



## General Bulletin #25 Residual Markets and Surplus Line

To: All Illinois Surplus Line Producers

From: David L. Ocasek

On August 6, 2004, the governor signed Senate Bill 2560 into law (Public Act 93-0876). This bill makes some important changes to the surplus line law. As of August 6, 2004, the following provisions will apply:

1. In general, when making a diligent effort to first obtain coverage from authorized companies, a surplus line producer is not required to submit a risk to any residual market mechanism (like the Auto Plan, FAIR Plan, etc.). An important exception to this is described in 2c.
2. Producers **cannot** obtain coverage from a surplus line insurer that is:
  - a. designed to satisfy any primary insurance requirement in the law, when that law says the insurance must be from an “authorized” insurer (one example would be the primary auto liability coverage required in the Illinois Vehicle Code); or
  - b. primary Workers’ Compensation coverage; or
  - c. a **primary personal lines risk**, when there is residual market coverage available for that risk at the limits requested by the insured.
3. If the *primary* insurance described in 2a, 2b or 2c above is properly placed with an authorized insurer or residual market, surplus line producers *can* obtain coverage on an *excess or umbrella* basis from a surplus line insurer, provided producer has gotten the proper declinations from authorized insurers.
4. A producer can no longer be required to submit a risk to a residual market for a declination when the residual market does not offer the desired coverage or the requested limits.
5. The separate “Notice to Policyholder” requirement for domestic surplus line insurers which until now was a Division of Insurance directive, is now codified in the law. See your procedures manual for more information.

Contact the Association, or visit our website ([www.slai.org](http://www.slai.org)) if you have any questions. You can view the bill in its entirety by visiting the Illinois Legislature website ([www.legis.state.il.us](http://www.legis.state.il.us)).

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