

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
76th Oregon Legislative Assembly
2011 Regular Session
Legislative Revenue Office

Bill Number: HB 2679 – A8
Revenue Area: Insurance
Economist: Dae Baek
Date: 6/13/2011

Measure Description: Conforms the Oregon surplus lines insurance law to the federal Nonadmitted and Reinsurance Reform Act of 2010. Allows the Director of the Department of Consumer and Business Services to establish rules regarding reporting, collection, payment, allocation and disbursement of premium taxes on Oregon home state risks. Authorizes the Department of Consumer and Business Services to enter into a compact or otherwise establish surplus lines premium tax allocation procedures among states. Imposes surplus lines reporting requirements and premium tax on independently procured insurance policyholders. Revises the calculation method of surplus lines State Fire Marshal tax. Requires insurers, health care service contractors and multiple employer welfare arrangements that offer prescription eye drop coverage to also cover one early refill of prescription for eye drops to treat glaucoma under specified conditions.

Revenue Impact (in \$Millions):

(1) Surplus Lines Insurance

	Fiscal Year		Biennium		
	2011-12	2012-13	2011-13	2013-2015	2015-2017
General Fund	minimal*	minimal	minimal	minimal	minimal
State Fire Marshall Tax	minimal*	minimal	minimal	minimal	minimal

*Minimal means revenue increase of less than \$50,000.

(2) Early Refill of Prescription: None

Impact Explanation: The new federal law authorizes states to collect premium taxes on independently procured surplus lines insurance policies. Currently, these policies are not subject to the two percent premium tax in Oregon and consequently there are no data on them. Lack of data makes it difficult for revenue impact analysis. Other states show only a minor presence of independently procured policies in entire surplus lines and the same is expected of Oregon.

Current State Fire Marshall tax rates on surplus lines are varied depending on the nature of policies. This bill sets one fixed tax rate of the State Fire Marshall tax on all surplus lines premiums or fees: 0.3 percent. This rate ensures revenue-neutrality between the two taxing schemes.

Creates, Extends, or Expands Tax Expenditure: Yes No