



Diligent Search Report

(SL-2 Form)

Deconstructed

The Surplus Line Association of California

(Revised 1/1/24)

Preface

- One of the primary responsibilities of a surplus line broker is to ensure that a diligent search is performed amongst admitted insurers that write the type of insurance before placing the risk in the surplus line market.
- To verify that the search is performed, the broker must provide a completed Diligent Search Report (SL-2 form) with the policy to the Surplus Line Association of California (SLA) as the Insurance Commissioner's designee.
- Because the Diligent Search Report requires detailed information about the risk being placed, the completion of the form has been a problem for the brokers and agents who conduct the search. The SLA has responded to this situation by simplifying and updating the SL-2 form for ease of use and to reflect modern trends. This new and improved form will be simpler for brokers to use and will increase the accuracy, timeliness, and completeness of the reports.
- The fillable pdf version of the new SL-2 form is effective January 1, 2024. The SLA is working diligently to develop the SLIP portal version of the new form and will make it available as soon as it is ready. In the meantime, brokers that submit the pdf version of the form will use the simplified and updated form, and brokers that submit through the SLA's SLIP process will continue to use the older form until the development process is complete.
- The purpose of this guide is to break down the sections that comprise the SL-2 form. When the sections are deconstructed, it should be easier to focus on what is required to complete the form correctly.

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Diligent Search Report: Surplus Line Broker's Responsibilities

- ▶ Per California Insurance Code (CIC), Section 1763 (a):
 - A surplus line broker may solicit and place insurance for a home state insured, other than as excepted in Section 1761, with nonadmitted insurers only if that insurance cannot be procured from insurers admitted for the particular class or classes of insurance and that actually write the particular type of insurance in this state.
 - Each surplus line broker shall be responsible to ensure that a diligent search is made among insurers that are admitted to transact and are actually writing the particular type of insurance in this state before procuring the insurance for a home state insured from a nonadmitted insurer.
 - In addition, each surplus line broker shall file a standardized form to be prescribed by the commissioner setting forth the diligent efforts to place the coverage with admitted insurers and the results of these efforts.

Diligent Search Report: Conditions of Placement

- ▶ The person signing the Diligent Search Report (SL-2 form) must hold a California Property & Casualty (P&C) license.
- ▶ The person signing the SL-2 form must have performed the diligent search or supervised the person who performed the search.
- ▶ It shall be prima facie evidence that a diligent search was conducted if the SL-2 form establishes that three admitted insurers that write that particular type of insurance have declined the risk, or that fewer than three admitted insurers write the type of insurance.

Diligent Search Report: Lower Rate Filing

- ► Insurance may not be placed with a surplus line insurer for the purpose of procuring a rate lower than the lowest rate accepted by any admitted insurer. (CIC § 1763 (a))

Diligent Search Report: Two Exceptions to the Diligent Search

- ▶ There are only two exceptions to performing a diligent search:
 - Coverage is on the Export List
<http://www.slacal.org/brokers/export-list>
 - or**
 - The insured qualifies as an exempt commercial insured under the definition in CIC § 1760.1(b)
 - http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=6.&article

Diligent Search Report- SL-2 Fillable PDF

Effective 1/1/24

The Surplus Line Association of California DILIGENT SEARCH REPORT (SL-2 FORM)

Before completing this report, please review the instructions on page 2.																																					
I, _____, hereby submit that I performed or supervised this diligent search, and I am:																																					
①	(A) licensed as an individual agent-broker for the applicable lines of insurance or surplus line broker under California license number _____; OR																																				
	(B) licensed and an endorsee on the license of _____ (Full Name of Organization), California license number _____																																				
(A) Name of Insured: _____																																					
②	(B) Description of Risk: _____ (e.g., Tattoo Parlor, Cannabis Dispensary, Vacant Building, NOT TYPE OF COVERAGE)																																				
	(C) Type of Insurance or Coverage Code: _____																																				
Describe the diligent efforts made to place this coverage with admitted insurers by completing (A) or, if applicable, (B) below.																																					
③	(A) List the insurers admitted in California who actually write the type of insurance described on lines 2(B) and 2(C) to which you or someone under your supervision submitted the risk described in lines 2(A) through 2(C). Please complete ALL sections of the table below.																																				
	<table border="1"><thead><tr><th colspan="2">INSURER ①</th><th colspan="2">INSURER ②</th><th colspan="2">INSURER ③</th></tr><tr><th>NAIC ID</th><th>MONTH, YEAR OF DECLINATION</th><th>NAIC ID</th><th>MONTH, YEAR OF DECLINATION</th><th>NAIC ID</th><th>MONTH, YEAR OF DECLINATION</th></tr></thead><tbody><tr><td colspan="2">FULL NAME OF ADMITTED INSURER</td><td colspan="2">FULL NAME OF ADMITTED INSURER</td><td colspan="2">FULL NAME OF ADMITTED INSURER</td></tr><tr><td colspan="2">CONTACT INFORMATION FULL NAME</td><td colspan="2">CONTACT INFORMATION FULL NAME</td><td colspan="2">CONTACT INFORMATION FULL NAME</td></tr><tr><td colspan="2">PHONE / EMAIL</td><td colspan="2">PHONE / EMAIL</td><td colspan="2">PHONE / EMAIL</td></tr><tr><td colspan="2">OR WEBSITE</td><td colspan="2">OR WEBSITE</td><td colspan="2">OR WEBSITE</td></tr></tbody></table>		INSURER ①		INSURER ②		INSURER ③		NAIC ID	MONTH, YEAR OF DECLINATION	NAIC ID	MONTH, YEAR OF DECLINATION	NAIC ID	MONTH, YEAR OF DECLINATION	FULL NAME OF ADMITTED INSURER		FULL NAME OF ADMITTED INSURER		FULL NAME OF ADMITTED INSURER		CONTACT INFORMATION FULL NAME		CONTACT INFORMATION FULL NAME		CONTACT INFORMATION FULL NAME		PHONE / EMAIL		PHONE / EMAIL		PHONE / EMAIL		OR WEBSITE		OR WEBSITE		OR WEBSITE
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OR WEBSITE		OR WEBSITE		OR WEBSITE																																	
(B) If you did not list at least three insurers in 3(A) above, describe in detail how you determined that fewer than THREE admitted insurers write the type of insurance described on lines 2(B) and 2(C). _____																																					
Is the type of insurance you are reporting as identified in line 2(C) private passenger automobile liability or health? Yes <input type="checkbox"/> No <input type="checkbox"/>																																					
④	If you answered "yes," please complete the Diligent Search Report Addendum on page 3 of this form.																																				
	The undersigned licensee hereby certifies that this report is true and correct, and that this risk is not being placed with a non-admitted 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 Named on Line 1)

(Date)

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Section 1 – Identifying Licensee

The Surplus Line Association of California DILIGENT SEARCH REPORT (SL-2 FORM)

①	Before completing this report, please review the instructions on page 2.
	I, _____, hereby submit that I performed or supervised this diligent search, and I am:
	(A) licensed as an individual agent-broker for the applicable lines of insurance or surplus line broker under California license number _____; OR
	(B) licensed and an endorsee on the license of _____ (Full Name of Organization), California license number _____

- ▶ Line 1: Enter the first and last name of the P&C licensed individual who performed or supervised the diligent search.
 - Organizational/entity names are not acceptable on Line 1.

- ▶ Sections 1(A) and 1(B): Enter either the individual's license number **or** the organization's name and license number.

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Section 2 – Insured Information

②	(A) Name of Insured: _____
	(B) Description of Risk: _____ (e.g., Tattoo Parlor, Cannabis Dispensary, Vacant Building, NOT TYPE OF COVERAGE)
	(C) Type of Insurance or Coverage Code: _____

- ▶ 2(A): Enter the name of the insured.
 - The name must match the name of the insured on the Confidential Report of Placement (SL-1 form), policy declaration page, certificate, binder, or cover note.
- ▶ 2(B): Enter the description of the risk being insured, such as a tattoo parlor, cannabis dispensary, vacant building, etc.
 - Do **not** enter the **type of coverage**.
- ▶ 2(C): Enter the type of coverage or the coverage code.
 - See instructions for coverage codes.
 - Must be consistent with the SL-1.

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Section 3(A) – Submitted to Three Admitted Insurers

Describe the diligent efforts made to place this coverage with admitted insurers by completing (A) or, if applicable, (B) below.

③ (A) List the insurers admitted in California who actually write the type of insurance described on lines 2(B) and 2(C) to which you or someone under your supervision submitted the risk described in lines 2(A) through 2(C). Please complete ALL sections of the table below.

INSURER ①		INSURER ②		INSURER ③	
NAIC ID	MONTH, YEAR OF DECLINATION	NAIC ID	MONTH, YEAR OF DECLINATION	NAIC ID	MONTH, YEAR OF DECLINATION
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
FULL NAME OF ADMITTED INSURER		FULL NAME OF ADMITTED INSURER		FULL NAME OF ADMITTED INSURER	
<input type="text"/>		<input type="text"/>		<input type="text"/>	
CONTACT INFORMATION		CONTACT INFORMATION		CONTACT INFORMATION	
FULL NAME		FULL NAME		FULL NAME	
<input type="text"/>		<input type="text"/>		<input type="text"/>	
PHONE / EMAIL		PHONE / EMAIL		PHONE / EMAIL	
<input type="text"/>		<input type="text"/>		<input type="text"/>	
OR WEBSITE		OR WEBSITE		OR WEBSITE	
<input type="text"/>		<input type="text"/>		<input type="text"/>	

- ▶ Complete the chart for each of the three admitted insurers that declined the risk,
 - Enter the full name and NAIC number so the SLA can identify the exact admitted insurer contacted.
 - The admitted insurer must be [authorized in California](#) for the type of risk being placed.
 - Being listed in an AM Best guide does not necessarily mean the insurer is an admitted insurer in California for the applicable coverage. You can verify the insurer's license status on the CDI website at https://interactive.web.insurance.ca.gov/apex_extprd/f?p=144:1.
- ▶ Where indicated, enter (a) the first and last name of the company representative and their phone number or email, **or** (b) the applicable website address if you obtained the declination through the insurer's website.

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Section 3(B) – Risk Was Not Submitted to and Declined by Three Admitted Insurers

(B) If you did not list at least three insurers in 3(A) above, describe in detail how you determined that fewer than **THREE** admitted insurers write the type of insurance described on lines 2(B) and 2(C). _____

- ▶ Complete Section 3(B) only if Section 3(A) was not completed.
- ▶ Explain the steps you took to determine that fewer than three admitted insurers write the type of insurance and the reasoning for the determination.

Fillable PDF Form: Section 4 – Private Passenger Auto/Health, and Addendum if Applicable

Is the type of insurance you are reporting as identified in line 2(C) **private passenger automobile liability or health**? Yes ☐ No ☐

④

If you answered “yes,” please complete the Diligent Search Report Addendum on page 3 of this form.

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

All filers must answer Section 4, based on the type of insurance identified in Section 2(C). If the type of insurance identified in Section 2(C) is private passenger automobile liability insurance or health insurance, check “**Yes**.” If the type of insurance identified in Section 2(C) is any other type of insurance, check “**No**.”

- ▶ If you checked “**YES**,” then proceed to the Diligent Search Report (SL-2 Form) Addendum and answer the questions applicable to the type of insurance identified in Section 2(C).
- ▶ If you checked “**No**,” then proceed to the signature.

Signature and Date

_____	_____
(Signature of Licensee Named on Line 1)	(Date)
_____	_____

- ▶ The SL-2 must be signed by the licensee named on line 1.
 - Digital signatures authorized by a digital signature certification authority are acceptable.
 - Digital signatures must conform to all regulations adopted by the Secretary of State, as found on their website: <https://www.sos.ca.gov/business-programs/business-entities/faqs/#top>.
 - For SLA's "Guidelines for Acceptable Digital Signatures." examples, see: <https://learningcenter.slacal.com/resources/notices>.
- ▶ The date of the signature must be on or after the search date and on or after the month/year of any declination listed in Section 3 of the form, and the search date must be prior to the effective date of the policy.
 - The SL-2 must be signed after the diligent search was performed.

Diligent Search Report: Tag Violations

- ▶ When documents are incomplete or in violation of the CA Insurance Code, brokers are notified through 'tags' stating the error and what needs to be corrected.
 - - The SLA categorizes tags into standard, priority, and informational.
 - - **Informational**: requires viewing without a response.
 - **Standard**: Notifies the broker of errors, problems, discrepancies, or missing information in their filed documents and have **30-day** or **90-day** response times.
 - **Priority**: Notifies the broker of violations of a CA statute or regulation in their filed documents and have a **28-day** response time.
 - - The tag may be cleared by providing any missing information and/or providing corrected documents resolving the discrepancies.
 - - If a tag is not responded to at the end of its allotted time period or the tag response is inadequate, a report is sent to the California Department of Insurance, Investigations Division.

Contact us

- ▶ If you have any questions, please contact the SLA Compliance Department at:

Compliance@slacal.com