



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

SENATE BILL NO. 1096

PRINTERS NO. 1291

PRIME SPONSOR: D. White

### COST / (SAVINGS)

FUND	FY 2010/11	FY 2011/12
General Fund	\$0	(\$1,400,000)

**SUMMARY:** Senate Bill 1096 amends the Insurance Company Law concerning surplus lines insurance, independently procured insurance, and reinsurance. It would take effect immediately.

**ANALYSIS:** This legislation amends Article XVI of the Insurance Company Law concerning surplus lines. It implements the Non-admitted and Reinsurance Reform Act of 2010 (NRRA), which is part of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act with respect to surplus lines insurance, independently procured insurance and reinsurance. In so doing it requires that certain provisions of the Surplus Lines Law will apply when Pennsylvania is the home state of the insured. It also replaces certain eligibility criteria and changes certain requirements concerning surplus lines producers and exempt commercial purchasers. It also allows the Insurance Department to work with the National Association of Insurance Commissioners to license non-admitted insurers.

Senate Bill 1096 provides that no state other than the home state of the insured may require premium taxes on non-admitted insurance. The bill also changes the taxation for multi-state surplus lines policies and independently procured insurance placed after June 30, 2011, from an allocation method, taxing only that risk which is in the Commonwealth, to a gross premiums method, taxing the entire premium, regardless of where the risk is located. This legislation also clarifies the Insurance Department's authority to suspend, revoke or non-renew a surplus lines licensee for failure to collect the premium tax due.

**FISCAL IMPACT:** Enactment of this legislation will save the Commonwealth approximately \$1.4 million according to the Insurance Department. The federal NRRA would cost the Commonwealth approximately \$1.9 million in lost premium taxes if no action is taken at the state level. Enactment of this legislation along with a companion bill, Senate Bill 1097, will narrow those estimated losses to approximately \$500,000.

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House Appropriations Committee (R)

**DATE:** June 26, 2011

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*