

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

STATE OF ALASKA  
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT  
DIVISION OF INSURANCE  
PO BOX 110805  
JUNEAU, AK 99811-0805

Order # TA 11-02 )  
In the Matter of Audit of )  
Brown & Brown of Washington Inc )  
\_\_\_\_\_ )

FINDINGS OF FACT

1. An audit report of Brown & Brown of Washington Inc, licensed in the State of Alaska, has been issued by the State of Alaska, Division of Insurance to Brown & Brown of Washington Inc.
2. The audit report of Brown & Brown of Washington Inc (TA 11-02) has been transmitted to Sharon Deuman, Director of Operations, Brown & Brown of Washington Inc (Auditee), and Auditee has been accorded at least 30 days' opportunity to review and comment on this audit report.
3. The director of the Division of Insurance has fully considered and reviewed the report and any relevant portions of the auditor's work papers to the extent she considered necessary.

CONCLUSIONS OF LAW

1. The written audit report referred to in Finding of Fact No. 1 was issued in accordance with Alaska Statute (AS) 21.06.150(b).
2. The actions set forth in finding of Fact No. 2 were conducted in accordance with AS 21.06.150(b).
3. The director of the Division of Insurance has reviewed the audit report and any other relevant work papers as set forth in Finding of Fact No. 3 to the extent she considered necessary in accordance with AS 21.06.150(b).

ORDER

IT IS ORDERED

1. Pursuant to AS 21.06.150(b)(1), the audit report of Brown & Brown of Washington Inc (TA 11-02) is approved as filed.

2. Pursuant to AS 21.06.060, the audit report shall be kept in the office of the director of the Division of Insurance and be open to public inspection.

This order is effective March 27, 2012.

Dated this 27<sup>th</sup> day of March, 2012 at Juneau Alaska.



Linda S. Hall, Director  
State of Alaska  
Division of Insurance

**PREMIUM TAX AUDIT OF**

**Brown & Brown of Washington Inc  
Seattle, WA**

**TA 11-02**

**As of December 31, 2010**

**Issued by  
DIVISION OF INSURANCE  
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC  
DEVELOPMENT  
STATE OF ALASKA**



**FINAL REPORT:  
March 27, 2012**

## TABLE OF CONTENTS

	PAGE
1) TABLE OF CONTENTS.....	2
2) SALUTATION .....	3
3) SCOPE OF AUDIT.....	3
4) METHODOLOGY .....	4
5) PREMIUM TAX AUDIT .....	5
6) SUMMARY AND SUBSEQUENT EVENTS.....	13
7) AFFIDAVIT .....	15



DEPARTMENT OF  
**COMMERCE**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT

Division of Insurance

*Sean Parnell, Governor*  
*Susan K. Bell, Commissioner*  
*Linda S. Hall, Director*

March 27, 2012

Linda S. Hall, CPCU  
Director, Division of Insurance  
Department of Commerce, Community and Economic Development  
550 West 7<sup>th</sup> Avenue, Suite 1560  
Anchorage, AK 99501-3567

Pursuant to Alaska Statute (AS) 21.06.130, the Alaska Division of Insurance performed a limited and targeted premium tax audit of Brown & Brown of Washington Inc (the broker) on September 26, 2011 through September 27, 2011, in the broker's Seattle, WA office. The audit was conducted by Rebecca Nesheim, tax auditor for the Alaska Division of Insurance.

**Brown & Brown of Washington Inc**

**SCOPE OF AUDIT**

This premium tax audit was called to review compliance with the surplus lines statutes AS 21.34, and regulations 3 AAC 25 and the premium tax regulations 3 AAC 21.550 – 570. This is the second premium tax audit of the broker conducted by the Alaska Division of Insurance. The first premium tax audit was completed February 27, 2008.

**Subject Matters Audited**

The broker is an Alaska licensed surplus lines broker based in Seattle, WA. The division included in the current audit a review of the statutory compliance with monthly filings, premium tax and filing fees payments, of accuracy and timeliness as well as required due diligence and disclosures and notifications to the insured.

**Time Frame**

The audit covered this broker's surplus lines business for the two years of January 1, 2009 through December 31, 2010.

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Email: [insurance@alaska.gov](mailto:insurance@alaska.gov) Website: <http://www.commerce.state.ak.us/insurance/>

## METHODOLOGY

The tax auditor sent the call letter and initial data requests to Brown & Brown of Washington Inc's office in Seattle, WA. A list of all Alaska business transactions with nonadmitted insurers was requested for the period to be audited. Brown & Brown of Washington Inc complied on a timely basis with all data requests. The number of policies and endorsements written during the audit period provided to the auditor was 15, so all policies were selected for audit. However, during the audit, it was determined that five of the initial 15 were not surplus lines policies but instead met the definition of wet marine & transportation. Therefore, the number of policies for some of the audit tests is now ten.

### The following are the procedures steps for the audit:

- 1) Verify that monthly premium reports and accompanying forms were filed on time.
  - i) Audit steps taken:
    - (1) Reviewed the monthly files sent to the Alaska Division of Insurance and verified the reports were filed by the due date.
- 2) Verify the accuracy of the premium calculation
  - i) Audit steps taken:
    - (1) Reviewed policy, declaration page, and invoices to determine how taxable premium was calculated.
    - (2) Verified the correct premium was reported on the reports as filed.
- 3) Verify the accuracy of all monthly reports filed.
  - i) Audit steps taken:
    - (1) Reviewed the policy, declaration, and endorsement pages in each file.
    - (2) If the effective date did not match the monthly filing, reviewed the correspondence to ensure the documentation in the file matched when the policy was booked. Most of these occurred with endorsements that often require additional information and sometimes company approval before it can be added to the policy. The effective date may be a month or more prior to the actual book date or invoice date. In this case, the invoice date determines in which month the endorsement is required to be filed.
    - (3) Verified the monthly reports as filed with the division were accurately filled out to reflect the correct effective date, premiums, taxes and fees based upon the information in the files.
    - (4) Verified a statement of exempt premiums was filed when appropriate.
    - (5) Verified the policy was included in the monthly filing based upon the effective date of the policy.
- 4) If the placement is a multi-state placement, check the calculation and reasonableness of the methodology used to allocate.
  - i) Audit steps taken:
    - (1) Verified the allocation of premium for each state is reasonable and the calculation is accurate.
    - (2) Verified the multi-state allocation form was filed when appropriate
- 5) Verify quarterly and annual premium tax reports were filed on time.
  - i) Audit steps taken:
    - (1) Confirmed when the quarterly and annual premium tax reports were sent to the Alaska Division of Insurance.

- 6) Verify the accuracy of the quarterly and annual premium tax reports
  - i) Audit steps taken:
    - (1) Verified the quarterly and annual premium tax reports as filed with the division were accurately filled out to reflect the correct premiums, taxes and fees.
- 7) Verify if tax and filing fee payments were made on time and by ACH
  - i) Audit steps taken:
    - (1) Confirmed when the payments were received by the Alaska Division of Insurance and the payment method
- 8) Verify tax and filing fees payments were made accurately
  - i) Audit steps taken:
    - (1) Confirmed if the tax and fee payments matched the tax reports as filed.
- 9) Review effort made to place insured with an admitted insurer
  - i) Audit steps taken:
    - (1) Verified the diligent search was documented prior to binding and the declinations completed. If no declinations due to risk on the placement list, the list effective at the time of placement was reviewed to ensure the risk was on the list
- 10) Review disclosures for use of non-admitted insurer
  - i) Audit steps taken:
    - (1) Reviewed the evidence of insurance to ensure the broker's Name and stamp required by statute AS 21.34.100(e) is present and legible.
- 11) Review notifications for use of non-admitted insurer
  - i) Audit steps taken:
    - (1) Reviewed the correspondence and other documentation in the files to find a copy of the notification sent to the insured that meets the requirement in AS 21.34.110
- 12) Confirm coverage is placed with an eligible non-admitted insurer
  - i) Audit steps taken:
    - (1) Reviewed the white lists to ensure the company was eligible at the time of placement
- 13) Review notice regarding nonrenewal and premium increase
  - i) Audit steps taken:
    - (1) Verified in each file there was an Alaska Policyholder Notice regarding nonrenewal and premium increase included with the policy or other evidence of insurance.

**Acceptable Error Rate:**

The Broker's acceptable error rate for the above referenced standards and tests must be less than 10%.

**PREMIUM TAX AUDIT**

1. Verify that monthly premium reports and accompanying forms were filed on time  
AS 21.34.080 and .170, 3 AAC 25.090 and .100

*Comments:* The broker only filed monthly reports when there was business written. Out of the 24 months of the audit period, 12 monthly reports were filed and they were all filed by the due date.

*Results:* Passed (error rate 0%)

2. Verify the accuracy of the premium calculation

AS 21.34.180

*Comments:* The taxable premium for eight policies was not calculated accurately by not including company fees in the calculation of premium. The following are the specific fees not included in the calculation of premium:

- Policy fee: six
- Inspection fee: one

Total accuracy errors: seven within six distinct files. These errors increase the tax and fees due to the Alaska Division of Insurance by \$55.36 and \$20.50 respectively.

This error affects three additional audit tests:

1. Accuracy of the Monthly Reports
2. Accuracy of Tax Reports
3. Accuracy of Tax and Fee Payments

*Results:* Failed (4 files passed & 6 failed error rate 60%)

*Recommendations:* It is recommended the broker revise written procedures to ensure all company fees are included in the calculation of premium tax and filing fees. The broker should read bulletin 04-14 to reinforce their understanding of what fees are to be included in premium and what are not. The affected monthly reports will need to be amended to bring the broker back into compliance. A second individual reviewing documents before submission could reduce the number of errors received by the Division.

*Brown & Brown of Washington, Inc response:*

1. We have revised our Alaska Surplus Lines Procedure Manual to clearly specify that all company fees are to be included in the calculation of premium tax and filing fees, and have included a copy of Bulletin B 04-14 in our Procedure Manual.
2. We have also implemented a second review of the documents, prior to submission.

\*See Bulletin B 04-14 for definition of taxable premium – Bulletin attached to this manual (page 16). \*

Policy Premium, Other Fees (Membership, Survey, Inspection and Service Fees or similar fees) and Policy Fees charged by the insurance company are ALL SUBJECT to premium tax). Broker Fees and Wholesaler Policy/Access Fees ARE NOT SUBJECT to premium tax).

*Alaska Division of Insurance:* The amended monthly reports were received on February 21, 2012.

3. Verify the accuracy of all monthly reports filed

AS 21.34.080 and .170, 3 AAC 25.090 and .100

*Comments:* One policy transaction was not filed in a monthly report. This same policy's endorsement was filed but not in the original monthly filing but amended several months later. One of the original 15 audit policies was not considered surplus lines by the broker and was filed correctly on the Unauthorized Insurers Tax Report. Four policies were filed on a monthly report



but as they were wet marine & transportation policies, they should not have been filed on a monthly report but on the Unauthorized Tax Report.

The unfiled transaction error increases the tax and fees due to the Alaska Division of Insurance by \$4.21 and \$1.56 respectively. The four wet marine & transportation policies decrease the tax and fees already paid to the Alaska Division of Insurance by \$754.12 and \$279.28 respectively.

This error affects two additional audit tests:

1. Accuracy of Tax Reports
2. Accuracy of Tax and Fee Payments

*Results:* Failed (9 files passed & 5 failed error rate 36%)

*Recommendations:* It is recommended that the broker follow their written procedures for when initial or renewal policies as well as endorsements are to be reported to the Alaska Division of Insurance. Statute and regulation dates should be reviewed to ensure the correct due dates are in these procedures. For all policies effective 7/21/11, procedures will need to be revised to incorporate new law changes from monthly reports to quarterly reports. Following the written procedures will ensure all transactions are filed in the correct month or quarter. The affected monthly reports will need to be amended to bring the broker back into compliance. A second individual reviewing documents before submission could reduce the number of errors received by the Division.

*Brown & Brown of Washington, Inc response:*

1. Written procedures have been reviewed and include due dates for filing reports on new, renewal, and endorsements to the Alaska Division of Insurance, in accordance with new law changes from monthly to quarterly reports as of 7-21-11.
2. A copy of the Reporting Instructions and Form has been included in the Procedure Manual.
3. Applied activities have been created as a reminder for the filing dates
4. We have also implemented a second review of the documents, prior to submission.

Forward AK Surplus Lines Filing Checklist (page 20) for ALT/ALS Transactions to Surplus Lines Broker for quarterly filing within 30 days of policy bound/endorsed. \*See attached reporting instructions for quarterly due dates. Activity has been set up in TAM for reminders of filing due dates.

IF OVER 50 gross tons and/or MEETS the definition of wet marine & transportation:  
• The filings don't need to be submitted; however we still need to track and tax the business (via annual Unauthorized Insurers Tax Report, due March 1st the following year). \*Reporting Instructions and Form are attached to this manual (page 12).

*Alaska Division of Insurance:* The amended monthly reports were received on February 21, 2012

4. Verify the multi-state placements are filed correctly

AS 21.34.180

*Comments:* The broker does not write any multi-state policies.

*Results:* N/A

5. Verify quarterly and annual premium tax reports were filed on time

AS 21.34.180, 3 AAC 21

*Comments:* The broker was only required to file the Annual Premium Tax Report and the Unauthorized Insurers Tax Report for reporting wet marine & transportation policies. Both tax reports were filed on time for the two years.

*Results:* Passed (error rate 0%)

6. Verify the accuracy of the quarterly and annual premium tax reports

AS 21.34.180, 3 AAC 21

*Comments:* Two tax reports out of four were not accurate when filed. The 2009 Unauthorized Insurers Tax Report did not include three marine policies found during the audit and one policy that was reported did not include company policy fees in the premium calculation. The 2010 Unauthorized Tax Report included one of the 2009 marine policies. These errors increase the tax due to the Alaska Division of Insurance by \$26.20. The four policies that were reported on a monthly report instead of the Unauthorized Tax report results in wet marine & transportation tax of \$210.

Other audit tests result in these tax reports not being accurate but the errors will be accounted for in their respective tests.

This error affects one additional audit test:

1. Accuracy of Tax and Fee Payments

*Results:* Failed (2 reports passed & 2 failed error rate 50%)

*Recommendations:* It is recommended that the broker revise their written procedures for what policies meet the definition of wet marine & transportation per statute to identify which policies are to be reported on the Unauthorized Insurers Tax Report and to ensure all company fees are included in the calculation of premium tax and filing fees. An amended 2009 and 2010 Unauthorized Insurers Tax Report is required to bring the broker back into compliance.

*Brown & Brown of Washington, Inc response:*

1. Written procedures have been amended to begin the process with identifying the appropriate classification. We have included the definition of wet marine & transportation and instructions on how to proceed once it has been properly identified.

2. An amended 2009 and 2010 Unauthorized Insurers Tax Report will be submitted to bring us back into compliance.

For AK surplus lines, we first need to check and see if the vessel has a gross tonnage over or under 50 gross tons and/or if the policy meets the definition of wet marine & transportation.

DEFINITION OF WET MARINE & TRANSPORTATION IS AS FOLLOWS:

- (9) "wet marine and transportation insurance" means
- (A) insurance upon, of interest in, or relating to vessels, crafts, hulls, except vessels of 50 displacement tons or less;
  - (B) insurance of marine builders risks, marine war risks, and contracts of marine protection and indemnity insurance;
  - (C) insurance of freight and disbursements pertaining to a subject of insurance coming within this paragraph; and
  - (D) insurance of personal property and interests in personal property, in course of exportation from or importation into a country or in the course of coastal or inland water transportation, including transportation by land, water, or air from point of origin to final destination in connection with any and all risks or perils of navigation, transit, or transportation, and while being repaired for and while awaiting shipment, and during any delays, transshipment, or reshipment incident to them.

IF OVER 50 gross tons and/or MEETS the definition of wet marine & transportation:

- The filings don't need to be submitted; however we still need to track and tax the business (via annual Unauthorized Insurers Tax Report, due March 1st the following year). \*Reporting Instructions and Form are attached to this manual (page 12).
- A premium tax of 0.75% needs to be charged. The accounting transaction code to be used on the invoicing is ALM.
- \*See Sample of how Fee is to be entered into TAM - attached to this manual (page 19).
- No documents need to be stamped.
- Due diligence does not need to be sent/signed.
- Forward AK Surplus Lines Filing Checklist for ALM Transactions to Surplus Lines Broker for yearly filing within 30 days of policy bound/endorsed (will hold onto checklists until time to be filed). – Page 21
- Activity has been set up in TAM for reminders of filing due date.

*Alaska Division of Insurance:* The amended Unauthorized Insurers Tax Reports were received on February 21, 2012.

7. Verify if tax and filing fee payments were made on time and by ACH AS 21.34.180, 3 AAC 21
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*Comments:* All payments were made on or before the required due date for the annual payments and made by ACH where required.

*Results:* Passed (error rate 0%)

8. Verify tax and filing fees payments were made accurately

AS 21.34.180, 3 AAC 21

*Comments:* All tax and fee payments made by the broker were accurate based upon the tax reports as filed. Other audit tests result in these payments not being accurate but the errors will be accounted for in their respective tests. The net overall effect on tax and fee amounts with the Alaska Division of Insurance is a refund due to the broker after amended reports are filed of \$458.35 and \$257.22 respectively to pass on to the insured.

*Results:* Passed (error rate 0%)

9. Review effort made to place insured with an admitted insurer

AS 21.34.020, 3 AAC 25.030 and .035

*Comments:* The broker has elected to use the Affidavit of Due Diligence for documenting the diligent search. Two policy files did not include documentation of the diligent search to place with an admitted insurer prior to binding.

*Results:* Failed (8 files passed & 2 failed, error rate 25%)

*Recommendations:* It is recommended that the broker follow their written procedures to ensure all Affidavits of Due Diligence are received prior to binding. If another form of documentation is maintained, there must be clear indications that the declinations were done before binding or how the risk is qualified on the placement list.

*Brown & Brown of Washington, Inc response:*

1. Written procedures have been reviewed and revised to include specific instructions regarding obtaining the Affidavit of Due Diligence.

Due Diligence form is required either from the retail agent or we need to do one if insured is a direct client, showing that we have tried to go to admitted carries for the business. This should be obtained **before** binding. \*Copy of Due Diligence form is attached to this Manual (page 4).

10. Review disclosures on evidence of insurance for use of non-admitted insurer

AS 21.34.100(e)

*Comments:* Nine files out of the 10 files demonstrated a problem with the required disclosure stamp on the evidence of insurance. Here are the different problems found in the files:

- No stamp on dec - 2
- No stamp on binder or confirmation of coverage - 7
- Stamp illegible on confirmation of coverage - 1
- Broker name not on binder - 1

Total disclosure errors: 11 within nine distinct files

*Results:* Failed (1 file passed & 9 failed, error rate 90%)

*Recommendations:* It is recommended that the broker ensure their written procedures are followed so that all evidence of insurance has the required disclosure stamp wording, the broker name and the stamp is legible. It is further recommended to revise the written procedures to include the stamp requirement on all premium bearing and non-premium bearing endorsements as they are also evidence of insurance.

*Brown & Brown of Washington, Inc response:*

1. Written procedures have been amended to ensure understanding that all evidence of insurance has the required disclosure stamp wording, the broker name, and is legible.

Each Carrier Confirmation of Coverage/Binder/Certificate/Cover note/Policy/Endorsement; and our internal Confirmation of Insurance need to be stamped with the Surplus Lines Stamp.

• Regarding Endorsements - Any additional or return premiums need to be filed using the above noted tax and filing fee percentages.

All endorsements need to be stamped – regardless if they are premium or non-premium bearing endorsements.

<b>11. Review notification for use of non-admitted insurer</b>
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**AS 21.34.110**

*Comments:* None of the 10 surplus lines files included a notification to the insured that the insurer with whom the surplus lines broker placed the insurance does not hold a certificate of authority issued by this state, is not subject to its supervision and, in the event of the insolvency of the surplus lines insurer, losses will not be covered under AS 21.80 (Alaska Insurance Guaranty Association Act). It is the brokers' responsibility to maintain in their file a copy of the notification that went to the insured either from them or a copy of what the producer gave to the insured since premium is not binding upon the insured until such notification is provided. A statement that the policy is considered surplus lines is not sufficient. Therefore all 10 files failed this test.

*Results:* Failed (error rate 100%)

*Recommendations:* It is recommended that the broker modify their written procedures to include creating and maintaining a copy of the required notification to the insured about the surplus lines insurance company per statute.

*Brown & Brown of Washington, Inc response:*

1. We have updated our Procedure Manual to clearly specify the requirements regarding the policy holder notification and included a copy of the "Statement that Coverage has been placed with a Surplus Lines Carrier in the State of Alaska".
2. Form letter has been added to Applied; copy will be maintained electronically
3. Checklist has been updated to ensure form is included

12. Confirm coverage is placed with an eligible non-admitted insurer

AS 21.34.050

*Comments:* All policies in the audit were placed with eligible companies.

*Results:* Passed (error rate 0%)

13. Review notice regarding nonrenewal and premium increase

3 AAC 25.050

*Comments:* Five files did not have evidence of the required Alaska Policyholder Notice of nonrenewal and premium increase being sent to the insured. Three files included the notice but it was an older version with different language than required.

*Results:* Failed (5 files passed & 5 failed, error rate 50%)

*Recommendations:* It is recommended that the broker revise their written procedures to include a step in the processing of evidence of insurance to ensure the notice is included from the insurance company. If the notice is outdated or missing, the broker should contact the insurance company to replace or include the notice. A step on a checklist is one way to ensure this document is reviewed.

*Brown & Brown of Washington, Inc response:*

1. We have revised our written procedures to ensure that notice from the insurance company is included.
2. We have discarded the incorrect version and have attached a current version to our Procedure Manual
3. We have added this to our checklist

ALASKA POLICY HOLDER NOTICE – New version of 3 AAC 25.050 dated July 28th, 2008 (per Bulletin B 08-06 attached) must be shown on each policy. If the incorrect version is showing on the policy, contact the carrier right away and have them amend.

\*Copy of correct version is attached to this manual (page 22).

**Wet Marine & Transportation Policies:**

*Comments:* Of the original 15 policy files identified as surplus lines, it was discovered that one was already considered wet marine & transportation by the broker and four policies met the definition of wet marine & transportation per statute and thus also should not be considered surplus lines policies. There appear to be a significant number of policies that are not coded accurately in the computer system as marine and thus are missed at the time reports are prepared.

*Recommendations:* It is recommended that the broker revise their written procedures to ensure all details about how to identify a wet marine & transportation policy compared to a surplus lines policy are documented. Training sessions with the broker's staff may help in distributing the necessary information to staff working on such policies.

*Brown & Brown of Washington, Inc response:*

1. Written procedures have been amended to begin the process with identifying the appropriate classification. We have included the definition of wet marine & transportation and instructions on how to proceed once it has been properly identified.
2. All invoicing for wet marine & transportation has been set up with a specific transaction code within Applied for easier identification.

DEFINITION OF WET MARINE & TRANSPORTATION IS AS FOLLOWS:

(9) "wet marine and transportation insurance" means

(A) insurance upon, of interest in, or relating to vessels, crafts, hulls, except vessels of 50 displacement tons or less;

(B) insurance of marine builder's risks, marine war risks, and contracts of marine protection and indemnity insurance;

(C) insurance of freight and disbursements pertaining to a subject of insurance coming within this paragraph; and

(D) insurance of personal property and interests in personal property, in course of exportation from or importation into a country or in the course of coastal or inland water transportation, including transportation by land, water, or air from point of origin to final destination in connection with any and all risks or perils of navigation, transit, or transportation, and while being repaired for and while awaiting shipment, and during any delays, transshipment, or reshipment incident to them.

IF OVER 50 gross tons and/or MEETS the definition of wet marine & transportation:

- The filings don't need to be submitted; however we still need to track and tax the business (via annual Unauthorized Insurers Tax Report, due March 1st the following year). \*Reporting Instructions and Form are attached to this manual (page 12).
- A premium tax of 0.75% needs to be charged. The accounting transaction code to be used on the invoicing is ALM.

3. \*See Sample of how Fee is to be entered into TAM - attached to this manual (page 19).

## **SUMMARY AND SUBSEQUENT EVENTS**

### **Summary**

This was a follow-up to the premium tax audit of Brown & Brown of Washington Inc completed on February 27, 2008. The auditor tested 13 standards focusing on the broker's filing of monthly and annual tax reports and the subsequent payment of premium taxes and filing fees as well as due diligence and notification requirements for using a non-admitted insurer.

The Director of Operations and staff in the Seattle office were cooperative during the audit. The tax auditor appreciated this attitude and enjoyed working with Brown & Brown of Washington Inc's management and staff.

Several significant issues did arise during the audit that affect the service to the insured and compliance with Alaska statutes and regulations.

- 1) The premium calculation on the surplus lines policies did not improve from the initial audit and results in additional tax and fees.
  - 2) The accuracy of the monthly reports did not improve from the initial audit and results in a refund of taxes and fees to be returned to the insureds.
  - 3) The inaccuracy of the Unauthorized Insurers Tax Report identified how the classification of wet marine & transportation policies was often not handled correctly.
  - 4) The diligent search in the admitted market first continued to be an issue with no documentation in several files.
  - 5) The required disclosure stamps also continued to be an issue as many were missing from the evidence of insurance.
  - 6) The required notification to the insured regarding the use of a nonadmitted insurer was not found in any file. The prior audit disclosed the proposals were altered to include the notification and required the signature of the insured. Proposals were not available in the files during this audit.
- 
- 7) The Alaska Policyholder Notice was missing from many files or was outdated.

### **Re-Audit**

In closing, the auditor's recommended actions should help the broker correct the problems encountered. It is recommended that Brown & Brown of Washington Inc be re-audited within the next three years to ascertain compliance.

Submitted by:  
Rebecca Nesheim  
Tax Auditor



Affidavit

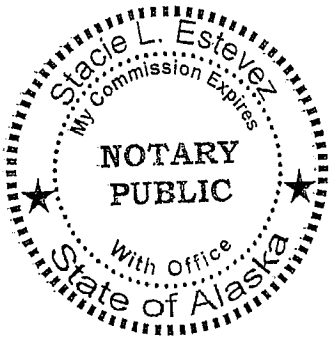
Brown & Brown of Washington Inc  
As of December 31, 2010  
TA 11-02

Juneau, Alaska )  
March 27, 2012 )  
State of Alaska ) ss.  
First Judicial District )

I, being duly sworn, do verify that the report of premium tax audit as of December 31, 2010 of Brown & Brown of Washington Inc is true to the best of my knowledge and belief.

Rebecca Nesheim  
Rebecca Nesheim  
Tax Auditor

SUBSCRIBED and SWORN to before me this 27<sup>th</sup> day of March, 2012



Stacie L. Estevez  
Notary Public in and for Alaska  
My Commission Expires with office