

FILED FEB 2 1973

Commerce 2-2, Page 3-1

Riley, Chairman
Palmer
Briles

See Hays and Thomas, same per H-439-5/3

SENATE FILE 123

By HANSEN and GRIFFIN
(Freeman and Bittle)

Passed Senate, Date 4-4-73 Passed House, Date 5-8-73 (1215)

Vote: Ayes 47 Nays 0 Vote: Ayes 83 Nays 0

Approved 5-25-73
as amended by House 5-11-73 (1221)
41-0

A BILL FOR

1 An Act relating to the taxation of marine insurance
2 underwriting profits.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. Every insurer authorized to do
2 the business of selling marine insurance in this state, as
3 authorized in section five hundred fifteen point forty-eight
4 (515.48) of the Code, shall, with respect to all insurance
5 written within this state upon hulls, freights, or
6 disbursements, or upon goods, wares, merchandise and all other
7 personal property and interests therein, in the course of
8 exportation from or importation into any country, or
9 transportation coastwise including transportation by land
10 or water from point of origin to final destination in respect
11 to or appertaining to or in connection with, any and all risks
12 or perils of navigation, transit or transportation, any portion
13 of which exportation, importation, transportation, navigation,
14 transit or shipment is upon any ocean or navigable waterway,
15 and upon the property while being prepared for and while
16 awaiting shipment, and during any delays, storage,
17 transshipment or reshipment incident thereto, including war
18 risks and marine builder's risks, pay a tax of six and one-
19 half percent on its taxable underwriting profit ascertained
20 as provided in section two (2) of this Act, from such insurance
21 written within this state.

22 Sec. 2. NEW SECTION. The underwriting profit on such
23 insurance written within this state shall be that proportion
24 of the total underwriting profit of such insurer from such
25 insurance written within the United States which the amount
26 of net premiums of such insurer from such insurance written
27 within this state bears to the total amount of net premiums
28 of such insurer from such insurance written within the United
29 States.

30 Sec. 3. NEW SECTION. The underwriting profit of such
31 insurer on such insurance written within the United States
32 shall be determined by deducting from the net earned premiums
33 on such ocean marine insurance written within the United
34 States during the taxable year which is the calendar year
35 preceding the date on which such tax is due, the following

1 items:

2 1. Net losses incurred, which means gross losses incurred
3 during such calendar year under ocean marine insurance con-
4 tracts written within the United States, less reinsurance
5 claims collected or collectible and less net salvages or
6 recoveries collected or collectible from any source applicable
7 to the corresponding losses under such contracts.

8 2. Net expenses incurred in connection with such ocean
9 marine contracts, including all state and federal taxes in
10 connection therewith, but in no event shall the aggregate
11 amount of such net expenses deducted exceed forty percent
12 of the net premiums on such ocean marine insurance contracts,
13 ascertained as provided in section four (4) of this Act.

14 3. Net dividends paid or credited to policyholders on
15 such ocean marine insurance contracts.

16 Sec. 4. NEW SECTION. In determining the amount of the
17 tax imposed by this Act, net earned premiums on ocean marine
18 insurance contracts written within the United States during
19 the taxable year shall be arrived at by deducting from gross
20 premiums written on such contracts during the taxable year
21 all return premiums, premiums on policies not taken, premiums
22 paid for reinsurance of such contracts and net unearned
23 premiums on all such outstanding contracts at the end of the
24 taxable year, and adding to such amount net unearned premiums
25 on such outstanding marine insurance contracts at the end
26 of the calendar year preceding the taxable year.

27 Sec. 5. NEW SECTION. In determining the amount of the
28 tax imposed by this Act, net expenses incurred shall be
29 determined as the sum of the following:

30 1. Specific expenses incurred on such ocean marine insur-
31 ance business, consisting of all commissions, agency expenses,
32 taxes, licenses, fees, loss adjustment expenses, and all other
33 expenses incurred directly and specifically in connection
34 with such business, less recoveries or reimbursements on
35 account of or in connection with such commissions or other

1 expenses collected or collectible because of reinsurance or
2 from any other source.

3 2. General expenses incurred on such ocean marine insurance
4 business, consisting of that proportion of general or overhead
5 expenses incurred in connection with such business which the
6 net premiums on such ocean marine insurance written during
7 the taxable year bear to the total net premiums written by
8 such insurer from all classes of insurance written by it
9 during the taxable year. Within the meaning of this
10 subsection, general or overhead expenses shall include salaries
11 of officers and employees, printing and stationery, all taxes
12 of this state and of the United States, except as included
13 in subsection one (1) of this section, and all other expenses
14 of such insurer, not included in subsection one (1) of this
15 section, after deducting expenses specifically chargeable
16 to any or all other classes of insurance business.

17 Sec. 6. NEW SECTION. In determining the amount of the
18 tax imposed by this Act, the taxable underwriting profit of
19 such insurer on such ocean marine insurance business written
20 within this state, shall be ascertained as follows:

21 1. In the case of every such insurer which has written
22 any such business within this state during three calendar
23 years immediately preceding the year in which such taxes were
24 payable, the taxable underwriting profit shall be determined
25 by adding or subtracting, as the case may be, the underwriting
26 profit or loss on all such insurance written within the United
27 States, ascertained as hereinbefore provided, for each of
28 such three years and dividing by three.

29 2. In the case of every such insurer other than as speci-
30 fied in subsection one (1) of this section such taxable under-
31 writing profit, if any, shall be the underwriting profit,
32 if any, on such ocean marine insurance business written within
33 this state during the taxable year, ascertained as hereinbefore
34 provided, but after such insurer has written such ocean marine
35 insurance business within this state during three calendar

1 years, an adjustment shall be made on the three-year average
2 basis by ascertaining the amount of tax payable in accordance
3 with subsection one (1) of this section.

4 Sec. 7. NEW SECTION. The tax imposed by this Act shall
5 be paid annually, on or before the first day of June, by every
6 insurer authorized to do the business of marine insurance
7 in this state during any one or more of the preceding three
8 calendar years, and the calendar year next preceding such
9 June first shall be deemed the taxable year within the meaning
10 of this section.

11 Sec. 8. NEW SECTION. Every insurer liable to pay the
12 tax shall, on or before June first of each year, file with
13 the commissioner of insurance a tax return in accordance with
14 or upon forms prescribed by the commissioner of insurance.
15 The tax shown to be due, if any, shall be paid to the director
16 of revenue who shall issue to the insurer a receipt in
17 duplicate, one of which shall be filed with the commissioner
18 of insurance before issuance of the annual certificate as
19 provided by law.

20 Sec. 9. NEW SECTION. The tax imposed by this Act shall
21 be paid upon the marine underwriting profits, if any, upon
22 all marine insurance business written in this state during
23 the calendar year nineteen hundred seventy-two and each
24 calendar year thereafter. The tax on gross premiums under
25 section four hundred thirty-two point one (432.1) of the Code
26 shall not be levied on marine insurance premiums reportable
27 in a tax return prescribed by the commissioner of insurance
28 to record taxable underwriting profit, if any, defined herein.
29 The tax return required shall be in lieu of all other tax
30 requirements imposed by section four hundred thirty-two point
31 one (432.1) of the Code.

32 Sec. 10. Section four hundred thirty-two point one (432.1),
33 subsection two (2), Code 1973, is amended to read as follows:

34 2. Two percent of gross amount of premiums, assessments,
35 and fees received during the preceding calendar year by every

1 company or association other than life on contracts of insur-
2 ance other than life for business done in this state, including
3 all insurance upon property situated in this state, after
4 deducting the amounts returned upon canceled policies, certifi-
5 cates and rejected applications but not including the gross
6 premiums, assessments and fees in connection with ocean marine
7 insurance authorized in section five hundred fifteen point
8 forty-eight (515.48) of the Code.

9 EXPLANATION

10 This bill taxes the underwriting profits generated by the
11 sale of ocean marine insurance written in this state and
12 removes the gross premium tax currently in force on this
13 type of insurance.

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FISCAL NOTE

Date prepared March 9, 1973

Requested by Senators Hansen & Griffin.

Prepared in regard to S.F. 123 - An Act relating to the
taxation of marine insurance underwriting profits. Following
is the fiscal effect in dollars of the legislative proposal
as required by Senate Rule 31.

Senate File 123 is a bill to tax the underwriting profits
generated by the sale of ocean marine insurance written in
this state and removes the gross premium tax currently in
force on this type of insurance.

This bill does not require a fiscal note because the
fiscal effect is less than required for a fiscal note.

Filed
March 19, 1973

GERRY D. RANKIN
Legislative Fiscal Director

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LSB0727CF
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S-198

1 Amend Senate File 123, page 2, by striking from line 12
2 all after the word "transportation," and striking all of
3 lines 13 and 14.

S-198 Filed - *Adopted 4/4*
March 5, 1973

By HANSEN and GRIFFIN

HOUSE AMENDMENT TO SENATE FILE 123

1 Amend Senate File 123 as follows:
2 Page 5, line 23, by striking the word "seventy-
3 two" and inserting in lieu thereof the word
4 "seventy-three".

Received from the House
May 10, 1973

Senate concurred 5/11

H-309

1 Amend Senate File 123 by striking the word
2 "seventy-two" on page 5 line 23 and inserting in lieu
3 thereof the word "seventy-three".

H-309 Filed - *w.o. 5/6*
April 13, 1973

By BITTLE of Polk
FITZGERALD of Webster
EGENES of Story

H-439

1 Amend Senate File 123 as follows:
2 Page 5, line 23, by striking the word
3 "seventy-two" and inserting in lieu thereof
4 the word "seventy-three".

H-439 Filed - *Adopted 5/8*
May 3, 1973

By COMMITTEE ON WAYS
AND MEANS
STANLEY of Muscatine,
Chairman
