

**THE SURPLUS LINE  
ASSOCIATION OF CALIFORNIA**



*The Surplus Line  
Association Of California:  
Safeguarding Consumers*



## THE SURPLUS LINE ASSOCIATION OF CALIFORNIA

The Surplus Line Association of California is a private, non-profit association of surplus line brokers who are licensed by the State of California to negotiate and place insurance with non-admitted insurers. A non-admitted insurer is an insurance company licensed in its state or country of domicile but not in California.

The Association operates as a self-governed private organization, in which the governing body — the Executive Committee — is elected by the membership at the Association’s annual meeting. The Association operates under the direction of the Executive Committee and six other committees appointed by the Executive Committee.

*The organization must have at least one active endorsee from resident state to renew the organization license.*

These committees include the Stamping, Education, Automation, Audit, Legislative, and Admitted Market Liaison Committees.

Many of the Association’s activities are directly supervised by the California Department of Insurance (CDI). The Association is appointed as the statutory surplus line advisory organization to the CDI and facilitates the state’s capacity to monitor and regulate the transfer of risk on a sound basis through licensed surplus line brokers to non-admitted insurers.

As the advisory organization, the Association performs several duties delegated by California’s elected



Insurance Commissioner. This joint arrangement authorizes the Commissioner to utilize the expertise and knowledge of the Association in carrying out the surplus line laws and regulations of California. The Association, in turn, has the responsibility of performing these duties under the guidance of a plan of operation prepared by the Association and subject to the CDI's approval.

### WHY SURPLUS LINES

California consumers have insurance needs which may not always be met through the admitted (i.e., licensed) insurance market.

For this reason, many insurance consumers need access to insurance underwritten by non-admitted insurers.

Together, the Association and the CDI help to ensure insurance consumers have access to financially sound and reputable non-admitted insurers that have been approved by the Commissioner.



### THE STAMPING OFFICE

In California, all surplus line placements must be filed with the Association for review. The purpose of this function is to check the required surplus line filings for compliance, completeness, accuracy and other matters the Association may be directed to review by the Commissioner.

The Association notifies surplus line brokers of any filings determined to be incomplete or inaccurate

and requests the broker correct the problem. After verifying the accuracy and completeness of the filings, the Association keeps the information on file, by broker, for a period specified by the Commissioner. Records of the filings maintained by the Association are the property of CDI. The Association collects premium data for statistical purposes as well.

The Association is funded by charging a stamping fee for each filed surplus line policy or other premium bearing document. The stamping fee cannot exceed three-fourths of 1 percent of the premium without the Commissioner's approval and must reflect all reasonable costs associated with the services provided by the Association.

The Association also assists the CDI in evaluating and determining whether non-admitted insurers meet the eligibility requirements to operate as surplus line carriers for the California insurance-consuming public.

Companies that have met California's standards of eligibility are added to the List of Eligible Surplus Line Insurers (LESLI). With limited exceptions, California surplus line brokers are required to place surplus line business only with those insurers on the LESLI.

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### THE IMMUNITY CLAUSE

California law provides there is no liability on the part of, and no cause of action of any nature against, the Association, its Members, officers, committee

members, agents or employees for any action taken or omitted by any of them in the performance of their duties or the exercise of their authority delegated by the Insurance Commissioner, unless such party has acted in bad faith.

### **OTHER DUTIES AS AN ADVISORY ORGANIZATION**

The duties of the Surplus Line Association of California as an advisory organization include, among others, the following:

- Report to the Commissioner any known instances of fraudulent or illegal insurance activities in the surplus line market.
- Maintain and report information necessary or that reasonably may be requested by the Commissioner for the calculation and collection of premium taxes on surplus line insurance premiums.
- Respond to any request by the Commissioner on proposed legislation or regulation affecting the placement of insurance pursuant to the surplus line law.
- Receive and disseminate to its members information related to surplus line insurance, educate its members about the laws and regulations pertaining to surplus line placements and provide educational seminars that qualify surplus line brokers for continuing education credits.
- Communicate with organizations of admitted insurers with respect to the proper use of the surplus line market.

### **SUMMARY**

**The Surplus Line Association of California's main goal is to continue working with its consumers, its members and the CDI to help maintain a healthy, fair and competitive surplus line marketplace in California.**

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