

INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE

Financial Examinations Monitoring System (FEMS)

Readoption with Amendments: N.J.A.C. 11:19

Proposed: February 3, 2003 at 35 N.J.R. 500(a)

Adopted: June 30, 2003 by Holly C. Bakke, Commissioner, Department of Banking and Insurance

Filed: June 30, 2003 as R. 2003 d. 303, with technical changes not requiring additional public notice and comment (see N.J.A.C 1:30-6.3).

Authority: N.J.S.A. 17:1-8.1; 17:1-15e; 17B-17-1 et seq.; 17:23-1 and 2; 17:23B-1; 17:22-6.40 et seq.; 17:22-6.70; and 17:22A-17

Effective Date: June 30, 2003, Readoption;
July 21, 2003, Amendments

Expiration Date: June 30, 2008, Amendments

Summary of Public Comment and Agency Response:

No comments were received.

Summary of Agency Initiated Changes:

The Department of Banking and Insurance (Department) is making several changes upon adoption to the Appendix to N.J.A.C. 11:19-3 to reflect the Department's current name, mailing address, and applicable telephone numbers. The Department is also eliminating references therein to a "bona fide office in this State," since the requirement that a surplus lines producer maintain an office in this State no longer applies under the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 et seq. Accordingly, this change merely conforms the rule to the existing statutory scheme.

Moreover, in the instructions in the Appendix, with respect to the filing of tax returns with the Surplus Lines Examining Office, the reference to “November 15” is being revised to read “November 14,” as November 14 is the 45th day after the close of the calendar quarter as referenced in the instructions.

Finally, the Department is eliminating references to so-called “999 Codes.” These are found in the provisions that concern the reporting of payments to the New Jersey State Firemen’s Association for payments to local relief associations under N.J.S.A. 54:18-1. The 999 Codes were a designation used by the Firemen’s Relief Association to apply to those locations in New Jersey that did not have an officially established local fire relief association. As the areas that were not covered by such a local relief association decreased over time, the Firemen’s Relief Association assigned official numbers to locations formerly designated as “999 areas”. Accordingly, references in the rules to 999 codes are obsolete and could be confusing.

In sum, the changes outlined above to be made upon adoption are technical in nature, are made as a matter of form to reflect current years, the Department’s official name and address, current phone numbers, reflect proper citation format, conform the rules to existing statutory law, and correspond to other existing systems for tracking data.

Federal Standards Statement

A Federal standards analysis is not required because the rules readopted with amendments relate to analysis of insurers authorized, admitted or eligible to transact business in this State, and are not subject to any Federal requirements or standards.

Full text of the readoption can be found in the New Jersey Administrative Code at N.J.A.C. 11:19.

Full text of the adopted amendments follows (additions to proposal indicated in boldface with asterisks *thus*; deletions from proposal indicated in brackets with asterisks *[thus]*):

(Agency Note: Changes upon adoption to the first, second and fourth forms included in the Appendix are shown using Register-standard adoption add/delete symbolism; however, the third form, Schedule to Support Tax Returns, included amendments restructuring its table format (but not changing the information reported) that could not be shown using such symbolism. Therefore, the third form is shown below as amended, replacing that form now in the Appendix.)

APPENDIX

Instructions for Completing Licensed New Jersey Surplus Lines Producer Quarterly Tax Return

Introduction

Effective with the adoption of N.J.A.C. 11:19-3 *[et seq.]*, the Surplus Lines Unit automated its operations through the implementation of the Surplus Lines Processing Subsystem (SLPS) of the Department of Insurance's Financial Examinations Monitoring System (FEMS). The system was designed to simplify activities for both the Surplus Lines Unit and you, the Surplus Lines Producer. However, the success of this system is dependent on full compliance and cooperation from you and your agency. Failure to cooperate will diminish the system's effectiveness and result in additional work for both parties. Before any forms can be completed, you must fully understand the *[five]* basic rules involved in filing a surplus lines producer quarterly tax return. They are listed as follows:

Rule # 1- YOU MUST READ AND FOLLOW THE INSTRUCTIONS EXACTLY AS THEY ARE EXPLAINED!

Rule # 2 - YOU MUST COMPLETE EVERY LINE ON THE TAX RETURN AS INSTRUCTED!

Rule # 3 - YOU MUST COMPLETE AND INCLUDE EVERY FORM AS INSTRUCTED WITH EACH QUARTERLY FILING!

Rule # 4 - YOU MUST PUT THE TAX RETURN FORMS IN THE REQUIRED ORDER!

Failure to comply with any of these rules will result in non-filer status for you and your agency. Your tax return will be sent back to you and the Surplus Lines Unit will have no record of receiving it. If it has to be returned, your resubmission will be subject to the penalties of a late filing. IF YOU HAVE ANY QUESTIONS, PLEASE CALL ONE OF THE EXAMINERS AT THE SURPLUS LINES EXAMINING OFFICE! If you need personal assistance, you may also schedule an appointment to meet with an examiner in the Trenton Office. We are here to help you so feel free to call us at (609) *[777-0498]* *292-5350 ext. 50106*.

Completing the Tax Return

A complete New Jersey Surplus Lines Producer Quarterly Tax Return consists of the following forms:

1. Check Transmittal Form
2. SLPS-1-TAX (Tax Return and Certified Account By Surplus Lines Producer)
3. SLPS-2-FRA (Schedule Showing Fire premiums and Taxes Payable to New Jersey Firemen's

Relief Association)

4. SLPS-3-TRS (Schedule to Support Tax Returns)

THESE FORMS MUST BE STAPLED TOGETHER OR OTHERWISE ATTACHED AND FILED IN THE ORDER LISTED ABOVE! For example, the Check Transmittal Form will always be the top form in the tax return filing. SLPS-1-TAX will always be the second, and so on.

Forms must be completed as necessary to support the Tax Return and Certified Account by the Surplus Lines Producer. For example, if a surplus lines producer does not place any Fire business, then that producer does not need to complete SLPS-2-FRA. It is important to note that no line item should be left blank. If there is an item that is not applicable, you must enter either "0" for a numeric entry, or "N/A" for an alpha entry. Always make sure that you check each form carefully to determine that all lines are completed as required. Additionally, return (negative) premiums should always be shown using parentheses. Also, all monetary figures must be reported to the cent. Rounding is not permitted.

It is suggested that you use these instructions as a checklist until completely familiar with the requirements of each of the three (3) forms.

I. SLPS-1-TAX (Tax Return and Certified Account By Surplus Lines Producer)

- THIS FORM IS NOT REQUIRED IF NO BUSINESS IS PRODUCED!

- Print your assigned SLA number in the five boxes provided in the upper left corner of the form. Lead zeros must be printed in the boxes not used, i.e. SLA # 003 would now be shown as 00003, SLA # 125A would now be shown as 0125A. EVERY BOX MUST CONTAIN A CHARACTER!
- Indicate the quarter and year of the tax return by circling the appropriate number to designate the calendar quarter and inserting the last 2 digits of the year as shown at the top of the form.
- Provide the name under which you do business on Line 1 of the form. This should be the agency name for an organization's tax return; your name (as it appears on your license) for an individual tax return.
- Provide the location of your principal place of business on Line 2 of the form. *[This address must be a New Jersey location and the]* The* Surplus Lines Examining Office should be able to contact you by phone and by mail at this address.
- Provide the phone number for the organization or a number where you may be contacted during the day on Line 3 of the form. For organizations, this phone number should be the number listed for the address given on Line 2.
- Provide the total taxable Fire premiums written for the quarter on Line 5 of the form. *[This should include 999 Fire, if any.]* On property policies, only the portion of the premium allocable to Fire should be included on this line. If no Fire premiums are written, then enter a "0" on this line.
- Multiply the total taxable Fire premiums entered on Line 5 by three percent (3%), and enter this amount on Line 6 of the form. Again, if no Fire premiums are written, enter a "0" on Line 6.

Provide the amount of credit applicable (if any) to the 3% FRA Tax on Line 7 of the form.

If none, enter a "0" on Line 7 of the form.

Subtract the amount shown on Line 7 from the amount shown on Line 6 and enter the result on Line 8 of the form.

Provide the total taxable "All Other" premiums written for the quarter on Line 9 of the form. Simply stated, "All Other" premiums include any premiums that are not Fire premiums (e.g. Allied Lines and Casualty premiums are "All Other"). If no other "All Other" premiums are produced, then enter a "0" on Line 9.

Multiply the total taxable "All Other" premiums entered on Line 9 by three percent (3%), and enter this amount on Line 10 of the form. Again, if no "All Other" premiums are written, enter a "0" on Line 10.

Provide the amount of credit applicable (if any) to the 3% State Tax on Line 11 of the form.

Subtract the amount shown on Line 11 from the amount shown on Line 10 and enter the result on Line 12 of the form.

Provide the total non-taxable Fire premiums written on Line 13 of the form. *[Total non-taxable Fire premiums DOES NOT INCLUDE 999 FIRE! Non-coded Fire premiums are included in taxable Fire premiums.]* If no non-taxable Fire premiums are written, then enter a "0" on Line 13.

Provide the total non-taxable "All Other" premiums written on Line 14 of the form. If no non-taxable "All Other" premiums are written, then enter a "0" on Line 14.

Add the total non-taxable Fire premiums entered on Line 13 to the total non-taxable "All Other" premiums entered on Line 14 and insert this amount on Line 15 of the form.

- Type or print your name and title, and sign and date the form on the lines provided at the bottom.
- Draw a check, made payable to the "New Jersey Firemen's Association for the amount shown on Line 8 of the form. This check should be forwarded to the New Jersey Firemen's Association (see section II--SLPS-2-FRA). Attach a copy of this check to your completed tax return that will be sent to the Surplus lines Examining Office as detailed under the "Introduction" section.
- Draw a second check, made payable to the "State of New Jersey", for the amount shown on Line 12 of the form. This check will be attached to your completed tax return and sent to the Surplus Lines Examining Office as detailed in the "Introduction" section.

II. SLPS-2-FRA--(Schedule Showing Fire Premiums and Taxes Payable to New Jersey Firemen's Association)

--THIS FORM IS NOT REQUIRED IF FIRE PREMIUMS ARE WRITTEN AND/OR NO BUSINESS IS PRODUCED!

- Print your assigned SLA number in the five boxes provided in the upper left corner of the form. Remember, lead zeros must be used, and all boxes must contain a digit or character.
- Indicate the quarter and year of the tax return by circling the appropriate number to designate the calendar quarter and inserting the last 2 digits of the year as shown under the SLA number.
- Provide the name under which you do business on the line provided. This should be the same as the name listed on Line 1 of SLPS-1-TAX.
- Enter the page number and the total number of SLPS-2-FRA pages in the appropriate lines

at the upper right corner of the form.

- Provide the three digit ISO code number for the municipality that corresponds with the location of the risk and enter it in the column marked "ISO Code." The ISO code can be found by using the list included with these instructions. *[If the municipality does not have an assigned five digit code, the "999" code should be used.]*

Enter the municipality or appropriate fire district in the column marked "Location of Risk".

Enter the zip code of the location in the column marked "Zip Code".

Provide the Fire premium amount for the policy and enter it in the column marked "Premium". For property policies, include in this column only the portion of the premium allocable to Fire. **YOU MUST USE PARENTHESES AROUND A NUMBER TO INDICATE A RETURN PREMIUM!** Do NOT use a minus (-) sign! e.g. use (\$123.00) instead of -\$123.00.

Multiply the amount in the Premium column by three percent (3%) and enter this amount in the column marked "FRA Tax".

Repeat the above steps each individual placement where Fire premiums are written. If you need additional space, use extra SLPS-2-FRA sheets and number them consecutively as necessary. Keep a cumulative total in the total boxes at the bottom right corner of the form.

After verifying all entries, mail the completed form(s), along with a check made payable to the "New Jersey Firemen's Association" for the amount of three percent (3%) of the total Fire premiums (as shown on Line 6 of SLPS-1-TAX), to the New Jersey Firemen's Association, 50 Evergreen Place, East Orange, NJ 07018. Attach a copy of the form(s), together with a photocopy of your check, to the tax return that will be sent to the Surplus Lines Examining

Office as detailed under the "Introduction" section.

III. SLPS-3-TRS (Schedule to Support Tax Returns)

- THIS FORM IS NOT REQUIRED IF NO BUSINESS IS PRODUCED!

- Print your assigned SLA number in the five boxes provided in the upper left corner of the form. Remember, lead zeros must be used, and all boxes must contain a digit or character.
- Indicate the quarter and year of the tax return by circling the appropriate number to designate the calendar quarter and inserting the last 2 digits of the year.
- Provide the name under which you do business on the Line provided. This should be the same as the name listed on Line 1 of SLPS-1-TAX.
- Enter the page number and the total number of SLPS-3-TRS pages in the appropriate lines at the upper right corner of the form.
- Enter the transaction number assigned to the individual placement in the seven (7) boxes provided in Column 1 of the form. The first two digits of the transact number indicate the year in which the placement occurred, i.e., if the placement occurred in the year 1998, then the first two digits of the transaction number would be "98". The remaining five digits of the transaction number represent a sequential number, assigned by you, indicating the order in which the placement occurred during the calendar year. For example, the first placement of the year would be numbered 00001, the second placement would be 00002, and so on up to 99,999. EVERY BOX MUST CONTAIN A DIGIT! Remember to always use lead zeros when the sequential number is less than 5 digits. The system will NOT accept alpha suffixes to transaction numbers.
- Indicate the premium type code in Column 2 of the form. The premium type codes are "N" for new and renewal premiums; "A" for additional premiums; and "R" for return premiums. "N",

"A" and "R" premiums must be listed on a separate page(s). Do NOT put "N", "A" and "R" premiums on the same page. YOU MUST USE A SEPARATE PAGE(S) FOR NEW AND RENEWAL, A SEPARATE PAGE(S) FOR ADDITIONAL, AND A SEPARATE PAGE(S) FOR RETURNS. "N", "A" and "R" coded pages must be listed in this order.

- Provide the name of the insured as shown on the policy in Column 3 of the form.

- Enter the policy number of the placement in the boxes provided in Column 4 of the form. Start with the first box on the left and use as many boxes as necessary. The policy number may be alphanumeric. It is important to enter the policy number exactly as it appears on the policy, including spaces. YOU MUST LEAVE A BLANK BOX ON THE FORM TO INDICATE A SPACE BETWEEN CHARACTERS! Always be sure to check for any errors.

- Enter the effective dates of the placement in Column 5 of the form, using a slash (/) between month, day, and year, which are 2 digits each. For example, April 5, *[1993]* *2003* would be entered as *[04/05/93]* *04/05/03*.

- Indicate the insurance company which issued the policy by entering its corresponding NAIC or ISI number in the boxes provided in Column 6 of the form. The NAIC number is five digits in length, and is used only by foreign insurance companies (those licensed in a U.S. jurisdiction). The ISI number (which is distinguished by its prefix, "AA") is nine characters in length, and is used only by alien (overseas) insurance companies. A list of each surplus lines insurer currently eligible in New Jersey and its respective NAIC//ISI number is included with these instructions. NOTE: When entering the five digit NAIC number, start at the left and use only the required amount of boxes. That is, enter the five digits in the first five boxes and leave the remaining boxes blank.

- Provide the Fire premium amount, if any, and enter it in the column marked "Fire" under

Column 7 of the form.

- Enter the "All Other" premium amount, if any, in the column marked "All Other" under Column 7 of the form.

- Repeat the above steps for each individual placement or transaction. If you need additional space, use extra SLPS-3-TRS sheets and number them as necessary. Keep a cumulative total in the total boxes at the bottom right corner of the form, e.g., page 2 totals should be the page 1 totals plus page 2 totals; page 3 totals should be the page 1 totals plus page 2 plus page 3, etc. Carry the cumulative totals to lines #5 and #9 on the SLPS-1-TAX form.

- If the premium is non-taxable, then enter a "Y" in the column marked "N/T." Otherwise, leave this column blank. As with new and renewal, additional, and return premiums, YOU MUST GROUP ALL NON-TAXABLE PREMIUMS ON A SEPARATE PAGE(S)! In other words, indicate the premium type code in Column 2 of the form. Remember, the codes are "N" for new and renewal premiums; "A" for additional premiums, and "R" for return premiums. Do NOT put "N", "A" and "R" premiums on the same page. YOU MUST USE A SEPARATE PAGE(S) FOR NEW AND RENEWAL, A SEPARATE PAGE(S) FOR ADDITIONAL, AND A SEPARATE PAGE(S) FOR RETURNS. "N", "A" and "R" coded non-taxable pages must be listed in this order.

- Repeat the above steps for each individual non-taxable placement of transaction. If you need additional space use extra SLPS-3-TRS sheets and number them as necessary. Again, as with taxable business, keep an cumulative total for non-taxable business in the total boxes at the bottom right corner of the form, e.g., the second page totals (non-taxable) should be the first page totals plus second page totals; the third page totals should be totals of the first three pages (non-taxable), etc. Carry the cumulative totals to lines #13 and #14 on the SLPS-TAX form.

Procedures for Filing the Tax Return

The three (3) forms with required copies, completed and attached together in the correct order, comprise a complete tax return filing. This package should be properly stapled together or secured with a rubber band. A complete, separate duplicate copy of this filing must also be included. This separate duplicate copy should also be properly stapled together or secured with a rubber band. The tax return is to be filed with the Surplus Lines Examining Office on or before the 45th day after the close of the calendar quarter. Therefore, they must be mailed on or before May 15, August 14, November *15* *14* and February 14 for the first, second, third, and fourth calendar quarters, respectively.

If you have any questions on the instructions, or any questions pertaining to surplus lines, then you are encouraged to call the Surplus Lines Examining Office and/or any of the examiners at (609) *[777-0498]* *292-5350 ext 50106*.

Thank you for taking the time to read these instructions and completing the forms accurately.

SLPS CHECK TRANSMITTAL

Attach Original Surplus Lines

Tax Transmittal Check in

This Space

Photocopy Your Check Payable

To N.J. Firemen's Association (if any)

in This Space
