



March 12, 1999

BULLETIN #852

RE: CALIFORNIA ELIGIBILITY AND FILING REQUIREMENTS FOR SURPLUS LINE INSURERS

Attached is a revised Guide, issued by the California Department of Insurance ("DOI"), which summarizes California's eligibility and filing requirements for surplus line insurers. This Guide replaces the one attached to SLA Bulletin #789 (dated December 27, 1996) and has a new name "California Eligibility and Filing Requirements for Surplus Line Insurers". This Guide includes a new description of items that have always been required under California Insurance Code ("CIC") section 1765.1, but were not included in the prior Guide. In addition, the explanations of some of the existing items have been expanded.

Major changes include the following: **effective February 24, 1999**, the filing fee for new application is \$4,500, the filing fee for annual eligibility renewal is \$2,250, and eligible surplus line insurers are permitted to incorporate previously filed documents in a current annual renewal filing if the information presented in those documents has not changed. Below is a summary of the major and other changes:

1. Section I outlines the requirements to qualify as an eligible surplus line carrier in California, including the following items which are not new to CIC §1765.1 but were not cited in the prior filing guide:
 - (a) A nonadmitted insurer must have "established its financial stability, reputation and integrity for the class of insurance the insurer proposes to offer California consumers" in order to qualify as an eligible surplus line insurer.
 - (b) The documents filed by the insurer "must be complete, clear, comprehensible, unambiguous, accurate, and consistent."
2. Section II provides a description of all the documents an insurer is required to file in its initial application to become an eligible surplus line insurer in California. In addition, these documents must be in full compliance with the provisions of CIC § 1765.1 for them to be acceptable. In particular, all financial documents and certain other non-financial documents must be certified. Although verified copies of the insurer's Audited Financial Statement and Quarterly Statements are acceptable if certification is not available at the time of filing, certified copies of these documents should be filed as soon as they become available to replace the verified copies on file.

If any required document(s) is not available at the time of filing, the insurer should provide an explanation as to why the document(s) was not included and an estimated date the document(s) will be made available to the DOI.

3. Section IV describes the annual renewal requirements for nonadmitted insurers who have been approved as eligible surplus line insurers (also known as LESLI listed companies). This annual renewal process requires the filing of the most current version of all required documents with the California Department of Insurance to ensure the insurers continually meet the eligibility requirements under CIC §1765.1.

Annual renewal filings should be made on or before the anniversary of the insurer's LESLI approval date. Making an annual renewal on a timely basis is essential to maintaining continued compliance with California requirements. Insurers need not wait until their LESLI anniversary date to make their annual renewal filing. It is strongly recommended that annual renewal filing be made as soon as all the required documents are available.

In an effort to streamline the annual filing of required documents, **effective February 24, 1999**, LESLI listed companies have an option to incorporate previously filed documents in a current annual filing if they meet the following criteria: (1) The documents have been previously filed with the DOI (either as part of the initial application, a prior-year annual renewal filing, or an update filing); and (2) The information contained in the documents has not changed making the documents on file the most current version available.

To incorporate previously filed documents in a current annual renewal filing, the insurer must provide a verified statement identifying each document(s) previously filed, make a specific reference to the prior filing(s) of the document(s), and affirmatively state that the information presented in that document(s) has not changed. Please see Exhibit C of the updated Guide for a specimen of a verification form deemed acceptable by the Commissioner.

4. Section V details the periodic update filing requirements. Throughout the year, whenever there is a change in the information contained in a

previously filed document, LESLI listed companies are required to file the new or amended document with the DOI as soon as such document becomes available, along with the appropriate filing fee.

The DOI has classified the required documents as financial documents, non-financial documents, and supplemental information based on their required filing fee and in accordance with amended Regulation 2174. These classifications are as follows:

I. Updated Financial Documents (require a \$250 filing fee per document type):

- (a) NAIC Annual Statement (foreign insurers only)
- (b) NAIC-IID Filing/Financial Statement (alien insurers only)
- (c) Audited Financial Report
- (d) Quarterly Statement (foreign insurers only)
- (e) Quarterly or Half-Yearly Results (alien insurers only)
- (f) Report of Examination (foreign insurers only)

II. Updated Non-financial Documents (require a \$35 filing fee per document type):

- (a) Certificate of Authority
- (b) Certificate of Good Standing or Compliance
- (c) Trust Agreement (alien insurers only)
- (d) CA Trust Amendment (alien insurers only)
- (e) Statement of trust assets (alien insurers only)
- (f) Agent for Service of Process
- (g) Principal Place of Business
- (h) Market Conduct Report
- (i) Regulatory Disclosure Statement
- (j) List of surplus line brokers authorized to issue policies

III. Updated Supplemental Information (require a \$35 filing fee per document type):

- (a) Plan of Operation/California Business Plan
- (b) Biographical Affidavits on Officers & Directors

In addition, other information may be requested to facilitate the financial review of the insurer. No additional filing fee is required for such additional information, unless otherwise requested by the DOI.

5. Section VI contains a suggested timetable for filing updated financial documents for foreign insurers and for alien insurers. Please remember that new, amended, or revised financial documents must be filed with the DOI as soon as they are available.
6. Section VII is the new filing fee schedule. Effective February 24, 1999, the filing fees are as follows:

Type of Filing	Filing Fee
Initial Application	\$4,500
Subsequent Annual Renewal	\$2,250
Updated Financial Document	\$250
Updated Non-Financial Document	\$35
Updated Supplemental Information	\$35

7. Item 4 of Section VIII – Other Requirements for All Filings -- clarifies that the insurer must file four copies of each type of document required. These copies must include at least one original copy and up to three photocopies.
8. The contact person for surplus lines regulatory filing at the DOI is Dale E. Wiseman.
9. Exhibit E is a separate document checklist for foreign and alien insurers, which may be used with the annual renewal or update filings.

The [attached updated guide](#) has been prepared in accordance with the provisions of CIC §1765.1 and amended Regulation 2174. This guide is intended only as an aid for those who prepare regulatory filings for nonadmitted insurers and does not supersede the actual language of the California surplus lines laws and regulations. Should you have any questions regarding the requirements, please call me or Melissa Easley at (415) 434-4900 or Dale Wiseman at the DOI at (415) 538-4465. Thank you.

Linda Cheng
Manager, Financial Department

LC/me

[Attachment](#) (PDF 1100 KB)