

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 580

Short Title: Insurance Regulatory Change.

(Public)

Sponsors: Senator Seymour.

Referred to: Insurance.

March 25, 1993

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE PERCENTAGE RATE FOR THE INSURANCE REGULATORY CHARGE FOR TAXABLE YEAR 1993 AND TO MAKE CORRESPONDING AMENDMENTS TO THE DEPARTMENT OF INSURANCE AND CONSUMER PROTECTION FUNDS.

The General Assembly of North Carolina enacts:

Section 1. The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is seven and seventy-five hundredths percent (7.75%) for the 1993 taxable year.

Sec. 2. G.S. 58-2-215(c) reads as rewritten:

"(c) Moneys ~~appropriated by the General Assembly from the fund created in G.S. 58-6-25~~ shall be deposited in the Fund and shall become a part of the continuation budget of the Department of Insurance. ~~Such~~ This continuation budget amount shall equal the actual expenditures drawn from the Fund during the prior fiscal year plus the official inflation rate designated by the Director of the Budget in the preparation of the State Budget for each ensuing fiscal year; provided that if interest income on the Fund exceeds the amount yielded by the application of the official inflation rate, ~~such~~ this continuation budget amount shall be the actual expenditures drawn from the Fund. In the event the amount in the Fund exceeds one million dollars (\$1,000,000) at the end of any fiscal year, ~~such~~ the excess shall revert to the ~~General Fund~~ fund created in G.S. 58-6-25."

Sec. 3. G.S. 58-6-25 reads as rewritten:

"§ 58-6-25. Insurance regulatory charge.

1 (a) Charge Levied. — There is levied on each insurance company an annual  
2 charge to defray the cost to the Department of regulating the insurance industry and  
3 other industries and the general administrative expenses of the State incident thereto.  
4 As used in this section, the term 'insurance company' means a company that pays the  
5 gross premiums tax levied in G.S. 105-228.5 and G.S. 105-228.8, except that the term  
6 does not include a hospital, medical, or dental service corporation regulated under  
7 Articles 65 and 66 of this Chapter. The term 'insurance company' does not include a  
8 company regulated under Article 67 of this Chapter. The charge levied in this section is  
9 in addition to all other fees and taxes. The charge shall be at a percentage rate of the  
10 company's premium tax liability for the taxable year. In determining an insurance  
11 company's premium tax liability for a taxable year, additional taxes imposed by G.S.  
12 105-228.8 shall be disregarded.

13 (b) Rates. ~~—The rate of the charge for the 1991 taxable year shall be six and five-~~  
14 ~~tenths percent (6.5%). For subsequent taxable years, the rate shall be the percentage rate~~  
15 ~~established by the General Assembly.—When the Department prepares its budget request~~  
16 ~~for each upcoming fiscal year, the Department shall propose a percentage rate of the~~  
17 ~~charge levied in this section. The Governor shall submit that proposed rate to the~~  
18 ~~General Assembly each fiscal year. The General Assembly shall set by law the~~  
19 ~~percentage rate of the charge levied in this section. The percentage rate may not exceed~~  
20 ~~the rate necessary to generate funds sufficient to defray the estimated cost of the~~  
21 ~~operations of the Department for each upcoming fiscal year, including a reasonable~~  
22 ~~margin for a reserve fund. The amount of the reserve may not exceed one third of the~~  
23 ~~estimated cost of operating the Department for each upcoming fiscal year.—In~~  
24 ~~calculating the amount of the reserve, the General Assembly shall consider all relevant~~  
25 ~~factors that may affect the cost of operating the Department or a possible unanticipated~~  
26 ~~increase or decrease in North Carolina premiums or other charge revenue.~~

27 (c) Returns; When Payable. — The charge levied on each insurance company is  
28 payable at the time the insurance company remits its premium tax. If the insurance  
29 company is required to remit installment payments of premiums tax under G.S. 105-  
30 228.5 for a taxable year, it shall also remit installment payments of the charge levied in  
31 this section for that taxable year at the same time and on the same basis as the premium  
32 tax installment payments. Each installment payment shall be equal to at least thirty-  
33 three and one-third percent (33.3%) of the insurance company's regulatory charge  
34 liability incurred in the immediately preceding taxable year. G.S. 105-266 does not  
35 apply to overpayments made under this section or under G.S. 105-228.5 when  
36 installment payments are made.

37 Every insurance company shall, on or before the date the charge levied in this  
38 section is due, file a return on a form prescribed by the Commissioner. The report shall  
39 state the company's total North Carolina premiums for the taxable year and shall be  
40 accompanied by any supporting documentation that the Commissioner may by rule  
41 require.

42 (d) Use of Proceeds. — The Department of Insurance Fund is created in the State  
43 treasury. The proceeds of the charge levied in this section and all fees collected under  
44 Articles 69 through 71 of this Chapter and under Articles 9 and 9C of Chapter 143 of

1 the General Statutes shall be credited to the Fund. The Fund shall be placed in an  
2 interest-bearing account and any interest or other income derived from the Fund shall be  
3 credited to the Fund. Moneys in the Fund may be spent only pursuant to appropriation by  
4 ~~the General Assembly and~~ in accordance with the line item budget enacted by the General  
5 Assembly. The Fund is subject to the provisions of the Executive Budget Act, except  
6 that no unexpended surplus of the Fund shall revert to the General Fund. All money  
7 credited to the Fund shall be used only to pay the expenses of the Commissioner and the  
8 Department that are incurred in regulating the insurance industry and other industries in  
9 this State and the general administrative expenses of the State incident thereto."

10           Sec. 4. Section 1 of this act is effective for taxable years beginning on or  
11 after January 1, 1993. The remainder of this act is effective upon ratification.