

## Nonadmitted Insurance Tax

California generally admits insurance companies to do business in this state.

Policyholders who directly purchase or renew an insurance contract during the calendar quarter from an insurance company that is not admitted to transact insurance business in California must pay a Nonadmitted Insurance Tax.

The 3 percent tax is on all premiums paid or to be paid to nonadmitted insurers by a California home state insured.

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### Entities subject to this tax

Any of the following are subject to the tax:

- Individual
- Bank
- Corporation
- Partnership
- Society
- Association
- Organization
- Joint stock company
- Limited liability company (LLC)
- Governmental or quasi-governmental entity
- Estate or trust
- Receiver
- Trustee
- Assignee
- Referee
- Other persons acting in a fiduciary capacity

### Activities exempt from this tax

Not all contracts with nonadmitted companies are subject to the Nonadmitted Insurance Tax. Nonadmitted insurance which is obtained through a California surplus line insurance broker is not taxable to the purchaser. Other exemptions are:

- Reinsurance of the liability of an admitted insurer
- Insurance of ship-owner interests
- Aircraft insurance
- Interstate railroad insurance
- Life insurance

Separate provisions of the [California Insurance Code](#) govern these categories.

## Sworn statement

SB 315 was chaptered in 2011 and provides for certain filing obligations on the part of a person directly procuring insurance from a nonadmitted insurer. Those obligations require that on or before the first day of March of each year, the home state insured that directly procures insurance pursuant to Insurance Code section 1760 shall file with the commissioner of the Department of Insurance a sworn statement of all business done during the last preceding calendar year. That statement shall contain an account of the insurance directly procured by the home state insured pursuant to section 1760 for the prior year, and shall include (A) the total amount of premium, (B) the total premium for single state risks where 100 percent of the premium is attributable to risks in California, and (C) for multistate risks, the percentage of premium allocated to California and each other state. Please consult the notice dated [January 18, 2012](#), from the [Department of Insurance](#) for more information on this reporting obligation.

## Changes to this tax

- We are authorized to collect the tax on all the premiums paid by a California home state insured on all policies obtained directly from a nonadmitted insurer;
- Provides a common definition of home state insured, including principal place of business and principal residence.
- All California policy holders who purchase nonadmitted insurance and do not use a surplus broker are required to file a sworn statement with the Department of Insurance of all business done by a home state insured on or before March 1, 2012.

The total gross premium paid or to be paid for all nonadmitted insurance placed in a single transaction with one underwriter or group of underwriters, whether in one or more policies, in that calendar quarter during which the taxable insurance contract or contracts took effect or were renewed, is now the entire gross premium that is taxable for all nonadmitted insurance obtained by the California home state insured. This premium includes both of the following:

1. Gross premiums paid or to be paid on risks located entirely within California.
2. Gross premiums paid or to be paid by California home state insured with policies that have multistate risks.

## Definitions

- **Home state** is the state where the insured maintains its principal place of business; or, if an individual, the state of the individual's principal residence; if 100 percent of the insured risk is

located outside the insured's principal place of business or principal residence, then where the greatest percentage of the insured's taxable premium for that insurance contract is allocated.

- **Home state insured or home state insured applicant** means a person whose home state is California and who has received a certificate or evidence of coverage as set forth in Insurance Code section 1764 or a policy as issued by an eligible surplus line insurer, or a person who is an applicant.
- **Multistate risk** means a risk covered by a nonadmitted insurer with insured exposures in more than one state.
- **Principal place of business** means the state where the insured maintains its headquarters and where the insured's high-level officers direct, control, and coordinate the business activities; or if the insured's high-level officers direct, control, and coordinate the business activities in more than one state, the state in which the greatest percentage of the insured's taxable premium for that insurance contract is allocated; or if the insured maintains its headquarters or the insured's high-level officers direct, control, and coordinate the business activities outside any state, the state to which the greatest percentage of the insured's taxable premium for that insurance contract is allocated.
- **Principal residence** means the state where the insured resides for the greatest number of days during a calendar year; or if the insured's principal residence is located outside any state, the state to which the greatest percentage of the insured's taxable premium for that insurance contract is allocated.

## Contact us

### Phone number and business hours

916.845.7448 from 7 a.m. to 3 p.m. weekdays, except state holidays

### Mail

Nonadmitted Insurance Tax MS F182  
Franchise Tax Board  
PO Box 942867  
Sacramento Ca 94267-0651

### To request a copy of a tax return

Tax Forms Request Unit MS F284  
Franchise Tax Board  
PO Box 307  
Rancho Cordova CA 95741-0307