



**THE SURPLUS LINE ASSOCIATION
OF CALIFORNIA**

388 MARKET STREET, 11TH FLOOR
SAN FRANCISCO, CA 94111

THEODORE M. PIERCE
EXECUTIVE DIRECTOR

JOY ERVEN
DIRECTOR, STAMPING OFFICE

January 20, 2005

BULLETIN #1061

TELEPHONE
(415) 434-4900
(800) 334-0491
FAX
(415) 434-3716
www.slacal.org

RE: INVOICE DATE REQUIRED ON ALL SLA FILINGS

The California Department of Insurance (CDI) requests that all Surplus Line Brokers include their invoice date in addition to the effective date associated with all policies and endorsements filed with the SLA.

The California Insurance code (Sec. 1774 (c)) defines the broker's invoice date as, "the date on which the surplus line broker transacting a policy prepares a bill or invoice for payment of all or part of the premiums due ...".

The CDI also advises that the "invoice date" and not the "effective date" of the policy or endorsement is the date to use when determining when state premium tax is to be remitted.

Three options are available to Surplus Line Brokers to submit the invoice date information to the SLA as follows:

- (1) Write the invoice date on the batch cover sheet;
- (2) Write the invoice date on the declaration page; or
- (3) Attach a copy of the invoice to the policy or endorsement.

This new requirement will be implemented in two phases. Surplus Line Brokers are advised to include invoice dates beginning with SLA filings post marked February 21, 2005. SLA filings post marked March 21, 2005 and thereafter without the invoice date will be tagged.

For further assistance, please contact me at (415) 434-4900, ext. 132, or Keith Kuzmich, Chief of the CDI Licensing Services Division, at (916) 492-3511.

Theodore M. Pierce
Executive Director

Attachment

DEPARTMENT OF INSURANCE

ADMINISTRATION & LICENSING SERVICES BRANCH
300 CAPITOL MALL, SUITE 1600
SACRAMENTO, CA 95814
(916) 492-3072
(916) 327-3482 [FAX]
www.insurance.ca.gov



January 12, 2005

Mr. Theodore M. Pierce
Executive Director
The Surplus Line Association of California
388 Market Street, 11th Floor
San Francisco, CA 94111

Dear Mr. Pierce:

The California Department of Insurance's (CDI) Premium Tax Audit Bureau conducts premium tax audits of insurers. Recent audits revealed that surplus line brokers are sometimes not correctly submitting the state tax on their surplus lines business. The incorrect amounts appear to be occurring because the brokers believe that the "effective date" of the policy or endorsement is the date to use when determining when state tax is to be remitted rather than the invoice date, as required by the California Insurance Code.

Specifically, Section 1774(c) of the California Insurance Code states that the date on which the surplus line broker transacting a policy prepares a bill or invoice for payment of all or part of the premiums due shall be considered the date on which that business was done or transacted, subject to paragraph (d). This date shall be shown on the face of the bill or invoice and shall be referred to as the "invoice date."

After discussion with both staff from the CDI and the Surplus Lines Association (SLA), it was agreed that the best way to rectify this situation is for the SLA to bulletin its members requesting them to include both the effective date and the invoice date in addition to the effective date on all surplus line policies and endorsements submitted to the SLA. The three options available to the surplus line brokers to submit the invoice date information to the SLA are as follows: (1) writing the invoice date on the batch cover sheet; (2) writing the invoice date on the declaration page; or (3) attaching a copy of the invoice to the policy or endorsement.

Consequently, we request that the SLA amend its Plan of Operation to reflect the collection of this data for the CDI.

Please contact Keith Kuzmich, Chief of the CDI's Licensing Services Division, at (916) 492-3511, if you have any questions regarding this matter.

Sincerely,

A handwritten signature in cursive script that reads "Dennis C. Ward".

Dennis C. Ward,
Deputy Commissioner

cc: Keith Kuzmich, Chief, Licensing Services Division