



Filing Requirements for the Surplus Line Association of California

California Insurance Code Section 1763:
Confidential Report of Placement
Diligent Search
Lower Rate Filing

Preface

- ▶ The California Insurance Code provides very specific instructions on the responsibilities of the surplus line broker.
- ▶ This presentation is a summary of those requirements.

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Regulatory Requirements

- ▶ California Insurance Code Section 1763 outlines the conditions for surplus line brokers placing insurance for a home state insured:
 1. Ensures a diligent search is conducted among admitted insurers that write the type of coverage.
 2. Files a confidential report of placement with the Commissioner or his or her designee within 60 days of placement.
 3. Placement should **not** be placed with a nonadmitted insurer for the sole purpose of securing a lower rate of premium.

Diligent Search

- ▶ Each surplus line broker must file a standardized form (Diligent Search Report, or SL-2 form) documenting the diligent efforts to place coverage with at least three admitted insurers.
- ▶ The Diligent Search Report must be signed by a person licensed under the California Insurance Code who conducted or supervised an unlicensed person or persons who actually conducted the search.
- ▶ The Diligent Search Report is prima facie evidence that three admitted insurers that write the type of insurance declined the risk.

SL-2:Diligent Search Report

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.

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 _____	

(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 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.

 (Signature of Licensee Named on Line 1)

 (Date)

SL-2 Form (Revised 09/2023)

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

DILIGENT SEARCH REPORT (SL-2 FORM) ADDENDUM

PRIVATE PASSENGER AUTOMOBILE LIABILITY INSURANCE COVERAGE OR HEALTH INSURANCE COVERAGE

1. If **Private Passenger Automobile Liability Insurance** is identified on line 2(C), complete the following:

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

https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS§ionNum=1861.025

(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

If YES, has this risk been submitted to and found to be ineligible by CAARP?

If your answer is NO, this coverage cannot be placed with a non-admitted insurer.
 (See California Insurance Code section 1763.5)

https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS§ionNum=1763.5

2. If **Health Insurance** is identified on line 2(C), does the insured qualify as a "Small Employer" under California Insurance Code section 10700(x)?

https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=2.&title=&part=2.&chapter=8.&article=1

(CHECK ONE) YES NO

SL-2 Form (Revised 09/2023)

This form is available on the SLA website:

<http://www.slacal.com/docs/default-source/general-content-documents/Filing-Forms/sl2-printable.pdf?sfvrsn=2>

Confidential Report of Placement

- ▶ Within 60 days of placing insurance for a home state insured, the surplus line broker should file a confidential written report (Confidential Report of Placement, or SL-1 form) with the Commissioner or his or her designee.
- ▶ The report will include the name and address of the insured, verification that the insured is a home state insured, identity of the insurer or insurers, a description and location of the risk, and the amount of premium.
- ▶ The report should be submitted with a copy of the policy declarations page, certificate or binder evidencing placement of insurance.

SL-1: Confidential Report of Surplus Line Placement

Policy Number: _____
California Premium: _____

CONFIDENTIAL REPORT OF SURPLUS LINE PLACEMENT

Please refer to the instructions on Page 2, and the attached current California Export List for assistance in completing this form.

Please check **ONE** box only:

The following information, accompanied by a copy of the declarations page or certificate or binder, is submitted for an insurance coverage or risk listed on the current California Department of Insurance Export List. (California Insurance Code Section 1763.1)

The following information, accompanied by a copy of the declarations page or certificate or binder, and a fully executed copy of the diligent search report (SL-2 Form), is submitted in accordance with 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 transactor on the surplus line license of _____
(Name of Organization)

(C) _____; and,
(License Number)

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 Risk _____
(Street and Number)

(City) (State) (Zip Code)

(E) Export List Code OR Coverage Code _____
(Coverage Codes listed on Page Two; Export List Codes listed on Export List)

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

SL-1 Form (Revised January 16, 1997)

This form is available on the SLA website:

<http://www.slacal.com/docs/default-source/general-content-documents/Filing-Forms/sl-1-form-printable.pdf?sfvrsn=4>

Lower Rate Filing

- ▶ California Insurance Code Section 1763(c): Insurance is placed in violation of this section if the insurance is placed with a nonadmitted insurer at a lower rate of premium or the lowest premium that could be obtained from an admitted insurer.
- ▶ Exception: If at the time the insurance attaches, the surplus line broker files with the Commissioner a statement describing the insurance, stating the rate and the closest procurable rate from admitted insurers, and the reasons the insurance must be placed with a nonadmitted insurer. If the filing broker does not hear from the Commissioner or his or her designee within five days the broker may maintain the insurance.