

FISCAL IMPACT STATEMENT ON BILL NO. **S.569**

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TO: The Honorable Robert W. "Wes" Hayes, Jr., Chairperson, Senate Banking and Insurance Committee
FROM: State Budget Division, Budget and Control Board
ANALYSTS: Stephen Gardner
DATE: April 17, 2013 SBD: 2013235

AUTHOR: Senator Davis PRIMARY CODE CITE: 38-3-110
SUBJECT: Competitive Insurance Act

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
A Cost to the General Fund (See Below)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
\$0 (No additional expenditures or savings are expected)

BILL SUMMARY:

Senate Bill 569 amends the Code of Laws of South Carolina, 1976, to enact the "Competitive Insurance Act" by amending Section 38-3-110, relating to duties of the Chief Insurance Commissioner, to provide that the Director must engage in efforts to provide market assistance and promote consumer education to Coastal Residential Property Insurance Consumers. The Bill also amends Section 38-7-200, relating to credits against premium tax, to define essential terms, and to provide that insurers may be eligible to receive a premium tax credit imposed by Section 38-7-20 on full coverage policies written outside of the coastal area. Furthermore, the Bill amends Section 38-75-485, relating to the implementation of the South Carolina Hurricane Damage Mitigation Program by the Department, to provide that one percent of the premium taxes due to this State by brokers placing property insurance within the eligible surplus lines market and two percent of the premium taxes collected annually and remitted to the Department by insurers licensed to do business in this State

EXPLANATION OF IMPACT:

The Department of Insurance estimates the cost of this Bill is approximately \$3,335,361 to the General Fund. This increase is based on an additional one percent of premium taxes of \$1,537,434, a one percent tax on broker/surplus lines related to property in the amount of \$140,771, and a maximum twenty-five percent credit of \$1,657,156. The Department of Insurance receives premium taxes from the insurance carriers. Currently, these funds flow through the Department of Insurance to the General Fund. Under this Bill, an increased 1% of premium taxes (total of 2%) would be held at the Department of Insurance to implement mitigation programs resulting in the Department of Insurance retaining \$1,537,434 and \$140,771 per year instead of these funds going to the General Fund. In addition, insurance companies operating in the wind zones will get an additional tax credit of 25% in addition to the 1% they are already receiving. The additional 25% tax credit will result in the General Fund receiving \$1,657,156 less going forward.

SPECIAL NOTES.

The Board of Economic Advisors is the appropriate entity to address any revenue impact associated with this or any other Bill.

Approved by:



Brenda Hart
Assistant Director, State Budget Division