DATE: September 1, 2006

TO: To all Resident and Non-Resident Licensees

FROM: Kenneth A. Rudert – Executive Director  KAR

SUBJECT: Elimination of Stamping Fee Refund

Notice to all resident and non-resident surplus lines licensees placing surplus lines insurance in the Commonwealth of Pennsylvania. Effective October 1, 2006, PSLA will no longer return the flat, annual, non-refundable stamping fee as has been done voluntarily for several years. We are taking this step for a number of reasons. We have evaluated the time and expense to the stamping office to correct errors and omissions. We will continue to make corrections upon request in order to maintain data base integrity, but the voluntary stamping fee refund will cease. With the introduction of electronic filing, surplus lines licensees are now able to review and edit their own records prior to submission to PSLA, which should prevent errors and eliminate the need for stamping fee refund.

The reasons for the frequent requests to correct mistakes come from a variety of sources.

- Revisions – this function should be accomplished by issuing endorsements to amend the original record, effecting cancellations followed by rewrites or entering a revised filing. If still submitting paper, make certain the revised filing is properly identified to prevent creating a duplicate filing.

- Merger and acquisition activity, taking over a book of business and other events that involve license number changes, can trigger assignments of new customer IDs. This means runoff activity pertaining to the residual business of the former entity and new ongoing business of the new entity must be separated for the balance of the period of the runoff in order to keep this activity separate. The monthly reports (1620) and the premium tax returns (RCT123) also require separate handling. (Refer to page 25 of the Procedure Manual)

- Retail producer agencies with their own surplus lines licenses run into a unique problem when they book an account through a surplus lines wholesaler. More often than not, PSLA winds up with two filings on the same account or worse yet, none at all. It is the responsibility of the surplus lines licensee wholesaler to complete the surplus lines affidavit and the retailer functioning as the producer to complete the producer affidavit only (whether they hold a surplus lines license or not). Retail agencies should always verify the origin of how the surplus lines insurance carrier was accessed before completing the affidavits. The responsibility of this process not only rests with the retail producer representing the insured, but also, rests especially with the surplus lines wholesaler responsible for the overall surplus lines filing being done in compliance with the law. (Refer to Section II, page 6 of the Procedure Manual)

- It is not necessary to attach an affidavit form to an endorsement amending the original filing. It is not required and frequently triggers a duplicate filing problem. The simple requirements for processing endorsements are outlined in our Procedure Manual on page 21.
• We receive an alarming number of erroneous filings on placements with licensed admitted carriers. Always make certain that the placement in question is with a surplus lines insurance carrier that requires filing. It would be wise for all licensees to make certain of the carrier status before preparing a filing.

Be aware that unnecessary continuous expense such as outlined must be controlled to mitigate future stamping fee increases, which is in the best interest of the insurance buying public. We trust you will understand our position on this matter and our request for your cooperation.

Remember our Motto:

VALIDATE BEFORE YOU SUBMIT