

MEMORANDUM

TO: All Eligible Surplus Lines Brokers Transacting Business in the State of South Carolina and All Eligible Surplus Lines Insurers

FROM: South Carolina Department of Insurance, Taxation Services

SUBJECT: Online Surplus Lines Brokers Premium Tax Application

GENERAL INFORMATION:

With the passage of the Non-Admitted Reinsurance and Reform Act (NRRA) of the Dodd-Frank Act of 2010, the South Carolina Department of Insurance (Department) is collecting a blended tax rate of six (6%) percent on all business written in the non-admitted market. This blended premium tax rate includes a four (4%) percent state broker's premium tax and a (2%) percent municipal broker's premium tax. Although the Department is collecting the municipal portion of the broker's premium tax rate, the Municipal Association of South Carolina is continuing to do its' own allocation.

LOG IN:

All Brokers must create a user ID and password to ensure access to the tax application. If you do not have a user account, please follow these instructions:

1. Please click on Online Services located on the right side of the SCDOI home page and scroll down to Registered Individual Users
2. There are two login options; please choose login option 2 (Using SC Individual number/SSN/Date of Birth).
3. Please enter your SC Individual Number, last four numbers of your Social Security Number and Date of Birth and select login.
4. On the following page, you will be prompted to choose three secret questions and create a user ID and password. Passwords must be 6-10 characters long.
5. If you require additional assistance regarding your user ID and password, please send an email to IRMMail@doilsc.gov.

SUBMISSIONS GUIDELINES:

1. All policies must either be manually entered or electronically uploaded to the Online Surplus Lines Broker Premium Tax Application.

The following policy information must be entered into the application:

- a) Policy Number
- b) Effective date of the policy
- c) Expiration date of the policy
- d) Placement date of the policy

- e) Name of the insured
- f) Address of the risk (street, city and zip code)
- g) County code

2. Due Diligence: Please refer to SC Insurance Laws, Section 38-45-90 for information pertaining to surplus lines brokers due diligence. Brokers must provide the complete name(s) of at least one, but not more than three, insurers declining to write the indicated coverage for an insured.

3. The S.C. Company Code number or the NAIC number of the Eligible Surplus Lines Insurer and premiums written by each company (rounded to nearest dollar) must be provided. If unsure of the code numbers, please enter the first few letters of the name of the insurer and the tax application will load all insurers beginning with those letters.

4. Distribution of total premiums written must be listed by coverage description. All premiums must be rounded to the nearest dollar. Distribution of total premiums written must equal total premiums written.

5. Coverage description may be one or more of the following:

- 19.00 Life (Stop Loss Policy only)
- 21.00 Accident and Health (Stop Loss Policy only)
- 22.00 All Property (other than auto)
- 22.10 Private Passenger Auto Physical Damage
- 22.30 Commercial Auto Physical Damage
- 23.00 Casualty (other than auto liability)
- 23.30 Commercial Auto Liability
- 24.00 Surety
- 25.00 Marine (other than wet marine)

6. IF NO BUSINESS IS WRITTEN, NO FILINGS ARE REQUIRED. WE DO NOT ACCEPT ZERO REPORTS.

SUBMISSION CATEGORIES:

Submission categories are:

- 1. Regular
- 2. Monthly
- 3. Audit – This category is for policies that have expired or cancellations that have been reinstated. When using this option, you are required to change at least one character in the policy number to ensure processing.
- 4. Independently/Directly Procured

CANCELLATIONS:

Submissions can be cancelled via the following methods:

- 1. Broker marks the submission canceled.
- 2. Broker submits a return premium endorsement that brings the premium and policy fee to zero (If 100%).

TYPES OF CANCELLATIONS:

Submissions have two cancellation categories:

- 1. Cancel – Submission is cancelled prior to payment of the tax liability:
 - a) Cancellations will automatically be incorporated into the Broker Quarterly Summary.
- 2. Cancelled Pro-rated (includes cancelled at 100%) – Submission is canceled after the tax liability has been paid:

a) Broker must provide a cancellation date. Brokers are no longer required to submit documentation supporting the cancellation.

3. Submissions may be reinstated only if the status is 'Cancel'. Brokers can only reinstate a cancelled submission within the current quarter prior to that quarter closing. A submission will be reinstated for the original amount that was cancelled.

4. Submissions can be deleted (Back-Out). Use the Back-Out key for deletions. Back-outs can only be processed in the quarter in which they were entered and must be processed prior to payment of the indicated quarter.

LATE SUBMISSIONS:

Submissions are considered late if they have not been entered into the tax application by the end of the quarter in which the policy was written. Late submissions will be accepted; however, Brokers must provide a reason for a late submission. Late submission reasons are:

1. Misfiling/overlooked by the Broker
2. Error in internal processes of the Broker
3. Turned in late by the Broker
4. Received late by the Broker
5. Bound at end of quarter – This option is for policies not entered by the 30th of the last month of any given quarter. The tax application is designed to designate these policies as late.

THERE IS NO PENALTY FOR SUBMISSIONS FILED LATE. CHOOSE A REASON FROM THE DROP-DOWN BOX AND CONTINUE PROCESSING.

ENDORSEMENTS:

1. The six (6%) percent surplus lines broker premium tax is calculated on all endorsements.
2. Endorsements may increase or decrease surplus lines insurer premiums and coverage description premiums.
3. If the total premium taxes due becomes zero as the result of a negative endorsement, the submission is cancelled.
4. A negative endorsement will be created to recalculate earned premium taxes if the submission is cancelled and submission is cancelled and the tax liability was paid in a previous quarter.
5. Endorsements may amend the following information:
 - a) Effective date
 - b) Expiration date
 - c) Surplus Lines Insurer premium adjustments
 - d) Coverage description premium adjustments
 - e) Policy fee adjustments if already included with original submission

RENEWALS:

1. The effective and expiration dates of a policy, surplus lines insurer premiums, coverage description premiums, risk information and policy fees may be changed when renewing a policy. A policy can be renewed any time after the expiration date. The policy number cannot be changed. If the policy number changes, that policy becomes a new and different policy.
2. Annual policies can be renewed up to a maximum of three (3) years.

3. Any policy can be renewed in the same tax year except multi-year policies.
4. Multi-year policies can only be renewed in the tax year in which it expires.
5. Renewals cannot be done until the expiration of a policy. Renewals cannot be processed early.

CHANGE OF BROKER OF RECORD:

Brokers must notify Taxation and complete a Transfer of Business form when there is a Change of Broker Record. This form must be signed and notarized by both parties. Brokers must identify policies to be transferred and any policy that has expired, been cancelled or were entered as audits will not be transferred. As policy numbers are unique to each broker, any policies that fall into these categories can be entered under the assuming broker's account once the change of record has been completed.

QUARTERLY TAX PAYMENTS:

1. Brokers pay premium tax liabilities in four (4) quarterly installments via the Online Surplus Lines premium Tax Application. As each quarter is reconciled and balanced independently, there is no Annual/Year-End Report, only the fourth quarter.
2. After the close of each quarter – March 30th; June 30th, September 30th and December 30th, brokers will have thirty (30) days to pay the premium tax liability. Payments are due April 30th; July 30th; October 30th and January 30th. Payment must be in the Department on or before the aforementioned due dates.
3. Per S.C. Code Section 38-2-10, any payments received after the due dates of April 30th; July 30th; October 30th or January 30th will be assessed an automatic Administrative fine of \$200.00. In addition, if additional fees and taxes are not paid within fifteen days of notice, interest must be added to the amount of the deficiency at the rate of five (5%) percent for each month or fraction of a month from the date the fees or taxes originally were due until the deficiency is paid.
4. Interest fees on late payments will incur every five (5) days until a maximum of twenty-five (25%) percent interest is reached.
5. If tax liabilities are not paid after the 25% interest penalty is reached, the Department's Legal Division will be notified and the Surplus Lines Broker's License may be subject to suspension or revocation.
6. Brokers will not be allowed to submit any new policy information, endorsements or cancellation if the previous quarter payments have not been paid.

PURCHASING GROUPS:

1. Purchasing Groups must hold an active Certificate of Registration.
2. Purchasing Groups are to use the Master Certificate for risk address allocation.
2. Purchasing Groups can only report liability insurance coverage which is under the Casualty line of authority.
3. Brokers who purchase a Purchasing Group's liability insurance are responsible for the submission of the policy information and the corresponding premium tax liability.

INDEPENDENTLY PROCURED BUSINESS:

Any business that is independently or directly procured must be reported to the Department via the Independently Procured Submission Form (2011A). This form is a fillable Excel Spreadsheet available on the Department's website at www.doi.sc.gov/427/Broker-Surplus-Lines-Tax-forms.

INDEPENDENTLY PROCURED TAX PAYMENTS:

Tax liabilities of independently or directly procured business should be made via check, money order or cashier's check and must accompany the Independently Procured Submission Form (2011A). Per S.C. Code Section 38-2-10, any payments received after the due dates of April 30th; July 30th; October 30th or January 30th will be assessed an Administrative fine of \$200.00. In addition, if additional fees and taxes are not paid within fifteen days of notice, interest must be added to the amount of the deficiency at the rate of five (5%) percent for each month or fraction of a month from the date the fees or taxes originally were due until the deficiency is paid.

PAYMENTS METHODS:

Brokers will be able to pay their premium tax liability by electronic (ACH) check or with a MasterCard, Visa, American Express or Discover card. With the new vendor, there is a \$2.50 fee for processing ACH payments. **The paper check option is no longer available.**

There is a cap on credit card payments. Any payments exceeding \$99,999.00 cannot be processed by the credit card vendor. If paying by credit card, a 1.7% processing fee plus a \$1.00 portal fee will be added to your tax payment.

Brokers paying by electronic (ACH) check who have debit blocks on their accounts should use the following information to allow the Department to successfully debit your bank account:

- Trading Partner Originating Company Name: SC.GOV
- Trading Partner Originating Company ID: 1522077581

Questions pertaining to the Online Surplus Lines Broker Premium Tax Application should be directed to Sharon Bolton Waddell, Taxation Manager at swaddell@doi.sc.gov or at 803.737.4910.