

RESOURCES

The National Association of Insurance Commissioners (NAIC) offers basic insurer financial information for surplus lines brokers in fulfilling their due diligence responsibilities and for commercial purchasers and consumers wishing to shop for a surplus lines insurance policy.

NAIC's Consumer Information Source (CIS)

Surplus Lines/Insurance Premium Tax Division

LDI Bulletin No. 2013-06 on Act 203. Regarding Surplus Lines Insurance with Form 438.

LDI Approved Unauthorized Insurer List - Surplus Lines (White List)

Act 203 of the 2013 Regular Legislative Session

Quarterly Listing of Alien Insurers

CONTACT US

If you have questions about a company or agent providing surplus lines insurance, call the Louisiana Department of Insurance at 1-800-259-5300 or (225) 342-5900 or email us at public@ldi.la.gov



SURPLUS LINES

Insuring Rare, Unusual or Exposed Property In Louisiana



This public document was created by the Louisiana Department of Insurance and is available online.

Louisiana Department of Insurance
James J. Donelon, Commissioner

Surplus lines insurance is an alternative type of property and casualty insurance coverage for consumers who cannot get coverage in the standard market. Standard insurance companies may choose not to write policies for specialty risk or high-risk situations such as extremely old homes located in coastal areas, expensive boats and cars, day-care centers' liability needs, or medical malpractice needs, which may be insured by surplus lines companies.

Surplus lines insurers are regulated in the state or country in which they are domiciled. They may sell insurance in Louisiana once they have met eligibility requirements. They have more freedom and flexibility for accepting risks and designing and pricing their policies. They can tailor a policy to meet a specific risk and they are willing to cover risks that standard insurance companies are not. They typically have higher premiums because they insure risks that standard insurance companies will not accept and because the risks they are insuring are greater.

What are examples of typical properties insured by Surplus Lines?

Examples include multi-dwelling units such as condos or townhouses, mobile homes, expensive cars or boats, costly art collections, or extremely old or dangerously exposed homes.

What are examples of typical risks insured by Surplus Lines?

Examples include specialty or high-risk situations such as earthquakes, terrorist acts, taxi cabs, insurance for oil and gas refineries and special events such as state fairs or football games. Also very high risks are insured by surplus lines insurers such as professional athletes who insure their bodies or consumers looking to insure the vacant home of a recently deceased relative until after probate or the legal processing of the will.

Are surplus lines insurance companies regulated by the Department of Insurance?

Surplus lines insurers are regulated in the state or country in which their headquarters are located. Surplus lines insurers must be registered with the Louisiana Department of Insurance, and they must meet eligibility requirements. Unlike standard insurance companies, surplus lines insurers are not subject to rate and policy review, and there are Louisiana laws that do not apply to them. This allows surplus lines insurers the flexibility needed to provide a market for unique, large or high risks.

What is the official status of surplus lines insurers in Louisiana?

Surplus lines insurers in Louisiana are either "approved or eligible unauthorized insurers" having met eligibility criteria. Alternately, companies selling standard property and casualty insurance are considered "authorized/admitted" since they are licensed and regulated in Louisiana.

How do I purchase surplus lines insurance?

You can purchase surplus lines insurance by contacting a Louisiana licensed surplus lines insurance agent.



Do I have protection in case the surplus lines company goes out of business?

If the surplus lines company becomes insolvent, any claims you had could go unpaid. Surplus lines insurers do not participate in and their policies are not covered by the Louisiana Insurance Guaranty Association – LIGA - which pays claims in the event a standard insurance company becomes insolvent.

Is an affidavit stating the applicant is not able to obtain authorized personal lines insurance required before purchasing surplus lines insurance?

No, Act 203 of Louisiana's 2013 Regular Legislative Session eliminated the affidavit requirement replacing it with Form 438 in which the applicant executes an acknowledgement that the insurance agent has informed him/her with respect to surplus lines insurance prior to placing coverage with a surplus lines insurer.

What, specifically, must the applicant for surplus lines insurance acknowledge in Form 438 with the agent?

That the insurance may be placed with an approved unauthorized insurer or other eligible unauthorized insurer and in the event of insolvency, losses shall not be paid by the Louisiana Insurance Guaranty Association. Also, that the applicant expressly authorizes the procurement of surplus lines insurance coverage and that the coverage shall be placed through a duly licensed surplus lines agent.



What is the minimum capital and surplus requirement for foreign surplus lines insurers?

With the passage of Act 203, Louisiana's financial requirement conforms with the "Nonadmitted and Reinsurance Reform Act of 2010." Surplus lines companies must have at least \$15 million in combined capital and surplus to be eligible to do business in Louisiana. The commissioner of insurance has the discretion to approve a surplus lines insurer with a smaller capital and surplus, but at least \$4.5 million is required upon a finding that the insurer is acceptable after considering factors listed in Act 203 of Louisiana's 2013 Regular Legislative Session.

How do I know if a surplus lines insurer is registered with the Louisiana Department of Insurance?

You can perform an active company search on all insurance agents and companies licensed to sell insurance in Louisiana by visiting the department's website at www.lidi.la.gov and looking for the *Active Company Search Form* under the "Consumers" tab.

