



INSURANCE LAW UPDATE

NEW HAMPSHIRE REDUCES PREMIUM TAX TO 1%

HB 678 reduces New Hampshire's premium tax on property/casualty and life insurance lines of business to 1% over the next four years.

This Update presents only a brief summary of the new law. For more complete information, please contact Steve Lauwers or Jack Zemp.

On August 14, 2006, New Hampshire HB 678 became effective, reducing New Hampshire's premium tax on property/casualty and life insurance lines of business from 2% to 1% over the next four years.

The premium tax reduction will be phased in by four one-quarter percent rate reductions. At 1%, New Hampshire will have the lowest premium tax rate in the Eastern U.S. The premium tax rate on health insurance remains at 2%.

The purpose of this law is to attract new domestic insurers to New Hampshire and to spur related economic activity. The Insurance Commissioner, Roger Sevigny, has been and continues to be a very strong proponent of the legislation and of further development of the insurance industry in New Hampshire.

The law also provides that:

- All insurers, including health insurers, must pay by March 15, June 15, September 15, and December 15 one

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quarter of the 2006 premium tax.

- However, beginning with the 2007 tax year, all insurers must pay 100% of the amount of the previous year's tax by March 15, as an estimated tax payment for the current year. This one-time acceleration applies to all lines of insurance, including health insurance. Since the tax rate on property/casualty and life insurance premiums will be declining from 2007



INSURANCE LAW UPDATE

through 2010, it is likely that estimated tax payments on these lines will exceed the amount ultimately owed.

- The Commissioners of Insurance and of Resources and Economic Development have been instructed to develop and implement a comprehensive plan of retaining and recruiting insurers to New Hampshire, and beginning July 1, 2007, to report monthly to the Fiscal Committee as to the success of the plan.

The State's Department of Resources and Economic Development ("DRED") has targeted the insurance industry as a key focus of their business recruitment activities for New Hampshire. Mike Bergeron will spearhead the efforts of DRED. DRED staff plans to attend upcoming RIMS and perhaps NAIC conferences to meet with interested companies.

New Hampshire's goal is to create at least an additional 1,600 new insurance jobs in the State, together with a stronger base of domestic insurance companies.

In recent years, New Hampshire has also liberalized its property/casualty rate review law and has taken other steps to improve the regulatory climate. New Hampshire does not have a personal income tax or a sales tax, contributing to a favorable tax climate for employees.