

DEFINITIONS

WHAT IS A SURPLUS LINES BROKER?

A Surplus Lines Insurance Broker is an individual who solicits, negotiates or procures a policy of insurance in an insurance company not licensed to transact business in this state which cannot be procured from insurers licensed to do business in this state. All transactions under the license shall be subject to the provisions of Title 8.

WHAT IS THE LICENSE TERM?

The license term is April 1st to March 31st of even years. The Department will send out renewal notices for existing licensees at the beginning of the even year. **Note:** license fees are not prorated, and the license term is fixed, regardless of the time of application.

REQUIREMENTS

IS A BOND REQUIRED?

No.

IS A COURTESY FILING PERMITTED IN VERMONT? [

No. Under Vermont law any individual placing surplus line business for a Vermont home state exposure must be licensed in Vermont as a surplus lines broker. It is the responsibility of the surplus lines broker placing the exposure to remit the tax due. The practice of "courtesy Filings" arose years ago when Vermont did not issue licenses to nonresident surplus lines brokers. The law was amended in 2001 to allow for the licensure of nonresident surplus lines brokers. Accordingly, any individual placing surplus lines business for a Vermont home state exposure must obtain a Vermont surplus lines broker license.

WHAT ARE THE RECORD REQUIREMENTS OF SURPLUS LINES BROKERS

1. Each Surplus Lines Broker shall keep in his or her office a full and true record of each surplus lines insurance contract covering a domestic risk placed by or through him or her with a surplus lines insurer, including a copy of the daily report, if any, and showing such of the following items as may be applicable:
2. Amount of the insurance and perils insured;
3. Brief description of property insured and its locations;
4. Gross premium charged;
5. Any return premium paid;
6. Rate of premium charged upon the several items of property;
7. Effective date of the contract, and its terms;
8. Name and post office address of the insured;
9. Name and post office address of the insurer;
10. Name and post office address of brokerage house, if applicable, and name of licensed individual producer with whom business was placed;
11. Amount collected from the insured; and
12. Other information that may be required by the commissioner.

The record of each contract shall be kept open to examination by the commissioner without notice until three years next following termination of the contract.

WHAT ARE THE CONDITIONS FOR PLACEMENT OF INSURANCE IN THE SURPLUS LINES MARKET?

In general, insurance coverage shall not be placed with a non-admitted insurer unless the full amount of insurance required is not reasonably procurable from admitted insurers and the amount of insurance exported shall be only the excess over the amount procurable from an admitted carrier. Note, Vermont does not require evidence of three declinations.

WHAT NON-ADMITTED INSURERS ARE ELIGIBLE FOR PLACEMENT OF INSURANCE?

Surplus Lines Brokers shall not knowingly place or continue surplus lines insurance with non-admitted carriers who are insolvent or unsound financially, and in no event

shall any Surplus Lines Broker place any insurance with a non-admitted insurer. The Department currently does not publish a list of eligible surplus lines insurers. The NAIC maintains a quarterly list of alien insurers eligible to write surplus lines premium. For the list, [visit the NAIC website](#).

HOW LONG CAN A POLICY BE EXTENDED BY ENDORSEMENT BEFORE IT IS CONSIDERED A RENEWAL?

DFR does not have a specific statutory or regulatory time frame for endorsement extensions. We would expect, given the requirements under 8 VSA 5025 related to the placement of insurance including due diligence with respect to the availability of insurance through admitted insurers, any extension would be for a limited time and only allowed as long as it did not adversely affect the insured or pose any violation under the unfair trade practices provisions of 8 V.S.A 4724.

WOULD DUE DILIGENCE STILL BE REQUIRED FOR AN ENDORSEMENT EXTENSION OF A POLICY?

See bullet above (how long can a policy be extended by endorsement before it is considered a renewal).

ARE STAMPING FEES REQUIRED FOR POLICY EXTENSIONS?

The Department of Financial Regulation does not have any statutes or regulations with respect to stamping fees.

WITH A POLICY EXTENSION, DOES THE EXPIRATION DATE OF THE ORIGINAL POLICY BECOME THE EFFECTIVE DATE FOR THE EXTENSION ENDORSEMENT?

Yes.

FEES & TAXES

CAN A SURPLUS LINES BROKER CHARGE A FEE?

A Surplus Lines Broker should not be charging a policy fee for service that is already paid for by the receipt of commission by the broker as part of the sale. In instances where additional services are provided to the insured, a broker can charge a fee that is reasonable in relationship to the service provided. Vermont law requires a broker to obtain a prior written agreement with a client, policyholder, or other member of the public concerning the fees or charges made by that broker for that broker procuring, servicing, or providing advice on insurance contracts.

ARE FEES TAXABLE?

Per SSAP No. 53, premium is defined as "...the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based upon the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract." Per SSAP No. 53, premium is defined as "...the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based upon the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract."

WHAT IS THE SURPLUS LINES TAX RATE?

Gross premiums charged, less any return premiums, for surplus lines coverages placed with non-admitted insurers are subject to a premium receipts tax of three percent, which shall be collected from the insured by the Surplus Lines Broker at the time of delivery of policy or other confirmation of insurance, in addition to the full amount of the gross premium charged by the insurer for the insurance. The tax on any portion of the premium unearned at termination of insurance shall be returned to the policyholder by the surplus lines broker. Nothing contained in this section will preclude a Surplus Lines Broker from charging a fee to the purchaser of the contract sufficient to recover the amount of this tax.

WHAT ARE THE TAX-RELATED DUTIES OF A SURPLUS LINES BROKER?

At the time of filing his or her quarterly report with commissioner, each Surplus Lines Broker shall file a duplicate report and remit the premium tax due thereon to the Vermont Department of Taxes, Attn. Terry Edwards, 133 State Street, Montpelier, VT 05609-1401.

WHAT ARE THE REPORTING REQUIREMENTS OF SURPLUS LINES BROKERS?

Electronic filing is mandated by the Commissioner of Taxes. Filing will now be done online through the Vermont Department of Taxes online system, [myVTax](#).

PLEASE NOTE: if no business was written and you have no tax to pay, you do not have to file a return. Also, a copy of the return is no longer required by the Department of Financial Regulation. For further information, visit this [Agency of Administration Department of Taxes webpage](#). Still have questions about this filing requirements? Contact the Department of Taxes Surplus Lines Insurance Tax examiner at 802-828-6681 [or by email](#).

DOES THE TAX RATE FOLLOW THE INITIAL POLICY TERM IN THE POLICY EXTENSION PERIOD?

The tax rate would apply to any additional premium generated as a result of the extension.