

FOR CALENDAR YEAR 2002

PAYMENT, MAILING AND FILING INSTRUCTIONS

Due Date: File one (1) original and two (2) photocopies of this return with the California Department of Insurance on or before April 1, 2003.

Groups: Prepare a separate tax return and check for each member company.

Payments: If paying by check, make the check payable to CONTROLLER - STATE OF CALIFORNIA.

Those required to pay or have voluntarily elected to pay by Electronic Funds Transfer (EFT) must use the EFT method of payment.

Every insurer whose annual tax liability for the preceding calendar year was five thousand dollars (\$5,000) or more is required to make quarterly prepayments and submit quarterly tax payment vouchers to the current calendar year.

Mail to a or b:

a) If the 2002 Tax Due, 2003 1 st Quarter Prepayment, and/or the 2002 Retaliatory Tax Due were paid by CHECK , then mail the Premium Tax Return, the tax payment voucher, and the CHECK to:	OR	b) If the 2002 Tax Due, 2003 1 st Quarter Prepayment, and/or the 2002 Retaliatory Tax Due were paid by EFT , or if there is ZERO (-0-) balance due, or If there is a Tax Refund Due , then mail the Premium Tax Return and the tax payment voucher to:
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State of California
Department of Insurance
Tax Accounting/EFT Unit
P.O. Box 1918
Sacramento, CA 95812-1918

State of California
Department of Insurance
Tax Accounting/EFT Unit
300 Capitol Mall Suite 1400
Sacramento, CA 95814

The tax payment vouchers are available on the California Department of Insurance web-site <http://www.insurance.ca.gov>. Click on the link "Insurers". Under the section "Financial Oversight", click on the link "Tax Forms, Instructions, and Information" to access these vouchers.

For questions concerning the completion of the premium tax return please contact the California Department of Insurance, Tax Audit Bureau – David Okumura at (213) 346-6097 or Marilyn Freeman at (213) 346-6012.

For questions regarding the Electronic Funds Transfer (EFT) Program, contact the California Department of Insurance, Tax Accounting/EFT Unit at (916) 492-3288, e-mail at EFT@insurance.ca.gov, or write to:

State of California
Department of Insurance
Tax Accounting /EFT Unit
300 Capitol Mall, Suite 1400
Sacramento, CA 95814

ALL CLASSES OF INSURANCE EXCEPT OCEAN MARINE, LIFE, TITLE, AND HOME PROTECTION TAX RETURN

CDI FS-001 (REV 12/2002)

FOR CALENDAR YEAR 2002

IMPORTANT INSTRUCTIONS

All Classes of Insurance Companies except Ocean Marine, Life, Title, and Home Protection, must complete this Tax Return, whether or not business was transacted during the reporting year. Complete all items, including the method of tax payment.

Pursuant to the California Insurance Code Section 12976.5, and the California Tax on Insurers, Revenue and Taxation Code 12602, on and after January 1, 1995, each insurer whose annual taxes exceed twenty thousand dollars (\$20,000) is required to participate in the Electronic Funds Transfer (EFT) Program. To register as an EFT taxpayer, contact the California Department of Insurance, Tax Accounting/EFT Unit at (916) 492-3288 or e-mail at EFT@insurance.ca.gov.

The following are line by line instructions for the All Classes of Insurance Except Ocean Marine, Life, Title, and Home Protection Tax Return for the calendar year 2002. Please only use one entry per line and do not write in the column labeled, "CDI use only".

Complete the following information: Name of Insurer, Mailing Address, City, State, Zip Code, Telephone Number, Fax Number, and State of Domicile. Also provide the Federal Tax Identification Number, California Permanent Number (CA Perm No), EFT Taxpayer Identification Number (TIN), and select the appropriate Method of Tax Payment. Please check the appropriate box: New Company (If Certificate of Authority was issued during 2002), Name Change (If the name was changed during 2002), and Final Return (If Certificate of Authority was withdrawn during 2002, or are a non-survivor of a merger).

RECORD ALL AMOUNTS IN WHOLE DOLLARS

- Line 1: **Direct Net Taxable Premiums** – Record the amount from Page 3 of the Premium Tax Return, Schedule A, Line 4.
- Line 2: **Tax Rate** - the tax rate of 2.35 %.
- Line 3: **2002 Annual Tax** - Multiply Line 1 by the tax rate on Line 2 to determine the 2002 Annual Tax, Line 3 (If the result of Line 3 is a negative amount, record zero (-0-) tax due). If the 2002 Annual Tax is more than \$20,000, then the insurer is required to participate in the EFT Program. For questions regarding EFT, contact the Tax Accounting/EFT Unit at (916) 492-3288 or e-mail at EFT@insurance.ca.gov.
- Line 4: **Low Income Housing Credit** – Record any Low Income Housing Credit for the reporting year. Include a copy of Form 3521-A, Certificate of Final Award of California, if there is a credit for the reporting year. Failure to provide a copy of Form 3521-A will result in the credit being disallowed.
- Line 5: **COIN Credit** – Record any California Organized Investment Network (COIN) credits for the reporting year. Include a copy of the certification from COIN showing the amount of the credit pursuant to Revenue and Taxation Code Section 12209. Failure to provide a copy of the certificate of credit will result in the credit being disallowed.
- Line 6: **Pilot Project Insurance Tax Credit** - Record the Pilot Project Insurance Tax Credit pursuant to Revenue and Taxation Code Section 12208.

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- Line 7: **Prepayments made during the reporting year of 2002** - Only include those prepayments made or applied to the first quarter during the reporting year. Exclude all payments of interest and penalties.
- Line 7a: **Overpayment applied from prior year** -
If there was an overpayment applied to the 2002 First Quarter Prepayment, as reported on Line 10a of the 2001 tax return, then record the amount applied on Line 7a (for example, if the 2002 First Quarter Prepayment due was \$2,500 and the amount of 2001 Overpayment applied was \$500, then record \$500 on Line 7a).
-OR-
If there was no overpayment applied to the 2002 First Quarter Prepayment, then record zero (-0-) on Line 7a.
- Line 7b: **First Quarter (Balance Paid)** -
If there was an overpayment applied to the 2002 First Quarter Prepayment, then record the net balance paid on Line 7b (for example, if the 2002 First Quarter Prepayment due was \$2,500 and the amount of 2001 Overpayment applied was \$500, then record \$2,000 on Line 7b).
-OR-
If there was no overpayment applied to the 2002 First Quarter Prepayment, then record the amount paid for the 2002 First Quarter Prepayment Line on 7b.
- Line 7c - 7e: **Second, Third, and Fourth Quarters** - Record the amount paid for each quarter.
- Line 7f: **Total Prepayments** - Record the sum of Lines 7a through 7e.
- Line 8: **Total Credits and Prepayments** - Record the sum of Lines 4, 5, 6, and 7f.
- Line 9: **2002 Tax Due** - If Line 3 is GREATER than Line 8, then subtract Line 8 from Line 3. The result will be the balance of the 2002 Annual Tax Due, Line 9. Please pay this amount on or before April 1, 2003. If Line 3 is NOT GREATER than Line 8, then please record zero (-0-) on this line and complete Line 10.
- Line 10: **2002 Tax Overpayment** - If Line 8 is GREATER than Line 3, then subtract Line 3 from Line 8, and record the result of the overpayment of the 2002 Annual Tax on Line 10. If Line 8 is NOT GREATER than Line 3, please record zero (-0-) on this line and proceed to Line 11.
- Line 11: **2003 First Quarter Prepayment** - Record the 2003 First Quarter Prepayment on this line. If The Annual Tax, Line 3, is \$5,000 or more, the insurer is required to make prepayments equal to 25 percent of Line 3. If the amount on Line 3 is less than \$5,000, then record zero (-0-) on this line.
- Line 11a: **2002 Tax Overpayment applied to the 1st Quarter Prepayment** - Record the amount of the 2002 Tax Overpayment, Line 10, applied to 2003 First Quarter Prepayment. Note: The application of the overpayment is not required. The insurer may pay the First Quarter Prepayment in full and receive a refund of the total amount reported on the tax overpayment, Line 10.
-OR-
If there is no tax overpayment or the insurer wishes pay the first quarter prepayment in full, then record zero (-0-) on this line.
- Line 11b: **2003 First Quarter Prepayment Balance Due** - If Line 11a is equal to or less than Line 11, then subtract Line 11a from Line 11. The result will be the 2003 First Quarter Prepayment Balance Due. Please pay this amount on or before April 1, 2003.

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Line 12: **2002 Retaliatory Tax** - Record the result of Page 5 of the Premium Tax Return, Schedule C, Part II, Line 7 for insurance companies.

-OR-

Record the result of Page 6 of the Premium Tax Return, Schedule RRG, Line 5 for risk retention groups.

Line 12a: **2002 Tax Overpayment applied to the Retaliatory Tax** - This line is an optional field. If there is any remaining balance for the 2002 Tax Overpayment, after it was applied to the 2003 First Quarter Prepayment, then apply the remaining balance to the 2002 Retaliatory Tax. Note: The application of the overpayment is not required. The insurer may pay the retaliatory tax in full and receive a refund of the total amount reported on the tax overpayment, Line 10, less any amount applied to the 1st Quarter Prepayment, Line 11a.

-OR-

If there is no tax overpayment or the insurer wishes pay the retaliatory tax in full, then record zero (-0-) on this line.

Line 12b: **2002 Retaliatory Tax Balance Due** - If Line 12a is equal to or less than Line 12, then subtract Line 12a from Line 12. The result will be the 2002 Retaliatory Tax balance due. Please pay this amount on or before April 1, 2003.

Line 13: **Tax Refund** - The Tax Refund is equal to the 2002 Tax Overpayment, Line 10, less the amounts applied to Lines 11a and 12a. If there is no tax overpayment, then record zero (-0-) on this line.

ALL INSURERS AND RISK RETENTION GROUPS ARE TO ATTACH A COPY OF THE 2002 ANNUAL STATEMENT STATE PAGE AND SCHEDULE T TO THE TAX RETURN.

Declaration of Insurer:

California Revenue and Taxation Code Section 12303 states: "Every return required by this article to be filed with the commissioner shall be signed by the insurer or an executive officer of the insurer and shall be made under oath or contain a written declaration that it is made under the penalties of perjury. A return of a foreign insurer may be signed and verified by its manager residing within this State. A return of an alien insurer may be signed and verified by the United States manager of such insurer."

Please complete this page with notary's certification. Please provide the name and address of the contact person for this tax return if the contact person is different than the signatory.

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FOR CALENDAR YEAR 2002**Schedule A**

- Line 1: Record the **Direct Premiums Written**, the amount found on Line 5, Column 2 of Schedule T.
- Line 2.1: Record the amount from Line 5, Column 8 of Schedule T.
- Line 2.2: Record any administrative, service or policy fees that were assessed directly to the policyholder during the reporting year, other than the amount reported on Line 2.1.
- Line 2.3: Record the Installment Fees: Include amounts paid as reimbursement for additional expense incurred in selling insurance on an installment basis such as additional bookkeeping expense and collection expense.
- Line 2.4: Record the California Fair Plan premiums if not included in Line 1.
- Line 2.5: Record the amount from Schedule B, Line 4, if bail-undertaking premiums were executed. For a surety insurer who transacts bail bonds.
- Line 2.6: Record the Premiums from all foreign states and alien countries where company is not licensed. This is for California domiciled Companies ONLY.
- Line 2.7: Record any retrospective premiums written during the reporting year.
- Line 2.8: For "Other": State the specific type of entry on this line. If necessary, provide documentation on a separate page. Please put the company name on any attachments.
- Line 2.9: Total of Lines 1 to 2.8.
- Line 3.1: Record the amount from Line 32, Column 4 of the State Page.
- Line 3.2: Record ocean marine premiums net of pleasure boat premiums.
- Line 3.3: Record the amount of "Return Premiums" in accordance with the Revenue and Taxation Code Section 12221 and the California State Constitution, Article XIII, Section 28(c), IF NOT previously deducted from Sch. T, Line 5, Column 2.
- Line 3.4: For "Other": State the specific type of entry on this line. If necessary, provide documentation on a separate page. Please put the company name on any attachments.
- Line 3.5: Total of Lines 3.1 to 3.4.
- Line 4: Deduct Line 3.5 from Line 2.9. Record the result on **Net Taxable Premiums, Page 1, Line 1.**

Record calculation of Pilot Project insurance tax credit pursuant to Revenue and Taxation Code Section 12208. Maintain records for an audit by the Commissioner on the tax credit taken.

ALL CLASSES OF INSURANCE EXCEPT OCEAN MARINE, LIFE, TITLE, AND HOME PROTECTION TAX RETURN

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FOR CALENDAR YEAR 2002**Schedule B – To be completed by surety insurers who transact bail bond premiums.**

All other insurers go to the following page.

Line 1: The total FACE AMOUNT (also known as "Penal Amount") of bail undertakings in California. This is the amount that the judge sets as bail.

Line 2: This is to calculate the total taxable bail bond premiums received by the company during the reporting year.

Line 2.1: Total premiums on bail bond premiums received by the company during the reporting year. For example the rate is 10%, then on a 50,000-bail bond the premium is 5,000. Please provide a copy of the rates charged if more than one rate is used.

Line 2.2: All fees and charges paid by or on behalf of the defendant that is NOT included on Line 2.1. For example there is a bond fee or charge of \$15 per bond. This fee is considered to be taxable premium.

Line 2.3: Any reimbursable out-of-pocket expenses that were paid by the agent. Please study Bulletin 137 for details, and provide a list of any reimbursable out-of-pocket expenses.

Line 2.4: Total Taxable Bail Bond Premiums. This is the sum of Line 2.1 and Line 2.2 less Line 2.3.

Line 3: to determine taxable Bail Bond Premium and any charges/fees that are not included on the Annual Statement California State Page for the reporting year.

Line 3.1: Record the amount as shown on Line 24, Column 1 of the Annual Statement California State Page for the reporting year.

Line 3.2: Record "other surety" premiums that are included on Line 24, Column 1 of the Annual Statement California State Page for the reporting year.

Line 3.3: this is to determine the amount of Bail Bond premiums that are already reporting on Line 24, Column 1 of the Annual Statement California State Page for the reporting year. Deduct Line 3.2 from Line 3.1 and record the result on this line.

Line 4: Net taxable Bail Bond Premiums and any charges/fees that are not included on Line 24, Column 1 of the Annual Statement California State Page for the reporting year. Deduct Line 3.3 from Line 2.4 and record the result on this line. Record the result on Line 2.5 of Schedule A of the tax return.

Insurers writing surety - if bail undertakings were executed, this schedule is to be completed. Please see Bulletin Number 137.

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FOR CALENDAR YEAR 2002**Schedule C – Retaliatory Tax Return**

This schedule is to be completed by all foreign and alien insurers. There is a separate RRG retaliatory tax schedule for all foreign and alien Risk Retention Groups.

Part I: State of Domicile Imposition

- Line 1.1: Record the amount on Page 1, Line 1.
- Line 1.2: Record allowable deductions (Pursuant to NAIC Retaliatory Tax Guidelines) of the state of domicile for each column. Be specific as to the entry on this line. If necessary, provide documentation on a separate page. Please write the company name on any attachments.
- Line 1.3: Deduct Line 1.2 from Line 1.1.
- Line 1.4: Record tax rate of the state of domicile.
- Line 1.5: Record the result of multiplying Line 1.3 by Line 1.4.
- Line 1.6 & 1.7: Record the Fire Department and/or Fire Marshal Tax if required by state of domicile. Attach the worksheet for the calculation.
- Line 1.8: Record the Annual Statement Fee as paid in the state of domicile.
- Line 1.9: Record the Certificate of Authority Fee as paid in the state of domicile.
- Line 1.10: Record the Certification Fee as paid in the state of domicile.
- Line 1.11(a): Record Agent License Fee paid by company on behalf of agents. Record the number of agents and amount of fee for each agent. Example 5 Agents X \$10 = \$50
- Line 1.11(b): For "Other": State the specific type of entry on this line. If necessary, provide documentation on a separate page. Please put the company name on any attachments.
- Line 2: Total of Lines 1.5 through Line 1.11(b).

Part II: California Tax on Foreign/Alien Insurer

- Line 1: Record the Premium Tax amount from Page 1, Line 3.
- Line 5.1: Record Agent License Fee paid by company on behalf of agents. Record the number of agents and amount of fee for each agent. Example 5 Agents X \$10 = \$50
- Line 5.2: OCEAN MARINE Insurers file an amended Retaliatory Tax with the Ocean Marine Return pursuant to Revenue and Taxation Code Section 12281.
- Line 6: Total of Lines 1 through 5.2.
- Line 7: If the amount on Part II, Line 6 is greater than the amount on Part I, Line 2, record zero on Line 7. Enter zero on the **2002 Retaliatory Tax, Page 1, Line 12.**
- OR-
- If the amount on Part I, Line 2 is greater than the amount on Part II, Line 6, record the difference between the amounts on Line 7. Enter the result on the **2002 Retaliatory Tax, Page 1, Line 12.**

FOR CALENDAR YEAR 2002

Schedule RRG --- Retaliatory Tax Return

This schedule is to be completed by all foreign and alien Risk Retention Groups.***Risk Retention Groups:*****Part I: State of Domicile Imposition**

- Line 1.1: Record the amount on Page 1, Line 1.
- Line 1.2: Record allowable deductions of the state of domicile.
- Line 1.3: Deduct Line 1.2 from Line 1.1.
- Line 1.4: Record tax rate of the state of domicile.
- Line 1.5: Record the result of multiplying Line 1.3 by Line 1.4.
- Line 1.6: Record the Registration Fee that was paid in the state of domicile.
- Line 1.7: Record Agent License Fee paid by company on behalf of agents. Record the number of agents and amount of fee for each agent. Example 5 Agents X \$10 = \$50
- Line 1.8: For "Other": State the specific type of entry on this line. If necessary, provide documentation on a separate page. Please put the company name on any attachments.
- Line 2: Total of Lines 1.5 through Line 1.8.

Risk Retention Groups:**Part II: California Tax on Foreign/Alien Insurer**

- Line 1: Record the Premium Tax amount from Page 1, Line 3.
- Line 3.1: Record Agent License Fee paid by company on behalf of agents. Record the number of agents and amount of fee for each agent. Example 5 Agents X \$10 = \$50
- Line 3.2: For "Other": State the specific type of entry on this line. If necessary, provide documentation on a separate page. Please put the company name on any attachments.
- Line 4: Total of Lines 1 through 3.2.
- Line 5: If the amount on Part II, Line 4 is greater than the amount on Part I, Line 2 record zero on Line 5. Enter zero on the **2002 Retaliatory Tax, Page 1, Line 12.**
- OR-
- If the amount on Part I, Line 2 is greater than the amount on Part II, Line 4, record the difference between the amounts on Line 5. Enter the result on the **2002 Retaliatory Tax, Page 1, Line 12.**

NOTE #1: Both insurers and risk retention groups are to file a copy of the state of domicile's premium tax return with this Retaliatory Tax Return.

NOTE #2: Pursuant to Revenue and Taxation Code Section 12281, all insurers licensed for Class 3 (Marine) who transact ocean marine insurance are to file and amended retaliatory tax return to report any ocean marine tax paid. The amended retaliatory tax return is to be filed with the ocean marine tax return.

FOR CALENDAR YEAR 2002

AMENDED TAX RETURNS – TAX REFUND

A claim for refund shall be in writing and shall state the specific grounds upon which it is founded. See Revenue and Taxation Code Section 12978 and 12979. Write the word "Amended" on the top of the amended return.

Please send request to:

State Board of Equalization
Excise Tax Division – MIC 56
P.O. Box 942879

Sacramento, CA 94279-0056

Attention: John Eng, Senior Tax Auditor

AND A
COPY TO

California Department of Insurance
Premium Tax Audit Bureau

300 South Spring Street, 14th Floor

Los Angeles, CA 90013-1230

Attention: David Okumura, Senior Examiner

Do not deduct or credit the requested refund when filing any future tax returns or prepayments due. The amount claimed is not a refund until certified as correct and a Notice of Refund is issued to you.

The prepayment amount for the amended tax year is not changed, record the actual prepayment made.

AMENDED TAX RETURN – ADDITIONAL TAX DUE

If you amend a tax return to report additional tax due, send the amended tax return showing clearly where the changes were made, and write the word "Amended" on the top of the amended return.

Please send the amended return to:

California Department of Insurance
Premium Tax Audit Bureau
300 South Spring Street, 14th Floor

Los Angeles, CA 90013-1230

Attention: David Okumura, Senior Examiner

Send a copy of the amended tax return with the check payable to CONTROLLER - STATE OF CALIFORNIA:

State Controller's Office
Division of Collections
Bureau of Tax Administration
P.O. Box 942850
Sacramento, CA 94250-5880

The prepayment amount for the amended tax year is not changed, record the actual prepayment made.

Please note that EFT should only be used for the annual tax and prepayments. Any additional tax, penalty and interest payments are to be made via check.

All payments made toward additional tax due will be applied pursuant to California Revenue and Taxation Code Section 12636.5: "Every payment on a delinquent tax shall be applied as follows: (a) First, to any interest due on the tax. (b) Second, to any penalty imposed by this part. (c) The balance, if any, to the tax itself."

ALL CLASSES OF INSURANCE EXCEPT OCEAN MARINE, LIFE, TITLE, AND HOME PROTECTION TAX RETURN

CDI FS-001 (REV 12/2002)

FOR CALENDAR YEAR 2002**Other Instructions:**

Gross Premiums: Gross premiums consist of all items of cost of the insurance to the insured, except for premiums received for reinsurance, including but not limited to installment charges; finance charges; administration and/or service fees in connection with a self-administered plan or Mini-Met type plan.

California Fair Plan Participation: Share of premium should be recorded as direct writings and included in the tax base.

Agent's Balance: Must be reported on a written basis as part of gross premiums received irrespective of whether or not the insurer has collected from the agent or the policyholder.

Non-admitted States: Business by a domestic insurer on policyholders in states where the insurer is not licensed to write insurance is to be reported as California premium business unless no part of the transaction occurs in California.

Deductions NOT allowable: Retrospective or experience rating refunds or dividends which are not paid directly to the premium payer; excess interest earnings returned to the policyholder and uncollectable agents balances are not allowable deductions.