
OLR Bill Analysis

SHB 6621 (as amended by House "A")*

AN ACT CONCERNING THE RENEWAL OF SURPLUS LINES INSURANCE POLICIES.

SUMMARY

This bill changes how surplus lines brokers and insureds must document surplus lines insurance policies. In practice, surplus insurance is procured through surplus lines brokers and covers high risk needs that are unavailable in the traditional, licensed (i.e., authorized) market.

By law, the insurance commissioner must maintain, publish, and make available to surplus lines brokers a list of insurance lines that are generally unavailable from licensed insurers. Under current law, whenever an insured procures or renews an insurance line that does not appear on this list, both the insured and the broker must sign a statement (1) indicating that they made diligent efforts to obtain insurance from a licensed insurer and (2) showing specified information about the insurance policy. The bill eliminates this signed statement requirement but maintains the requirements that the insured and the broker first make a diligent effort to obtain the insurance from a licensed insurer and document the specified information.

*House Amendment "A" replaces the underlying bill, which generally exempted brokers and insureds renewing surplus lines policies from the diligent effort requirements in current law.

EFFECTIVE DATE: October 1, 2023

REQUIRED DOCUMENTATION

Under current law, the signed statements must show:

1. that the insured and broker are unable to procure, from licensed

insurers after diligent effort, the full amount of insurance the insured needed to protect his or her interest (under current practice, the insured must receive three declinations from licensed insurers to show coverage is unavailable);

2. the amount of insurance procured from unlicensed insurers was only the excess over the amount they were able to procure from licensed insurers; and
3. the type of policy and, if it is for real property, the property's location.

The bill continues to require brokers and insureds to show this information, presumably, in their documentation.

Current law requires brokers to electronically file these statements with the insurance commissioner quarterly. The bill instead requires brokers to keep (1) all documentation on the broker's and insured's diligent efforts to procure the full amount of insurance from an authorized insurer, and (2) information on each policy placed in the surplus lines market. The documentation and information must be kept as the commissioner prescribes and be made available for his examination upon request.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 11 Nay 1 (03/14/2023)