



SURPLUS LINES BULLETIN NO. 12

TO: INDIVIDUAL SURPLUS LINES LICENSEES, SURPLUS LINES COMPLIANCE REPORTING STAFF, AND INSURED WHO DIRECTLY PROCURE INSURANCE FROM NONADMITTED INSURERS

RE: REVISED QUARTERLY SURPLUS LINES BROKER REPORTING FORMS AND PROCEDURES

DATED: May 7, 2012

PURPOSE

The purpose of this bulletin is to introduce to individual surplus lines licensees, surplus lines compliance reporting staff, and insureds who directly procure insurance from nonadmitted insurers, the new surplus lines broker quarterly SL-1925-Q reporting form, which replaces former surplus lines broker quarterly reporting form SL-1917.

BACKGROUND

The federal Nonadmitted and Reinsurance Reform Act of 2010 ("NRRA"), effective on July 21, 2011, subjects the placement of nonadmitted insurance solely to the statutory and regulatory requirements of the insured's Home State, and provides that only the insured's Home State may require the payment of premium tax for nonadmitted insurance.

In response to the NRRA, the Delaware State Legislature passed the new "Delaware Nonadmitted Insurance Act," which revises Delaware Code Title 18, Chapter 19 in its entirety.

According to the NRRA and 18 Del. C., Chapter 19, surplus lines brokers and insureds that independently procure insurance only report to the home state of the insured. If it is determined that Delaware is the home state of the insured, you only report to DE; the entire policy premium must be reported (even if it's multi-state); and 2% tax must be paid to DE on the entire premium amount.

INSTRUCTIONS

Effective immediately, discontinue use of the monthly SL-1925-M form.

The attached quarterly reporting form, number SL-1925-Q, replaces former form number SL-1917, effective immediately. If you have already filed the monthly SL-1925-M and/or quarterly SL-1917 forms for the calendar year 2012 first quarter filings, you are NOT required to re-file using the new form. However, you must initiate use of the SL-1925-Q beginning with your next quarterly filing.

Please continue to use the SL-1903-MS paper form to manually report multi-state policies ONLY. You may go back to email filing the electronic SL-1905 Excel® form for all other policies. Go back to quarterly tax filing/payment instead of monthly, and attach your SL-1903-MS forms (if you have any) to the quarterly report. Please note that zero quarterly reports are not required. If no business is written during the calendar quarter, the quarterly report is not required; however, annual reports are always required, regardless of business volume.

All forms, along with instructions, are available on the Department's website: www.delawareinsurance.gov.

This bulletin is effective immediately.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner



STATE OF DELAWARE DEPARTMENT OF INSURANCE
SURPLUS LINES BROKER
QUARTERLY PREMIUM TAX SUMMARY REPORT
FOR THE CALENDAR YEAR 2011, DUE MARCH 1, 2012

Original Report ☐
Amended Report ☐

Form SL-1925-Q
Formerly Form SL-1917

THIS FORM IS TO BE FILED BY, OR ON BEHALF OF, INDIVIDUAL SURPLUS LINES BROKERS ONLY.
AGENCIES CANNOT TRANSACT BUSINESS AND SHOULD NOT SUBMIT THIS FORM.

SURPLUS LINES (SL) BROKER INFORMATION AND MAILING ADDRESS

Individual SL Broker Name: _____
Agency Name: _____
Agency Address: _____
City - State - Zip + 4: _____
Tax Contact Name: _____ Phone _____
Tax Contact E-mail: _____

Individual Broker ID #: (DE Lic. #) _____
Individual Broker NPN: _____
Agency ID #: (DE Lic. #) _____

Questions should be directed to:
Ann Fletcher
Tax and Fees Coordinator
PG, RRG & SL Specialist
E-mail: Ann.Fletcher@state.de.us

Select Report Type:

☐ **Q112** Due April 30, 2012 ☐ **Q312** Due October 30, 2012
☐ **Q212** Due July 30, 2012 ☐ **Q412** Due January 30, 2012

PART 1: The Federal Nonadmitted and Reinsurance Reform Act of 2010 ("NRRRA") became effective on July 21, 2011, and placed surplus lines taxation, regulation, and broker licensing authority under the exclusive oversight of the home state of the insured (see 18 Del. C. §1904(a)(9) for definition of home state). Delaware's surplus lines law, Title 18, Chapter 19 was changed to conform to the NRRRA. These changes apply to all surplus lines policies with an effective date on or after July 21, 2011.

IMPORTANT: 2% premium tax is due on 100% of the policy premium, including fees, when Delaware is the home state of the insured. In accordance with 18 Del. C. §1925 and §1926, if Delaware is determined to be the home state of the insured, the entire policy premium must be reported to Delaware, and the amount of tax paid to Delaware must be calculated on the entire premium for the policy, not just the portion that applies to risks located within Delaware as was stipulated under the old surplus lines law. This is especially important in the case of a policy with risks in more than one state.

DO NOT report premiums on this form unless Delaware is the home state of the insured. If Delaware is not the home state of the insured, premiums should be reported and taxes paid only to the state that is the home state of the insured.

PART 1 – GROSS PREMIUMS AND TAX SUMMARY

REPORT ONLY PREMIUMS ON SURPLUS LINES POLICIES FOR WHICH DELAWARE IS THE HOME STATE OF THE INSURED

SINGLE-STATE POLICIES Enter number of single-state policies written:

SECTION 1: Premiums Covering Risks in the State of Delaware ONLY

1a. Amount of Premiums Applicable to risks located **within the state of DE:** _____
1b. **Less:** Premiums returned on policies reported on Line 1a: (enter as negative) _____
1c. Net Amount of Premiums Applicable to risks Delaware only risks: _____

MULTI-STATE POLICIES Enter number of multi-state policies written:

SECTION 2: Premiums Covering Risks in Multiple States, including Delaware

2a. Amount of Premiums Applicable to risks located **in the state of DE:** _____
2b. Amount of Premiums Applicable to risks located **in other states outside of DE:** _____
2c. **Less:** Premiums returned on policies reported on Lines 2a & 2b: (enter as negative) _____
2d. Net Amount of Premiums Applicable to multi-state risks: _____

PREMIUM TAX CALCULATION

SECTION 3: Premium tax at the rate of 2% is due on 100% of the policy premium, including fees.

3. Net Taxable Surplus Lines Premiums Written (add Lines 1c plus 2d) _____
4. Premium Tax Rate (2%) _____ **.02**
5. TOTAL Premium Tax Due (Line 3 x Line 4): _____

IMPORTANT: If there is an overpayment on Line 5, that amount may be carried into the next quarter and applied to tax liability for that quarter. If an overpayment remains at year-end, it should be so indicated on the annual tax report and a refund will be issued to the broker.

AFFIDAVIT

All Premium Tax and Fees Reports shall be verified by the oath or affirmation of the reporting Surplus Lines Broker, duly administered by a person authorized to administer oaths.

In the State of _____ County of _____ on this date _____, before me,
(MMDDYYYY)
 the subscriber, personally appeared the surplus lines licensee listed above, who deposes and says that this report and all schedules are true, correct, and complete.

Sworn to and subscribed before me this date.

Signed this date: _____

Sign
Here

Printed Name of SL Broker (as listed above)

Signature of Reporting SL Broker

Sign
Here

Signature Notary Public

Notary Seal

GENERAL INSTRUCTIONS
 For Part 1 and Part 2 on Page 1

PART 1: The federal Nonadmitted and Reinsurance Reform Act of 2010 ("NRRA") became effective on July 21, 2011, and placed surplus lines taxation, regulation, and licensing authority under the exclusive oversight of the home state of the insured (see 18 Del. C. §1904(a)(9) for definition of home state). Delaware's surplus lines law, Title 18, Chapter 19 was changed to conform to the NRRA. These changes apply to all surplus lines policies with an effective date on or after July 21, 2011.

IMPORTANT: 2% premium tax is due on 100% of the policy premium, including fees, when Delaware is the home state of the insured. In accordance with 18 Del. C. §1925 and §1926, if Delaware is determined to be the home state of the insured, the entire policy premium must be reported to Delaware, and the amount of tax paid to Delaware must be calculated on the entire premium for the policy, not just the portion that applies to risks located within Delaware as was stipulated under the old surplus lines law. This is especially important in the case of a policy with risks in more than one state.

Because the changes to the surplus lines law took affect in mid-year, for calendar year 2011 only, premium reporting on this form has been divided into sections, depending on the effective date of the policies. In addition, premiums for policies written after July 21, 2011, are being reported in separate groups based on where the risk is located. Please refer to the attached instructions and follow them carefully.

For policies written after July 21, 2011, DO NOT report premiums on this form unless Delaware is the home state of the insured. If Delaware is not the home state of the insured, premiums should be reported and taxes paid only to the state that is the home state of the insured.

SECTION 1

Lines 1a, 1b, and 1c: Report premiums written, minus premiums returned to policyholders, to give the net amount of taxable premiums written and having policy effective dates after July 21, 2011 for which DE is the home state of the insured. Report only the portion of the risks located in DELAWARE

SECTION 2

Lines 2a, 2b, and 2c: Report premiums written, minus premiums returned to policyholders, to give the net amount of taxable premiums written and having policy effective dates after July 21, 2011 for which DE is the home state of the insured. Report only the portion of the risks located in OTHER STATES

SECTION 3 Premium Tax Calculation

Line 3 Taxable Premium: Add net premium from prior to July 21, 2011 (Line 1c) and net premium from after July 21, 2011 for which DE is the home state of the insured (Line 2c plus Line 2f)

Line 4 Delaware's tax rate is 2%. REMEMBER: Fees are included as taxable premium

Line 5 Total tax due: Multiply Line 3 by Line 4.

MAILING INSTRUCTIONS

Quarterly Premium Summary Reports and payments must be received on or before the due dates, to avoid administrative penalties.

Send this form along with a check payable to *Delaware Insurance Department*, to this address: →

Delaware Insurance Department
Attn: SURPLUS LINES SECTION
841 Silver Lake Blvd.
Dover, DE 19904-2465