



The Surplus Line
Association of California

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BULLETIN #1461

Re: Broker Duty to Determine Insurer Eligibility

The Surplus Line Association of California (SLA) issues this reminder regarding the broker's duty at the time of surplus line insurance placement to determine that the nonadmitted insurer is eligible under California Insurance Code (CIC) section 1765.1 or on the LASLI (List of Approved Surplus Line Insurer) pursuant to CIC section 1765.2.

The surplus line broker may place a California home state risk only with the following:

1. An insurer licensed in a state and having at least \$45 million capital and surplus; or
2. An insurer listed on the NAIC International Insurers Department (IID) Quarterly Listing of Alien Insurers); or
3. An insurer on the California Department of Insurance List of Approved Surplus Line Insurers (LASLI).

When the surplus line broker places coverage with a nonadmitted insurer not on the LASLI, the broker is responsible for determining that the nonadmitted insurer satisfies the requirements listed in option 1 or 2 above, and is also obligated under California law to use reasonable care, diligence, and judgment in placing the coverage.

The financial position of any insurer can change due to numerous reasons and in a short period of time. Therefore, the broker should confirm the nonadmitted insurer's compliance with the eligibility requirements of California at the time of the placement of the policy, regardless of whether the insurer was compliant in the past. This eligibility of the nonadmitted insurer is expected to be maintained for all policies in-force.

The SLA issues priority tags on filings where the placement of the policy is with a nonadmitted insurer that is determined to be ineligible under CIC section 1765.1. A priority tag represents a violation of the California statute or regulation. If the priority tag is not resolved by the 28th day, the violation is reported under the

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broker license to the Commissioner's office and may result in further action or inquiry.

The surplus line broker remains responsible under all applicable laws, regulations, and procedures to have information or documentation to determine the adequate financial stability, reputation, and integrity of any nonadmitted insurer not on the LASLI to safeguard the interest of the insured under the policy.

Should you have any questions regarding the content of this bulletin, please direct them to Yusuf Mayet, Vice President, Legal Compliance at ymayet@slacal.com or (415) 434-4900.

