

APPROVED NON ADMITTED

INSURERS

Colorado maintains a “white list” of approved non admitted companies. Eligibility runs from July 1st until June 30th. Additions or deletions may be made during the year at the discretion of the Commissioner .

Surplus lines insurance may only be placed with an approved non admitted insurer unless the risk involves one of a number of exemptions

- 1) Marine Risks, Railroads, Commercial Aviation, Reinsurance or exposures outside the State of Colorado.

PLACEMENT BASED ON PRICE

Colorado allows for a policy to be placed with an approved non admitted insurer if the quote from the non admitted insurer is at least 10% less than that quoted by the licensed company provided that the coverage under both policies is the same.

The producer should be able to document the comparison between the policies

REPORTING OF TRANSACTIONS

Surplus Lines licensees must report their activity monthly to the Division of Insurance using the Electronic Filing System by the 15th of the next month. An affidavit is required certifying compliance with Colorado statutes.

www.dora.state.co.us/pls/real/slt.logon

FEES ON POLICIES

Colorado allows wholesale intermediaries to charge fees on insurance policies. However the intermediary must advise the agent for the insured that:

“THE COST OF INSURANCE COVERAGE PROVIDED HEREIN INCLUDES A FEE TO A WHOLESALE INTERMEDIARY IN ADDITION TO THE PREMIUM CHARGE”

AUTOMOBILE FINANCIAL RESPONSIBILITY POLICIES

COLORADO ALLOWS APPROVED NON ADMITTED COMPANIES TO WRITE AUTOMOBILE FINANCIAL RESPONSIBILITY POLICIES. HOWEVER WHEN SO DOING THEY MUST COMPLY WITH ALL OF THE REQUIREMENTS OF 10-4-701 ET SEQ INCLUDING 10-4-725 AND ALL OF THE REPORTING REQUIREMENTS INCLUDED IN 10-4-615.

These provisions are not applicable to excess policies.

NOTICES OF POLICY CHANGE

With the exception of medical malpractice and homeowners policies approved non admitted companies are not required to give notice of non renewal, notice of change or notices on cancellation.

SURPLUS LINES ASSOCIATION OF
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**SURPLUS LINES
ASSOCIATION
OF COLORADO**

**SURPLUS LINES
COMPLIANCE**

**AN OVERVIEW
OF STATUTES
AND
REGULATIONS
REGARDING
SURPLUS LINES
INSURANCE**

SURPLUS LINES COMPLIANCE

STATUTORY REFERENCES

Article 5 Non Admitted Insurance

Regulation 2-4-1 (Surplus Lines)

Regulation 1-2-9 (Fees Charged)

10-4-109/109.5 (Medical malpractice
non renewal)

10-4-110.7 (H/O non renewal)

10-4-109.7 (Non renewal)

10-4-110.5 (Premium increase)

10-4-419 (Claims Made Policies)

Regulation 5-1-8 (Claims Made)

IMPORTANT DATES

1) 15th OF EACH MONTH

File monthly report for previous
months transactions.

2) MARCH 1st

Last day to pay taxes for
previous year.

ENDORSEMENTS REQUIRED

Every surplus lines policy and binder must be endorsed with the following disclosure statements. The endorsement should appear on the Declaration page:

Endorsements must show the name or initials of the surplus lines licensee.

“ THIS CONTRACT IS DELIVERED AS A SURPLUS LINE COVERAGE UNDER THE ‘NON ADMITTED INSURANCE ACT’. THE INSURER ISSUING THIS CONTRACT IS NOT LICENSED IN COLORADO BUT IS AN APPROVED NON ADMITTED INSURER. THERE IS NO PROTECTION UNDER THE PROVISION OF THE COLORADO INSURANCE GUARANTY ASSOCIATION ACT”

In the event that the policy, or a portion of the policy, is written on a claims made basis the following disclosure must appear on the Declaration page and binder

THIS POLICY IS A CLAIMS MADE POLICY WHICH PROVIDES LIABILITY COVERAGE ONLY IF A CLAIM IS MADE DURING THE POLICY PERIOD OR ANY APPLICABLE EXTENDED REPORTING PERIOD.

If an automobile policy provides physical damage coverage only the following endorsement shall apply:

THIS POLICY DOES NOT MEET THE STATUTORY REQUIREMENTS OF THIS STATES FINANCIAL RESPONSIBILITY LAWS. IT DOES NOT PROVIDE LIABILITY COVERAGE FOR BODILY INJURY AND PROPERTY DAMAGE.

If a policy is written with a non approved insurer in accordance with the provisions of 10-5-101.5 the following endorsement

THIS POLICY IS ISSUED BY AN INSURANCE COMPANY THAT IS NOT REGULATED BY THE COLORADO DIVISION OF INSURANCE. THE INSURANCE COMPANY MAY NOT PROVIDE CLAIMS SERVICE AND MAY NOT BE SUBJECT TO SERVICE OF PROCESS IN COLORADO. IF THE INSURANCE BECOMES INSOLVENT, INSURED OR CLAIMANTS WILL NOT BE ELIGIBLE FOR PROTECTION UNDER COLORADO INSURANCE LAW

SURPLUS LINES TAXES

Surplus lines taxes are charged at a rate of 3% of premiums plus fees.

Taxes are the responsibility of the licensee and are paid by March 1st of the following year.

Taxes are paid to the Colorado Division of Insurance at the address provided.

DUE DILIGENCE

Colorado statutes require that before a policy be issued by an approved nonadmitted insurer

that the risk be declined by a minimum of three licensed insurers actually insuring that class of business (ie. General Liability, Professional Liability, Property).

However if the insured is defined as an “exempt commercial policyholder” as defined in 10-4-1402 the due diligence requirements are not applicable.

In the event that there are less than three licensed insurers actually insuring that class of business a declination by the lesser number is acceptable .

Colorado requires that the surplus lines producer file an affidavit monthly certifying that all placements were eligible.

Colorado permits the surplus lines producer to rely upon the efforts of the retail producer to perform the due diligence. The Association believes a prudent broker will advise the retailer of this obligation.