



April 12, 1995
BULLETIN #693
BULLETIN TO ALL MEMBERS:
RE: CALIFORNIA DEPARTMENT OF INSURANCE BULLETIN #95-3, DATED

APRIL 7, 1995 AND REVISED SL-1/SL-2 FORMS _____

Attached is a copy of the above referenced Department bulletin and revised forms. It is important to familiarize both your staff and those in the rental community with whom you do business, with the new format of both the SL-1 and SL-2.

- * Some items to note about filing procedures associated with these new forms: Procedure remains unchanged; both the SL-1 and SL-2, fully completed, must be submitted with all new and renewal filings.
 - * The Gap Exemption form should be submitted with the SL-1 form when reporting placements with a Gap insurer. Please do not send in the Gap form unless your filing warrants it.
 - * The original signatures on both forms are still required; please be sure the SL-1 and SL-2 are fully executed before submission.
- Feel free to call us with any questions or concerns.

Manager
 Attachment

STATE OF CALIFORNIA
 DEPARTMENT OF INSURANCE
 45 FREMONT STREET
 SAN FRANCISCO, CA 94105

April 7, 1995
 Bulletin No. 95-3
 TO: All Surplus Line Brokers, Insurance Producers & Other Interested Parties
 SUBJECT: Surplus Line Filing Forms

Re California Department of Insurance (CDI), The Surplus Line Association of California (SLA), and representatives of producer organizations recently met to review and assess the Report of Placement (SL-1) and Diligent Search (SL-2) forms used to report surplus line transactions in California. The purpose of the review was to identify ways in which to improve the forms and thereby, hopefully, reduce the number of errors made by producers when completing the forms.

Based on recommendations received, CDI has made revisions to both forms. Copies of the revised Report of Placement and Diligent Search forms are attached.

Highlights of Changes
Report of Placement (SL-1)
 * The SL-1 form has been reduced from three pages to two pages. This was accomplished by removing the questions regarding the placements made with GAP insurers and, instead, creating a separate GAP Exemption form (GAP) to be attached to the SL-1 whenever reporting placements with a GAP insurer. The questions pertaining to GAP placements have been rewritten to more accurately describe the information to be reported by the surplus line broker. Diligent Search Form (SL-2) Deleted the requirement at line one to circle the capacity in which the licensee is acting. Clarified that the "Description of the Risk" at line two (C) should describe the nature of the risk, e.g. laundromat, liquor store, etc., not type of coverage.¹

* Expanded the private passenger auto liability question to incorporate information required under Insurance Code #1763.5 regarding CAARP eligibility.

Eliminated the requirement to answer "yes" or "no" to the question regarding risk purchasing groups.

Clarified that the narrative description of the Diligent Search effort should include a description of how the search was performed.

Questions 7 & 8 on the old SL-2 form have been reorganized in an effort to eliminate perceived confusion caused by the prior organization of the questions. The substance of the questions remain unchanged.

Clarified (see line 7(A) on the new form) that a diligent search must be conducted among admitted insurers that actually write insurance for the type of risk described on lines 2(C) and 2(C)E. Thus, for example, when attempting to place liability insurance for a laundromat, the diligent search must be conducted among admitted insurers that actually write liability insurance for laundromats. A search among admitted insurers that write liability insurance, but not for laundromats, is not an acceptable diligent search.

Clarified (see instructions on page 5) that the report must contain the full names of the admitted insurers who declined the risk. Partial names will not be accepted.

Clarified that insurer group names will be accepted if the person conducting the search verifies that the agent/employee of the group, who declines the risk, does have authority to accept or decline risks on behalf of an admitted insurer within the group that actually writes the type of insurance being sought.

USE OF THE NEW FORMS

Producers and surplus line brokers may begin using the new forms immediately. Producers with an existing supply of the old forms may continue to use those forms until September 1, 1995. Placements made on or after September 1, 1995 must be reported to the SLA on the new forms.

Any questions concerning this bulletin should be addressed to:

State of California
 Department of Insurance
 Surplus Line Enforcement Unit
 45 Fremont Street
 San Francisco, CA 94105

CHUCK QUACKENBUSH
 Insurance Commissioner by
 TIMOTHY J. SUMMERS
 Deputy

Policy Number _____
 Calif. Premium _____

CONFIDENTIAL REPORT OF SURPLUS LINE PLACEMENT

Please refer to the instructions on Page 2. This form must be accompanied by a diligent search report and a copy of the declarations page or certificate or binder.
 (California Insurance Code Section 1763 (a))

1. _____ hereby submits that he/she is:
 (A) A duly licensed surplus line broker, license number _____
 or (B) A transferee on the surplus line license of _____
 (Name of Organization) _____ license number _____
 and (C) that he/she or said organizational licensee was engaged by the insured, or the insured's broker, named herein, to obtain insurance against certain risk as described in this report.

2. RISK DESCRIPTION
 (A) Name of Insured _____
 (B) Address of Insured _____
 (Street and Number) _____

 (City) (State) (Zip Code) _____
 (C) Description of the Risk _____
 (e.g. Laundromat, Liquor Store, NOT TYPE OF COVERAGE)
 (D) Location of the Risk _____
 (Street and Number) _____

 (City) (State) (Zip Code) _____
 (E) Type of insurance coverage _____
 (Enter Appropriate Code Number-See Codes on Page 3)

3. PLACEMENT DESCRIPTION List Nonadmitted Insurer(s) Underwriting This Policy with % of Premium. (Include an attachment if additional space is needed or attach a line slip if GAP provision applies, please include GAP Exemption Form-Attachment.)

NAME OF NONADMITTED INSURER(S) % OF PREMIUM

(Signature of Person Named on Line 1) (Date)

INSTRUCTIONS

WHAT MUST ACCOMPANY THE REPORT: This report must be accompanied by a copy of the declarations page or certificate or binder, and a diligent search report Form SL-2. Note: The surplus line broker submitting this form is responsible to ensure that a diligent search is made among admitted insurers and that the risk meets the conditions for surplus line exportation. (California Insurance Code 1763 (a))

WHEN TO FILE: This report must be filed by the surplus line broker within 60 days of placing the insurance with a nonadmitted insurer. (California Insurance Code 1763(a))

WHERE TO FILE: This report must be submitted to The Surplus Line Association of California as designee for the California Insurance Commissioner.

LOWER RATE FILINGS: This report may not be used to file a risk placed with a nonadmitted insurer when such insurance is procured at a lower rate of premium or lower premium than the lowest rate or premium available from an admitted insurer. Please contact the Department of Insurance or The Surplus Line Association of California for information regarding the procedures applicable to such "lower rate" filings.

CODE TYPE OF INSURANCE

- 050 Auto Liability
 - Private 510 Aviation
 - 051 Auto Liability
 - Commercial 550 Errors & Omissions
 - All others
 - 100 Auto Physical
 - Damage-Private 551 Errors & Omissions
 - Dir. & off.
 - 101 Auto Physical
 - Damage-Commercial 600 Malpractice
 - All Other
 - 150 Crime 606 Malpractice
 - Hospitals
 - 151 Crime
 - Kidnap & Ransom 650 Miscellaneous
 - 200 Combined Auto
 - Liability & P.D.
 - Private 651 Miscellaneous
 - Glass
 - 201 Combined Auto
 - Liab. & P.D. Comm 652 Miscellaneous
 - Boiler Machinery
 - 300 Excess Liability
 - (incl. Umb.) 653 Miscellaneous
 - Nuclear Risks
 - 350 Fidelity, Surety
 - & Bonds - Bonds 655 Miscellaneous
 - Political Risks
 - 351 Fidelity, Surety
 - & Bonds - Fidelity 700 Accident

400 Fire - Sgl. Fam.
Dwelling, Duplex 701 Accident
- Disability Income
401 Fire
- Commercial 702 Accident
- Group Health Insurance
402 Fire
- Homeowners 703 Accident
- Individual Health Ins.
403 Fire
- Homeowners
Multiple Peril 800 Garage Liability

404 Fire -
Farm owners
Multiple Peril 980 Excess Workers
Compensation

450 Inland Marine 990 Commercial Property
All Risk

500 General Liability 994 Commercial Property
Sp. M. Peril
501 Gen. Liability
- Pollution Legal
Liability 996 Commercial Property
- DIC
502 General Liability
- Product Tampering 997 Commercial Property
- Earthquake

Policy Number: _____

GAP EXEMPTION FORM

(Attachment to SL-1)
Complete both Sections A and B if this is a layered risk.
Complete only Section B if this is not a layered risk.
(A) List all known layers if placed by your brokerage or not.
The primary policy is the first layer. For additional layers,
include an attachment.

Excess % of Layer with
Layer Limit of Liability (underlying limits) GAP Insurers
15.5 %
25.5 %
35.5 %
45.5 %
55.5 %
65.5 %
75.5 %
85.5 %
95.5 %
105.5 %

For this type of insurance for this insured:

a. Total Number of Layers _____
b. Total Limits of Liability _____ (for all layers combined)
c. Total % of GAP Insurers _____ % (for all layers combined)
d. This submission is for layer _____

(B) List GAP Insurers participating on this layer or
underwriting this policy:

GAP Insurer(s) % of Participation This Layer/Policy

(Signature of Person on Line 1 of SL-1) (Date of Signature)

GAP (3/95)

GAP Exemption Form Requirements

GAP EXEMPTION PLACEMENT CONDITIONS/REQUIREMENTS (California Insurance Code Section 1765.1 Placement Conditions:

- Multiple insurers are needed to obtain coverage for 100% of the risk.
- Eighty per cent (80%) of the risk is placed with listed or admitted insurers.
- Unlisted insurers do not represent a disproportionate portion of the lower layers of coverage.
- Within thirty (30) days of placement, and annually thereafter, the placing broker must submit to the Commissioner copies of all documentation that the broker relied upon to determine that the financial stability, reputation and integrity of the company was adequate to safeguard the interest of the insured. The documentation should be sent to the California Department of Insurance at the following address:

45 Fremont Street, 24th Floor
San Francisco, CA 94105
Attention: Surplus Line Enforcement Unit

GAP EXEMPTION

Requirements For The Insured:

- The insured must be a sophisticated insurance purchaser.
- The insured must have annual aggregate insurance premiums, excluding workers compensation and health insurance, totalling at least \$100,000.
- The insured cannot be a multiple employer welfare arrangement as defined in 1002 (40) (A) of Title 29 of the United States Code, or any other arrangement among two or more employers that are not under common ownership or control, which is established or maintained for the primary purpose of providing insurance benefits to the employees or two or more employers.

Security Requirements:

- The nonadmitted insurer must demonstrate financial stability, reputation, and integrity.
- The nonadmitted insurer must not have been previously objected to, removed from the eligibility list or denied placement on the list.

Coverage Limitation:

- Unlisted insurers cannot be used if the coverage includes employer-sponsored health insurance or insurance mandated by government.

DILIGENT SEARCH REPORT

(Please Refer to the Instructions on Page 5 of This Form)

I, _____

hereby submits that he/she is:
(A)Duly licensed under California Department of Insurance
license number _____

or (B)Duly licensed and authorized to act as an endorsee
on the organizational license of _____

(Name of Organization)
California Department of _____

Insurance license number _____;

and (C) that he/she or said organizational licensee was engaged
by the insured named herein, or the insured's broker, to obtain
insurance as described in this report.

2.(A)Name of Insured _____

(B)Address of Insured _____
(Street and Number)

(City) (State) (Zip Code) _____

(C)Description of the Risk _____
(e.g. Laundromat, liquor store....NOT TYPE OF COVERAGE)

(D)Location of the Risk _____
(Street and Number)

(City) (State) (Zip Code) _____

(E)Type of Insurance coverage _____

(See Codes on Page 6)

(Enter Appropriate Code Number)

3.If Private Passenger Automobile Liability Insurance is identified
on line 2(E), complete the following:

(A) Does the insured qualify as a "Good Driver" under
Section 1861.025 of the California Insurance Code?
(CHECK ONE)

Yes No

(B) Does the coverage that you have placed include, in whole
or in part, the limits of coverage provided under the
California Automobile Assigned Risk Plan
(CAARP)? (CHECK ONE)

Yes No

(C) If YES, has this risk been submitted to and found to be inadmissible by CAARP? (CHECK ONE)

Yes No

If your answer is NO, then this coverage cannot be placed with a nonadmitted insurer. (see Insurance Code section 1763.5)

4. If Health Insurance is identified on line 2(E), does the insured qualify as a "Small Employer" under Section 10700(x) of the California Insurance Code? (CHECK ONE)

Yes No Not Applicable

5. If this insurance was placed pursuant to Section 125 et. sea. of the California Insurance Code governing transactions with risk purchasing groups authorized by the Federal Liability Risk Retention Act of 1986, complete the following:

(A) Provide the name and address of the purchasing group of which the insured is a member

6. Describe the diligent efforts made to place this coverage with admitted insurers and describe how the search was performed:

7. (A) Was the risk described in Section 2 submitted by you or by someone under your supervision to at least (3) insurers that are admitted in California and who actually write the type of insurance described on lines 2(C) and 2(E)? (CHECK ONE)

Yes No

(B) If YES, please complete the following:

Full Name of Admitted Company
Name of Company Representative
and Telephone Number
Check if Employee (E) or Agent (A)
Month, Year of Declaration
Declination Code:

E ()

A ()

E ()

A ()

E ()

A ()

*Declination Codes: 1 - Company's capacity reached
2 - underwriting reason
3 - refused to state
4 - other

8. If 7(A) was answered NO, complete the following:

(A) Did you determine that fewer than 3 admitted insurers actually write the type of insurance described on lines 2(C) and 2(E)? (CHECK ONE)

Yes No

(B) If NO, please explain in detail why the risk was submitted to less than three admitted insurers in California that write this type of insurance.

(C) If YES, please describe how you made this determination.

The undersigned licensee hereby certifies that this report is true and correct, and that this risk is not being placed with a nonadmitted insurer for the sole purpose of securing a rate or premium lower than the lowest rate or premium available from an admitted insurer.

Signature of Licensee Who Performed
or Supervised the Search

Date

INSTRUCTIONS

SECTION 6: Please provide a complete response. Note: the Insurance Commissioner or his designee may require the surplus line broker to conduct a further or additional search among admitted insurers for similar placements in the future. [California Insurance Code Section 1763(b)] An incomplete response may unnecessarily result in a request for a further search to be conducted.

SECTION 7(B): To avoid mis-identification among insurers with similar names, please provide the complete name of the admitted insurer as listed in the CDI Official Publication of Admitted Companies.

Insurer group names, such as Cigna Group, Chubb Group, California Ins. Group, Hartford Group, etc., are acceptable if the person performing the search verifies that the representative of the group, who declines the risk, does in fact represent an admitted insurer in the group that actually writes the particular type of insurance being sought.

IMPORTANT: Persons who are licensed only as an agent may only submit a risk to admitted insurers that have appointed them as their agent. Agents are not authorized to offer a risk to admitted insurers for which they are not appointed agents. A search which is limited to only those companies that have appointed the agent may not necessarily constitute a diligent search of the admitted market.

WHAT TO FILE: This report must be filed as an attachment to the Report of Placement. (CDI Form SL-1).

WHERE TO FILE: The SL-1 and this report are to be filed by the surplus line broker with The Surplus Line Association of California within 60 days of placement of coverage with nonadmitted insurer(s).

MULTIPLE LICENSEES CONDUCTING SEARCH: If two or more licensees conduct a diligent search of admitted insurers, then each licensee must complete a diligent search report (CDI Form SL-2). All such reports should be attached to the SL-1.

CODE TYPE OF INSURANCE CODE TYPE OF INSURANCE

050 Auto Liability
-Private 510 Aviation
051 Auto Liability
-Commercial 550 Errors & Omission
-All Others
100 Auto Physical
-Damage-Private 551 Errors & Omission
-Dir. & Off.
101 Auto Physical Damage
-Commercial 600 Malpractice
-All Other
150 Crime 606 Malpractice-Hospitals

151 Crime-Kidnap & Ransom 650 Miscellaneous

200 Combined Auto
Liability & P.D.-Private 651 Miscellaneous-Glass

201 Combined Auto
Liab. & P.D.-Comm. 652 Miscellans
-Boiler & Machinery

200 Excess Liability (incl. Umb.) 653 Miscellaneous
-Nuclear Risks

350 Fidelity Surety &
Bonds-Bonds 655 Miscellaneous
-Political Risks

351 Fidelity Surety
& Bonds-Fidelity 700 Accident

400 Fire-Spl. Fam.
Dwelling, Duplex 701 Accident
-Disability Income

401 Fire-Commercial 702 Accident
-Group Health Ins.

402 Fire-Homeowners 703 Accident
-Ind. Health Ins.

403 Fire-Homeowners
Multiple Peril 800 Garage Liability

404 Fire-Farm Owners
Multiple Peril 980 Excess Workers
Compensation

450 Inland Marine 990 Commercial Property
-All Risk

500 General Liability 994 Commercial Property
-Sp. M.P.

501 Gen. Liability
-Pollution Legal Liability 996 Commercial Property
-D/C

502 General Liability
-Product Tampering 997 Comm. Property
-Earthquake