



The State of New Hampshire Insurance Department

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The Honorable Timothy Lang
Chairman, Senate Ways and Means Committee
New Hampshire General Court
107 N. Main Street, Room 100
Concord, NH 03301

April 14, 2025

Dear Chairman Lang,

I am writing to provide an updated projection of Insurance Premium Tax (IPT) revenue and the expected contributions of the New Hampshire Insurance Department to the State's General Fund. This revision follows a thorough review of recent performance data, internal discussions with our Tax Division, and a reassessment of key assumptions that—while reasonable at the time—no longer reflect current market realities.

To place these updated projections in context, it is worth briefly reviewing the nature of the Insurance Premium Tax itself. The IPT is imposed on insurance companies based on the gross direct premiums they collect from policyholders, excluding amounts returned through cancellations or dividends.

In New Hampshire, the tax rate varies by the type of insurance coverage, with Property & Casualty Insurance taxed at 1.25% of net premiums written, and Life, Accident, and Health Insurance taxed at 2.0% of net premiums written. While formally paid by insurers, like most business taxes, the economic burden created by the IPT is ultimately shared with policyholders through pricing.

Presently, the insurance industry is experiencing a classic hard market: premiums are rising, underwriting standards are tightening, and coverage in some lines is more difficult to procure. These conditions are the product of several converging factors:

- Rising claims costs, driven by natural disasters, medical inflation, and litigation pressures;

- Lower investment returns, reducing insurers' ability to subsidize underwriting losses;
- Capital constraints, limiting how much risk insurers can write;
- Constricting reinsurance markets, shifting more risk back to primary carriers;
- Adjusting to changes in the legal landscape, which can raise costs and reduce risk appetite; and
- Price adjustments of nascent coverages (e.g. Cyber and Pet Insurance) that are more costly than initially anticipated.

In past cycles, such environments have dampened insurance consumption—particularly among more cost-conscious groups. For instance, seniors, allowed life insurance policies to lapse, and families chose not to insure secondary vehicles. These rational responses informed this Department's historically cautious posture in projecting IPT revenue.

Yet recent experience has demonstrated something important: reality defies static assumptions.

Despite our conservative estimates, actual IPT revenue has consistently overperformed. And New Hampshire is not alone. At a recent meeting of the National Association of Insurance Commissioners, I conferred with over two dozen fellow commissioners who reported the same pattern: IPT receipts outperforming forecasts in the face of hard market conditions.

Several factors help explain why:

1. Market Consolidation Can Concentrate Revenue: As some insurers scale back or exit, others gain market share and write policies at higher rates. This often sustains or increases total taxable premium volume, even as competition narrows.
2. Elasticity of Insurance Demand: Many forms of coverage—auto, home, health—are required by law, contract, or prudent risk management. Consumers may reduce other expenditures before letting go of essential insurance, preserving premium volume despite rising prices.
3. Lag Between Market Stress and Revenue Impact: Even when affordability becomes a concern, the impact on revenue is not immediate, as in force policies often renew at higher premiums, bolstering short-term IPT collections even as long-term pressures build.
4. Commercial Lines May Offset Declines Elsewhere: Commercial insurance premiums—especially in property, liability, and cyber—have

surged in this market. This growth helps offset any declines in more price-sensitive personal lines.

Taken together, these forces have led us to revise our revenue estimates using a moderately conservative methodology that departs from our previous, more cautious posture:

- Fiscal Year 2026: from \$158 million to \$165 million — an upward revision of \$7 million from the NHID estimate and \$6 million from the House Ways and Means estimate of \$159 million.
- Fiscal Year 2027: from \$162 million to \$168 million — an upward revision of \$6 million from the NHID estimate and \$5 million from the House Ways and Means estimate of \$163 million.

This results in a total biennial upward adjustment of \$13 million in revenue from our earlier projections, and \$11 million above the revenue figures incorporated in the House budget.

While I believe these revised figures are reasonable—and, if anything, remain modestly conservative—it is important to acknowledge the limits of any economic projection. The economy is not a static mechanism, but a dynamic system shaped by the choices of individuals, businesses, and markets responding to evolving incentives and constraints. As such, while the Department’s revenue model is grounded in data, it cannot fully capture the complexity or unpredictability of real-world behavior that ultimately determines economic outcomes.

Thank you for your continued collaboration and for your careful stewardship of the state’s fiscal health. I remain available to answer any questions or provide additional context regarding these evolving dynamics within New Hampshire’s insurance market.

Respectfully,



D.J. Bettencourt
Commissioner
New Hampshire Insurance Department

cc: Governor Kelly Ayotte, Senate President Sharon Carson, Speaker Sherman Packard, Senator James Gray, Representative Ken Weyler, Representative John Janigian.