

GAP EXEMPTION PLACEMENT CONDITIONS/REQUIREMENTS (California Insurance Code Section 1765.1(f))

Insurance may be placed on a limited basis with ineligible insurers if all conditions specified in Section 1765.1(f) are maintained. Following is a summary of these conditions (for compliance, refer to section 1765.1 itself):

Placement Conditions:

1. Multiple insurers are needed to obtain coverage for 100% of the risk.
2. At least eighty percent (80%) of the risk is placed with admitted insurers or eligible nonadmitted insurers.
3. Ineligible insurers do not represent a disproportionate portion of the lower layers of the coverage.
4. Within thirty (30) days of placement, the placing broker must submit to the Surplus Line Association of California (SLA) copies of all documentation that the broker relied upon to determine that the financial stability, reputation and integrity of the ineligible insurer or insurers was adequate to safeguard the interest of the insured. The documentation should be filed electronically with The Surplus Line Association of California through [SLIP](#), along with the policy submission and Gap Exemption Form. All documentation should be submitted annually thereafter for as long as the broker continues to make placements with the ineligible insurer.

Requirements for the Insured:

1. The insured must be a sophisticated insurance purchaser and the insurance must be commercial insurance coverage as opposed to common commercial or personal line coverage.
2. The insured must have aggregate annual insurance premiums, excluding workers compensation and health insurance, totaling at least \$100,000.
3. The insured cannot be a multiple employer welfare arrangement as defined in 1002 (40) (A) of Title 29 of the United States Code, or any other arrangement among two or more employers that are not under common ownership or control, which is established or maintained for the primary purpose of providing insurance benefits to the employees of two or more employers.

Requirements for the Insurer:

1. The ineligible insurer must demonstrate financial stability, reputation, and integrity.
2. The ineligible insurer must not have been previously objected to by the commissioner.

Coverage Limitation:

1. Ineligible insurers cannot be used if the coverage includes employer-sponsored medical, surgical, hospital, or other health or medical expense benefits payable to the employee by the insurer or insurance mandated by the laws of federal, state or local government.