



Premium Taxes and Fees



Purchasing Groups

BACKGROUND

A **Risk Purchasing Group (PG)** is an entity that has as one of its purposes the purchase of liability insurance on a group basis for its members to cover their similar or related exposures. A purchasing group is comprised of members whose businesses or activities have similar or related liability exposures because of common business, trade, product, services, premises or operations. Regulatory authority over risk purchasing groups by the Delaware Department of Insurance is limited to the extent allowed by the federal **Liability Risk Retention Act of 1986** [15 USC 3901-3906 (1981, as amended 1986)]. Although they must be “registered”, purchasing groups do not actually receive a license as an insurance company in Delaware.

IMPORTANT: The Delaware Department of Insurance has an obligation to inform Delaware consumers that if they purchase insurance coverage through a risk purchasing group, they may not have protection in the event of insurer insolvency. If the purchasing group purchases coverage from an unlicensed insurer, such as a surplus lines insurer or a risk retention group, insureds will not have protection through the Delaware Property and Casualty Insurance Guaranty Association if the unlicensed insurer or the risk retention group becomes insolvent.

PG Registration

Entities wishing to form Delaware domiciled risk purchasing groups must first apply with the Delaware Secretary of State to obtain a license as a Delaware company. Once they are approved by the Division of Corporations, they must then register with the Delaware Department of Insurance. This is important to note because when the Department gets a request from another state for a certificate or letter of compliance (being the domicile state it is the Department's duty to provide one if requested when a PG applies to another state) the Department cannot provide that information unless or until the PG registers with the Department.

All risk purchasing groups (foreign and domestic) that wish to do business in Delaware must register with the Insurance Department. There is a non-refundable \$100.00 registration fee.

The registration application package must include the following materials:

1. Completed NAIC Uniform Registration Form, Part A (available on the Premium Tax page on Department website). Part A includes the following essential information:
 - Name, address, zip code, phone number and state of domicile of PG.

- Federal Employer's Identification Number (EIN). *[if applicable] See below.*
 - Mailing address and contact person for the PG (if different than physical address)
 - Type of insurance to be provided and the nature of the business of PG members.
 - Name, EIN, NAIC #, and state of domicile of each insurance company expected to provide coverage for the PG and its members.
 - Surplus lines broker licensee name and license number if the PG uses a nonadmitted insurer as its carrier.
2. Completed Service of Process Appointment (NAIC Uniform Registration Form, Part B)

NOTE: The Insurance Commissioner of the State of Delaware should always be appointed as agent for service of process.
 3. Certificate of Compliance from domicile state. If it is a Delaware domestic PG, this will be a Certificate of Incorporation or a Certificate of Formation from the Delaware Secretary of State.
 4. Certified Articles of Incorporation, including any amendments, from the domicile state *OR*
 5. Plan of Operations, Formation documents, and/or Bylaws certified by PG officer.

Due to the volume of companies doing business in Delaware, and the frequent similarity in company names, all companies are referenced by their nine-digit Federal Employer Identification Number (EIN) for premium tax purposes. If possible, provide the purchasing group's EIN on the registration application.

For various reasons some Purchasing Groups cannot provide the Department with EIN information. In order to supply a tax identifier, a PG Identification Number (PG ID#) is assigned to all purchasing groups by the Department. This number is required on the tax form.

If the PG does not have a Federal EIN, and you do not know the PG ID#, contact the Department to get this number. Enter both numbers as indicated on the tax form. The PG should always use either the EIN or the PG ID# when corresponding with the Department.

PG Taxation and Annual Renewals

All registered Purchasing Groups must file the Premium Tax and Annual Renewal Form and pay the \$50.00 renewal fee, regardless of premium volume or tax liability.

Taxes on premiums paid for coverage of risks resident or located in Delaware by a purchasing group or any members of the purchasing groups shall be: (1) Imposed at the same rate and subject to the same interest, fines and penalties as that applicable to premium taxes and taxes on premiums paid for similar coverage from a similar insurance source by other insureds; and (2) Paid first by such insurance source, and if not by such source by the agent or broker for the purchasing group, and if not by such agent or broker then by the purchasing group, and if not by such purchasing group then by each of its members.

Please note that all surplus lines business must be transacted by a resident or non-resident individual licensed in Delaware as a Surplus Lines (SL) Broker. If the PG uses a surplus lines company as a carrier, the individual SL broker who is responsible for procuring the business must be listed. According to Delaware law, if the insurance carrier does not make filings and pay taxes to the State (as in the case of a non-admitted insurer) the responsibility falls to the SL Broker who obtained the coverage.