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Insurance Commissioner



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Surplus Lines Bulletin No. 8

2008 ANNUAL PREMIUM TAX AND FEES FILING PROCEDURES

BACKGROUND:

This four-part Bulletin has been issued to inform all individual surplus lines brokers and their compliance staff about important changes to annual and quarterly premium tax filings. Specific information about surplus lines premium tax filings can be found on the Department's website www.delawareinsurance.gov. Click the link on the left side of the home page labeled "Surplus Lines".

IMPORTANT REMINDER: Annual and quarterly premium tax reports (SL-1916 and SL-1917) must be submitted by, or on behalf of, all individual surplus lines brokers whether or not they have transacted any business. Business entities should not submit these tax reports.

Part 1: USE OF NEW OPT*ins* PROGRAM STRONGLY ENCOURAGED

The Delaware Insurance Department has partnered with the National Association of Insurance Commissioners (NAIC) in the use of OPT*ins* (Online Premium Tax for Insurance), tax filing program. OPT*ins* is a product of the NAIC, and has been developed to facilitate premium tax forms submission and payment (when applicable) for quarterly and annual premium tax filings. OPT*ins* provides immediate, secure transmission and receipt of premium tax reports and payments. Although the use of OPT*ins* is not mandatory at this time, the Department strongly encourages all surplus lines brokers to use OPT*ins* to electronically submit their Delaware premium tax forms and payments.

More specific instructions will be provided by the NAIC, but use of this program is very simple. You will simply log in, choose and upload the filing forms and submit the forms and payment online. No more paper checks, no more mailing or overnight delivery charges, no more printed forms – everything is electronic – and premium tax forms, along with payments, are available to the Insurance Department immediately upon submission. There is a nominal fee to use the program but the savings in check and form printing and mailing, plus the peace of mind in knowing that the tax return and payment is immediately received by the Department, make it worthwhile.

Payments are made directly from your checking account via a process called ACH debit. During the set up process you will be asked to identify the Bank name and routing number and the account number you wish the NAIC to withdraw the payment from. These numbers are available on the bottom of your check. The process is similar to other bill payments you have set up to automatically draft from your checking account. Once you are set up with the NAIC and have your login information, you complete the tax form and enter the amount you wish to pay. When you click the submit button, the filing is automatically available to the Department and the funds are debited from your account. The transaction is simple and secure. Considering the prevalence among states of the use of this type of payment for online tax filing, and the likelihood that use of *OPTins* may become mandatory in the future, brokers should make every effort to enable compliance beginning with the annual filing due March 1, 2009.

Contact the NAIC *OPTins* Help Desk at optinshelp@naic.org or 816-783-8990 with any questions and to implement *OPTins*. There is a set up process at the NAIC which could take up to two weeks, so please get signed up as soon as possible.

Part 2: ADDITION OF NPN AS INDIVIDUAL SL BROKER IDENTIFICATION NUMBER

Changes have been made to the 2008 Annual Premium Tax Summary Report (SL-1916-08) and the 2009 Quarterly Tax Report (SL-1917-09) to include the use of the National Producer Number (NPN) assigned to individual SL brokers by NIPR, the National Producer database maintained by the NAIC. This number must be entered on the tax reports in addition to the individual broker's Delaware surplus lines license number (SL Broker ID #). Both numbers contain 7 digits and may begin with a leading zero. If the number in your records shows up as having 6 digits, there is most likely a leading zero that has been dropped by certain computer programs. Include the zero when entering both the NPN and the DE license number.

If you are not familiar with the individual SL broker NPN, the number may be obtained by using the online "Insurance Agent Verification and Status" link available on the left side of the Department's website home page at www.delawareinsurance.gov.

Please note: The Agency ID # field required on the tax reports should contain the Agency's Delaware business entity surplus lines license number. Delaware requires that both the individual and the agency be licensed for surplus lines if an individual SL broker is affiliated in any way with the agency.

Part 3: INSURANCE DEPARTMENT CLOSING BANK LOCKBOX OPERATIONS

The lockbox services that have been provided to the Delaware Insurance Department by National City Bank will cease operating effective December 31, 2008. SL Brokers should NOT send any tax reports to either of the bank lockbox addresses that have been in effect for the past several years. The Department has decided that with the implementation of online tax filing through *OPTins* and the availability of electronic funds transfer through that program, lockbox services will no longer be needed. Any SL Broker that is not able to utilize the *OPTins* program should send tax reports and payments to the Department's Dover address as follows:

Delaware Insurance Department
Attn: PREMIUM TAX SECTION
841 Silver lake Blvd.
Dover, DE 19904-2465

IMPORTANT: Paper tax reports and payments must be received on or before the March 1 due date. The Department does not accept a postmark date.

Part 4: AFFIDAVIT SIGNATURES FOR OPT*ins* ANNUAL TAX RETURNS

Delaware law requires that surplus lines premium tax reports be signed by the reporting individual surplus lines broker and be notarized. However, because the reports submitted through OPT*ins* are electronically filed without being printed, there might be a problem getting the report signed. The Department has established three options for obtaining signatures for premium tax reports. Options 1 or 2 are preferred by the Department, but Option 3 is available if needed.

- Option 1. If the surplus lines broker has the capability, the OPT*ins* tax report may be digitally signed. (*preferred*)
- Option 2. The Affidavit Section of the OPT*ins* tax report can be printed, signed and scanned to be transmitted as part of the electronic tax filing through OPT*ins*. (*preferred*)
- Option 3. The Department developed an OPT*ins* Participation Affidavit form to serve as attestation that the reports submitted electronically through OPT*ins* are complete and accurate. If this option is chosen, the OPT*ins* Participation Affidavit may be printed, signed and mailed to the Department at the time the OPT*ins* submission is made. This OPT*ins* Participation Affidavit must be signed by the surplus lines broker and notary whose names are entered in the affidavit section of the electronic report when submitted.

IMPORTANT: If using Option 3, the OPT*ins* Participation Affidavit form must be received within 10 days after the OPT*ins* submission date. If the form is received within the ten-day period, the tax filing will be deemed received as of the OPT*ins* submission date. If the OPT*ins* Participation Affidavit form is received after the ten-day period, the Department will not deem the tax filing received until the date the OPT*ins* Participation Affidavit is received. In that case, the filing may be considered late and the broker may be subject to penalties for failure to timely file.

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