pay retaliatory taxes in thirty-two states, the external growth of domestic insurers may be impeded, but this situation may be offset at least in part by the retaliatory tax credit.
- ◆ While a causal relationship between premium tax rates and insurance company relocations cannot be demonstrated with certainty, tax rates play an important role in creating the perceptions companies have of a state's business climate.
- ◆ Over the last five years, there have been many relocations and consolidations due to mergers and acquisitions and expansions in operations; however, even with states lowering their premium tax rates during the same period, companies have not moved to change their state of domicile.
- ◆ It cannot be determined whether a reduction in the gross premium tax rate will necessarily have a significant effect on the Commonwealth's ability to attract new domestic insurance companies in the immediate future. It may be, however, that the expansion of operations by out-of-state and domestic companies would accelerate. Nevertheless, if large insurance companies were to approach the Commonwealth with a clear interest in locating in Virginia, the anticipated return on that new investment could change the calculations, making a premium tax reduction more feasible.

ENDNOTES

¹ Virginia Business Directory.

² According to the Virginia State Corporation Commission. Ken Schrad, personal communication.

³ In 1998, Kentucky enacted reduction and equalization legislation for life insurance companies. Beginning in 2000, the 2.0% premium tax rate begins a five-year phase-down to 1.5%.

⁴ In 1987, Michigan replaced its premium tax with a single business tax. In 1999, the Michigan legislature enacted a twenty-three year phase-out of the single business tax. The insurance industry estimates that the single business tax is equivalent to 1.3% premium tax.

⁵ The New York state franchise tax consists of several taxes, including a premium tax and an income tax. The combination of New York state taxes is capped at 2.0% of premiums. This is down from the 2.6% of premiums assessed premiums prior to 1998.

⁶ In 1997, Ohio enacted tax reduction and equalization legislation. In 1999, a five year phase-down of the 2.5% premium tax rate to 1.4% begins.

⁷ In 1997, Oregon replaced its 2.25% premium tax on out-of-state insurance companies with its corporate excise tax. For the period 1998 through 2001, there is a transition tax which is intended to ease the revenue impact of the change from the premium tax to the lower corporate excise tax.

⁸ Bestwire, July 15, 1999.

⁹ Press releases of the Governor of Indiana, found at <http://www.state.in.us>.

¹⁰ September 1, 1999, letter from Mr. Keith Kelley of the State Corporation Commission, Bureau of Insurance.

APPENDIX 1
AUTHORIZING LEGISLATION: HJR 559

[summary | pdf](#)**HOUSE JOINT RESOLUTION NO. 559**

Requesting the Secretary of Commerce and Trade to study the effect of the Commonwealth's insurance gross premiums tax rates on its ability to attract insurance businesses.

Agreed to by the House of Delegates, February 5, 1999

Agreed to by the Senate, February 18, 1999

WHEREAS, the Commonwealth levies a tax on the gross premiums from the sale of life and health, property and casualty, title, and other lines of insurance at a rate of two and one-quarter percent; and

WHEREAS, the gross premiums tax generated over \$236 million in general fund revenue in fiscal year 1998; and

WHEREAS, the Select Committee Studying Virginia's Gross Receipts Tax Imposed on Insurance Companies established by House Joint Resolution No. 202 (1996) found that the rate of Virginia's gross premiums tax exceeded both the average and the median rates of gross premiums taxes on life insurance policies charged by the forty-eight states that levy such a tax; and

WHEREAS, the Select Committee further found that the rate of Virginia's gross premiums tax on property and casualty insurance is higher than the median rate assessed by the forty-nine states that levy such a tax; and

WHEREAS, insurance companies domiciled in states with high gross premiums tax rates must often pay retaliatory taxes to other states with lower gross premiums tax rates; and

WHEREAS, high rates of gross premiums tax may constitute an insurmountable barrier to the Commonwealth's ability to attract insurance companies to locate their business operations in the Commonwealth; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Secretary of Commerce and Trade be requested to study the effect of the Commonwealth's insurance gross premiums tax rates on its ability to attract insurance businesses. The study shall address the probable effects of a reduction in the rate of Virginia's gross premiums tax on (i) efforts to attract insurance companies to the Commonwealth, (ii) the Commonwealth's general fund revenue, and (iii) the retaliatory tax burden borne by insurers currently domiciled in the Commonwealth. Technical assistance shall be provided to the Office by the Bureau of Insurance of the State Corporation Commission.

The Secretary shall complete his work in time to submit his findings and recommendations to the Governor and the 2000 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

 [Go to \(General Assembly Home\)](#)

APPENDIX 2
FISCAL CALCULATIONS FROM THE STATE CORPORATION COMMISSION

Current VA Premium License Tax Structure

COMPANY TYPE	1998 Assessable Premiums	Current Tax Rate	Estimated Revenue
Mutual Assessment Life	443,553	0.01	4,436
Burial Society	757,629	0.01	7,576
Cooperative Nonprofit Life	33,167	0.01	332
Dental /Optom. Plan	44,769,935	0.0225	1,007,324
Fraternal Benefit Society	43,843,443	0	0
HMO	1,508,943,897	0	0
Home Protection Companies	15,192,627	0.0225	341,834
Health Services Plan	66,566,379	0.0225	1,497,744
Joint Underwriting Association	0	0.0225	0
L&H	5,690,936,365	0.0225	128,046,068
Legal Services Plans	3,654,729	0.0225	82,231
Mutual Assessment P&C	57,960,741	0.01	579,607
P&C	5,721,147,055	0.0225	128,725,809
Risk Retention Group	36,563,710	0.0225	822,683
Title	133,349,524	0.0225	3,000,364
Workers Compensation GSIA	70,879,091	0	0
Totals	13,395,041,845		264,116,008
Total PLT Revenue			264,116,008

1999 Insurance Premium Tax Study

COMPANY TYPE			Year 1 Assessable Premiums	Current		Proposed	
				Tax Rate	Estimated Revenue	Tax Rate	Estimated Revenue
Mutual Assessment Life	(27,331.33)	470,716	443,385	0.01	4,434	0.01	4,434
Burial Society	23,108.33	921,004	944,112	0.01	9,441	0.01	9,441
Cooperative Nonprofit Life	(1,296.67)	42,544	41,247	0.01	412	0.01	412
Dental /Optom. Plan	3,434,902.67	39,543,840	42,978,743	0.0225	967,022	0.0220	945,532
Fraternal Benefit Society	1,184,736.33	41,172,525	42,357,261	0	0	0	0
HMO	122,089,753.67	1,349,999,599	1,472,089,353	0	0	0	0
Home Protection Companies	1,605,619.00	12,235,024	13,840,643	0.0225	311,414	0.0220	304,494
Health Services Plan	2,498,263.00	48,613,518	51,111,781	0.0225	1,150,015	0.0220	1,124,459
Joint Underwriting Association	0.00	0	0	0.0225	0	0.0220	0
L&H	256,872,659.33	5,477,762,925	5,734,635,584	0.0225	129,029,301	0.0220	126,161,983
Legal Services Plans	502,968.33	1,508,905	2,011,873	0.0225	45,267	0.0220	44,261
Mutual Assessment P&C	1,037,485.67	55,716,357	56,753,843	0.01	567,538	0.01	567,538
P&C	292,192,090.00	5,623,177,804	5,915,369,894	0.0225	133,095,823	0.0220	130,138,138
Risk Retention Group	(1,573,645.33)	36,934,625	35,360,980	0.0225	795,622	0.0220	777,942
Title	6,843,125.33	101,353,733	108,196,858	0.0225	2,434,429	0.0220	2,380,331
WCGSIA	(3,595,276.33)	80,524,541	76,929,265	0	0	0	0
Totals	683,087,162.00	12,869,977,660	13,553,064,822		268,410,719		262,458,966
Total PLT Revenue					<u>268,410,719</u>		<u>262,458,966</u>
Cost to Commonwealth							(5,951,753)

1999 Insurance Premium Tax Study

COMPANY TYPE			Year 2	Current	Estimated	Proposed	Estimated
			Assessable Premiums	Tax Rate	Revenue	Tax Rate	Revenue
Mutual Assessment Life	(27,331.33)	443,385	416,054	0.01	4,161	0.01	4,161
Burial Society	23,108.33	944,112	967,220	0.01	9,672	0.01	9,672
Cooperative Nonprofit Life	(1,296.67)	41,247	39,950	0.01	400	0.01	400
Dental /Optom. Plan	3,434,902.67	42,978,743	46,413,646	0.0225	1,044,307	0.0215	997,893
Fraternal Benefit Society	1,184,736.33	42,357,261	43,541,997	0	0	0	0
HMO	122,089,753.67	1,472,089,353	1,594,179,107	0	0	0	0
Home Protection Companies	1,605,619.00	13,840,643	15,446,262	0.0225	347,541	0.0215	332,095
Health Services Plan	2,498,263.00	51,111,781	53,610,044	0.0225	1,206,226	0.0215	1,152,616
Joint Underwriting Association	0.00	0	0	0.0225	0	0.0215	0
L&H	256,872,659.33	5,734,635,584	5,991,508,243	0.0225	134,808,935	0.0215	128,817,427
Legal Services Plans	502,968.33	2,011,873	2,514,841	0.0225	56,584	0.0215	54,069
Mutual Assessment P&C	1,037,485.67	56,753,843	57,791,329	0.01	577,913	0.01	577,913
P&C	292,192,090.00	5,915,369,894	6,207,561,984	0.0225	139,670,145	0.0215	133,462,583
Risk Retention Group	(1,573,645.33)	35,360,980	33,787,335	0.0225	760,215	0.0215	726,428
Title	6,843,125.33	108,196,858	115,039,983	0.0225	2,588,400	0.0215	2,473,360
WCGSLA	(3,595,276.33)	76,929,265	73,333,989	0	0	0	0
Totals	683,087,162.00	13,553,064,822	14,236,151,984		281,074,498		268,608,616
Total PLT Revenue					<u>281,074,498</u>		<u>268,608,616</u>
Cost to Commonwealth							(12,465,882)

1999 Insurance Premium Tax Study

COMPANY TYPE			Year 3	Current	Estimated	Proposed	Estimated
			Assessable Premiums	Tax Rate	Revenue	Tax Rate	Revenue
Mutual Assessment Life	(27,331.33)	416,054	388,723	0.01	3,887	0.01	3,887
Burial Society	23,108.33	967,220	990,328	0.01	9,903	0.01	9,903
Cooperative Nonprofit Life	(1,296.67)	39,950	38,653	0.01	387	0.01	387
Dental /Optom. Plan	3,434,902.67	46,413,646	49,848,549	0.0225	1,121,592	0.0210	1,046,820
Fraternal Benefit Society	1,184,736.33	43,541,997	44,726,733	0	0	0	0
HMO	122,089,753.67	1,594,179,107	1,716,268,861	0	0	0	0
Home Protection Companies	1,605,619.00	15,446,262	17,051,881	0.0225	383,667	0.0210	358,090
Health Services Plan	2,498,263.00	53,610,044	56,108,307	0.0225	1,262,437	0.0210	1,178,274
Joint Underwriting Association	0.00	0	0	0.0225	0	0.0210	0
L&H	256,872,659.33	5,991,508,243	6,248,380,902	0.0225	140,588,570	0.0210	131,215,999
Legal Services Plans	502,968.33	2,514,841	3,017,809	0.0225	67,901	0.0210	63,374
Mutual Assessment P&C	1,037,485.67	57,791,329	58,828,815	0.01	588,288	0.01	588,288
P&C	292,192,090.00	6,207,561,984	6,499,754,074	0.0225	146,244,467	0.0210	136,494,836
Risk Retention Group	(1,573,645.33)	33,787,335	32,213,690	0.0225	724,808	0.0210	676,487
Title	6,843,125.33	115,039,983	121,883,108	0.0225	2,742,370	0.0210	2,559,545
WCGSIA	(3,595,276.33)	73,333,989	69,738,713	0	0	0	0
Totals	683,087,162.00	14,236,151,984	14,919,239,146		293,738,277		274,195,890
Total PLT Revenue					<u>293,738,277</u>		<u>274,195,890</u>
Cost to Commonwealth							(19,542,387)

1999 Insurance Premium Tax Study

COMPANY TYPE			Year 4	Current	Estimated	Proposed	Estimated
			Assessable Premiums	Tax Rate	Revenue	Tax Rate	Revenue
Mutual Assessment Life	(27,331.33)	388,723	361,392	0.01	3,614	0.01	3,614
Burial Society	23,108.33	990,328	1,013,436	0.01	10,134	0.01	10,134
Cooperative Nonprofit Life	(1,296.67)	38,653	37,356	0.01	374	0.01	374
Dental /Optom. Plan	3,434,902.67	49,848,549	53,283,452	0.0225	1,198,878	0.0205	1,092,311
Fraternal Benefit Society	1,184,736.33	44,726,733	45,911,469	0	0	0	0
HMO	122,089,753.67	1,716,268,861	1,838,358,615	0	0	0	0
Home Protection Companies	1,605,619.00	17,051,881	18,657,500	0.0225	419,794	0.0205	382,479
Health Services Plan	2,498,263.00	56,108,307	58,606,570	0.0225	1,318,648	0.0205	1,201,435
Joint Underwriting Association	-	0	0	0.0225	0	0.0205	0
L&H	256,872,659.33	6,248,380,902	6,505,253,561	0.0225	146,368,205	0.0205	133,357,698
Legal Services Plans	502,968.33	3,017,809	3,520,777	0.0225	79,217	0.0205	72,176
Mutual Assessment P&C	1,037,485.67	58,828,815	59,866,301	0.01	598,663	0.01	598,663
P&C	292,192,090.00	6,499,754,074	6,791,946,164	0.0225	152,818,789	0.0205	139,234,896
Risk Retention Group	(1,573,645.33)	32,213,690	30,640,045	0.0225	689,401	0.0205	628,121
Title	6,843,125.33	121,883,108	128,726,233	0.0225	2,896,340	0.0205	2,638,888
WCGSIA	(3,595,276.33)	69,738,713	66,143,437	0	0	0	0
Totals	683,087,162.00	14,919,239,146	15,602,326,308		306,402,057		279,220,788
Total PLT Revenue					<u>306,402,057</u>		<u>279,220,788</u>
Cost to Commonwealth							(27,181,269)

1999 Insurance Premium Tax Study

COMPANY TYPE			Year 5 Assessable Premiums	Current	Estimated	Proposed	Estimated
				Tax Rate	Revenue	Tax Rate	Revenue
Mutual Assessment Life	(27,331.33)	361,392	334,061	0.01	3,341	0.01	3,341
Burial Society	23,108.33	1,013,436	1,036,544	0.01	10,365	0.01	10,365
Cooperative Nonprofit Life	(1,296.67)	37,356	36,059	0.01	361	0.01	361
Dental /Optom. Plan	3,434,902.67	53,283,452	56,718,355	0.0225	1,276,163	0.0200	1,134,367
Fraternal Benefit Society	1,184,736.33	45,911,469	47,096,205	0	0	0	0
HMO	122,089,753.67	1,838,358,615	1,960,448,369	0	0	0	0
Home Protection Companies	1,605,619.00	18,657,500	20,263,119	0.0225	455,920	0.0200	405,262
Health Services Plan	2,498,263.00	58,606,570	61,104,833	0.0225	1,374,859	0.0200	1,222,097
Joint Underwriting Association	0.00	0	0	0.0225	0	0.0200	0
L&H	256,872,659.33	6,505,253,561	6,762,126,220	0.0225	152,147,840	0.0200	135,242,524
Legal Services Plans	502,968.33	3,520,777	4,023,745	0.0225	90,534	0.0200	80,475
Mutual Assessment P&C	1,037,485.67	59,866,301	60,903,787	0.01	609,038	0.01	609,038
P&C	292,192,090.00	6,791,946,164	7,084,138,254	0.0225	159,393,111	0.0200	141,682,765
Risk Retention Group	(1,573,645.33)	30,640,045	29,066,400	0.0225	653,994	0.0200	581,328
Title	6,843,125.33	128,726,233	135,569,358	0.0225	3,050,311	0.0200	2,711,387
WCGSIA	(3,595,276.33)	66,143,437	62,548,161	0	0	0	0
Totals	683,087,162.00		16,285,413,470		319,065,836		283,683,310
Total PLT Revenue					<u>319,065,836</u>		<u>283,683,310</u>
Cost to Commonwealth							(35,382,526)

