

Surplus Lines Clearinghouse

Business Plan 2012

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Purpose of the Document

This document's purpose is to describe the business solution and organizational plan for implementing the Surplus Lines Clearinghouse (Clearinghouse).

Intended Audience

This document is prepared for the Board of Governors of the Florida Surplus Lines Service Office (Service Office) and other stakeholders involved in the decisions regarding the operation of the Clearinghouse.

Document Context

In 2010, Congress enacted the Non-admitted and Reinsurance Reform Act (NRRRA) into law as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Among the provisions of the NRRRA is a mandate that non-admitted or surplus lines insurance policies are subject only to taxation and regulation by the policyholder's "home state". While this mandate will not impact policies where the entire risk is located in a single state, it does substantially change the tax and regulatory practices for policies where the risk is located in two or more states (multi-state policies).

For multi-state policies, the NRRRA grants states the option of taxing the entire premium amount and retaining the premium taxes owed, or of entering into an agreement with other states to establish a tax sharing coalition that allocates premium taxes among the participating states based upon the portion of risk located in each state.

During the 2011 session, the Florida Legislature granted the Department of Financial Services and the Office of Insurance Regulation the authority to enter into a tax sharing agreement with other states. This legislation also delegated to the Service Office the responsibility to implement any such tax sharing agreement. Consistent with this responsibility, we are seeking to enter into an agreement with the Non-Admitted Insurance Multi-State Association Inc. (NIMA Inc.), to perform the tax assessment and collection functions of the Clearinghouse.

The Surplus Lines Automation Suite (SLAS) system will be the technology platform for the Clearinghouse and the Service Office will provide the administrative services as a functional unit of its' operations. This arrangement will maximize the existing technology, business processes, and talent of the Service Office and its' partner, Infinity Software Development (Infinity), to execute this plan.

Based upon premium volume, the Service Office will be the largest client of the Clearinghouse and will be directly impacted by its' operation. Therefore, it is advantageous for Service Office

staff to be directly involved in the start-up decisions and activities of the clearinghouse. It is important for Service Office staff to understand the business processes and technology application of the clearinghouse and the impact these will have on the daily operations of the Service Office. In the event a decision is made not to provide the clearinghouse services, the Service Office would still be obligated to implement the tax sharing agreement utilizing the alternative system and provider selected by the NIMA states. This implementation would be done at the expense of the Service Office without opportunity to recoup or recover the associated costs. Additionally, this alternative approach would reduce Service Office revenue as the service fees currently being collected on multi-state policies would be directed to the clearinghouse provider.

Clearinghouse Overview

The Clearinghouse will primarily be a service provider to state insurance regulators and tax authorities that are parties to the Non-admitted Insurance Multi-state Agreement (NIMA). In some cases, these entities are served as NIMA participants and in others they will be served as single state entities.

The initial purpose of the Clearinghouse is to facilitate the tax sharing arrangement contemplated by NIMA. Brokers and policyholders will file policy information through SLAS and at the end of each reporting period they will receive invoices from the Clearinghouse indicating the taxes owed. Based upon payments received, the Clearinghouse will use SLAS to calculate the net amount due to each state under NIMA and facilitate the routing of those funds into the proper participating state lockbox account.

While SLAS is flexible enough to offer services to more than one coalition of states, the Clearinghouse will only be providing services for the NIMA participating states collectively and individually. This restriction is imposed by the limited authority granted by the Office of Insurance Regulation (OIR) in the Service Office Plan of Operation to provide clearinghouse operational services. However, the Service Office can and will offer the SLAS system under a licensing agreement to other states and interested parties without providing clearinghouse operational services.

Assumptions

The following assumptions help to define the scope and character of the proposed Clearinghouse:

- The Clearinghouse will initially be a functional unit of the Service Office. Clearinghouse staff will be employees of the Service Office.

- The Clearinghouse will provide services only to states participating in NIMA on a collective and individual basis.
- The Clearinghouse will offer a standardized pricing and licensing model for participating states.
- The Clearinghouse will use Infinity exclusively to modify and maintain SLAS.
- The Clearinghouse operations will be limited to matters related to taxation and not regulation.

Risks to Project Success

The following risks pertain to the Clearinghouse proposal:

- **Competition** – The threat of another viable technology solution or service provider is contingent upon the action taken by the FLSO Board of Governors. On March 30, 2012, the NIMA states approved a services and licensing agreement with the FLSO as the vendor to provide clearinghouse services. However, there is still interest and support among some participating states to utilize the NAIC “OPT Ins” platform in lieu of the SLAS system. If the decision by the Board is not to enter into the clearinghouse agreements and the NAIC system is adopted by the NIMA states, then the Service Office will be required to modify its’ technology systems and business processes at its’ expense to implement this alternative agreement.
- **Client Identification** – The NIMA states have created a non-profit corporation as the legal entity to negotiate and execute the agreements for clearinghouse services. This eliminates any risk regarding the identification of the contracting party and the complexity and risks associated with managing separate contracts with each of the participating states. However, NIMA, Inc. will have no income or assets since it lacks any funding source since all of the “Transaction Fees” collected will be retained by the FLSO as the clearinghouse provider.
- **Aggressive Scheduling** – The challenge of an extremely short time-to-market remains one of the obstacles to our success. This risk remains high as contract negotiations have further delayed resuming work on the project and the likelihood of meeting a billing for 3rd quarter 2012 is in jeopardy. If this deadline is missed then the Service Office would not receive any fee income until the 1st quarter of 2013.
- **Resource Constraints** – Due to budgetary constraints and the aggressive implementation timeline, there may be a shortage of qualified staff to execute this plan. This risk is currently low.
- **Legal Liability** - Potential legal liability could result from contractual provisions and disputes. These legal exposures could put the assets of the Service Office at risk as the

contracting party. Additionally, it is unclear if the statutory immunity afforded the Board and Service Office staff extends to the performance of Clearinghouse operations, particularly if the clearinghouse duties are implemented as separate and distinct functions rather than as an additional statutory responsibility assigned to the Service Office. Since NIMA has no assets or insurance protection, the risk of the Service Office becoming the “deep pockets” for litigation is increased.

- **Insufficient Revenue** – Since there is no previous experience in operating the clearinghouse, the revenue and expense projections are compiled on a pro forma basis. With uncertainty surrounding participation by other states (particularly the larger states), the premium volume attributable to multi-state policies, the service level expectations of the NIMA states, and interest by participating states to have the Clearinghouse handle single state policies, it is unlikely that sufficient revenue will be generated during a three year contract term to fund a stand-alone entity or operation to provide clearinghouse services. This is believed to be a high risk. Based upon the estimated multi-state premium volume of the current NIMA states, the projected annual transaction fee revenue is \$578,273 or \$1,734,818 during the three year agreement. While these funds are insufficient to support a stand-alone clearinghouse, they are believed to be sufficient to cover all direct costs associated with the clearinghouse operations if existing Service Office staff and resources are utilized. To consider the establishment of a separate or stand-alone enterprise during the initial contract period, at least two of the NIMA states would need to agree to use of the clearinghouse for single state filings and at least one new state needs to join NIMA.
- **Tax Consequences** – If the Clearinghouse revenue from other participating states approaches or exceeds 50% of the total Service Office revenue then our tax-exempt status could be called into question without the creation of a for profit subsidiary or similar entity. Revenue projections indicate this is highly unlikely to occur during the initial three year contract period.
- **“Life Span” of NIMA** – Under the agreement, participating states are provided the ability to withdraw from NIMA with only 60 days notice. With national interest groups committing time and money to lobby against participation in tax sharing arrangements and with states concerned about the revenue impact of participation, it is possible that states may decide to withdraw from or not enter into NIMA. The delay in finalizing an agreement and establishing the Clearinghouse has caused a loss of momentum in support and has allowed opposition to raise questions about the economic feasibility of implementing the agreement. Without a sufficient number of states participating there could be insufficient premium volume to continue or support operation of the Clearinghouse. This risk can be mitigated by exercising the 180 day notice period

provided for terminating the agreements without cause. The provision in the agreements that provide for immediate termination as a result of an administrative order provides additional protection in the event that reduced participation threatens the economic or financial viability of continuing the clearinghouse operations. This risk remains high.

- **Collection of Transaction Fees** – Since the parties responsible for the payment of the transaction fee are not parties to our agreements, our ability to receive compensation is dependent upon the enforcement authority of the participating states. Apparently, some participating states did not receive legislative authority to charge and collect the clearinghouse transaction fee included in NIMA. The Service Office needs some reasonable assurances that it will receive the fees provided for in the agreements. The agreement will include language that states will take enforcement action to collect the transaction fees to the extent permitted by law. Additionally, the Clearinghouse is granted authority to “lock out” agents and policyholders that are delinquent in paying the required transaction fees. This will incentivize states to take action to ensure payment of the transaction fees. This risk is moderate.
- **Authority of Participating States** – The language adopted and the legislative authority granted is not uniform or consistent among the participating states making it unclear as to the ability of the states to agree to uniform reporting and payment requirements. This risk is low.

Business Functions for Clients

There are a number of business functions that we know will be expected of the Clearinghouse. These functions are an integral part of SLAS and include:

- **Electronic Filing Capabilities** – Agents and policyholders can enter policy data directly into the Clearinghouse web-portal (SLIP).
- **Electronic Batch Filings** – High volume filers can submit XML-formatted data files and submit large numbers of policy transactions to the Clearinghouse without additional data inputting.
- **Assess Taxes** – The Clearinghouse will assess premium taxes consistent with the requirements of each participating state and the clearinghouse services agreement.
- **Tax Collection/Electronic Payments** – Taxpayers will make payments by check or electronic transfer into the appropriate state lockbox account.
- **Tax Distribution** – Based upon payments received, the Clearinghouse management system (RAPID) will calculate the amount each state owes all other participating states and facilitate the distribution accordingly.

- **Reporting** – The Clearinghouse will provide reports needed for participating states, agents and policyholders to fulfill their tax responsibilities under NIMA.

Clearinghouse Business Areas

The Clearinghouse will include the following business areas: administration, information technology, marketing & sales, user support, user training, client management, and accounting services.

Administration

The Clearinghouse will complete all internal business functions needed to operate efficiently and effectively. Administration oversees human resources, facility management, office equipment and supplies, insurance, contracts, organizational structure, travel, and professional services. The administrative and executive staff of the Service Office will be responsible for performing these duties.

- **Organizational Structure** – The Clearinghouse will be a functional unit of the Service Office.
- **Facilities** – The Clearinghouse will utilize the facilities of the Service Office, including the remote data center.
- **Insurance** – The Service Office will purchase the additional insurance coverage needed to meet the requirements included in the Clearinghouse Services Agreement.
- **Office Equipment & Supplies** – The purchase of needed equipment & supplies will be handled in accordance with Service Office procurement practices.
- **Human Resources & Staffing** – Staffing of the Clearinghouse will be included in the Service Office's payroll, benefits and personnel guidelines. Service Office staff will provide startup operational support and subject matter expertise as needed.
- **Contracts** – Contracts needed to perform clearinghouse services will be entered into by the Service Office as the Clearinghouse provider.
- **Travel & Expense Reimbursement** – Clearinghouse travel and expense reimbursement will be handled in accordance with established Service Office policies and guidelines.
- **Professional Services** – The Service Office will contract with Infinity and Design Farm to provide information technology services, marketing & sales support, and client management activities. The Service Office will provide for legal, accounting and other professional services necessary to perform the clearinghouse operations.

Information Technology

The Information Technology (IT) of the Clearinghouse will be based on the deployment of a multi-state version of the SLAS system currently in use by the Service Office. The specific IT areas to be addressed include: implementation, technical support, licensing, and systems development.

- **Implementation** – On July 1, 2011, a multi-state version of the Surplus Lines Information Portal (SLIP) was deployed for use by the Service Office. This version of SLIP will be the foundation of the user-interface for the Clearinghouse. The Service Office management system, RAPID, will be configured to meet the needs of the Clearinghouse, however, this application will require modification before “going live”. Infinity will have primary responsibility for this software implementation, but the Service Office will be responsible for hosting the clearinghouse data and obtaining all required software licenses.
- **Technical Support** – Infinity will provide Clearinghouse technical support in conjunction with Service Office IT staff. Infinity will provide programmers and business analysts to implement and maintain the SLAS programs.
- **Systems Development** – The Clearinghouse must address technological advances and changes in the business environment. In conjunction with Infinity, Service Office staff will identify and respond to these changes as needed to ensure that the Clearinghouse processes and technology continues to meet client needs. Service Office staff will provide assistance as needed to maintain compatibility with current operating systems and business processes.

User Training

The Clearinghouse will provide high quality training and education to ensure that users of the system – agents, policyholders, and state participants – will have the tools for a trouble free user experience. In addition, the Clearinghouse will deliver ongoing outreach and communications to the surplus lines community regarding its’ operations and activities.

- **Training** – Prior to deployment of the SLAS system, the Service Office will offer training to all prospective system users. Video tutorials and webinars to train new system users in best practices will be provided. This training will be developed and provided by Service Office staff in consultation with and participation by Infinity staff.
- **Outreach & Communication** – The Service Office will develop outreach programs and communication plans to promote use of the Clearinghouse services to the surplus lines

community and other stakeholders. These programs and plans will be developed and provided by Service Office staff in consultation with and participation by Design Farm.

User Support

- **Support** – The Agent Services staff of the Service Office will provide a user support service to provide assistance to agents, policyholders and state participants who encounter problems using the system.
- **Help Desk** – Users will submit requests for help via email or dedicated phone line. Help desk staff will be trained to resolve issues quickly and effectively. These services will be provided by Agent Services and IT staff of the Service Office as needed.

Sales & Marketing

Marketing and sales will focus on building a brand, enhancing relationships, and growing the business. This area will be an ongoing part of the business and will be handled primarily by the Clearinghouse Manager in cooperation with Infinity.

- **Branding** – Branding will provide the Clearinghouse with a unique identity that supports and ongoing campaign to promote and grow the business to additional clients. Design Farm will work with Service Office staff to develop the Clearinghouse brand.
- **Market Research and Forecasting** – The Clearinghouse Manager will monitor the surplus lines industry for opportunities to grow the business based upon new legislation, changing market conditions, and other tax sharing agreements.
- **Agreement Growth & Additional Services** – The ultimate goal is to recruit additional states to become NIMA participants and to provide SLAS and clearinghouse services for single state risks to as many participating states as possible. The Clearinghouse role in promoting NIMA will be to contact interested states and provide a demonstration of the SLAS system and the benefits to the state of joining the agreement. Smaller states where the premium volume would not support investing in their own SLAS implementation are ideal candidates for having the Clearinghouse process single state filings. These states will generate additional transaction fees for the Clearinghouse at minimal additional cost. Infinity, the Clearinghouse Manager and the Service Office Executive Director will be assigned primary responsibility for growing the business with the Service Office staff focusing on serving the business generated.

Client Management

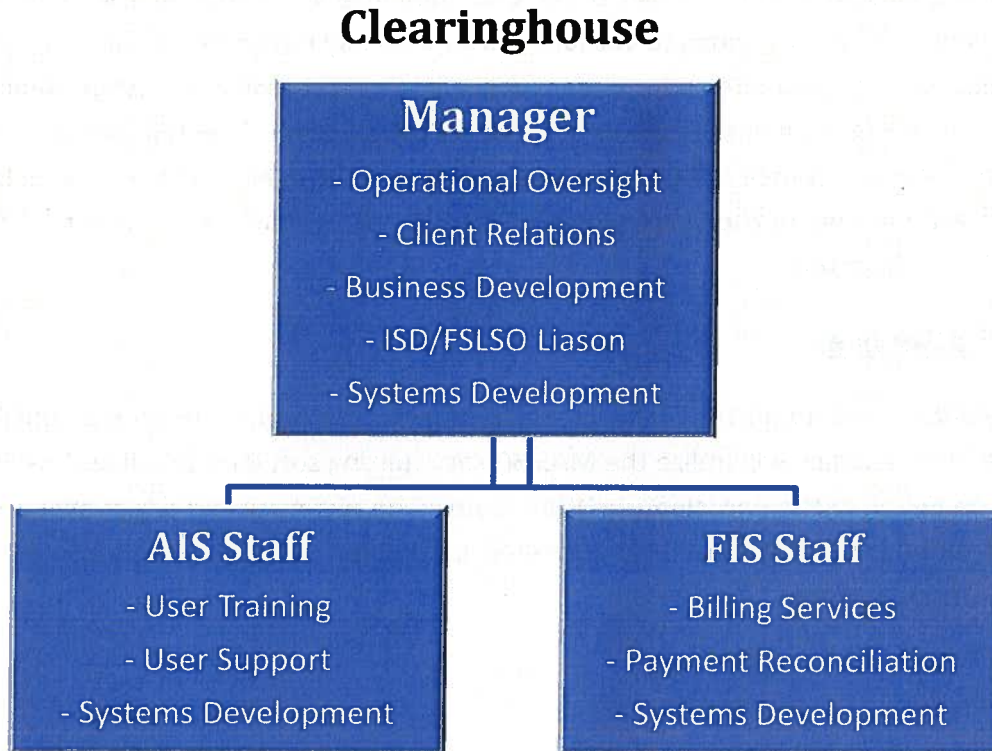
The client relationship effort entails more than just providing technical solutions and administrative services. The Clearinghouse should be seen as surplus lines experts and trusted advisors. The goal is to solidify the role of the Clearinghouse as a critical mission partner. Since the NIMA document allows states to withdraw after a 60 day notice, it is critical that the Clearinghouse actively develop and maintain positive client relationships. Establishing solid, open client relationships helps to ensure that we are aware of and meeting critical client needs before they become a source of dissatisfaction. Developing and maintaining these relationships will be the responsibility of the Clearinghouse Manager, the Infinity liaison, and the Service Office Executive Director.

Accounting Services

The Clearinghouse will adopt the financial and accounting procedures utilized by the Service Office. The Service Office will utilize the MAS 500 accounting software to bill and reconcile tax payments on behalf of the participating NIMA states. The revenues and direct expenses associated with the clearinghouse operations will be tracked and processed through the Service Office accounting system.

Organizational Chart

The following diagram is an example of the Clearinghouse organizational chart. Note that job titles and descriptions are provisional.



Clearinghouse Partners



Exhibits

- Exhibit I Revenue Projections
- Exhibit II Revised Budget Projections
- Exhibit III National Clearinghouse Analysis

EXHIBIT I

Revenue Projections

NIMA Premium Projections (No Growth)						
No Change from 2010 Base (3.4%)						
	2010 Surplus Lines Premium	2012	2013	2014	2015	3 Year Fee Totals
Total Premium	\$ 5,669,340,994	\$ 96,378,797	\$ 192,757,594	\$ 192,757,594	\$ 96,378,797	
Fee Income		\$ 289,136	\$ 578,273	\$ 578,273	\$ 289,136	\$ 1,734,818

NIMA Growth Assumptions					
	2012	2013	2014	2015	Total
Change in 2010 Base Premium (% of change)	0	0	0	0	
Estimated Multi state Premium	\$ 96,378,797	\$ 192,757,594	\$ 192,757,594	\$ 96,378,797	
NIMA Single State Premium Processed	\$ -	\$ 300,000,000	\$ 400,000,000	\$ 200,000,000	
Premium of New NIMA Participants	\$ -	\$ -	\$ 24,000,000	\$ 12,000,000	
Total Annual Premium Reported	\$ 96,378,797	\$ 492,757,594	\$ 616,757,594	\$ 308,378,797	
Service Fee Revenue (.3%)	\$ 289,136	\$ 1,478,273	\$ 1,850,273	\$ 925,136	\$ 4,542,818

EXHIBIT II
Revised Budget Projections

**FSLSO Clearinghouse Budget
2012-2015
Current NIMA States Only (No Growth)**

Current Operations:

	2012 Clearinghouse Budget Totals	2013 Clearinghouse Budget Totals	2014 Clearinghouse Budget Totals	2015 Clearinghouse Budget Totals
<u>Agent and Administrative</u>				
Salaries	-	-	-	-
Employee Benefits	-	-	-	-
Printing, Postage and Supplies	-	-	-	-
Legal/Accounting/Other Professional Fees	-	-	-	-
Insurance	5,000	5,000	5,000	5,000
Travel and Meetings	10,000	10,000	10,000	5,000
Training	-	-	-	-
Banking Fees	4,500	9,000	9,000	4,500
Other	-	-	-	-
Subtotal	19,500	24,000	24,000	14,500
<u>Outreach and Education</u>				
Education	30,000	12,000	12,000	6,000
Public Awareness	10,000	10,000	8,000	-
Subtotal	40,000	22,000	20,000	6,000
<u>Assets</u>				
Office furniture and equipment	-	-	-	-
Subtotal	-	-	-	-
<u>Information Technology Operations:</u>				
Programming	721,770	370,520	250,000	100,000
Communications	-	-	-	-
Computer Support Fees	10,000	10,000	10,000	-
Computer hardware	-	-	-	-
Software	-	-	-	-
MAS 500 system	70,000	10,000	10,000	-
Subtotal	801,770	390,520	270,000	100,000
Total Operations Budget	861,270	436,520	314,000	120,500
Clearinghouse Transaction Fees	144,568	578,273	578,273	433,705
Excess/Deficiency Operations	(716,702)	141,753	264,273	313,205
Cumulative	(716,702)	(574,949)	\$ (310,676)	\$ 2,529

Three-Year Quarterly Revenue Projections

	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Total Expenses	\$ (619,460)	\$ (241,810)	\$ (115,710)	\$ (130,970)	\$ (96,590)	\$ (99,250)	\$ (74,750)	\$ (84,250)	\$ (74,750)	\$ (80,250)	\$ (80,250)	\$ (80,250)	\$ (80,250)
Total Revenues	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568
Excess/Deficiency	\$ (619,460)	\$ (716,702)	\$ (687,844)	\$ (674,265)	\$ (626,267)	\$ (574,949)	\$ (505,131)	\$ (444,812)	\$ (374,994)	\$ (310,676)	\$ (223,858)	\$ (142,039)	\$ 2,529

2012

	Budget Amt	April	May	June	July	August	September	October	November	December	Totals
Insurance	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Travel and Meetings	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ 10,000
Banking Fees	\$ 4,500	\$ -	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ 4,500
Education	\$ 30,000	\$ -	\$ 2,000	\$ 5,000	\$ 6,000	\$ 5,000	\$ 7,000	\$ 3,000	\$ 1,000	\$ -	\$ 30,000
Public Awareness	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 3,000	\$ 5,000	\$ 10,000
Programming	\$ 500,000	\$ -	\$ -	\$ 122,160	\$ 144,920	\$ 125,880	\$ 123,400	\$ 92,770	\$ 80,240	\$ 32,400	\$ 721,770
Computer Support Fees	\$ 10,000	\$ -	\$ 2,500	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
MAS 500 system	\$ 70,000	\$ -	\$ -	\$ -	\$ 21,700	\$ 21,700	\$ 21,700	\$ 2,000	\$ 1,000	\$ 1,900	\$ 70,000
Total Expenses	\$ (5,000)	\$ (4,500)	\$ (4,500)	\$ (129,660)	\$ (175,620)	\$ (152,580)	\$ (152,100)	\$ (104,270)	\$ (85,240)	\$ (52,300)	\$ (861,270)
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,568	\$ -	\$ -	\$ 144,568
Excess/Deficiency	\$ (5,000)	\$ (4,500)	\$ (4,500)	\$ (129,660)	\$ (175,620)	\$ (152,580)	\$ (152,100)	\$ (104,270)	\$ (85,240)	\$ (52,300)	\$ (716,702)

2013 - 2015 Quarterly Revenue Projections

	2012	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015	Totals
Insurance	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Travel & Meetings	\$ 10,000	\$ 2,500	\$ 2,000	\$ 2,500	\$ -	\$ 2,500	\$ 2,000	\$ 2,500	\$ 3,000	\$ 2,500	\$ -	\$ -	\$ 35,000
Banking Fees	\$ 4,500	\$ 2,250	\$ 2,250	\$ 2,250	\$ 2,250	\$ 2,250	\$ 2,250	\$ 2,250	\$ 2,250	\$ 2,250	\$ -	\$ -	\$ 27,000
Education	\$ 30,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ -	\$ -	\$ 60,000
Public Awareness	\$ 10,000	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ -	\$ -	\$ -	\$ 28,000
Programming	\$ 721,770	\$ 102,960	\$ 108,720	\$ 83,840	\$ 75,000	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 50,000	\$ -	\$ -	\$ 1,442,290
Computer Support Fees	\$ 10,000	\$ -	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ 30,000
MAS500 system	\$ 70,000	\$ 2,500	\$ 2,500	\$ -	\$ 2,500	\$ -	\$ 2,500	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ 90,000
Total Expenses	\$ (851,270)	\$ (115,710)	\$ (130,970)	\$ (96,590)	\$ (93,250)	\$ (74,750)	\$ (84,250)	\$ (74,750)	\$ (80,250)	\$ (57,750)	\$ (62,750)	\$ -	\$ (1,732,290)
Total Revenues	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 144,568	\$ 1,734,619
Excess/Deficiency	\$ (716,702)	\$ (687,844)	\$ (674,265)	\$ (626,267)	\$ (574,949)	\$ (505,131)	\$ (444,812)	\$ (374,994)	\$ (310,676)	\$ (223,858)	\$ (142,039)	\$ 2,529	\$ 2,529

**FLSO Clearinghouse Budget
2012-2015
Projected Growth**

<u>Current Operations:</u>	2012	2013	2014	2015
	Clearinghouse Budget Totals	Clearinghouse Budget Totals	Clearinghouse Budget Totals	Clearinghouse Budget Totals
<u>Agent and Administrative</u>				
Salaries	-	60,000	120,000	60,000
Employee Benefits	-	19,800	39,600	19,800
Printing, Postage and Supplies	-	24,000	24,000	12,500
Legal/Accounting/Other Professional	-	75,000	75,000	50,000
Insurance	5,000	7,500	7,500	3,750
Travel and Meetings	10,000	18,000	18,000	9,000
Training	-	5,000	5,000	2,500
Banking Fees	4,500	12,000	12,000	6,000
Other	-	30,000	30,000	15,000
Subtotal	<u>19,500</u>	<u>251,300</u>	<u>331,100</u>	<u>178,550</u>
<u>Outreach and Education</u>				
Education	30,000	30,000	30,000	15,000
Public Awareness	10,000	25,000	25,000	12,500
Subtotal	<u>40,000</u>	<u>55,000</u>	<u>55,000</u>	<u>27,500</u>
<u>Assets</u>				
Office furniture and equipment	-	12,500	-	-
Subtotal	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>-</u>
<u>Information Technology Operations:</u>				
Programming	721,770	650,000	650,000	325,000
Communications	-	42,800	42,800	21,400
Computer Support Fees	10,000	16,204	16,204	8,102
Computer hardware	-	26,761	26,761	13,380
Software	-	5,010	5,010	2,505
MAS 500 system	70,000	25,000	25,000	12,500
Subtotal	<u>801,770</u>	<u>765,775</u>	<u>765,775</u>	<u>382,887</u>
Total Operations Budget	861,270	1,084,575	1,151,875	588,937
Clearinghouse Transaction	<u>144,568</u>	<u>1,251,273</u>	<u>1,756,273</u>	<u>1,387,705</u>
Excess/Deficiency Operations	<u>(716,702)</u>	<u>166,698</u>	<u>604,398</u>	<u>798,768</u>
Cumulative	<u>(716,702)</u>	<u>(550,004)</u>	<u>\$ 54,394</u>	<u>\$ 853,162</u>

FLSO Clearinghouse Budget
2012-2015
Projected Growth

Three-Year Quarterly Revenue Projections

	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Total Expenses	\$ (619,460)	\$ (241,810)	\$ (326,250)	\$ (280,750)	\$ (280,750)	\$ (288,030)	\$ (239,545)	\$ (366,650)	\$ (323,150)	\$ (225,530)	\$ (234,545)	\$ (273,050)	\$ (315,887)
Total Revenues	\$ -	\$ 144,568	\$ 144,568	\$ 389,568	\$ 389,568	\$ 388,568	\$ 388,568	\$ 388,568	\$ 462,568	\$ 462,568	\$ 462,568	\$ 462,568	\$ 462,568
Excess/Deficiency	\$ (619,460)	\$ (716,702)	\$ (896,384)	\$ (899,566)	\$ (899,566)	\$ (679,027)	\$ (550,004)	\$ (550,086)	\$ (410,667)	\$ (173,629)	\$ 54,394	\$ 243,913	\$ 853,162

2012 Monthly Revenue Projections

	Budget Amt	April	May	June	July	August	September	October	November	December	Totals
Insurance	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Travel and Meetings	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ -	\$ 7,000	\$ 10,000
Banking Fees	\$ 4,500	\$ -	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ 4,500
Education	\$ 30,000	\$ -	\$ -	\$ 2,000	\$ 5,000	\$ 6,000	\$ 7,000	\$ 3,000	\$ 1,000	\$ 1,000	\$ 30,000
Public Awareness	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 3,000	\$ 5,000	\$ 10,000
Programming	\$ 724,770	\$ -	\$ -	\$ -	\$ 122,160	\$ 144,920	\$ 125,880	\$ 123,400	\$ 92,770	\$ 80,240	\$ 724,770
Computer Support Fees	\$ 13,000	\$ -	\$ -	\$ 2,500	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,500
MAAS 500 system	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 21,700	\$ 21,700	\$ 21,700	\$ 2,000	\$ 1,000	\$ 70,000
Total Expenses	\$ (5,000)	\$ (5,000)	\$ (4,500)	\$ (129,660)	\$ (129,660)	\$ (152,580)	\$ (152,100)	\$ (104,270)	\$ (85,240)	\$ (52,300)	\$ (861,270)
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,568	\$ -	\$ -	\$ 144,568
Excess/Deficiency	\$ (5,000)	\$ (5,000)	\$ (9,500)	\$ (139,160)	\$ (131,780)	\$ (146,780)	\$ (619,460)	\$ (579,162)	\$ (664,402)	\$ (716,702)	\$ (716,702)

2013 - 2015 Quarterly Revenue Projections

	2012	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015	Totals
Salaries	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 240,000
Employee Benefits	\$ -	\$ -	\$ -	\$ 9,900	\$ 9,900	\$ 9,900	\$ 9,900	\$ 9,900	\$ 9,900	\$ 9,900	\$ 9,900	\$ 9,900	\$ 79,200
Printing, Postage & Supplies	\$ -	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,250	\$ 6,250	\$ 6,250	\$ 60,500
Legal/Accounting/Prof Fees	\$ -	\$ 18,750	\$ 18,750	\$ 18,750	\$ 18,750	\$ 18,750	\$ 18,750	\$ 18,750	\$ 18,750	\$ 25,000	\$ 25,000	\$ 25,000	\$ 200,000
Insurance	\$ 5,000	\$ -	\$ 7,500	\$ -	\$ -	\$ -	\$ 7,500	\$ -	\$ -	\$ -	\$ 3,750	\$ -	\$ 23,750
Travel & Meetings	\$ 10,000	\$ 3,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 2,500	\$ 3,000	\$ 4,500	\$ 4,500	\$ 55,000
Training	\$ -	\$ -	\$ -	\$ 2,500	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,500
Banking Fees	\$ 4,500	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 34,500
Other	\$ -	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 75,000
Education	\$ 30,000	\$ 7,500	\$ 7,500	\$ 5,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 105,000
Public Awareness	\$ 10,000	\$ 8,000	\$ 4,500	\$ 8,000	\$ 4,500	\$ 8,000	\$ 4,500	\$ 8,000	\$ 4,500	\$ 8,000	\$ 4,500	\$ 8,000	\$ 72,500
Office Furniture & Equipment	\$ -	\$ -	\$ -	\$ 12,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,500
Programming	\$ 724,770	\$ 250,000	\$ 200,000	\$ 100,000	\$ 100,000	\$ 250,000	\$ 200,000	\$ 100,000	\$ 100,000	\$ 162,500	\$ 162,500	\$ 162,500	\$ 2,346,770
Communications	\$ -	\$ 7,500	\$ 15,000	\$ 8,000	\$ 8,204	\$ 8,204	\$ 8,204	\$ 8,000	\$ 8,204	\$ 8,102	\$ 8,102	\$ 8,102	\$ 107,000
Computer Support Fees	\$ 10,000	\$ -	\$ -	\$ 13,381	\$ 13,381	\$ -	\$ -	\$ 13,381	\$ 13,381	\$ 13,381	\$ 13,381	\$ 13,381	\$ 50,510
Computer Hardware	\$ -	\$ -	\$ -	\$ 5,010	\$ -	\$ -	\$ -	\$ -	\$ 5,010	\$ -	\$ 2,505	\$ -	\$ 66,502
Software	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,525
MAAS500 System	\$ 70,000	\$ 15,000	\$ 5,000	\$ -	\$ 5,000	\$ 15,000	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ 12,500	\$ -	\$ 132,500
Total Expenses	\$ (861,270)	\$ (326,250)	\$ (280,750)	\$ (280,750)	\$ (288,030)	\$ (239,545)	\$ (366,650)	\$ (323,150)	\$ (225,530)	\$ (234,545)	\$ (273,050)	\$ (315,887)	\$ (4,539,677)
Total Revenues	\$ 144,568	\$ 144,568	\$ 389,568	\$ 389,568	\$ 388,568	\$ 388,568	\$ 388,568	\$ 462,568	\$ 462,568	\$ 462,568	\$ 462,568	\$ 462,568	\$ 4,539,619
Excess/Deficiency	\$ (716,702)	\$ (896,384)	\$ (899,566)	\$ (899,566)	\$ (679,027)	\$ (550,004)	\$ (550,086)	\$ (410,667)	\$ (173,629)	\$ 54,394	\$ 243,913	\$ 853,162	\$ 853,162

EXHIBIT III

National Clearinghouse Analysis

Prepared by FLSO for the Florida Office of Insurance Regulation

Overview

Recently, some published articles and analyses by industry groups have asserted that the concept of a multi-state tax sharing agreement (as envisioned in the NRRRA) does little to preserve state tax revenues and is financially non-viable. A more recent analysis conducted by the Florida Surplus Lines Service Office (FSLSO) on behalf of the Florida Office of Insurance Regulation demonstrates an opposite conclusion: not only is a national Clearinghouse financially viable, it also preserves substantial premium tax revenues for participating states. Further, it does so at a minimal cost (and at no added cost to the states themselves) while demonstrating critical leadership and responsiveness to the provisions of the NRRRA.

Accurate Data

All analysis by FLSO is based upon actual and complete policy filings for the period July 1 – December 31, 2011. This period differs from the previously published data set that was based upon filings only through December 16, 2011. Because FLSO typically receives a large volume of policies in the final weeks of each quarter, this 15-day discrepancy created a substantial distortion of the actual volume and allocation of multi-state premiums filed in Florida. As such, the negative conclusions are largely based upon incomplete data and erroneous assumptions.

The FLSO analysis is based upon:

- the true amount of multi-state premiums – and the resulting allocation to other states – submitted to FLSO over a six-month period
- the actual tax rates, including known assessments. (Some recent analyses have been based upon incorrect tax rate assumptions.)
- the true cost to policyholders for the Clearinghouse filing service

Impact of Multi-state Allocation on a National Basis

Based upon FLSO analysis of actual 2011 filings, on a national basis the Clearinghouse would allocate approximately \$23 million annually, or around 50%, of premium taxes collected on multi-state policies. The Clearinghouse fees collected on this allocated premium would have totaled \$1.58 million. This represents a cost of around a nickel for each tax dollar allocated to its rightful owner.

Clearinghouse Satisfies Congressional Intent

The NRRRA explicitly calls upon the states to voluntarily move towards a unified compliance process for surplus lines policy filers. For states participating in an agreement, the Clearinghouse establishes a standardized and uniform filing and payment process for multi-state policies. For the states that elect to have the Clearinghouse handle all surplus lines filings, the standardization increases for brokers and independent filers. The Clearinghouse represents a large step forward in surplus lines filing standardization and uniformity.

Demonstrates the Viability of State-Based Regulation and Interstate Cooperation

The successful establishment of a national Clearinghouse will demonstrate to Congress and the FIO that the state-based regulatory system is capable of responding in a coordinated and cooperative fashion to changing market and legislative demands.

Projected National Surplus Lines Multi-State Premium and Tax Allocation

State	2010 Surplus Lines Premium	Multi-State Premium (3.4%)	Total State Tax Rate	Multi-State Premium Tax	Multi-State Clearinghouse Fee	Premium Allocated to Other States (50%)	Premium Tax Allocated to All Other States	Clearinghouse Fee for Allocated Premium
AK	\$ 110,355,905	\$ 3,752,101	2.70%	\$ 101,307	\$ 11,256	\$ 1,876,050	\$ 50,653	\$ 5,628
AL	\$ 413,137,083	\$ 14,046,661	6.00%	\$ 842,800	\$ 42,140	\$ 7,023,330	\$ 421,400	\$ 21,070
AR	\$ 190,640,000	\$ 6,481,760	4.00%	\$ 259,270	\$ 19,445	\$ 3,240,880	\$ 129,635	\$ 9,723
AZ	\$ 345,276,334	\$ 11,739,395	3.20%	\$ 375,661	\$ 35,218	\$ 5,869,698	\$ 187,830	\$ 17,609
CA	\$ 4,281,088,592	\$ 145,557,012	3.25%	\$ 4,730,603	\$ 436,671	\$ 72,778,506	\$ 2,365,301	\$ 218,336
CO	\$ 460,076,335	\$ 15,642,595	5.00%	\$ 782,130	\$ 46,928	\$ 7,821,298	\$ 391,065	\$ 23,464
CT	\$ 320,182,481	\$ 10,886,204	4.00%	\$ 435,448	\$ 32,659	\$ 5,443,102	\$ 217,724	\$ 16,329
DC	\$ 161,903,220	\$ 5,504,709	2.00%	\$ 110,094	\$ 16,514	\$ 2,752,355	\$ 55,047	\$ 8,257
DE	\$ 61,452,694	\$ 2,089,392	2.00%	\$ 41,788	\$ 6,268	\$ 1,044,696	\$ 20,894	\$ 3,134
FL	\$ 3,887,288,162	\$ 132,167,798	7.30%	\$ 9,648,249	\$ 396,503	\$ 66,083,899	\$ 4,824,125	\$ 198,252
GA	\$ 725,432,250	\$ 24,664,697	4.00%	\$ 986,588	\$ 73,994	\$ 12,332,348	\$ 493,294	\$ 36,997
HI	\$ 220,623,558	\$ 7,501,201	4.68%	\$ 351,056	\$ 22,504	\$ 3,750,600	\$ 175,528	\$ 11,252
IA	\$ 150,313,739	\$ 5,110,667	1.00%	\$ 51,107	\$ 15,332	\$ 2,555,334	\$ 25,553	\$ 7,666
ID	\$ 64,188,352	\$ 2,182,404	1.75%	\$ 38,192	\$ 6,547	\$ 1,091,202	\$ 19,096	\$ 3,274
IL	\$ 1,026,856,572	\$ 34,913,123	3.60%	\$ 1,256,872	\$ 104,739	\$ 17,456,562	\$ 628,436	\$ 52,370
IN	\$ 366,517,160	\$ 12,461,583	2.50%	\$ 311,540	\$ 37,385	\$ 6,230,792	\$ 155,770	\$ 18,692
KS	\$ 151,191,030	\$ 5,140,495	6.00%	\$ 308,430	\$ 15,421	\$ 2,570,248	\$ 154,215	\$ 7,711
KY	\$ 158,095,118	\$ 5,375,234	3.00%	\$ 161,257	\$ 16,126	\$ 2,687,617	\$ 80,629	\$ 8,063
LA	\$ 1,279,435,677	\$ 43,500,813	5.00%	\$ 2,175,041	\$ 130,502	\$ 21,750,407	\$ 1,087,520	\$ 65,251
MA	\$ 622,576,217	\$ 21,167,591	4.00%	\$ 846,704	\$ 63,503	\$ 10,583,796	\$ 423,352	\$ 31,751
MD	\$ 331,192,177	\$ 11,260,534	3.00%	\$ 337,816	\$ 33,782	\$ 5,630,267	\$ 168,908	\$ 16,891
ME	\$ 17,263,919	\$ 586,973	3.00%	\$ 17,609	\$ 1,761	\$ 293,487	\$ 8,805	\$ 880
MI	\$ 567,374,219	\$ 19,290,723	2.00%	\$ 385,814	\$ 57,872	\$ 9,645,362	\$ 192,907	\$ 28,936
MN	\$ 292,335,179	\$ 9,939,396	2.08%	\$ 206,739	\$ 29,818	\$ 4,969,698	\$ 103,370	\$ 14,909
MO	\$ 440,728,528	\$ 14,984,770	5.00%	\$ 749,238	\$ 44,954	\$ 7,492,385	\$ 374,619	\$ 22,477
MS	\$ 351,940,243	\$ 11,965,968	9.25%	\$ 1,106,852	\$ 35,898	\$ 5,982,984	\$ 553,426	\$ 17,949
MT	\$ 64,773,666	\$ 2,202,305	2.75%	\$ 60,563	\$ 6,607	\$ 1,101,152	\$ 30,282	\$ 3,303
NC	\$ 501,925,648	\$ 17,065,472	5.00%	\$ 853,274	\$ 51,196	\$ 8,532,736	\$ 426,637	\$ 25,598
ND	\$ 55,897,871	\$ 1,900,528	1.75%	\$ 33,259	\$ 5,702	\$ 950,264	\$ 16,630	\$ 2,851
NE	\$ 108,028,287	\$ 3,672,962	3.00%	\$ 110,189	\$ 11,019	\$ 1,836,481	\$ 55,094	\$ 5,509
NH	\$ 57,256,980	\$ 1,946,737	3.00%	\$ 58,402	\$ 5,840	\$ 973,369	\$ 29,201	\$ 2,920
NJ	\$ 1,126,682,343	\$ 38,307,200	5.00%	\$ 1,915,360	\$ 114,922	\$ 19,153,600	\$ 957,680	\$ 57,461
NM	\$ 69,461,116	\$ 2,361,678	3.00%	\$ 70,850	\$ 7,085	\$ 1,180,839	\$ 35,425	\$ 3,543
NV	\$ 207,197,193	\$ 7,044,705	3.90%	\$ 274,743	\$ 21,134	\$ 3,522,352	\$ 137,372	\$ 10,567
NY	\$ 3,086,813,224	\$ 104,951,650	3.80%	\$ 3,988,163	\$ 314,855	\$ 52,475,825	\$ 1,994,081	\$ 157,427
OH	\$ 527,341,315	\$ 17,929,605	5.00%	\$ 896,480	\$ 53,789	\$ 8,964,802	\$ 448,240	\$ 26,894
OK	\$ 226,153,557	\$ 7,689,221	6.00%	\$ 461,353	\$ 23,068	\$ 3,844,610	\$ 230,677	\$ 11,534
OR	\$ 234,676,582	\$ 7,979,004	2.00%	\$ 159,580	\$ 23,937	\$ 3,989,502	\$ 79,790	\$ 11,969
PA	\$ 832,833,859	\$ 28,316,351	3.00%	\$ 849,491	\$ 84,949	\$ 14,158,176	\$ 424,745	\$ 42,475
RI	\$ 27,769,277	\$ 944,155	4.00%	\$ 37,766	\$ 2,832	\$ 472,078	\$ 18,883	\$ 1,416
SC	\$ 496,714,019	\$ 16,888,277	4.00%	\$ 675,531	\$ 50,665	\$ 8,444,138	\$ 337,766	\$ 25,332
SD	\$ 40,240,429	\$ 1,368,175	2.50%	\$ 34,204	\$ 4,105	\$ 684,087	\$ 17,102	\$ 2,052
TN	\$ 335,254,306	\$ 11,398,646	5.00%	\$ 569,932	\$ 34,196	\$ 5,699,323	\$ 284,966	\$ 17,098
TX	\$ 4,342,933,747	\$ 147,659,747	4.91%	\$ 7,250,094	\$ 442,979	\$ 73,829,874	\$ 3,625,047	\$ 221,490
UT	\$ 148,683,769	\$ 5,055,248	4.40%	\$ 222,431	\$ 15,166	\$ 2,527,624	\$ 111,215	\$ 7,583
VA	\$ 508,320,140	\$ 17,282,885	2.25%	\$ 388,865	\$ 51,849	\$ 8,641,442	\$ 194,432	\$ 25,924
VT	\$ 45,116,000	\$ 1,533,944	3.00%	\$ 46,018	\$ 4,602	\$ 766,972	\$ 23,009	\$ 2,301
WA	\$ 530,160,391	\$ 18,025,453	2.10%	\$ 378,535	\$ 54,076	\$ 9,012,727	\$ 189,267	\$ 27,038
WI	\$ 261,013,953	\$ 8,874,474	3.00%	\$ 266,234	\$ 26,623	\$ 4,437,237	\$ 133,117	\$ 13,312
WV	\$ 115,632,628	\$ 3,931,509	4.55%	\$ 178,884	\$ 11,795	\$ 1,965,755	\$ 89,442	\$ 5,897
WY	\$ 66,255,335	\$ 2,252,681	3.00%	\$ 67,580	\$ 6,758	\$ 1,126,341	\$ 33,790	\$ 3,379
USA	\$ 31,014,600,379	\$ 1,054,496,413	4.40%	\$ 46,397,842	\$ 3,163,489	\$ 527,248,206	\$ 23,198,921	\$ 1,581,745

Appendix A: Data Sources and Assumptions

The figures in the attached table are annualized projections based upon actual multi-state policy data reported to the Florida Surplus Lines Service Office from 7/1/2011 through 12/31/2011.

Each data element is based upon the following sources and/or assumptions:

2010 Surplus Lines Premium

Based on *Business Insurance*, October 2011.

Multi-State Premium

In Florida, 3.4% of the total premium reported in the second half of 2011 was attached to a multi-state policy. This ratio is used to estimate the multi-state amount for the other states.

Total State Tax Rate

The total state tax rate includes all known assessments applied by the state to surplus lines insurance policies.

The Total Tax rate in the row that represents the national totals is based upon a weighted average of all Total State Tax Rates. Weighting is based upon each state's percentage share of the total domestic surplus lines market.

Multi-State Premium Tax

This is the multi-state premium multiplied by the Total State Tax Rate.

Multi-State Premium Clearinghouse Fee

This is the clearinghouse fee (0.3%) multiplied by the multi-state premium.

Premium Allocated to Other States

In Florida, 50% of the total multi-state premium reported is for risk located in another state. Using this ratio, half of the premium reported for each home state would be allocated to another state.

Premium Tax Allocated to Other States

This column is the Premium Allocated to Other States multiplied by the Total State Tax Rate. This result is the total amount of taxes a state would share amongst all other states in a national agreement.

Clearinghouse Fee for Allocated Premium

This is the cost to policyholders for the clearinghouse to identify, collect, and distribute the multi-state premium tax owed to other states.