



THE SURPLUS LINE ASSOCIATION  
OF CALIFORNIA

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No. 441

BULLETIN TO ALL MEMBERS:

RE: Disclosure to Insureds  
of Nonadmitted Insurers

We refer you to Senate Bill 876, which becomes law January 1, 1990. This bill requires every nonadmitted insurer or Surplus Line Broker issuing a policy of insurance to affix a legend in bold face 16-point type on the front page of every application and policy advising the applicant or insured that the policy is issued by a nonadmitted insurer not subject to regulation by the California Department of Insurance, and the provisions creating the California Insurance Guarantee Association do not apply to any policy underwritten by a nonadmitted insurer.

The Department of Insurance has directed that we notify the Surplus Line Association Membership of this requirement, and the fact that the notice must be in 16-point type and contained on both the application and the policy. The following language has been approved by the Department of Insurance.

This insurance is issued pursuant to the California Insurance Code, Sections 1760 through 1780, and the policy is issued by a nonadmitted insurer not subject to regulation by the California Department of Insurance, and the provisions of Article 15.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1, creating the California Insurance Guarantee Association, do not apply to any policy underwritten by a nonadmitted insurer.

We have provided the enclosed printed language for your use. However, its use is not mandatory, that is, you may elect to use your own forms or imprint of the enclosed, or any other manner of compliance with the legend requirements of Senate Bill 876.

A. D. Freeman, Jr.  
Manager

AMENDED IN ASSEMBLY JULY 13, 1989

AMENDED IN SENATE APRIL 20, 1989

SENATE BILL

No. 876

Introduced by Senator Robbins

March 6, 1989

An act to amend Section 1764.1 of, and to add Section 1764.1 to, the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 876, as amended, Robbins. Insurance.

Under existing law, an insurer may not transact insurance in this state without first being an admitted insurer. Existing law authorizes any citizen of this state to negotiate and effect insurance on his or her own property with any nonadmitted insurer. Existing law also permits insurance to be placed with a nonadmitted insurer by a surplus lines broker under certain circumstances.

This bill would require every nonadmitted insurer or surplus lines broker issuing a policy of insurance to prominently affix a legend in boldface 16-point type on the front page of every application and policy advising the applicant or insured that the policy is issued by a nonadmitted insurer not subject to regulation by the California Department of Insurance, and that provisions creating the California Insurance Guarantee Association do not apply to any policy underwritten by a nonadmitted insurer.

~~Existing law requires every insurer transacting malpractice insurance covering a licensed physician, dentist, or attorney, to make certain reports to the Insurance Commissioner.~~

~~This bill would require nonadmitted insurers transacting that insurance to comply with that reporting requirement with respect to policies covering licensees engaged in the~~

practice of the profession in California.

Vote: majority. Appropriation: no. Fiscal committee: ~~yes~~  
no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1764.1 is added to the Insurance  
2 Code, to read:

3 1764.1. Every nonadmitted insurer or surplus lines  
4 broker issuing a policy or policies of insurance shall, upon  
5 each application for a policy and upon each policy issued  
6 by a nonadmitted insurer or surplus lines broker,  
7 prominently affix a legend in boldface 16-point type on  
8 the front page advising the applicant or insured (a) that  
9 the policy is issued by a nonadmitted insurer not subject  
10 to regulation by the California Department of Insurance,  
11 and (b) that the provisions of Article 15.2 (commencing  
12 with Section 1063) of Chapter 1 of Part 2 of Division 1,  
13 creating the California Insurance Guarantee Association,  
14 do not apply to any policy underwritten by a  
15 nonadmitted insurer.

16 ~~SEC. 2. Section 11555.2 of the Insurance Code is~~  
17 ~~amended to read:~~

18 ~~11555.2. (a) Each insurer transacting insurance~~  
19 ~~covering liability for malpractice of any person licensed~~  
20 ~~under the Dental Practice Act (Chapter 4 (commencing~~  
21 ~~with Section 1600) of Division 2 of the Business and~~  
22 ~~Professions Code), under the Medical Practice Act~~  
23 ~~(Chapter 5 (commencing with Section 2000) of Division~~  
24 ~~2 of the Business and Professions Code), or under the~~  
25 ~~State Bar Act (Chapter 4 (commencing with Section~~  
26 ~~6000) of Division 3 of the Business and Professions Code),~~  
27 ~~shall report all of the following statistics to the~~  
28 ~~commissioner, by profession and by medical specialty, on~~  
29 ~~a date to be set by the commissioner, but not later than~~  
30 ~~July 1 of each calendar year.~~

31 ~~(1) The total number of doctors or lawyers written~~  
32 ~~during the immediately preceding calendar year.~~

33 ~~(2) The total amount of premiums received from~~  
34 ~~insureds, both written and earned (as reported in the~~

1 annual statement); during the immediately preceding  
2 calendar year.

3 (3) The number of claims reported to the insurer for  
4 the first time separately by the year the claim occurred,  
5 and the number of claims reported closed during a  
6 previous calendar year which were reopened separately  
7 by the year the claim occurred.

8 (4) The total number of claims outstanding, together  
9 with the monetary amount reserved for loss and allocated  
10 loss expense, in the annual statement as of December 31  
11 of the calendar year next preceding, separately stated by  
12 the year the claim occurred.

13 (5) (A) The number of claims closed with payment to  
14 the claimant during the calendar year next preceding, to  
15 be reported by the year the claim occurred; (B) the total  
16 monetary amount paid thereon, reported by the year the  
17 claim occurred; and (C) the total allocated loss expense  
18 paid thereon, reported by the year the claim occurred.

19 (6) The monetary amount paid on claims during the  
20 calendar year next preceding, to be reported separately  
21 by the year the claim occurred, with allocated loss  
22 expense paid, to be reported separately by the year the  
23 claim occurred.

24 (7) The number of claims closed without payment to  
25 the claimant during the calendar year next preceding, by  
26 the year the claim occurred; and the allocated loss  
27 expense paid thereon, separately by the year the claim  
28 occurred.

29 (8) The monetary amount reserved in the annual  
30 statement for the calendar year next preceding on claims  
31 incurred but not reported to the insurer.

32 (9) The number of lawsuits filed against the insurer's  
33 insureds, and the number of doctors, included therein,  
34 during the calendar year next preceding, to be separately  
35 reported by the year the claim occurred.

36 (10) A distribution by size of payment for those claims  
37 closed during the calendar year next preceding, showing  
38 the number of claims and total amount paid for each  
39 monetary category, as determined by the commissioner.

40 (b) The reporting requirement of this section shall

- 1 also apply to any nonadmitted insurer with respect to
- 2 policies described in subdivision (a) for those policies
- 3 covering persons engaged in the practice of their
- 4 profession in California.

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