

THE SURPLUS LINE ASSOCIATION
OF CALIFORNIA

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March 8, 1979

No. 373

BULLETIN TO ALL MEMBERS

Re: Filing and Taxes Payable on Pleasure Vessels

We want to again call your attention to the change in the definition of "ocean marine insurance" which was previously covered in Bulletin #310 dated June 19, 1970. A copy of the Department's letter dated June 11, 1970 with accompanying reference from the Revenue and Taxation Code is attached.

Based on this change of definition, risks covering pleasure vessels are subject to state tax and filing with this office.

Very truly yours,

A. B. Herrick
A. B. Herrick
Manager

AH:rjb
encl.

DEPARTMENT OF INSURANCE

1407 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94103

1970 JUN 15 AM 9:23

SURPLUS LINE
ASSN OF CALIF.

June 11, 1970

Mr. A. L. Lathrop, Manager
The Surplus Line
Association of California
315 Montgomery Street
San Francisco, California 94104

Re: Definition of "Ocean Marine Insurance" -
Insurance Code Section 1760.5(b)

Dear Mr. Lathrop:

This letter will serve to give your Association formal notice of the Department's position regarding the recent amendment to the Revenue and Taxation Code and to reduce to writing our various conversations on subject matter.

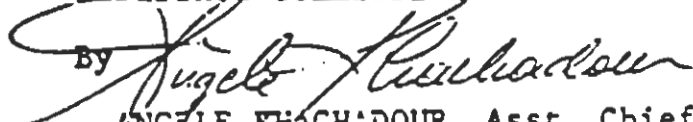
California Revenue and Taxation Code Section 12002 contains the definition of ocean marine insurance used for tax purposes. This section was recently amended to specifically exclude from the definition "a hull, which is not a documented vessel registered with the Transportation Department of the United States; or anything carried in, attached to, used in transportation of, or any risk written in connection with such hull." This amendment was designed primarily to overcome the ambiguities existing in the definition. Unfortunately, Section 1760.5(b) of the Insurance Code was not likewise amended.

Since the definition of ocean marine insurance as stated in the Revenue and Taxation Code controls insofar as the tax due by the broker is concerned, it has been decided to incorporate this amendment in Section 1760.5(b) beginning on July 1, 1970. Hereafter insurance on such "pleasure vessel" may be placed by and through a surplus line broker and reported to the Insurance Commissioner accordingly.

Very truly yours,

RICHARDS D. BARGER
Insurance Commissioner

By


ANGELE KHACHADOUR, Asst. Chief
Legal and Compliance Division

AK:hcr

12002. "Ocean marine insurance." "Ocean marine insurance" means insurance written within this state upon hulls, freights or disbursements, or upon goods, wares, merchandise, and all other personal property and interests therein, in course of exportation from, importation into any country, or transportation coastwise, including transportation by land or water from point of origin to final destination in respect to, appertaining to, or in connection with, any and all risks or perils of navigation, transit or transportation, any portion of which exportation, importation, transportation, navigation, transit, or shipment is upon any ocean, and upon the property while being prepared for and while awaiting shipment, and during any delays, storage, transshipment or reshipment incident to or in connection with the shipment of transportation. "Ocean marine insurance" includes marine builders and war risk insurance."

"Ocean marine insurance" does not, for the purpose of taxation of such insurance as provided in subsection (g) of Section 14 4/5 of Article XIII of the Constitution, include insurance written upon:

- (a) A hull, which is not a documented vessel registered with the Transportation Department of the United States; or
- (b) Anything carried in, attached to, used in transportation of or any risk written in connection with any hull defined in (a) above, unless:

The insurance is upon a customary ocean marine form and such hull and risks mentioned in (b) above are covered for one who is in the business of:

- (1) Renting or chartering boats;
- (2) Using boats himself for commercial purposes; or
- (3) Building or repairing boats.

Insurance not included in "ocean marine insurance" by this section shall be taxed in accordance with the other provisions of Section 14 4/5 of Article XIII of the Constitution.

The 1969 amendment of this section shall be construed as a restatement and continuation of the law existing prior to such amendment.