

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 376

SPONSOR: Senator Clary

SUBJECT: Surplus Line Insurance Tax

DATE: March 27, 2003

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	_____	_____	GO	Withdrawn
2.	_____	_____	BI	Withdrawn
3.	DeLoach	Coburn	AGG	Favorable/CS
4.	_____	_____	RC	Withdrawn
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

CS for SB 376 substantially amends ss. 626.932 and 626.938, Florida Statutes, to change the distribution percentages of taxes collected on premiums for surplus lines insurance. The proposed change reduces the distribution of tax deposited to the Insurance Commissioner's Regulatory Trust Fund and increases the distribution of tax deposited to the General Revenue Fund.

This bill also makes a technical modification changing the name of the Insurance Commissioner's Regulatory Trust Fund, FLAIR 46-2-393, to the Insurance Regulatory Trust Fund. This change is in accordance with provisions of SB 1712, implementing the CFO provisions of Article IV, section 4 of the State Constitution.

II. Present Situation:

Surplus lines insurance refers to a high risk category for which there is no market available through standard insurance carriers. Typical categories of this nature are homeowners' insurance in hurricane prone regions, commercial aircraft, and some sea vessels. Florida law provides stringent qualifications for those agents who insure surplus lines and those agents must be registered with the Department of Financial Services.

Currently, there is a 5% tax on premiums for surplus lines. The proceeds of the tax are distributed to the Insurance Commissioner's Regulatory Trust Fund (55%) and to the General Revenue Fund (45%). The Insurance Commissioner's Regulatory Trust Fund provides partial funding to the Department for its administrative and regulatory functions.

III. Effect of Proposed Changes:

CS for SB 376 reallocates the percentage distribution of taxes collected pursuant to s. 626.932, F.S. The proposed legislation modifies the percentage distribution to the Insurance Regulatory Trust Fund (formerly the Insurance Commissioner’s Regulatory Trust Fund) to 24.3% and the percentage distribution to the General Revenue Fund to 75.7%. It is estimated that the new distribution formula will deposit an additional \$35 million for FY 2003-04 into the General Revenue Fund.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

It is estimated that this bill will redirect \$35 million annually from the Insurance Regulatory Trust Fund to the General Revenue Fund beginning in Fiscal Year 2003-04. The increase in tax proceeds from surplus lines insurance is expected to remain relatively constant, thereby providing an increasing deposit into the General Revenue Fund. However, deposits made into the Insurance Regulatory Trust Fund will decrease as a result of the new distribution.

Fiscal Year	Current Law			Proposed Change		
	GR Share	TF Share	Total	GR Share	TF Share	Total
2001-02	\$35.2	\$43.0	\$78.2	-	-	-
2002-03	\$42.1	\$51.5	\$93.6	-	-	-
2003-04	\$48.4	\$59.2	\$107.6	\$83.4	\$24.2	\$107.6

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
