



December 5, 1994

URGENT !!!

BULLETIN #671

**RE: LETTER FROM DENNIS WARD, CALIFORNIA DEPARTMENT OF INSURANCE:
SURPLUS LINE ELIGIBILITY - TRANSITION FROM REGULATION 2174 TO SB 959**

It is imperative all Members read and understand the attached, above referenced letter dated December 2, 1994.

Should you have any questions or concerns, please contact myself, Jim Pugh, or Linda Cheng at (415) 434-4900.

A.D. Freeman, Jr.
Manager
ADF/Ijl

Attachment

STATE OF CALIFORNIA JOHN GARAMENDI, Insurance Commissioner
DEPARTMENT OF INSURANCE
45 FREMONT STREET, 23RD FLOOR

SAN FRANCISCO, CA 94105

December 2, 1994

Arthur D. Freeman, Jr., Manager
The Surplus Line Association of California
388 Market Street, Suite 1150
San Francisco, CA 94111

Re: Surplus Line Insurer Eligibility - Transition from Regulation 2174.1 to SB 959

Dear Mr. Freeman:

As you know, SB 959 will go into effect on January 1, 1995. On and after that date, a nonadmitted insurer must be pre-approved by the Commissioner to be added to the SB 959 List of Eligible Surplus Line Insurers ("LESLI").

SB 959 provides that insurers currently listed under Regulation 2174.1 will remain eligible until their current listing expires in 1995. See SB 959, § 1765.1(m). After January 1, 1995, however, there will be no further renewals of insurers' surplus line eligibility under Regulation 2174. 1.

Unless an insurer files for approval under SB 959 sufficiently far in advance to permit the Commissioner to reach his determination prior to expiration of the insurer's current 2174.1 listing, there is a chance that an otherwise qualified insurer's eligibility could lapse temporarily.

The procedures described in this letter are intended to allow surplus line insurers currently listed under Regulation 2174.1 to minimize the possibility of this potential "lapse" problem which could inconvenience California insureds as well as brokers and insurer, and to help ensure a smooth transition for insurers to the SB 959 "LESLI" list.

Please immediately notify all SLA members of the following recommended procedures:

1 All currently listed insurers (except those with 2174.1 exemptions) are encouraged to file for renewal of their

Regulation 2174.1 listing on or before December 31, 1994.

A renewal filing that is in substantial compliance with 2174.1 and postmarked anytime before the end of 1994 by an insurer currently listed under 2174 (other than insurers approved with 2174 exemptions) will be treated by the Department as filed on December 31, 1994. Such filing will allow the insurer the opportunity to extend their eligibility until December 31, 1995.

Arthur D. Freeman, Jr.

December 2, 1994

Page 2

The Regulation 2174.1 definition of "substantial compliance" shall remain applicable to such filings; however, the Department is aware that in many cases updated documents may not yet be available, in which case originals (or originally verified or certified copies) of previously filed documents will be accepted with the understanding that updates must be filed as soon as available.

2. All currently listed insurers (except those with 2174.1 exemptions) filing for 2174.1 renewal in December 1994 may request that the filing also be reviewed under SB 959.

The Department is willing to permit all insurers currently listed (except those with exemptions) under 2174.1 simultaneously to file in December 1994 both to renew their current listing under 2174.1 for one year and to seek approval under SB 959. This procedure should allow these insurers to minimize the possibility of a lapse in their eligibility in 1995.

To make such "dual purpose" filing, the insurer must submit a substantially complete renewal filing in accordance with Regulation 2174.1. The transmittal letter with this filing must request both 2174.1 renewal and review under SB 959. Only one \$1,500 filing fee must accompany the filing. The Department plans to review such filings on a first come, first served basis.

3. Listed Insurers With 2174.1 Exemptions Should File for Approval Under SB 959 As Early As Possible.

The above procedures will not benefit insurers listed with 2174.1 exemptions because Regulation 2174.1 does not permit "file and use" of insurers requiring exemptions. The Department, however, is willing to accept early filings at this time seeking SB 959 approval and plans to process such filings on a first come, first served basis. Listed insurers with 2174.1 exemptions may find that filing early under SB 959 is their best option. The earlier a filing is submitted, the less likely such an insurer's current eligibility will lapse in 1995 before an SB 959 determination is made.

The Department encourages all insurers currently listed under 2174.1 to avail themselves of the foregoing procedures for the convenience of all concerned.

Very truly yours,
DENNIS C. WARD, Chief
Enforcement Division
DCW:gam