



News Release

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SLA Executive Director Benjamin McKay Testifies Before California Senate Insurance Committee

Hearing Addresses Availability and Affordability of Homeowners Insurance

SACRAMENTO—SLA Executive Director **Benjamin J. McKay**, J.D., M.P.A., testified today before the California State Senate’s Standing Committee on Insurance, at the committee’s request, during its hearing titled “Preparing For Global Warming and Drought: State of the Homeowners’ Insurance Market.” The committee asked McKay to discuss the role of the surplus lines insurance industry in insuring high-risk residential properties that the admitted, or standard, market will not cover.

In his prepared remarks, McKay noted that the total number of California homeowners’ policies serviced by surplus lines carriers—currently between 13,000 and 14,000—represents approximately 2.2 percent of all California surplus line policies (which totaled 548,257 in 2015) and approximately 1/10 of 1 percent of all California housing units. According to the most recent estimate made by the U.S. Census Bureau (which is available to the public online at <http://www.census.gov/quickfacts/table/HSG010214/06>), there were approximately 13.9 million total housing units in California as of July 1, 2014.

“Typically, our brokers place insurance for commercial interests, and the overwhelming majority of policies placed in the California surplus lines market are commercial policies,” McKay said. “While it is true that the number of homeowners policies insured in the surplus lines market in California roughly doubled from 2012 to 2014, only a tiny fraction of the total number of homeowners policies placed in California are in surplus lines.”

McKay also noted that surplus line brokers do not compete with standard, admitted insurers for homeowners’ business.

“If the admitted market will write a policy, the surplus lines market is forbidden from offering the same policy,” McKay said. “Surplus line brokers can place policies with carriers who are licensed outside the state of California if and only if they cannot find an admitted carrier who will insure the risk. By law, a broker must receive at least three declinations in the admitted market before seeking to place a risk in the surplus lines market, unless the coverage has been previously deemed uninsurable by the California Department of Insurance and placed on the department’s Export List. Brokers must list these

declinations in the policies they file with our association, or be referred to the California Department of Insurance for failure to achieve compliance with state laws and regulations.”

McKay’s complete prepared remarks are included with this press release.

ABOUT THE SLA:

Based in San Francisco, the Surplus Line Association of California (SLA) operates as a self-governed private organization. Appointed by the Commissioner in 1994, the Association serves as the statutory surplus line advisory organization to the California Department of Insurance (CDI) and facilitates the state’s capacity to monitor and direct surplus line brokers’ placements of insurance with eligible nonadmitted insurers. Working with its members and the CDI, the Association assists its members’ compliance with California laws and regulations; helps maintain a healthy, fair, and competitive surplus line marketplace in California; and strives to protect the interests of California insurance consumers.

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