



## **SURPLUS LINES BULLETIN NO. 14**

**TO: ALL SURPLUS LINES LICENSEES, DELAWARE INSUREDS WHO INDEPENDENTLY PROCURE NONADMITTED INSURANCE, AND INTERESTED PARTIES**

**RE: Surplus Lines Premium Tax Rate Change (House Bill 213 w/HA 1, Revision of Delaware Code, Title 18, Chapter 19)**

**DATED: August 11, 2014**

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### **PURPOSE**

The purpose of this bulletin is to inform individual surplus lines licensees, surplus lines compliance reporting staff, Delaware insureds who independently procure nonadmitted insurance, and other interested parties of the tax rate increase from 2% to 3% on premium for policies written with nonadmitted insurers covering risks for which Delaware is the home state of the insured.

### **BACKGROUND**

The Delaware Legislature recently passed during the 147<sup>th</sup> General Assembly House Bill 213 with House Amendment 1, which changes the amount of tax payable on surplus lines policies, from a 2% tax to a 3% tax (18 Del. C. §1925 (b)). Delaware Governor Jack Markell signed the bill into law on July 30, 2014.

### **CONCLUSION**

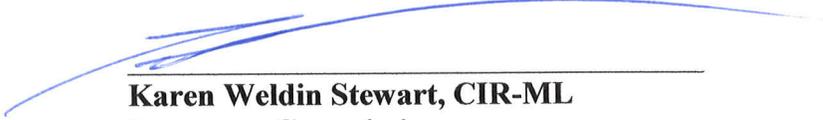
The 3% tax rate is effective as of July 30, 2014. All premiums for surplus lines policies with an effective date after July 30, 2014, shall be taxed at 3%. Policy premiums for surplus lines business with an effective date on or before July 30, 2014, shall be taxed at the former 2% rate.

For the remainder of the calendar year 2014 tax reports, those policies effective before and during July 2014 and taxed at the 2% tax rate, must be reported separately from policies effective after July 30 and taxed at the 3% tax rate. The SL-1925-Q quarterly tax reporting form will be changed by the Delaware Department of Insurance to allow surplus lines brokers to report business separately and pay the correct amount of premium tax. In addition, forms used for policy reporting, such as the electronic SL-1905 Excel<sup>®</sup> form and the SL-1903-MS paper form for multi-state policies, are also being updated by the Department to reflect the increased tax rate. The Independent Procurement Premium Tax Form will also be updated to incorporate this tax rate

change. The updated forms will be made available on the Department's website no later than August 15, 2014. All forms, along with instructions, are available on the Department's website: [www.delawareinsurance.gov](http://www.delawareinsurance.gov)

It would be prudent for all surplus lines brokers, especially those with business still in the "placement" phase, to reach out to clients and inform them that the law has changed and the premium tax rate has been increased to 3%, the amount of tax payable on all surplus lines policies.

This bulletin shall be effective immediately and shall remain in effect unless withdrawn or superseded by subsequent law, regulation or bulletin.



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**Karen Weldin Stewart, CIR-ML**  
**Insurance Commissioner**