

Arkansas Insurance Department

Mike Beebe
Governor



Jay Bradford
Commissioner

August 2, 2011

BULLETIN NO. 8-2011

TO: ALL LICENSED DOMESTIC INSURERS, INSURER TRADE ASSOCIATIONS, NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS AND OTHER INTERESTED PARTIES

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: LICENSING OF DOMESTIC SURPLUS LINES INSURERS PURSUANT TO ARK. CODE ANN. § 23-65-320.

Upon written approval of the Commissioner, a licensed domestic insurer possessing policyholder surplus of twenty million dollars (\$20,000,000) or more may, in addition to being licensed as a domestic insurer, be allowed to write surplus lines insurance in this state and is deemed an approved surplus lines insurer in this state (hereinafter "Domestic Surplus Lines Insurer").

Each designated Domestic Surplus Lines Insurer will be added to the NAIC's approved surplus lines insurer list. Surplus lines premium tax on premiums placed with a Domestic Surplus Lines Insurer shall be collected and remitted in the same manner as surplus lines premium tax on premiums placed with approved foreign and alien surplus lines insurers.

A tax of four percent (4%) is required by Ark. Code Ann. § 23-65-315 to be collected from the insured on all Domestic Surplus Lines Insurer premiums. An insurance contract procured from a Domestic Surplus Lines Insurer on behalf of an insured whose home state is Arkansas shall be initiated by or bear the name of the surplus lines broker who procured it and shall contain a conspicuous statement substantially similar to the following:

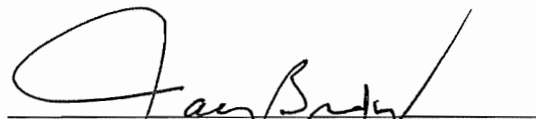
This contract is registered and delivered as a surplus line coverage under the Surplus Lines Insurance Law, and it may in some respects be different from contracts issued by insurers in the admitted markets, and, accordingly, it may, depending upon the circumstances, be more or less favorable to an insured than a contract from an admitted carrier might be. The protection of the Arkansas Property and Casualty Guaranty Act does not apply to this contract. A tax of four percent (4%) is required to be collected from the insured on all surplus lines premiums.

With respect to taxes, no later than sixty (60) days following the end of the month in which surplus lines insurance was procured from a Domestic Surplus Lines Insurer, the surplus lines

broker shall remit to the Treasurer of the State through the Insurance Commissioner a tax of four percent (4%) on the direct premiums written, less return premiums and exclusive of sums collected to cover state or federal taxes, on surplus lines insurance placed with such Domestic Surplus Lines Insurer and transacted by the surplus lines broker during the preceding months as shown by his or her affidavit filed with the Commissioner for the privilege of transacting business as a surplus lines broker in Arkansas as required by Ark. Code Ann. § 23-65-306.

If any surplus lines broker fails to remit the tax as provided by law, the surplus lines broker shall, pursuant to Ark. Code Ann. § 23-65-316, be liable for a fine of fifty dollars (\$50.00) for each day of delinquency commencing with the sixty-first day after the end of the month in which surplus lines insurance was procured from a Domestic Surplus Lines Insurer.

Questions concerning this Bulletin should be directed to the Legal Division at 501-371-2820 or by e-mail at insurance.License@arkansas.gov.



JAY BRADFORD
INSURANCE COMMISSIONER
STATE OF ARKANSAS

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