

New Hampshire Insurance Department



February 3, 2021

New Hampshire Insurance Department

WHAT IS TAXABLE?

Gross direct premiums including renewal premiums less dividends less returned premium.

Direct premiums written on stop-loss reinsurance provided to self-insured groups.

Policy fees, membership and other fees.

Policy dividends applied in payment for life insurance (additional paid up insurance)

All other considerations for insurance received during the calendar year.

Medicaid Premiums are subject to premium tax.

Medicare supplementary policies (Medigap coverage) sold by an insurance company **are subject** to premium tax.



New Hampshire Insurance Department

WHAT IS TAX EXEMPT?

Political Subdivisions (counties, cities, towns, village districts, school districts)
In accordance with NH RSA 420-A:27 Health Service Corporations - Taxation and RSA 420-B:17 Health Maintenance Organizations - Taxation, RSA 420-F:1 Delta Dental Plan of New Hampshire, Inc., "... no tax shall be levied on any premiums, fees-for-service and other payments for health, dental, and employee benefit coverages from political subdivisions of the state of New Hampshire, or from employees or retirees of such political subdivisions, either directly or indirectly."

Medicare Advantage Plans

Most Medicare beneficiaries may choose to receive benefits through a Medicare Advantage Plan provided through a private insurance company approved by Medicare to provide coverage through health maintenance organizations or Preferred Providers Organizations.

Medicare Advantage Premiums received by such organizations on behalf of Medicare qualified individuals **are not subject** to premium taxation.

In accordance with the Code of Federal Regulations Title Public Health Volume IV Centers for Medicare and Medicaid Services, Department of Health and Human Services § 422.404 state premium taxes are prohibited.



New Hampshire Insurance Department

Medicare Part D

Premiums for Medicare Part D coverage **are not subject** to premium tax. In accordance with the Code of Federal Regulations Title Public Health Volume IV Centers for Medicare and Medicaid Services, Department of Health and Human Services § 423.440 state premium taxes are prohibited.

Federal Employee Health Benefit Program

Federal Employee health and life insurance coverages issued under Title 5 Government Organization and Employees **are not subject** to premium tax.

Servicemembers' Group Life Insurance

In accordance with Title 38 - Veterans' Benefits, Part II - General Benefits, Chapter 19 –Insurance premium written **is not subject** to premium tax.

Crop Insurance

In accordance with US Code TITLE 7 – Agriculture, Chapter 36 – Crop Insurance, Sec. 1511 premium written **is not subject** to premium tax.



New Hampshire Insurance Department

CURRENT REVENUE PROJECTIONS

The Insurance Department's current revenue projections are as follows:

Description	FY 2021 Authorized budget	FY 2021 Projected Revenue updated 5/27/2020
PREMIUM TAX LIABILITY	\$115,200,000	\$114,000,000
PREPAYMENT APPLIED	(112,400,000)	(115,200,000)
PREPAYMENT FOR FOLLOWING YEAR	115,200,000	114,000,000
NON-ADMITTED MARKET PREMIUM TAX	<u>4,000,000</u>	<u>4,600,000</u>
PREMIUM TAX REVENUE	\$122,000,000	\$117,400,000
LICENSE FEES AND PENALTIES	16,500,000	18,000,000
RSA 400-A:32 III (b) FUNDING GRANITE HEALTH TRUST FUND	<u>(7,600,000)</u>	<u>(7,200,000)</u>
TOTAL CASH BASIS	\$130,900,000	\$128,200,000

As reported in the January Revenue Focus, the fiscal year to date Insurance revenue is \$10.0 million which is \$2 million above the plan. The favorable variance is attributed to fee revenue.

The fee revenue is \$1.540 million greater than fiscal year 2020. Approximately \$1.146 million and \$394 thousand are attributed to producer and adjuster license fees, respectively.



New Hampshire Insurance Department

<u>Description</u>	<u>FY 2022</u>	<u>FY 2023</u>
PREMIUM TAX LIABILITY	\$113,700,000	\$115,900,000
PREPAYMENT APPLIED	(114,600,000)	(113,700,000)
PREPAYMENT FOR FOLLOWING YEAR	113,700,000	115,900,000
UNLICENSED COMPANY PREMIUM TAX	<u>4,600,000</u>	<u>4,600,000</u>
PREMIUM TAX REVENUE	\$117,400,000	\$122,700,000
LICENSE FEES AND PENALTIES	18,000,000	18,000,000
RSA 400-A:32 III (b) FUNDING GRANITE HEALTH TRUST FUND	<u>(8,400,000)</u>	<u>(7,400,000)</u>
TOTAL CASH BASIS	\$127,000,000	\$133,300,000



New Hampshire Insurance Department

	FY 2020 ACTUAL	FY 2021 PROJECTIONS	FY 2022 PROJECTIONS	FY 2023 PROJECTIONS
PREMIUM WRITTEN (NET OF DIVIDENDS-PHS) (in millions)	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY 2022</u>
Property & Casualty (all except A&H)		102.650%	102.550%	102.550%
Life (except A&H)		98.000%	97.000%	102.000%
Title		105.000%	105.000%	105.000%
Risk Retention Groups		100.000%	100.000%	100.000%
Property & Casualty A&H LOB at 2%		100.000%	105.000%	105.000%
Medical		97.000%	97.000%	105.000%
Life A&H		100.000%	98.000%	102.500%
Medicaid Managed Care Organizations		104.000%	102.500%	97.500%



New Hampshire Insurance Department

	FY 2020 ACTUAL	FY 2021 PROJECTIONS	FY 2022 PROJECTIONS	FY 2023 PROJECTIONS
<u>PREMIUM WRITTEN (NET OF DIVIDENDS-PHS) (in millions)</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY 2022</u>
<u>Lines of Business at 1.25%</u>				
Property & Casualty (all except A&H)	\$ 2,463.44	\$ 2,528.72	\$ 2,593.20	\$ 2,659.33
Life (except A&H)	613.91	601.63	583.58	595.25
Title	41.45	43.52	45.70	47.98
Risk Retention Groups	23.68	23.68	23.68	23.68
<u>Medical & A&H Lines of Business at 2%</u>				
Property & Casualty (Accident & Health)	\$ 15.36	\$ 15.36	\$ 16.13	\$ 16.94
Medical Net of tax exempt FEP, Part D, Medicare Advantage	1,551.11	1,504.57	1,459.44	1,532.41
Accident & Health on Life blank Medicaid Managed Care Organizations 'MCOs'	751.11	751.11	736.08	754.49
Granite Advantage Health Plan	322.00	380.00	400.00	385.00
Total Net Premiums Written	\$ 6,372.02	\$ 6,462.17	\$ 6,486.72	\$ 6,628.27



New Hampshire Insurance Department

	FY 2020	FY 2021	FY 2022	FY 2023
NET TAXABLE PREMIUM WRITTEN (in millions)	<u>ACTUAL</u>	<u>PROJECTIONS</u>	<u>PROJECTIONS</u>	<u>PROJECTIONS</u>
Total PC & Life Lines of Business at 1.25%	\$ 3,142.48	\$ 3,197.56	\$ 3,246.17	\$ 3,326.25
Net finance service fees, crop insurance	<u>15.69</u>	<u>15.80</u>	<u>15.80</u>	<u>15.80</u>
Net Taxable PC & Life	\$3,158.18	\$3,213.36	\$3,261.97	\$3,342.05
Total 2% Lines of Business	\$ 3,229.54	\$ 3,264.61	\$ 3,240.56	\$ 3,302.01
Tax exempt Medicare Part D & Federal Employees Health Benefits	<u>\$ (57.06)</u>	<u>\$ (68.50)</u>	<u>\$ (68.50)</u>	<u>\$ (68.50)</u>
Net Taxable Medical & A&H at 2%	\$ 3,172.48	\$ 3,196.11	\$ 3,172.06	\$ 3,233.51
NET PROJECTED TAX BASE	\$ 6,330.66	\$ 6,409.47	\$ 6,434.02	\$ 6,575.57



New Hampshire Insurance Department

PREMIUM TAX (in millions)	FY 2020	FY 2021	FY 2022	FY 2023
NH Premium Tax Liability	\$ 103.08	\$ 104.09	\$ 104.22	\$ 106.45
Retaliatory Tax Rate	9.40	9.00	8.10	8.10
Retaliatory item basis	5.59	5.10	4.59	4.59
Premium Tax Liability before credits	\$ 118.08	\$ 118.19	\$ 116.91	\$ 119.14
Business Enterprise Tax Credit Applied	(2.82)	(3.30)	(2.97)	(2.97)
Life & Health Guaranty Fund Class B Assessments Credit	0	(0.18)	(0.16)	(0.16)
Community Development Finance Authority Credit	(0.02)	(0.20)	(0.10)	(0.10)
Premium Tax Liability	\$ 115.24	\$ 114.51	\$ 113.68	\$ 115.91
Prepayment Applied	(112.93)	(115.29)	(114.51)	(113.68)
True up	\$ 2.31	\$ (0.78)	\$ (0.84)	\$ 2.23
Prepayment for Preceding Year	115.29	114.51	113.68	115.91
Subtotal	\$ 117.60	\$ 113.74	\$ 112.84	\$ 118.14
Unlicensed Companies Premium Tax	4.44	4.60	4.60	4.60
Premium Tax Revenue	\$ 122.04	\$ 118.34	\$ 117.44	\$ 122.74
Fees	\$ 18.99	\$ 18.00	\$ 18.00	\$ 18.00
Transfer to Granite Advantage Trust Fund	\$ (5.88)	\$ (8.76)	\$ (8.40)	\$ (7.40)
Total Revenue Cash Basis	\$ 135.14	\$ 127.58	\$ 127.04	\$ 133.34
Change in deferred revenue	\$ (1.18)	\$ 0.39	\$ 0.42	\$ (1.12)
Revenue -Accrual Basis	\$ 133.96	\$ 127.96	\$ 127.46	\$ 132.22



New Hampshire Insurance Department

QUESTIONS?

