

THE SURPLUS LINE ASSOCIATION

OF CALIFORNIA

315 MONTGOMERY STREET

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November 20, 1963

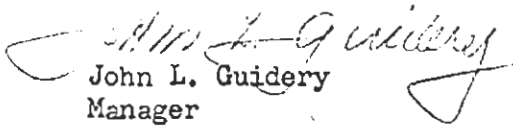
NO. 200

BULLETIN TO ALL MEMBERS

RE: Non-Admitted Insurers' Certificates
Issued Out-of-State

The attached letter from the Insurance Department, dated October 23, 1963, is directed to your attention on instruction of the Stamping Office and Contact Committee, in its meeting of October 29, 1963.

Please be guided by the requirements set forth in this letter.


John L. Guidery
Manager

DEPARTMENT OF INSURANCE

1407 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94103

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October 23, 1963.

SURPLUS LINE
ASSOCIATION OF CALIF.

The Surplus Line Association
of California
315 Montgomery Street
San Francisco 4, California

Re: Lloyd's Certificates Issued Out of State

Gentlemen:

Our attention has been called to the problem of the nature of the certificate of insurance when a California surplus line broker places insurance in Lloyd's, London, or perhaps other nonadmitted insurers, through an out-of-state surplus line broker who issues his certificate as to the coverage. Sometimes the filing made by the California surplus line broker with the Surplus Line Association is in the nature of a courtesy filing on behalf of the out-of-state surplus line broker who controlled the placing of the risk.

While there is nothing in the California Surplus Line Laws to control the method by which a California risk is placed in a nonadmitted insurer, and its placing through an out-of-state surplus line broker is not unlawful, Sections 1764 through 1764.7 clearly contemplate that if the actual policy of the nonadmitted insurer is not issued to the insured in California, then the California Surplus Line Broker must certify to the placement and effectiveness of the coverage. It follows, therefore, that if the certificate of the out-of-state surplus line broker is used as evidence of the coverage, such certificate must not only be filed by the California licensed surplus line broker, but it must be signed or executed by him in such manner that he is responsible under the law for the proper placing of the insurance coverage in the nonadmitted insurer. This, we believe, can be effected by appropriate endorsement affixed to the original out-of-state certificate whereby, in substance, the California licensed surplus line broker certifies to the placing of the risk. Essentially, the California licensed surplus line broker should not undertake to file the risk

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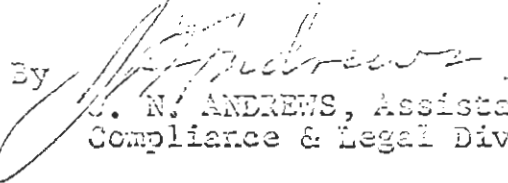
The Surplus Line Association

-2- 1965 LINE October 23, 1963.

with the Surplus Line Association or to lend his name or reputation to the transaction unless he is satisfied that the coverage has in fact been properly placed and bound in the nonadmitted insurer so as to meet the substantive requirements of California law, particularly Sections 1784 and following of the California Insurance Code.

Very truly yours,

STAFFORD R. CRADY
Insurance Commissioner

By 
J. N. ANDREWS, Assistant Chief
Compliance & Legal Division

JNA:ms