Surplus Line Tax-Exempt Transactions

ARS 20-420 identifies four classifications of insurance concerning which brokers do not need to report or pay tax. The four classifications are:

1. Reinsurance
2. Ocean Marine and foreign trade insurance
3. Insurance on subjects located, resident, garaged, or to be preformed entirely outside the State of Arizona
4. Insurance on property or operations of railroads engaged in interstate commerce

Brokers must report to the SLA-AZ tax exempt transactions procured for a Native-American community that covers subjects of risk belonging to and residing within the Native-American community.

Brokers must report to the SLA-AZ tax exempt transactions procured by the State of Arizona Department of Administration pursuant to ARS 41-621 to cover State of Arizona property or liability risks.

For any of the foregoing categories of transactions (even those exempt from filing requirements), brokers must maintain records that are subject to the Department’s inspection and examination for at least three years after the expiration or cancellation date of the insurance policy. ARS 20-290(A), ARS 20-420(B).

Brokers may not place surplus line business with unauthorized insurers which have not been qualified with the Arizona Director of Insurance and been placed on the List unless the surplus line insurer is an Alien listed on the NAIC Quarterly Listing of Alien Insurers.

J. Scott Wede, CPCU, ASLI
Executive Director
Surplus Line Association of Arizona
Kierland Business Center 15849 N. 71st Street, Ste. 100 Scottsdale, AZ 85254
www.sla-az.org swede@sla-az.org (602)-279-6344