

SENATE BILL NO. 325

INTRODUCED BY CHRISTIAENS, R. MANNING

IN THE SENATE

January 31, 1983	Introduced and referred to Committee on Business and Industry.
February 1, 1983	Fiscal Note requested.
February 3, 1983	Fiscal Note returned.
February 16, 1983	Committee recommend bill do pass as amended. Report adopted.
February 18, 1983	Bill printed and placed on members' desks.
February 19, 1983	Second reading, do pass.
February 21, 1983	Correctly engrossed.
February 22, 1983	Third reading, passed. Ayes, 49; Noes, 0. Transmitted to House.

IN THE HOUSE

February 28, 1983	Introduced and referred to Committee on Business and Industry.
March 11, 1983	Committee recommend bill be concurred in. Report adopted.
March 18, 1983	Second reading, concurred in.
March 19, 1983	Third reading, concurred in.

IN THE SENATE

March 21, 1983

Returned to Senate. Sent to
enrolling.

Reported correctly enrolled.

1 *Scott* BILL NO. *325*
2 INTRODUCED BY *Christiane*
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE FUNDS
5 INVESTED IN CERTIFICATES OF DEPOSIT IN MONTANA FINANCIAL
6 INSTITUTIONS IN THE DEFINITION OF "MONTANA SECURITIES" FOR
7 PURPOSES OF COMPUTING THE PREMIUM TAX ON INSURERS; AMENDING
8 SECTION 33-2-705, MCA."
9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11 Section 1. Section 33-2-705, MCA, is amended to read:
12 "33-2-705. Report on premiums and other consideration
13 — tax. (1) Each authorized insurer and each formerly
14 authorized insurer with respect to premiums so received
15 while an authorized insurer in this state shall file with
16 the commissioner, on or before March 1 each year, a report
17 (except as to wet marine and transportation insurance taxed
18 under subsection (4) below) in form as prescribed by the
19 commissioner showing total direct premium income, including
20 policy, membership, and other fees, premiums paid by
21 application of dividends, refunds, savings, savings coupons,
22 and similar returns or credits to payment of premiums for
23 new or additional or extended or renewed insurance, charges
24 for payment of premium in installments, and all other
25 consideration for insurance from all kinds and classes of

1 insurance whether designated as a premium or otherwise,
2 received by it during the preceding calendar year on account
3 of policies covering property, subjects, or risks located,
4 resident, or to be performed in Montana, with proper
5 proportionate allocation of premium as to such property,
6 subjects, or risks in Montana insured under policies or
7 contracts covering property, subjects, or risks located or
8 resident in more than one state, after deducting from such
9 total direct premium income applicable cancellations,
10 returned premiums, the unabsorbed portion of any deposit
11 premium, the amount of reduction in or refund of premiums
12 allowed to industrial life policyholders for payment of
13 premiums direct to an office of the insurer, all policy
14 dividends, refunds, savings, savings coupons, and other
15 similar returns paid or credited to policyholders with
16 respect to such policies. As to title insurance, "premium"
17 includes the total charge for such insurance. No deduction
18 shall be made of the cash surrender values of policies.
19 Considerations received on annuity contracts shall not be
20 included in total direct premium income and shall not be
21 subject to tax.
22 (2) Coincident with the filing of the tax report
23 referred to in subsection (1) above, each such insurer shall
24 pay to the commissioner a tax upon such net premiums. This
25 tax may be computed in either of the following ways:

1 (a) (i) A domestic insurer may choose to compute its
2 tax based on the percentage of its admitted assets invested
3 in Montana securities according to the following schedule:

4 (A) 2 3/4% of net premiums if the insurer has 0% of
5 its admitted assets invested in Montana securities;

6 (B) 2 1/4% of net premiums if the insurer has at least
7 25% of its admitted assets invested in Montana securities;

8 (C) 1 3/4% of net premiums if the insurer has at least
9 50% of its admitted assets invested in Montana securities;

10 (D) 1 1/4% of net premiums if the insurer has at least
11 75% of its admitted assets invested in Montana securities;
12 and

13 (E) 3/4% of net premiums if the insurer has 100% of
14 its admitted assets invested in Montana securities.

15 (ii) "Admitted assets" are those assets allowed in
16 33-2-501.

17 (iii) An insurer choosing this method of computation
18 must itemize its Montana securities on a detailed schedule
19 attached to its annual tax report.

20 (b) (i) If the method provided for in subsection (a)
21 is not used, the insurer shall compute its tax at the rate
22 of 2 3/4% of the net premiums.

23 (ii) An insurer choosing this method and having not
24 less than 50% of its paid-in capital stock invested in
25 Montana securities is allowed to deduct whatever tax it may

1 have already paid to the state of Montana and its political
2 subdivisions, during the same calendar year as to which
3 premium tax is being paid, from the amount otherwise due
4 under this section.

5 (3) For the purpose of subsection (2):

6 (a) "paid-in capital stock" as to a mutual or
7 reciprocal insurer shall be deemed to be an amount equal to
8 10% of the insurer's assets; and

9 (b) "Montana securities" shall be deemed to include
10 only general obligations of the state of Montana or of its
11 political subdivisions, mortgage loans secured by a first
12 lien upon real estate located in Montana, funds invested in
13 certificates of deposit in a bank or building and loan
14 association located in Montana and whose deposits are
15 insured by an agency of the United States, and real estate
16 located in Montana owned by the insurer, all if otherwise
17 lawful investments of the insurer under this code.

18 (4) (a) On or before March 1 of each year each insurer
19 shall file with the commissioner, on forms as prescribed and
20 furnished or accepted by him, a report of its gross
21 underwriting profit on wet marine, inland marine, and
22 transportation insurance, authorized in 33-1-209 and
23 33-1-221 through 33-1-229, written in this state during the
24 calendar year next preceding and shall at the same time pay
25 to the commissioner a tax of 3/4 of 1% of such gross

1 underwriting profit.

2 (b) Such gross underwriting profit shall be
3 ascertained by deducting from the net premiums (i.e., gross
4 premiums less all return premiums and premiums for
5 reinsurance) on such wet marine and transportation insurance
6 contracts the net losses paid (i.e., gross losses paid less
7 salvage and recoveries on reinsurance ceded) during such
8 calendar year under such contracts. In the case of insurers
9 issuing participating contracts, such gross underwriting
10 profit shall not include for computation of the tax
11 prescribed by this subsection (4) the amounts refunded,
12 credited, or paid as participation dividends or savings by
13 such insurers to the holders of such contracts.

14 (5) That portion of the tax paid hereunder by an
15 insurer on account of premiums received for fire insurance
16 shall be separately specified in the report as required by
17 the commissioner, for apportionment as provided by law.
18 Where insurance against fire is included with insurance of
19 property against other perils at an undivided premium, the
20 insurer shall make such reasonable allocation from such
21 entire premium to the fire portion of the coverage as shall
22 be stated in such report and as may be approved or accepted
23 by the commissioner.

24 (6) With respect to authorized insurers the premium
25 tax provided by this section shall be payment in full and in

1 lieu of all other demands for any and all state, county,
2 city, district, municipal, and school taxes, licenses, fees,
3 and excises of whatever kind or character, excepting only
4 those prescribed by this code, taxes on real and tangible
5 personal property located in this state, and taxes payable
6 under 50-3-109.

7 (7) The commissioner may suspend or revoke the
8 certificate of authority of any insurer which fails to pay
9 its taxes as required under this section."

-End-

STATE OF MONTANA

REQUEST NO. 293-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 1, , 19 83 , there is hereby submitted a Fiscal Note for Senate Bill 325 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 325 revises the definition of "Montana Securities" to include funds invested in certificates of deposits in Montana financial institutions for the purposes of computing the premium tax on insurers.

ASSUMPTIONS:

- 1) Assume that 1 domestic insurer would move its \$400,000 certificate from Minnesota to Montana.
- 2) Assume that no foreign insurers would make any move of deposits.

FISCAL IMPACT:

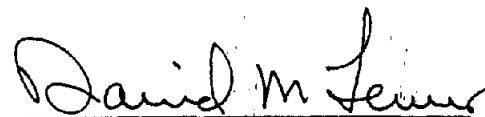
	<u>FY 84</u>	<u>FY 85</u>
General Fund:		
Under Current Law	\$17,600,000	\$18,710,000
Under Proposed Law	17,590,500	18,605,000
Decrease To General Fund	<u>\$ (9,500)</u>	<u>\$ (9,500)</u>

COMMENTS:-

The differential could increase slightly but would not cause a net smaller income in ensuing years.

Passage of this act should have a beneficial effect on the home area of the insurer.

FISCAL NOTE 10:U/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-3-83

Approved by Committee
on Business and Industry

1 SENATE BILL NO. 325

2 INTRODUCED BY CHRISTIAENS, R. MANNING

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE FUNDS
5 INVESTED IN CERTIFICATES OF DEPOSIT IN MONTANA FINANCIAL
6 INSTITUTIONS IN THE DEFINITION OF "MONTANA SECURITIES" FOR
7 PURPOSES OF COMPUTING THE PREMIUM TAX ON INSURERS; AMENDING
8 SECTION 33-2-705, MCA."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Section 33-2-705, MCA, is amended to read:

12 "33-2-705. Report on premiums and other consideration
13 -- tax. (1) Each authorized insurer and each formerly
14 authorized insurer with respect to premiums so received
15 while an authorized insurer in this state shall file with
16 the commissioner, on or before March 1 each year, a report
17 (except as to wet marine and transportation insurance taxed
18 under subsection (4) below) in form as prescribed by the
19 commissioner showing total direct premium income, including
20 policy, membership, and other fees, premiums paid by
21 application of dividends, refunds, savings, savings coupons,
22 and similar returns or credits to payment of premiums for
23 new or additional or extended or renewed insurance, charges
24 for payment of premium in installments, and all other
25 consideration for insurance from all kinds and classes of

1 insurance whether designated as a premium or otherwise,
2 received by it during the preceding calendar year on account
3 of policies covering property, subjects, or risks located,
4 resident, or to be performed in Montana, with proper
5 proportionate allocation of premium as to such property,
6 subjects, or risks in Montana insured under policies or
7 contracts covering property, subjects, or risks located or
8 resident in more than one state, after deducting from such
9 total direct premium income applicable cancellations,
10 returned premiums, the unabsorbed portion of any deposit
11 premium, the amount of reduction in or refund of premiums
12 allowed to industrial life policyholders for payment of
13 premiums direct to an office of the insurer, all policy
14 dividends, refunds, savings, savings coupons, and other
15 similar returns paid or credited to policyholders with
16 respect to such policies. As to title insurance, "premium"
17 includes the total charge for such insurance. No deduction
18 shall be made of the cash surrender values of policies.
19 Considerations received on annuity contracts shall not be
20 included in total direct premium income and shall not be
21 subject to tax.

22 (2) Coincident with the filing of the tax report
23 referred to in subsection (1) above, each such insurer shall
24 pay to the commissioner a tax upon such net premiums. This
25 tax may be computed in either of the following ways:

1 (a) (i) A domestic insurer may choose to compute its
2 tax based on the percentage of its admitted assets invested
3 in Montana securities according to the following schedule:

4 (A) 2 3/4% of net premiums if the insurer has 0% of
5 its admitted assets invested in Montana securities;

6 (B) 2 1/4% of net premiums if the insurer has at least
7 25% of its admitted assets invested in Montana securities;

8 (C) 1 3/4% of net premiums if the insurer has at least
9 50% of its admitted assets invested in Montana securities;

10 (D) 1 1/4% of net premiums if the insurer has at least
11 75% of its admitted assets invested in Montana securities;
12 and

13 (E) 3/4% of net premiums if the insurer has 100% of
14 its admitted assets invested in Montana securities.

15 (ii) "Admitted assets" are those assets allowed in
16 33-2-501.

17 (iii) An insurer choosing this method of computation
18 must itemize its Montana securities on a detailed schedule
19 attached to its annual tax report.

20 (c) (i) If the method provided for in subsection (a)
21 is not used, the insurer shall compute its tax at the rate
22 of 2 3/4% of the net premiums.

23 (ii) An insurer choosing this method and having not
24 less than 50% of its paid-in capital stock invested in
25 Montana securities is allowed to deduct whatever tax it may

1 have already paid to the state of Montana and its political
2 subdivisions, during the same calendar year as to which
3 premium tax is being paid, from the amount otherwise due
4 under this section.

5 (3) For the purpose of subsection (2):

6 (a) "paid-in capital stock" as to a mutual or
7 reciprocal insurer shall be deemed to be an amount equal to
8 10% of the insurer's assets; and

9 (b) "Montana securities" shall be deemed to include
10 only general obligations of the state of Montana or of its
11 political subdivisions, mortgage loans secured by a first
12 lien upon real estate located in Montana, ~~funds invested in~~
13 ~~certificates of deposit in a bank or building and loan~~
14 ~~association located in Montana and whose deposits are~~
15 ~~insured by an agency of the United States OR AN INSURER~~
16 ~~APPROVED BY THE DEPARTMENT OF COMMERCE,~~ and real estate
17 located in Montana owned by the insurer, all if otherwise
18 lawful investments of the insurer under this code.

19 (4) (a) On or before March 1 of each year each insurer
20 shall file with the commissioner, on forms as prescribed and
21 furnished or accepted by him, a report of its gross
22 underwriting profit on wet marine, inland marine, and
23 transportation insurance, authorized in 33-1-209 and
24 33-1-221 through 33-1-229, written in this state during the
25 calendar year next preceding and shall at the same time pay

1 to the commissioner a tax of $\frac{3}{4}$ of 1% of such gross
2 underwriting profit.

3 (b) Such gross underwriting profit shall be
4 ascertained by deducting from the net premiums (i.e., gross
5 premiums less all return premiums and premiums for
6 reinsurance) on such wet marine and transportation insurance
7 contracts the net losses paid (i.e., gross losses paid less
8 salvage and recoveries on reinsurance ceded) during such
9 calendar year under such contracts. In the case of insurers
10 issuing participating contracts, such gross underwriting
11 profit shall not include for computation of the tax
12 prescribed by this subsection (4) the amounts refunded,
13 credited, or paid as participation dividends or savings by
14 such insurers to the holders of such contracts.

15 (5) That portion of the tax paid hereunder by an
16 insurer on account of premiums received for fire insurance
17 shall be separately specified in the report as required by
18 the commissioner, for apportionment as provided by law.
19 Where insurance against fire is included with insurance of
20 property against other perils at an undivided premium, the
21 insurer shall make such reasonable allocation from such
22 entire premium to the fire portion of the coverage as shall
23 be stated in such report and as may be approved or accepted
24 by the commissioner.

25 (6) With respect to authorized insurers the premium

1 tax provided by this section shall be payment in full and in
2 lieu of all other demands for any and all state, county,
3 city, district, municipal, and school taxes, licenses, fees,
4 and excises of whatever kind or character, excepting only
5 those prescribed by this code, taxes on real and tangible
6 personal property located in this state, and taxes payable
7 under 50-3-109.

8 (7) The commissioner may suspend or revoke the
9 certificate of authority of any insurer which fails to pay
10 its taxes as required under this section."

-End-

SENATE BILL NO. 325

INTRODUCED BY CHRISTIAENS, R. MANNING

A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE FUNDS
INVESTED IN CERTIFICATES OF DEPOSIT IN MONTANA FINANCIAL
INSTITUTIONS IN THE DEFINITION OF "MONTANA SECURITIES" FOR
PURPOSES OF COMPUTING THE PREMIUM TAX ON INSURERS; AMENDING
SECTION 33-2-705, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 33-2-705, MCA, is amended to read:

"33-2-705. Report on premiums and other consideration
-- tax. (1) Each authorized insurer and each formerly
authorized insurer with respect to premiums so received
while an authorized insurer in this state shall file with
the commissioner, on or before March 1 each year, a report
(except as to wet marine and transportation insurance taxed
under subsection (4) below) in form as prescribed by the
commissioner showing total direct premium income, including
policy, membership, and other fees, premiums paid by
application of dividends, refunds, savings, savings coupons,
and similar returns or credits to payment of premiums for
new or additional or extended or renewed insurance, charges
for payment of premium in installments, and all other
consideration for insurance from all kinds and classes of

insurance whether designated as a premium or otherwise,
received by it during the preceding calendar year on account
of policies covering property, subjects, or risks located,
resident, or to be performed in Montana, with proper
proportionate allocation of premium as to such property,
subjects, or risks in Montana insured under policies or
contracts covering property, subjects, or risks located or
resident in more than one state, after deducting from such
total direct premium income applicable cancellations,
returned premiums, the unabsorbed portion of any deposit
premium, the amount of reduction in or refund of premiums
allowed to industrial life policyholders for payment of
premiums direct to an office of the insurer, all policy
dividends, refunds, savings, savings coupons, and other
similar returns paid or credited to policyholders with
respect to such policies. As to title insurance, "premium"
includes the total charge for such insurance. No deduction
shall be made of the cash surrender values of policies.
Considerations received on annuity contracts shall not be
included in total direct premium income and shall not be
subject to tax.

(2) Coincident with the filing of the tax report
referred to in subsection (1) above, each such insurer shall
pay to the commissioner a tax upon such net premiums. This
tax may be computed in either of the following ways:

1 (a) (i) A domestic insurer may choose to compute its
2 tax based on the percentage of its admitted assets invested
3 in Montana securities according to the following schedule:

4 (A) $2\frac{3}{4}\%$ of net premiums if the insurer has 0% of
5 its admitted assets invested in Montana securities;

6 (B) $2\frac{1}{4}\%$ of net premiums if the insurer has at least
7 25% of its admitted assets invested in Montana securities;

8 (C) $1\frac{3}{4}\%$ of net premiums if the insurer has at least
9 50% of its admitted assets invested in Montana securities;

10 (D) $1\frac{1}{4}\%$ of net premiums if the insurer has at least
11 75% of its admitted assets invested in Montana securities;
12 and

13 (E) $3\frac{1}{4}\%$ of net premiums if the insurer has 100% of
14 its admitted assets invested in Montana securities.

15 (ii) "Admitted assets" are those assets allowed in
16 33-2-501.

17 (iii) An insurer choosing this method of computation
18 must itemize its Montana securities on a detailed schedule
19 attached to its annual tax report.

20 (b) (i) If the method provided for in subsection (a)
21 is not used, the insurer shall compute its tax at the rate
22 of $2\frac{3}{4}\%$ of the net premiums.

23 (ii) An insurer choosing this method and having not
24 less than 50% of its paid-in capital stock invested in
25 Montana securities is allowed to deduct whatever tax it may

1 have already paid to the state of Montana and its political
2 subdivisions, during the same calendar year as to which
3 premium tax is being paid, from the amount otherwise due
4 under this section.

5 (3) For the purpose of subsection (2):

6 (a) "paid-in capital stock" as to a mutual or
7 reciprocal insurer shall be deemed to be an amount equal to
8 10% of the insurer's assets; and

9 (b) "Montana securities" shall be deemed to include
10 only general obligations of the state of Montana or of its
11 political subdivisions, mortgage loans secured by a first
12 lien upon real estate located in Montana, funds invested in
13 certificates of deposit in a bank or building and loan
14 association located in Montana and whose deposits are
15 insured by an agency of the United States OR AN INSURER
16 APPROVED BY THE DEPARTMENT OF COMMERCE, and real estate
17 located in Montana owned by the insurer, all if otherwise
18 lawful investments of the insurer under this code.

19 (4) (a) On or before March 1 of each year each insurer
20 shall file with the commissioner, on forms as prescribed and
21 furnished or accepted by him, a report of its gross
22 underwriting profit on wet marine, inland marine, and
23 transportation insurance, authorized in 33-1-209 and
24 33-1-221 through 33-1-229, written in this state during the
25 calendar year next preceding and shall at the same time pay

1 to the commissioner a tax of 3/4 of 1% of such gross
2 underwriting profit.

3 (b) Such gross underwriting profit shall be
4 ascertained by deducting from the net premiums (i.e., gross
5 premiums less all return premiums and premiums for
6 reinsurance) on such wet marine and transportation insurance
7 contracts the net losses paid (i.e., gross losses paid less
8 salvage and recoveries on reinsurance ceded) during such
9 calendar year under such contracts. In the case of insurers
10 issuing participating contracts, such gross underwriting
11 profit shall not include for computation of the tax
12 prescribed by this subsection (4) the amounts refunded,
13 credited, or paid as participation dividends or savings by
14 such insurers to the holders of such contracts.

15 (5) That portion of the tax paid hereunder by an
16 insurer on account of premiums received for fire insurance
17 shall be separately specified in the report as required by
18 the commissioner, for apportionment as provided by law.
19 Where insurance against fire is included with insurance of
20 property against other perils at an undivided premium, the
21 insurer shall make such reasonable allocation from such
22 entire premium to the fire portion of the coverage as shall
23 be stated in such report and as may be approved or accepted
24 by the commissioner.

25 (6) With respect to authorized insurers the premium

1 tax provided by this section shall be payment in full and in
2 lieu of all other demands for any and all state, county,
3 city, district, municipal, and school taxes, licenses, fees,
4 and excises of whatever kind or character, excepting only
5 those prescribed by this code, taxes on real and tangible
6 personal property located in this state, and taxes payable
7 under 50-3-109.

8 (7) The commissioner may suspend or revoke the
9 certificate of authority of any insurer which fails to pay
10 its taxes as required under this section."

-End-

SENATE BILL NO. 325

INTRODUCED BY CHRISTIAENS, R. MANNING

A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE FUNDS
INVESTED IN CERTIFICATES OF DEPOSIT IN MONTANA FINANCIAL
INSTITUTIONS IN THE DEFINITION OF "MONTANA SECURITIES" FOR
PURPOSES OF COMPUTING THE PREMIUM TAX ON INSURERS; AMENDING
SECTION 33-2-705, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 33-2-705, MCA, is amended to read:

"33-2-705. Report on premiums and other consideration
-- tax. (1) Each authorized insurer and each formerly
authorized insurer with respect to premiums so received
while an authorized insurer in this state shall file with
the commissioner, on or before March 1 each year, a report
(except as to wet marine and transportation insurance taxed
under subsection (4) below) in form as prescribed by the
commissioner showing total direct premium income, including
policy, membership, and other fees, premiums paid by
application of dividends, refunds, savings, savings coupons,
and similar returns or credits to payment of premiums for
new or additional or extended or renewed insurance, charges
for payment of premium in installments, and all other
consideration for insurance from all kinds and classes of

insurance whether designated as a premium or otherwise,
received by it during the preceding calendar year on account
of policies covering property, subjects, or risks located,
resident, or to be performed in Montana, with proper
proportionate allocation of premium as to such property,
subjects, or risks in Montana insured under policies or
contracts covering property, subjects, or risks located or
resident in more than one state, after deducting from such
total direct premium income applicable cancellations,
returned premiums, the unabsorbed portion of any deposit
premium, the amount of reduction in or refund of premiums
allowed to industrial life policyholders for payment of
premiums direct to an office of the insurer, all policy
dividends, refunds, savings, savings coupons, and other
similar returns paid or credited to policyholders with
respect to such policies. As to title insurance, "premium"
includes the total charge for such insurance. No deduction
shall be made of the cash surrender values of policies.
Considerations received on annuity contracts shall not be
included in total direct premium income and shall not be
subject to tax.

(2) Coincident with the filing of the tax report
referred to in subsection (1) above, each such insurer shall
pay to the commissioner a tax upon such net premiums. This
tax may be computed in either of the following ways:

1 (a) (i) A domestic insurer may choose to compute its
2 tax based on the percentage of its admitted assets invested
3 in Montana securities according to the following schedule:

4 (A) 2 3/4% of net premiums if the insurer has 0% of
5 its admitted assets invested in Montana securities;

6 (B) 2 1/4% of net premiums if the insurer has at least
7 25% of its admitted assets invested in Montana securities;

8 (C) 1 3/4% of net premiums if the insurer has at least
9 50% of its admitted assets invested in Montana securities;

10 (D) 1 1/4% of net premiums if the insurer has at least
11 75% of its admitted assets invested in Montana securities;
12 and

13 (E) 3/4% of net premiums if the insurer has 100% of
14 its admitted assets invested in Montana securities.

15 (ii) "Admitted assets" are those assets allowed in
16 33-2-501.

17 (iii) An insurer choosing this method of computation
18 must itemize its Montana securities on a detailed schedule
19 attached to its annual tax report.

20 (b) (i) If the method provided for in subsection (a)
21 is not used, the insurer shall compute its tax at the rate
22 of 2 3/4% of the net premiums.

23 (ii) An insurer choosing this method and having not
24 less than 50% of its paid-in capital stock invested in
25 Montana securities is allowed to deduct whatever tax it may

1 have already paid to the state of Montana and its political
2 subdivisions, during the same calendar year as to which
3 premium tax is being paid, from the amount otherwise due
4 under this section.

5 (3) For the purpose of subsection (2):

6 (a) "paid-in capital stock" as to a mutual or
7 reciprocal insurer shall be deemed to be an amount equal to
8 10% of the insurer's assets; and

9 (b) "Montana securities" shall be deemed to include
10 only general obligations of the state of Montana or of its
11 political subdivisions, mortgage loans secured by a first
12 lien upon real estate located in Montana, funds invested in
13 certificates of deposit in a bank or building and loan
14 association located in Montana and whose deposits are
15 insured by an agency of the United States OR AN INSURER
16 APPROVED BY THE DEPARTMENT OF COMMERCE, and real estate
17 located in Montana owned by the insurer, all if otherwise
18 lawful investments of the insurer under this code.

19 (4) (a) On or before March 1 of each year each insurer
20 shall file with the commissioner, on forms as prescribed and
21 furnished or accepted by him, a report of its gross
22 underwriting profit on wet marine, inland marine, and
23 transportation insurance, authorized in 33-1-209 and
24 33-1-221 through 33-1-229, written in this state during the
25 calendar year next preceding and shall at the same time pay

1 to the commissioner a tax of $\frac{3}{4}$ of 1% of such gross
2 underwriting profit.

3 (b) Such gross underwriting profit shall be
4 ascertained by deducting from the net premiums (i.e., gross
5 premiums less all return premiums and premiums for
6 reinsurance) on such wet marine and transportation insurance
7 contracts the net losses paid (i.e., gross losses paid less
8 salvage and recoveries on reinsurance ceded) during such
9 calendar year under such contracts. In the case of insurers
10 issuing participating contracts, such gross underwriting
11 profit shall not include for computation of the tax
12 prescribed by this subsection (4) the amounts refunded,
13 credited, or paid as participation dividends or savings by
14 such insurers to the holders of such contracts.

15 (5) That portion of the tax paid hereunder by an
16 insurer on account of premiums received for fire insurance
17 shall be separately specified in the report as required by
18 the commissioner, for apportionment as provided by law.
19 Where insurance against fire is included with insurance of
20 property against other perils at an undivided premium, the
21 insurer shall make such reasonable allocation from such
22 entire premium to the fire portion of the coverage as shall
23 be stated in such report and as may be approved or accepted
24 by the commissioner.

25 (6) With respect to authorized insurers the premium

1 tax provided by this section shall be payment in full and in
2 lieu of all other demands for any and all state, county,
3 city, district, municipal, and school taxes, licenses, fees,
4 and excises of whatever kind or character, excepting only
5 those prescribed by this code, taxes on real and tangible
6 personal property located in this state, and taxes payable
7 under 50-3-109.

8 (7) The commissioner may suspend or revoke the
9 certificate of authority of any insurer which fails to pay
10 its taxes as required under this section."

-End-