

2010 -- S 2410

LC01333

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO TAXATION - TAXATION OF INSURANCE COMPANIES

Introduced By: Senator C Levesque

Date Introduced: February 11, 2010

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 44-17-1 and 44-17-2 of the General Laws in Chapter 44-17
2 entitled "Taxation of Insurance Companies" is hereby amended to read as follows:

3 **44-17-1. Companies required to file -- Payment of tax -- Retaliatory rates. --** (a)

4 Every domestic, foreign, or alien insurance company, mutual association, organization, or other
5 insurer, including, without limitation, any health maintenance organization, as defined in section
6 27-41-1, any nonprofit dental service corporation as defined in section 27-20.1-2 and any
7 nonprofit hospital or medical service corporation, as defined in chapters 27-19 and 27-20, except
8 companies mentioned in section 44-17-6, and organizations defined in section 27-25-1,
9 transacting business in this state, shall, on or before March 1 in each year, file with the tax
10 administrator, in the form that he or she may prescribe, a return under oath or affirmation signed
11 by a duly authorized officer or agent of the company, containing information that may be deemed
12 necessary for the determination of the tax imposed by this chapter, and shall at the same time pay
13 an annual tax to the tax administrator of two percent (2%) of the gross premiums on contracts of
14 insurance, except:

15 (1) Insurers subject to chapters 27-19 and 27-20 shall pay the lesser of the following:

16 (i) One percent (1%) of the gross premiums on contracts of insurance; or

17 (ii) Up to one hundred percent (100%) of the difference between the insurer's reported
18 medical loss ratio and eighty-five percent (85%) medical loss ratio, as determined by the health
19 insurance commissioner. If the reported medical loss ratio of the insurers, subject to the

1 provisions of chapters 27-19 and 27-20, is greater than or equal to eighty-five percent (85%),
2 such insurer's tax liability will be zero.

3 (2) Health maintenance organizations, as defined in section 27-41-1, shall pay the lesser
4 of the following:

5 (i) Two percent (2%) of the gross premiums on contracts of insurance; or

6 (ii) Up to one hundred percent (100%) of the difference between the insurer's reported
7 medical loss ratio and eighty-five percent (85%) medical loss ratio, as determined by the health
8 insurance commissioner. If the reported medical loss ratio of the health maintenance organization
9 is greater than or equal to eighty-five percent (85%), the tax liability will be zero.

10 (3) Ocean marine insurance, as referred to in section 44-17-6, covering property and
11 risks within the state, written during the calendar year ending December 31st next preceding, but
12 in the case of foreign or alien companies, except as provided in section 27-2-17(d) the tax is not
13 less in amount than is imposed by the laws of the state or country under which the companies are
14 organized upon like companies incorporated in this state or upon its agents, if doing business to
15 the same extent in the state or country.

16 (b) For purposes of this section, "medical loss ratio" shall mean the ratio between the
17 amount that is spent to pay for medical services covered by the insurer and the amount of revenue
18 from health insurance premiums taken in by the insurer. Medical loss ratio shall be calculated
19 based on information reported in accordance with section 27-12-1.

20 **44-17-2. Amounts included as gross premiums.** -- Except where such a charge would
21 be inconsistent with federal law, gross premiums include all premiums and premium deposits and
22 assessments on all policies, certificates, and renewals, written during the year, covering property
23 and risks within the state, policies subsequently cancelled, and reinsurance assumed, whether the
24 premiums and premium deposits and assessments are in the form of money, notes, credits, or
25 other substitute for money, after deducting from the gross premiums the amount of return
26 premiums on the contracts covering property and risks within this state and the amount of
27 premiums for reinsurance assumed, of the property and risks. Mutual companies and companies
28 which transact business on the mutual plan are also allowed to deduct from their premiums and
29 premium deposits and assessments, the so-called dividends or unused or unabsorbed portion of
30 the premiums and premium deposits and assessments applied in part payment of the premiums
31 and premium deposits and assessments or returned to policyholders in cash or credited to policy
32 holders during the year for which the tax is computed. Every domestic company, mutual
33 association, organization, or other insurer, shall include for taxation in like manner and with like
34 deductions premiums and premium deposits and assessments written, procured, or received in this

1 state on business covering property or risks in any other state on which the company has not paid
2 and is not liable to pay a tax to the other state. In those cases where the premium tax collected
3 may be based on the reported medical loss ratio as set forth in section 44-17-1, the calculation
4 will be based on the premiums for the prior two (2) years, and medical costs as reported to the
5 health insurance commissioner and the health insurance commissioner shall provide the data and
6 perform the calculation in support of the department of taxation.

7 SECTION 2. This act shall take effect on January 1, 2011.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION - TAXATION OF INSURANCE COMPANIES

- 1 This act would modify the amount of state tax that health insurers are required to pay.
- 2 This act would take effect on January 1, 2011.

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