October 22, 1992
BULLETIN #533
BULLETIN TO ALL MEMBERS:
RE: RISK RETENTION ACT OF 1986

It has come to our attention that there still exists some confusion concerning the applicability of the Risk Retention Act of 1986 and its impact on the use of nonadmitted security to provide insurance coverage to California consumers. In order to clarify the issue, we are providing a copy of a letter dated May 19, 1992 from Mr. Dennis C. Ward, Chief of the Enforcement Division for the California Department of Insurance.

You will note that "risk purchasing group placement should not be treated any differently than any other surplus line placement." That is, a licensed California surplus line broker must be involved in the transaction, a copy of the policy should be filed in the Stamping Office, and all taxes and fees should be paid as required.

James S. Pugh
Assistant Manager

JSP/imb

Enclosure

May 19, 1992

Mr. Arthur D. Freeman, Jr.

The Surplus Line Association of California
388 Market Street
San Francisco, CA 94111

Dear Mr. Freeman:

This letter is in response to Linda Cheng's May 12, 1992 letter in which she requests guidance regarding placements made on behalf of purchasing groups under the Risk Retention Act of 1986.

This Department is not aware of any provisions in the Risk Retention Act of 1986 which pre-empt

California surplus line laws and regulations with respect to placements made with non-admitted insurers on behalf of purchasing groups. To the contrary, we believe, that the Risk Retention Act of 1986 specifically recognizes the states' authority to require that such placements be made in accordance with the respective surplus line laws of each state.

Accordingly, purchasing group placments should not be treated any differently than other surplus line placements.

If you have any questions concerning this matter, please direct them to my attention.

DENNIS C WARD
Chief, Enforcement Division

cc: Bill Ahern
Jan Kerr
Woody Girion
Allegra Atkinson
Victoria Sidbury