



The Surplus Line  
Association of California

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BULLETIN #1518

Re: **Diligent Search Reminder**

The SLA has received inquiries that indicate some possible confusion regarding the diligent search. In this bulletin, we highlight some of the requirements that may be causing this confusion.

As a reminder, in California a risk can be placed with a non-admitted insurer **only** if the insurance cannot be procured from insurers admitted for and actually writing the particular type of insurance in California – unless the coverage is on the [California Export List](#) or is for an insured that qualifies as a commercial insured defined in [Insurance Code §1760.1\(b\)](#). Where required, a determination that coverage is unavailable in the admitted market must be based on actual good-faith efforts to obtain the insurance from admitted insurers. Some points to keep in mind:

- Although the diligent search may be performed by the surplus line broker, the retail producer, or both, the surplus line broker is ultimately responsible for ensuring that the diligent search was made and that it was documented completely and accurately. As such, surplus line brokers, or their compliance staff, should review the SL-2 form before filing it with the SLA.
- The diligent search must be performed for each risk placed with a nonadmitted insurer and must be performed **before** placing the risk with the nonadmitted insurer.
- A declination means that the person performing the search has submitted that risk to the admitted insurer, and the admitted insurer has declined the specific risk. The broker cannot rely on a declination for one risk when placing similar insurance for another risk.
- When reporting declinations on the SL-2 form, the broker should verify that the insurers listed as declining the risk are admitted in California and actually write (and are licensed to write) the type of insurance.
- The SL-2 form includes contact information for each declination so that CDI investigators can verify the information on the SL-2, for example by reaching out to the contact person to verify that a declination was made. If a CDI investigator is unable to verify the declination, for example because the contact person has never been associated with the listed insurer or because the contact person has no record declining the risk, further inquiries will be made, and an enforcement action could ensue.

If you have questions regarding this bulletin or any aspect of the diligent search requirement, please reach out to the SLA's Legal Compliance Department at [compliance@slacal.com](mailto:compliance@slacal.com) or (415) 434-4900.

