

SENATE BILL REPORT

SB 6039

**AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
FEBRUARY 7, 1992**

Brief Description: Excepting until July 1, 1994, from the insurance premium tax certain health insurance offered to employers of fewer than twenty-five employees.

SPONSORS: Senators West and Johnson

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: That Substitute Senate Bill No. 6039 be substituted therefor, and the substitute bill do pass.

Signed by Senators von Reichbauer, Chairman; Erwin, Vice Chairman; McCaslin, Owen, Rasmussen, Sellar, Vognild, and West.

Staff: Tom Fender (786-7414)

Hearing Dates: January 23, 1992; February 7, 1992

BACKGROUND:

Insurance carriers with certain exceptions currently pay a 2 percent gross premium tax on business transacted within the state. Accordingly, this tax is imposed on group disability coverage provided by employers to employees as a benefit of employment.

In 1990, a "basic coverage" provision was added to existing law to encourage employers with fewer than 25 employees to offer insurance as an employment benefit. This change in the law allowed, on a permissive basis, an insurance carrier to provide small employers with "basic coverage" for group disability. Employers and employees could then negotiate and purchase additional services of their choice.

Statistical information indicates that small employers are least apt to provide insurance coverage of the type described. Waiving the premium tax for small employers until July of 1994 is expected to reduce the gross premium amount paid by employers, giving them greater incentive to provide employees with insurance.

SUMMARY:

Small group disability agreements are exempt from the insurance premium tax between the effective date of the act and July 1, 1994.

EFFECT OF PROPOSED SUBSTITUTE:

Unnecessary statutory references are removed.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR:

This increase in access to health insurance for small business is important. The tax incentive will spur commercial carriers to offer these products.

TESTIMONY AGAINST: None

TESTIFIED: Clif Finch, AWB (pro)