



**THE SURPLUS LINE ASSOCIATION
OF CALIFORNIA**

50 CALIFORNIA STREET, 18TH FLOOR
SAN FRANCISCO, CA 94111

THEODORE M. PIERCE
EXECUTIVE DIRECTOR

JOY LAUGHERY
STAMPING OFFICE DIRECTOR

TELEPHONE
(415) 434-4900
(800) 334-0491
FAX
(415) 434-3716
www.slacal.org

BULLETIN #1141

October 30, 2007

Re: AB 522 – Short-Term Extensions; Disclosure Notice Timing

AB 522 amended California Insurance Code Sections 1763 and 1764.1 in the following respects:

CIC § 1763 has been amended to exclude "short-term coverage extension endorsements" by adding a new subsection (g). The effect of the amendment is to exclude such endorsements from the "diligent search" requirements of CIC § 1763(a):

(g) This section does not apply to the extension of coverage by a nonadmitted insurer, of or for the same risk, and to the same insured under an existing surplus lines policy. Such an extension may not exceed 90 days in the aggregate during any 12-month period. The extension may not include a change in coverage, terms, conditions, or limits. Any additional premium charged for the extension shall be determined pro rata, based on the same rate of premium as the existing surplus lines policy.

Effective January 1, 2008, the Stamping Office no longer will apply Bulletin 630 to short-term extensions as defined in CIC § 1763(g).

Please note:

- The new "short-term extension" rule – which does not become effective until January 1, 2008 – exempts qualifying extensions from all of CIC § 1763, including:
 - Diligent search
 - Filing of SL-1 and SL-2 forms
- Multiple exempt extensions are permitted provided that they do "not exceed 90 days in the aggregate during any 12-month period."
- If, as of January 1, 2008, a policy previously has been extended in compliance with Bulletin 630 (i.e., diligent search, SL-1 and SL-2 filings), the policy may be further extended pursuant to § 1763(g) not to "exceed 90 days in the aggregate during any 12-month period."
- Similarly, if a policy is extended after January 1, 2008, in compliance with Bulletin 630, it can be further extended pursuant to § 1763(g) for a period not to "exceed 90 days in the aggregate during any 12-month period."
- Bulletin 630 will continue to apply through December 31, 2007, in all respects, and thereafter to extension endorsements not covered by § 1763(g).

Filing Procedures:

Short term extension endorsements still must to be filed with the SLA, preferably in endorsement number order. For qualifying extension endorsements that are submitted on or after January 1, 2008 and with an extension effective date of January 1, 2008 or thereafter:

- The SL1 and SL2 forms will not be required for extensions of the same surplus line policy that, in the aggregate, do not exceed 90 days during a twelve month period.
- Once the 90 day aggregate is reached, further extension endorsements are fully subject to CIC § 1763 (e.g., diligent search) and Bulletin 630, and thus require filing of SL1 and SL2 forms. If an extension endorsement becomes effective during the exempt 90 day period but extends beyond the 90 day aggregate, it does not qualify as exempt under CIC § 1763(g).
- For extension endorsements of policies that qualify under an export list coverage, the SL2 form requirement does not apply.

The stamping fee will continue to be calculated as of the effective date of the extension endorsement.


AB 522 also amended CIC § 1764.1 to repeal sunset clause that appeared in §1764.1(f) that would have taken effect January 1, 2008.

The effect of repealing the sunset clause is to continue in effect certain 2004 amendments sponsored by the SLA.

The 2004 amendments included, among others, the provision that provides individual consumers with the same opportunity to obtain immediate coverage that previously had been afforded to commercial insureds: coverage could be bound immediately provided that the insured's signature was obtained on the necessary disclosure notices within five (5) days after coverage was bound.

As a result of AB 522, the 2004 amendments do not sunset. The statutory disclosure notices (D-1 and D-2 forms) have been reissued to reflect that the current text of the forms become permanent on January 1, 2008.

Sincerely,



Theodore M. Pierce
Executive Director

Attachment

NOTICE:

- 1. THE INSURANCE POLICY THAT YOU ARE APPLYING TO PURCHASE IS BEING ISSUED BY AN INSURER THAT IS NOT LICENSED BY THE STATE OF CALIFORNIA. THESE COMPANIES ARE CALLED “NONADMITTED” OR “SURPLUS LINE” INSURERS.**
- 2. THE INSURER IS NOT SUBJECT TO THE FINANCIAL SOLVENCY REGULATION AND ENFORCEMENT WHICH APPLIES TO CALIFORNIA LICENSED INSURERS.**
- 3. THE INSURER DOES NOT PARTICIPATE IN ANY OF THE INSURANCE GUARANTEE FUNDS CREATED BY CALIFORNIA LAW. THEREFORE, THESE FUNDS WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR ASSETS IF THE INSURER BECOMES INSOLVENT AND IS UNABLE TO MAKE PAYMENTS AS PROMISED.**
- 4. CALIFORNIA MAINTAINS A LIST OF ELIGIBLE SURPLUS LINE INSURERS APPROVED BY THE INSURANCE COMMISSIONER. ASK YOUR AGENT OR BROKER IF THE INSURER IS ON THAT LIST, OR VIEW THAT LIST AT THE WEB SITE OF THE CALIFORNIA DEPARTMENT OF INSURANCE: WWW.INSURANCE.CA.GOV.**
- 5. FOR ADDITIONAL INFORMATION ABOUT THE INSURER YOU SHOULD ASK QUESTIONS OF YOUR INSURANCE AGENT, BROKER, OR “SURPLUS LINE” BROKER OR CONTACT THE CALIFORNIA DEPARTMENT OF INSURANCE, AT THE FOLLOWING TOLL-FREE TELEPHONE NUMBER: 1-800-927-4357.**
- 6. IF YOU, AS THE APPLICANT, REQUIRED THAT THE INSURANCE POLICY YOU HAVE PURCHASED BE BOUND IMMEDIATELY, EITHER BECAUSE EXISTING COVERAGE WAS GOING TO LAPSE WITHIN TWO BUSINESS DAYS OR BECAUSE YOU WERE REQUIRED TO HAVE COVERAGE WITHIN TWO BUSINESS DAYS, AND YOU DID NOT RECEIVE THIS DISCLOSURE FORM AND A REQUEST FOR YOUR SIGNATURE UNTIL AFTER COVERAGE BECAME EFFECTIVE, YOU HAVE THE RIGHT TO CANCEL THIS POLICY WITHIN FIVE DAYS OF RECEIVING THIS DISCLOSURE. IF YOU CANCEL COVERAGE, THE PREMIUM WILL BE PRORATED AND ANY BROKER FEE CHARGED FOR THIS INSURANCE WILL BE RETURNED TO YOU.”**

Date: _____

Insured: _____

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