

# STATE OF COLORADO

DEPARTMENT OF REGULATORY AGENCIES

## DIVISION OF INSURANCE

1560 Broadway, Suite 850  
Denver, Colorado 80202



### Bulletin No. B-2.10

#### Nonadmitted and Reinsurance Reform Act of 2010

##### I. Background and Purpose

The purpose of this bulletin is to provide surplus lines brokers with the Colorado Division of Insurance's (Division) surplus lines premium tax reporting procedures that will be effective July 21, 2011.

Bulletins are the Division's interpretations of existing insurance law or general statements of Division policy. Bulletins themselves establish neither binding norms nor finally determine issues or rights.

##### II. Applicability and Scope

This bulletin applies to all surplus lines brokers that are regulated by the Colorado Division of Insurance. The language of the Nonadmitted and Reinsurance Reform Act of 2010 (NRRA) states that "No State other than the home state of an insured may require any premium tax payment for nonadmitted insurance". The NRRA also permits states to enter into a compact or otherwise establish procedures to allocate the premium taxes paid to an insured's home state.

##### III. Division Position

Colorado's "Nonadmitted Insurance Act" was not amended during the 2011 legislative session; consequently, the Division will not be entering into a compact or establishing procedure to allocate among the states the premium taxes that are paid to Colorado. Most of the Division's surplus lines premium tax reporting procedures that were effective prior to July 21, 2011 will remain applicable. The exception to the Division's current procedures is for an insured whose home state is not Colorado but the insurance policy covers risks or exposures located in Colorado.

The broker should not include a surplus lines policy on their monthly report, unless:

- The insured's home state is Colorado:
- The insured's home state is not Colorado, but the insurance policy covers risks or exposures located in Colorado, and
  - 100% of the insured risk is located outside the insured's home state, and
  - the greatest percentage of the taxable premium for that policy is payable to Colorado

For the purposes of application of this standard:

- The policy's premium tax will be based upon the premium for the risk and exposures located in Colorado.
- The premium for the risk and exposures located outside of Colorado will not be taxed by Colorado

Thus, if the insured's home state is Colorado and the insurance policy covers risk and exposures located both in Colorado and a state other than Colorado the broker will include that policy on their monthly report. The policy's premium tax will be based upon the premium for the risk and exposures located in Colorado. The premium for the risk and exposures located outside of Colorado will not be taxed. Further, if all of the risk is located outside the insured's home state, and the majority of that risk is located in Colorado, the broker will include that policy on their monthly report and Colorado will assess premium taxes for the risk and exposures located in Colorado, but will not tax for the risk and exposures located outside of Colorado

#### **IV. Additional Division Resources**

##### **A. For More Information**

Colorado Division of Insurance  
Corporate Affairs  
1560 Broadway, Suite 850  
Denver, CO 80202  
Tel. 303-894-7499  
Internet: <http://www.dora.state.co.us/insurance>

##### **B. Related DOI Regulations**

Colorado Insurance Regulation 2-4-1; Concerning Surplus Lines Insurance Issued By Nonadmitted Insurers

#### **V. History**

Issued July 25, 2011