

MEMORANDUM

November 18, 2015

FROM: The North Carolina Surplus Lines Association

RE: North Carolina House Bill 262

On June 19, 2015, Governor McCrory signed North Carolina House Bill 262. The bill contains various amendments to the North Carolina Surplus Lines Act. In addition to other amendments, the new law allows for the formation and operation by the North Carolina Surplus Lines Association (the "NCSLA") of a stamping office to process all surplus lines tax filings in North Carolina effective January 1, 2017. The stamping office will be formed and operated under the regulatory purview of the North Carolina Department of Insurance ("DOI"). The formation of the stamping office is an involved process that will require the efforts of the NCSLA and the DOI over the next 18 months in order to launch the new processes and procedures. The NCSLA and the DOI have created a timeline for the purpose of informing surplus lines licensees of the target dates during the process of implementing the stamping office. The target dates are as follows:

July 2015 – August 2015

Development of system requirements in order to determine the most effective software program to utilize in the creation of an automated online filing system for the filing of all surplus lines business in North Carolina. Once the appropriate program is selected, a contract will be negotiated and finalized with the software developer.

September 2015 – February 2016

Development, purchase and installation of the software system that will be utilized for all surplus lines filings in North Carolina.

March 2016 – May 2016

Beta testing of selected surplus lines licensees on the new online filing system. Additional modules will be developed to efficiently process billings, payments, risk purchasing group and batch filings.

June 2016

Notification to all surplus licensees (both in-state and out-of-state) of the NCSLA's requirements for membership and the DOI's licensing requirements in order to access the online filing system.

June 2016 – December 2016

Additional testing and modifications to the system in response to initial testing. Release of training modules to all surplus lines licensees (both in-state and out-of-state) to allow access to the filing system on the system launch date.

January 2017

Start date for all surplus lines filings on the new system.

These are **target** dates for the implementation of the new filing system. The NCSLA and the DOI will provide periodic updates to licensees. Until the stamping office is operational and the online filing system is in place, or unless directed otherwise by the DOI, surplus lines filings will be processed in the same manner as those filings have been processed in the past.

For Clarification:

- Current licensing requirements and surplus lines filing processes will remain in effect for the 2015-2016 licensing year.
- Existing filing requirements (including the countersignature requirement for non-resident licensees) remain in effect utilizing the current DOI system until the stamping office system is available for use.