



**HOUSE COMMITTEE ON APPROPRIATIONS**  
2009-10 Legislative Session

**FISCAL NOTE**

**HOUSE BILL:** 1415

**PRINTER'S NO:** 1737

**PRIME SPONSOR:** Boyle

<b>FISCAL IMPACT SUMMARY</b>	<b>FY 2009/10</b>	<b>FY 2010/11</b>
<b>Expenditure Increase/(Decrease):</b>		
General Fund	\$0	\$0

**OVERVIEW:**

House Bill 1415 amends Sections 1615 and 1616 of the Insurance Company Law of 1921 to change the licensing process for a surplus line producer in the Commonwealth. These changes would align the licensing process with that set forth in the Producer Licensing Modernization Act of 2002 (PLMA).

Under the act, a licensed Commonwealth insurance provider is eligible to be surplus lines licensee if the provider does the following:

1. Designates one or more licensed officers or partners to be responsible for compliance with all reporting and recordkeeping required; and
2. Provides the Insurance Department with a list of all surplus lines licensees that are associated with the provider and place surplus lines business through the entity.

The department shall issue surplus line licenses, in paper or electronic form, for a period not to exceed two years. A nonrefundable \$200 fee shall accompany an application or renewal for a surplus lines license. Relating to the license, the following will apply:

1. The surplus lines of a natural person shall expire on the last day of the birth month of the licensee; however, the initial license cycle may vary to coincide with the expiration cycle of the birth month.
2. The surplus lines license of a business entity will expire on the last day of the month in which the license was originally issued.

If a licensee allows a license to lapse by failing to timely renew or by failing to pay the required fee it may, within one year of the license renewal date, request the department to reinstate the license. Cost for a reinstated license will be two times the amount of the licensing fee set forth in the act. A licensee may be subject to other penalties as provided by law before the license will be renewed.

A surplus lines licensee that is a business entity licensee who files the annual premium tax return with the Department of Revenue will include in its return the premium taxes generated during the year subject to reporting by all licensees associated with said business entity during the reporting period.

The act also increases penalties from \$1,000 to \$2,000 but will not exceed \$4,000 for each succeeding offense.

The act also eliminates the concept of Advisory Organization membership. The act adds a provision to allow the department to order a surplus lines licensee to join the Pennsylvania Surplus Lines Association's (PSLA) membership division of its trade organization and participate in educational seminars as a condition to continued licensure.

The act shall take effect in 60 days.

**ANALYSIS:**

The Insurance Department does not anticipate any additional costs as a result of this act.

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House Appropriations Committee, (D)

**DATE:** July 2, 2009

**General Note and Disclaimer:** *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*