

HOUSE BILL 959

C4

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By: **Delegate Davis**

Introduced and read first time: February 11, 2011

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Surplus Lines**

3 FOR the purpose of authorizing a surplus lines broker to place certain surplus lines
4 insurance with certain insurers under certain circumstances; authorizing a
5 surplus lines broker to place coverage with certain nonadmitted insurers that
6 meet certain qualifications; authorizing the Maryland Insurance Commissioner
7 to make a certain finding concerning certain nonadmitted insurers based on
8 certain criteria; authorizing the Commissioner to participate in a certain
9 database; altering the authority of the Commissioner to allow a commercial
10 insured to waive certain search requirements for surplus lines coverage for
11 certain purposes; authorizing a surplus lines broker not to perform a diligent
12 search when placing certain coverage with an exempt commercial purchaser
13 under certain circumstances; providing that certain persons are not required to
14 obtain a certificate of qualification to act as a surplus lines broker in the State
15 under certain circumstances; altering the calculation and amount of the
16 premium receipts tax on certain surplus lines insurance premiums that cover
17 certain property, risks, and exposures that are wholly or partly located or to be
18 performed outside the State; providing for the receipt and distribution of certain
19 premium taxes in and for certain states; providing that the home state of an
20 insured shall receive certain tax payments and reports for certain nonadmitted
21 insurance; requiring the Commissioner to cooperate with certain other states to
22 adopt and implement certain multistate uniform requirements for nonadmitted
23 insurance in compliance with the federal Nonadmitted and Reinsurance Reform
24 Act of 2010; providing that the regulation of certain nonadmitted insurance is
25 subject to the statutory and regulatory requirements solely of certain home
26 states; providing for the allocation, collection, and distribution of certain
27 premium taxes and reports concerning certain insurance under certain
28 circumstances; authorizing the Commissioner to enter into a certain agreement
29 or compact or to establish certain procedures to implement a certain multistate
30 system for certain purposes; authorizing the Commissioner to enter into an
31 agreement with a certain clearinghouse or other entity for certain purposes;

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 authorizing the Commissioner to establish certain fees for certain purposes;
2 altering certain requirements for certain insurers to file certain statements and
3 reports at certain times; authorizing the Commissioner to prescribe certain
4 forms for certain tax allocation reports; requiring the Commissioner, by
5 regulation, to determine the content and filing deadlines for the reports; making
6 conforming and clarifying changes; defining certain terms; and generally
7 relating to the Maryland Insurance Commissioner and surplus lines.

8 BY repealing and reenacting, with amendments,

9 Article – Insurance

10 Section 3–301, 3–304, 3–306, 3–306.1, 3–310, 3–324, 3–325, and 4–210

11 Annotated Code of Maryland

12 (2003 Replacement Volume and 2010 Supplement)

13 BY adding to

14 Article – Insurance

15 Section 3–324.1 and 4–211.1

16 Annotated Code of Maryland

17 (2003 Replacement Volume and 2010 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
19 MARYLAND, That the Laws of Maryland read as follows:

20 **Article – Insurance**

21 3–301.

22 (A) In this subtitle[, “qualified] **THE FOLLOWING WORDS HAVE THE**
23 **MEANINGS INDICATED.**

24 (B) **“ACT” MEANS THE FEDERAL NONADMITTED AND REINSURANCE**
25 **REFORM ACT OF 2010.**

26 (C) **“ADMITTED INSURER” MEANS AN INSURER THAT IS AUTHORIZED TO**
27 **ENGAGE IN THE BUSINESS OF INSURANCE IN THE STATE.**

28 (D) **“EXEMPT COMMERCIAL PURCHASER” HAS THE MEANING STATED IN**
29 **§ 527 OF THE ACT.**

30 (E) **“HOME STATE” HAS THE MEANING STATED IN § 527 OF THE ACT.**

31 (F) **“NONADMITTED INSURANCE” MEANS PROPERTY AND CASUALTY**
32 **INSURANCE THAT MAY BE PLACED DIRECTLY OR THROUGH A SURPLUS LINES**
33 **BROKER WITH A NONADMITTED INSURER THAT IS ELIGIBLE TO ACCEPT THE**
34 **INSURANCE.**

1 **(G) (1) “NONADMITTED INSURER” MEANS AN INSURER THAT IS NOT**
2 **AUTHORIZED TO ENGAGE IN THE BUSINESS OF INSURANCE IN THE STATE.**

3 **(2) “NONADMITTED INSURER” DOES NOT INCLUDE A RISK**
4 **RETENTION GROUP.**

5 **(H) “QUALIFIED surplus lines broker” means a person that has obtained a**
6 **certificate of qualification from the Commissioner to act as a surplus lines broker**
7 **under this subtitle.**

8 3–304.

9 The Commissioner may adopt reasonable regulations consistent with this
10 subtitle to:

11 (1) carry out this subtitle;

12 (2) establish procedures for determining the eligibility of particular
13 proposed coverages for placement with surplus lines insurers and maintain a list of
14 the identified coverages;

15 (3) [permit a] **ALLOW AN EXEMPT** commercial [insured, as defined by
16 the Commissioner,] **PURCHASER** to waive the diligent search requirement under §
17 3–306 of this subtitle for the procurement of a surplus lines insurance policy[:

18 (i) with an annual premium of not less than \$5,000; and

19 (ii) issued by an insurer with a financial rating of “A” or better
20 by the A.M. Best Company or an equivalent rating from an independent rating
21 organization approved by the Commissioner];

22 (4) provide for the content and use of the written disclosure required
23 under § 3–308 of this subtitle; and

24 (5) provide for the periodic review, no less than annually, of
25 information from surplus lines brokers, agents, and insurers and from other sources
26 concerning the availability and affordability of insurance from authorized insurers in
27 the State.

28 3–306.

29 (a) Surplus lines insurance may be procured from an unauthorized insurer if:

30 (1) for surplus lines insurance procured through a broker, the surplus
31 lines insurance is procured through a qualified surplus lines broker;

1 (2) subject to the provisions of § 3-306.1 of this subtitle, a diligent
2 search is made among the authorized insurers that are writing the particular kind and
3 class of insurance in the State;

4 (3) except for insurance against liability of persons described in §
5 24-206(1) of this article, the amount of surplus lines insurance procured from an
6 unauthorized insurer is only the excess over the amount that can be procured from
7 authorized insurers;

8 (4) for insurance against liability of persons described in § 24-206(1)
9 of this article, the insurance cannot be obtained from three or more authorized
10 insurers that are writing on a broad basis that particular kind and class of insurance;

11 (5) except as provided in subsection (b) of this section, the surplus
12 lines insurance is not procured:

13 (i) solely to obtain a lower premium rate than would be
14 accepted by an authorized insurer;

15 (ii) solely to obtain more favorable terms of the insurance
16 contract; or

17 (iii) to replace coverage on residential property which is insured
18 by an authorized insurer and for which a renewal offer has been made on substantially
19 the same terms and conditions as the current coverage; and

20 (6) there is compliance with other applicable provisions of this
21 subtitle.

22 (b) This subtitle does not prohibit a lower premium rate or more favorable
23 terms in the insurance contract of an unauthorized insurer if:

24 (1) the risk is eligible as surplus lines under subsection (a)(2), (3), and
25 (4) of this section; or

26 (2) the applicant qualifies as **[a] AN EXEMPT commercial [insured]**
27 **PURCHASER** who may waive, as authorized by the Commissioner, the diligent search
28 that is otherwise required under this section.

29 (c) (1) This section does not prohibit a surplus lines broker from renewing
30 a risk with a surplus lines insurer if the risk was initially written on a surplus lines
31 basis when there were fewer than three authorized insurers actually writing on a
32 broad basis the particular kind and class of insurance to provide coverage against
33 liability of persons described in § 24-206(1) of this article in the State.

34 (2) However, even if on the date of renewal three or more authorized
35 insurers are writing on a broad basis the particular kind and class of insurance

1 required by the insured, a risk initially eligible for surplus lines insurance may be
2 renewed on a surplus lines basis if the surplus lines insurer, licensed insurance
3 producer, or surplus lines broker gives to the insured appropriate notice of the possible
4 availability of comparable types of insurance being written by three or more
5 authorized insurers:

6 (i) each year; and

7 (ii) sufficiently in advance of the renewal date to allow the
8 insured to determine whether to renew the policy with the surplus lines insurer.

9 (D) A SURPLUS LINES BROKER MAY PLACE SURPLUS LINES INSURANCE
10 IF EACH INSURER IS AUTHORIZED TO WRITE THE TYPE OF INSURANCE IN ITS
11 DOMICILIARY JURISDICTION.

12 (E) (1) A SURPLUS LINES BROKER MAY NOT PLACE COVERAGE WITH
13 A NONADMITTED INSURER UNLESS, AT THE TIME OF PLACEMENT, THE SURPLUS
14 LINES BROKER DETERMINES THAT THE NONADMITTED INSURER:

15 (I) HAS ESTABLISHED SATISFACTORY EVIDENCE OF GOOD
16 REPUTE AND FINANCIAL INTEGRITY;

17 (II) 1. HAS CAPITAL AND SURPLUS, OR THEIR
18 EQUIVALENT UNDER THE LAWS OF ITS DOMICILIARY JURISDICTION, EQUAL TO
19 THE GREATER OF:

20 A. THE MINIMUM CAPITAL AND SURPLUS REQUIRED
21 UNDER THE LAWS OF THE STATE; OR

22 B. \$15,000,000; OR

23 2. IS FOUND ACCEPTABLE BY THE COMMISSIONER
24 UNDER PARAGRAPH (2) OF THIS SUBSECTION; AND

25 (III) FOR AN INSURER NOT DOMICILED IN A STATE, HAS
26 QUALIFIED IN ACCORDANCE WITH § 3-303 OF THIS SUBTITLE.

27 (2) (I) THE COMMISSIONER MAY AFFIRMATIVELY FIND THAT A
28 NONADMITTED INSURER IS ACCEPTABLE UNDER THIS SUBSECTION.

29 (II) THE COMMISSIONER SHALL MAKE THE FINDING BASED
30 ON FACTORS INCLUDING QUALITY OF MANAGEMENT, CAPITAL AND SURPLUS OF
31 THE PARENT COMPANY, UNDERWRITING PROFIT AND INVESTMENT INCOME
32 TRENDS OF THE NONADMITTED INSURER, MARKET AVAILABILITY, AND THE
33 RECORD AND REPUTATION OF THE NONADMITTED INSURER IN THE INDUSTRY.

1 **(III) THE COMMISSIONER MAY NOT FIND ACCEPTABLE A**
2 **NONADMITTED INSURER THAT HAS CAPITAL AND SURPLUS OF LESS THAN**
3 **\$4,500,000.**

4 **(F) THE COMMISSIONER MAY PARTICIPATE IN THE NATIONAL**
5 **INSURANCE PRODUCER DATABASE MAINTAINED BY THE NATIONAL**
6 **ASSOCIATION OF INSURANCE COMMISSIONERS AND ITS AFFILIATES AND**
7 **SUBSIDIARIES.**

8 3-306.1.

9 (a) (1) A diligent search required by § 3-306 of this subtitle shall be
10 deemed completed if:

11 (i) the insured or the surplus lines broker or insurance
12 producer obtains declinations of a risk from three authorized insurers that are writing
13 the particular kind and class of insurance in this State; and

14 (ii) the declinations are included in the affidavit required under
15 § 3-307 of this subtitle.

16 (2) In addition to the requirement of paragraph (1)(i) of this
17 subsection, an insurance producer shall obtain a declination from each insurer for
18 which the insurance producer has been appointed that the insurance producer knows,
19 or should know, is actually writing on a broad basis the particular kind and class of
20 insurance sought.

21 (b) A diligent search may not be required:

22 (1) for any coverage on a list of eligible surplus lines coverages
23 compiled by the Commissioner; or

24 (2) if the diligent search is waived by [a] **AN EXEMPT** commercial
25 **[insured] PURCHASER** in accordance with the process determined by the
26 Commissioner.

27 (c) Notwithstanding the renewal provisions of § 3-306(c) of this subtitle, a
28 diligent search shall be required for each renewal of a personal lines insurance policy
29 written through a surplus lines insurer.

30 **(D) NOTWITHSTANDING SUBSECTION (B)(2) OF THIS SECTION, A**
31 **SURPLUS LINES BROKER IS NOT REQUIRED TO PERFORM A DILIGENT SEARCH**
32 **TO DETERMINE WHETHER THE FULL AMOUNT OR TYPE OF INSURANCE CAN BE**
33 **OBTAINED FROM ADMITTED INSURERS WHEN THE SURPLUS LINES BROKER IS**

1 SEEKING TO PROCURE OR PLACE NONADMITTED INSURANCE FOR AN EXEMPT
2 COMMERCIAL PURCHASER IF:

3 (1) THE SURPLUS LINES BROKER HAS DISCLOSED TO THE EXEMPT
4 COMMERCIAL PURCHASER THAT THE INSURANCE MAY OR MAY NOT BE
5 AVAILABLE FROM ADMITTED INSURERS THAT MAY BE SUBJECT TO GREATER
6 PROTECTION AND REGULATORY OVERSIGHT; AND

7 (2) THE EXEMPT COMMERCIAL PURCHASER SUBSEQUENTLY HAS
8 REQUESTED THE SURPLUS LINES BROKER IN WRITING TO PROCURE
9 NONADMITTED INSURANCE FROM OR PLACE THE NONADMITTED INSURANCE
10 WITH A NONADMITTED INSURER.

11 3-310.

12 (A) [A] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, A
13 person must obtain a certificate of qualification to act as a surplus lines broker before
14 the person acts as a surplus lines broker in the State.

15 (B) A PERSON IS NOT REQUIRED TO OBTAIN A CERTIFICATE OF
16 QUALIFICATION TO ACT AS A SURPLUS LINES BROKER IN THE STATE IF:

17 (1) THE STATE IS NOT THE HOME STATE OF THE INSURED; AND

18 (2) THE SURPLUS LINES BROKER HAS OBTAINED A LICENSE OR
19 OTHER AUTHORIZATION FROM THE HOME STATE OF THE INSURED.

20 3-324.

21 (a) This section does not apply to insurance of risks of the State or a political
22 subdivision of the State.

23 (b) (1) The premiums charged for surplus lines insurance are subject to a
24 premium receipts tax [of 3%] IN ACCORDANCE WITH THIS SUBSECTION on all gross
25 premiums ALLOCABLE TO THE STATE, less any returned premiums ALLOCABLE TO
26 THE STATE, charged for surplus lines insurance.

27 (2) THE AMOUNT OF THE PREMIUM RECEIPTS TAX IS:

28 (I) FOR SURPLUS LINES INSURANCE THAT COVERS
29 PROPERTY, RISKS, OR EXPOSURES LOCATED OR TO BE PERFORMED ONLY IN
30 THE STATE, 3% OF THE PORTION OF GROSS PREMIUMS ALLOCABLE TO THE
31 STATE, LESS ANY RETURNED PREMIUMS ALLOCABLE TO THE STATE; AND

1 **(II) FOR SURPLUS LINES INSURANCE THAT COVERS**
2 **PROPERTY, RISKS, OR EXPOSURES LOCATED OR TO BE PERFORMED BOTH IN**
3 **AND OUTSIDE THE STATE:**

4 **1. 3% OF THE PORTION OF GROSS PREMIUMS**
5 **ALLOCABLE TO THE STATE, LESS ANY RETURNED PREMIUMS ALLOCABLE TO**
6 **THE STATE; AND**

7 **2. THE AMOUNT OF TAXES AND FEES APPLICABLE TO**
8 **THE PROPERTY, RISKS, AND EXPOSURES LOCATED OR TO BE PERFORMED IN**
9 **EACH OTHER STATE, BASED ON THE RATES OF TAXES AND FEES IN THE OTHER**
10 **STATE, CALCULATED ON THE PORTION OF GROSS PREMIUMS ALLOCABLE TO**
11 **THE OTHER STATE, LESS ANY RETURNED PREMIUMS ALLOCABLE TO THE OTHER**
12 **STATE.**

13 **(3) (I) IF THE STATE IS THE HOME STATE OF THE INSURED,**
14 **THE COMMISSIONER SHALL RECEIVE AND DISTRIBUTE THE PREMIUM RECEIPTS**
15 **TAX PAYABLE TO THE STATE AND TO OTHER APPLICABLE STATES.**

16 **(II) IF THE STATE IS NOT THE HOME STATE OF THE**
17 **INSURED, THE COMMISSIONER SHALL RECEIVE THE PREMIUM RECEIPTS TAX**
18 **PAYABLE TO THE STATE FROM THE HOME STATE OF THE INSURED.**

19 **(C) ONLY THE HOME STATE OF AN INSURED MAY RECEIVE PREMIUM**
20 **RECEIPTS TAX PAYMENTS AND REPORTS FOR NONADMITTED INSURANCE.**

21 **[(c)] (D) (1) On delivery of the cover note, certificate of insurance, policy,**
22 **or other initial confirmation of insurance, a surplus lines broker shall charge the**
23 **insured the amount of the PREMIUM RECEIPTS tax in addition to the full amount of**
24 **the gross premium charged by the insurer for the surplus lines insurance.**

25 **(2) The surplus lines broker shall return to the insured the PREMIUM**
26 **RECEIPTS tax on any unearned part of the premium.**

27 **[(d)] (E) The surplus lines broker may not:**

28 **(1) absorb the premium receipts tax; or**

29 **(2) rebate all or part of the premium receipts tax or the surplus lines**
30 **broker's commission.**

31 **[(e) If a surplus lines policy covers risks only partly in the State, the tax**
32 **payable shall be computed on the part of the premium that is properly allocable to the**
33 **risks located in the State.]**

1 3-324.1.

2 (A) THE COMMISSIONER SHALL COOPERATE WITH OTHER STATES TO
3 ADOPT AND IMPLEMENT MULTISTATE UNIFORM REQUIREMENTS FOR
4 NONADMITTED INSURANCE IN COMPLIANCE WITH THE ACT.

5 (B) THE REGULATION OF NONADMITTED INSURANCE IS SUBJECT TO
6 THE STATUTORY AND REGULATORY REQUIREMENTS SOLELY OF THE HOME
7 STATE OF THE INSURED.

8 (C) (1) ONLY THE HOME STATE OF AN INSURED MAY RECEIVE
9 PREMIUM RECEIPTS TAX PAYMENTS AND REPORTS FOR NONADMITTED
10 INSURANCE.

11 (2) IF THE NONADMITTED INSURANCE COVERS PROPERTY, RISKS,
12 OR EXPOSURES LOCATED ONLY IN THE STATE, THE COMMISSIONER SHALL
13 RECEIVE THE PREMIUM RECEIPTS TAX PAYABLE TO THE STATE.

14 (3) IF THE STATE IS THE HOME STATE OF AN INSURED, THE
15 COMMISSIONER SHALL RECEIVE AND REDISTRIBUTE THE PREMIUM RECEIPTS
16 TAX FOR NONADMITTED INSURANCE PAYABLE TO THE STATE AND TO OTHER
17 APPLICABLE STATES.

18 (4) IF THE STATE IS NOT THE HOME STATE OF THE INSURED, THE
19 COMMISSIONER SHALL RECEIVE THE PREMIUM RECEIPTS TAX PAYABLE TO THE
20 STATE FROM THE HOME STATE OF THE INSURED.

21 (D) (1) TO CARRY OUT THE ACT, THE COMMISSIONER MAY ENTER
22 INTO AN AGREEMENT OR A COMPACT OR OTHERWISE ESTABLISH PROCEDURES
23 TO IMPLEMENT THE MULTISTATE SYSTEM FOR THE REPORTING, PAYMENT,
24 COLLECTION, AND ALLOCATION OF PREMIUM RECEIPTS TAX FOR NONADMITTED
25 INSURANCE.

26 (2) WITH RESPECT TO AN AGREEMENT, A COMPACT, OR OTHER
27 PROCEDURES UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE
28 COMMISSIONER MAY:

29 (I) ENTER INTO AN AGREEMENT WITH A CLEARINGHOUSE
30 OR OTHER ENTITY FOR THE PURPOSE OF COLLECTING AND DISBURSING TO THE
31 STATE AND OTHER STATES ANY FUNDS COLLECTED THAT ARE APPLICABLE TO
32 PROPERTY, RISKS, AND EXPOSURES LOCATED OR TO BE PERFORMED WHOLLY
33 OR PARTLY IN THE STATE; AND

1 **(II) APPROVE AND USE AN ALLOCATION SCHEDULE TO**
2 **ALLOCATE RISK AND COMPUTE PREMIUM RECEIPTS TAX DUE ON THE PORTION**
3 **OF PREMIUM ATTRIBUTABLE TO EACH RISK CLASSIFICATION, TO THE STATE,**
4 **AND TO EACH OTHER STATE IN WHICH PROPERTY, RISKS, OR EXPOSURES ARE**
5 **LOCATED OR TO BE PERFORMED.**

6 **(E) THE COMMISSIONER MAY IMPOSE A REASONABLE FEE, TO BE PAID**
7 **BY INSUREDS OR INSURERS, TO IMPLEMENT THE MULTISTATE SYSTEM FOR THE**
8 **REPORTING, PAYMENT, COLLECTION, AND ALLOCATION OF PREMIUM RECEIPTS**
9 **TAX FOR NONADMITTED INSURANCE.**

10 3-325.

11 (a) [On or before March 15 and September 15 of each year, each] **EACH**
12 surplus lines broker shall[:

13 (1)] file with the [Commissioner a semiannual statement that reports
14 on business subject to tax during the preceding half calendar year; and

15 (2) pay to the Commissioner the total amount of tax imposed by §
16 3-324 of this subtitle and appearing on the semiannual statement filed under this
17 section] **COMMISSIONER, ON A FORM THE COMMISSIONER PRESCRIBES, A**
18 **VERIFIED TAX ALLOCATION REPORT THAT DETAILS THE PORTION OF**
19 **NONADMITTED INSURANCE POLICY PREMIUMS ALLOCABLE TO PROPERTY,**
20 **RISKS, OR EXPOSURES LOCATED OR TO BE PERFORMED IN EACH STATE.**

21 [(b) The semiannual statement shall be verified in the manner that the
22 Commissioner requires and contain the following information:

23 (1) the gross amount of each kind of insurance business transacted
24 and the total gross premiums charged;

25 (2) the total returned premiums and taxes paid to insureds;

26 (3) the total net premiums; and

27 (4) any additional information that the Commissioner reasonably
28 requires.]

29 **(B) BY REGULATION, THE COMMISSIONER SHALL DETERMINE THE**
30 **REQUIRED CONTENT AND FILING DEADLINES OF THE TAX ALLOCATION REPORT.**

31 (c) Each [semiannual statement] **TAX ALLOCATION REPORT** shall be open
32 to public inspection.

1 (d) A **QUALIFIED** surplus lines broker may credit any examination expense
2 paid or assessed under § 2–208 of this article against the premium receipts tax due **TO**
3 **THE STATE**.

4 (e) With respect to [a penalty that has become final] **SURPLUS LINES**
5 **PREMIUM RECEIPTS TAX DUE TO THE STATE**, a surplus lines broker is subject to
6 the provisions of Title 6, Subtitle 1 of this article relating to penalties, interest, audits,
7 assessments, limitations, appeals, and refunds.

8 4–210.

9 (a) In this section, “insured” includes an industrial insured who procures
10 insurance of a risk through a full–time employee acting as a risk manager.

11 (b) (1) Each insured that procures or causes to be procured insurance
12 with an unauthorized insurer, or an insured or self–insured that procures or continues
13 excess loss, catastrophe, or other insurance with an unauthorized insurer, on a subject
14 of insurance resident, located, or to be performed in the State other than surplus lines
15 insurance, shall file with the Commissioner a report under this section [within 60 days
16 after the date that the insurance was procured].

17 (2) Insurance with an unauthorized insurer on a subject of insurance
18 resident, located, or to be performed in the State that is procured through negotiations
19 or an application wholly or partly occurring or made in or from within or outside of the
20 State, or for which the premiums wholly or partly are remitted directly or indirectly
21 from in or outside of the State, is deemed to be insurance procured in the State.

22 [(c) The report shall:

23 (1) be in writing;

24 (2) be on the form provided by the Commissioner to the insured on
25 request; and

26 (3) contain:

27 (i) the name and address of the insured;

28 (ii) the name and address of the insurer;

29 (iii) the subject of the insurance;

30 (iv) a general description of the coverage;

31 (v) the amount of the premium charged for the coverage; and

1 (vi) any other pertinent information that the Commissioner
2 reasonably requests.]

3 (C) THE REPORT SHALL BE A VERIFIED TAX ALLOCATION REPORT, ON A
4 FORM THE COMMISSIONER PRESCRIBES, THAT DETAILS THE PORTION OF
5 NONADMITTED INSURANCE POLICY PREMIUMS ALLOCABLE TO PROPERTY,
6 RISKS, OR EXPOSURES LOCATED OR TO BE PERFORMED IN EACH STATE.

7 (D) BY REGULATION, THE COMMISSIONER SHALL DETERMINE THE
8 REQUIRED CONTENT AND FILING DEADLINES OF THE TAX ALLOCATION REPORT.

9 4-211.1.

10 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE
11 MEANINGS INDICATED.

12 (2) "HOME STATE" HAS THE MEANING STATED IN § 3-301 OF THIS
13 ARTICLE.

14 (3) "NONADMITTED INSURANCE" HAS THE MEANING STATED IN §
15 3-301 OF THIS ARTICLE.

16 (B) THE PLACEMENT OF NONADMITTED INSURANCE IS SUBJECT TO THE
17 STATUTORY AND REGULATORY REQUIREMENTS SOLELY OF THE INSURED'S
18 HOME STATE.

19 (C) (1) THE PREMIUMS CHARGED FOR UNAUTHORIZED INSURANCE
20 ARE SUBJECT TO A PREMIUM RECEIPTS TAX IN THE STATE ON ALL GROSS
21 PREMIUMS ALLOCABLE TO THE STATE, LESS ANY RETURNED PREMIUMS
22 ALLOCABLE TO THE STATE, CHARGED FOR SURPLUS LINES INSURANCE AS
23 SPECIFIED IN §§ 4-209 AND 4-211 OF THIS SUBTITLE.

24 (2) (I) FOR INSURANCE THAT COVERS PROPERTY, RISKS, OR
25 EXPOSURES LOCATED OR TO BE PERFORMED ONLY IN THE STATE, THE
26 PREMIUM RECEIPTS TAX IS COMPUTED BASED ON THE PORTION OF GROSS
27 PREMIUMS ALLOCABLE TO THE STATE, LESS ANY RETURNED PREMIUMS
28 ALLOCABLE TO THE STATE.

29 (II) BY REGULATION, THE COMMISSIONER MAY REQUIRE
30 PAYMENT OF THE PREMIUM RECEIPTS TAX EITHER DIRECTLY TO THE
31 COMMISSIONER OR THROUGH A CLEARINGHOUSE ESTABLISHED UNDER §
32 3-324.1(D) OF THIS ARTICLE.

1 **(3) FOR SURPLUS LINES INSURANCE THAT COVERS PROPERTY,**
2 **RISKS, OR EXPOSURES LOCATED OR TO BE PERFORMED BOTH IN AND OUTSIDE**
3 **THE STATE, THE AMOUNT OF PREMIUM RECEIPTS TAX PAYABLE SHALL BE**
4 **COMPUTED BASED ON:**

5 **(I) THE PORTION OF GROSS PREMIUMS ALLOCABLE TO THE**
6 **STATE, LESS ANY RETURNED PREMIUMS ALLOCABLE TO THE STATE; AND**

7 **(II) THE AMOUNT OF TAXES AND FEES APPLICABLE TO THE**
8 **PROPERTY, RISKS, AND EXPOSURES LOCATED OR TO BE PERFORMED IN EACH**
9 **OTHER STATE, BASED ON THE RATES OF TAXES AND FEES IN THE OTHER STATE,**
10 **CALCULATED ON THE PORTION OF GROSS PREMIUMS ALLOCABLE TO THE**
11 **OTHER STATE, LESS ANY RETURNED PREMIUMS ALLOCABLE TO THE OTHER**
12 **STATE.**

13 **(4) (I) 1. IF THE STATE IS THE HOME STATE OF THE**
14 **INSURED, THE COMMISSIONER SHALL RECEIVE AND DISTRIBUTE THE PREMIUM**
15 **RECEIPTS TAX PAYABLE TO THE STATE AND TO OTHER APPLICABLE STATES.**

16 **2. BY REGULATION, THE COMMISSIONER MAY**
17 **REQUIRE PAYMENT OF THE PREMIUM RECEIPTS TAX EITHER DIRECTLY TO THE**
18 **COMMISSIONER OR THROUGH A CLEARINGHOUSE ESTABLISHED UNDER §**
19 **3-324.1(D) OF THIS ARTICLE.**

20 **(II) IF THE STATE IS NOT THE HOME STATE OF THE**
21 **INSURED, THE COMMISSIONER SHALL RECEIVE THE PREMIUM RECEIPTS TAX**
22 **PAYABLE TO THE STATE FROM THE HOME STATE OF THE INSURED.**

23 **(D) ONLY THE HOME STATE OF AN INSURED MAY RECEIVE PREMIUM**
24 **RECEIPTS TAX PAYMENTS AND REPORTS FOR NONADMITTED INSURANCE.**

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 July 1, 2011.