

### Fiscal Estimate - 2011 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>11-2242/2</b>	<b>Introduction Number</b> <b>SB-378</b>
<b>Description</b> Surplus lines insurance, insurance security fund, automobile insurance, and granting rule-making authority	
<b>Fiscal Effect</b>	
<b>State:</b>	
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriations	
<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
<b>Local:</b>	
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
<b>Affected Ch. 20 Appropriations</b>	
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>
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	<b>Date</b>
	2/3/2012

## Fiscal Estimate Narratives

OCI 2/3/2012

LRB Number	11-2242/2	Introduction Number	SB-378	Estimate Type	Original
<b>Description</b> Surplus lines insurance, insurance security fund, automobile insurance, and granting rule-making authority					

### Assumptions Used in Arriving at Fiscal Estimate

SB-378 implements provisions of the 2010 Nonadmitted and Reinsurance Reform Act (NRRA). The NRRA requires states to adopt uniform requirements, forms and procedure for the reporting, payment, collection and allocation of surplus lines premium taxes. The NRRA gives states the option of joining an interstate compact for allocation of premium taxes or electing to comply with the NRRA without joining an interstate compact.

The NRRA specifically requires that only the insured's home state may regulate the "placement" of a multi-state surplus lines policy. Likewise, the NRRA provides that only the insured's home state may require a surplus lines broker to be licensed to sell, solicit or negotiate nonadmitted insurance with respect to that Home-State insured even if it is a multi-state risk covering risks in Wisconsin.

By choosing to comply with NRRA and without joining an interstate compact or agreement, Wisconsin would collect 100% of the taxes on surplus lines policies where Wisconsin is the home state of the insured, including that insureds out-of-state risks. Wisconsin would not allocate any portion of the tax to another state. Conversely, for surplus lines policies where Wisconsin is not the home state, Wisconsin would not collect any allocated portion of those taxes, including the insured's risks in Wisconsin, as it currently does.

The amount of surplus lines tax collected in 2010 was approximately \$9.5 million. The surplus lines tax compares to premium taxes (non-surplus lines tax) from authorized insurers totaling over \$120,000,000 per year. OCI currently has no way of determining how much of the surplus lines or direct placement taxes are attributable to multi-state risks. Surplus lines taxes, like all premium taxes, are deposited directly to the General Fund. OCI does not retain any portion of premium taxes collected.

The changes to Wisconsin law required by the NRRA impact the state's ability to collect surplus lines premium taxes. The current law requires apportionment and NRRA only allows collection from the home state. With no change, Wisconsin may be only able to collect the apportioned tax for those insureds where Wisconsin is the home state. It is not possible to determine the amount of multi-state risk included in OCI's premium information and the fiscal effect of this bill is indeterminate. Without these changes, Wisconsin could lose the authority to collect some of the surplus lines taxes on multi state risks, resulting in a reduction in state surplus lines tax revenues of some portion of the \$9.5 million collected previously. Even with these changes, it cannot be determined whether Wisconsin would collect more or less surplus lines taxes than currently collected.

### Long-Range Fiscal Implications