

## **BILL ANALYSIS**

H.B. 2717  
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Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Industry experts note that Texas consumers and businesses paid tens of billions of dollars in insurance premiums last year, making Texas one of the largest insurance markets in the world. Currently, hundreds of insurance companies are based in Texas, many of which are small- and medium-sized regional carriers. However, interested parties assert that by comparison, other states retain a greater number of domestic insurers in relation to the size of their insurance markets and serve as the home to a disproportionately higher number of large insurance companies. The parties contend that one way to attract large insurance companies is by granting premium tax credits for temporary periods of time to large insurers that establish or significantly expand their physical operations in Texas. H.B. 2717 seeks to authorize such incentives.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTIONS 1 and 2 of this bill.

### **ANALYSIS**

H.B. 2717 amends the Insurance Code to authorize the commissioner of insurance, with the concurrence of the comptroller of public accounts, to award a premium tax credit to an insurer or another person with premium tax liability under the Insurance Code on determination that the insurer has established or significantly expanded physical operations in Texas and that the establishment or expansion of operations has produced a significant economic benefit to Texas in the tax year during which the establishment or expansion occurred. The bill authorizes the application of the tax credit to premium tax liability for property and casualty insurance premiums; life, health, and accident insurance premiums; title insurance premiums; reciprocal and interinsurance exchange premiums; or surplus lines insurance premiums.

H.B. 2717 requires an insurer, in order to receive such a premium tax credit, to submit an application to the commissioner and to the comptroller, not earlier than the 12th month before or later than the 12th month after the activity that is the basis of the insurer's eligibility for the credit, detailing the insurer's establishment or significant expansion of physical operations in Texas, or the insurer's plan to establish or expand operations in Texas, as applicable, that includes information demonstrating that taxes, fees, and other sources of revenue to the state associated with the establishment or expansion will more than offset forgone premium tax revenue. The bill sets out the required contents of the application.

H.B. 2717 authorizes the commissioner to approve such an application only by an order that contains findings related to the net anticipated benefit to Texas and that may contain terms limiting or modifying the insurer's plan or conditioning the allowance of tax credits on certain subsequent events. The bill requires an insurer that receives a premium tax credit to submit to the commissioner annual filings that provide evidence of the insurer's compliance with any conditions provided by the order allowing the credit.

H.B. 2717 authorizes an insurer to apply for a premium tax credit in an amount not to exceed 100 percent of an investment directly related to the establishment or significant expansion of physical operations in Texas. The bill prohibits the credit against state premium tax liability of an insurer in any one year from exceeding the insurer's state premium tax liability for that tax year. The bill authorizes the commissioner to issue an order granting a premium tax credit to an insurer in the amount allowed for the tax year in which the credit was granted if the commissioner finds that the insurer qualifies for a premium tax credit. The bill limits the grant of such insurance premium tax credits to an insurer's credit to credits for not more than eight tax years. The bill authorizes any unused premium tax credit granted for a tax year to be carried forward by an insurer against state premium tax liability for not more than seven years.

H.B. 2717 requires the commissioner, on a determination that an insurer has failed to comply with a condition of the order approving the application for a premium tax credit and after notice and an opportunity for hearing, to issue an order requiring the recapture of the premium tax credits previously claimed by the insurer and the forfeiture by the insurer of future premium tax credits.

H.B. 2717 requires the commissioner to adopt rules and forms as necessary to implement the bill's provisions.

**EFFECTIVE DATE**

September 1, 2013.