

SLA
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June 25, 2008

BULLETIN #1159

RE: AB 1699 (DUVALL) SURPLUS LINE BROKER LICENSE FEES

Enclosed is a notice from the California Department of Insurance (CDI) noting that effective June 13, 2008, the fee for an individual surplus line broker who only transacts on behalf of a surplus line broker business entity was reduced from \$700 to \$500. The fee for an individual surplus line broker who does not solely transact on behalf of a surplus line broker business entity license was increased from \$700 to \$1,000.

Current licensees will see the new renewal fees reflected in their renewal notices beginning with August 2008 renewals. The CDI will credit any overpayment resulting from the reduction in license fees. There will be no refunds given. Due to the implementation of this change, the online application and renewal services will temporarily not be available to surplus line broker licensees and applicants.

The law also requires surplus line business entities to provide two hours of training to its employees who solicit, negotiate, or effect insurance coverage placed by a nonadmitted insurer. The training is to be given to each eligible employee every five years. The Surplus Line Association of California will develop the curriculum for the training.

Finally, the insurance code was amended to clarify the criteria for surplus line broker business entities to use when determining the minimum number of individuals to license as surplus line brokers. Specifically, Section 1765.2 (a) now states that, "a licensee under this chapter may be issued to an individual or any legal business entity. If issued to a business entity or individual that maintains more than one surplus line office from which it transacts that business with California residents, it shall name the natural person or persons located at each such surplus line office maintained by the licensee who is or are to be responsible for the proper discharge at each office of all duties placed upon the licensee acting as a surplus line broker. Each natural person shall meet all of the requirements for the license."

Please read the enclosed CDI notice for full details on implementation of the new licensing fee structure.

Sincerely,



Theodore M. Pierce
Executive Director

Attachment

DEPARTMENT OF INSURANCE

ADMINISTRATION & LICENSING SERVICES BRANCH
320 CAPITOL MALL
SACRAMENTO, CA 95814
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www.insurance.ca.gov

**NOTICE**

TO: Surplus Line Brokers and Special Lines' Surplus Line Brokers

DATE: June 27, 2008

SUBJECT: AB 1699 (Duvall) New Surplus Line Broker License Fees

Legislative Background

On January 1, 2008, AB 1639 (Duvall, Chapter 122, Statutes of 2007) became law changing the licensing requirements and fees for both surplus line brokers and special lines' surplus line brokers. The primary change was that an individual licensed as a fire and casualty broker-agent could no longer be named on a surplus line broker business entity license as a person responsible for the proper discharge of one of its offices of all duties placed upon the business entity acting as a surplus line broker, without also holding an individual surplus line broker license.

Further, the fees for the surplus line broker licenses also changed. Specifically, the application and renewal fees for both individual and business entities were reduced to \$700 per two-year license term. In addition, the fee for surplus line broker business entities to endorse or terminate an individual surplus line broker on their licenses was reduced to a one-time \$24 fee.

Finally, the surplus line broker bond requirement changed. Individual surplus line brokers who only transact on behalf of a licensed surplus line broker business entity were no longer required to file a surplus line broker bond. However, individuals who do not solely transact on behalf of a business entity still must submit a \$50,000 bond to act as an individual surplus line broker.

AB 1699 (Duvall, Chapter 29, Statutes of 2008) License Fee Changes

On June 13, 2008, AB 1699 (Duvall, Chapter 29, Statutes of 2008) immediately became law as an urgency bill. This new law amends Sections 1750, 1765, and 1765.2 of the California Insurance Code (CIC) to make additional changes to the surplus line brokers and special lines' surplus line brokers licensing requirements and fees.

Specifically, Section 1750 of the CIC was amended to make the following changes:

- the fee for an individual surplus line broker who only transacts on behalf of a surplus line broker business entity was further reduced from \$700 to \$500;
- the fee for an individual surplus line broker who does not solely transact on behalf of a surplus line broker business entity license, was increased from \$700 to \$1,000; and,
- the fee for a surplus line broker business entity license increased from \$700 to \$1,000.

Furthermore, Section 1765 (f) of the CIC was added to require surplus line business entities to provide two hours of training to its employees who solicit, negotiate, or effect insurance coverage placed by a nonadmitted insurer. The training is to be given to each eligible employee every five years. The Surplus Line Association of California will develop the curriculum for the training.

Lastly, Section 1765.2 (a) of the CIC was amended to clarify the criteria for surplus line broker business entities to use when determining the minimum number of individuals to license as surplus line brokers. Specifically, Section 1765.2 (a) now states that, “a licensee under this chapter may be issued to an individual or any legal business entity. If issued to a business entity or individual that maintains more than one surplus line office from which it transacts that business with California residents, it shall name the natural person or persons located at each such surplus line office maintained by the licensee who is or are to be responsible for the proper discharge at each office of all duties placed upon the licensee acting as a surplus line broker. Each natural person shall meet all of the requirements for the license.”

Implementation of the License Fee Changes

As AB 1699 is an urgency bill, the fee changes take effect immediately. Applicants will adhere to the new fee structure and current licensees will see the new renewal fees reflected in their renewal notices beginning with the August 2008 renewals. Section 1765 (e) of the CIC authorizes the CDI to collect additional license fees resulting from the increase in licensee fees provided by AB 1699 and shall **credit** any overpayment resulting from reductions in license fees. There will be no refunds given. Further, there are no provisions in this bill for providing refunds to surplus line business entities who may believe that they had more of their employees licensed as surplus line brokers as a result of AB 1699 than they now believe to be necessary.

Individuals who previously paid \$700 for a surplus line broker license, who will now be paying \$500 will see a one-time credit of \$200 on their next renewal notice. (The credit will be \$100 for some individuals who only paid the one-year fee of \$350 and will be \$300 for individuals who paid both the one-year fee of \$350 and also subsequently paid the \$700 two-year fee).

Similarly, individuals and business entities who previously paid \$700 for a surplus line broker license, who will now be paying \$1,000 will see a one-time additional charge of \$300 on their next renewal notice. (The additional charge will be \$150 for some individuals and business entities who only paid the one-year fee of \$350 and will be \$450 for individuals and business entities who paid both the one-year fee of \$350 and also subsequently paid the \$700 two-year fee).

Because the CDI is required to implement these changes immediately, the online application and renewal services will temporarily not be available to surplus line broker licensees and applicants so that we make necessary changes to these services as required by AB 1699.

Please visit the CDI’s Website at www.insurance.ca.gov for more information regarding AB 1699’s the new surplus line broker fees. On the CDI’s Main Page, click in the Search box on the right hand side and type “Surplus Line Broker Frequently Asked Questions,” click on FAQ, then scroll down to Surplus Line Broker License frequently asked questions Web page. Please contact the Producer Licensing Bureau at (800) 967-9331 if you have further questions about the new requirements.