
A BILL FOR AN ACT

RELATING TO INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to increase
2 insurance premium tax rates.

3 SECTION 2. Section 431:7-202, Hawaii Revised Statutes, is
4 amended by amending subsections (a), (b), (c), and (d) to read
5 as follows:

6 "(a) Each authorized insurer, except with respect to all
7 life insurance contracts, ocean marine insurance contracts, and
8 real property title insurance contracts, shall pay to the
9 director of finance through the commissioner a tax of [~~4.265~~
10 5.331 per cent on the gross premiums written from all risks or
11 property resident, situated, or located within this State,
12 during the year ending on the preceding December 31, less return
13 premiums (but not including dividends paid or credited to
14 policyholders), and less any reinsurance accepted (the tax upon
15 such business being payable by the direct writing insurer).

16 All premiums written, procured, or received in the State
17 shall be presumed to have been from risks or property resident,



1 situated, or located within the State. This presumption may be
2 rebutted as to any premium:

3 (1) By showing that it has been properly allocated or
4 apportioned and reported as a taxable premium of
5 another state or other appropriate taxing authority;
6 or

7 (2) By facts as to the residence, situation, or location
8 of the risks or property, conclusively showing the
9 nontaxability of the premium.

10 (b) Each authorized insurer, with respect to life
11 insurance contracts, shall pay to the director of finance
12 through the commissioner a tax of [~~2.75~~] 3.437 per cent on the
13 gross premiums received from all risks resident within this
14 State, during the year ending on the preceding December 31, less
15 return premiums, dividends paid or credited to policyholders,
16 and reinsurance accepted (the tax upon such business being
17 payable by the direct writing insurer).

18 The tax also shall apply to premiums for insurance written
19 on individuals residing outside the State unless the direct
20 writing insurer shall show the payment of a comparable tax to
21 another appropriate taxing authority. Such showing may be



1 required as to any premium written, procured, or received in the
2 State.

3 (c) Each authorized insurer [shall], with respect to all
4 ocean marine insurance contracts written within the State,
5 during the year ending on the preceding December 31, shall pay
6 to the director of finance through the commissioner a tax of
7 [~~-.8775~~] 1.0968 per cent on its gross underwriting profit. The
8 gross underwriting profit shall be ascertained by deducting from
9 the net premiums (i.e., gross premiums less all return premiums
10 and premiums for reinsurance ceded) on such ocean marine
11 insurance contracts, the net losses paid (i.e., gross losses
12 paid less salvage and recoveries on reinsurance ceded) during
13 such year under such contracts. In the case of an insurer
14 issuing participating contracts, the gross underwriting profit
15 shall not include, for computation of the tax prescribed by this
16 subsection, the amount refunded, or paid as participation
17 dividends, by such insurer to the holders of such contracts.

18 (d) Each authorized insurer, with respect to real property
19 title insurance contracts written on real property situated
20 within this State during the year ending on the preceding
21 December 31, shall pay to the director of finance through the
22 commissioner a tax of [~~4.265~~] 5.331 per cent of the amount of



1 the risk premium actually received by the authorized insurer for
2 the provision of such insurance. The amount of the risk premium
3 received by the authorized insurer for the provision of real
4 property title insurance shall be an amount equal to the amount
5 actually received by the authorized insurer solely for the
6 provision of real property title insurance coverage in
7 accordance with the underwriting agreement or contract between
8 the authorized insurer and the underwritten title company."

9 SECTION 3. Section 431:8-205, Hawaii Revised Statutes, is
10 amended by amending subsection (c) to read as follows:

11 "(c) Gross premiums charged for the insurance, less any
12 return premiums, are subject to a tax at the rate of [~~4.68~~] 5.85
13 per cent. At the time of filing the report required in
14 subsection (b), the insured shall pay the tax to the
15 commissioner.

16 As used in this subsection, "gross premiums" mean the
17 amount of the policy or coverage premium charged by the insurer
18 in consideration for the insurance contract. Any charges for
19 policy, survey, inspection, service, or similar fees or other
20 charges added by the broker shall not be considered part of
21 gross premiums."



1 SECTION 4. Section 431:8-315, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) On or before March 15 of each year, each surplus
4 lines broker shall pay to the director of finance, through the
5 commissioner, a premium tax on surplus lines insurance
6 transacted by the broker during the preceding calendar year.
7 The tax shall be in the amount of [~~4.68~~] 5.85 per cent of gross
8 premiums, less return premiums, on taxable surplus lines
9 insurance.

10 As used in this subsection, "gross premiums" mean the
11 amount of the policy or coverage premium charged by the insurer
12 in consideration for the insurance contract. Any charges for
13 policy, survey, inspection, service, or similar fees or other
14 charges added by the broker shall not be considered part of
15 gross premiums."

16 SECTION 5. Section 431:19-116, Hawaii Revised Statutes, is
17 amended by amending subsection (a) to read as follows:

18 "(a) Each captive insurance company licensed to do
19 business in this State shall pay to the director of finance
20 through the commissioner a tax on gross premiums on or before
21 March 1 of each year, as follows:



- 1 (1) ~~[-.25]~~ 0.3125 per cent on \$0 to \$25,000,000 of gross
2 premiums for insurance written on all risks or
3 property resident, situated, or located within this
4 State, and on risks and property situated elsewhere
5 upon which no premium tax is otherwise paid during the
6 year ending on the preceding December 31, less return
7 premiums and less any reinsurance accepted;
- 8 (2) ~~[-.15]~~ 0.1875 per cent on more than \$25,000,000, to
9 \$50,000,000 of gross premiums for insurance written on
10 all risks or property resident, situated, or located
11 within this State, and on risks and property situated
12 elsewhere upon which no premium tax is otherwise paid
13 during the year ending on the preceding December 31,
14 less return premiums and less any reinsurance
15 accepted;
- 16 (3) ~~[-.05]~~ 0.0625 per cent on more than \$50,000,000, to
17 \$250,000,000 of gross premiums for insurance written
18 on all risks or property resident, situated, or
19 located within this State, and on risks and property
20 situated elsewhere upon which no premium tax is
21 otherwise paid during the year ending on the preceding



1 December 31, less return premiums and less any
 2 reinsurance accepted; and
 3 (4) [~~0.00~~] 0.05 per cent on more than \$250,000,000 of
 4 gross premiums for insurance written on all risks or
 5 property resident, situated, or located within this
 6 State, and on risks and property situated elsewhere
 7 upon which no premium tax is otherwise paid during the
 8 year ending on the preceding December 31, less return
 9 premiums and less any reinsurance accepted[~~+~~
 10 ~~provided that the annual maximum aggregate tax on gross premiums~~
 11 ~~to be paid by a captive insurance company shall not exceed~~
 12 ~~\$200,000]."~~

13 SECTION 6. Statutory material to be repealed is bracketed
 14 and stricken. New statutory material is underscored.

15 SECTION 7. This Act shall take effect on July 1, 2010 and
 16 shall be repealed on June 30, 2015; provided that sections
 17 431:7-202(a), (b), (c), and (d), 431:8-205(c), 431:8-315(a), and
 18 431:19-116(a), Hawaii Revised Statutes, amended by this Act
 19 shall be reenacted in the form in which they existed on the day
 20 prior to the effective date of this Act.

21

INTRODUCED BY: Calvin H. Iy

JAN 27 2010

Report Title:

Insurance Premium Tax Rates; Increase

Description:

Increases the insurance premium tax rates. Repeals the ceiling on insurance premium taxes payable by a captive insurance company. Takes effect on 7/1/10 and sunsets on 06/30/15.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

