

# Surplus Lines Insurance

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# Surplus Lines Insurers

- Are not required to be licensed by the Office (but must have a Letter of Eligibility)
- Regulated for solvency in Florida and in their home state and file financial statements in Florida
- Must have \$15M in surplus and three years of successful operation in home state
- Only permitted to write coverage not available in the private market
- Not covered by the Florida Insurance Guaranty Association (FIGA), which pays the claims of insolvent insurers
- Policy forms and rates are not reviewed or approved by the Office



# Surplus Lines Policies

- Must have a notice that reads:  
*“This insurance is issued pursuant to the Florida Surplus Lines Law. Persons insured by surplus lines carriers do not have the protection of the Florida Insurance Guaranty Act to the extent of any right of recovery for the obligation of an insolvent insurer.”*
- Policies issued on or after October 1, 2009 shall have stamped or printed on the face of the policy in at least 14-point, boldface type:  
**“SURPLUS LINES INSURERS’ POLICY RATES AND FORMS ARE NOT APPROVED BY ANY REGULATORY AGENCY.”**
- Personal residential policies must include disclosure that coverage may be available and may be less expensive from Citizens Property Insurance Corporation. Notice must also state that Citizens assessments are higher and coverage by Citizens policy may be less.



# Surplus Lines Eligibility

- Diligent effort must be made to procure voluntary insurance
  - “Diligent effort” means seeking coverage from and receiving rejections from at least three authorized insurers writing the type of coverage. If policy is for residential structure with dwelling replacement cost of \$1M or more, only one rejection is needed.
- Diligent effort is not required for those commercial lines of business subject to informational rate filings in Section 627.062(3)(d)1. , F.S. (e.g. Commercial General Liability, Commercial Excess/Umbrella, Directors & Officers, Nonresidential Multiperil, etc.).



# Surplus Lines Eligibility (cont.)

When compared to what is available, and in actual use, by a majority of the authorized insurers for the same coverage on a similar risk, the:

- Premium rate for the surplus lines policy shall not be lower
- Policy or contract form under which the insurance is exported shall **not** be more favorable to the insured as to coverage or rates\*
- Deductible amounts shall be the same as those available under similar policies (with the exception of windstorm insurance and extended coverage for fire insurance)

*\* Coverage may be exported under a unique form that is filed with the Office and not disapproved because it is found that “the use of such special form is not reasonably necessary for the principal purposes of the coverage or that its use would be contrary to the purposes of this Surplus Lines Law with respect to the reasonable protection of authorized insurers from unwarranted competition by unauthorized insurers.” (Section 626.916(1)(c), F.S.)*



# Questions?

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