

DEPARTMENT OF INSURANCE

Legal Division, Corporate Affairs Bureau
45 Fremont Street, 24th Floor
San Francisco, CA 94105



Susan J. Stapp
Assistant Chief Counsel
TEL: 415-538-4403
FAX: 415-904-5729
E-Mail: stapps@insurance.ca.gov
www.insurance.ca.gov

February 23, 2012

VIA ELECTRONIC AND U.S. MAIL

James Woods
Dewey & LeBoeuf
1950 University Avenue, Suite 500
East Palo Alto, CA 94303-2225

SUBJECT: Surplus Line Broker and Special Lines Surplus Line Broker Annual Statement and Tax Return

Dear Mr. Woods:

Thank you for your correspondence of February 16, 2012. Your letter requests clarification regarding the 2011 Surplus Line Broker and Special Lines Surplus Line Broker Annual Statement and Tax Return and the accompanying instructions which are posted on the CDI website and were recently modified to conform to the provisions of AB 315. Specifically, your letter requests clarification regarding reporting for the Statement of Percentage of Premium which appears as line 15 on the form. Your letter makes two proposals to deal with the situation. Your first suggestion is that the CDI waive entirely the reporting requirement of Line 15 for the calendar year 2011. Your second suggestion is for the CDI to state that the information on Line 15 of the form should only reflect business done by the surplus line broker on or after July 21, 2011.

As you know, this is a transition year for how surplus lines business is being taxed and it is important that the CDI obtain information on its marketplace in accordance with the statute. If the broker has data for the entire year in response to line 15, it should be reported. The CDI recognizes that the term "home state insured" is a new term and that not all brokers may not have captured data for California home state insureds prior to the enactment of AB 315 and in light of this, CDI thinks your second suggestion is reasonable and the broker can indicate on the form that the home state data provided only covers the period after July 21, 2011 and that no or limited information is available for the period prior to July 21, 2011. Similarly, if the broker does not have data or limited data for multi-state risks for the year 2011 requested by line 15, the broker should indicate on the form that no or limited data is available for the 2011 period.

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Please feel free to provide this clarification to the Surplus Lines Association so that it may advise its members accordingly and the CDI will amend its instructions to include this information. If you have further questions, please feel free to call me.

Sincerely,



Susan J. Stapp
Assistant Chief Counsel

cc: John, Finston, Deputy Commissioner
Al Bottalico, Deputy Commissioner
Carol Frair, Senior Staff Counsel
Jill Jacobi, Senior Staff Counsel

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