DATE: June 30, 2011
TO: All Surplus Lines Agencies
FROM: Kenneth A. Rudert, Executive Director
SUBJECT: Nonadmitted and Reinsurance Reform Act (NRRA)

In preparation for the July 21, 2011 effective date of the subject Act, Senate Bill # 1096, P.N. # 1291 and Senate Bill # 1097, P.N. # 1279 was signed by Governor Corbett today, June 30, 2011, granting the Commonwealth the authority to tax 100% of the premium for a multi-state risk in which Pennsylvania is the “home state” of the insured. Pennsylvania has elected to begin this procedural change effective July 1, 2011 for more clear-cut and precise tax and accounting purposes.

We would remind all surplus lines licensees that the changes involved will affect multi-state risks with a policy effective date of July 1, 2011 and thereafter. With these risks, the usual 3% tax on gross premiums will be applied to the total premium (100% of the total U.S. premium) rather than the allocated portion of Pennsylvania premium when Pennsylvania is deemed the “home state”. In addition, the applicable Pennsylvania surplus lines filing will still be required when Pennsylvania is the “home state”. This is what is referred to as the “home state rule” by the NRRA. The following links are a copy of the NRRA and a copy of Senate Bill # 1096 and Senate Bill # 1097. It should also be noted that when a multi-state risk is placed in a state other than Pennsylvania and that state is deemed the “home state”, Pennsylvania will not require any documentation as the expectation is that this will be filed and taxed in the appropriate “home state”.

A number of states have passed legislation enabling their Insurance Departments to enter into a multi-state agreement to apportion surplus lines taxes collected with other states that have entered the same multi-state agreement. Pennsylvania’s legislation, like some other states, does not enable the Insurance Department to enter into such agreements without a statutory amendment. Due to the delayed timing of all of these events, this Bulletin is for notification purposes only, we will be forwarding more specific details to your attention shortly.

KAR/ds