



A. CHANGES TO REQUIREMENTS - HB 2112

[House Bill 2112 \(Laws 2011, Ch. 136\)](#) became effective July 21, 2011. It changed requirements for filing transactions with The Surplus Line Association of Arizona, and it changed requirements for reporting and paying taxes to the Arizona Department of Insurance ("ADOI"). The following summarizes some of the changes.

[HB 2112](#) makes Arizona the "home state" for an insurance policy when ANY of the following three circumstances applies:

1. The insured's principal place of business is in Arizona *and* at least some of the property or risk covered by the insurance procured from an unauthorized insurer is located in Arizona.
2. The insured's principal place of business is outside Arizona and both,
 - o None of the property or risk covered by the insurance procured from an unauthorized insurer is located in the state where the insured's principal place of business is located, AND
 - o Arizona is where the greatest percentage of the insured's taxable premium is allocated for the insurance contract.
3. More than one insured from an affiliated group are named insureds on a single nonadmitted insurance contract and the member of the affiliated group with the largest percentage of premium attributed to it under the insurance contract has its principal place of business in Arizona. [ARS § 20-401\(6\)](#).

At this time, Arizona is not participating in the Nonadmitted Insurance Multistate Agreement.

[HB 2112](#) specifies that unless and until the director of insurance enters into a multistate agreement or compact (such as the Nonadmitted Insurance Multistate Agreement), "...any statements or taxes otherwise payable to a clearinghouse shall be filed with the director or with a voluntary organization of surplus lines brokers with which the director has contracted to accept reports. [ARS § 20-416.01](#). Therefore, from and after July 21, 2011, surplus lines brokers shall file all (single-state and multistate) transactions for which Arizona is the home state with The Surplus Line Association of Arizona, and shall file premium tax reports and tax payments arising from those transactions with the Department of Insurance.

[HB 2112](#) changed the tax allocable to Arizona for multistate transactions. For transactions effective from and after July 21, 2011,

- *When Arizona is the home state*, you must report the transaction to Arizona and pay tax on 100% of the premiums to Arizona, even when only a portion of the property or risk covered by the insurance policy is located within Arizona.
- *When Arizona is not the home state*, do not report the transaction to Arizona or pay tax on any part of the transaction, even when some of the property or risk covered by the insurance policy is located within Arizona.

B. DUE DATES

DO NOT file a transaction statement or tax report covering a period for which you did not have any surplus lines transactions.

1. **Reports and taxes for transactions effective on or before July 20, 2011.** For insurance transactions effective prior to HB 2112, brokers were required to report transactions and pay stamping fees to The Surplus Line Association of Arizona within 60 days of the transaction, and were required to file a tax report and tax payment with the Department of Insurance by the following due dates:
 - **September 1** for transactions effective the immediately preceding January 1 through June 30 (Report "A");
 - **March 1** for transactions effective the immediately preceding July 1 through December 31 (Report "B").

2. **Arizona-only transactions effective on or after July 21, 2011.** For insurance covering property and risks located only within Arizona (Arizona-only transactions), the due dates for submitting transaction reports and stamping fees to the SLA and tax reports and tax payments to ADOI are:
 - **August 15** for transactions effective the immediately preceding January 1 through June 30 (Report "A");
 - **February 15** for transactions effective the immediately preceding July 1 through December 31 (Report "B") .

3. **Multistate transactions effective on or after July 21, 2011.** For insurance covering property and risks for which Arizona is the home state* and for which some of the insured property or risk is located outside Arizona, the due dates for submitting transaction reports and stamping fees to the SLA and tax reports and tax payments to ADOI are:
 - **May 15** for transactions effective the immediately preceding January 1 through March 31 (Report "Q1");
 - **August 15** for transactions effective the immediately preceding April 1 through June 30 (Report "Q2");
 - **November 15** for transactions effective the immediately preceding July 1 through September 30 (Report "Q3").
 - **February 15** for transactions effective the immediately preceding October 1 through December 31 (Report "Q4").

Table: Summary of due dates for surplus lines transactions effective on or after July 21, 2011

Due Date	Arizona-only Filing Due for	Multistate Filing Due for
May 15	None	Transactions effective January 1 through March 31 (Q1)
August 15	Transactions effective January 1 through June 30 (A)	Transactions effective April 1 through June 30 (Q2)
November 15	None	Transactions effective July 1 through September 30 (Q3)
February 15	Transactions effective July 1 through December 31 (B)	Transactions effective October 1 through December 31 (Q4)
Only file a report with the Department of Insurance if you effected surplus lines transactions during the period.		

C. PRODUCING YOUR SEMI-ANNUAL STATEMENT AND TAX REPORT

1. **Report all transactions for the semi-annual period to The Surplus Line Association of Arizona (“SLA”).**
 - a. Go to the SLA web site at www.sla-az.org
 - b. Log in with your user name and password. If you are not registered, click on the Register button. **NOTE: The SLA may require a few days to complete your registration.**
 - c. Enter the required information for each transaction.
 - d. The SLA system will send a stamping fee invoice to the e-mail address you provide. Pay stamping fees directly to the SLA. DO NOT REMIT STAMPING FEES TO ADOI.
2. **Download and save your “Transaction Report” spreadsheet.**
 - a. Click on the **Reports** tab.
 - b. Select the report period (see the "Due Dates" section, above).
 - c. Click the **Run Transaction Report** button. The system will display your transactions for the selected period in the lower half of the screen. If you had no transactions effective during the selected period, "No filings" will be displayed. Do not file a report with ADOI if you did not have any transactions effective during the period.
 - d. If you had transactions effective during the period, click the **Save to Excel** button. The system will ask you if you want to save the "Short Form" or "Long Form." You may want to use the "Long Form" for your internal reconciliation purposes. You will need to include the "Short Form" as part of your tax filing.
3. **Reconcile the information in the spreadsheet** to your records to ensure that all of your transactions effective during the period are reflected in the spreadsheet.
4. **Submit any corrections** that need to be made to the SLA system and repeat steps 2 through 4 as necessary until all transactions effective during the period are properly reflected on your report. If you have any questions about the data in your report or about how to make corrections to your records maintained in the SLA system, contact the SLA using the contact information on their web site (www.sla-az.org).
5. **Produce your Transaction Summary and Tax Report**
 - a. In the “Report Period” dropdown box, select the appropriate period (see the "Due Dates" section, above).
 - b. Click the **Run Tax Report** button. The text on the button will change.
 - c. Click the **Click to Download** button. The system will display the Transaction Summary and Tax Report (“Form E-SL” for Arizona-only transactions or "Form E-SL/M" for multi-state transactions).
 - d. Review the tax report.
 - Make sure the report is for the correct period (shown in the upper right portion of the report).
 - Ensure that the information on the report corresponds to information in your records. If it does not, contact the SLA using the contact information on their web site (www.sla-az.org).
 - e. Save the report to your computer or computer network using your web browser’s **File > Save As** menu option.

D. SUBMITTING YOUR TAX REPORT AND PAYMENT

YOU CAN EITHER ► file a paper report and pay tax with a check OR ► use OPTins to electronically file a report and pay tax. You can not pay taxes using ACH credit.

► TO FILE YOUR REPORT ON PAPER AND PAY TAX WITH A CHECK

1. Print your Transaction Summary and Tax Report form(s) (Form E-SL and/or Form E-SL/M) and your Transaction Report (short-form) spreadsheet.
2. Have the broker (if an individual) or designated responsible licensed producer (for a business-entity broker) complete the CERTIFICATION (Section III) and have the signature notarized.
3. Prepare your payment for the “SURPLUS LINES TAX DUE” amount shown at the bottom of Section II.
 - Make your check payable to “**INSURANCE TAX UNIT.**”
 - Enter the Arizona insurance license number (from Section I of the report) in the memo section of the check.
4. Staple your payment to the front of Form E-SL.
5. Send your report and payment by or before the due date to
INSURANCE TAX UNIT
Arizona Department of Insurance
2910 N 44th Street # 210
Phoenix, AZ 85018-7269

You will be subject to a civil penalty if you send your report and payment after the due date.

► TO FILE YOUR REPORT AND PAY TAX USING OPTINS

When submitting a Transaction Summary and Tax Report using OPTins, you must submit the document as provided to you by the SLA system without alteration.

NOTE: You do not need to sign the certification section of the Transaction Summary and Tax Report because submitting a report using OPTins constitutes your representation that you have been granted authority by the surplus lines broker to submit the report on the broker's behalf and that the broker has determined and attests that information contained in the report, including any attachments thereto, is complete, true and correct to the best of the broker's knowledge and belief. For the purposes of this paragraph, broker includes the designated responsible producer of a business-entity broker.

1. If you are not already an OPTins user, you must register to become one.
 - Visit the OPTins web site at www.optins.org
 - Click the **Getting Started** button for forms and information.
 - Contact the OPTins Help Desk at optinshelp@naic.org or (816) 783-8990

Note: To use OPTins, you must establish an account and electronic funds transfer protocol with the NAIC, which can take up to two weeks.
2. Log into the OPTins system.
 - Go to www.optins.org
 - Click the **Click Here to Login to OPTins ►** button.
 - In the upper right corner of the Welcome to OPTins web page, click the “Login here” link.
 - Enter your User Name and Password, and click the **Login** button.

- On the Use Agreement page, click the check box (agreeing to the terms and conditions) and click the button.
3. Enter each filing (single state or multistate) in OPTins. Procedures for creating a filing are provided in the “**OPTins User Training Manual – Industry**”
- a. Select the correct filing period: Use
 - “*Quarter 1*” (due May 15) for your January 1 and March 31 (Q1) multi-state transactions;
 - “*Quarter 2*” (due August 15) for your April 1 and June 30 (Q2) multi-state transactions;
 - “*Quarter 3*” (due November 15) for your July 1 and September 30 (Q3) multi-state transactions;
 - “*Quarter 4*” (due February 15) for your October 1 and December 31 (Q4) multi-state transactions and your July 1 through December 31 (B) Arizona-only transactions;
 - “*Semi-annual 1*” for your January 1 through June 30 (A) Arizona-only transactions; and,
 - “*Semi-annual 2*” for your July 1 through December 31 (B) Arizona-only transactions.
 - b. Upload your Transaction Summary and Tax Report (E-SL for single-state or E-SL/M for multistate) and the corresponding Transaction Report spreadsheet:
 - Upload the Transaction Summary and Tax Report (Form E-SL or Form E-SL/M) that you saved from the SLA system (without modification of any kind) by clicking on the “Upload” link next to the “E-SL.pdf” in the “**State Provided Forms**” section. The system will prompt you for the location of the form to be uploaded. Make sure you select the file that you saved from the SLA system without modification.
 - Upload the Transaction Report (short-form) spreadsheets you downloaded from the SLA system using the “Upload” link in the “Supporting Documents” section.
 - c. Your entries on the “**Enter Filing Payments**” screen will depend upon whether you owe tax or are due a refund.
 - If the amount in the SURPLUS LINES TAX DUE box on your Transaction Summary and Tax Report is greater than \$0.00, enter the SURPLUS LINES TAX DUE.
 - If the amount in the SURPLUS LINES TAX DUE box is less than \$0.00, **enter \$0.00**. The Department will review your filing as well as prior-period transactions and tax payments to determine whether you are entitled to a refund.