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Consumer protection
is our mission

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Legislative Fact Sheet

Surplus Lines Insurance Federal Conformity Representative Gerou and Senator Hodge

DORA & DIVISION OF INSURANCE SUPPORT HB12-1215

The federal Reinsurance Reform Act of 2010 (NRRA) preempts certain provisions of the Colorado Non-Admitted Insurance Act regarding the collection of surplus line premium taxes. The law specifies that no state other than the “home” state of an insured may require any premium tax payment for non-admitted insurance. The “home” state is the state where the insured primarily resides or has its principal place of business. The “home” state may share premium taxes on multi-state insurance policies through a multi-state compact agreement. The NRRA does not require states to join a compact or tax sharing agreement.

- **The federal law lessens the administrative burden on the surplus lines brokers.** Insureds with multi-state insurance policies no longer need to file tax returns in multiple states. The brokers make only one filing for their clients in their “home” state.
- **Colorado’s current surplus lines law does not permit the Division to collect premium taxes on risks or exposures located outside of this State.** Therefore, we cannot collect all premium taxes on those multi-state insurance policies that have Colorado as the “home” state.
- **In addition, current Colorado law does not allow the state to join either of the two model tax sharing agreements.** The two models are the Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT) and the Non-admitted Insurance Multi-State Agreement (NIMA).
- **The proposed legislation allows Colorado to collect all possible premium taxes on multi-state insurance policies. It also gives the Commissioner the authority to enter into a multi-state compact** to manage, collect and properly distribute all appropriate premium tax. It does not require the Commissioner to join such a compact.
- **Colorado will lose up to \$4 million in premium tax revenue** for insureds having multi-state insurance policies in Colorado, but the “home” state is not Colorado. The amount Colorado may recover through a multi-state compact agreement is undetermined, but will most likely be less than the \$4 million.