

SURPLUS LINE BROKER AND SPECIAL LINES SURPLUS LINE BROKER**ANNUAL STATEMENT AND TAX RETURN**

CDI FS-006 (REV 12/2002)

FOR CALENDAR YEAR 2002**IMPORTANT INSTRUCTIONS**

All Surplus Line Brokers and Special Lines Surplus Line Brokers who held a license during the reporting year, whether or not business was transacted, must complete this form. Fill out all items, and do not forget to indicate method of tax payment.

Any questions regarding the completion of the Annual Statement and Tax Return please contact the California Department of Insurance Premium Tax Audit Bureau at (213) 346-6137.

Pursuant to the California Insurance Code Section 1775.8, commencing January 1, 1995, entities subject to insurance tax whose Annual Tax is \$20,000 or more are 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.

DUE ON MARCH 1, 2003

1. The Annual Statement and Tax Return for the calendar year 2002 - Two copies to the California Department of Insurance, Tax Accounting/EFT Unit and one copy to the Surplus Line Association.

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

Surplus Line Association
388 Market Street, 11th Floor
San Francisco, CA 94111

2. The Annual Tax Due – paid by check or EFT.

For interstate risks, refer to the method of allocation pursuant to California Insurance Code Section 1775.5. The broker shall keep records to show the auditors at the time of examination how premiums for interstate risks were allocated.

**SURPLUS LINE BROKER AND SPECIAL LINES SURPLUS LINE BROKER
ANNUAL STATEMENT AND TAX RETURN**

CDI FS-006 (REV 12/2002)

FOR CALENDAR YEAR 2002

The following are line by line instructions for the Surplus Line Broker and Special Lines Surplus Line Broker Annual Statement and Tax Return for the calendar year 2002. Please only use one entry per line. Do not write in column labeled "CDI use only".

Complete the following information: Broker's Name, Mailing Address, City, State, Zip Code and Telephone Number. Also, provide the Surplus Line License Number, Federal Tax Identification Number, the EFT Taxpayer Identification Number (TIN), and select the appropriate Method of Tax Payment. If Surplus Line Brokers and Special Lines Surplus Line Brokers doing business under a different name, then complete the section titled D.B.A. (Doing Business As).

In addition, New Brokers (license issued during calendar year 2002), Brokers with Name Changes, and / or Brokers who are submitting a final return (license has expired and no further business will be transacted) must indicate so by checking the appropriate box on the top section of page one of the tax return.

Line 1

The amount on Line 1 should be the actual California Surplus Line Gross Premiums on policies transacted from January 1 to December 31 of the tax year (business transacted with nonadmitted insurers only). For interstate risks, see California Insurance Code Section 1775.5.

Line 2

The amount on Line 2 should be the actual California Surplus Line Premiums that were returned to the policyholder(s) during the period of January 1 to December 31 of the tax year (business transacted with a nonadmitted insurer only). This is required pursuant to California Insurance Code Section 1775.5.

Line 3

The amount on Line 3 is the tax base. This amount is the result of the Gross Premiums (Line 1) less the Returned Premiums (Line 2).

Line 4

Line 4 is the Tax Rate of three percent (3%).

Line 5

This amount is the annual tax liability for the reporting tax year. Multiply the Net Taxable Premiums (Line 3) by the Tax Rate of three percent (3%). If the amount on this line is \$5,000 or more, monthly tax payments are required. If the amount on this line is \$20,000 or more, payment via EFT is required. See California Insurance Code Section 1775.1(a) for monthly tax payments, and Section 1775.8 for EFT payments.

Line 6

The amount on each line is the actual tax paid each month. The annual tax payment is in lieu of the December Monthly Tax Payment, pursuant to California Insurance Code Section 1775.3. Do not include any additional assessments, penalties, or negative amounts on these lines. Any annual tax overpayment credited to the January 2002 monthly tax payment should be included on Line 6A.

Line 6A

Report any credit applied toward the January monthly tax payment from the prior year's annual tax overpayment.

Example: 2001 Tax Overpayment credited to January 2002 monthly tax payment is \$55.
January 2002 monthly tax payment before credit applied is \$155.
Amount on Line 6A is \$55, and the amount on Line 6B is \$100.

Line 7

This line is the sum of all monthly tax payments made during the reporting year. This is the total of Lines 6A through 6L.

SURPLUS LINE BROKER AND SPECIAL LINES SURPLUS LINE BROKER**ANNUAL STATEMENT AND TAX RETURN**

CDI FS-006 (REV 12/2002)

FOR CALENDAR YEAR 2002**Line 8**

Deduct the total monthly tax payments (Line 7) from the annual tax liability (Line 5). If the amount on Line 5 is GREATER than the amount on Line 7, then complete Line 8. PAY THIS AMOUNT ON OR BEFORE MARCH 1, 2003. Late payment and/or underpayment of the tax due may be subject to penalty and interest. If paying by check, make the check payable to CONTROLLER – STATE OF CALIFORNIA.

Also, If the NET ANNUAL TAX DUE (Line 8) is paid by CHECK, mail the CHECK and the Annual Statement and Tax Return to: **OR If the NET ANNUAL TAX DUE (Line 8) is paid by EFT or if the NET ANNUAL TAX DUE (Line 8) is ZERO (-0-), mail the Annual Statement and Tax Return to:**

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

Line 9

If the total monthly tax payments (Line 7) is GREATER than the Annual Tax Liability (Line 5), then complete Line 9. The overpayment of tax may be allowed as a credit against the succeeding year's FIRST MONTHLY PAYMENT ONLY; or be refunded. If REFUNDED, do not apply the amount of the refund toward any other tax liability due. Please select the appropriate box. **Failure to indicate a credit or refund will result in a refund being issued.**

Upon completion of the Annual Statement and Tax Return it should be mailed to the following address (please refer to the Surplus Line Broker Calendar for due dates):

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

Line 10

Record the complete name of the Nonadmitted Insurance Companies, State of Domicile, and California Gross Premiums transacted during the calendar year 2002. Record only nonadmitted insurance companies whose premiums result in a positive amount at year-end (return premiums are recorded on Line 2). Record each insurance company one time on this form. If additional pages are necessary, make a copy of this page. Be sure to include the Surplus Line Brokers and Special Lines Surplus Line Brokers name and Surplus Line License Number on any additional pages. If there was no business transacted during the calendar year, write "NONE" and go to the next page. The total of Lines 10 and 10A should equal Line 1.

Line 10A

Record each Lloyd's Syndicate and number as "Lloyd's Syndicate #0 (U.K.)" and California Gross Premiums for each syndicate member with whom business was transacted for calendar year 2002. Record only those Syndicates whose premiums result in a positive amount at year-end (return premiums are recorded on Line 2). Record each Syndicate one time on this form. If additional pages are necessary, make a copy of the page. Be sure to include the Surplus Line Brokers and Special Lines Surplus Line Brokers name and Surplus Line License Number on any additional pages. If there was no business transacted during the calendar year, write "NONE" and go to the next page. The total of Lines 10 and 10A should equal Line 1.

SURPLUS LINE BROKER AND SPECIAL LINES SURPLUS LINE BROKER**ANNUAL STATEMENT AND TAX RETURN**

CDI FS-006 (REV 12/2002)

FOR CALENDAR YEAR 2002**Line 11**

Record the name of the Purchasing Groups and the California Gross Premiums on whose behalf business was transacted with Nonadmitted Insurance Companies during calendar year 2002. If additional pages are necessary, make a copy of the page. Be sure to include the Surplus Line Brokers and Special Lines Surplus Line Brokers name and Surplus Line License Number on any additional pages. If there was no business transacted during the calendar year, write "NONE" and go to the next page.

Line 12

This is the Statement of Trusted Assets and Liabilities as of December 31, 2002 for only California Surplus Line Business. If using fiscal year basis, state the year-end date on the line provided (month/day/year). This is a quick test of the accumulation totals of the California Surplus Line Trust Fund. Please see the sample below:

Description of Trust Assets:

Cash Trust
 Premiums Receivable
 Any securities held in this account

Description of Trust Liabilities:

Premiums Payable
 Surplus Line Tax Payable
 Stamping Fees Payable

Line 13:

This is the Statement of Nontaxable Business written pursuant to California Insurance Code Section 1760.5. All Special Lines Surplus Line Brokers are required to complete this Section even if the business transacted was nontaxable for the calendar year 2002.

Line 14:

Please provide the name, title, and phone number of the contact person should there be any questions regarding this annual statement and tax return. If the business street address is different from the mailing address, please provide this information.

Surplus Line Broker's Certification

Surplus Line Broker's Certification is to be completed by the broker declaring under penalty of perjury pursuant to the laws of the State of California that the annual statement and tax return, including any accompanying schedules or statements, has been examined by the broker, and is true, correct, and complete.

COMPLETE AND RETURN ALL PAGES OF THE TAX RETURN

SURPLUS LINE BROKER AND SPECIAL LINES SURPLUS LINE BROKER**ANNUAL STATEMENT AND TAX RETURN**

CDI FS-006 (REV 12/2002)

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

AND A
COPY TO

Attention: John Eng, Senior Tax Auditor

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 monthly tax due. The amount claimed is not a refund until certified as correct and a Notice of Refund is issued to you.

The monthly tax amount for the amended tax year is not changed. Record the actual monthly tax paid.

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

The monthly tax amount for the amended tax year is not changed. Record the actual monthly tax paid.

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

Please note that EFT should only be used for the annual tax and monthly tax. 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."