

Connecticut insurers to pay refunded assessments to Connecticut Department of Revenue Services

February 11, 2013

In brief

In December 2012, Connecticut Insurance Guaranty Association (CIGA) mailed member insurers an Assessment Statement refunding insurers a portion of prior CIGA assessments. The Connecticut Department of Revenue Services (DRS) subsequently issued AN 2013(1), which clarifies that member insurers of CIGA must recapture the portion of the refunded assessments to the extent they were utilized as a premium tax credit. Repayment to the DRS is due by February 14, 2013.

In detail

In general, a CIGA assessment paid by a member insurer in a calendar year beginning on or **after** January 1, 2000 can be offset against the insurer's Connecticut insurance premiums tax liability for the five calendar years following the calendar year in which the CIGA assessment was paid.

Creditable CIGA assessments are subject to recapture and repayment to DRS if subsequently refunded by CIGA.

CIGA assessments paid by a member insurer in years beginning **prior** to January 1, 2000 were not permitted to be offset against the member insurer's Connecticut insurance premiums tax liability.

The December 2012 CIGA Assessment Statement reflects refunds applicable to the insolvency assessments for Mission Insurance Company, LMI Insurance Company, Legion Insurance Company and Security Indemnity Company; all originally billed after January 1, 2000. Refunds applicable to these assessments utilized as an insurance premiums tax offset are required to be repaid to DRS.

However, no amount of the refunds applicable to the insolvency assessments for Ideal Mutual Insurance Company, Union Indemnity Insurance Company or Mission Insurance Company (1998 base year assessment) is required to be

paid to DRS, as these assessments were originally billed prior to January 1, 2000.

The takeaway

Applicable repayments to DRS are due on or before February 14, 2013.

Affected taxpayers should make their payments as soon as possible, as late payments to DRS will accrue interest at the rate of 1% per month or fraction of a month from the due date to the date of payment.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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