



COMMONWEALTH OF MASSACHUSETTS
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Date: October 9, 2018

To: All Licensed Massachusetts Surplus Lines Special Insurance Brokers

*****NOTICE REGARDING IMPORTANT CHANGES TO SURPLUS LINES PREMIUM
FEE REPORTING PROCEDURES*****

On August 10, 2018, Governor Baker signed House Bill 4732 into law (Chapter 228 of the Acts of 2018). The legislation changes the method of reporting surplus lines premium fees due to the Commonwealth on business written by Special Insurance Brokers licensed in Massachusetts as follows:

SECTION 29. Section 168 of chapter 175 of the General Laws, [The Commonwealth's Special Insurance Brokers statute], as appearing in the 2016 Official Edition, is hereby amended by striking out subsection (d) and inserting in place thereof the following subsection:

(d)(1) Each person so licensed shall keep a separate account of the business done under the license and shall file forthwith a certified copy of each such account with the commissioner. Each account so filed shall include, but not be limited to: (i) the exact amount of such insurance placed for each person whose home state is the commonwealth; (ii) the gross premium charged for such insurance; (iii) the company that issued the insurance policy; (iv) the date and term of each policy; and (v) a report in the same detail of each cancelled policy, with the gross return premiums thereon.

(2) Each person so licensed shall, annually, not later than January 31, file a sworn statement with the state treasurer providing the gross premiums charged for insurance procured or placed and the gross return premiums on such insurance cancelled under the license during the year ending on December 31 last preceding. At the time of filing such statement, each person licensed as a special insurance broker shall pay a fee to the commonwealth in an amount equal to 4 per cent of such gross premiums, less such gross return premiums, on properties, risks or exposures located or to be performed in the commonwealth or any other state if the insured's home state is the commonwealth.

Chapter 228 of the Acts of 2018 was declared to be an emergency law and as such became effective on August 10, 2018.

In brief, effective August 10, 2018 the annual premium tax due the Commonwealth for all multi-state policies written with policy effective dates on or after August 10, 2018 by Massachusetts Special Insurance Brokers for which Massachusetts is the home state of the insured will be calculated at a flat rate of 4% of gross premium, regardless of whether the risks are located within or outside of Massachusetts. For multi-state policies written with policy effective dates before August 10, 2018, where Massachusetts is the home state of the insured, Massachusetts risks are to be taxed at the 4% rate while risks located outside the Commonwealth are to be taxed at the rates applicable to that portion of the premium allocated to the respective states or territories.

Additional instructions, updated NAIC OPTins filing forms and guidance related to surplus lines premium fee reporting for Calendar Year 2018 will be forthcoming. In the meantime, if you have questions, contact the Surplus Lines Audit Section at 617.521.7348 or email surpluslinesaudit@mass.gov.