

DELAWARE DEPARTMENT OF INSURANCE
PREMIUM TAX AND FEES REPORT FOR CALENDAR YEAR 2004, DUE MARCH 1, 2005
INSTRUCTION PACKAGE

GENERAL INFORMATION

In accordance with Title 18, Delaware Insurance Code, Sections 702(a) and 707(a), a premium tax of two percent (2%) is due for risks written and located in the State of Delaware. This Annual Premium Tax and Fees Report should be completed and returned as instructed.

MAKE CHECKS PAYABLE TO: "Delaware Insurance Department". Forms and checks must be **received** on or before March 1, 2005.

ENTER ALL AMOUNTS AS WHOLE DOLLARS. Cents should be rounded to the nearest whole dollar. Cents equal to or greater than fifty (>= \$0.50) should be rounded up to the next whole dollar. Cents equal to or less than forty-nine (< \$0.49) should be rounded down to the previous whole dollar.

QUESTIONS: Any questions or correspondence regarding premium taxes, fees, or required reports should be directed to:
Mrs. Ann Fletcher, Premium Tax Coordinator, via e-mail: Ann.Fletcher@state.de.us

MAILING INSTRUCTIONS

The Delaware Department of Insurance has established a lockbox operation for the receipt of premium tax payments and related documents. All premium tax reports and checks (if applicable) should be sent to one of the bank addresses listed below. The Forms and remittances must be received on or before March 1, 2005. Forms received after this date, or considered incomplete, shall be deemed late, and the insurer may be subject to an administrative penalty of \$100.00 per business day until a complete filing is received. **Please Note: Delaware uses a "received by" date, not a postmark date.**

If using U.S. Postal Service:

Delaware Insurance Department
c/o National City Bank
6705 Reliable Parkway
Chicago, IL 60686

If using Courier or Express Service:

Delaware Insurance Department
c/o National City Bank
Attention: Lockbox # 6705
5635 S. Archer Ave.
Chicago, IL 60638-1656

DO NOT SEND PREMIUM TAX DOCUMENTS OR CHECK WITH THE ANNUAL STATEMENT FILING

Although the Annual Statement filing fee and the continuation fee for the Certificate of Authority are paid along with the premium taxes, the annual statements are received at a different section of the Insurance Department. If tax forms and checks are enclosed in the annual statement, the filing may not reach the tax department in a timely manner, and the company will be subject to the administrative penalty for late and/or incomplete filing.

DELAWARE INSURANCE FRAUD PREVENTION BUREAU INFORMATION

The Delaware Insurance Code (18 Del. C., Chapter 24) establishes within the Insurance Department the Delaware Insurance Fraud Prevention Bureau to "confront aggressively the problem of insurance fraud in the State of Delaware by facilitating the detection of insurance fraud, reducing the occurrence of such fraud through administrative enforcement and deterrence, requiring the restitution of fraudulently obtained insurance benefits, and reducing the amount of premium dollars used to pay fraudulent claims". (§2402)

In accordance with 18 Del. C., §2404 (d), a special revolving fund designated as the Delaware Insurance Fraud Auxiliary Fund has been created within the Bureau to be used by the Bureau in the performance of the various functions and duties required of the Bureau by law. 18 Del. C., §2415, further provides that the cost of administration and operation of the Bureau shall be borne by all of the insurance companies admitted or authorized to transact the business of insurance in this State. The Commissioner is required to assess \$550.00 annually against each insurance company to provide the funds necessary for the operation of the Bureau.

These funds are collected by the Insurance Department on behalf of the Bureau and are deposited into the Delaware Insurance Fraud Auxiliary Fund. Due to the separate nature of this special fund, the Delaware Insurance Department considers the Fraud Prevention Bureau Fee to be a Special Purpose Assessment and therefore does not allow the fee amount paid to the State of Delaware to be included in retaliatory tax calculation

FOREIGN INSURERS' RETALIATORY PROVISION

The Delaware Insurance Code (18 Del. C., §532) requires the Commissioner to impose upon all insurers domiciled in another state or foreign country those same taxes, licenses, and other fees of any kind that would be imposed on a Delaware domiciled insurer writing similar lines and volumes of business in said state or country. If that aggregate sum is in excess to the taxes, licenses, and fees, in the aggregate of Delaware, the difference must be paid to Delaware in the form of a retaliatory tax. Includes finance and service charges.

Any tax, license, or other fee imposed by any city, county, or other political subdivision or agency of the home state shall be deemed to be imposed by that state. NOTE: Alien insurers shall use their port-of-entry state for determining retaliatory tax.

IMPORTANT: In accordance with Delaware Department of Insurance Bulletin No. 7, issued November 6, 2000, the method of calculating retaliatory taxes and fees has been changed to remove credits for Guaranty Fund payments from both the Delaware basis and Home State basis calculations on Working Form T-3. Credits for Guaranty Fund payments will no longer be factored into retaliatory taxes. Retaliatory tax is to be calculated on a gross written basis as described in 18 Del. C., §702.

CONTENTS AND GENERAL INSTRUCTIONS

(References are to Title 18, Delaware Insurance Code)

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TAX DEPARTMENT MAILING ADDRESS AND COMPANY INFORMATION: Complete all lines. Indicate the address and contact person where TAX related correspondence should be sent. (i.e. may differ from Home Office, etc.) **Important:** If any mailing or company information changed during the year, the Historical Information Section **MUST** be completed. However, if all information remains the same, it is not necessary to complete the Historical Information Section.

PREMIUM TAX SUMMARY FOR CALENDAR YEAR 2004: Complete as instructed. Data must equal amounts reported on State Page of Annual Statement. A copy of State Page must be attached. Report gross direct premium written, including finance charges and service fees, minus returned premiums on canceled policies (but not including the return of cash surrender values of life insurance policies), unabsorbed portion of any deposit premium, and dividends and similar amounts returned to policyholders, whether paid in cash or credited or applied in reduction of premiums; **EXCEPT** do not deduct dividends and similar returns from Worker's Compensation premiums.

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DOMESTIC INSURERS ONLY – PRIVILEGE TAX: In accordance with 18 Del. C., §703, all insurers domiciled in the state of Delaware shall be subject to this additional annual tax. **NOTE: Any company that is/was a Delaware domestic company for the whole or any part of the current tax year is considered subject to this tax.** This is an annual tax based on the gross receipts of the prior year; Delaware law does not provide for prorating this tax.

FOREIGN INSURERS ONLY – RETALIATORY TAX AND FEES: Complete as instructed. The Delaware Insurance Code (18 Del. C., §532) requires the Commissioner to impose upon all insurers domiciled in another state or foreign country those same taxes, licenses, and other fees of any kind that would be imposed on a Delaware domiciled insurer writing similar lines and volumes of business in said state or country. If that aggregate sum is in excess of the taxes, licenses, and fees, in the aggregate of Delaware, the difference must be paid to Delaware in the form of a retaliatory tax. Include finance and service charges.

Any tax, license, or other fee imposed by any city, county, or other political subdivision or agency of the home state shall be deemed to be imposed by that state. **NOTE:** Alien insurers shall use their port-of-entry state for determining retaliatory tax.

IMPORTANT: In accordance with Delaware Department of Insurance Bulletin No. 7, issued November 6, 2000, the method of calculating retaliatory taxes and fees has been changed to remove credits for Guaranty Fund payments from both the Delaware basis and Home State basis calculations. Credits for Guaranty Fund payments will no longer be factored into retaliatory taxes. Retaliatory tax is to be calculated on a gross written basis as described in 18 Del. C., §702.

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STATE SUPPORT OF VOLUNTEER FIRE COMPANIES, AMBULANCE AND RESCUE ORGANIZATIONS: As with all forms in this tax report, the President and Secretary verify its accuracy and completeness. Schedule T must be attached.

PARTS I and II -- In accordance with 18 Del. C., §705(a) each company receiving premiums for risks or loss in Delaware under the lines of business listed on Working Form T-5 above, is to complete this section. The State of Delaware uses this information to determine the amount of financial support volunteer fire companies will receive from the State.

PART III -- In accordance with 18 Del. C., §713, each company receiving premiums for life, accident or health insurance coverage of all types in Delaware is to complete this section. The State of Delaware uses this information to determine the amount of financial support that nonprofit organizations that provide ambulance and rescue services will receive from the State.

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TRAVELINK PROGRAM TAX CREDIT FORM: Must participate in the Delaware Department of Transportation Certified Travelink Program for at least 30 days of the tax year. Attach participation documentation.

EMPLOYER OWNED/TRUST OWNED LIFE INSURANCE WF T-8 SUMMARY: Only companies writing this type of business should complete Working Form T-8 and this Summary.

COMPANY HISTORICAL INFORMATION: Complete all applicable sections **ONLY** if there was a change during calendar year 2004. If there were no changes during the year, it is not necessary to complete this section.

AFFIDAVIT: ALL COMPANIES MUST COMPLETE THIS SECTION. If company President and/or Secretary is not available, the report must be signed by another responsible officer, duly administered by a person authorized to administer oaths. Indicate the reason as instructed.

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WORKING FORM T-8 -- EMPLOYER OWNED/TRUST OWNED LIFE INSURANCE

Only companies writing this type of business should complete and return this page. **ALL OTHER COMPANIES – DO NOT RETURN THIS PAGE.**

PREMIUM TAX SUMMARY INSTRUCTIONS

LINES 1, 2 & 3 (18 Del. C., §702 (a) (b))

Every authorized and formerly authorized insurer must show Gross Direct Premium Income*, including all policy membership and other fees and assessments and all other considerations received for insurance (other than as to Worker's Compensation and Employer's Liability, Wet Marine and Transportation insurance, and Annuity contracts) covering property, subjects, or risks located, resident, or to be performed in Delaware, and including proper proportionate allocation of premiums under policies covering persons, property, subjects, or risks located or resident, or to be performed in more than one state.

*Such income is to be determined by deducting from the total of all direct premium income (1) the amount of returned premiums on canceled policies (but not including the return of cash surrender values of life insurance policies), (2) the unabsorbed portion of any deposit premium, and (3) the amount returned to policyholders as dividends and similar returns, whether paid in cash or credited or applied in reduction of premiums.

Domestic Insurers are also to include Gross Direct Premium Income and other considerations for insurance (other than as to Worker's Compensation and Employer's Liability, Wet Marine and Transportation insurance, and Annuity contracts) received by it upon insurance business written pursuant to solicitation of business by mail directed to persons located in a state or province of Canada in which the insurer is not admitted to transact insurance and on which a premium tax is not paid or a surplus lines tax is not paid to such state or province.

NOTE: DO NOT INCLUDE PREMIUMS GENERATED BY EMPLOYER / TRUST OWNED LIFE INSURANCE POLICIES (also known as "C.O.L.I."; "B.O.L.I."; etc.) IN THE AMOUNT LISTED ON PAGE 1, LINE 1 FOR LIFE PREMIUMS. TAX ON EMPLOYER / TRUST OWNED LIFE INSURANCE PREMIUMS IS CALCULATED ON WORKING FORM T-8 AND THE TOTAL TAX AMOUNT IS LISTED ON PREMIUM TAX SUMMARY, PAGE 1, LINE 13. (See Line 13 below)

LINE 4 List **gross** direct premium income for all Worker's Compensation and Employer's Liability premiums received, whether in cash or notes in this State, or on account of business done in this State, or on account of premiums for compensation payable to this State after deducting from this total (1) all canceled or returned premiums actually refunded during the year on such insurance and (2) premiums on reinsurance received from other insurance carriers, except that mutual insurance companies shall be taxed upon the gross premium charged and collected and shall not be credited with unabsorbed premiums or dividends.

NOTE: Return premiums on canceled policies actually refunded during the year and reinsurance premiums received from other insurance carriers are the only deductions that may be taken from Worker's Compensation and Employer's Liability premiums.

Do not deduct the amount returned to policyholders as dividends and similar returns, whether paid in cash or credited or applied in reduction of premiums as stated in directions for Lines 1, 2, and 3 above. (18 Del. C., §704; see also Title 19, §2391).

LINE 5 "TOTAL All Gross Direct Premium Income" – Sum Lines 1, 2, 3 & 4. If "0", or less than "0", enter "0".

LINE 6 Tax Rate – (1 ¾ % per §702, ¼ % per §707).

LINE 7 "TOTAL Premium Tax Due" – Total gross direct premium income -X- tax rate. If "0", or less than "0", enter "0".
Fraternal Benefit Societies enter "0" (see 18 Del. C., §6224 regarding exemption).

LINES 8 & 9 "Guaranty Fund Assessment Credit" – take figure from Working Form T-4. Credits for assessments to Life and Health (§4413 (a)) and/or Property and Casualty (§4219 (b)) Insurance Guaranty Funds. Credits may only be taken for Class "C" type assessments. Credits taken may not exceed total premium tax due (per Line 7) nor be carried over to another year.

LINE 10 "Net Premium Tax Due" – If "0", or less than "0", enter "0". **TAX LIABILITY MAY NOT BE REDUCED TO LESS THAN ZERO.**

LINE 11 "Domestic Insurer's Privilege Tax" – take figure from Page 2, PART II, Line 7. (§703). *If applicable*

LINE 12 "Retaliatory Taxes And Fees" – take figure from Page 2, Line 18. (§532 (a)). *If applicable* **Please see General Information on Page 1.**

LINE 13 "Employer/Trust Owned Life Insurance Premium Tax" -- take figure from Page 4, WF T-8 Summary Form, Line 4. (§702 (c)(2)).

LINE 14 "Continuation Fees" – (§701 (21b) & (21c)) and (§701 (1c) & (3) as amended by House Bill No. 225, passed/effective July 1, 2001).

(a) Certificate of Authority Renewal	\$100.00	All Authorized Insurers.
Annual Renewal Fee	\$50.00	Risk Retention Groups (RRGs) ONLY
(b) Annual Statement Filing fee	\$100.00	ALL Insurers – including RRGs

LINE 15 "Fraud Prevention Bureau Annual Assessment" – (§2404 (a) & (d)) and (§2415)). **RRGs enter "0". All other companies enter \$550.00**

NOTE: Funds collected by the Delaware Insurance Department on behalf of the Delaware Insurance Fraud Prevention Bureau are deposited into a special revolving fund designated as the Delaware Insurance Fraud Auxiliary Fund. **Please see General Information on Page 1.**

LINE 16 "Travelink Traffic Mitigation Act Credit" – take from Working Form T-7. Companies claiming a credit MUST attach documentation from the Delaware Department of Transportation verifying participation in a Department certified program as set forth in Title 30, Del. C., §2030 ET SEQ.

LINE 17 "Total Tax And Fees Owed" – Sum Lines 10 through 16.

LINE 18 "Quarterly Premium Tax Prepayments" – List amount paid for each of the four quarterly prepayments; subtract the total on Line 17 (e) from Line 16. (§702 (d)).

LINE 19 "Balance Due" – Payment for this amount MUST be attached or electronically transmitted via ACH Credit. (§710 (a)).

LINE 20 "Refund" – amount of overpayment. The Insurance Department will issue a refund check to the company. **DO NOT** apply refund amount to any future premium tax liabilities (ex: April 15 first quarter payment). (§711).

WORKING FORM T-8
EMPLOYER OWNED/TRUST OWNED LIFE INSURANCE
(Also Known As "COLI" and/or "BOLI", etc. Premiums)
INSTRUCTIONS

According to 18 Del. C., §702 (a), all companies writing Employer (Corporate) Owned or Trust Owned Life Insurance (also known variously as "COLI" and/or "BOLI", etc.) as defined in 18 Del. C., §2704, are required to report these life premiums separately on this Working Form. In addition, the summary totals from ALL cases must be reported on the Summary Report.

- Line 1: List the Case Name and Case Number. It is important that the same Case Name and Case Number be used for any specific case that continues from one filing year to the next due to the special provision in 18 Del. C., §702 (c)(2). (See NOTE below)
- Line 2: List nationwide Total Premium for the individual Case.
- Line 3: List Net Premium for risks located within Delaware.
- Line 4: List Net Premium for risks resident or located outside Delaware for which premium tax is not paid to the state of residence or location.
- Line 5: List Total Delaware Net Premium Amount generated for each Employer/Trust Owned Life Insurance Case as defined in 18 Del. C., §2407.
- Line 6: The Total Tax Due This Case amount is the SUM of the amounts listed in the Tax Calculation Section.

In the Tax Calculation section, break down the Total Delaware Premium Amount from Line 5 for each Case at the graduated basis and multiply each Premium Amount by the appropriate Tax Rate to determine the Tax Amount.

For example:

If Total Delaware Taxable Premium Amount (Line 4) is \$10,000,000 or less:

Multiply amount by 2%

If Total Delaware Taxable Premium Amount (Line 4) is \$10,000,001 to \$24,999,999:

2% x first \$10,000,000 plus

1.5% x \$10,000,001 to \$24,999,999

If Total Delaware Taxable Premium Amount (Line 4) is \$25,000,000 to \$99,999,999:

2% x first \$10,000,000 plus

1.5% x \$10,000,001 to \$24,999,999 plus

1.25% x \$25,000,000 to \$99,999,999

If Total Delaware Taxable Premium Amount (Line 4) is \$100,000,000 or higher:

2% x first \$10,000,000 plus

1.5% x \$10,000,001 to \$24,999,999 plus

1.25% x \$25,000,000 to \$99,999,999 plus

1.0% x \$100,000,000 and higher

NOTE: THE PREMIUM TAX RATE SHALL BE CALCULATED ON THE BASIS OF NET PREMIUMS (UPON WHICH TAXES ARE PAYABLE TO DELAWARE) RECEIVED PER CASE FOR THE CALENDAR YEAR, EXCEPT THAT IN SUBSEQUENT CALENDAR YEARS THE PREMIUM TAX RATE SHALL NOT BE HIGHER THAN THE RATE ESTABLISHED FOR THE NEXT PRECEDING YEAR. (See example in 18 Del. C., §702 (c)(2))

PREPARER CHECKLIST

Please use this checklist to assure that all required items are included in this calendar year 2004 Premium Tax and Fees filing.

- | | |
|--------------------------|--|
| <input type="checkbox"/> | Signatures of President and Secretary (or other responsible company officer) and company seal affixed on Affidavit. |
| <input type="checkbox"/> | Signature of Notary Public and notary seal affixed on Affidavit. |
| <input type="checkbox"/> | Pages 1 through 4 of the report completely filled out. (Include Page 5 ONLY if reporting Employer/Trust Owned Life Insurance premiums) |
| <input type="checkbox"/> | Notice of Guaranty Fund Credits OR Certificate(s) of Contribution for Guaranty Fund Assessments included. |
| <input type="checkbox"/> | Copy of Delaware Business page (State Page) of the 2004 Annual Statement attached. |
| <input type="checkbox"/> | Copy of Schedule T of the 2004 Annual Statement attached. |
| <input type="checkbox"/> | Evidence of participation in certified Department of Transportation Travelink Program if claiming credit on Page 1, Line 16. |

DOMESTIC COMPANIES CLAIMING EMPLOYEE SERVICES CREDIT ON WORKING FORM T-2 (only):

- | | |
|--------------------------|--|
| <input type="checkbox"/> | Form W-3 or year-end payroll reports included. |
|--------------------------|--|