

1 ENGROSSED HOUSE  
2 BILL NO. 2458

By: Key of the House

3 and

4 Brown of the Senate  
5  
6

7 An Act relating to unauthorized insurers and surplus  
8 lines insurance; amending 36 O.S. 2011, Sections  
9 1100, 1100.1, 1100.2, 1101, 1101.1, 1103, 1104, 1105,  
10 1106, 1106.1, 1107, 1109, 1111, 1112, 1113, 1114,  
11 1115, 1116, 1118 and 1120, which relate to the  
12 Unauthorized Insurers and Surplus Lines Insurance  
13 Act; updating short title; specifying purpose;  
14 modifying definitions; authorizing the Insurance  
15 Commissioner in his or her discretion to enter into  
16 certain agreement if deemed to be in the best  
17 interest of the state; clarifying that certain  
18 actions must be performed by a broker or licensee as  
19 defined in the Unauthorized Insurers and Surplus  
20 Lines Insurance Act; allowing insurers to write  
21 surplus line insurance in this state and certain  
22 other jurisdictions; specifying when all domestic  
23 surplus lines insurers shall pay premium tax to the  
24 Insurance Commissioner; modifying service of process;  
modifying exemption from service of process; allowing  
certain state agencies attorney fees; modifying  
requirement for a surplus lines insurer; clarifying  
that certain insurance be procured in the insurer's  
home state; exempting a surplus lines broker from  
making certain due diligence search; modifying  
procedures related to the procurement of surplus  
lines insurance with a multistate risk; clarifying  
information on certain notice; specifying that  
insurance agent shall have the right to receive  
certain commission; modifying requirements that a  
surplus lines licensee or broker must meet;  
specifying that information in records of surplus  
line brokers shall be determined by law; requiring  
certain information relating to surplus lines brokers  
to be provided to the Insurance Commissioner;  
modifying procedures relating to the calculation and

1 payment of the premium tax; clarifying language;  
2 clarifying that legal process procedures apply to  
3 surplus lines or nonadmitted insurer; modifying scope  
4 of subjects that shall produce certain records for  
5 examination by the Insurance Commissioner; and  
6 declaring an emergency.

6 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

7 SECTION 1. AMENDATORY 36 O.S. 2011, Section 1100, is  
8 amended to read as follows:

9 Section 1100. A. Sections 4, 5, 6 and 12 of this act and  
10 Sections 1101 1100 through 1120 of Title 36 of the Oklahoma Statutes  
11 shall be known and may be cited as the "Unauthorized Insurers and  
12 Surplus Lines Insurance Act".

13 B. The purpose and effect of the Unauthorized Insurers and  
14 Surplus Lines Insurance Act shall relate back to the effective date  
15 of implementation of the Nonadmitted and Reinsurance Reform Act of  
16 2010.

17 SECTION 2. AMENDATORY 36 O.S. 2011, Section 1100.1, is  
18 amended to read as follows:

19 Section 1100.1 As used in the Unauthorized Insurers and Surplus  
20 Lines Insurance Act:

21 1. "Admitted insurer" means, with respect to a state, an  
22 insurer that is licensed to transact the business of insurance in  
23 such state;

24 2. "Home state" means:

1 a. except as provided in subparagraphs b through e of  
2 this paragraph, with respect to an insured:

3 (1) the state in which an insured maintains its  
4 principal place of business or, in the case of an  
5 individual, the individual's principal residence,  
6 or

7 (2) if one hundred percent (100%) of the insured risk  
8 is located out of the state referred to in  
9 division (1) of this subparagraph, the state to  
10 which the greatest percentage of the insured's  
11 taxable premium for the insurance contract is  
12 allocated,

13 b. with respect to determining the home state of the  
14 insured, "principal place of business" means:

15 (1) the state where the insured maintains its  
16 headquarters and where the insured's high-level  
17 officers direct, control and coordinate the  
18 business activities, or

19 (2) if the insured maintains its headquarters or the  
20 insured's high-level officers direct, control and  
21 coordinate the business activities outside ~~any~~  
22 ~~state~~ Oklahoma, the state to which the greatest  
23 percentage of the insured's taxable premium for  
24 that insurance contract is allocated,

1 c. with respect to determining the home state of the  
2 insured, "principal residence" means:

3 (1) the state where the insured resides for the  
4 greatest number of days during the calendar year,  
5 or

6 (2) if the insured's principal residence is located  
7 outside any state, the state to which the  
8 greatest percentage of the insured's taxable  
9 premium for that insurance is allocated,

10 d. if more than one insured from an affiliated group are  
11 named insureds on a single nonadmitted insurance  
12 contract, the term "home state" means the home state,  
13 as determined pursuant to division (1) of subparagraph  
14 a of this paragraph, of the member affiliated group  
15 that has the largest percentage of premium attributed  
16 to it under such insurance contract, or

17 e. when the group policyholder pays one hundred percent  
18 (100%) of the premium from its own funds, the term  
19 "home state" means the home state, as determined  
20 pursuant to division (1) of subparagraph a of this  
21 paragraph, of the group policyholder. When the group  
22 policyholder does not pay one hundred percent (100%)  
23 of the premium from its own funds, the term "home  
24 state" means the home state, as determined pursuant to

1           division (1) of subparagraph a of this paragraph, or  
2           of the group member;

3           3. "Independently procured insurance" means insurance procured  
4 by an insured directly from a nonadmitted insurer;

5           4. "Licensed" means, with respect to an insurer, authorization  
6 to transact the business of insurance in a state by a license,  
7 certificate of authority, charter or otherwise;

8           5. "Multistate risk" means a risk covered by a nonadmitted  
9 insurer with insured exposures in more than one state;

10          6. "Nonadmitted insurance" means any property and casualty  
11 insurance permitted in a state to be placed directly through a  
12 surplus lines licensee or broker with a nonadmitted insurer eligible  
13 to accept such insurance. For purposes of the Unauthorized Insurers  
14 and Surplus Lines Insurance Act, nonadmitted insurance includes  
15 independently procured insurance and surplus lines insurance;

16          7. "Nonadmitted insurer" means, with respect to a state, an  
17 insurer not licensed to engage in the business of insurance in such  
18 state, but shall not include a risk retention group as that term is  
19 defined under applicable federal law;

20          8. "Single-state risk" means a risk insured with insured  
21 exposures in only one state;

22          9. "Surplus lines ~~insurer~~ insurance" means insurance procured  
23 by a ~~surplus lines~~ nonadmitted licensee or broker from a surplus  
24

1 lines insurer as permitted under the law of the insured's home  
2 state; and

3 10. "Surplus lines licensee" or "surplus lines broker" means an  
4 individual, firm or corporation that is licensed in ~~a state~~ the  
5 insured's home state to sell, solicit, or negotiate insurance,  
6 including the agent of record on a nonadmitted insurance policy, on  
7 properties, risks or exposures located or to be performed in a state  
8 ~~with~~ allowing nonadmitted insurers to do business.

9 SECTION 3. AMENDATORY 36 O.S. 2011, Section 1100.2, is  
10 amended to read as follows:

11 Section 1100.2 A. For the purposes of carrying out the  
12 Nonadmitted and Reinsurance Reform Act of 2010, the Insurance  
13 Commissioner is authorized in the Insurance Commissioner's sole  
14 discretion and judgment to enter into the Nonadmitted Insurance  
15 Multi-State Agreement or any other multistate agreement or compact  
16 with the same function and purpose, in order to:

17 1. Facilitate the collection, allocation and disbursement of  
18 premium taxes attributable to the placement of nonadmitted insurance  
19 through a central clearinghouse;

20 2. Provide for uniform methods of allocation and reporting  
21 among nonadmitted insurance risk classifications through a central  
22 clearinghouse; and

23 3. Share information among states relating to nonadmitted  
24 insurance premium taxes.

1        B. The Insurance Commissioner is not compelled now or in the  
2 future to join the Nonadmitted Insurance Multi-State Agreement or  
3 any other multistate agreement or compact with the same function and  
4 purpose of distributing surplus line premium tax proceeds based on a  
5 formula of multistate risk allocation, unless the Insurance  
6 Commissioner, in his or her discretion, deems joining such a  
7 multistate compact or agreement is in the best interest of the State  
8 of Oklahoma and its citizens.

9            SECTION 4.        AMENDATORY        36 O.S. 2011, Section 1101, is  
10 amended to read as follows:

11            Section 1101. A. No person in Oklahoma shall in any manner:

12            1. Represent or assist any nonadmitted insurer ~~as defined in~~  
13 ~~the Unauthorized Insurers and Surplus Lines Insurance Act,~~ in the  
14 soliciting, procuring, placing, or maintenance of any nonadmitted  
15 insurance coverage upon or with relation to any subject of insurance  
16 resident, located, or to be performed in Oklahoma without being a  
17 surplus lines licensee or broker as defined in the Unauthorized  
18 Insurers and Surplus Lines Insurance Act; or

19            2. Inspect or examine any risk or collect or receive any  
20 premium on behalf of any nonadmitted insurer without being a surplus  
21 lines broker or licensee as defined in the Unauthorized Insurers and  
22 Surplus Lines Insurance Act.

23            B. Any person transacting insurance or acting as a surplus  
24 lines broker or licensee in violation of this section shall be

1 liable to the insured for the performance of any contract between  
2 the insured and the insurer resulting from the transaction.

3 C. This section shall not apply as to reinsurance, to surplus  
4 line insurance lawfully procured pursuant to the Unauthorized  
5 Insurers and Surplus Lines Insurance Act, to transactions exempt  
6 under Section 606 of this title (Authorization of Insurers and  
7 General Qualifications), or to professional services of an adjuster  
8 or attorney-at-law from time to time with respect to claims under  
9 policies lawfully solicited, issued, and delivered outside of  
10 Oklahoma.

11 D. The investigation and adjustment of any claim in this state  
12 arising under an insurance contract issued by ~~an unauthorized~~ a  
13 nonadmitted insurer shall not be deemed to constitute the  
14 transacting of the business of insurance in this state.

15 E. Nonadmitted insurers shall contract with the trustees of any  
16 fund which will insure residents in this state in a manner  
17 consistent with the requirements, nature and scope of the  
18 Unauthorized Insurers and Surplus Lines Insurance Act.

19 SECTION 5. AMENDATORY 36 O.S. 2011, Section 1101.1, is  
20 amended to read as follows:

21 Section 1101.1 A. An Oklahoma domestic insurer possessing  
22 policyholder surplus of at least Fifteen Million Dollars  
23 (\$15,000,000.00) may, pursuant to a resolution by its board of  
24 directors, and with the written approval of the Insurance

1 Commissioner, be designated as a domestic surplus line insurer.  
2 Such insurers ~~shall~~ may write surplus line insurance in this state  
3 and in any other jurisdiction within which it does business,  
4 including this state allowed under the Nonadmitted and Reinsurance  
5 Reform Act of 2010.

6 B. A The premiums of a domestic surplus line insurer ~~may only~~  
7 ~~insure in this state any risk procured pursuant to Article 11 of the~~  
8 ~~Oklahoma Insurance Code governing surplus line insurers and brokers~~  
9 ~~and its premium shall be subject to surplus line premium tax~~  
10 ~~pursuant to Section 1115 of this title and pursuant to the~~  
11 ~~Nonadmitted Insurance Multi-State Agreement or any other multistate~~  
12 ~~agreement or compact with the same function and purpose the~~  
13 ~~Insurance Commissioner may, in the exercise of his or her sole~~  
14 ~~discretion and judgment, enter into or join.~~ All domestic surplus  
15 lines insurers shall pay all premium taxes to the Insurance  
16 Commissioner when Oklahoma is the home state of the insured until  
17 and unless in the exercise of his or her sole discretion and  
18 judgment, the Insurance Commissioner decides to join the Nonadmitted  
19 Insurance Multi-State Agreement or any other multistate agreement or  
20 compact with the same function and purpose.

21 C. A domestic surplus line insurer may not issue a policy  
22 designed to satisfy the motor vehicle financial responsibility  
23 requirement of this state, the ~~Oklahoma~~ Workers' Compensation Act  
24

1 Code, or any other law mandating insurance coverage by a licensed  
2 insurance company.

3 D. A domestic surplus line insurer is not subject to the  
4 provisions of the Oklahoma Property & Casualty Insurance Guaranty  
5 Act nor the Oklahoma Life and Health Insurance Guaranty Association  
6 Act.

7 SECTION 6. AMENDATORY 36 O.S. 2011, Section 1103, is  
8 amended to read as follows:

9 Section 1103. A. Delivery, effectuation, or solicitation of  
10 any insurance contract, by mail or otherwise, within this state by a  
11 surplus lines insurer, or the performance within this state of any  
12 other service or transaction connected with the insurance by or on  
13 behalf of the insurer, shall be deemed to constitute an appointment  
14 by the insurer of the Insurance Commissioner ~~and the Commissioner's~~  
15 ~~successors in office~~ as its attorney, upon whom may be served all  
16 lawful process issued within this state in any action or proceeding  
17 against the insurer arising out of any such contract or transaction.

18 B. Service of process shall be made by delivering to and  
19 leaving with the Insurance Commissioner three copies thereof. At  
20 time of service the plaintiff shall pay Twenty Dollars (\$20.00) to  
21 the Insurance Commissioner, taxable as costs in the action. The  
22 Insurance Commissioner shall mail by registered mail one of the  
23 copies of the process to the defendant at any home state address as  
24

1 last known to the Insurance Commissioner, and shall keep a record of  
2 all process so served.

3 C. Service of process in any action or proceeding, in addition  
4 to the manner provided herein, shall also be valid if served upon  
5 any person within this state who, in this state on behalf of the  
6 insurer, is soliciting insurance, or making, issuing, or delivering  
7 any insurance policy, or collecting or receiving any premium,  
8 membership fee, assessment, or other consideration for insurance.

9 D. Service of process upon an insurer in accordance with this  
10 section shall be as valid and effective as if served upon a  
11 defendant personally present in this state.

12 E. Means provided in this section for service of process upon  
13 the insurer shall not be deemed to prevent service of process upon  
14 the insurer by any other lawful means.

15 F. An insurer which has been so served with process shall have  
16 the right to appear in and defend the action and employ attorneys  
17 and other persons in this state to assist in its defense or  
18 settlement.

19 SECTION 7. AMENDATORY 36 O.S. 2011, Section 1104, is  
20 amended to read as follows:

21 Section 1104. Sections 1103 and 1105 of this article shall not  
22 apply to ~~surplus line insurance lawfully effectuated under this~~  
23 ~~article, or to~~ reinsurance, nor to any action or proceeding against  
24 a surplus lines insurer arising out of:

1 1. Ocean marine and foreign trade insurance,

2 2. Insurance on subjects located, resident, or to be performed  
3 wholly outside this state, or on vehicles or aircraft owned and  
4 principally garaged outside this state,

5 3. Insurance on property or operations of railroads engaged in  
6 interstate commerce, or

7 4. Insurance on aircraft or cargo of the aircraft, or against  
8 liability, other than employers' liability, arising out of the  
9 ownership, maintenance, or use of the aircraft, where the policy or  
10 contract contains a provision designating the Insurance Commissioner  
11 as its attorney for the acceptance of service of lawful process in  
12 any action or proceeding instituted by or on behalf of an insured or  
13 beneficiary arising out of any policy, or where the insurer enters a  
14 general appearance in any action.

15 SECTION 8. AMENDATORY 36 O.S. 2011, Section 1105, is  
16 amended to read as follows:

17 Section 1105. In any action against a surplus lines insurer  
18 pursuant to Section 1103 of this title, if the insurer has failed  
19 for thirty (30) days after demand prior to the commencement of the  
20 action to make payment in accordance with the terms of the contract  
21 of insurance or in accordance with Section 1115 of this title, and  
22 it appears to the court that the refusal was vexatious and without  
23 reasonable cause, the court may allow to the plaintiff or an  
24 aggrieved agency of this state a reasonable attorney fee and include

1 the fee in any judgment that may be rendered in the action. The fee  
2 shall not exceed one-third (1/3) of the amount which the court or  
3 jury finds the plaintiff is entitled to recover against the insurer,  
4 but in no event shall a fee be less than One Hundred Dollars  
5 (\$100.00). Failure of an insurer to defend any action shall be  
6 deemed prima facie evidence that its failure to make payment was  
7 vexatious and without reasonable cause.

8 SECTION 9. AMENDATORY 36 O.S. 2011, Section 1106, is  
9 amended to read as follows:

10 Section 1106. If insurance required to protect the interest of  
11 the assured cannot be procured from admitted insurers after direct  
12 inquiry to authorized insurers, insurance may be procured from  
13 surplus lines insurers subject to the following conditions:

14 1. The surplus lines insurer shall meet the requirements of the  
15 Unauthorized Insurers and Surplus Lines Insurance Act and the  
16 following conditions:

17 a. the insurer has capital and surplus or its equivalent  
18 under the laws of its domiciliary jurisdiction which  
19 equals the greater of:

20 (1) the minimum capital and surplus requirements  
21 under the laws of this state for nonadmitted  
22 insurers, or

23 (2) Fifteen Million Dollars (\$15,000,000.00),  
24

1           b.    the requirements of subparagraph a of this paragraph  
2                    may be satisfied by an insurer's possessing less than  
3                    the minimum capital and surplus upon an affirmative  
4                    finding of acceptability by the Insurance  
5                    Commissioner. The finding shall be based upon such  
6                    factors as quality of management, capital and surplus  
7                    of any parent company, company underwriting profit and  
8                    investment income trends, market availability and  
9                    company record and reputation within the industry. In  
10                  no event shall the Insurance Commissioner make an  
11                  affirmative finding of acceptability when the  
12                  nonadmitted insurer's capital and surplus is less than  
13                  Four Million Five Hundred Thousand Dollars  
14                  (\$4,500,000.00), and

15           c.    the insurer, if an alien insurer, is listed on the  
16                    National Association of Insurance Commissioners  
17                    Nonadmitted Insurers Quarterly Listing; and

18           2.    The insurance shall be procured through a licensed surplus  
19 lines licensee or broker licensed in ~~a~~ the insurer's home state. An  
20 Oklahoma surplus lines license is required only where Oklahoma is  
21 the home state ~~and domicile~~ of the insurer.

22           For the purposes of carrying out the provisions of the  
23 Nonadmitted and Reinsurance Reform Act of 2010, the Insurance  
24 Commissioner is authorized to utilize the national insurance

1 producer database of the National Association of Insurance  
2 Commissioners, or any other equivalent uniform national database,  
3 for the licensure of an individual or entity as a surplus lines  
4 licensee or broker and for renewal of such license.

5 SECTION 10. AMENDATORY 36 O.S. 2011, Section 1106.1, is  
6 amended to read as follows:

7 Section 1106.1 A. A surplus lines licensee or broker is not  
8 required to make a due diligence search to determine whether the  
9 full amount or type of insurance can be obtained from admitted  
10 insurers when the surplus lines licensee or broker is seeking to  
11 procure or place nonadmitted insurance for an exempt commercial  
12 purchaser, provided:

13 1. The licensee or broker procuring or placing the surplus  
14 lines insurance has disclosed to the exempt commercial purchaser  
15 that such insurance may or may not be available from the admitted  
16 market that may provide greater protection with more regulatory  
17 oversight; and

18 2. The exempt commercial purchaser has subsequently requested  
19 in writing for the surplus lines broker to procure or place such  
20 insurance from a nonadmitted insurer.

21 B. For purposes of this section, the term "exempt commercial  
22 purchaser" means any person purchasing commercial insurance that, at  
23 the time of placement, meets the following requirements:

24

1        1. The person employs or retains a qualified risk manager to  
2 negotiate insurance coverage;

3        2. The person has paid aggregate nationwide commercial property  
4 and casualty insurance premiums in excess of One Hundred Thousand  
5 Dollars (\$100,000.00) in the immediately preceding twelve (12)  
6 months;

7        3. The person meets at least one of the following criteria:

8            a. the person possesses a net worth in excess of Twenty  
9 Million Dollars (\$20,000,000.00), as such amount is  
10 adjusted pursuant to paragraph 4 of this subsection,

11           b. the person generates annual revenues in excess of  
12 Fifty Million Dollars (\$50,000,000.00), as such amount  
13 is adjusted pursuant to paragraph 4 of this  
14 subsection,

15           c. the person employs more than five hundred full-time-  
16 equivalent employees per individual insured or is a  
17 member of an affiliated group employing more than one  
18 thousand employees in the aggregate,

19           d. the person is a not-for-profit organization or public  
20 entity generating annual budgeted expenditures of at  
21 least Thirty Million Dollars (\$30,000,000.00), as such  
22 amount is adjusted pursuant to paragraph 4 of this  
23 subsection, or

24

1 e. the person is a municipality with a population in  
2 excess of fifty thousand (50,000) persons; and

3 4. Effective on January 1, 2015, and every five (5) years  
4 thereafter, the amounts in subparagraphs a, b and d of paragraph 3  
5 of this subsection shall be adjusted to reflect the percentage  
6 change for such five-year period in the Consumer Price Index of All  
7 Urban Consumers published by the Bureau of Labor Statistics of the  
8 U.S. Department of Labor.

9 SECTION 11. AMENDATORY 36 O.S. 2011, Section 1107, is  
10 amended to read as follows:

11 Section 1107. A. After procuring any surplus line insurance  
12 where Oklahoma is the home state and the insurance involves a  
13 multistate risk, the surplus lines licensee and broker shall submit  
14 such ~~clearinghouse or other entity~~ information relating to the  
15 transaction as may be established by the Insurance Commissioner  
16 ~~through joining, in.~~ The data shall be provided to the Insurance  
17 Commissioner until and unless in the exercise of his or her sole  
18 discretion and judgment, the Insurance Commissioner decides to enter  
19 or join the Nonadmitted Insurance Multi-State Agreement or any other  
20 multistate agreement or compact with the same function and purpose  
21 and other reporting requirements are thereby established.

22 B. When Oklahoma is the home state ~~in connection with a~~  
23 ~~multistate risk of the insured,~~ the surplus lines license and broker  
24 insurer shall make ~~the tax filings and payments required~~ all

1 application and informational filings and fee payments in the manner  
2 required or to be established by the Insurance Commissioner ~~through~~  
3 ~~joining, in.~~ When Oklahoma is the home state of the insured, the  
4 premium tax filings and premium tax payments shall be provided  
5 entirely to the Insurance Commissioner until and unless, in the  
6 exercise of his or her sole discretion and judgment, the Insurance  
7 Commissioner decides to enter or join the Nonadmitted Insurance  
8 Multi-State Agreement or any other multistate agreement or compact  
9 with the same function and purpose.

10 C. Failure to file the required information, any required fee  
11 payments and make the required premium tax payments in the manner  
12 established by the Insurance Commissioner ~~in the exercise of his or~~  
13 ~~her sole discretion and judgment~~ pursuant to this section and  
14 Section 1115 of this title where Oklahoma is the home state of the  
15 insured shall result, after notice and hearing, in censure,  
16 suspension, or revocation of license or a fine of up to Five Hundred  
17 Dollars (\$500.00) for each occurrence or by both such fine and  
18 licensure penalty.

19 SECTION 12. AMENDATORY 36 O.S. 2011, Section 1109, is  
20 amended to read as follows:

21 Section 1109. A. Insurance contracts procured as surplus line  
22 coverage from surplus lines insurers in accordance with this article  
23 shall be fully valid and enforceable as to all parties, and shall be  
24

1 given recognition in all matters and respects to the same effect as  
2 like contracts issued by admitted insurers.

3 B. Insurance contracts procured as surplus line coverage shall  
4 contain in bold-face type notification stamped by the surplus lines  
5 licensee or broker or surplus lines insurer on the declaration page  
6 of the policy that the contracts are not subject to the protection  
7 of any guaranty association in the event of liquidation or  
8 receivership of the surplus lines insurer.

9 SECTION 13. AMENDATORY 36 O.S. 2011, Section 1111, is  
10 amended to read as follows:

11 Section 1111. A surplus lines licensee or broker may accept and  
12 place surplus lines insurance from any insurance agent or broker  
13 licensed in this state for the kind of insurance involved, and may  
14 compensate such agent or broker therefor. The ~~surplus lines~~  
15 ~~licensee~~ insurance agent or broker shall have the right to receive  
16 from the surplus lines insurer the customary commission.

17 SECTION 14. AMENDATORY 36 O.S. 2011, Section 1112, is  
18 amended to read as follows:

19 Section 1112. A. A surplus lines licensee or broker shall not  
20 knowingly place any such coverage ~~in an~~ with a nonadmitted insurer  
21 which is in an unsound financial condition. To be considered  
22 financially sound, a surplus lines insurer shall meet the  
23 requirements of Section 1106 of this title. ~~A surplus lines~~  
24 ~~licensee or broker shall not place any such coverage in an insurer~~

1 ~~unless the insurer meets the requirements of Section 1106 of this~~  
2 ~~title or has been approved in writing by the Insurance Commissioner~~  
3 ~~as a surplus lines insurer and such approval has not been withdrawn.~~  
4 ~~A surplus lines licensee or broker shall not place any surplus lines~~  
5 ~~insurance in an insurer that does not meet the requirements of~~  
6 ~~Section 1106 of this title.~~

7 B. For violation of this section, in addition to any other  
8 penalty provided by law, the surplus lines broker's license shall be  
9 revoked, and the broker shall not again be so licensed within a  
10 period of two (2) years thereafter. In addition, any surplus lines  
11 licensee and broker ~~licensed in Oklahoma~~ who violates this section  
12 shall be guilty of a misdemeanor and upon conviction thereof shall  
13 be punished for each offense, by a fine of not more than One  
14 Thousand Dollars (\$1,000.00) or by confinement in jail for not more  
15 than ninety (90) days, or by both such fine and imprisonment.

16 SECTION 15. AMENDATORY 36 O.S. 2011, Section 1113, is  
17 amended to read as follows:

18 Section 1113. Each surplus lines licensee or broker licensed in  
19 Oklahoma shall keep ~~in the broker's office in this state~~ a full and  
20 true record of each surplus lines contract procured by the surplus  
21 lines broker, and such record may be examined at any time within  
22 three (3) years thereafter by the Insurance Commissioner. The  
23 record shall include such information required to be submitted as  
24 established by the Insurance Commissioner ~~through joining, in the~~

1 ~~manner established by the Insurance Commissioner in his or her sole~~  
2 ~~discretion and judgment, the Nonadmitted Insurance Multi-State~~  
3 ~~Agreement or any other multistate agreement or compact with the same~~  
4 ~~function and purpose in this article.~~

5 SECTION 16. AMENDATORY 36 O.S. 2011, Section 1114, is  
6 amended to read as follows:

7 Section 1114. Each surplus lines licensee or broker licensed or  
8 transacting business in Oklahoma shall on or before April 1 of each  
9 year file with the Insurance Commissioner a verified statement of  
10 all surplus lines insurance transacted by the broker during the  
11 preceding calendar year where Oklahoma is the home state of the  
12 insured ~~or there is a single-state risk in Oklahoma.~~ The statement  
13 shall be on a form prescribed and furnished by the Insurance  
14 Commissioner and shall show such information required to be  
15 submitted as established by the Insurance Commissioner ~~through~~  
16 ~~joining, in the manner established by the Insurance Commissioner.~~  
17 The information shall be provided to the Insurance Commissioner  
18 until and unless, in the exercise of his or her sole discretion and  
19 judgment, the Insurance Commissioner decides to enter or join the  
20 Nonadmitted Insurance Multi-State Agreement or any other multistate  
21 agreement or compact with the same function and purpose and other  
22 transaction reporting requirements are thereby established.

23 SECTION 17. AMENDATORY 36 O.S. 2011, Section 1115, is  
24 amended to read as follows:

1 Section 1115. A. ~~In addition to the full amount of gross~~  
2 ~~premiums charged by the insurer for the insurance, where~~ Where  
3 Oklahoma is the home state of the insured, every person licensed  
4 pursuant to Section 1106 of this title shall collect and pay as  
5 provided in ~~subsections A through H of this section,~~ a sum for  
6 premium tax based on the total gross premiums charged in connection  
7 with any broker-procured surplus lines insurance, less any return  
8 premiums, for surplus lines insurance ~~provided by the licensee~~  
9 ~~pursuant to the license~~ sold to the Oklahoma home-state insureds by  
10 the surplus lines broker and licensee.

11 B. Where Oklahoma is the home state of the insured and the  
12 insurance covers properties, risks or exposures located or to be  
13 performed both in and out of Oklahoma, the sum payable to the  
14 Oklahoma Insurance Commissioner shall be computed based on an amount  
15 equal to six percent (6%) ~~on that portion of the~~ total gross  
16 premiums ~~allocated to Oklahoma, plus an amount equal to the portion~~  
17 ~~of the premiums allocated to other states or territories on the~~  
18 ~~basis of tax rates and fees applicable to~~ whether the properties,  
19 risks or exposures are located or to be performed inside or outside  
20 Oklahoma ~~pursuant to subsection H of this section less the amount of~~  
21 ~~gross premium unearned at termination of the surplus lines~~  
22 ~~insurance.~~ Any such unearned gross premium credited by the state to  
23 the surplus lines broker or licensee shall be returned to the  
24 policyholder by the broker or licensee. The surplus lines licensee

1 or broker is prohibited from rebating, for any reason, any part of  
2 the tax.

3 C. ~~Gross~~ Where Oklahoma is the home state of the insured, gross  
4 premiums charged for independently procured insurance, less any  
5 return premiums, are subject to a premium tax at the rate of six  
6 percent (6%), and the insured procuring independently procured  
7 insurance, where Oklahoma is the home state and there is a  
8 multistate risk, shall pay the tax to the surplus lines  
9 clearinghouse, as provided in subsections A through H of this  
10 section, who shall transmit the same for distribution as provided by  
11 the Unauthorized Insurers and Surplus Lines Insurance Act payable to  
12 the Oklahoma Insurance Commissioner, whether the properties, risks  
13 or exposures are located or to be performed inside or outside  
14 Oklahoma.

15 D. ~~Where the insurance covers properties, risks or exposures~~  
16 ~~located or to be performed both in and out of Oklahoma, the sum~~  
17 ~~payable shall be computed based on an amount equal to six percent~~  
18 ~~(6%) on that portion of the gross premiums allocated to Oklahoma~~  
19 ~~pursuant to subsection A of this section, plus an amount equal to~~  
20 ~~the portion of the premiums allocated to other states or territories~~  
21 ~~on the basis of the tax rates and fees applicable to properties,~~  
22 ~~risks or exposures located or to be performed outside of this state~~  
23 ~~pursuant to this subsection.~~

24

1       ~~E.~~ The Insurance Commissioner is authorized, in the exercise of  
2 his or her sole discretion and judgment, to participate in the  
3 Nonadmitted Insurance Multi-State Agreement or any other multistate  
4 agreement or compact with the same function and purpose for the  
5 ~~purpose~~ function of collecting and disbursing to reciprocal states  
6 any funds collected pursuant to the Unauthorized Insurers and  
7 Surplus Lines Insurance Act applicable to other properties, risks or  
8 exposures located or to be performed outside of Oklahoma. ~~To the~~  
9 ~~extent that other states where portions of the properties, risks or~~  
10 ~~exposures reside have failed to enter into a compact or reciprocal~~  
11 ~~allocation procedure with Oklahoma, the net premium tax collected~~  
12 ~~shall be retained by Oklahoma~~ Until such time as the Insurance  
13 Commissioner may, while not being required to, join such multistate  
14 agreement or compact, premium taxes relating to Oklahoma home-state  
15 insureds shall continue to be paid and accounted for by nonadmitted  
16 insurers through their surplus lines licensees and brokers as  
17 provided in subsections A through C of this section.

18       ~~F.~~ E. When the surplus lines coverage of an Oklahoma home-state  
19 insured covers properties, risks or exposures located only in  
20 Oklahoma, the surplus lines licensee or broker or self-procuring  
21 insured shall pay the surplus lines premium tax payable on such  
22 Oklahoma-only risks solely to the Oklahoma Insurance Commissioner.

23       ~~G.~~ In order to participate in F. Should the Insurance  
24 Commissioner exercise his or her sole discretion and judgment and

1 decide to join the Nonadmitted Insurance Multi-State Agreement or  
2 any other multistate agreement or compact with the same function and  
3 purpose, the Insurance Commissioner, ~~in the exercise of his or her~~  
4 ~~sole discretion and judgment~~, is authorized in such event to  
5 establish a uniform, statewide rate of taxation applicable to lines  
6 of nonadmitted insurance ~~subject to the Agreement~~. This rate shall  
7 encompass all existing rates of taxation, fees and assessments  
8 imposed by this state ~~and any political subdivision hereof~~, pursuant  
9 to ~~subsection~~ subsections A through C of this section and the  
10 Insurance Commissioner shall document the method by which the  
11 statewide rate is calculated. The Insurance Commissioner is  
12 authorized to receive any monies obtained ~~through the Insurance~~  
13 ~~Commissioner in the exercise of his or her sole discretion and~~  
14 ~~judgment for the collection~~ as premium tax received through any  
15 multistate agreement he or she may in the future in his or her  
16 discretion choose to join and then ~~the disbursement of~~ disburse such  
17 funds as provided by the Insurance Code and other applicable  
18 Oklahoma law.

19 ~~H.~~ The G. Should the Insurance Commissioner exercise his or  
20 her sole discretion and decide to join the Nonadmitted Insurance  
21 Multi-State Agreement or any other multistate agreement or compact  
22 with the same function and purpose, the Insurance Commissioner is  
23 authorized in such circumstances to utilize or adopt any allocation  
24 schedule included in the Nonadmitted Insurance Multi-State Agreement

1 or any other multistate agreement or compact the Insurance  
2 Commissioner may enter in the exercise of his or her sole discretion  
3 and judgment which schedule has the function and purpose of  
4 allocating risk and computing the tax due on the portion of premium  
5 attributable to each risk classification and to each state where  
6 properties, risks or exposures are located.

7 I. H. Policies sold to federally recognized Indian tribes shall  
8 be reported as provided in Section 1107 of this title; however,  
9 these policies shall be exempt from the surplus line premium tax to  
10 the extent that the Insurance Commissioner can identify that  
11 coverage is for risks which are wholly owned by a tribe and located  
12 within Indian Country, as defined in Section 1151 of Title 18 of the  
13 United States Code.

14 J. I. The surplus line premium tax on insurance on motor  
15 transit operations conducted between this and other states shall be  
16 paid on the total premium charged on all surplus line insurance  
17 less:

18 1. The portion of the premium ~~determined as provided in~~  
19 ~~subsection C of this section~~ charged for operations in other states  
20 taxing the premium of an insured where Oklahoma is the home state;  
21 or

22 2. The premium for operations outside of this state of an  
23 insured maintaining its headquarters office outside of this state  
24 and branch office in this state.

1 SECTION 18. AMENDATORY 36 O.S. 2011, Section 1116, is  
2 amended to read as follows:

3 Section 1116. A. Any surplus lines licensee or broker who  
4 fails to remit the surplus line tax provided for by Section 1115 of  
5 this title for more than sixty (60) days after it is due shall be  
6 liable ~~to~~ for a civil penalty of not to exceed Twenty-five Dollars  
7 (\$25.00) for each additional day of delinquency. The Insurance  
8 Commissioner shall collect the tax by distraint and shall recover  
9 the penalty by an action in the name of the State of Oklahoma. The  
10 Commissioner may request the Attorney General to appear in the name  
11 of the state by relation of the Commissioner.

12 B. If any person, association or legal entity procuring or  
13 accepting any insurance coverage from a surplus lines insurer where  
14 Oklahoma is the home state of the insured, otherwise than through a  
15 surplus lines licensee or broker, fails to remit the surplus line  
16 tax provided for by Section 1115 of this title, the person,  
17 association or legal entity shall, in addition to the tax, be liable  
18 to a civil penalty in an amount equal to one percent (1%) of the  
19 premiums paid or agreed to be paid for the policy or policies of  
20 insurance for each calendar month of delinquency or a civil penalty  
21 in the amount of Twenty-five Dollars (\$25.00) whichever shall be the  
22 greater. The Insurance Commissioner shall collect the tax by  
23 distraint and shall recover the civil penalty in an action in the  
24 name of the State of Oklahoma. The Commissioner may request the

1 Attorney General to appear in the name of the state by relation of  
2 the Commissioner.

3 SECTION 19. AMENDATORY 36 O.S. 2011, Section 1118, is  
4 amended to read as follows:

5 Section 1118. A. Every surplus lines insurer issuing or  
6 delivering a surplus line policy through a surplus lines licensee or  
7 broker in this state shall conclusively be deemed thereby to have  
8 irrevocably appointed the Insurance Commissioner as its attorney for  
9 acceptance of service of all legal process, other than a subpoena,  
10 issued in this state in any action or proceeding under or arising  
11 out of the policy, and service of process upon the Insurance  
12 Commissioner shall be lawful personal service upon the surplus lines  
13 or nonadmitted insurer.

14 B. Each surplus line policy shall contain a provision stating  
15 the substance of subsection A of this section, and designating the  
16 person to whom the Insurance Commissioner shall mail process as  
17 provided in subsection C of this section.

18 C. Triplicate copies of legal process against such an insurer  
19 shall be served upon the Insurance Commissioner, and at time of  
20 service the plaintiff shall pay to the Insurance Commissioner Twenty  
21 Dollars (\$20.00), taxable as costs in the action. The Insurance  
22 Commissioner shall immediately mail one copy of the process so  
23 served to the person designated by the insurer in the policy for the  
24 purpose, by mail with return receipt requested. The surplus lines

1 or nonadmitted insurer shall have forty (40) days after the date of  
2 mailing within which to plead, answer, or otherwise defend the  
3 action.

4 SECTION 20. AMENDATORY 36 O.S. 2011, Section 1120, is  
5 amended to read as follows:

6 Section 1120. Upon request of the Insurance Commissioner any  
7 person in Oklahoma who is the insured under any policy issued by a  
8 surplus lines insurer upon a subject of insurance resident, located,  
9 or to be performed in Oklahoma at the time the policy was issued, or  
10 where the insured's home state is Oklahoma, shall produce for  
11 examination all policies and other documents evidencing and relating  
12 to the insurance, and shall disclose the amount of the gross  
13 premiums paid or agreed to be paid for the insurance, through whom  
14 the insurance was procured, and such other information relative to  
15 the placing of the insurance as may reasonably be required by the  
16 Insurance Commissioner.

17 SECTION 21. It being immediately necessary for the preservation  
18 of the public peace, health and safety, an emergency is hereby  
19 declared to exist, by reason whereof this act shall take effect and  
20 be in full force from and after its passage and approval.

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