DOMESTIC/FOREIGN INSURERS BULLETIN NO. 55

TO: ALL PROPERTY & CASUALTY INSURANCE COMPANIES DOING BUSINESS IN DELAWARE

RE: Reporting of Geographic Allocation of Premiums; 18 Del. C. §705

DATED: September 24, 2012

It has come to the attention of the Insurance Commissioner that there are errors in the reporting of geographic allocation of premium (required on the annual Working Form T-5), pursuant to 18 Del. C. §705. It appears that the biggest contributing factor is that most insurance companies are basing the allocation on the zip code associated with the location of the risk, which does not accurately allocate premiums in areas where the zip code address of the risk may cross over county lines and may, for example, list the location of a risk as within the City of Wilmington when it is, in fact, outside the city limits.

18 Del. C. §705. Reporting by insurers of gross premiums and payments to fire companies based thereon.

(a) Every insurance company receiving premiums for covering risks of loss on any real or personal property within the limits of this State from fire, extended coverage, other allied lines, homeowner (package policy), commercial multiple peril, growing crops, ocean marine, inland marine, automobile physical damage and aircraft physical damage shall annually, at the same time that such company files its annual report as required by law, deliver to the Insurance Commissioner a full detailed statement of the amount of gross premiums of all such business done by such a company in the City of Wilmington, in the County of New Castle outside the City of Wilmington, in Kent County and in Sussex County, less return and reinsurance premiums received from other companies or by any agent or agents of such company, in cash or otherwise, for the year ending on the previous 31st day of December, including therein an allocation of the portion of the gross premiums coverage allocable to each of the above areas. This statement shall be verified by the
oath or affirmation of the insurance company’s president or vice-president and
secretary or other officer, and the statement shall be on a form prepared and
furnished by the Insurance Commissioner for that purpose. The Insurance
Commissioner shall have the power and authority to request and receive any
additional information regarding any insurance company’s business of
covering the types of risks of loss stated in this subsection. Failure to give the
Insurance Commissioner the requested information shall be good cause, under
§520 of this title, for revocation of any certificate of authority of any
insurance company so ignoring the request.

In an effort to remedy these reporting errors, beginning with the collection and
preparation of data for calendar year 2013 premium tax report (due on or before March 1, 2014),
and henceforth unless otherwise instructed by the Insurance Commissioner, all companies
writing lines of business listed in the Working Form T-5 (per 18 Del. C. §705) are instructed to
use an electronic geographic information system (GIS) tracking software to accurately allocate
and report premiums written on Delaware risks located within the City of Wilmington, in New
Castle County outside the City of Wilmington, in Kent County, and in Sussex County.

Further, all companies writing lines of business listed in the Working Form T-5 (per 18
Del. C. §705) should submit to the Department by December 20, 2012, an action plan detailing
how they respectively plan to resolve this problem and implement changes for calendar year
2013 data collection.

The action plans and any questions or comments about this directive should be directed
via e-mail to:

rhonda.west@state.de.us

Thank you in advance for your assistance to help correct these reporting errors, as this
premium is used to calculate the amount of state support that will be distributed to volunteer fire
companies in New Castle, Kent, and Sussex counties, as well as the City of Wilmington
Firemen’s Pension Fund.

This Bulletin shall be effective immediately.

Karen Weldin Stewart, CIR-ML
Delaware Insurance Commissioner