

NEW HAMPSHIRE
INSURANCE DEPARTMENT
May 27, 2020

House Ways & Means Committee
GENERAL FUND REVENUE

CURRENT REVENUE PROJECTIONS

The Insurance Department's current revenue projections are as follows

Description	FY 2020 Authorized budget	FY 2020 Projected Revenue	Variance
PREMIUM TAX LIABILITY	\$112,400,000	\$115,200,000	\$2,800,000
PREPAYMENT APPLIED	(112,800,000)	(112,900,000)	(100,000)
PREPAYMENT FOR FOLLOWING YEAR	112,400,000	115,200,000	2,800,000
NON-ADMITTED MARKET PREMIUM TAX	<u>4,000,000</u>	<u>4,300,000</u>	<u>300,000</u>
PREMIUM TAX REVENUE	\$116,000,000	\$121,800,000	\$5,800,000
LICENSE FEES AND PENALTIES	16,500,000	18,000,000	1,500,000
RSA 400-A:32 III (b) FUNDING GRANITE HEALTH TRUST FUND	(7,400,000)	(5,883,982)	1,516,018
TOTAL CASH BASIS	\$125,100,000	\$133,916,018	\$8,816,018

The premium tax revenue due March 15th represents the prior calendar year tax liability less the prepayment collected plus an estimated prepayment for the following year plus premium tax from the non-admitted market. The estimated prepayment for the following year received in March 2020 covers the tax period from January 1, 2021 to December 31, 2021.

Based upon the adopted budget, as of May 15th, the projected fiscal year 2020 favorable variance is comprised \$5.8 million in premium tax plus \$1.5 million in the Granite Advantage Health Trust transfer and \$1.5 million in fee revenue. The variance in tax revenue is attributed to the following:

- 1) The premium tax was approximately \$2.8 million greater than expected due to the tax credits reported were \$1.3 million less than expected and retaliatory taxes were \$1.5 million greater than expected,
- 2) Estimated 2019 tax payments (prepayment due for 2020) increased \$2.8 million due to the increase in the 2019 tax liability,
- 3) The prepayment credit applied was \$100 thousand greater than planned,
- 4) The Granite Advantage Health Trust transfer was \$1.5 million less than expected,
- 5) Premium tax from the non-admitted market is \$300 thousand greater than expected, and
- 6) The fee revenue is expected to be \$1.5 million greater than planned.

	FY 2020 AUTHORIZED BUDGET	FY 2020 ACTUAL
NET PREM WRITTEN (NET OF DIV PHS)		
Lines of Business at 1.25%		
Property & Casualty	\$ 2,458.98	\$ 2,463.43
Life	591.02	613.91
Title	44.05	41.45
Risk Retention Groups	19.00	23.68
Medical & A&H Lines of Business at 2%		
Accident & Health on P&C blank	\$ 19.68	\$ 15.36
Medical Net of tax exempt FEP, Part D, MA	1,630.54	1551.11
Accident & Health on Life blank	730.33	751.11
Medicaid Managed Care Organizations 'MCM'	557.68	589.97
Granite Advantage Health (2019 to 2020)	360.15	322.00
Total Net Premiums Written	\$6,411.43	\$6,372.02
Total PC & Life Lines of Business at 1.25%	\$ 3,113.05	\$ 3,142.47
Net finance service fees, crop insurance	15.20	15.69
Net Taxable PC & Life	\$3,128.25	\$3,158.16
Total 2% Lines of Business	\$ 3,298.38	\$ 3,229.55
Tax exempt Medicare Part D & Federal Employees Health Benefits	(\$83.40)	(\$57.06)
Net Taxable Medical & A&H at 2%	\$3,214.98	\$3,172.49
NET PROJECTED TAX BASE	\$6,343.23	\$6,330.65
Description (in millions)	BUDGET	ACTUAL
NH Premium Tax Liability	\$103.40	\$103.08
Retaliatory Tax Rate	\$8.90	\$9.40
Retaliatory item basis	\$4.60	\$5.59
Premium Tax Liability before credits	\$116.90	\$118.07
Business Enterprise Tax Credit Applied	(\$3.80)	(\$2.82)
Life & Health Guaranty Fund Class B Assessments Credit	(\$0.30)	\$0.00
Community Development Finance Authority Credit	(\$0.37)	(\$0.02)
Premium Tax Liability	\$112.43	\$115.23
Prepayment Applied	(\$112.85)	(\$112.93)
True up	(\$0.42)	\$2.30
Prepayment for Following Year	\$112.43	\$115.23
Subtotal	\$112.01	\$117.53
Unlicensed Companies Premium Tax	\$4.00	\$4.34
Premium Tax Revenue	\$116.01	\$121.87
Fees and Penalties	\$16.50	\$18.00
Transfer to Health Protection Trust Fund	(\$7.41)	(\$5.88)
Total Revenue Cash Basis	\$125.10	\$133.99

Description	FY 2021 Authorized budget	FY 2021 Updated as of May 15, 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
UNLICENSED COMPANY 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	(7,600,000)	(7,200,000)
TOTAL CASH BASIS	<u>\$130,900,000</u>	<u>\$128,200,000</u>

Auto Insurance “paybacks” will have a small effect on FY 2020 premium tax. However, it’s unlikely to completely offset the continued slow and steady increase in rates and size of the market.

Workers’ Compensation premium continues to come in below expectations. The reduction in payroll during pandemic is likely to exacerbate that trend. Governor’s Order to cover COVID-19 claims for first responders unlikely to affect insurance market because most first responders are covered by self-insured pools. Workers compensation premium makes up only 8% of written premium in NH

Growth in other commercial lines (general liability, property, commercial multiple peril, etc.) tend to fluctuate from expected which offset in aggregate. There is too little information at this time to make any reasonable prediction how the pandemic will affect these lines.

The growth assumption for title insurance premium is based on the last 3 years of premium. It is too early to assess the effect of the pandemic on the real estate market, but early indications are closings continue to occur and asking prices are not yet dropping, indicating that transactions will continue.

HOUSE WAYS & MEANS

May 27, 2020

	FY 2021 AUTHORIZED BUDGET	FY 2021 UPDATED 5/15/2020
	CY 2020	CY 2020
NET PREM WRITTEN (NET OF DIV PHS)		
Lines of Business at 1.25%		
Property & Casualty	\$ 2,543.58	\$ 2,528.73
Life	591.02	613.91
Title	48.02	43.52
Risk Retention Groups	19.00	23.68
Medical & A&H Lines of Business at 2%		
Accident & Health on P&C blank	\$ 20.17	\$ 15.75
Medical Net of tax exempt FEP, Part D, MA	1,671.31	1,496.82
Accident & Health on Life blank	748.59	769.88
Medicaid Managed Care Organizations 'MCM'	571.62	604.71
Granite Advantage Health (2019 to 2020)	369.15	340.00
Total Net Premiums Written	\$ 6,582.46	\$ 6,437.00
Total PC & Life Lines of Business at 1.25%	\$ 3,201.62	\$ 3,209.84
Net finance service fees, crop insurance	15.20	15.80
Net Taxable PC & Life	\$ 3,216.82	\$ 3,225.64
Total 2% Lines of Business	\$ 3,380.84	\$ 3,227.16
Tax exempt Medicare Part D & Federal Employees Health Benefits	(84.40)	(68.50)
Net Taxable Medical & A&H at 2%	\$ 3,296.44	\$ 3,158.66
NET PROJECTED TAX BASE	\$ 6,513.26	\$ 6,384.30
Description (in millions)	FY 2021	FY 2021
NH Premium Tax Liability	\$ 106.14	\$ 103.49
Retaliatory Tax Rate	8.90	9.00
Retaliatory item basis	4.60	5.10
Premium Tax Liability before credits	\$ 119.64	\$ 117.59
Business Enterprise Tax Credit Applied	(3.80)	(3.30)
Life & Health Guaranty Fund Class B Assessments Credit	(0.30)	(0.17)
Community Development Finance Authority Credit	(0.37)	(0.20)
Premium Tax Liability	\$ 115.17	\$ 113.92
Prepayment Applied	(112.43)	(115.20)
True up	\$ 2.74	\$ (1.28)
Prepayment for following Year	115.17	113.92
Subtotal	\$ 117.91	\$ 112.64
Unlicensed Companies Premium Tax	4.00	4.60
Premium Tax Revenue	\$ 121.91	\$ 117.24
Fees and Penalties	16.50	18.00
Transfer to Health Protection Trust Fund	(7.56)	(7.16)
Total Revenue Cash Basis	\$ 130.85	\$ 128.08