

THE SURPLUS LINE ASSOCIATION
OF CALIFORNIA

A. L. LATHROP
MANAGER

A. B. HERRICK
ASSISTANT MANAGER

50 CALIFORNIA STREET
SAN FRANCISCO 94111

TELEPHONE
986-0763 (415)

June 16, 1976

No. 349

BULLETIN TO ALL MEMBERS:

RE: Department Examinations - Non Payment of Taxes

We are informed that recent examinations of surplus line brokers by the Insurance Department again disclose numerous cases of failure to file business with the Stamping Office and consequent non-payment of taxes.

We sent Bulletin No. 331 in 1973 on this subject and since it appears to be more than ever pertinent at the present time, we are enclosing a copy.

It should be emphasized that you should set up a workable system so that non-admitted business will be identified and filed without delay. To assist in identifying the companies we again attach an up-to-date list of the admitted insurers. The Stamping Office gladly offers its services to assist any members in instructing personnel about filings or to discuss a system to control the problem.



A. L. Lathrop
Manager

ALL:pmk

Encs.

THE SURPLUS LINE ASSOCIATION

OF CALIFORNIA

315 MONTGOMERY STREET

SAN FRANCISCO 94104

A. L. LATHROP
MANAGER
A. B. HERRICK
ASSISTANT MANAGER

TELEPHONE
986-0763 (415)

October 12, 1973

NO. 331

BULLETIN TO ALL MEMBERS:

RE: Department Examinations - Non Payment of Taxes

Non Filings Discovered

It has been called to our attention that recent examinations by the Insurance Department have disclosed numerous cases of non-filing of business with the Stamping Office and non-payment of taxes. A number of our brokers have also discussed this question as one of concern for further examinations, as their own personnel have at a late date found surplus line business that should have been filed and was discovered only by chance.

American Non-Admitted Companies

We have now determined that a major cause of the non reporting involves the American non-admitted companies. Although there seems to be general compliance on the business placed through London, many brokers handling business with American companies not admitted in California do not alert their accounting departments or others that these are surplus line placements.

We realize that the recent great increase in the number of these companies and in the volume placed with them has made the problem more acute. However this is not by any means an excuse for non compliance with the law.

Tax Penalties

When the Insurance Department finds upon examination that business has not been filed and taxes have not been paid, they asses a penalty of 1 percent per month. Since the examination may take place several years after the business was written, it is obvious that the tax plus penalty can be a severe burden to the surplus line broker.

Non-Filing with Stamping Office

In addition to the non-payment of taxes, the failure to file with the Stamping Office involves (even though it is not wilfull) non-compliance with the Surplus Line Law and the inability of the Stamping Office to

October 12, 1973

properly review the submission.

Violation of Constitution of the Association

While this may seem to be a problem of the individual member, it does go further than that - non compliance by any member reflects on the Association as a whole.

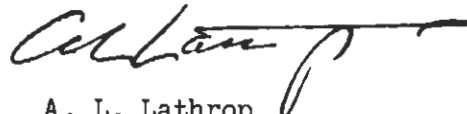
May we also call to your attention the first object of the Association, which is to encourage compliance by members of the Association with laws, rules and regulations pertaining to surplus line insurance.

This general subject has been called to the attention of the Stamping Office and Contact Committee and by that Committee to the Executive Committee and these committees are disturbed.

Suggestion for Future Compliance

It is important for each surplus line broker to set up a proper system to handle his surplus line business. In order to assist all of the members in knowing what companies are admitted and what companies non-admitted, we are attaching the latest printed list of the admitted insurers. If you have any company in question, please call the Stamping Office.

We urge you to see that this bulletin is referred to all of your personnel who may be involved in surplus line filings.



A. L. Lathrop
Manager

Enc.