

- Good afternoon Chair-Senator Neville, Vice-Chair Senator Hill and distinguished members of the Senate Finance Committee. - Christian Rataj intro.

-NAMIC - national insurance trade association, **1,300 member companies/135 million policyholders nationally** and **163 member companies** serving **45%** of the Colorado insurance marketplace.

- NAMIC supports SB 165, because the **proposed legislation is consistent with and will help facilitate the legislative intent and objective** of the Regional Home Office Tax Credit Statute and DOI Regulation on RHO.

***As Senator Grantham aptly stated in his introduction – the RHO tax credit **promotes growth and stability of the insurance marketplace** for the benefit of insurance consumers and the citizens of the state, **who benefit from a robust economy that is created by an influx of insurance businesses/employment opportunities**

-As the **DOI Regulation on RHO expressly states** “the purpose of the law is to provide a tax incentive for insurance companies to bring employment to the state of Colorado ...”

*** **SB 165 seeks to slightly modify and modernize the RHO law**, so that it continues to accomplish its objective – to make sure that insurers seeking an RHO designation **have a significant physical and financial “footprint” in the state**, one substantial enough to merit providing the insurer with a premium tax credit of 1%.

-The RHO statute focuses upon the **scope and extent** of the **business operations** of the insurer within state

- It is measured by “either” the **functional business activities** conducted by the insurer in the state or the **scale** of the **direct insurance operations** of the insurer within the state.

-The statute set forth **9 functional business activities** standards to be considered by the DOI (and) specifically granted **discretion to the DOI** to establish **substantial direct insurance operations standards**

-In **Regulation 2-1-2**, the DOI reiterated the **9 functional business** (and) **adopted 3 direct insurance operations stds** (i.e. **how many people do you employ, size of your business facilities, and how much do you contribute to the state’s economy** by way of employee salaries and operating expenditures

*** **SB 165 seeks to mesh Regulation 2-1-2 with the RHO statute and clearly codify that **either the 6 of 9 functional business activities standards OR 2 of 3 direct insurance operations test** (150 full-time employees, \$5 million in salary/expenditures and a facility of 30,000 square feet). [vacuuming joke]**

***NAMIC supports SB 165, because the **bill accomplishes three important public policy objectives:**

1) It “**harmonizes**” the **statutory standard with the detailed regulatory standard** adopted by the Division of Insurance so that there is **consistency between the law and the regulation;**

2) It “**establishes**” a **clear and predictable standard to be used from year to year** for determining eligible for the RHO tax credit.

- **This is important to insurers, because - practical business investment standpoint, an insurance company **needs to know and be able to rely upon** the “rules of the game” being **well-established in statute and only subject to change after extensive deliberation by the state legislature****

3) It “**recognizes**” the **practical realities of operating a business and regional home office** in today’s competitive world.

*** As we all know, not only do insurers compete with each other for business, **but states compete with each other to attract business**, so it is important to have **legislation in place that acknowledges modern business realities**

– insurers have to be thoughtful **cost-containment mangers**, who continuously engage in reorganizing their functional business operations to **economize and streamline business activities and reduce operations expenses**.

-A **functional business activities test just doesn't work for all companies**, because **competition dictates** that large national insurers **centralize certain business activities** (like HR work, testing and training of employees, media and PR activities, etc.) so as to **control overhead costs**. [example of local grocery store]

***The **direct insurance operations test**, spelled out in Regulation 2-12 **better addresses** the **unavoidable practical business realities** of many national insurers.

*** SB 165 **does not change - who shall be eligible for an RHO designation**, nor **does it change the specific standards** that must be meet to satisfy the **functional business activities test or the direct insurance operations test**,

*** **Nor** does it **reduce the regulatory authority of the DOI** to determine whether an insurer has complied with the RHO law and Regulation.

*** SB 165 only **memorializes in statute** what the law **originally intended to accomplish** and what the **DOI adopted in regulation ...**

*** It merely **codifies that there are “TWO reasonable, practical, reviewable paths” to attaining RHO status** -

- **In closing, NAMIC respectfully requests that you VOTE to PASS SB 165 because**

- it is in **best interest of insurers, regulators (*as evidenced by Fiscal note*), employees (*who don't want to have to worry about relocating for job*) and the vitality of the state's economy**

-Thank you for your time and consideration of my comments, At this point, I welcome any questions from the committee