Statement of Estimated State Revenue Impact

Date: March 3, 2014 (revised)

Bill Number: S.B. 569

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Committee Requesting Impact: Senate Banking & Insurance

Bill Summary: A bill to amend the Code of Laws of South Carolina, 1976, to enact the "competitive Insurance Act" by amending Section (§) 38-3-110, ...; to amend §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 against the premium tax imposed by §38-7-20 on full coverage policies written outside of the coastal area to reduce the insurance premium tax levied to one percent of the total premiums written on full coverage policies outside of the coastal area, and the director or his designee shall develop procedures to be used in implementing this tax credit; to amend §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; and to amend §38-75-755 ***truncated for space***

REVENUE IMPACT [1/]

This bill is expected to reduce Insurance Tax revenues deposited to the state's General Fund by a total of $3,335,361 in FY 2014-15 and increase earmarked funds of Department of Insurance (DOI) by a total of $1,678,205 in FY 2014-15.

Explanation

This bill creates the "Competitive Insurance Act". It sets provisions for eligible insurers to receive a new tax credit against insurance premium taxes imposed on full coverage policies (homeowners, specifically including wind and hail coverage) written outside of a defined coastal area. The credit reduces the premium tax levied from 1.25% to 1% of the total premiums written on full coverage policies *outside of* such coastal area. This new credit is in addition to a tax credit in an amount equivalent to 25% of tax due for coverage *written in* the coastal area under Section 38-7-200. It enables the South Carolina Hurricane Damage Mitigation Program to utilize proceeds of 1% of the premium taxes due to this State by brokers placing property insurance within the eligible surplus lines market, and further raises the level of annual premium taxes that is to be retained by the Department of Insurance (DOI) from 1% of total premium taxes collected by licensed insurers to a total of 2%.

Based on supporting data from the DOI, we estimate that DOI would retain an additional $1,537,434 of premium taxes, and $140,771 from broker/surplus lines related to property insurance. This would reduce GFR by $1,678,205. In addition, insurance companies operating in the wind zones will get an additional tax credit in effect reducing the annual levy for policy premiums written *outside of* the coastal area from 1.25% to 1%. The additional .25% reduction in the tax rate will result in a net loss of $1,657,156 in Insurance Tax revenue within the state General Fund in FY 2014-15.

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[1/] This statement meets revenue impact requirements of Section 2-7-71 for a state impact by BEA, Section 2-7-76 for a local impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by Office of Economic Research (OER).