



**March 18, 1994**

**BULLETIN #630**

**RE: POLICY TERM EXTENSIONS**

Based on specific instructions from the CDI (California Department of Insurance), the SLA has been treating policy term extensions as renewals. Many of you have received security tags from the SLA for extending the terms of existing policies placed with nonadmitted insurers who have not complied with current surplus line laws and regulations. In response to those tags, several brokers expressed their views that extending the term of existing policies through endorsements need not be in compliance with current surplus line laws and regulations. These positions were presented to the CDI and they have provided the following response:

"Regulation 2174 requires that placements be made with an insurer which meets the minimum standards prescribed in the regulation. The act of extending a policy term constitutes a placement. Therefore, to be in compliance with the law, you must make a submission under 2174 for the insurer before extending the policy term.

. . . policy term extensions will be treated as placements subject to Regulation 2174 and Section 1765.1 of the California Insurance Code."

Based on the above statements, the SLA must treat policy term extensions as renewals, and will continue to tag those policy term extensions made in violation of existing surplus line laws and regulations.

If you have any further questions on this issue, please direct them to Mr. Dennis Ward, Chief, Enforcement Division, CDI at (415) 904-5866.

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LC:ej