

May 25, 2004

BULLETIN

TO: Surplus Line Brokers and Companies
FROM: Walter A. Bell, Commissioner
RE: Surplus Line Insurance Online Reporting Requirements

In accordance with Section 27-10-31, Code of Alabama 1975, a privilege tax is imposed on surplus line brokers for business written in the surplus line market. To ensure that all policies written in Alabama on a surplus line basis are reported to this Department and all taxes due the State of Alabama are paid, the Department has developed a system to electronically capture data reported by surplus line brokers and surplus line insurers.

Effective July 1, 2004, brokers may begin reporting online the information currently submitted in paper form on the Form ID-12. Effective January 1, 2005, all surplus line filings, including the 2004 Annual Tax Form Worksheet, must be made electronically in accordance with the surplus line process instructions. These instructions are located at www.aldoi.gov.

The new program will compare data collected from the companies against the data collected from brokers, thus brokers must ensure the companies have the correct name and license number of the broker placing the business. If a person (individual or business entity) is not licensed as a surplus line broker in Alabama, the person must be licensed by the Department of Insurance before placing business in the surplus lines market.

Surplus line companies shall begin reporting electronically March 1, 2005, with the 2004 data. Any surplus line company failing to cooperate with the Department in this program shall be deemed to be conducting "its affairs in a manner as to result in the avoidance of payment of tax," in violation of Section 27-10-26, Code of Alabama 1975, and will become subject to the penalties thereof, which include delisting as an acceptable surplus line insurer.