

PROPERTY & CASUALTY

To: All qualified "White List" Surplus Lines Insurance Companies
All Resident North Carolina Surplus Lines Licensees
All Nonresident North Carolina Surplus Lines Licensees

Date: Revised as of April 18, 2006

Re: Countersignature and Statutory Requirements on Filing of N.C. Surplus Lines Taxes

- **RESIDENTS:** For risks located in this State, only those residents who hold a North Carolina resident surplus lines license may submit surplus lines insurance for placement directly with a surplus lines insurer. North Carolina agents or brokers who do not hold a North Carolina resident surplus lines license must place surplus lines coverage on risks located in this State through a North Carolina resident surplus lines licensee or a North Carolina nonresident surplus lines licensee.
- **NONRESIDENTS:** For risks located in this State, only those nonresidents who hold a North Carolina nonresident surplus lines license may submit surplus lines coverage for placement directly with a surplus lines insurer. However, Form F tax filings must be countersigned by a North Carolina surplus lines licensee or regulatory support organization.
- **COUNTERSIGNATURE/PREMIUM TAX:** Even a duly licensed North Carolina nonresident surplus lines licensee must obtain the required countersignature and effect the remittance of premium taxes through a North Carolina resident surplus lines licensee or regulatory support organization. Any countersignature fee charged by the resident licensee or regulatory support organization is not subject to regulation by the North Carolina Department of Insurance. The countersigning party should request evidence that the nonresident surplus lines licensee is properly licensed by this State. For due diligence protection, the countersigning party should retain a copy of that evidence.
- **FORM F:** North Carolina surplus lines licensees and regulatory support organizations are required to electronically file the countersigned Form F's and are responsible for payment of the premium taxes on the countersigned policies.
- **COMMISSION SHARING:** N.C. General Statute § 58-33-82(a) prohibits North Carolina licensees from sharing commissions, fees, or other valuable consideration (including "courtesy filings") with persons who are not licensed by the State of North Carolina. This law also prohibits insurance companies from making any such payments or supplying such valuable consideration. Valuable consideration includes trading anything of value and thus includes trading services such as "courtesy filings."
- **RECORD RETENTION:** North Carolina resident surplus lines licensees and regulatory support organizations must retain a record of each surplus lines insurance contract placed by or through such licensee or regulatory support organization in accordance with N.C. General Statute § 58-21-75, which requires those records to be maintained for three years after the termination of the contract.

Questions may be directed to Ms. Marie Dunn, Surplus Lines Coordinator at (919) 733-3368 X 229 or email Marie.Dunn@ncdoi.gov or write to Ms. Marie Dunn, Surplus Lines Coordinator, N.C. Department of Insurance, 1201 Mail Service Center, Raleigh, NC 27699-1201.