

**TAXATION OF ADMITTED INSURERS AMENDMENTS**

2016 GENERAL SESSION

STATE OF UTAH

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**LONG TITLE**

**General Description:**

This bill amends provisions related to the taxation of admitted insurers.

**Highlighted Provisions:**

This bill:

- ▶ repeals certain study provisions related to a rate reduction in variable life insurance premiums.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

AMENDS:

**59-9-101 (Subsec (2)(c)(iv) Repealed 07/01/18)**, as last amended by Laws of Utah 2011, Chapter 266

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*Be it enacted by the Legislature of the state of Utah:*

Section 1. Section **59-9-101 (Subsec (2)(c)(iv) Repealed 07/01/18)** is amended to read:

**59-9-101 (Subsec (2)(c)(iv) Repealed 07/01/18). Tax basis -- Rates -- Exemptions -- Rate reductions.**

(1) (a) Except as provided in Subsection (1)(b), (1)(d), or (5), an admitted insurer shall pay to the commission on or before March 31 in each year, a tax of 2-1/4% of the total premiums received by it during the preceding calendar year from insurance covering property or risks located in this state.

(b) This Subsection (1) does not apply to:

- (i) workers' compensation insurance, assessed under Subsection (2);
- (ii) title insurance premiums taxed under Subsection (3);

- 33 (iii) annuity considerations;
- 34 (iv) insurance premiums paid by an institution within the state system of higher  
35 education as specified in Section 53B-1-102; and
- 36 (v) ocean marine insurance.
- 37 (c) The taxable premium under this Subsection (1) shall be reduced by:
- 38 (i) the premiums returned or credited to policyholders on direct business subject to tax  
39 in this state;
- 40 (ii) the premiums received for reinsurance of property or risks located in this state; and
- 41 (iii) the dividends, including premium reduction benefits maturing within the year:
- 42 (A) paid or credited to policyholders in this state; or
- 43 (B) applied in abatement or reduction of premiums due during the preceding calendar  
44 year.
- 45 (d) (i) For purposes of this Subsection (1)(d):
- 46 (A) "Utah variable life insurance premium" means an insurance premium paid:
- 47 (I) by:
- 48 (Aa) a corporation; or
- 49 (Bb) a trust established or funded by a corporation; and
- 50 (II) for variable life insurance covering risks located within the state.
- 51 (B) "Variable life insurance" means an insurance policy that provides for life  
52 insurance, the amount or duration of which varies according to the investment experience of  
53 one or more separate accounts that are established and maintained by the insurer pursuant to  
54 Title 31A, Insurance Code.
- 55 (ii) Notwithstanding Subsection (1)(a), beginning on January 1, 2006, the tax on that  
56 portion of the total premiums subject to a tax under Subsection (1)(a) that is a Utah variable  
57 life insurance premium shall be calculated as follows:
- 58 (A) 2-1/4% of the first \$100,000 of Utah variable life insurance premiums:
- 59 (I) paid for each variable life insurance policy; and
- 60 (II) received by the admitted insurer in the preceding calendar year; and
- 61 (B) 0.08% of the Utah variable life insurance premiums that exceed \$100,000:
- 62 (I) paid for the policy described in Subsection (1)(d)(ii)(A); and
- 63 (II) received by the admitted insurer in the preceding calendar year.

64 ~~[(iii)(A) On or before October 1, 2009, and every three years after October 1, 2009, the~~  
65 ~~Revenue and Taxation Interim Committee shall study the rate reduction contained in this~~  
66 ~~Subsection (1)(d).]~~

67 ~~[(B) As part of the study required by Subsection (1)(d)(iii)(A) the Revenue and~~  
68 ~~Taxation Interim Committee shall:]~~

69 ~~[(F) hear testimony from the commission and industry representatives;]~~

70 ~~[(H) make recommendations concerning whether the rate reduction should be~~  
71 ~~continued, modified, or repealed; and]~~

72 ~~[(HH) make findings regarding:]~~

73 ~~[(Aa) the cost of the rate reduction;]~~

74 ~~[(Bb) the purpose and effectiveness of the rate reduction; and]~~

75 ~~[(Cc) any benefits of the rate reduction to the state.]~~

76 (2) (a) An admitted insurer writing workers' compensation insurance in this state,  
77 including the Workers' Compensation Fund created under Title 31A, Chapter 33, Workers'  
78 Compensation Fund, shall pay to the tax commission, on or before March 31 in each year, a  
79 premium assessment on the basis of the total workers' compensation premium income received  
80 by the insurer from workers' compensation insurance in this state during the preceding calendar  
81 year as follows:

82 (i) on or before December 31, 2010, an amount of equal to or greater than 1%, but  
83 equal to or less than 5.75% of the total workers' compensation premium income described in  
84 this Subsection (2);

85 (ii) on and after January 1, 2011, but on or before December 31, 2017, an amount of  
86 equal to or greater than 1%, but equal to or less than 4.25% of the total workers' compensation  
87 premium income described in this Subsection (2); and

88 (iii) on and after January 1, 2018, an amount equal to 1.25% of the total workers'  
89 compensation premium income described in this Subsection (2).

90 (b) Total workers' compensation premium income means the net written premium as  
91 calculated before any premium reduction for any insured employer's deductible, retention, or  
92 reimbursement amounts and also those amounts equivalent to premiums as provided in Section  
93 34A-2-202.

94 (c) The percentage of premium assessment applicable for a calendar year shall be

95 determined by the Labor Commission under Subsection (2)(d). The total premium income  
96 shall be reduced in the same manner as provided in Subsections (1)(c)(i) and (1)(c)(ii), but not  
97 as provided in Subsection (1)(c)(iii). The commission shall promptly remit from the premium  
98 assessment collected under this Subsection (2):

99 (i) income to the state treasurer for credit to the Employers' Reinsurance Fund created  
100 under Subsection 34A-2-702(1) as follows:

101 (A) on or before December 31, 2009, an amount of up to 5% of the total workers'  
102 compensation premium income;

103 (B) on and after January 1, 2010, but on or before December 31, 2010, an amount of up  
104 to 4.5% of the total workers' compensation premium income;

105 (C) on and after January 1, 2011, but on or before December 31, 2017, an amount of up  
106 to 3% of the total workers' compensation premium income; and

107 (D) on and after January 1, 2018, 0% of the total workers' compensation premium  
108 income;

109 (ii) an amount equal to 0.25% of the total workers' compensation premium income to  
110 the state treasurer for credit to the Workplace Safety Account created by Section 34A-2-701;

111 (iii) an amount of up to 0.5% and any remaining assessed percentage of the total  
112 workers' compensation premium income to the state treasurer for credit to the Uninsured  
113 Employers' Fund created under Section 34A-2-704; and

114 (iv) beginning on January 1, 2010, 0.5% of the total workers' compensation premium  
115 income to the state treasurer for credit to the Industrial Accident Restricted Account created in  
116 Section 34A-2-705.

117 (d) (i) The Labor Commission shall determine the amount of the premium assessment  
118 for each year on or before each October 15 of the preceding year. The Labor Commission shall  
119 make this determination following a public hearing. The determination shall be based upon the  
120 recommendations of a qualified actuary.

121 (ii) The actuary shall recommend a premium assessment rate sufficient to provide  
122 payments of benefits and expenses from the Employers' Reinsurance Fund and to project a  
123 funded condition with assets greater than liabilities by no later than June 30, 2025.

124 (iii) The actuary shall recommend a premium assessment rate sufficient to provide  
125 payments of benefits and expenses from the Uninsured Employers' Fund and to maintain it at a

126 funded condition with assets equal to or greater than liabilities.

127 (iv) At the end of each fiscal year the minimum approximate assets in the Employers'  
128 Reinsurance Fund shall be \$5,000,000 which amount shall be adjusted each year beginning in  
129 1990 by multiplying by the ratio that the total workers' compensation premium income for the  
130 preceding calendar year bears to the total workers' compensation premium income for the  
131 calendar year 1988.

132 (v) The requirements of Subsection (2)(d)(iv) cease when the future annual  
133 disbursements from the Employers' Reinsurance Fund are projected to be less than the  
134 calculations of the corresponding future minimum required assets. The Labor Commission  
135 shall, after a public hearing, determine if the future annual disbursements are less than the  
136 corresponding future minimum required assets from projections provided by the actuary.

137 (vi) At the end of each fiscal year the minimum approximate assets in the Uninsured  
138 Employers' Fund shall be \$2,000,000, which amount shall be adjusted each year beginning in  
139 1990 by multiplying by the ratio that the total workers' compensation premium income for the  
140 preceding calendar year bears to the total workers' compensation premium income for the  
141 calendar year 1988.

142 (e) A premium assessment that is to be transferred into the General Fund may be  
143 collected on premiums received from Utah public agencies.

144 (3) An admitted insurer writing title insurance in this state shall pay to the commission,  
145 on or before March 31 in each year, a tax of .45% of the total premium received by either the  
146 insurer or by its agents during the preceding calendar year from title insurance concerning  
147 property located in this state. In calculating this tax, "premium" includes the charges made to  
148 an insured under or to an applicant for a policy or contract of title insurance for:

149 (a) the assumption by the title insurer of the risks assumed by the issuance of the policy  
150 or contract of title insurance; and

151 (b) abstracting title, title searching, examining title, or determining the insurability of  
152 title, and every other activity, exclusive of escrow, settlement, or closing charges, whether  
153 denominated premium or otherwise, made by a title insurer, an agent of a title insurer, a title  
154 insurance producer, or any of them.

155 (4) Beginning July 1, 1986, a former county mutual and a former mutual benefit  
156 association shall pay the premium tax or assessment due under this chapter. Premiums

157 received after July 1, 1986, shall be considered in determining the tax or assessment.

158 (5) The following insurers are not subject to the premium tax on health care insurance  
159 that would otherwise be applicable under Subsection (1):

160 (a) an insurer licensed under Title 31A, Chapter 5, Domestic Stock and Mutual  
161 Insurance Corporations;

162 (b) an insurer licensed under Title 31A, Chapter 7, Nonprofit Health Service Insurance  
163 Corporations;

164 (c) an insurer licensed under Title 31A, Chapter 8, Health Maintenance Organizations  
165 and Limited Health Plans;

166 (d) an insurer licensed under Title 31A, Chapter 9, Insurance Fraternal;

167 (e) an insurer licensed under Title 31A, Chapter 11, Motor Clubs;

168 (f) an insurer licensed under Title 31A, Chapter 13, Employee Welfare Funds and  
169 Plans; and

170 (g) an insurer licensed under Title 31A, Chapter 14, Foreign Insurers.

171 (6) An insurer issuing multiple policies to an insured may not artificially allocate the  
172 premiums among the policies for purposes of reducing the aggregate premium tax or  
173 assessment applicable to the policies.

174 (7) The retaliatory provisions of Title 31A, Chapter 3, Department Funding, Fees, and  
175 Taxes, apply to the tax or assessment imposed under this chapter.