



December 30, 2024

Ms. Courtney Khodabakhsh  
Chair, NAIC Producer Licensing Uniformity (D) Working Group  
Delivered Via Email -- [Courtney.Khodabakhsh@oid.ok.gov](mailto:Courtney.Khodabakhsh@oid.ok.gov)

RE: State Licensing Handbook – Surplus Lines Chapter Revisions

Dear Ms. Khodabakhsh:

The Council of Insurance Agents and Brokers (“Council”) and the Wholesale & Specialty Insurance Association (“WSIA”) appreciate this opportunity to weigh in on updates to the Surplus Lines Producer License chapter of the State Licensing Handbook. Surplus lines licensing is an area where we see inconsistent state approaches and legal interpretations, lack of education about how the market operates, and a resulting uptick in compliance challenges and unwarranted enforcement activity. We look forward to working with you to address these issues and to promote greater uniformity across states.

The NAIC’s Nonadmitted Insurance Model Act (#870) includes a framework for surplus lines licenses. It states:

A person shall not *procure* a contract of surplus lines insurance with a surplus lines insurer unless the person possesses a current surplus lines insurance producer license issued by the commissioner. (emphasis supplied).

“Procure” is not defined in the Act, but common dictionary meanings include: obtain, find, get, acquire and secure. Under Model #870, to obtain a license, producers must:

- (1) Hold an underlying property/casualty license;
- (2) Submit a completed application and annual fee;
- (3) Hold a bond or errors and omission (E&O) coverage; and
- (4) For resident producers, establish and maintain an office in the state.

Reciprocity for nonresident surplus lines licensees is the same as it is for producer licenses.

This framework establishes some key principles and parameters for surplus lines licensing:

- (1) The licensure obligation is triggered by “procuring” or going to surplus lines insurers to get coverage. The core licensable activity is carrier-facing, *not* consumer facing; and
- (2) The surplus lines license category is separate and distinct from the producer license category (with the underlying requirement that the surplus lines licensee will have both).

Unfortunately, many states’ laws do not follow the Model’s “procure” approach and the distinction between surplus lines licenses and producer licenses has become blurred. Some states, for instance, use “place” as the licensing trigger for surplus lines; others use “act/transact;” and perhaps most confusing, several use “sell, solicit and negotiate” – the same triggers as the producer license.

As the current State Licensing Handbook recognizes, surplus lines coverage can be placed under either of the following producer scenarios –

*Scenario 1: Multiple Producers (Wholesale Model)*

In this scenario, a “retail” producer holding only a property/casualty (P/C) producer license cannot find coverage for an insured in the admitted market. They reach out to a “wholesale” broker who holds both a P/C producer license and a surplus lines license to procure coverage from the nonadmitted market. The wholesale broker does all of the carrier-facing work to place the policy.

*Scenario 2: Single Dual-Licensed Producer (Retail Model)*

In this scenario, a single producer holding a P/C producer license and a surplus lines license works directly with the insured *and* the nonadmitted carrier. The dual licenses enable the producer to simultaneously act on behalf of the insured to secure coverage and to negotiate coverage with a nonadmitted carrier.

At times we have seen states require in the first scenario that the retail producer hold a surplus lines license. But this is flatly inconsistent with Model #870, under which only the producer who goes to the nonadmitted market to procure the coverage requires the additional surplus lines license. The current State Licensing Handbook alludes to this issue, but unfortunately does not make a strong recommendation to states about the proper approach (see our suggested revisions in Appendix A).

States’ divergent, confusing stances on surplus lines licensing is resulting in industry-wide uncertainty and a rise in unjustified enforcement activity. Even when producers and agencies do their best to be in compliance, they often have a difficult time understanding states’ legal interpretations and expectations around surplus lines licensing (e.g., in some states, regulators have issued clarifying guidance, but the guidance does not always comport with the state’s law or regulations). As a result, industry and insurance departments are expending valuable time and resources on audits and settlement agreements that do not actually solve go-forward industry-wide compliance challenges that are based on legal uncertainty.

Finally, requiring producers to maintain additional licenses without sufficient legal or policy justification is costly and onerous to administer with applications, fee remittance, renewals, etc. It adds real costs to the system, which ultimately are paid for by consumers, and can dissuade producers from operating in some jurisdictions – an ultimate loss in competition, market access and choice for consumers.

In addition to suggested updates related to licensing, we also propose revisions on several other topics in Appendix A to provide consistency with legal and industry terminology, eliminate guidance that is no longer relevant, and update state requirements that have changed since Chapter 10 was last revised.



We urge the Working Group to help promote uniformity by putting additional detail and clarity in the State Licensing Handbook and by encouraging states to adhere to the framework and principles laid out in Model #870.

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Based on the foregoing, we have included suggested redlines of the surplus lines licensing chapter in Appendix A. We appreciate your consideration and look forward to working with you on this effort.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joel Wood".

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## APPENDIX A: PROPOSED REVISIONS TO SURPLUS LINES LICENSING CHAPTER

### Chapter 10

#### Surplus Lines Producer Licenses

In order to operate in a state, property/casualty (P/C) insurance companies are generally categorized in one of two ways. An admitted company obtains a certificate of authority to operate in a given state, and it is fully subject to and regulated by the laws of the state. Its policyholders are protected, at least to some extent, by the state's guaranty fund.

~~A nonadmitted company, otherwise known as a~~ surplus lines company ~~is a nonadmitted company that~~, has limited authority to operate in a given state. These companies ~~may be~~ required to be eligible in a state, but they are ~~subject to significantly less regulation~~ regulated differently than standard or admitted companies. States allow surplus lines companies to operate because they recognize that certain types of insurance, or insurance at certain amounts, are not available from admitted companies and they want to expand insurance coverage capacity beyond what the admitted market can provide. Generally, surplus lines companies are not subject to rate and policy form regulation, and their policyholders are not covered by state guaranty funds.

Under the Nonadmitted Insurance Model Act (#870), a producer who goes to the surplus lines market to procure an insurance contract from a nonadmitted carrier requires a surplus lines license. Uniform Licensing Standards (ULS), a producer who wishes to engage in the sale of surplus lines insurance (SLI) must first obtain a surplus lines producer license. Under Model #870 and the Uniform Licensing Standards (ULS), the surplus lines license is a separate and distinct licensure category from producer licenses and has a different licensable activity trigger, i.e., procuring nonadmitted coverage, versus general sales/solicitation/negotiation activities. this is considered a surplus lines license is a license type and not a line of authority (LOA); ~~however, in some states, it is treated as an LOA~~. Model #870 and the ULS require that a resident producer hold both property and casualty LOAs before an SLI producer license can be issued producer hold a valid property/casualty producer license in order to obtain a surplus lines license. Surplus lines licenses are not required for producers who do not access the nonadmitted market to secure coverage. Under the previous reciprocity provisions of the Gramm-Leach-Bliley Act (GLBA), surplus lines producers were entitled to reciprocal licensing if they were licensed for surplus lines and in good standing in the producer's home state. The NAIC uniform application is to be used for application as a surplus lines producer.

**Commented [JK1]:** Suggest removing this sentence because current reciprocity approach is discussed below.

Some states also require a resident producer placing surplus lines insurance (SLI) to complete an examination or post a bond. However, to comply with the reciprocity provisions of Section 8 of the *Producer Licensing Model Act* (#218), these requirements cannot be imposed on nonresidents. States cannot impose an additional continuing education (CE) requirement on nonresident SLI producers.

#### I. The Nonadmitted and Reinsurance Reform Act

The federal Nonadmitted and Reinsurance Reform Act (NRRA) was signed into law by President Barack Obama on July 21, 2010, as part of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), 12 U.S.C. § 5301. The NRRA set federal standards for the collection of surplus lines premium taxes, insurer eligibility, producer licensing, and commercial purchaser exemptions. This federal law provided states with one year to implement the required changes and mMost of the provisions of the NRRA went into effect on July 21, 2011.

For licensing of surplus lines brokers, the most significant change was to limit the licensing requirements to only the home state of the insured. Specifically, to place a surplus lines multistate risk policy, the broker only needs to be licensed as a surplus line broker in the insured's home state, not in all of the states where the policy risk is located. The NRRA defines the home state of the insured as "(i) the state in which an insured maintains its principal place of business or, in the case of an individual, the individual's principal residence; or (ii) if 100% of the premium of the insured risk is located out of the state referred to in clause (i), the state to which the greatest percentage of the insured's taxable premium for that insurance contract is located." The definition goes on to clarify that, with respect to affiliated groups, "[i]f more than one insured from an affiliated group are named insureds on a single non-admitted insurance contract, the term 'home state' means the home state, as determined pursuant to [clauses (i) and (ii) above], of the member of the affiliated group that has the largest percentage of premium attributed to it under such insurance contract."

The NRRA also prohibits a state from collecting fees relating to the licensing of a surplus lines broker unless the state participates in the NAIC's national insurance producer database for surplus lines broker licensure by July 21, 2012. Currently, all states accept applications and renewals for surplus lines broker licenses for individuals and business entities through the National Insurance Producer Registry (NIPR). ~~and all but one state accept applications and renewals for surplus lines broker licenses for business entities.~~

## II. Surplus Lines Distribution Systems

SLI is generally produced through one of two distribution systems. One, generally referred to as a retail distribution system, involves a single ~~broker-producer~~ accessing the surplus lines company directly to place insurance. The second, generally referred to as a wholesale distribution system, involves a surplus lines broker that operates as an intermediary between a ~~retail agent-producer~~ and a surplus lines company.

In the retail distribution system, there is only one producer in a transaction, so that producer would need to hold two licenses, property/casualty producer license and a surplus lines license, and would conduct the diligent search of the admitted markets prior to accessing the surplus lines markets, unless there is some exception, such as a statutory exemption, a large commercial purchaser or an export list.

In the wholesale distribution system, the diligent search is ~~often~~ conducted by the retail ~~broker-producer~~, who determines that there is no admitted market prior to contacting the surplus

**Commented [JK2]:** Throughout, we suggest using "producer" as the proper term for the individual holding the P/C producer license for sale/solicitation/negotiation activity, and to clearly distinguish between the surplus lines/wholesale "broker" who holds the surplus lines license to procure nonadmitted coverage.

lines wholesale broker; however, some states have different requirements. In this system, the retail broker-producer and the wholesale broker are performing different activities. The wholesale broker, as the producer who accesses the surplus lines company to secure the coverage, would be licensed with both a property/casualty license and a surplus lines license. The retail broker-producer, however, does not access or otherwise engage with the surplus lines company directly and therefore only needs the property/casualty producer license.

The vast majority of the states take the position that a ~~broker-producer~~ conducting a diligent search would need a P/C ~~agent's-producer's~~ license because it is necessary to solicit insurance, take an application, and make a submission to an admitted company. Many states Consistent with Model #870, states should ~~do~~ not require a retail producer to obtain a surplus lines broker's license unless the broker is going to access the surplus lines companies directly. There are a couple of states that No states require a retailer to have a surplus lines license before using the services of a surplus lines wholesale broker – an approach that would be inconsistent with the Model #870 framework.

### III. Diligent Search Requirements

The vast majority of states require a “diligent search” of the admitted market to determine if there is an admitted carrier willing to write the risk, prior to accessing the surplus lines markets. A couple of fourSome states, however, (LA, MS, VA and WI) have abolished/eliminated the diligent search requirement for commercial risks or for all lines, while other states have exempted certain risks altogether, such as Florida, which does not require diligent effort for commercial risks. Others provide an exemption for diligent search requirements in cases where the business was referred from a retail producer to an unaffiliated surplus lines broker. Still others provide exemptions when the producer attests to knowledge of the market.

Many states require that producers search those admitted companies that are actually writing the coverages sought. If there is no admitted carrier willing to write the risk, the risk can be placed in the surplus lines markets. Many states require an affidavit to be completed documenting that the diligent effort was completed. Recently, however, most a number of states have replaced the affidavit, which was sworn under penalty of perjury, with a report from the surplus lines licensee that the diligent search was conducted. Some states have also replaced the requirement that the affidavit, or report, be filed with the insurance department or Surplus Line Association (SLA) with a requirement that the report of the diligent search be maintained in the office of the broker and available for audit by the insurance department.

Many states specify that the diligent search can be conducted by the retail ~~broker-producer~~ commonly called producing broker, when a surplus lines wholesaler accesses the surplus lines markets. The retail ~~broker-producer~~ has access to admitted markets and works directly with the insured, whereas, The retailer uses the services of a surplus lines wholesale broker only after the retail ~~broker-producer~~ has determined that the admitted markets are not willing to underwrite the risk. and therefore the surplus lines wholesale broker is only accessing the surplus lines market.

**Commented [JK3]:** We think there are good policy reasons to eliminate diligent search requirements altogether, but especially for commercial risks. Retail producers do not have incentive to go to the surplus lines market unless they have to (i.e., admitted coverage really isn't available). It also can be difficult and burdensome on admitted carriers to provide declinations over and over again on low-dollar premium risks. Ultimately, these requirements do not serve a compelling public policy purpose, but they do put a real burden on stakeholders across the industry.

**Commented [JM4]:** Revised for recent developments among the states in diligent search reform.

**Commented [JM5]:** Suggest deleting because reference to “broker” could be confusing.

~~The most common~~ Several states require diligent search standard requires declinations from three admitted carriers to demonstrate a diligent search of the admitted market, but as many as five and as few as one are required in limited other states. ~~Other~~ Some states simply require the producing broker/producer to make an effort, a reasonable effort or a good faith effort, to place the coverage in the admitted markets. A couple states require that the insurance not be procurable after a diligent effort has been made to place the coverage among a majority of insurers, but this standard has been called into question as unclear and impractical. A number of exceptions to the diligent search requirement exist in state law, and the NRRA implemented a national exception to the diligent search rules for insureds that qualify as exempt commercial purchasers (ECPs). Twenty-two states have laws authorizing an "export list" of coverages that the insurance commissioner has determined are not generally available in the admitted markets. Coverages on the export list can be placed in the surplus lines market without a diligent search. In some states, the state insurance department is required to conduct an annual public hearing regarding the export list. The purpose of the hearing is to take testimony on the export list to determine whether any items should be added or removed.

The former NARAB (EX) Working Group updated the NAIC's standard for determining compliance with the GLBA's previous reciprocity provisions. In a report that was adopted by the NAIC in September 2009, the Working Group refined its approach to reciprocity relating to any underlying P/C licensing requirements for nonresident surplus lines producers. The Working Group determined that if a state requires the surplus lines producer to perform the diligent search of the admitted market, then the state may require the nonresident surplus lines producer to obtain an underlying nonresident P/C license in addition to a nonresident surplus lines license. However, the Working Group determined that a state may not require a nonresident surplus lines producer to also obtain a nonresident P/C license if they do not perform the diligent search. Many surplus lines producers-brokers do not perform diligent searches because the retailer has already conducted the diligent search, and the law does not require a second diligent search. In such instances, the surplus lines producer is not accessing the admitted market. Consequently, the Working Group determined that it was inconsistent with the previous GLBA reciprocity requirements to require an underlying P/C license for a surplus lines wholesale broker unless they are required by law to conduct a diligent search or conduct diligent searches in their agency.

The NRRA established a single ECP exemption from state diligent search requirements that is applicable in every state. As of July 21, 2011, a diligent search in the admitted market is not required to place a policy for an ECP if: 1) the broker has disclosed to the ECP that coverage may be available from the admitted market, which may provide greater protection with more regulatory oversight; and 2) the ECP has requested in writing that the broker procure/place such coverage with a surplus lines insurer.

An ECP is defined in the NRRA as a purchaser of commercial insurance that:

1) employs or retains a qualified risk manager to negotiate insurance coverage; 2) has paid aggregate nationwide commercial P/C insurance premiums in excess of \$100,000 in the immediately preceding 12 months; and 3) meets at least one of the following criteria: (i) possesses a net worth in excess of \$20 million (as adjusted for inflation); (ii) generates annual revenues in excess of \$50 million (as adjusted for inflation); (iii) employs more than 500 full-time employees

**Commented [JM6]:** Suggest deleting because reference to "broker" could be confusing.

**Commented [JM7]:** We are unaware of any states that utilize this standard but would agree that that practice is unclear and impractical.

**Commented [JM8]:** There are 17 states with active export lists. Three others have yet to exercise their statutory authority to create an export list.

**Commented [JM9]:** Consider clarification. In wholesale transactions, it is always the retailer who actually conducts the diligent search because they have relationships with and knowledge of the admitted market. Retailers seek solutions through wholesalers because they are unable to find options in the admitted market.

per individual insured or is a member of an affiliated group employing more than 1,000 employees in the aggregate; (iv) is a not-for-profit organization or public entity generating annual budgeted expenditures of at least \$30 million (as adjusted for inflation); or (v) is a municipality with a population of more than 50,000.

Under the NRRA, the thresholds for the ECP exemptions shall be adjusted every five years. Current thresholds can be found on the Documents page for the Surplus Lines (C) Task Force.

A number of states elected to maintain their statutory exemptions from diligent search requirements, which were sometimes known as industrial insured exemptions. If the state's industrial insured exemption was more liberal than the NRRA ECP exemption, then the state's requirements were not in conflict with the NRRA, and the exemption in the NRRA would not apply.

SLI producers are routinely subject to additional state administrative requirements that are considered to be outside the scope of licensing reciprocity considerations or the ULS. The regulations regarding the administration of surplus lines are different from other types of insurance (TOIs) because states typically require the licensed surplus lines producers to perform certain compliance activities that would usually be the responsibility of the licensed insurance company in a transaction in the admitted market. In a surplus lines transaction, the compliance obligations are imposed upon the producer because the producer is the licensed party. The surplus lines insurer is unlicensed and often referred to as a "nonadmitted insurer" in some states or "unauthorized insurers" in other states.

There are additional administrative requirements in some states for licensed surplus lines producers that apply once the coverage is placed. These may include:

1. Filing reports with state insurance departments or state stamping offices of placements made.
2. Collecting and paying surplus lines premium taxes.
3. Maintaining a record of all surplus lines placements made.
4. Providing the insured with a disclosure stating that the policy he or she has purchased is being issued by an insurer that is not licensed in the state, is not subject to the financial solvency regulation and enforcement that apply to the state's licensed insurers, and does not participate in any of the insurance guarantee funds created by the state's law.
5. Using a designated stamping office.
6. Including declaration or binder pages with the surplus lines tax filings.
7. Filing a report stating that no policies were written that are known as "zero reports," as discussed later in this section.

In order for a producer to place business in the surplus lines market, the producer must first determine that the company is an eligible surplus lines company in a given state. Prior to the enactment of the NRRA, state eligibility standards varied widely from state to state.





~~Most states require that a surplus lines company be deemed “eligible” by meeting certain financial criteria or by having been designated as “eligible” on a state maintained list. Prior to the enactment of the NRPA, state eligibility standards varied widely from state to state.~~

As of July 21, 2011, a surplus lines transaction is subject only to the eligibility requirements of the NRRA. The NRRA eligibility requirements are based on two provisions from the *Nonadmitted Insurance Model Act* (#870).

Specifically, the NRRA requires surplus lines carriers to comply with Section 5A(2) and Section 5C(2)(a) from Model #870, which require an insurer to be authorized in its domiciliary state to write the TOI that it writes as surplus lines coverage in the state where it is eligible and to have capital and surplus, or its equivalent, under the laws of its domiciliary jurisdiction equaling the greater of: 1) the minimum capital and surplus requirements under the law of the home state of the insured; or 2) \$15 million. The insurance commissioner in the insured's home state may reduce or waive the capital and surplus requirements down to a minimum of \$4.5 million after the insurance commissioner makes a finding of eligibility based on several factors set out in Model #870, such as the quality of management, the surplus of a parent company, and the reputation within the industry.

In addition to eligibility requirements for U.S. domiciled insurers, the NRRA requires states to permit the placement of surplus lines coverage with surplus lines companies organized in a foreign country, alien insurers, that are listed on the NAIC *Quarterly Listing of Alien Insurers*. The states cannot prohibit a broker from making a placement with an NAIC-listed alien insurer. A state also may allow placement of coverage with alien insurers not on the NAIC *Quarterly Listing of Alien Insurers*. A number of states have authority to individually approve an alien carrier that is not listed on the NAIC *Quarterly Listing of Alien Insurers*.

The NAIC *Quarterly Listing of Alien Insurers* is available for reference and download on the NAIC Products – AVS, Data & Publications website at [http://www.naic.org/prod\\_serv\\_alpha\\_listing.htm](http://www.naic.org/prod_serv_alpha_listing.htm).

#### IV. Premium Taxes

Surplus lines premium tax ~~generally~~ is the obligation of ~~either the policyholder or the surplus lines producer/broker, depending on the applicable state law. Taxes on nonadmitted policies that are independently procured by the insured are the obligation of the insured.~~ In all states, the ~~producer/broker~~ or the insured, rather than the insurance company, remits the surplus lines ~~or independent procurement~~ tax. ~~If the policy covers risks that are located entirely in one state, the tax is assessed at that state's tax rate.~~

Under the NRRA, the home state of the insured has sole regulatory authority over the collection of surplus lines premium taxes. The NRRA prohibits any state other than the home state of the insured from requiring any premium tax payment for SLI.

The NRRA permitted, but did not require, allocation of the surplus lines taxes among the states where the exposure was located. The states initially pursued three different approaches to allocation of taxes following the adoption of the NRRA: 1) the Nonadmitted Insurance Multi-State Agreement (NIMA); 2) the Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT); and 3) taxing and keeping 100% of surplus lines premium tax on policies in the home state of insureds. NIMA is no longer operational, and SLIMPACT never became operational. ~~The prevailing rule is~~

~~that such that~~Currently, all states are taxing and keeping 100% of the premium. The NRRA requires surplus lines brokers to adhere to the law of the home state of the insured to determine the amount of premium tax owed on a surplus lines transaction and ~~for any other regulatory requirements the state may require in connection with the payment of the premium tax, such as the timing of tax payments and whether the state requires the submission of risk allocation information for multistate transactions. The NRRA requires surplus lines brokers to submit the premium tax payment on a surplus lines transaction only to the insured's home state. In the case of a state that has joined NIMA, the payment will be made to the clearinghouse in accordance with the home state's law. Should SLIMPACT become operational, it could also elect to require multistate payments to be made to the clearinghouse.~~

~~Many~~Some states require brokers to submit documentation regarding allocation by state of the risks covered by a surplus lines transaction. ~~If the home state of the insured is a state that has joined NIMA, the broker will be required to use the NIMA risk allocation formula. If the home state is a state that has joined SLIMPACT, the broker will be required to use the SLIMPACT risk allocation formula. As of May 2013, both NIMA and SLIMPACT have adopted the same allocation formula.~~ Other states require the broker to submit allocation data in accordance with individual state laws and regulations, but the vast majority of states do not require allocation data because there are ~~very few~~no states allocating premium at this time. In some states, taxes are paid to a state agency other than the insurance department, such as the department of revenue.

**Commented [JM10]:** Very few states continue to require allocation of premium by state of risk, and because no states are sharing taxes, this practice is unnecessary and should be eliminated.

## V. Guaranty Fund Warning

~~Nearly all~~All states ~~but one~~ require a disclosure regarding the unavailability of guaranty fund coverage for a surplus lines policyholder. ~~even if the state represents a small portion of the risk.~~ Prior to the NRRA, when a multistate risk was involved, the company would be required to include several pages of guaranty fund notices, many of which had nearly the same language, with minor variations. Brokers may choose to continue to use this approach following the enactment of the NRRA, but the NRRA initiated a compliance system that requires compliance only with laws of the home state of the insured.

As an example, a typical disclosure statement is as follows:

## VI. NOTICE TO POLICYHOLDER

**This contract is issued, pursuant to Section \_ of the (State) Insurance Code, by a company not authorized and licensed to transact business in (State), and as such, is not covered by the (State) Insurance Guaranty Fund.**

~~After review of this and other issues by a special NAIC subgroup in 2006, the Producer Licensing (EX) Working Group adopted its recommendation that, on a multistate risk, the home state's disclosure should fulfill all other states' disclosure requirements.~~

**Commented [JM11]:** No longer necessary because only the home state disclosure is required on the policy pursuant to the NRRA.

## VII. Stamping Offices

Stamping offices are entities that are not governmental agencies but whose existence is authorized by law. These offices act as the liaison between the surplus lines producer and the state insurance departments. The stamping offices have varied responsibilities, which may include evaluation of insurance companies for inclusion on a white list, review of surplus lines policies, and education. Stamping offices also provide reports of premiums and taxes to the state insurance department.

Stamping offices are nonprofit and funded by stamping fees assessed on each policy of SLI written in the state. As of ~~April 2017~~(current date), there are stamping offices in ~~14~~15 states.

### VIII. Zero Reports

In some of the states, a producer is required to file a report, known as a “zero report,” stating that the producer has not placed any SLI business during a specified time period.

In 2006, a special NAIC study group documented that five states require this report monthly, 12 quarterly, seven semi- annually, and 27 annually. States also use the reports for different recording purposes, so it was not determined if it would be possible to eliminate these reports altogether. However, the study group concluded and recommended to the Working Group that zero reports be eliminated. The study group also recommended further study to determine the feasibility of any other use of a zero report. As of January 2017, the Working Group has not taken any formal action on this issue.

**Commented [JM12]:** According to our resources, as of December 2024, there are a total of 25 states that require zero premium reports, 5 quarterly, 4 semi-annually and 18 annually. Zero premium reports provide a disincentive for producers to be licensed if they write infrequent business in a given state and failure to file zero reports can often result in hefty fines. We recommend that the handbook continue to discourage the practice of requiring zero premium reports and that states take proactive steps to eliminate these unnecessary filings.