



New Hampshire Insurance Department Unrestricted Revenue Overview January 25, 2023

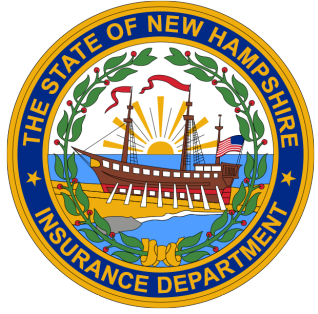
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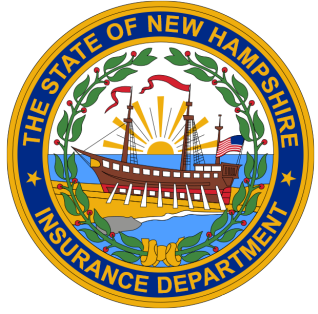
E-Mail: requests@ins.nh.gov

Web: nh.gov/insurance/



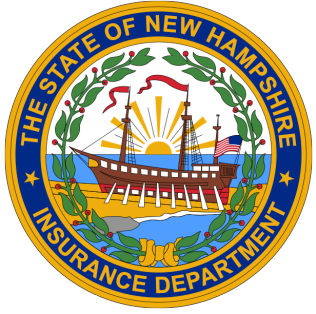
New Hampshire Insurance Department

- ▶ The mission of the New Hampshire Insurance Department is to promote the public good by ensuring the existence of a safe and competitive insurance marketplace through the development and enforcement of NH's insurance laws.
- ▶ We are committed to doing so in an honest, effective and timely manner.
- ▶ The NHID is a self-funded agency.
 - ▶ Insurers licensed to do business in the state are assessed.



New Hampshire Insurance Department

- ▶ The New Hampshire Insurance Department was established in 1851.
 - ▶ It is the first insurance regulatory agency in the United States.
- ▶ The laws that govern the responsibilities of the Insurance Department are set forth in Title XXXVII, codified at RSA 400 through RSA 420-Q.
- ▶ The Insurance Commissioner is charged with the enforcement of insurance laws of the State of New Hampshire.
 - ▶ This includes the collection of premium taxes and fees, and the regulation of all insurance companies, producers, and adjusters.



What We Do in NH

▶ License

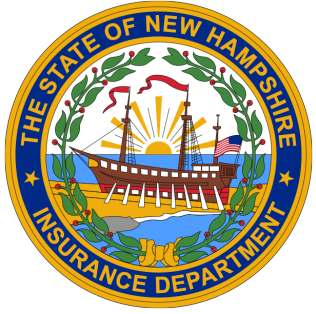
- Insurance Companies
- Producers (agents) and Agencies
- Adjusters

▶ Review

- Approve/disapprove policy rates and forms.

▶ Provide Oversight

- Financial analysis and examination of companies to ensure financial solvency.
- Market Conduct analysis and examination of companies ensure compliance with NH laws and regulations.
- Investigate and prosecute insurance fraud.
- Enforcement investigations and hearings against possible licensee violators of NH laws.



What We Do in NH

▶ Protect Consumers

- Address consumer complaints and inquiries.
- Provide consumer outreach and education, brochures and information.
- Prosecute those who violate insurance laws.

▶ Provide Expertise & Support

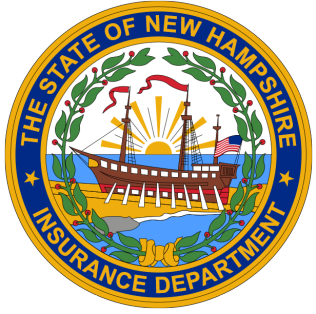
- Data & statistical analyses of health care costs and premiums.
- Analyze and administer the ACA as appropriate.
- Enforce laws and rules that promote financially sound principles and provide consumer protection.

▶ Collect

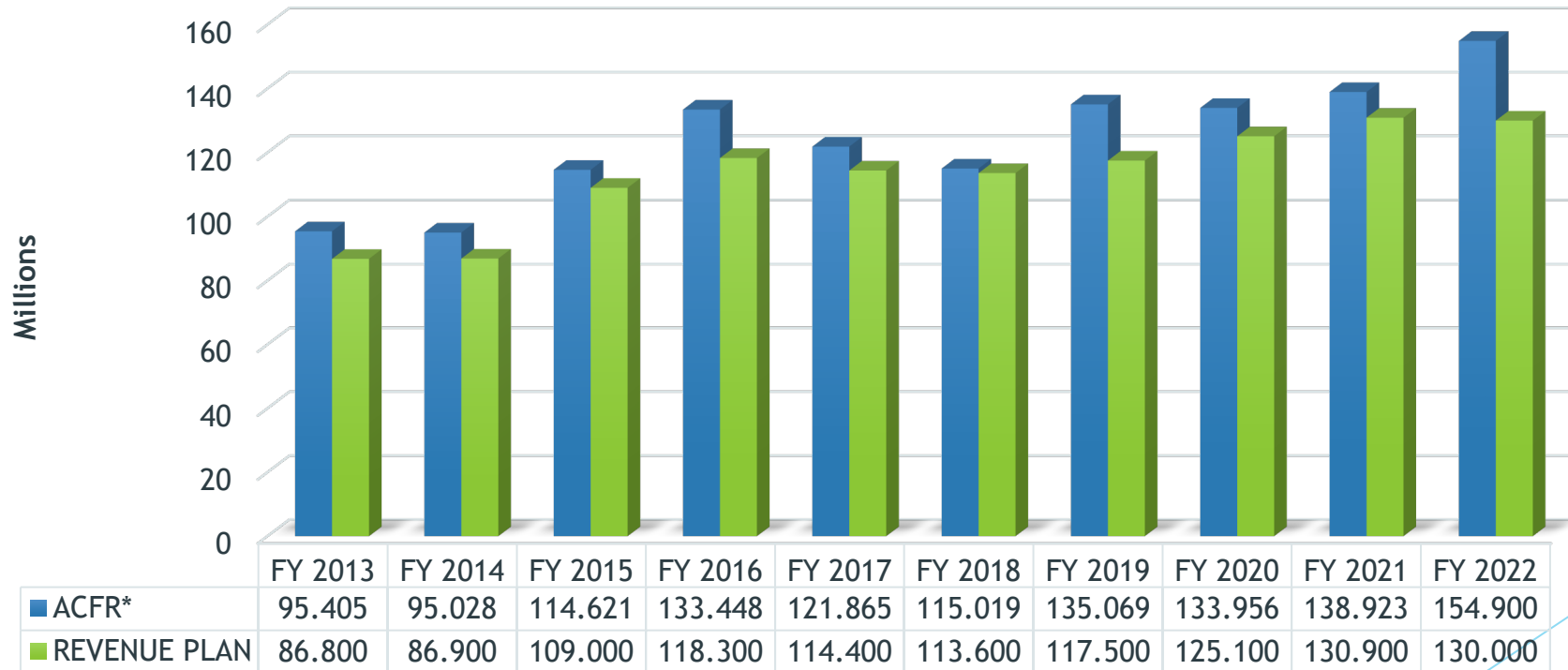
- Premium taxes, fees, and enforcement penalties for the General Fund.

▶ Participate

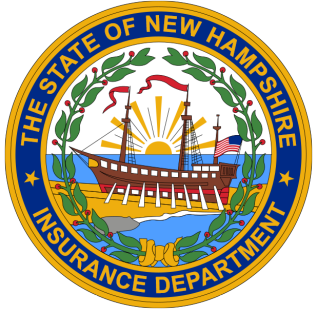
- State legislative process
- National Association of Insurance Commissioners



General Fund Revenue Actual to Plan FY 2013 to FY 2022



*Annual Comprehensive Financial Report



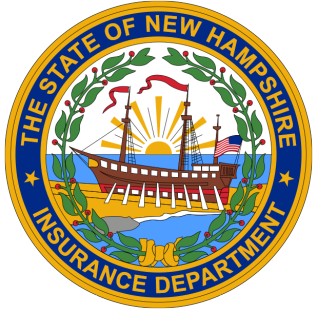
Revenue Sources Summary

▶ Premium Tax from Admitted and Non-admitted Insurers

- ▶ **Licensed Insurers** – NH domiciled and foreign insurers (RSA 400-A:32; 400-A:34-a; 400-A:35)
 - Property & Casualty (P&C)
 - Life
 - Accident & Health (A&H)
 - Health
- ▶ **Registered Entities**
 - Risk Retention Groups (RSA 405-A:3)
Purchasing Groups (RSA 405-A:9)
- ▶ **Licensed Producers**
 - Licensed with Surplus Lines Authority (RSA 405:29; 405:29-a, 405-B)
- ▶ **Independently Procured**
 - Policyholders who directly purchase from a non-admitted insurer (RSA 406-B:16; 406-B:17)

▶ Fees and Penalties

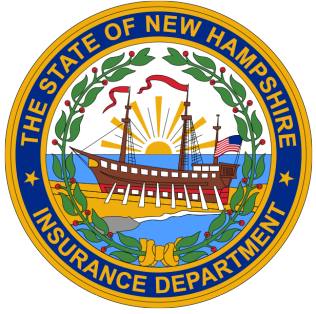
- Licensed and registered entities, and insurance producers and adjusters



Revenue Sources

▶ Licensed Insurance Companies & Risk Retention Groups (Admitted Market)

- ▶ Premium Tax Rates effective January 1, 2010
 - 1.25% for Property & Casualty lines of business
 - 2.00% for Accident & Health lines of business
- ▶ There is a minimum annual premium tax of no less than \$200.
- ▶ **Retaliatory Provision** (RSA 400-A:35) provides that if any state taxes NH domiciled insurance companies at a higher than the NH premium tax rate, then the State of NH is authorized to tax the insurance companies domiciled in the other state at the higher premium tax rate.
- ▶ As of December 31, 2022, there are 1,200 insurance companies licensed and 92 risk retention groups registered that are required to file the New Hampshire 2022 Premium Tax Report on or before March 15th, 2023.
- ▶ In accordance with RSA 400-A:31 and 400-A:32, insurers will pay the premium tax due for calendar year 2022, less the estimated payment made in March 2022, as well as the estimated tax for calendar year 2023 premium tax.



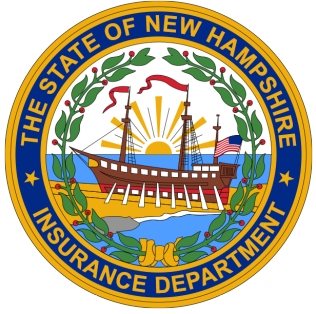
Revenue Sources

▶ Licensed Surplus Lines Producers (Non-admitted Market)

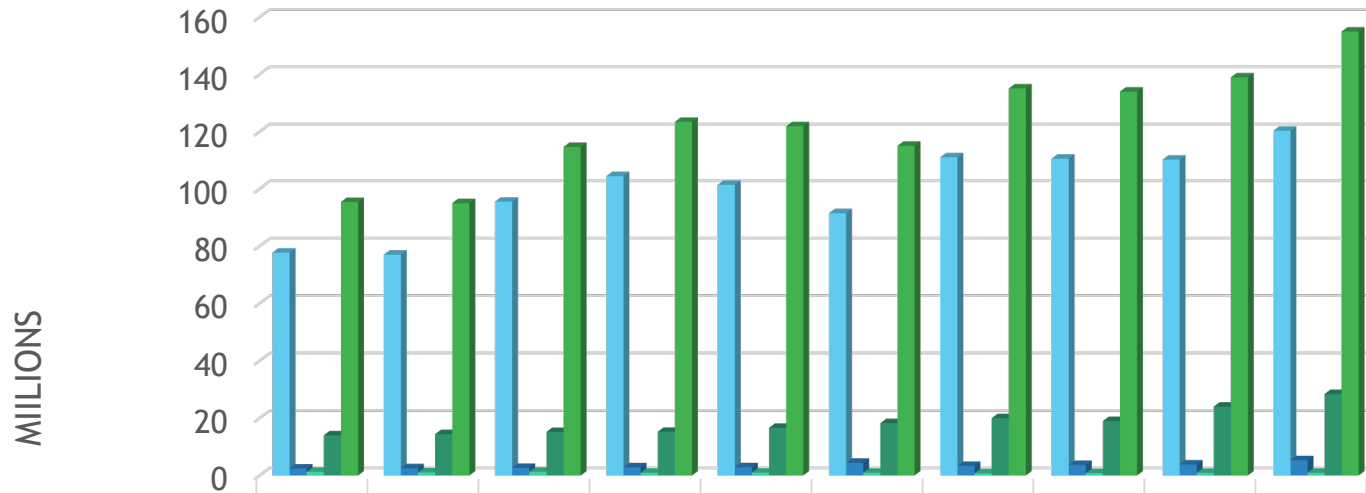
- ▶ Premium Tax Rate effective July 1, 2010
 - 3.0% on premium written for policies covering risks located in NH
- ▶ As of December 31, 2022, 330 producers reported premium written for calendar year 2022. The Surplus Lines Annual Premium Tax Report and premium tax is due on or before January 31st, 2023.

▶ Independently Procured (Non-admitted Market)

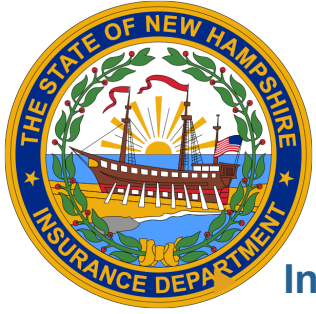
- ▶ Premium Tax Rate
 - 4.0% on premium written for policies covering risks located in NH
- ▶ The Premium Tax Report and premium tax is due on or before March 1st, 2023.



FY 2013 to FY 2022 Actual Insurance Revenue by Revenue Source



	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
■ Premium Tax-Admitted Market	77.72	77.01	95.51	104.42	101.41	91.47	111.02	110.53	110.20	120.29
■ Prem. Tax Non-Admitted-Surplus Lines	2.40	2.51	2.64	2.83	2.88	4.39	3.34	3.65	3.83	5.30
■ Prem. Tax Non-Admitted-Ind. Procured	1.28	1.08	1.30	0.93	0.97	0.92	0.75	0.79	0.89	0.94
■ Insurance Fees	14.00	14.40	15.17	15.21	16.61	18.23	19.97	18.99	24.00	28.41
■ TOTAL REVENUE	95.40	95.00	114.62	123.39	121.86	115.02	135.07	133.96	138.92	154.93



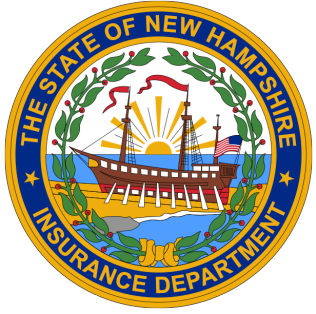
Factors Impacting the General Fund Revenues

Insurance Market

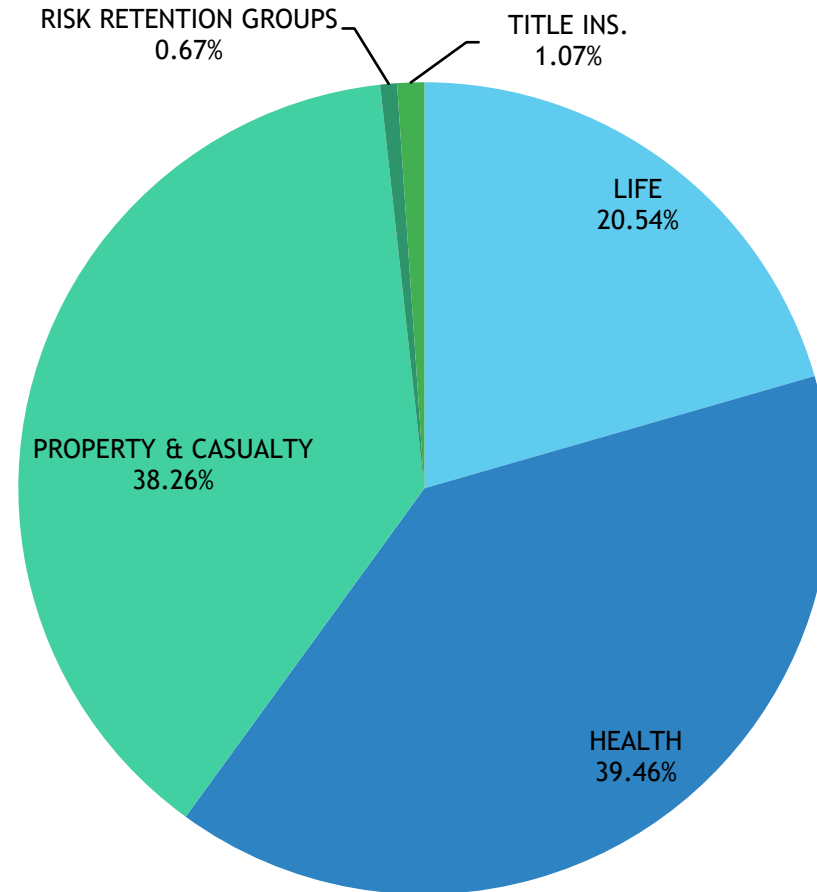
- The insurance market operates in an insurance business cycle with two phases - a “soft market” and a “hard market.” These cycles do not necessarily coincide with the prevailing economic cycle.
- During a **soft market cycle**, there is: Excess capacity, underwriting standards are low, price competition is high, and premiums decline or remain relatively flat. The rates for P&C products may be very slow to increase or may even decrease.
- During a **hard market cycle**, there is: Capacity shortage, underwriting standards are stringent, price competition is weak, and premiums increase.

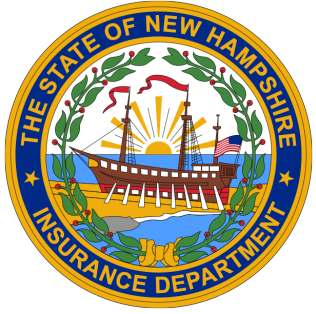
Other Variables

- Taxable premiums written
- Retaliatory premium tax rates
- Retaliatory fees and assessments
- Premium tax credits
- Amended returns
- Re-domestication of licensed companies
- Producers, adjusters, entities licensing volume
- Examination Billing
- Enforcement Penalties

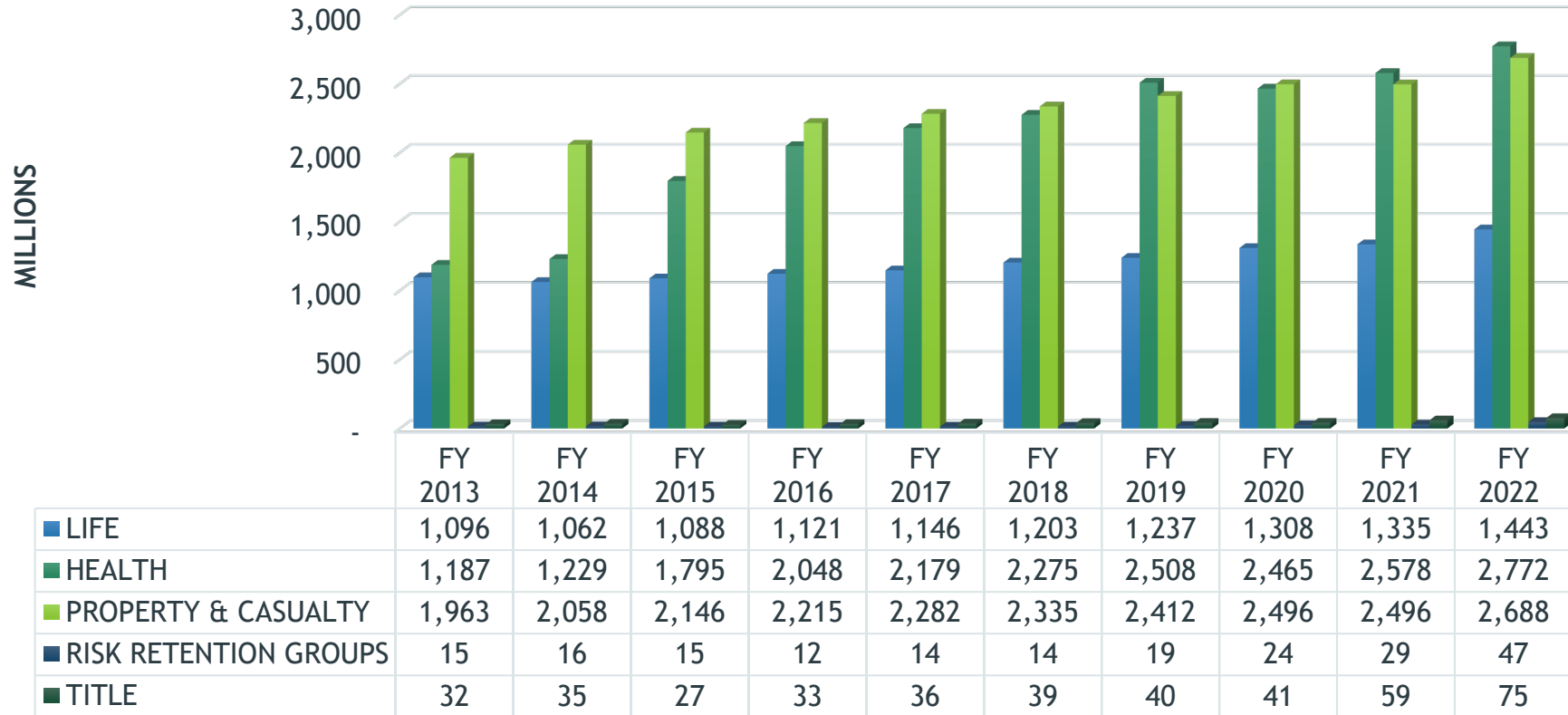


Calendar Year 2021 Net Taxable Premium Written

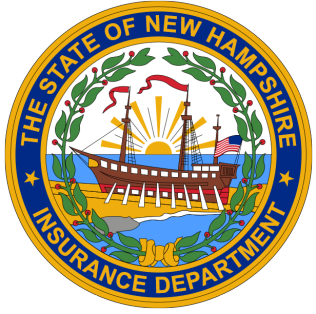




Net Taxable Premium Written By Company Type

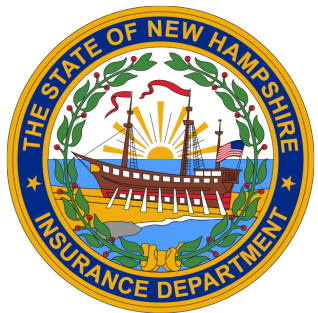


(In millions of dollars)



General Fund Revenue Projections

- ▶ NHID projections are derived from two methodologies:
 - ▶ The Tax unit reviews annual statement information and revenue trends from an accounting and historical perspective. Projections are then developed for the various major product lines.
 - ▶ Next, our actuaries who receive company rate filings, are able to monitor developments in requested ratemaking changes that will ultimately become part of the premiums charged for the various lines of insurance business. In addition, they factor in current general economic trends that will ultimately affect the amount of premium written.



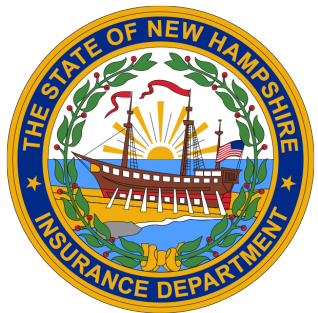
New Hampshire Insurance Department

CURRENT REVENUE PROJECTIONS

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

Unrestricted Revenue:	FY2022 ACTUAL	FY2023 BUDGET
PREMIUM TAX LIABILITY	\$124,100,000	\$118,600,000
PREPAYMENT APPLIED	(117,600,000)	(116,200,000)
PREPAYMENT FOR FOLLOWING YEAR	124,100,000	118,600,000
UNLICENSED COMPANY PREMIUM TAX	<u>6,200,000</u>	<u>4,600,000</u>
PREMIUM TAX REVENUE	\$136,800,000	\$125,600,000
LICENSE FEES AND PENALTIES	28,400,000	18,000,000
RSA 400-A:32 III (b) FUNDING GRANITE ADVANTAGAE HEALTH TRUST FUND	<u>(10,200,000)</u>	<u>(8,600,000)</u>
TOTAL CASH BASIS	<u>\$155,000,000</u>	<u>\$135,000,000</u>

As reported in the December 2022 Revenue Focus, the 2023 fiscal year-to-date Insurance revenue was \$14.8 million, which is nearly \$1.0 million less than prior FYTD. The decrease is attributed to fee revenue collected from producers and adjusters.



New Hampshire Insurance Department

REVENUE PROJECTIONS FY2024 & FY2025

Unrestricted Revenue:	FY 2024	FY2025
PREMIUM TAX LIABILITY	\$122,000,000	\$124,800,000
PREPAYMENT APPLIED	(118,600,000)	(122,000,000)
PREPAYMENT FOR FOLLOWING YEAR	122,000,000	124,800,000
UNLICENSED COMPANY PREMIUM TAX	<u>4,600,000</u>	<u>4,900,000</u>
PREMIUM TAX REVENUE	\$130,000,000	\$132,500,000
LICENSE FEES AND PENALTIES	19,000,000	19,500,000
RSA 400-A:32 III (b) FUNDING GRANITE ADVANTAGAE HEALTH TRUST FUND	<u>(10,000,000)</u>	<u>(10,000,000)</u>
TOTAL CASH BASIS	<u>\$139,000,000</u>	<u>\$142,000,000</u>

Note: NHID collects premium taxes from the 3 Managed Care Organizations that DHHS contracts with to place business in the Granite Advantage Health Care program. The revenue collected for this program is then transferred to DHHS by April 15th. If more tax is collected than anticipated, then more revenue is transferred to DHHS, therefore, having a net zero impact on the Department's projections.



We are a resource for you!

New Hampshire Insurance Department

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Concord, NH 03301

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