

New Hampshire Insurance Department



January 27, 2021

New Hampshire Insurance Department

The mission of the New Hampshire Insurance Department is to promote the public good by ensuring the existence of a safe and competitive insurance marketplace through the development and enforcement of New Hampshire's insurance laws.

We are committed to doing so in an honest, effective and timely manner.



New Hampshire Insurance Department

- The New Hampshire Insurance Department was established in **1851**
 - It is the first insurance regulatory agency in the United States
- The laws that govern the responsibilities of the Insurance Department are set forth in Title XXXVII, codified at RSA 400 through RSA 420-N
- The Insurance Commissioner is charged with the enforcement of insurance laws of the State of New Hampshire
 - This includes the collection of premium taxes and fees and the regulation of all insurance companies, producers, consultants and adjusters



NH Insurance Department: What We Do

License

- Insurance companies authorized to do business in NH
- Producers (agents) and agencies doing business in NH
- Adjusters doing business in NH
- Other insurance entities, including TPAs

Review

- Approve/disapprove policy forms and rates used in NH

Provide Oversight

- Financial examinations and analysis of companies doing business in NH to ensure financial solvency
- Market conduct analysis/exams of companies doing business in NH to ensure compliance with NH laws and regulations
- Investigate and prosecute insurance fraud
- Enforcement hearings on licensees running afoul of our laws and rules
- Public hearings, including on workers' compensation premium rates and cost drivers in health care in NH



NH Insurance Department: What We Do

Protect Consumers

- Address consumer complaints and inquiries
- Provide consumer outreach and education, brochures and information
- Prosecute those who violate insurance laws

Provide Expertise & Support

- Data & statistical analyses of health care costs and premiums in NH
- Analyze and administer the ACA as appropriate
- Laws and rules that promote financially sound principles and provide consumer protection

Collect

- Premium taxes, enforcement penalties and fees for the General Fund

Participate

- In the state legislative process, including commissions
- In the National Association of Insurance Commissioners



National Association of Insurance Commissioners (NAIC)

Insurance is regulated by state governments. The NAIC is the organization of insurance regulators from the 50 states, the District of Columbia and the five U.S. territories.

The NAIC assists state insurance regulators, individually and collectively, in serving the public interest and achieving their missions.

The NAIC also develops model laws to promote consistency from state to state in the regulation of insurance and to help states keep up with the changing market conditions.

The NAIC developed financial regulation standards and an accreditation program to provide a process whereby solvency regulation of multi-state insurance companies can be enhanced and adequately monitored.



New Hampshire Insurance Department

Revenue Sources

Premium Tax from Admitted and Non-admitted Insurers

Licensed Insurers – New Hampshire domiciled and insurers domiciled in other states (RSA 400-A:32; 400-A:34-a; 400-A:35)

- Property & Casualty
- Life
- Accident & Health
- Health

Registered entities

- Risk Retention Groups (RSA 405-A:3)
- Purchasing Groups (RSA 405-A:9)

Licensed Producers

- Licensed with Surplus Lines Authority (RSA 405:29; 405:29-a, 405-B)

Independently Procured

- Policyholders who directly purchase from a non-admitted insurer (RSA 406-B:16; 406-B:17)

Fees and Penalties

- Licensed and registered entities and insurance producers



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Licensed Insurance Companies & Risk Retention Groups (Admitted Market)

Premium Tax Rates effective January 1, 2010 (NH RSA 400-A:32)

- 1.25 percent for Property & Casualty lines of business
- 2 percent for Accident & Health lines of business

There is a minimum annual premium tax of no less than \$200.

As of December 31, 2020, there are 1,148 insurance companies licensed and 82 risk retention groups registered that are required to file the New Hampshire 2020 Premium Tax Report on or before March 15th, 2021. In accordance with RSA 400-A:31 and 400-A:32, they will pay the premium tax due for calendar year 2020 less the estimated payment made in March 2020, as well as the estimated tax for calendar year 2021 premium tax.



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Licensed Surplus Lines Producers (Non-admitted Market)

Premium Tax Rate effective July 1, 2010 (NH RSA 405-29)

- 3.0 percent on premium written for policies covering risks located in NH

As of December 31, 2020, 316 producers reported premium written for calendar year 2020. The Surplus Lines Annual Premium Tax Report and premium tax was due on or before January 31st, 2021.



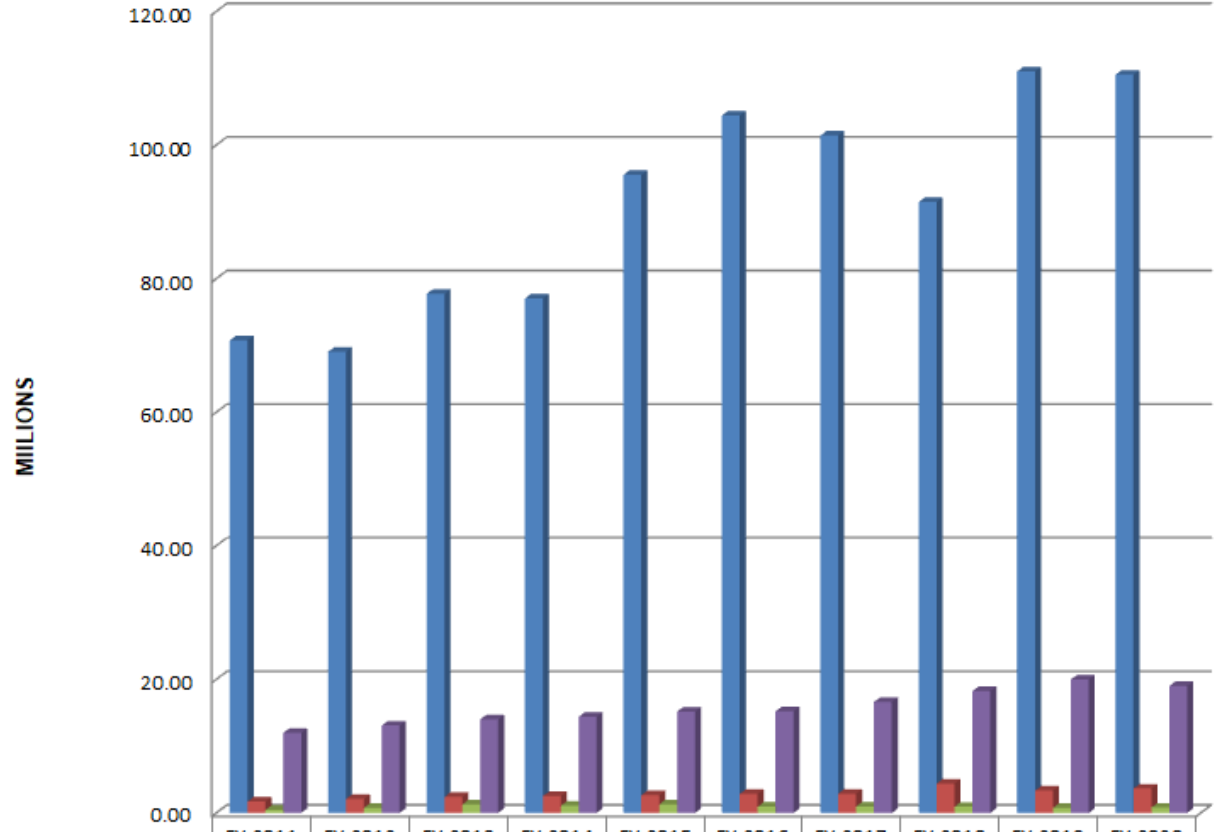
Independently Procured (Non-admitted Market)

Premium Tax Rate (NH RSA 406-B:17)

- 4.0 percent on premium written for policies covering risks located in NH
The Premium Tax Report and premium tax is due on or before March 1st, 2021.

New Hampshire Insurance Department

FY 2011 to FY 2020 ACTUAL INSURANCE REVENUE by Revenue Source

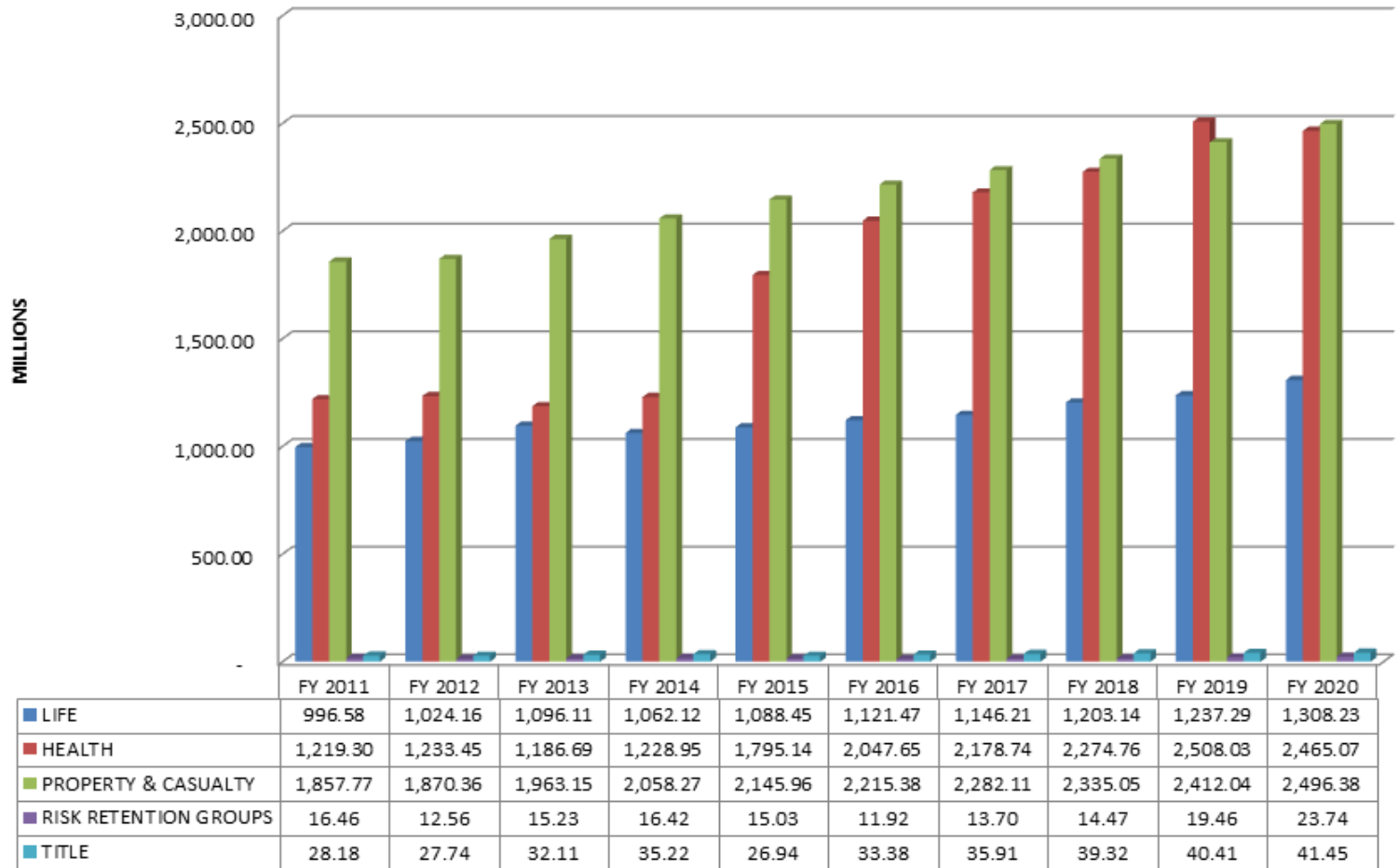


	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
■ Premium Tax - Admitted Market	70.75	69.05	77.72	77.01	95.51	104.42	101.41	91.47	111.02	110.53
■ Premium Tax Non-Admitted-Excess Lines	1.71	2.09	2.40	2.51	2.64	2.83	2.88	4.39	3.34	3.65
■ Premium Tax Non-Admitted-Independently procured	0.45	0.76	1.28	1.08	1.30	0.93	0.97	0.92	0.75	0.79
■ Insurance Fees	11.99	13.09	14.00	14.40	15.17	15.21	16.61	18.23	19.97	18.99



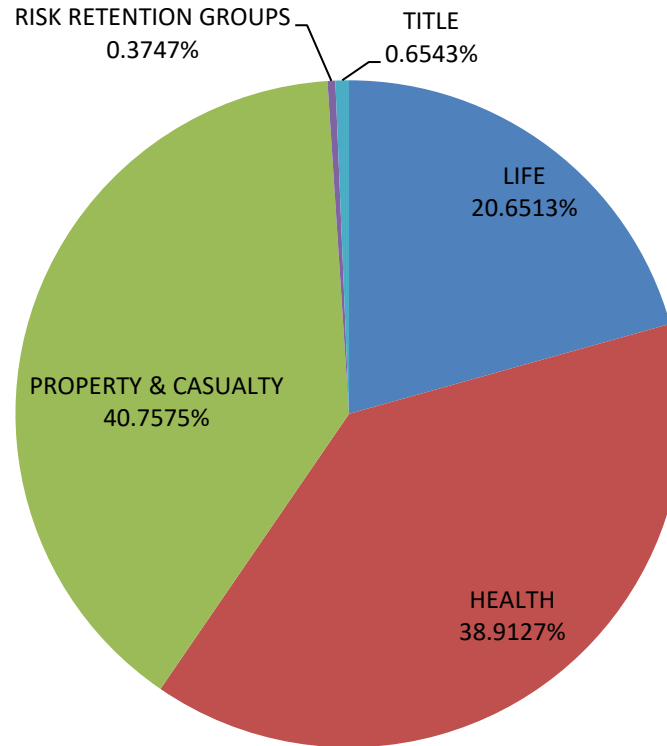
New Hampshire Insurance Department

NET TAXABLE PREMIUM WRITTEN BY COMPANY TYPE



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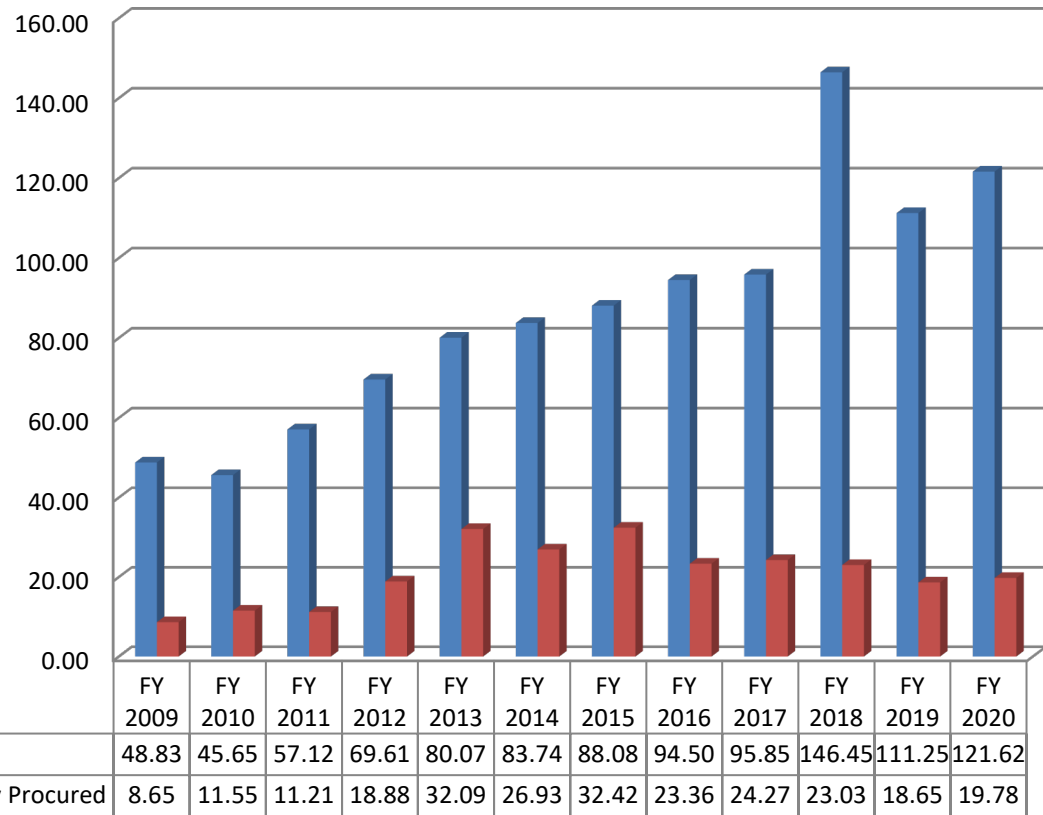
CALENDAR YEAR 2019 NET TAXABLE PREMIUM WRITTEN



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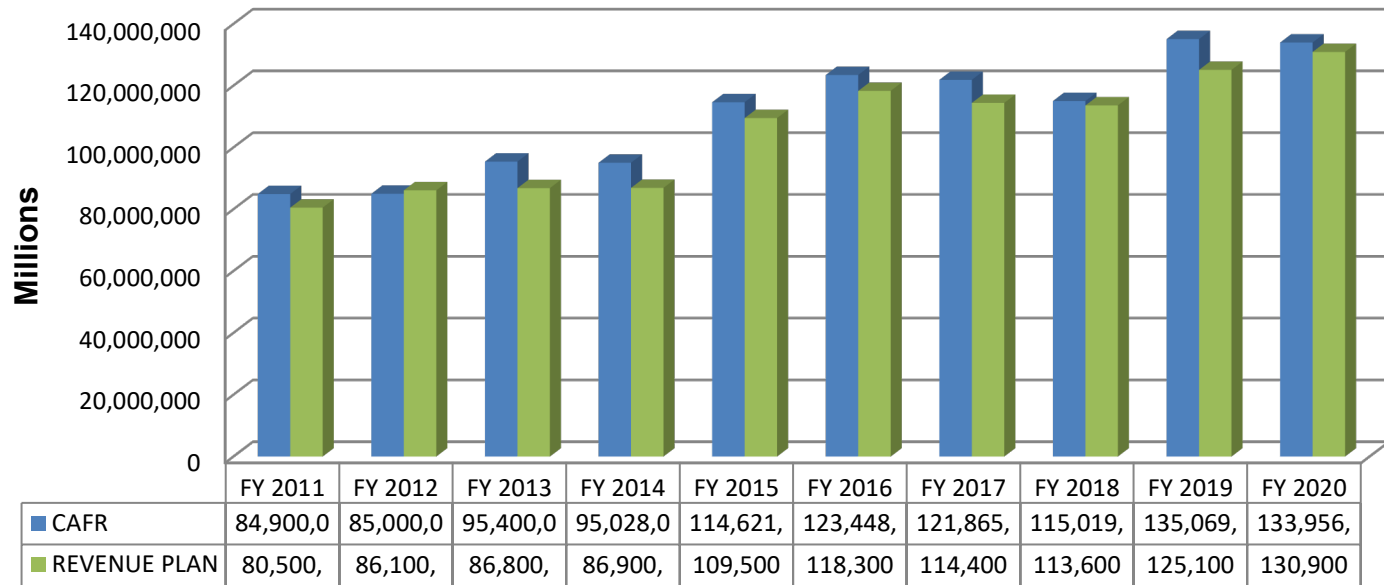
NET TAXABLE PREMIUM WRITTEN NON-ADMITTED MARKET

MILLIONS



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GENERAL FUND INSURANCE REVENUE ACTUAL to PLAN FY 2011 to FY 2020



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FACTORS IMPACTING THE INSURANCE GENERAL FUND REVENUES

- Taxable premium written
- Premium tax rate
- Retaliatory taxes
- Premium tax credits
- Amended returns
- Re-domestication of licensed companies
- Producers, adjusters, entities licensing volume

Insurance Market

The insurance market operates in an insurance business cycle with two phases—a “soft market” and a “hard market.” These cycles do not necessarily coincide with the prevailing economic cycle. During a soft market cycle, there is excess capacity, underwriting standards are low, price competition is high, and premiums decline or remain relatively flat. The rates for property and casualty products may be very slow to increase, or may even decrease. In a hard market cycle, there is a capacity shortage, underwriting standards are stringent, price competition is weak, and premiums increase.



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Insurance Market (continued)

Property and casualty insurance markets can flow through this cycle at different rates. Commercial coverage tends to be more volatile than personal lines markets because of regulations such as “take all comers” in New Hampshire. Since the great recession, it has been very difficult to describe the position of many insurance markets in the cycle because the economic recovery, albeit steady, was very slow. Tort reforms and claims mitigation has also played a role in limiting the volatility of some commercial markets. For example, the medical professional liability market in New Hampshire has seen a soft market for many years that may finally be hardening, while the workers compensation market looks to remain soft for at least the near term. The effect on all markets of the COVID pandemic remains to be seen, but very early indications suggest personal lines carriers retained more than enough capital to delay or eliminate customary rate increases. Commercial carriers are revising rules to tighten language around communicable disease exclusions but are otherwise weathering the storm as well.



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REVENUE PROJECTIONS

Our projections are derived from a blending of two methodologies:

One, the NH Insurance Department actuaries, who receive company rate filings, are in a position to monitor developments in requested ratemaking changes that will ultimately become part of the premiums charged for the various lines of insurance business. In addition, they factor in current general economic trends that will ultimately affect the amount of premium written.

Two, the Tax Division reviews annual statement information and revenue trends from an accounting and historical perspective. Projections are developed for the various major product categories based on the trend analysis. The two methodologies are used to determine the revenue projections.



New Hampshire Insurance Department

Unrestricted Revenue Description	FY 2021 Authorized budget	FY 2021 Projected Revenue updated 5/27/2020
PREMIUM TAX LIABILITY	\$115,200,000	\$114,000,000
PREPAYMENT APPLIED	(112,400,000)	(115,200,000)
PREPAYMENT FOR FOLLOWING YEAR	115,200,000	114,000,000
NON-ADMITTED MARKET PREMIUM TAX	<u>4,000,000</u>	<u>4,600,000</u>
PREMIUM TAX REVENUE	\$122,000,000	\$121,800,000
LICENSE FEES AND PENALTIES	16,500,000	18,000,000
RSA 400-A:32 III (b) FUNDING GRANITE ADVANTAGE HEALTH TRUST FUND	(7,600,000)	(7,200,000)
TOTAL CASH BASIS	<u>\$130,900,000</u>	<u>\$128,200,000</u>



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Description	FY 2022	FY 2023
PREMIUM TAX LIABILITY	\$113,700,000	\$115,900,000
PREPAYMENT APPLIED	(114,600,000)	(113,700,000)
PREPAYMENT FOR FOLLOWING YEAR	113,700,000	115,900,000
UNLICENSED COMPANY PREMIUM TAX	4,600,000	4,600,000
PREMIUM TAX REVENUE	\$117,400,000	\$122,700,000
LICENSE FEES AND PENALTIES	18,000,000	18,000,000
RSA 400-A:32 III (b) FUNDING GRANITE ADVANTAGAE HEALTH TRUST FUND	(8,400,000)	(7,400,000)
TOTAL CASH BASIS	\$127,000,000	\$133,300,000



We are a Resource for You!

New Hampshire Insurance Department

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