

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL**No. 1096** Session of
2011

INTRODUCED BY D. WHITE, STACK, ERICKSON AND RAFFERTY,
JUNE 6, 2011

SENATOR D. WHITE, BANKING AND INSURANCE, AS AMENDED, JUNE 7,
2011

AN ACT

1 Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An
2 act relating to insurance; amending, revising, and
3 consolidating the law providing for the incorporation of
4 insurance companies, and the regulation, supervision, and
5 protection of home and foreign insurance companies, Lloyds
6 associations, reciprocal and inter-insurance exchanges, and
7 fire insurance rating bureaus, and the regulation and
8 supervision of insurance carried by such companies,
9 associations, and exchanges, including insurance carried by
10 the State Workmen's Insurance Fund; providing penalties; and
11 repealing existing laws," further providing for purpose, for
12 definitions, for acting for or aiding nonadmitted insurers,
13 for requirements for eligible surplus lines insurers, for
14 surplus lines licensee's duty to notify insured, for exempt
15 risks, for surplus lines advisory organizations, for
16 licensing of surplus lines licensee, for surplus lines
17 licensees may accept business from insurance producer, for
18 surplus lines tax, for tax on independently procured
19 insurance and for suspension, revocation or nonrenewal of
20 surplus lines licensee's license.

21 The General Assembly of the Commonwealth of Pennsylvania
22 hereby enacts as follows:

23 Section 1. Section 1601 of the act of May 17, 1921 (P.L.682,
24 No.284), known as The Insurance Company Law of 1921, added
25 December 18, 1992 (P.L.1519, No.178), is amended to read:

26 Section 1601. Purpose and scope.--(a) The purpose of this

1 article is to protect the public interest by:

2 (1) Protecting persons seeking insurance in this
3 Commonwealth.

4 (2) Permitting surplus lines insurance to be placed with
5 reputable and financially sound nonadmitted insurers and
6 exported from this Commonwealth pursuant to this article.

7 (3) Establishing a system of regulation which will permit
8 orderly access to surplus lines insurance in this Commonwealth
9 and encouraging insurers to make new and innovative types of
10 insurance available to consumers in this Commonwealth.

11 (4) Protecting revenues of this Commonwealth.

12 (b) (1) The provisions of this article, in so far as they
13 relate to the placement of surplus lines insurance and
14 independently procured insurance, shall apply when this
15 Commonwealth is the home state of the insured.

16 (2) The provisions of this article, in so far as they relate
17 to the imposition of surplus lines and independently procured
18 premium tax and penalties for policies placed after June 30,
19 2011, shall apply when this Commonwealth is the home state of
20 the insured.

21 (3) The provisions of this article, in so far as they relate
22 to the collection, reporting and remittance of surplus lines
23 insurance and independently procured insurance premium tax for
24 policies placed after June 30, 2011, shall apply when this
25 Commonwealth is the home state of the insured.

26 Section 2. Sections 1602, 1603(c)(6), 1605(a) and 1608 of
27 the act, amended March 22, 2010 (P.L.147, No.14), are amended to
28 read:

29 Section 1602. Definitions.--As used in this article the
30 following words and phrases shall have the meanings given to

1 them in this section:

2 "Admitted insurer." An insurer licensed to do an insurance
3 business in this Commonwealth.

4 "Affiliate." With respect to an insured, any entity that
5 controls, is controlled by or is under common control with the
6 insured.

7 "Affiliated group." Any group of entities that are all
8 affiliated.

9 "Business entity." A corporation, a partnership, a limited
10 liability company, a limited liability partnership, a business
11 trust or any other entity doing business other than as a natural
12 person.

13 "Capital." The term, as used in the financial requirements
14 of section 1605, means funds paid for stock or other evidence of
15 ownership.

16 "Commissioner." The Insurance Commissioner of the
17 Commonwealth.

18 "Control." An entity has control over another entity if:

19 (1) the entity directly or indirectly or acting through one
20 or more other persons owns, controls or has the power to vote
21 twenty-five per centum (25%) or more of any class of voting
22 securities of the other entity; or

23 (2) the entity controls in any manner the election of a
24 majority of the directors or trustees of the other entity.

25 "Department." The Insurance Department of the Commonwealth.

26 "Eligible surplus lines insurer." A nonadmitted insurer with
27 which a surplus lines licensee may place surplus lines insurance
28 under section 1604.

29 "Export." To place surplus lines insurance with either a
30 nonadmitted insurer or an eligible surplus lines insurer in

1 accordance with this article.

2 "Home state."

3 (1) ~~(i)~~ Except as provided under paragraph (2), with ←
4 respect to an insured:

5 ~~(A)~~ (I) the state in which an insured maintains its ←
6 principal place of business or, in the case of an individual,
7 the individual's principal residence; or

8 ~~(B)~~ (II) if one hundred per centum (100%) of the insured ←
9 risk is located out of the state referred to under ~~clause (A)~~ ←
10 SUBPARAGRAPH (I), the state to which the greatest percentage of ←
11 the insured's taxable premium for that insurance contract is
12 allocated.

13 ~~(ii)~~ (2) If more than one insured from an affiliated group ←
14 are named insureds on a single nonadmitted insurance contract,
15 the term means the home state, as determined under ~~subparagraph~~ ←
16 ~~(i)~~ PARAGRAPH (1), of the member of the affiliated group that ←
17 has the largest percentage of premium attributed to it under the
18 insurance contract.

19 ~~(2)~~ (3) This definition shall not apply to section 1615(g). ←

20 "Independently procured insurance." Any insurance [which a
21 resident of this Commonwealth directly negotiates with and
22 purchases, continues or renews from a nonadmitted insurer
23 without securing the services of an insurance producer or
24 surplus lines licensee] directly procured by an insured from a
25 nonadmitted insurer.

26 "Insurance producer." A person that is licensed to sell,
27 solicit or negotiate contracts of insurance with admitted
28 insurers.

29 "Kind of insurance." One of the types of insurance required
30 to be reported in the annual statement which must be filed with

1 the department by admitted insurers.

2 "Nonadmitted insurer." An insurer not authorized and not
3 licensed to do an insurance business in this Commonwealth. The
4 term includes insurance exchanges as authorized under the laws
5 of various states. The term does not include a risk retention
6 group.

7 "Person." A natural person or business entity.

8 "Purchasing group." An entity formed to purchase liability
9 insurance under the Risk Retention Amendments of 1986 (Public
10 Law 99-563, 100 Stat. 3170).

11 "Risk retention group." An insurer organized to do business
12 under the Risk Retention Amendments of 1986 (Public Law 99-563,
13 100 Stat. 3170).

14 "State." Any state of the United States, the District of
15 Columbia, the Commonwealth of Puerto Rico, Guam, the Northern
16 Mariana Islands, the Virgin Islands and American Samoa.

17 "Surplus." The term, as used in the financial requirements
18 of section 1605, means funds over and above liabilities and
19 capital of the company for the protection of its policyholders.

20 "Surplus lines insurance." Any insurance [of risks resident,
21 located or to be performed in this Commonwealth,] permitted to
22 be placed through a surplus lines licensee with a nonadmitted
23 insurer eligible to accept such insurance, other than
24 reinsurance, wet marine and transportation insurance,
25 independently procured insurance, life insurance and annuities
26 and coverage obtained from risk retention groups under the Risk
27 Retention Amendments of 1986 (Public Law 99-563, 100 Stat.
28 3170).

29 "Surplus lines licensee." A person licensed as a surplus
30 lines producer under section 1615 to place surplus lines

1 insurance with nonadmitted insurers eligible to accept such
2 insurance.

3 "Type of insurance." Coverage afforded under the particular
4 policy that is being placed.

5 "Wet marine and transportation insurance." Any of the
6 following:

7 (1) Insurance upon vessels, crafts or hulls and of interests
8 therein or with relation thereto.

9 (2) Insurance of marine builder's risks, marine war risks
10 and contracts of marine protection and indemnity insurance.

11 (3) Insurance of freights and disbursements pertaining to a
12 subject of insurance coming within this definition.

13 (4) Insurance of personal property and interest therein, in
14 the course of exportation from or importation into any country,
15 or in the course of transportation coastwise or on inland
16 waters, including transportation by land, water or air from
17 point of origin to final destination, in connection with any and
18 all risks or perils of navigation, transit or transportation,
19 and while being prepared for and while awaiting shipment, and
20 during any delays, transshipment or reshipment. Insurance of
21 personal property and interests therein shall not be considered
22 wet marine and transportation insurance if:

23 (i) the property has been transported solely by land;

24 (ii) the property has reached its final destination as
25 specified in the bill of lading or other shipping document; or

26 (iii) the insured no longer has an insurable interest in the
27 property.

28 (5) Any insurance associated with transportation of property
29 listed under this definition.

30 "Writing producer." The insurance producer which brings

1 about or negotiates contracts of insurance directly on behalf of
2 the consumer seeking insurance.

3 Section 1603. Acting for or Aiding Nonadmitted Insurers.--*

4 * *

5 (c) This section does not apply to any of the following:

6 * * *

7 (6) Transactions subsequent to issuance of a policy [not
8 covering domestic risks at time of issuance and lawfully
9 solicited, written or delivered outside of this Commonwealth] in
10 which this Commonwealth becomes the home state.

11 * * *

12 Section 1605. Requirements for Eligible Surplus Lines

13 Insurers.--(a) No surplus lines licensee shall place any
14 coverage with a nonadmitted insurer unless, at the time of
15 placement, such nonadmitted insurer[:

16 (1) Is of good repute and financial integrity.

17 (2) Qualifies under any of the following subparagraphs:

18 (i) Has policyholder surplus equal to or greater than two
19 times the minimum capital and surplus required to be fully
20 licensed in this Commonwealth. Two (2) years from the effective
21 date of this article is granted to allow those nonadmitted
22 insurers which are eligible surplus lines insurers on the
23 effective date of this article to achieve this capital and
24 surplus requirement. If an alien insurer, as defined by the act
25 of December 10, 1974 (P.L.804, No.266), referred to as the Alien
26 Insurer Domestication Law, it shall maintain in the United
27 States an irrevocable trust fund in either a national bank or a
28 member of the Federal Reserve System, in an amount not less than
29 that currently required by the National Association of Insurance
30 Commissioners' International Insurers Department or its

1 successor for the protection of all of its policyholders in the
2 United States, and such trust fund consists of cash, securities,
3 letters of credit or investments of substantially the same
4 character and quality as those which are eligible investments
5 for admitted insurers authorized to write like kinds of
6 insurance in this Commonwealth. Such trust fund will be in
7 addition to the capital and surplus required in this
8 subparagraph and shall have an expiration date which at no time
9 shall be less than five (5) years.

10 (ii) Is any Lloyd's or other similar group of insurers which
11 includes unincorporated individual insurers that maintains a
12 trust fund of not less than fifty million (\$50,000,000) dollars
13 as security to the full amount thereof for all policyholders and
14 creditors in the United States of each member of the group. Such
15 trust funds shall likewise comply with the terms and conditions
16 established in subparagraph (i) for alien insurers.

17 (iii) Is an insurance exchange created by the laws of
18 individual states that maintains capital and surplus or the
19 substantial equivalent thereof of not less than fifteen million
20 (\$15,000,000) dollars in the aggregate. For insurance exchanges
21 which maintain funds for the protection of all insurance
22 exchange policyholders, each individual syndicate shall maintain
23 minimum capital and surplus or the substantial equivalent
24 thereof of not less than one million five hundred thousand
25 (\$1,500,000) dollars. In the event the insurance exchange does
26 not maintain funds for the protection of all insurance exchange
27 policyholders, each individual syndicate shall meet the minimum
28 capital and surplus requirements of subparagraph (i).

29 (3) Has provided to the department a copy of its current
30 annual financial statement certified by such insurer, such

1 statement to be provided no more than thirty (30) days after the
2 date required for filing an annual financial statement in its
3 domiciliary jurisdiction and which is either:

4 (i) certified by the regulatory authority in the domicile of
5 the insurer; or

6 (ii) certified by an accounting or auditing firm licensed in
7 the jurisdiction of the insurer's domicile.

8 In the case of an insurance exchange, the statement may be an
9 aggregate statement of all underwriting syndicates operating
10 during the period reported.] qualifies under one of the
11 following:

12 (1) (i) is authorized to write the type of insurance in its
13 domiciliary jurisdiction; and

14 (ii) has capital and surplus or its equivalent under the
15 laws of its domiciliary jurisdiction which is greater than or
16 equal to fifteen million (\$15,000,000) dollars. The requirement
17 of this subparagraph may be satisfied by an insurer's possessing
18 less than the minimum capital and surplus upon an affirmative
19 finding of acceptability by the commissioner. The finding shall
20 be based upon such factors as quality of management, capital and
21 surplus of any parent company, company underwriting profit and
22 investment income trends, market availability and company record
23 and reputation within the industry. In no event shall the
24 commissioner make an affirmative finding of acceptability when
25 the nonadmitted insurer's capital and surplus is less than four
26 million five hundred thousand (\$4,500,000) dollars.

27 (2) If domiciled outside the United States, is listed on the
28 Quarterly Listing of Alien Insurers maintained by the
29 International Insurers Department of the National Association of
30 Insurance Commissioners.

1 * * *

2 Section 1608. Surplus Lines Licensee's Duty to Notify
3 Insured.--At the time of presenting a quotation to the insured,
4 the surplus lines licensee shall present to the insured or to
5 the writing producer written notice that the insurance or a
6 portion thereof involves placement with nonadmitted insurers.
7 The surplus lines licensee shall, either directly or through the
8 writing producer, give notice to the insured that:

9 (1) the insurer with which the licensee places the insurance
10 is not licensed by the [Pennsylvania Insurance Department]
11 department and is subject to its limited regulation; and

12 (2) in the event of the insolvency of an eligible surplus
13 lines insurer, losses will not be paid by the Pennsylvania
14 Property and Casualty Insurance Guaranty Association.

15 Section 3. Section 1610(a) of the act, added December 18,
16 1992 (P.L.1519, No.178), is amended and the section is amended
17 by adding subsections to read:

18 Section 1610. Exempt Risks.--(a) The diligent search
19 requirements of section 1604(2), the reporting requirements of
20 section 1609(a) and the twenty-five per centum (25%) limitation
21 of section 1606 are not applicable to placements of insurance
22 with nonadmitted insurers for risks of an insured which meets at
23 least three of the following requirements:

24 (1) The insured employs a full-time risk manager or
25 contracts for services from a qualified risk management service.

26 (2) The insured has gross sales in excess of one hundred
27 million (\$100,000,000) dollars.

28 (3) The insured regularly employs in excess of two hundred
29 fifty (250) full-time employes.

30 (4) The insured has assets in excess of one hundred million

1 (\$100,000,000) dollars.

2 (5) The insured has insurance premiums for property and
3 casualty insurance, excluding employe benefits, in excess of two
4 hundred fifty thousand (\$250,000) dollars.

5 (6) The insured is seeking insurance for risks resident,
6 located or to be performed in one or more states other than this
7 Commonwealth and the portion of the total risk ascribable to
8 states other than this Commonwealth exceeds fifty per centum
9 (50%).]

10 (a.1) The diligent search requirements of section 1604(2),
11 the reporting requirements of section 1609(a) and the twenty-
12 five per centum (25%) limitation of section 1606 shall not apply
13 to placements of insurance with nonadmitted insurers for an
14 exempt commercial purchaser if:

15 (1) the surplus lines licensee procuring or placing the
16 surplus lines insurance has disclosed to the exempt commercial
17 purchaser that the insurance may be available from the admitted
18 market that may provide greater protection with more regulatory
19 oversight; and

20 (2) the exempt commercial purchaser has subsequently
21 requested in writing the surplus lines licensee to procure or
22 place the insurance from a nonadmitted insurer.

23 * * *

24 (c) The following words and phrases when used in this
25 section shall have the meanings given to them in this subsection
26 unless the context clearly indicates otherwise:

27 "Exempt commercial purchaser." Any person purchasing
28 commercial insurance that, at the time of placement, meets the
29 following requirements:

30 (1) The person employs or retains a qualified risk manager

1 to negotiate insurance coverage.

2 (2) The person has paid aggregate nationwide commercial
3 property and casualty insurance premiums in excess of one
4 hundred thousand (\$100,000) dollars in the immediately preceding
5 twelve (12) months.

6 (3) (i) The person meets at least one of the following
7 criteria:

8 (A) The person possesses a net worth in excess of twenty
9 million (\$20,000,000) dollars, as adjusted under subparagraph
10 (ii).

11 (B) The person generates annual revenues in excess of fifty
12 million (\$50,000,000) dollars, as adjusted under subparagraph
13 (ii).

14 (C) The person employs more than five hundred (500) full-
15 time or full-time equivalent employees per individual insured or
16 is a member of an affiliated group employing more than one
17 thousand (1,000) employees in the aggregate.

18 (D) The person is a not-for-profit organization or public
19 entity generating annual budgeted expenditures of at least
20 thirty million (\$30,000,000) dollars, as adjusted under
21 subparagraph (ii).

22 (E) The person is a municipality with a population in excess
23 of fifty thousand (50,000) persons.

24 (ii) Beginning January 1, 2015 and every five years
25 thereafter, the amounts under clauses (A), (B) and (D) shall be
26 adjusted to reflect the percentage change for the five-year
27 period in the Consumer Price Index for All Urban Consumers
28 published by the Bureau of Labor Statistics of the Department of
29 Labor and Industry.

30 "Qualified risk manager." With respect to a policyholder of

1 commercial insurance, a person who meets all of the following
2 requirements:

3 (1) The person is an employee of, or third-party consultant
4 retained by, the commercial policyholder.

5 (2) The person provides skilled services in loss prevention,
6 loss reduction or risk and insurance coverage analysis and
7 purchase of insurance.

8 (3) The person:

9 (i) (A) has a bachelor's degree or higher from an
10 accredited college or university in risk management, business
11 administration, finance, economics or any other field determined
12 by the commissioner to demonstrate minimum competence in risk
13 management; and

14 (B) (I) has three (3) years of experience in risk
15 financing, claims administration, loss prevention, risk and
16 insurance analysis or purchasing commercial lines of insurance;
17 or

18 (II) has:

19 (a) a designation as a Chartered Property and Casualty
20 Underwriter issued by the American Institute for Chartered
21 Property and Casualty Underwriter/Insurance Institute of
22 America;

23 (b) a designation as an Associate in Risk Management issued
24 by the American Institute for Chartered Property and Casualty
25 Underwriter/Insurance Institute of America;

26 (c) a designation as Certified Risk Manager issued by the
27 National Alliance for Insurance Education & Research;

28 (d) a designation as a RIMS Fellow issued by the Global Risk
29 Management Institute; or

30 (e) any other designation, certification or license

1 determined by the commissioner to demonstrate minimum competency
2 in risk management;

3 (ii) (A) has at least seven (7) years of experience in risk
4 financing, claims administration, loss prevention, risk and
5 insurance coverage analysis or purchasing commercial lines of
6 insurance; and

7 (B) has any one of the designations specified under clauses
8 (a), (b), (c), (d) and (e);

9 (iii) has at least ten (10) years of experience in risk
10 financing, claims administration, loss prevention, risk and
11 insurance coverage analysis or purchasing commercial lines of
12 insurance; or

13 (iv) has a graduate degree from an accredited college or
14 university in risk management, business administration, finance,
15 economics or any other field determined by the commissioner to
16 demonstrate minimum competence in risk management.

17 Section 4. Section 1611(f) of the act, amended March 22,
18 2010 (P.L.147, No.14), is amended to read:

19 Section 1611. Surplus Lines Advisory Organizations.--* * *

20 (f) The advisory organization may submit reports and make
21 recommendations to the department regarding the financial
22 condition of any eligible surplus lines insurer. These reports
23 and recommendations shall not be considered to be public
24 information or subject to any Federal or [State] state freedom
25 of information law. There shall be no liability on the part of
26 nor shall any cause of action of any nature be sustained against
27 eligible surplus lines insurers, the advisory organization or
28 its members, agents, employes, officers or directors or the
29 department or authorized representatives of the department for
30 statements and any reports or recommendations made by them in

1 good faith under this section.

2 * * *

3 Section 5. Section 1615(a) of the act, amended March 22,
4 2010 (P.L.147, No.14), is amended and the section is amended by
5 adding subsections to read:

6 Section 1615. Licensing of Surplus Lines Licensee.--(a)
7 [No] For insureds whose home state is this Commonwealth, no
8 insurance producer licensed by the department shall transact
9 surplus lines insurance with any nonadmitted insurer unless the
10 insurance producer possesses a valid surplus lines producer's
11 license issued by the department.

12 * * *

13 (c.2) The commissioner may participate with the National
14 Association of Insurance Commissioners or its affiliates in a
15 centralized insurance producer registry for the purpose of
16 submitting or obtaining information on insurance producers,
17 surplus lines producers and other licensees, including licensing
18 history, lines of authority and regulatory actions.

19 * * *

20 (g) As used in subsection (c.1), the term "home state" for
21 an insurance producer or surplus lines producer shall be as
22 defined as in section 601-A of the act of May 17, 1921 (P.L.789,
23 No.285), known as "The Insurance Department Act of 1921."

24 Section 6. Sections 1616, 1621, 1622 and 1623 of the act,
25 amended March 22, 2010 (P.L.147, No.14), are amended to read:

26 Section 1616. Surplus Lines Licensees May Accept Business
27 from Insurance [Producer] Producers.--A surplus lines licensee
28 may originate surplus lines insurance or accept such insurance
29 from an insurance producer duly licensed as to the kind or kinds
30 of insurance involved, and the surplus lines licensee may

1 compensate the insurance producer.

2 Section 1621. Surplus Lines Tax.--(a) (1) There is hereby
3 levied a tax of three per centum (3%) on all premiums charged
4 for insurance which is placed with either an eligible surplus
5 lines insurer, other than a risk retention group, or other
6 nonadmitted insurer in accordance with this article, such taxes
7 to be based on the gross premiums charged less any return
8 premiums. This tax shall be in addition to the full amount of
9 the gross premium charged by the insurer for the insurance. The
10 tax on any unearned portion of the premium shall be returned to
11 the insured.

12 [(b) Neither the surplus lines licensee nor the writing
13 producer shall pay directly or indirectly such tax or any
14 portion thereof, either as an inducement to the insured to
15 purchase the insurance or for any other reason.

16 (c) The surplus lines licensee shall collect from the
17 insured or the writing producer the amount of the tax at the
18 time of delivery of the initial policy, cover note or other
19 evidence of insurance or at such time thereafter as is
20 reasonably consistent with normal credit terms customary in the
21 business. Each surplus lines licensee shall, on or before
22 January 31 of each year, file with the Department of Revenue a
23 report of all transactions involving the placement of insurance
24 with either an eligible surplus lines insurer or other
25 nonadmitted insurers during the previous calendar year. The
26 report shall set forth the name of the insured, identification
27 of the insurer, the type of insurance, gross premiums charged
28 less any return premiums allowed and the tax due as provided in
29 this section. The remittance for the taxes due shall accompany
30 this report. Such report shall be made on forms prescribed and

1 furnished by the Department of Revenue. A copy of the report
2 shall be filed with the department by the surplus lines
3 licensee. A surplus lines licensee that is a business entity
4 licensee which files the annual premium tax return with the
5 Department of Revenue shall include in its return the premium
6 taxes generated during the year subject to reporting by all
7 licensees associated with said business entity during the
8 reporting period.]

9 [(d)] (2) In the event that a placement of insurance
10 involves subjects of insurance resident, located or to be
11 performed in one or more states other than this Commonwealth,
12 then the premium taxes provided for in this section shall be
13 levied:

14 (i) For policies placed before July 1, 2011, only on that
15 portion of the premium reasonably ascribable to that portion of
16 the risk situated in this Commonwealth.

17 (ii) For policies placed after June 30, 2011, upon the gross
18 premium charged less any return premiums where this Commonwealth
19 is the home state of the insured.

20 (d.1) (1) Each surplus lines licensee shall, on or before
21 January 31 of each year, file a report of all premiums
22 transacted from the placement of insurance with either an
23 eligible surplus lines insurer or other nonadmitted insurers
24 during the previous calendar year. The report shall be filed as
25 prescribed by the Department of Revenue with any payment. A full
26 copy of the report shall be filed with the department by the
27 surplus lines licensee.

28 (2) The report described under this subsection shall set
29 forth the name of the insured, the home state of the insured, if
30 required by the department, identification of the insurer, the

1 type of insurance, gross premiums charged less any return
2 premiums allowed, the tax due as provided in this section and
3 any other information as required by the Department of Revenue.
4 A surplus lines licensee that is a business entity licensee
5 which files the annual premium tax return with the Department of
6 Revenue shall include in its return the premium taxes generated
7 during the year subject to reporting by all licensees associated
8 with said business entity during the reporting period. The
9 report shall be made on forms prescribed by the Department of
10 Revenue.

11 (3) The remittance for the taxes due shall accompany the
12 report described under this subsection. Neither the surplus
13 lines licensee nor the writing producer shall pay directly or
14 indirectly the tax or any portion of the tax, either as an
15 inducement to the insured to purchase the insurance or for any
16 other reason. The surplus lines licensee shall collect from the
17 insured or the writing producer the amount of the tax at the
18 time of delivery of the initial policy, cover note or other
19 evidence of insurance or at the time thereafter as is reasonably
20 consistent with normal credit terms customary in the business.

21 (4) A penalty shall be imposed for failure to file the
22 report required under this subsection on or before the due date
23 in accordance with the rules of section 403(d) of the act of
24 March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of
25 1971."

26 (e) With respect to insurance placed with or issued by a
27 risk retention group which is an eligible surplus lines insurer,
28 there is hereby levied a tax of two per centum (2%) on all
29 premiums charged for risks resident, located or to be performed
30 in this Commonwealth. The risk retention group shall be

1 responsible for the payment of the taxes levied in this article
2 in accordance with procedures set forth in Article XV.

3 (f) The [settlement and resettlement] assessment of taxes
4 imposed by this article, including the granting of extensions of
5 time to file reports and the rights of the taxpayers to present
6 and prosecute a petition for [resettlement] assessment, a
7 petition for review or an appeal to court or to file a petition
8 for refund and the imposition of interest and penalties, shall
9 be governed by the provisions of the act of March 4, 1971
10 (P.L.6, No.2), known as the "Tax Reform Code of 1971," as
11 approved in the case of [capital stock and franchise taxes]
12 corporate net income tax.

13 Section 1622. Tax on Independently Procured Insurance.--(a)
14 (1) The tax provided by section 1621(a) is imposed upon an
15 insured whose home state is this Commonwealth who independently
16 procures insurance [on a subject of insurance resident, located
17 or to be performed in this Commonwealth] from a nonadmitted
18 insurer or continues or renews such independently procured
19 insurance. [The insured shall, within thirty (30) days after the
20 date when such insurance was independently procured, continued
21 or renewed, report such transaction on forms prescribed by the
22 Department of Revenue. This report shall set forth the
23 information required of surplus lines licensees as required in
24 section 1621(c). The tax of three per centum (3%) shall be paid
25 on the date the report is due as provided in this section. If
26 the independently procured insurance covers risks resident,
27 located or to be performed in one or more states other than this
28 Commonwealth, the premium taxes shall be prorated in accordance
29 with provisions in section 1621(d). A copy of such report shall
30 be filed with the department by the insured.]

1 (2) If the independently procured insurance covers risks
2 resident, located or to be performed in one or more states other
3 than this Commonwealth, the premium taxes shall be payable as
4 computed in accordance with section 1621(a).

5 (b) The insured shall, within thirty (30) days after the
6 last day of the month in which the insurance was independently
7 procured, continued or renewed, report the transaction on the
8 forms and in the manner prescribed by the Department of Revenue.
9 The report shall set forth the information required of surplus
10 lines licensees as required in any report described under
11 section 1621. The tax of three per centum (3%) shall be paid on
12 the date the report is due as provided under this section. The
13 insured shall file a copy of the report with the department upon
14 its request.

15 (c) A penalty shall be imposed for failure to file the
16 report required under this section on or before the due date in
17 accordance with the rules of section 403(d) of the act of March
18 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of 1971."

19 Section 1623. Suspension, Revocation or Nonrenewal of
20 Surplus Lines Licensee's License.--The department may suspend,
21 revoke or refuse to renew the license of a surplus lines
22 licensee after notice and a hearing, as provided under the
23 applicable provision of the laws of this Commonwealth, upon any
24 one or more of the following grounds:

25 (3) Closing of the surplus lines licensee's office for a
26 period of more than thirty (30) business days, unless permission
27 is granted by the department.

28 (4) Failure to make and file required reports.

29 (5) Failure to collect or transmit required tax on surplus
30 lines premiums.

1 (7) Failure to remit premiums due insurers or return
2 premiums due insureds in the normal course of business and
3 within reasonable time limits.

4 (8) Violation of any provision of this [article] act.

5 (9) For any other cause for which an insurance producer's
6 license could be denied, revoked or suspended or refused upon
7 renewal.

8 Section 7. This act shall take effect immediately.