

Q What is surplus line insurance?

A Insurance companies are licensed on a state by state basis in the U.S. For licensed insurers, the states regulate, among other things, the forms of insurance policies, or the rates charged, or both.

The agent or broker is also licensed and when finding a policy for you must attempt to find it with a licensed insurance company. In some cases, however, the licensed insurance companies cannot accept the risk. It may be too big, too unusual or present unique exposures.

At this point a specially licensed agent or broker, called a surplus line producer, gets involved. He or she has a special surplus line license that permits placing a risk with an unlicensed, or surplus line, insurance company. Since the company operates on an unlicensed basis, it is not regulated in the same way as licensed companies. Free from rate and form regulations, it can exercise more flexibility in designing policies. Because of this, it can accept risks, like yours, that licensed companies will not.

Remember, freedom of form does not mean "free reign" — these transactions **are** regulated.

Q Why did my policy have to be written by a surplus line insurance company?

A Surplus line insurance companies are a safety valve, writing policies where the licensed companies cannot. There are a broad range of reasons why licensed companies might decline to write a policy. It may be too big, too unusual or present unique exposures. Your agent or broker will know why your specific policy is surplus line.

Q Where can I get more information?

A Your agent or broker can answer almost any question you might have and is most familiar with your particular insurance needs. For more information, you can visit the Surplus Line Assn. of Illinois website (www.slai.org) or contact us directly (see front page). The Illinois Department of Insurance has a very helpful website:

(<http://www.insurance.illinois.gov>)

and they can also be reached by phone.

The materials and information contained herein are only a synopsis of laws and regulations and do not constitute legal advice. It is recommended that you consult your legal advisers regarding application of state and federal laws and regulations to any particular situation. The Surplus Line Association does not undertake and hereby disclaims any obligation to advise you of any change to laws and regulations or the procedures of the Surplus Line Association.



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Your Illinois "Surplus Line" Insurance Policy

The surplus line insurance company is an insurer that writes policies in Illinois on an unlicensed basis. Since the Illinois Department of Insurance does not regulate unlicensed insurers in the same way as licensed insurers, the surplus line insurer has more freedom to design a policy that can accommodate your special needs.

Although it is not strictly regulated by the Illinois Department of Insurance, it is regulated by the insurance department, or other regulatory body, in the state or country where it is located.

The "Notice to Policyholder" stamped on your policy is simply a reminder that your insurance agent or broker (producer) has found it necessary to place your policy with an unlicensed or "surplus line" insurer. Surplus line insurers are not covered by the Illinois Insurance Guaranty Fund if they should become insolvent. If this insurer were to become insolvent, the fund would not pay any unpaid claims you might have under this policy.

This is why it is important that, in Illinois, the surplus line producer is required to investigate the financial condition of an insurer and determine that it meets state-mandated standards before placing policies with that insurer.

		Acme Insurance Company 1234 Main Street Anytown, MH 54321 (800) 555-1212 A STOCK COMPANY		POLICY NUMBER AIC 12345	
Insured's Name and Address			Agent's Name and Address		
John Q. Public 55 Elm Street Mytown, Illinois 60999			Able Illinois Insurance Agency 44 Elm Street Mytown, Illinois 60999 		
Policy Period	From: 11/1/2003	To: 11/1/2004	Term:	1 Year	
In return for the payment of the premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy. This policy consists of the following coverage parts for which a premium is indicated. Where no premium is shown, there is no coverage. This premium may be subject to adjustment.					
Coverage Part(s)			Premium		
Commercial General Liability			\$ 2,000		
Commercial Property			\$ 850		
Commercial Crime			\$		
Commercial Inland Marine			\$		
Commercial Auto (Business Auto or Truckers) \$			\$		
Commercial Garage			\$		
Professional Liability			\$		
Total Policy Premium			\$ 2,850		
Illinois Surplus Line Tax			\$ 100		
Illinois Fire Marshal Tax			\$ 9		
Association Stamping Fee			\$ 9		
Total Premium, Taxes and Fees			\$ 2,968		
NOTICE TO POLICYHOLDER This contract is issued pursuant to Section 445 of the Illinois Insurance Code, by a company not authorized and licensed to transact business in Illinois and as such is not covered by the Illinois Insurance Guaranty Fund.					
Form(s) and Endorsement(s) made a part of this policy at time of issue:					
AIC GL 0001-IL, AIC CP 4922, AIC EN 298, AIC 2229					
Countersigned: 11/1/2003		By: 			

The Surplus Line Association stamp on your policy shows that the surplus line insurance agent or broker (producer) has filed this policy, as required under the law, for reporting and tax purposes. This information is then reported to the Illinois Department of Insurance, which regulates insurance in Illinois.

By filing the policy with the Association, the surplus line producer is helping protect you, by helping the Illinois Department of Insurance monitor this special type of insurance. In conjunction with the producer, the Department of Insurance ensures that only financially stable, and reputable insurers provide insurance coverage for you.

The surplus line tax, fire marshal tax, and association stamping fee are mandated by law. The surplus line producer collects them from you, and then turns them over to the appropriate party (taxes to the State of Illinois, stamping fee to the Surplus Line Association of Illinois).

There are no exemptions from this tax — even for "tax exempt" or charitable organizations