



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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**Director**  
AMY CARLSON

DATE: June 9, 2016  
TO: Revenue and Transportation Interim Committee  
FROM: Alice Hecht, Fiscal Analyst  
RE: Insurance Premiums Tax Data Updates

The State Auditor's Office (SAO) has recently provided annual premium data for health and property/casualty insurance to the Legislative Fiscal Division (LFD), and a Memorandum of Understanding is in place for the SAO to provide the data on an annual basis. This information includes but is not limited to insurance type, company name, and premium earned. Ultimately this data will allow the LFD to improve the revenue estimate, and provide analyses related to proposed policy changes.

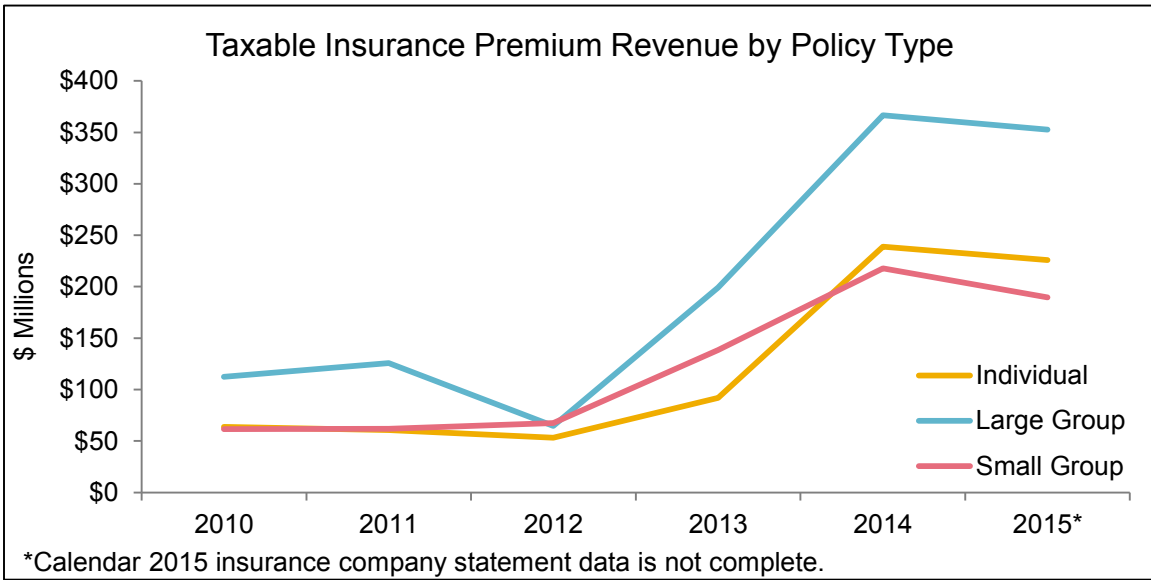
The majority of insurance tax revenue comes from a tax of 2.75% on net insurance premiums sold. There is an additional 2.5% levied on fire insurance premiums sold, and a number of small fees. General fund insurance tax revenue is made up of 100% of fire insurance taxes, 95% of captive insurance taxes, and 67% of all other premium taxes, as well as a fraction of the fees.

Currently the insurance tax model is based on IHS forecasts of Montana house sales, the S&P 500 and long term interest rates and revenue data from SABHRS, allowing for insurance tax revenue to be split only by type of tax or fee. Since fluctuations in tax collections are generally due to changes associated with a particular type of insurance or the tax status of the insurance companies, the data model is of little help in predicting the magnitude of fluctuations in out years.

FY 2015 insurance tax came in \$1.2 million or 1.7% below the HJ 2 revenue estimate. At the time of the estimate, there were a couple of factors regarding the policy purchases on the 2015 exchange that were still unclear: how many of the policies purchased on the exchange were new vs. renewed, and what the average cost of purchased policies from taxable companies was. With the new data from the SAO, modeling for this source will be revised to account for the changes.

### Examples of New Data Detail

The chart on the following page shows taxable health insurance data since CY 2010. Note the large increase from CY 2012 which was due to the buyout of Blue Cross Blue Shield (BCBS) by Health Care Services Corporation. The previously untaxed policies under BCBS became taxable under the buyout negotiated by the SAO.



The pie chart below shows the market share property/casualty insurance by type. This data may allow for future analysis of proposed policy changes.

