



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

AN 2006(5)

25 Sigourney Street
Hartford CT 06106-5032

ANNOUNCEMENT

**Assessments Refunded by
Connecticut Insurance Guaranty Association**

Purpose: This Announcement informs each member insurer that is a member of the Connecticut Insurance Guaranty Association (CIGA) of the member's obligation to pay recently refunded assessments (as described in this Announcement) to the Department of Revenue Services (DRS) on or before Tuesday, February 14, 2006.

Effective Date: Upon issuance

Statutory Authority: Conn. Gen. Stat. §38a-841(3)(A).

Assessment Statements: CIGA recently mailed to its members either or both of the following: an Assessment Statement with a December 28, 2005, Assessment Date (December 28, 2005, Assessment Statement) and an Assessment Statement with a December 30, 2005, Assessment Date (December 30, 2005, Assessment Statement).

December 28, 2005, Assessment Statement. The assessments relating to insolvent insurers listed on December 28, 2005, Assessment Statement were payable by a member insurer during a calendar year beginning prior to January 1, 2000. For Connecticut insurance premiums tax purposes, CIGA assessments paid during calendar years beginning prior to January 1, 2000, were not permitted to be offset against an insurer's Connecticut insurance premiums tax liability. Therefore, no amount of the assessments shown on the December 28, 2005, Assessment Statement as refundable to the insurer must be paid to DRS.

December 30, 2005, Assessment Statement. The assessments relating to insolvent insurers listed on December 30, 2005, Assessment Statement were payable by a member insurer during a calendar year beginning on or after January 1, 2000. For Connecticut insurance premiums tax purposes, CIGA assessments paid during calendar years beginning on or after January 1, 2000, were permitted to be offset against an insurer's Connecticut insurance premiums tax liability. The following instructions will enable members to determine the amount that must be paid to DRS. The amount that must be paid to DRS will be the sum of the amounts computed in Steps 1 through 5 below.

Step 1. Refunded assessment with respect to Acceleration National Insurance Co. for "premium year 2002." The refunded assessment is greater than the original CIGA assessment. Therefore:

- If a member paid the original CIGA assessment during 2003 and offset 20% of the assessment against its 2004 Connecticut insurance premiums tax liability, the member should pay the 20% amount offset against its 2004 Connecticut insurance premiums tax liability to DRS. The member must not offset the assessment against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, and 2008; **or**
- If a member paid the original CIGA assessment during 2004, the member need not pay any portion of the refunded assessment to DRS as long as the member does not offset 20% of the assessment against its 2005 Connecticut insurance premiums tax liability. The member must not offset any portion of the original assessment against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, 2008, and 2009.

Step 2. Refunded assessment with respect to American Universal Insurance Co. for “premium year 2002.” The refunded assessment equals the original CIGA assessment. Therefore:

- If a member paid the original CIGA assessment during 2003 and offset 20% of the assessment against its 2004 Connecticut insurance premiums tax liability, the member should pay the amount offset against its 2004 Connecticut insurance premiums tax liability (20% of the original assessment) to DRS. The member must not offset the assessment against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, and 2008; **or**
- If a member paid the original CIGA assessment during 2004, the member need not pay any portion of the refunded assessment to DRS as long as the member does not offset 20% of the assessment against its 2005 Connecticut insurance premiums tax liability. The member must not offset any portion of the original assessment against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, 2008, and 2009.

Step 3. Refunded assessment with respect to PHICO Insurance Co. for “premium year 2002.” The original CIGA assessment is greater than the refunded assessment. Therefore:

- If a member paid the original CIGA assessment during 2003 and offset 20% of the assessment against its 2004 Connecticut insurance premiums tax liability, the member should pay the amount of the refunded assessment (entered in parentheses in the column headed “Amount Payable”) to DRS. The member may offset 20% of the original assessment against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, and 2008; **or**
- If a member paid the original CIGA assessment during 2004, the member need not pay any portion of the refunded assessment to DRS as long as the member reduces the amount that would otherwise be offset against its 2005 Connecticut insurance premiums tax liability (20% of the original assessment) by the amount of the refunded assessment. The member may offset 20% of the original assessment against its Connecticut insurance premiums tax liability for calendar years 2006, 2007, 2008, and 2009.

Step 4. Refunded assessment with respect to Reliance Insurance Co. for “premium year 2000.” The original CIGA assessment is greater than the refunded assessment. Therefore:

- If a member paid the original CIGA assessment during 2001 and offset 20% of the assessment against its Connecticut insurance premiums tax liability for calendar years 2002, 2003, and 2004, the member should pay the amount of the refunded assessment (entered in parentheses in the column headed “Amount Payable”) to DRS. The member may offset 20% of the original assessment against its Connecticut insurance premiums tax liability for calendar years 2005 and 2006; **or**
- If a member paid the original CIGA assessment during 2002 and offset 20% of the assessment against its Connecticut insurance premiums tax liability for calendar years 2003 and 2004, the member should pay the amount of the refunded assessment (entered in parentheses in the column headed “Amount Payable”) to DRS. The member may offset 20% of the original assessment against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, and 2007.

Step 5. Refunded assessment (other) with respect to Reliance Insurance Co. for “premium year 2002.” The refunded assessment (other) equals the original CIGA assessment (other). Therefore:

- If a member paid the original CIGA assessment (other) during 2003 and offset 20% of the assessment (other) against its 2004 Connecticut insurance premiums tax liability, the member should pay the 20% amount offset against its 2004 Connecticut insurance premiums tax liability to DRS. The member must not offset the assessment (other) against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, and 2008; **or**
- If a member paid the original CIGA assessment (other) during 2004, the member need not pay any portion of the refunded assessment (other) to DRS as long as the member does not offset 20% of the assessment (other) against its 2005 Connecticut insurance premiums tax liability. The member must not offset any portion of the original assessment (other) against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, 2008, and 2009.

The CIGA assessment (workers compensation) for “premium year 2002” has not been refunded, and no portion of that assessment (workers compensation) is required to be paid to DRS.

Example: The following example illustrates how a member determines the amount that must be paid to DRS. The following information is printed on the December 30, 2005, Assessment Statement of Acme Deluxe Ins. Co. (Acme Deluxe), a CIGA member.

Insolvency Name	Premium Year	Amount Payable
Acc. Natl. Ins. Co.	2002	(319)
Amer. Univ. Ins. Co.	2002	(200)
PHICO Ins. Co.	2002	(20,000)
Reliance Ins. Co.	2000	(60,000)
Reliance Ins. Co.	2002	(40,000)

Step 1. Acme Deluxe’s share of the CIGA assessment for Acceleration National Insurance Co. was \$250. Acme Deluxe paid the original CIGA assessment during 2003, and offset 20% of the assessment (20% of \$250) against its 2004 Connecticut insurance premiums tax liability. Acme Deluxe must pay \$50 (the amount offset against its 2004 Connecticut insurance premiums tax liability) to DRS. Acme Deluxe must not offset the original assessment against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, and 2008.

Step 2. Acme Deluxe’s share of the CIGA assessment for American Universal Insurance Co. was \$200. Acme Deluxe paid the original CIGA assessment during 2004. Acme Deluxe need not pay any portion of the refunded assessment to DRS as long as Acme Deluxe does not offset \$40 (20% of \$200) against its 2005 Connecticut insurance premiums tax liability. Acme Deluxe must not offset the original assessment against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, 2008, and 2009.

Step 3. Acme Deluxe’s share of the CIGA assessment for PHICO Insurance Co. was \$140,000. Acme Deluxe paid the original CIGA assessment during 2003, and offset 20% of the assessment (20% of \$140,000) against its 2004 Connecticut insurance premiums tax liability. Acme Deluxe must pay the amount of the refunded assessment (\$20,000) to DRS. Acme Deluxe may offset 20% of the original assessment against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, and 2008.

Step 4. Acme Deluxe’s share of the CIGA assessment for Reliance Insurance Co. for premium year 2000 was \$200,000. Acme Deluxe paid the original CIGA assessment during 2001, and offset 20% of the assessment (20% of \$200,000) against its Connecticut insurance premiums tax liability for calendar years 2002, 2003, and 2004. Acme Deluxe must pay the amount of the refunded assessment (\$60,000) to DRS. Acme Deluxe may offset 20% of the original assessment against its Connecticut insurance premiums tax liability for calendar years 2005 and 2006.

Step 5. Acme Deluxe’s share of the CIGA assessment (other) for Reliance Insurance Co. for premium year 2002 was \$40,000. Acme Deluxe paid the original CIGA assessment (other) during 2003, and offset 20% of the assessment (20% of \$40,000) against its 2004 Connecticut insurance premiums tax liability. Acme Deluxe must pay the amount offset against its 2004 Connecticut insurance premiums tax liability (20% of \$40,000) to DRS. Acme Deluxe must not offset the original assessment (other) against its Connecticut insurance premiums tax liability for calendar years 2005, 2006, 2007, and 2008.

Acme Deluxe must pay the amount of \$88,050 to DRS. Acme Deluxe must not offset the original assessment for Acceleration National Ins. Co., the original assessment for American Universal Ins. Co., or the original assessment for Reliance Ins. Co. (for premium year 2002) against its Connecticut insurance premiums tax liability for calendar year 2005 or thereafter. Acme Deluxe may offset the original assessment for PHICO Ins. Co. and the original assessment for Reliance Ins. Co. (for premium year 2000) against its Connecticut insurance premiums tax liability for calendar year 2005 or thereafter.

Payment Due Date: Payment is due to DRS on or before Tuesday, February 14, 2006. (The due date would ordinarily have been February 11, 2006, the 45th day after the date of mailing of the refunds, which is a Saturday, and February 13, 2006, is a legal holiday.) If the amount that a member insurer is required to pay to DRS is not paid on or before February 14, 2006, interest will accrue on the amount not paid at the rate of 1% (.01) per month or fraction of a month (from February 14, 2006, to the date of payment).

Make check or money order made payable to:
Commissioner of Revenue Services

DRS may submit your check to your bank electronically.

Mail payment to:

Department of Revenue Services
25 Sigourney Street
Hartford, Connecticut 06106-5032

Attn: Robert Cournoyer
Excise & Public Services Subdivision
Audit Division

The member insurer's Connecticut Tax Registration Number and "Refunded Assessment" must be written in the lower left corner of the check or money order. A copy of the member's December 30, 2005, Assessment Statement must be enclosed with the payment.

If a member insurer did not offset any portion of an original assessment by CIGA with respect to an insolvent insurer against its Connecticut insurance premiums tax liability for any calendar year, and a portion of the original assessment with respect to that insolvent insurer is subsequently refunded to the member by CIGA, the member insurer must promptly advise DRS of this fact.

Effect on Other Documents: None affected.

Effect of This Document: Announcements alert taxpayers to new developments (other than newly enacted or amended Connecticut or federal laws or newly released judicial decisions), including new administrative positions, policies, or practices.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state); or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS Web site at www.ct.gov/DRS to download and print Connecticut tax forms; or
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.
- **For payment of business taxes other than those listed above:** Use *Fast-File* to pay your business taxes over the Internet or by phone. Visit the DRS Web site at www.ct.gov/DRS and click on *Electronic Services* for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.
- **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use *WebFile* to electronically file personal income tax returns over the Internet. You can also use *WebFile* to make an electronic income tax payment for a prior year. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

DRS E-News Service: Get connected to the latest news from DRS. Receive notification by e-mail of changes to legislation, policies, and procedures. **DRS E-News** is easy to sign up for – visit www.ct.gov/DRS and follow the directions. Subscription services are available for employer's withholding tax, *Fast-File* information, Alerts, News – Press Releases, and Top 100 Delinquency List.