



September 8, 2011

Laszlo Komjathy, Jr.
Staff Counsel IV
California Department of Insurance
45 Fremont Street, 24th Floor
San Francisco, California 94105

Sent via email to: Laszlo.Komjathy@insurance.ca.gov

RE: REG 2007 – 00002 Reporting and Filing of Premium Tax

Dear Mr. Komjathy:

The Personal Insurance Federation of California (“PIFC”) appreciates the opportunity to provide comment to the California Department of Insurance (“the Department”) in response to the proposed Premium Tax Regulation.

PIFC member companies provide home, auto, flood and earthquake insurance to California consumers, representing approximately 60 percent of the personal lines insurance in the state.

The stated purpose of the proposed regulation is to provide a regulatory scheme to permit an insurer to transition from reporting and paying premium taxes based upon premium written to premium received as required by the state constitution and an opinion by the State Board of Equalization. PIFC appreciates the need for the regulation and the flexibility provided. We do, however, have one concern and a recommendation for amended language.

The proposed regulation recognizes the use of the “ratio” method can be an acceptable means of reporting taxable premium, but limits the use of this method in future years and imposes burdensome requirements for insurers to fulfill in order to use this reasonable method. We propose that this alternative should not be restricted in future years or otherwise impose unnecessary requirements that could lessen the use of this reasonable method for reporting taxable premium.

As an alternative, and in order to provide clarity and consistency, we offer and ask your consideration for the following revised language:

Adopt Section 2327.2 Insurers Filing on a Cash Basis

In addition to any other insurance tax premium filing requirements or instructions, any insurer that files on a cash basis shall do the following:

- (a) Calculate its taxes on Collected Direct Premiums in accordance with Revenue and Taxation Code section 12221; or,
- (b) For tax year 2012 and/or earlier open tax years, As an alternative method for calculating its taxes in accordance with Revenue and Taxation Code section 12221, an insurer may calculate its taxes on Direct Premiums, subject to the

requirements of Revenue and Taxation Code Section 12221, using a ratio of the insurer's Direct Premiums written upon business transacted in this State to the insurer's total Direct Premiums written, as reported on the insurer's NAIC Annual Statement Schedule T, and apply it to either the insurer's Collected Direct Premiums or the insurer's Uncollected Direct Premiums.

~~as long as at the time of the filing the insurer provides sufficient information, in the Commissioner's sole discretion, that establishes the following:~~

- ~~(1) That the Insurer without undue hardship cannot readily provide the data necessary to calculate its taxes in accordance with section 2327.2(a), and that the Insurer provides the Commissioner with an attestation affirming that the same is true; and,~~
- ~~(2) That the insurers' Premium Collection Activity on business transacted in this State is substantially similar to the insurers' Premium collection Activity on business transacted in all states.~~

Thank you for the opportunity to comment. Should you have any questions, please feel free to contact me via email at kdellingerdunn@pifc.org or by phone at 916 442-6646.

Respectfully,

Kimberley Dellinger Dunn
General Counsel