



THE SURPLUS LINE ASSOCIATION
OF CALIFORNIA

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

JOY ERVEN
DIRECTOR, STAMPING OFFICE

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

May 3, 2012

BULLETIN #1263

RE: NONADMITTED CARRIER ELIGIBILITY

Effective July 21, 2011, the California Insurance Code ("CIC") was amended to conform to the nonadmitted insurer eligibility requirements of the Nonadmitted and Reinsurance Reform Act of 2010 (the "NRRR"). CIC Sections 1765.1 and 1765.2 establish the following three surplus line carrier categories:

1. **LASLI carriers** are preapproved carriers who have met the standards set forth in CIC 1765.2,
 2. **Eligible carriers** are carriers who have met the standards set forth in CIC 1765.1 and the NRRR but the CDI does not pre-approve these carriers, and
 3. **File and Use Recognition System carriers** are carriers who have filed specific documentation set forth in CIC 1765.1(c) with the CDI to be recognized as eligible by the CDI.
1. **LASLI Carriers** - Effective July 21, 2011, the List of Eligible Surplus Line Insurers, ("LESLI"), was replaced by the List of Approved Surplus Line Insurers, ("LASLI"). The LASLI is a voluntary list of nonadmitted insurers that the California Department of Insurance ("CDI") has approved for use by surplus line brokers. All insurers that were on the LESLI at that time were automatically transferred to the LASLI, and thus continued to be eligible for use by surplus line brokers in California.

What brokers should know about LASLI carriers:

- **CDI's LASLI list is an optional listing brokers may rely upon for preapproved carriers**
- **California capitalization levels apply and quality of assets are pre-reviewed**
- **Officer and director backgrounds are pre-reviewed**
- **The LASLI list is updated and is posted on the CDI and SLA websites**

Click [here](#) for the LASLI list.

2. **Eligible Carriers** - LASLI is a voluntary list and insurers may opt off the list. As a result, there may be nonadmitted insurers that are not on LASLI but pursuant to the NRRR and CIC Section 1765.1, are nonetheless eligible for use by surplus line brokers, as long as the broker has determined at the time of placement that the insurer meets specific eligibility criteria.

What brokers should know about eligible carriers:

- **Eligible carriers do not need to file any documents with the CDI.**
- **California capitalization levels apply (for U.S. domiciled insurers only)**
- **There is no CDI pre-review or approval of capitalization levels or assets**
- **CDI does not perform officer and director background reviews**
- **Different eligibility rules apply for U.S. domiciled and non U.S. domiciled carriers**

A U.S domiciled (“foreign”) nonadmitted insurer (a U.S. domiciled or Branch of an alien insurer not domiciled in California) must

- be licensed in its state of domicile to write the type of coverage being placed and,
- maintain a minimum of \$45 million in capital and surplus (unless excepted).

A non-U.S. domiciled (“alien”) nonadmitted insurer must

- be on the Quarterly Listing of Alien Insurers issued by the NAIC’s International Insurers Department (“IID List”).

Click [here](#) for the IID List.

The NAIC has stated that it does not attempt to analyze or consider either the political stability of the domiciliary country or its diplomatic relationship with the U.S. The CDI does not maintain nor does it endorse or control the accuracy of the IID list. If Brokers require more information about the IID List, they should contact the NAIC.

3. **File and Use Recognition System Carriers** - The Commissioner has the authority pursuant to CIC 1765.1(c) to recognize that a nonadmitted insurer is eligible under the criteria set forth in CIC Sections 1765.1 (a) and (b) if the documents that are specified in CIC Section 1765.1 (c) are filed with the CDI by the insurer or a broker on its behalf. Consistent with this authority, the Commissioner has established a File and Use Recognition System List comprised of companies on whose behalf the required documents have been filed with the CDI. In order for the information that is required to be filed to be readily available to the CDI, such filings are strongly encouraged.

The File and Use Recognition System List, however, is Informational only. Carriers that are not on the File and Use Recognition System List may still be used if they meet the eligibility standards (See above Eligible Carriers). Further, regardless of whether or not a carrier is on the File and Use Recognition List and in accord with CIC Section 1765.1, the broker has a separate duty to determine that a carrier is eligible at the time of each placement.

What brokers should know about the file and use system:

- **Brokers and/or carriers make basic filings to get carriers on the CDI File and Use Recognition System List**
- **California’s capitalization levels apply, but CDI does not pre-review or approve capitalization levels or assets**
- **CDI does not perform officer and director background reviews**
- **CDI recognition system permits CDI to have information about the carrier and respond to public inquiries**

Click [here](#) for a copy of the File and Use Recognition System List.

NONADMITTED CARRIER INELIGIBILITY

If the Commissioner determines that a carrier is not eligible, the Commissioner may issue an order and ask the SLA to notify all surplus line brokers that the carrier is no longer eligible.

If you have any questions, please feel free to contact myself or Linda Cheng at 415 434 4900.

Sincerely,

A handwritten signature in black ink that reads "Joy Erven". The signature is written in a cursive style with a large, stylized "J" and "E".

Joy Erven
Director, Stamping Office
The Surplus Line Association of California
50 California Street, 18th Floor
San Francisco, CA. 94111