

17:22-6.45 and 17:22-6.55a

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:22-6.45 & 17:22-6.55a

(Surplus Lines
Assoc-regulate
surplus lines
insurance mar-
ket)

LAWS OF: 1985

CHAPTER: 16

Bill No: A1320

Sponsor(s): Deverin

Date Introduced: February 23, 1984

Committee: Assembly: Banking and Insurance

Senate: Labor, Industry and Professions

Amended during passage: Yes

Substituted for S1768 (not attached
since identical to A1320) Amendments
during passage denoted by asterisks

Date of Passage:

Assembly: June 21, 1984

Senate: Nov. 19, 1984

Date of Approval: January 23, 1985

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly Yes

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: No

Following were printed:

Reports: No

Hearings: No

Model surplus lines law (attached)

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[SECOND OFFICIAL COPY REPRINT]

ASSEMBLY, No. 1320

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 23, 1984

By Assemblyman DEVERIN

AN ACT concerning surplus lines insurance and amending and supplementing P. L. 1960, c. 32.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. Section 11 of P. L. 1960, c. 32 (C. 17:22-6.45) is amended to
2 read as follows:

3 11. No surplus lines agent shall place any coverage with any un-
4 authorized insurer which is not then an eligible surplus lines insurer
5 as provided for under this section. No unauthorized insurer shall
6 be or become an eligible surplus lines insurer unless made eligible
7 by the commissioner in accordance with the following conditions:

8 (a) Eligibility of the insurer must be requested in writing by a
9 licensed surplus lines agent;

10 (b) The insurer must be currently an authorized insurer in the
11 State or country of its domicile as to the kind or kinds of insurance
12 proposed to be so placed, and must have been such an insurer for
13 not less than one full year preceding; or must be the subsidiary of
14 an *admitted insurer or of an* already eligible surplus lines insurer
15 that has been so *admitted or* eligible for a period of not less than
16 one full year preceding;

17 (c) Before granting eligibility the requesting surplus lines agent
18 or the insurer shall furnish the commissioner with duly authenti-
19 cated copies of its current annual financial statement, one in the
20 language and monetary values of the country of the insurer, and
21 the other in the English language and with all monetary values
22 therein expressed in United States dollars, at the current exchange

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter printed in italics thus is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

***—Assembly committee amendments adopted May 7, 1984.**

****—Senate committee amendments adopted September 13, 1984.**

23 rate shown in the statement, and with such additional information
24 relative to the insurer as the commissioner may require;

25 (d) [The insurer must have surplus as to policyholders of not
26 less than the amount required under this Title for a like admitted
27 insurer, and, if any alien insurer, must also have and maintain in
28 the United States a trust fund established under terms reasonably
29 adequate for the protection of all its policyholders in the United
30 States in the amount of not less than \$400,000.00, or deposit with
31 the commissioner a trust fund in the amount of not less than
32 \$50,000.00 solely for the protection of policyholders of this State.
33 In lieu of the above a group of individual insurers must have and
34 maintain such a trust fund regulated under the same conditions of
35 not less than \$50,000,000.00. To the extent that such minimum
36 amounts, any such trust funds shall consist of public obligations of
37 the United States, or of any State, county, or municipality thereof,
38 or other investments of the same general character and quality as
39 are eligible investments for like funds of like domestic insurers
40 under R. S. 17:24-1 et seq. The commissioner may, upon a showing
41 that the volume of business being transacted by the insurer does
42 not require surplus as to policyholders in the above amounts, relax
43 such minimum requirements.]

44 *The insurer shall establish satisfactory evidence of financial*
45 *integrity, and:*

46 (1) *Have capital and surplus, or its equivalent under the laws*
47 *of its domiciliary jurisdiction, which is not less than twice the*
48 *amount of minimum capital and surplus required for like admitted*
49 *insurers; except that * [this provision may be waived upon an*
50 *affirmative finding of acceptability by the commissioner. The find-*
51 *ing shall be based upon factors including quality of management,*
52 *capital and surplus of any parent company, company underwriting*
53 *profit and investment income trends, and the insurer's record and*
54 *reputation within the industry. In no event shall the commissioner*
55 *make an affirmative finding of acceptability when the insurer's*
56 *capital and surplus is less than \$3,500,000.00] * any eligible insurer*
56A *which does not possess on the effective date of this amendatory and*
56B *supplementary act the minimum capital and surplus requirements*
56C *shall have three years from the effective date of this amendatory*
56D *and supplementary act to comply therewith*. In addition, an alien*
57 *insurer shall maintain in the United States an irrevocable trust*
58 *fund in a state or federally chartered bank in an amount not less*
59 *than \$1,500,000.00 for the protection of all of its policyholders in*
60 *the United States. The trust fund shall consist of cash, securities,*

61 *letters of credit, or of investments of substantially the same char-*
 62 *acter and quality as those which are eligible investments for the*
 63 *capital and statutory reserves of admitted insurers authorized to*
 64 *write like kinds of insurance in this State. The trust fund shall*
 65 **not* be included in any calculation of capital and surplus or its*
 66 *equivalent and shall have an expiration date which at no time shall*
 67 *be less than five years. In lieu of the above capital and surplus re-*
 68 *quirements, and trust fund amount, any Lloyd's or other similar un-*
 69 *incorporated group of alien individual insurers shall maintain a*
 70 *trust fund of not less than \$50,000,000.00 as security to the full*
 71 *amount thereof for all policyholders and creditors in the United*
 72 *States of each member of the group, and the trust shall likewise*
 73 *comply with the terms and conditions hereinabove set forth*****[***. Any*
 74 *insurance exchange created by the laws of an individual state shall*
 74A **be deemed an unauthorized insurer under the provisions of this*
 75 *section, and shall* maintain capital and surplus, or the substantial*
 76 *equivalent thereof, of not less than \$25,000,000.00 in the aggregate.*
 77 *For insurance exchanges which maintain funds in an amount ac-*
 78 *ceptable to the commissioner for the protection of all insurance*
 79 *exchange policyholders, each individual syndicate shall maintain*
 80 *minimum capital and surplus, or the substantial equivalent thereof,*
 81 *of not less than \$2,500,000.00. *Each individual syndicate shall be*
 82 *required to obtain a New Jersey nonresident broker's license.* In*
 83 *the event the insurance exchange does not maintain funds in an*
 84 *amount acceptable to the commissioner for the protection of all*
 85 *insurance exchange policyholders, each individual syndicate shall*
 86 *have capital and surplus, or its equivalent under the laws of its*
 87 *domiciliary jurisdiction, which is not less than twice the amount*
 87A *of minimum capital and surplus required for like admitted in-*
 87B *surers]*******; and

88 (2) *Have caused to be provided to the commissioner a copy of*
 89 *its current annual statement certified by the insurer, which, relative*
 90 *to the period reported upon, is no more than 18 months old, and*
 91 *which is either (A) filed with and approved by the regulatory au-*
 92 *thority in the domicile of the unauthorized insurer; or (B) certified*
 93 *by an accounting or auditing firm licensed in the jurisdiction of the*
 94 *insurer's domicile. *****[***In the case of an insurance exchange, the*
 95 *statement may be an aggregate combined statement of all under-*
 96 *writing syndicates operating during the period reported upon.***]********

97 (e) The condition or methods of operation of the insurer must
 98 not be such as would render its operation hazardous to the public
 99 or its policyholders in this State.

100 (f) The insurer must be of good reputation as to the providing

101 of service to its policyholders and the payment of losses and claims ;
102 (g) No insured shall be eligible the management of which is
103 found by the commissioner to be incompetent or untrustworthy,
104 or so lacking in insurance company managerial experience as to
105 make the proposed operation hazardous to the insurance-buying
106 public; or which the commissioner has good reason to believe is
107 affiliated directly or indirectly through ownership, control, rein-
108 insurance transactions or other insurance or business relations, with
109 any person or persons whose business operations are or have been
110 detrimental to policyholders, stockholders, investors, creditors or
111 to the public.

112 (h) No insurer shall be eligible the voting control or ownership
113 of which is held in whole or substantial part by any government
114 or governmental agency, or which is operated for or by any such
115 government or agency. Membership in a mutual insurer, or sub-
116 scribership in a reciprocal insurer, or ownership of stock of an
117 insurer by the alien property custodian or similar official of the
118 United States, or supervision of an insurer by public insurance
119 supervisory authority shall not be deemed to be an ownership,
120 control, or operation of the insurer for the purposes of this sub-
121 section.

122 The commissioner shall from time to time publish a list of all
123 currently eligible surplus lines insurers, and shall mail a copy
124 thereof to each licensed surplus lines agent at his office last of
125 record with the commissioner.

126 This section shall not be deemed to cast upon the commissioner
127 any duty or responsibility to determine the actual financial condi-
128 tion or claims practices of any unauthorized insurer ; and the status
129 of eligibility, if granted by the commissioner, shall indicate only
130 that the insurer appears to be sound financially and to have satis-
131 factory claims practices, and that the commissioner has no credible
132 evidence to the contrary.

133 Where it appears that any particular insurance risk which is
134 eligible for export, but insurance coverage thereon, in whole or in
135 part is not procurable from the eligible surplus lines insurers then
136 the surplus lines agent may file a supplemental affidavit stating
137 such facts and advising the [insurance] commissioner that such
138 part of the risk as shall be unprocurable, as aforesaid, is being
139 placed with named unauthorized insurers, in the amounts and
140 percentages set forth in the affidavit. Such named unauthorized
141 insurer shall, however, before accepting any risk in this State,
142 deposit with the commissioner, United States government bonds
143 [of the market value of \$20,000.00] *in an amount acceptable to the*

144 *commissioner* which shall be held by said commissioner for the
 145 benefit of New Jersey policyholders only and the surplus lines
 146 agent shall procure from such unauthorized insurer and file with
 147 the **insurance** commissioner a certified copy of its current annual
 148 statement of financial condition. If such deposit is made and the
 149 statement reveals, including both capital and surplus, net assets of
 150 at least \$500,000.00 consisting of at least \$300,000.00 liquid assets,
 151 then the surplus lines agent may proceed to consummate the con-
 152 tract of insurance. Whenever any insurance risk or any part
 153 thereof, is placed with an unauthorized insurer, as provided herein,
 154 the policy, binder or cover note shall bear conspicuously on its face
 155 in boldface type the following notation: "All or **part** *some* of the
 156 insurers participating in this risk have not been admitted to trans-
 157 act business in the State of New Jersey, nor have they been ap-
 158 proved as a surplus lines insurer by the insurance commissioner
 159 of this State. The placing of such insurance by a duly licensed
 160 surplus lines agent in this State, shall not be construed as approval
 161 of such insurer by the insurance commissioner of the State of New
 162 Jersey." All other provisions of this Title shall apply to such
 163 placement the same as if such risks were placed with an eligible
 164 surplus lines insurer.

1 2. (New section) a. Advisory surplus lines organizations of
 2 surplus lines agents may be formed to: (1) facilitate and encourage
 3 compliance by its members with the laws of this State and the rules
 4 and regulations of the commissioner relative to surplus lines in-
 5 surance; (2) provide means for the examination, which shall re-
 6 main confidential, of all surplus lines coverage written by its mem-
 7 bers to determine whether the coverages comply with the laws and
 8 regulations; (3) communicate with organizations of admitted in-
 9 surers with respect to the proper use of the surplus lines market,
 10 and (4) receive and disseminate to its members information relative
 11 to surplus lines coverages.

12 b. Every advisory organization shall file with the commissioner:
 13 (1) a copy of its constitution, its articles of agreement or associa-
 14 tion or its certificate of incorporation, (2) a copy of its bylaws, and
 15 the rules and regulations governing its activities, (3) a current list
 16 of its members, (4) the name and address of a resident of this
 17 State upon whom notices or orders of the commissioner or pro-
 18 cesses issued at his direction may be served, and (5) an agreement
 19 that the commissioner may examine the advisory organization in
 20 accordance with the provisions of this section.

21 c. The commissioner may, whenever he deems it necessary and
 22 at least once every three years, make or cause to be made an ex-

23 amination of each advisory organization. The reasonable cost of
 24 any examination shall be paid by the advisory organization upon
 25 presentation to it by the commissioner of a detailed account of the
 26 cost. The officers, managers, agents and employees of the advisory
 27 organization may be examined at any time, under oath, and shall
 28 exhibit all books, records, accounts, documents or agreements gov-
 29 erning its method of operation. The commissioner shall furnish
 30 two copies of the examination report to the advisory organization
 31 examined and shall notify the organization that it may, within 20
 32 days thereof, request a hearing on the report or on any facts or
 33 recommendations therein. If the commissioner finds the advisory
 34 organization or any member thereof to be in violation of this
 35 ****[act]**** ****section****, he may issue an order requiring the dis-
 35A continuance of the violation*, and may impose a ****[monetary]****
 35B penalty ****[for the violation in accordance with section 25 of P. L.**
 35C *1944, c. 175 (C. -17:22-6.25)*] ****not exceeding \$1,000.00 for the**
 35D *first offense and not exceeding \$2,000.00 for each succeeding offense*
 35E *to be enforced and collected by the commissioner in the name of the*
 35F *State in a summary proceeding in accordance with "the penalty*
 35G *enforcement law" (N. J. S. 2A :58-1 et seq.).****

36 d. The commissioner may contract with a surplus lines advisory
 37 organization, which shall render advice and assistance in carrying
 38 out the purposes of the surplus lines law, and whereby the affi-
 39 davits, reports, certificates or statements required by the surplus
 40 lines law may be filed with and maintained by the advisory organi-
 41 zation. The services performed by the advisory organization shall
 42 be funded by a stamping fee assessed on each surplus lines policy-
 43 holder whose policy is submitted to the advisory organization,
 44 which stamping fee shall be established by the board of governors
 45 of the advisory organization from time to time and shall be subject
 46 to approval by the commissioner.

47 e. The advisory organization may submit reports and make
 48 recommendations to the commissioner regarding the financial con-
 49 dition ****[or]**** ****of**** any surplus lines insurer. These reports
 50 and recommendations shall not be considered to be public informa-
 51 tion or subject to any State or federal freedom of information law.
 52 There shall be no liability on the part of nor shall any cause of
 53 action of any nature be sustained against, surplus lines insurers,
 54 the advisory organization or its members, agents or employees, the
 55 directors, or the commissioner or authorized representatives of the
 56 commissioner for statements in any reports or recommendations
 57 made by them in good faith under this section.

1 ****[*3. (New section) A surplus lines agent shall provide the pro-**

2 *ducer broker with a written notice to be given to the insured at*
 3 *the time of the offer of coverage (per committee aide). The notice*
 4 *shall be signed and returned to the surplus lines agent and filed*
 5 *with the department. The form of the notice shall be prescribed*
 6 *by the commissioner and shall generally state that the insured is*
 7 *not eligible for payment from the New Jersey Property-Liability*
 8 *Insurance Guaranty Association created pursuant to P. L. 1974,*
 9 *c. 17 (C. 17:30A-1 et seq.) for any covered claim under the surplus*
 10 *lines insurance policy that the unauthorized insurer is unable to*
 11 *satisfy by reason of the insurer's insolvency or bankruptcy. In*
 12 *addition, the face of the insurance policy or certificate shall state:*

NOTICE

13 *THIS POLICY COVERAGE DOES NOT HAVE THE PROTEC-*
 14 *TION OF THE NEW JERSEY PROPERTY-LIABILITY IN-*
 15 *SURANCE GUARANTY ASSOCIATION IF THE UNAUTHO-*
 16 *RIZED INSURER BECOMES BANKRUPT OR INSOLVENT.*

17 *Any violation of the provisions of this section shall be subject*
 18 *to the penalty provisions of section 25 of P. L. 1944, c. 175*
 19 *(C. 17:22-6.25).**]***

1 **[3.]* **[*4.*]** **3.** This act shall take effect immediately.*

31 examined and shall notify the organization that it may, within 20
 32 days thereof, request a hearing on the report or on any facts or
 33 recommendations therein. If the commissioner finds the advisory
 34 organization or any member thereof to be in violation of this act,
 35 he may issue an order requiring the discontinuance of the violation.

36 d. The commissioner may contract with a surplus lines advisory
 37 organization, which shall render advice and assistance in carrying
 38 out the purposes of the surplus lines law, and whereby the affi-
 39 davits, reports, certificates or statements required by the surplus
 40 lines law may be filed with and maintained by the advisory organi-
 41 zation. The services performed by the advisory organization shall
 42 be funded by a stamping fee assessed on each surplus lines policy-
 43 holder whose policy is submitted to the advisory organization,
 44 which stamping fee shall be established by the board of governors
 45 of the advisory organization from time to time and shall be subject
 46 to approval by the commissioner.

47 e. The advisory organization may submit reports and make
 48 recommendations to the commissioner regarding the financial con-
 49 dition or any surplus lines insurer. These reports and recommenda-
 50 tions shall not be considered to be public information or subject
 51 to any State or federal freedom of information law. There shall
 52 be no liability on the part of nor shall any cause of action of any
 53 nature be sustained against, surplus lines insurers, the advisory
 54 organization or its members, agents or employees, the directors,
 55 or the commissioner or authorized representatives of the commis-
 56 sioner for statements in any reports or recommendations made by
 57 them in good faith under this section.

1 3. This act shall take effect immediately.

SPONSOR'S STATEMENT

The purpose of section 1 of this bill is to strengthen the security of surplus lines insurers eligible to accept surplus lines insurance business from New Jersey and to improve generally the financial integrity of New Jersey's surplus lines marketplace. The increased capital and surplus requirements are a significant departure from the current requirements of New Jersey law but are consistent with efforts across the country to raise the financial requirements unauthorized insurers are required to meet in order to be eligible to accept surplus lines risks. An example of these efforts is the central provision of the Model Surplus Lines Law recently adopted by the National Association of Insurance Commissioners which calls for a significant increase in capital and surplus requirements. This bill would also recognize insurance exchanges.

A 13 20 (1985)

Section 2 of this bill authorizes the creation of a Surplus Lines Association of licensed New Jersey surplus lines brokers who, under the supervision and control of the New Jersey Insurance Department, will be responsible for the day to day regulation of New Jersey's surplus lines marketplace. Creation of the Surplus Lines Association will permit New Jersey Insurance Department personnel to focus upon other major areas of concern and will alleviate some of the budget constraints under which that department now operates.

Among the purposes for which the Surplus Lines Association would be created are to review the security of unauthorized insurers who seek eligibility in the State of New Jersey, to assure the collection of surplus lines taxes, to compile statistics which will be made available only to the New Jersey Insurance Department, and to provide the necessary peer-review function.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1320

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MAY 7, 1984

Assembly Bill No. 1320:

(1) Increases the capital, surplus and trust fund requirements for certain surplus line insurers;

(2) Imposes capital and surplus requirements on surplus line insurance exchanges and member syndicates; and

(3) Provides for the organization, operation and regulations of advisory surplus lines organizations of surplus lines agents.

Assembly Bill No. 1320 doubles the minimum surplus requirements, or their equivalents in the insurer's domiciliary jurisdiction, for eligible surplus lines insurers. The bill also requires that the minimum capital of eligible surplus lines insurers be not less than twice the minimum requirements for like admitted (licensed) insurers in New Jersey. The commissioner is, however, authorized to waive the capital and surplus requirements upon an affirmative finding of acceptability, to be made in accordance with statutorily prescribed standards; but in no instance shall a surplus line insurer be deemed eligible if the capital and surplus of the insurer is less than \$3.5 million.

The bill also increases, from \$400,000.00 to \$1,500,000.00, the minimum amount of the trust fund required of alien insurers (insurers domiciled outside the United States). The trust fund is in addition to the capital and surplus requirement but the trust fund shall be included in the calculation of capital and surplus. The bill requires the fund to be an irrevocable trust in a State or federally chartered bank, and prescribes the nature of the securities to be deposited in, and the term of the trust.

The minimum values for trust funds required of Lloyd's and similar unincorporated groups of alien individual insurers are not altered, but the trust funds shall otherwise comply with the requirements of this amendatory act.

Section 1 of the bill also:

(1) Allows subsidiaries of insurers admitted in New Jersey for at least one year to qualify as eligible surplus lines insurers.

(2) Establishes capital and surplus requirements for both insurance exchanges and each individual syndicate member, but provides an alternate way by which syndicate members can satisfy these requirements if the exchange fails to comply with the capital and surplus requirements;

(3) Leaves to the discretion of the commissioner, the value of U. S. government bonds that must be deposited by a named unauthorized insurer (that is, other than an eligible surplus line insurer) for any single risk eligible for export placed by an agent.

Section 2 of the bill provides for the creation of advisory surplus lines organizations of surplus lines agents, which are authorized to monitor surplus lines carriers regarding their financial condition and compliance with the law; to receive and disseminate surplus lines coverage information; and to contract with, and render advise and assistance to the Commissioner in carrying out the provisions of the surplus lines law, including the filing with the organization of any materials required by the surplus lines law. Services performed by the advisory organization shall be funded by a stamping fee assessed on every policyholder whose policy is submitted to the advisory organization. The section further requires an advisory organization periodically to file information concerning its organization, membership and operations with the commissioner. The commissioner shall, at least once every three years, or more often, make an examination of each advisory organization.

The Assembly Committee Amendments:

(1) Provide a three year period for the phasing in of eligible insurers which do not comply with the provisions of the bill on the date of enactment;

(2) Eliminate the Commissioner of Insurance's right to waive the capital-surplus requirements for eligible insurers;

(3) Prohibit the inclusion of the trust fund in calculating the capital and surplus requirements of an alien insurer;

(4) Requires an insurance exchange to be deemed an unauthorized insurer under the surplus lines insurer law;

(5) Requires member syndicates of an exchange to obtain a New Jersey non-resident broker's license;

(6) Provides for monetary penalties for violations of section 2 of the bill;

(7) Requires written notice to the prospective insured that he is not entitled to payment from the New Jersey Property-Liability Insurance Guaranty Association for covered claims under the policy, if the unauthorized insurer becomes insolvent or bankrupt, and requires the written notice to be signed and filed with the Department of Insurance.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1320

[OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

DATED: SEPTEMBER 13, 1984

This bill amends and supplements "the surplus lines law." Section 1:

a. Requires that the minimum capital and surplus of eligible surplus lines insurers be not less than twice the minimum requirements for like admitted (licensed) insurers in New Jersey (this provision doubles the current surplus requirement; there is no current capital requirement); however, eligible insurers which do not meet these requirements on the effective date of the bill would have three years to comply;

b. Requires an alien insurer (an insurer domiciled outside the United States), in addition to the capital and surplus requirements, to maintain in the United States an irrevocable trust fund of not less than \$1,500,000.00 for the protection of all of its policyholders in the United States and prohibits the inclusion of the trust fund in calculating the capital and surplus requirements of an alien insurer (the current law requires a trust fund of \$400,000.00);

c. Provides that, in lieu of capital, surplus and trust fund requirements, any Lloyd's or similar unincorporated group of alien individual insurers shall maintain an irrevocable trust fund of not less than \$50,000,000.00 as security for all policyholders and creditors in the United States of each member of the group (the current law requires at least a \$50 million trust fund);

d. Allows subsidiaries of insurers admitted in New Jersey for at least one year to qualify as eligible surplus lines insurers; and

e. Leaves to the discretion of the commissioner the amount of U.S. government bonds that must be deposited by a named unauthorized insurer, who is other than an eligible surplus lines insurer, for any single risk eligible for export placed by a surplus lines agent.

Section 2 of the bill provides for the creation of advisory surplus lines organizations of surplus lines agents, which are authorized to facilitate and encourage compliance by its members with the laws relative to surplus lines insurance; to examine all surplus lines coverage written by its members to determine whether it complies with the

law; to communicate with organizations of admitted insurers with respect to the proper use of the surplus lines market; and to receive and disseminate surplus lines coverage information. A surplus lines advisory organization may contract with, and render advice and assistance to, the commissioner in carrying out the provisions of the surplus lines law, including the filing with the advisory organization of any materials required by the surplus lines law, and these services performed by the advisory organization shall be funded by a stamping fee assessed on every policyholder whose policy is submitted to the advisory organization. The advisory organization may submit reports and make recommendations to the commissioner regarding the financial condition of any surplus lines insurer on a confidential basis. The section further requires an advisory organization periodically to file information concerning its organization, membership and operations with the commissioner. The commissioner shall, at least once every three years, make an examination of each advisory organization. The commissioner may order an advisory organization to discontinue any violation of section 2 of this act and may levy a monetary penalty for a violation.

Section 3 of the bill was deleted by the committee because it is unnecessary with the passage and signing into law of the bill which created the New Jersey Surplus Lines Insurance Guaranty Fund.

MODEL SUPRLUS LINES LAW — JULY 1983

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Section 1. Surplus Lines Insurance Act — Short Title.

This Act shall be known and may be cited as "The Surplus Lines Law".

Section 2. Purposes — Necessity for Regulation.

This Act shall be liberally construed and applied to promote its underlying purposes which include:

- (A) Protecting persons seeking insurance in this state;
- (B) Permitting surplus lines insurance to be placed with reputable and financially sound non-admitted insurers and exported from this state pursuant to this Act;
- (C) Establishing a system of regulation which will permit orderly access to surplus lines insurance in this state and encourage admitted insurers to provide new and innovative types of insurance available to consumers in this state; and
- (D) Protecting revenues of this state.

Section 3. Definitions.

As used in this act:

- (A) "Admitted insurer" means an insurer licensed to do an insurance business in this state.
- (B) "Capital" as used in the financial requirements of Section 5, means funds paid in for stock or other evidence of ownership.
- (C) ("Commissioner") means the (Commissioner) of Insurance of this state.

- (D) "Eligible surplus lines insurer" means a non-admitted insurer with which a surplus lines licensee may place surplus lines insurance under Section 5 of this Act.
- (E) "Export" means to place surplus lines insurance with a non-admitted insurer.
- (F) "Kind of insurance" means one of the types of insurance required to be reported in the annual statement which must be filed with the (Commissioner) by licensed insurers.
- (G) "Non-admitted insurer" means an insurer not licensed to do an insurance business in this state. This definition shall include insurance exchanges as authorized under the laws of various states.
- (H) "Producing broker" means the individual broker or agent dealing directly with the party seeking insurance.
- (I) "Surplus" as used in the financial requirements of Section 5, means funds over and above liabilities and capital of the company for the protection of policyholders.
- (J) "Surplus lines insurer" means any insurance in this state of risks resident, located or to be performed in this state, permitted to be placed through a surplus lines licensee with a non-admitted insurer eligible to accept such insurance, other than reinsurance, wet marine and transportation insurance independently procured and life and health insurance and annuities.
- (K) "Surplus lines licensee" means an individual (firm or corporation) licensed under Section 15 of this Act to place insurance on risks resident, located or to be performed in this state with non-admitted insurers eligible to accept such insurance.
- (L) "Wet marine and transportation insurance" means:
 - (1) Insurance upon vessels, crafts, hulls and of interests therein or with relation thereto;
 - (2) Insurance of marine builder's risks, marine war risks and contracts of marine protection and indemnity insurance;
 - (3) Insurance of freights and disbursements pertaining to a subject of insurance coming within this subsection; and
 - (4) Insurance of personal property and interests therein, in the course of exportation from or importation into any country, or in the course of transportation coastwise or on inland waters, including transportation by land, water or air from point of origin to final destination, in connection with any and all risks or perils of navigation, transit or transportation, and while being prepared for and while awaiting shipment, and during any delays, transshipment, or reshipment incident thereto.

Section 4. Placement of Surplus Lines Insurance.

Insurance may be procured through a surplus lines licensee from non-admitted insurers if:

- (A) Each insurer is an eligible surplus lines insurer;
- (B) The full amount or kind of insurance cannot be obtained from insurers who are admitted to do business in this state. Such full amount or kind of insurance may be procured from eligible surplus lines insurers, provided that a diligent search is made among the insurers who are admitted to transact and are actually writing the particular kind and class of insurance in this state; and
- (C) All other requirements of this Act are met.

Section 5. Eligible Surplus Lines Insurers Required.

No surplus lines licensee shall place any coverage with a non-admitted insurer, unless at the time of placement, such non-admitted insurer:

- (A) Has established satisfactory evidence of good repute and financial integrity; and
- (B) Qualifies under one of the following paragraphs:
 - (1) Has capital and surplus or its equivalent under the laws of its domiciliary jurisdiction, which equals:
 - (a) This state's minimum capital and surplus requirements under the laws of this state, or
 - (b) \$1,500,000 one year after enactment, and \$2,500,000 three years after enactment, and \$3,500,000 five years after enactment, and \$5,000,000 six years after enactment, whichever is greater.

After six years from enactment, the requirements of this paragraph may be satisfied by an insurer possessing less than \$5 million in capital and surplus upon an affirmative finding of acceptability by the (Commissioner). The finding shall be based upon such factors as quality of management, capital and surplus of any parent company, company underwriting profit and investment income trends, and company record and reputation within the industry. In no event shall the (Commissioner) make an affirmative finding of acceptability when the surplus lines insurer's capital and surplus is less than \$3.5 million.

In addition, an alien insurer qualifies under this paragraph if it maintains in the United States an irrevocable trust fund in either a national bank or a member of the Federal Reserve System, in an amount not less than \$1,500,000 for the protection of all of its policyholders in the United States and such trust fund consists of cash, securities, letters of credit, or of investments of substantially the same character and quality as those which are eligible investments for the capital and statutory reserves of admitted insurers authorized to write like kinds of insurance in this state. Such trust fund, which shall be included in any calculation of capital and surplus or its equivalent, shall have an expiry date which at no time shall be less than five years; or

- (2) In the case of any Lloyd's or other similar unincorporated group of alien individual insurers, maintains a trust fund of not less than \$50 million as security to the full amount thereof for all policyholders and creditors in the United States of each member of the group, and such trust shall likewise comply with the terms and conditions established in paragraph (1) for alien insurers; and
 - (3) In the case of an "Insurance Exchange" created by the laws of individual states, maintain capital and surplus, or the substantial equivalent thereof, of not less than \$15,000,000 in the aggregate. For Insurance Exchanges which maintain funds for the protection of all Insurance Exchange policyholders, each individual syndicate shall maintain minimum capital and surplus, or the substantial equivalent thereof, of not less than \$1,500,000. In the event the Insurance Exchange does not maintain funds for the protection of all Insurance Exchange policyholders, each individual syndicate shall meet the minimum capital and surplus requirements of Section 5(B) (1).
- (C) Has caused to be provided to the (Commissioner) a copy of its current annual statement certified by such insurer; such statement to be provided no more than (6) six months after the close of the period reported upon and which is either:
- (1) Filed with and approved by the regulatory authority in the domicile of the non-admitted insurer; or
 - (2) Certified by an accounting or auditing firm licensed in the jurisdiction of the insurer's domicile;

- (3) In the case of an Insurance Exchange, the statement may be an aggregate combined statement of all underwriting syndicates operating during the period reported.

Drafting Note: The following subsection is for use by those states which desire to adopt a "white list" for determining the eligibility of non-admitted insurers to write surplus lines insurance.

- (D) In addition to meeting the requirements in paragraphs (A) to (C), an insurer shall be an eligible surplus lines insurer if it appears on the most recent list of eligible surplus lines insurers published by the (Commissioner) from time to time but at least semi-annually. Nothing in this section shall require the (Commissioner) to place or maintain the name of any non-admitted insurer on the list of eligible surplus lines insurers.

Section 6. Other Non-Admitted Insurers.

Drafting Note: This section is necessary only in states which have adopted Section 5(D).

Only that portion of any risk eligible for export for which the full amount of coverage is not procurable from eligible surplus lines insurers may be placed with any other non-admitted insurer which does not appear on the list of eligible surplus lines insurers published by the (Commissioner) pursuant to Section 5 (D) but nonetheless meets the requirements set forth in Section 5(A) to (C) and any regulations of the (Commissioner). The surplus lines licensee seeking to provide coverage through an unlisted non-admitted insurer shall make a filing specifying the amount(s) and percentage(s) of each risk to be placed, and naming the non-admitted insurer(s) with which placement is intended. Within _____ days after placing the coverage, the surplus lines licensee shall also send written notice to the insured or the producing broker that the insurance, or a portion thereof, has been placed with such non-admitted insurer.

Section 7. Withdrawal of Eligibility from a Surplus Lines Insurer.

If at any time the (Commissioner) has reason to believe that an eligible surplus lines insurer:

- (A) Is in unsound financial condition,
 - (B) Is no longer eligible under Section 5,
 - (C) Has willfully violated the laws of this state, or
 - (D) Does not make reasonably prompt payment of just losses and claims in this state or elsewhere,
- the (commissioner) may declare it ineligible. The (Commissioner) shall promptly mail notice of all such declarations to each surplus lines licensee.

Section 8. Admitted Insurers — Waiver of Rate and Form Regulations.

An admitted insurer may issue, through any agent, broker or other representative, in the manner permitted under the insurance law for other policies of the same kind, insurance covering the particular insured for the amount of kind of insurance which is exportable under Section 4, without regard to rate and form requirements otherwise applicable, if the agent, broker or other representative placing such insurance complies with the filing requirements of Section 9(A). Such insurance shall be subject to the premium tax applicable to such admitted insurer.

Section 9. Duty to File Evidence of Insurance and Affidavits.

Within _____ days after the placing of any surplus lines insurance, each producing broker shall execute and each surplus lines licensee shall file;

- (A) A written report, which shall be kept confidential, regarding the insurance with the (Commissioner), including the following:

- (1) The name and address of the insured;
 - (2) The identity of the insurer or insurers;
 - (3) A description of the subject and location of the risk;
 - (4) The amount of premium charged for the insurance; and
 - (5) Such other pertinent information as the (Commissioner) may reasonable require; and
- (B) An affidavit on a standardized form furnished by the (Commissioner), as to the diligent efforts to place the coverage with admitted insurers and the results thereof. Such affidavit shall be open to public inspection.

Section 10. Surplus Lines Advisory Organizations.

- (A) An advisory surplus lines organization of surplus lines licensees may be formed to:
- (1) Facilitate and encourage compliance by its members with the laws of this state and the rules and regulations of the (Commissioner) relative to surplus lines insurance;
 - (2) Provide means for the examination, which shall remain confidential, of all surplus lines coverages written by its members to determine whether such coverages comply with such laws and regulations;
 - (3) Communicate with organizations of admitted insurers with respect to the proper use of the surplus lines market; and
 - (4) Receive and disseminate to its members information relative to surplus lines coverages.
- (B) Every such advisory organization shall file with the (Commissioner):
- (1) A copy of its constitution, its articles of agreement or association or its certificate of incorporation;
 - (2) A copy of its by-laws, rules and regulations governing its activities;
 - (3) A current list of its members;
 - (4) The name and address of a resident of this state upon whom notices or orders of the (Commissioner) or processes issued at his direction may be served, and
 - (5) An agreement that the (Commissioner) may examine such advisory organization in accordance with the provisions of this Section.
- (C) The (Commissioner) shall, at least once in (insert number) years, make or cause to be made an examination of each such advisory organization. The reasonable cost of any such examination shall be paid by the advisory organization upon presentation to it by the (Commissioner) of a detailed account of each cost. The officers, managers, agents and employees of such advisory organization may be examined at any time, under oath, and shall exhibit all books, records, accounts, documents or agreements governing its method of operation. The (Commissioner) shall furnish two copies of the examination report to the advisory organization examined and shall notify such organization that it may, within 20 days thereof, request a hearing on the report or on any facts or recommendations therein. If the (Commissioner) finds such advisory organization or any member thereof to be in violation of this Act, he may issue an order requiring the discontinuance of such violation.

Drafting Note: The following subsection (D) should be included only if it is in accord with the existing law and public policy of the state.

- (D) By order of the (Commissioner) a surplus lines licensee may be compelled to join an advisory organization as a condition of continued licensure under this Act.

Section 11. Evidence of the Insurance — Changes — Penalty.

- (A) Upon placing surplus lines insurance, the surplus lines licensee shall promptly deliver to the insured or the producing broker the policy, or if such policy is not then available, a certificate as described in subsection (D), cover note, binder or other evidence of insurance. The certificate, as described in subsection (D), cover note, binder or other evidence of insurance shall be executed by the surplus lines licensee and shall show the description and location of the subject of the insurance, coverages including any material limitations other than those in standard forms, a general description of the coverages of the insurance, the premium and rate charged and taxes to be collected from the insured, and the name and address of the insured and surplus lines insurer or insurers and proportion of the entire risk assumed by each, and the name of the surplus lines licensee and the licensee's license number.
- (B) No surplus lines licensee shall issue or deliver any evidence of insurance or purport to insure or represent that insurance will be or has been written by any eligible surplus lines insurer, or a non-admitted insurer pursuant to Section 6, unless he has authority from the insurer to cause the risk to be insured, or has received information from the insurer in the regular course of business that such insurance has been granted.
- (C) If, after delivery of any such evidence of insurance there is any change in the identity of the insurers, or the proportion of the risk assumed by any insurer, or any other material change in coverage as stated in the surplus lines licensee's original evidence of insurance, or in any other material as to the insurance coverage so evidenced, the surplus lines licensee shall promptly issue and deliver to the insured or the original producing broker an appropriate substitute for, or endorsement of the original document, accurately showing the current status of the coverage and the insurers responsible thereunder.
- (D) As soon as reasonably possible after the placement of any such insurance the surplus lines licensee shall deliver a copy of the policy or, if not available, a certificate of insurance to the insured or producing broker to replace any evidence of insurance theretofore issued. Each certificate or policy of insurance shall contain or have attached thereto a complete record of all policy insuring agreements, conditions, exclusions, clauses, endorsements or any other material facts that would regularly be included in the policy.
- (E) Any surplus lines licensee who fails to comply with the requirements of this section shall be subject to the penalties hereinafter provided.
- (F) Every evidence of insurance negotiated, placed or procured under the provisions of this Act issued by the surplus lines licensee shall bear the name of the licensee and the following legend in 10 point type: "This is evidence of insurance procured and developed under the (insert state) Surplus Lines Laws. It is NOT covered by the (insert citation of guaranty fund statute)."

Section 12. Licensee's Duty to Notify Insured.

No contract of insurance placed by a surplus lines licensee under this Act shall be binding upon the insured and no premium charged therefor shall be due and payable until the surplus lines licensee shall have notified the insured in writing, a copy of which shall be maintained by the licensee with the records of the contract and available for possible examination, that:

- (A) The insurer with which the licensee places the insurance is not licensed by this state and is not subject to its supervision; and
- (B) In the event of the insolvency of the surplus lines insurer, losses will not be paid by the state insurance guaranty fund.

Nothing herein contained shall nullify any agreement by any insurer to provide insurance.

Section 13. Valid Surplus Lines Insurance.

Insurance contracts procured under this Act shall be valid and enforceable as to all parties.

Section 14. Effect of Payment to Surplus Lines Licensee.

A payment of premium to a surplus lines licensee acting for a person other than himself in negotiating, continuing, or reviewing any policy of insurance under this Act shall be deemed to be payment to the insurer, whatever conditions or stipulations may be inserted in the policy or contract notwithstanding.

Section 15. Licensing of Surplus Lines Licensee.

(A) No agent or broker licensed by the state shall procure any contract of surplus lines insurance with any non-admitted insurer, unless he possesses a current surplus lines insurance license issued by the (Commissioner).

(B) The (Commissioner) shall issue a surplus lines license to any qualified holder of a current property and casualty broker's or general agent's license but only when the broker or agent has:

- (1) Remitted the \$—— annual fee to the (Commissioner);
- (2) Submitted a completed license application on a form supplied by the (Commissioner), and the application has been approved by the (Commissioner);
- (3) Passed a qualifying examination approved by the (Commissioner), except that all holders of a license prior to the effective date of this Act shall be deemed to have passed such an examination; and

(4) Filed with the (Commissioner), and maintains during the term of the license, in force and unimpaired a bond in favor of this state in the penal sum of —— dollars, aggregate liability, with corporate sureties approved by the (Commissioner). The bond shall be conditioned that the surplus lines licensee will conduct business in accordance with the provisions of this Act and will promptly remit the taxes as provided by law. No bond shall be terminated unless at least 30 days prior written notice is given to the licensee and (Commissioner). If the (Commissioner) determines that a surplus lines licensee of a sister state is competent and trustworthy, then he may, in his discretion, issue a non-resident surplus lines agent's license. A non-resident licensee shall be limited in his authority to servicing of business negotiated elsewhere and filing any appropriate taxes. A non-resident licensee shall not have authority to solicit business.

(C) Corporations, including foreign corporations, shall be eligible to be resident surplus lines licensees, upon the following conditions:

- (1) The corporate licensee shall list individuals within the corporation who have satisfied all requirements of this Act to become surplus lines licensees; and
- (2) Only those individuals listed on the corporate license shall transact surplus lines business.

(D) Each surplus lines license shall expire on December 31st of each year and shall be renewed before December 2nd of each year upon payment of the annual fee, and compliance with other provisions of this Section. Any surplus lines licensee who fails to apply for renewal of the license before December 2nd shall pay a penalty of —— dollars and be subject to such other penalties as provided by law before his license will be renewed.

Section 16. Surplus Lines Licensees May Accept Business From Other Agents or Brokers.

A surplus lines licensee may originate surplus lines insurance or accept such insurance from any other agent or broker duly licensed as to the kind or kinds of insurance involved, and the surplus lines licensee may compensate such agent or broker therefor.

Section 17. Records of Surplus Lines Licensee.

Each surplus lines licensee shall keep in his office in this state a full and true record of each surplus lines insurance contract placed by or through him, including a copy of the policy, certificate, cover note, or other evidence of insurance showing such of the following items as may be applicable:

- (A) Amount of the insurance and perils insured;
- (B) Brief description of the property insured and its location;
- (C) Gross premium charged;
- (D) Any return premium paid;
- (E) Rate of premium charged upon the several items of property;
- (F) Effective date of the contract, and the terms thereof;
- (G) Name and address of the insured;
- (H) Name and address of the insurer;
- (I) Amount of tax and other sums to be collected from the insured; and
- (J) Identity of the producing broker, any confirming correspondence from the insurer or its representative and the application.

The record of each contract shall be kept open at all reasonable times to examination by the (Commissioner) without notice for a period not less than 5 years following termination of the contract. In lieu of maintaining offices in this state, each non-resident surplus lines licensee shall make available to the (Commissioner) any and all records that he deems necessary for examination.

Section 18. Quarterly Reports — Summary of Exported Business.

On or before the end of each month following each calendar quarter, each surplus lines licensee shall file with the (Commissioner), on forms prescribed by the (Commissioner), a verified report in duplicate of all surplus lines insurance transacted during the preceding calendar quarter, showing:

- (A) Aggregate gross premiums written;
- (B) Aggregate return premiums; and
- (C) Amount of aggregate tax remitted.

Drafting Note: States desiring to have taxes remitted annually may call for monthly detailed listing of business.

Section 19. Surplus Lines Tax.

- (A) Gross premiums charged, less any return premiums, for surplus lines insurance are subject to a premium receipts tax of _____%, which shall be collected by the surplus lines licensee as specified by the (Commissioner), in addition to the full amount of the gross premium charged by the insurer for the insurance. The tax on any portion of the premium unearned at termination of insurance having been credited by the state to the licensee shall be returned to the policyholder directly by the surplus lines licensee or through the producing broker, if any. The surplus lines licensee is prohibited from absorbing such tax and from rebating for any reason, any part of such tax.

- (B) At the time of filing his quarterly report as set forth in Section 18, each surplus lines licensee shall pay the premium receipts tax due to the period covered by the report.
- (C) If a surplus lines policy procured through a surplus lines licensee covers risks or exposures only partially located or to be performed in this state, the tax payable shall be computed on the portions of the premium properly attributable to the risks or exposures located or to be performed in this state, as follows:
 - (1) If the risk insured is real or personal property, the percentage of the entire tax that is due to the state is the same as the percentage of the entire risk that is located in this state, computed on the same basis as was employed to calculate the insurable value of the risk.
 - (2) If the risk insured is business operations, general liability, or employee benefits, the percentage of the entire tax that is due to this state is the same as the percentage of the insured business operations or employees that are located in this state.
- (D) This Section shall not apply to insurance of risks of the state government, its political subdivisions or of any agency thereof.
- (E) If a multistate risk has a portion of that risk located within this state, the surplus lines licensee will remit payment of taxes collected to this state in accordance with the provisions of Subsection (C) (1) and (2).

Section 20. Collection of Tax.

If the tax collectible by a surplus lines licensee under this Act has been collected and is not paid within the time prescribed, the same shall be recoverable in a suit brought by the (Commissioner) against the surplus lines licensee and the surety on the bond filed under Section 15.

Section 21. Suspension, Revocation or Non-Renewal of Surplus Lines Licensee's License.

The (Commissioner) may suspend, revoke, or refuse to renew the license of a surplus lines licensee after notice and hearing as provided under the applicable provision of this state's laws upon any one or more of the following grounds:

- (A) Removal of the resident surplus lines licensee's office from this state;
- (B) Removal of the resident surplus lines licensee's office accounts and records from this state during the period during which such accounts and records are required to be maintained under Section 17 of this Act;
- (C) Closing of the surplus lines licensee's office for a period of more than 30 business days, unless permission is granted by the (Commissioner);
- (D) Failure to make and file required reports;
- (E) Failure to transmit required tax on surplus lines premiums;
- (F) Failure to maintain required bond;
- (G) Violation of any provision of this Act; or
- (H) For any other cause for which an insurance license could be denied, revoked, suspended or renewal refused under Sections (insert applicable citation).

Section 22. Actions Against Surplus Lines Insurer — Service of Process.

- (A) A surplus lines insurer may be sued upon any cause of action arising in this state under any surplus lines insurance contract made by it or evidence of insurance issued or delivered by the surplus lines licensee pursuant to the procedure provided in Section (insert applicable section containing Uniform Unauthorized Insurance Process Act). Any such policy issued by the surplus lines licensee shall contain a provision stating the substance of this Section and designating the person to whom the (Commissioner) shall mail process.
- (B) Each surplus lines insurer assuming a surplus lines insurance shall be deemed thereby to have subjected itself to this Act.
- (C) The remedies provided in this Section are in addition to any other methods provided by law for service of process upon insurers.

Section 23. Penalties.

- (A) Any surplus lines licensee who in this state represents or aids a non-admitted insurer in violation of this Act may be found guilty of a misdemeanor and subject to a fine not in excess of \$1,000.00.
- (B) In addition to any other penalty provided for herein or otherwise provided by law, including any suspension, revocation or refusal to renew a license, any person, firm, association or corporation violating any provision of this Act shall be liable to a penalty not exceeding \$1,000 for the first offense, and not exceeding \$2,000 for each succeeding offense.
- (C) The above penalties are not exclusive remedies. Penalties may also be assessed under the ("Trade Practices and Fraud") statute of the insurance code of this state.

Section 24. Separability of Provisions.

If any provisions of this Act, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of the Act and the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

Section 25. Effective Date.

This Act shall take effect (insert appropriate date).

Legislative History (all references are to the Proceedings of the NAIC).

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MODEL SURPLUS LINES LAW

The date in parentheses is the effective date of the legislation or regulation.

NAIC MEMBER	ADOPTED NAIC MODEL	SIMILAR LEGIS./REGS.
Alabama		ALA. CODE §§ 27-10-20 to 27-10-38 (1971).
Alaska		ALASKA STAT. §§ 21.33.130 to 21.33.330 (1968).
Arizona		ARIZ. REV. STAT. ANN. §§ 20-407 to 20-420 (1954 with various amendments).
Arkansas		ARK. STAT. ANN. §§ 66-2908 to 66-2925 (1959).
California		CAL. INS. CODE §§ 1760 to 1780 (1935 with various amendments).
Colorado		COLO. REV. STAT. § 10-5-101 to 10-5-117 (1963).
Connecticut	NO ACTION TO DATE	
Delaware		DEL. CODE ANN. tit. 18, §§ 1901 to 1919 (1953).
D.C.	NO ACTION TO DATE	
Florida		FLA. STAT. §§ 626.913 to 626.937 (1982).
Georgia		GA. CODE §§ 33-5-20 to 33-5-35 (1960).
Guam		GUAM GOV'T. CODE §§ 43260 to 43266 (1966) ("Surplus Line Broker or Agents.")
Hawaii		HAWAII REV. STAT. §§ 431-329 to 431-340 (1955).

NAIC MEMBER	ADOPTED NAIC MODEL	SIMILAR LEGIS./REGS.
Idaho		IDAHO CODE §§ 41-1211 to 41-1232 (1961).
Illinois		ILL. REV. STAT., ch. I.C., §§ 445 to 445.1 (1980) [ILL. ANN. STAT. ch. 73, §§ 1057 to 1057.1 (Smith-Hurd)].
Indiana	NO ACTION TO DATE	
Iowa	NO ACTION TO DATE	
Kansas	NO ACTION TO DATE	
Kentucky		KY. REV. STAT. §§ 304.10-010 to 304.10-201 (1970).
Louisiana		LA. REV. STAT. ANN. §§ 22:1257 to 22:1269 (1966/1983).
Maine		ME. REV. STAT. ANN. tit. 24-A, §§ 2001 to 2019 (1970).
Maryland		MD. ANN. CODE art. 48A, §§ 183 to 199 (1963).
Massachusetts	NO ACTION TO DATE	
Michigan		MICH. COMP. LAWS §§ 500.1901 to 500.1955 (1981).
Minnesota		MINN. STAT. §§ 60A.195 to 60A.209 (1981).
Mississippi	NO ACTION TO DATE	
Missouri		MO. REV. STAT. §§ 384.010 to 384.180 (1977).
Montana		MONT. REV. CODE ANN. §§ 33-2-301 to 33-2-317 (1959/1981).
Nebraska	NO ACTION TO DATE	
Nevada		NEV. REV. STAT. §§ 685A.010 to 685A.220 (1971).
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NAIC MEMBER	ADOPTED NAIC MODEL	SIMILAR LEGIS./REGS.
New Hampshire	NO ACTION TO DATE	
New Jersey		N.J. STAT. ANN. §§ 17:22-6.40 to 17:226.69 (1960).
New Mexico		N.M. STAT. ANN. §§ 59-5-40 to 59-5-56 (1953).
New York	NO ACTION TO DATE	
North Carolina	NO ACTION TO DATE	
North Dakota		N.D. CENT. CODE §§ 26-09.2-01 to 26-09.2-13 (1975).
Ohio	NO ACTION TO DATE	
Oklahoma		OKLA. STAT. tit. 36, §§ 1101 to 1120 (1957).
Oregon	NO ACTION TO DATE	
Pennsylvania		PA. STAT. ANN. tit. 40., §§ 15-101 to 15-116 (1966).
Puerto Rico		P.R. LAWS ANN. tit. 26, §§ 1007 to 1018 (1961 with amendments).
Rhode Island		R.I. GEN. LAWS §§ 27-3-38 to 27-3-42 (1952).
South Carolina	NO ACTION TO DATE	
South Dakota		S.D. CODIFIED LAWS ANN. §§ 58-32-1 to 58-32-54 (1966).
Tennessee		TENN. CODE ANN. §§ 56-14-101 to 56-14-117 (1969).
Texas		TEX. INS. CODE art. 1.14-2 (1979).
Utah		UTAH CODE ANN. §§ 31-15-1 to 31-15-20 (1963).
Vermont		VT. STAT. ANN. tit. 8, §§ 5021 to 5040 (1979).

NAIC MEMBER	ADOPTED NAIC MODEL	SIMILAR LEGIS./REGS.
Virginia		VA. CODE §§ 38.1-327.46 to 38.1-322.61 (1968).
Virgin Islands		V.I. CODE ANN. tit. 22, §§ 651 to 667 (1968).
Washington		WASH. REV. CODE §§ 48.15.040 to 48.15.140 (1955 with amendments).
West Virginia	NO ACTION TO DATE	
Wisconsin		WIS. STAT. § 618.41 (1981).
Wyoming		WYO. STAT. §§ 26-11-101 to 26-11-122 (1983).