



**LOUISIANA
DEPARTMENT OF
INSURANCE**

Rare, Unusual or Exposed Property Surplus Lines Insurance

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Commissioner of Insurance



What is surplus lines insurance?

Surplus lines insurance is an alternative type of property and casualty insurance coverage for consumers who cannot get coverage in the standard market. Standard insurance companies may choose not to write policies for specialty risks or high-risk situations such as homes located in coastal areas, expensive vehicles, liability for older properties, or medical malpractice.

Surplus lines insurers have more freedom and flexibility for accepting risks and designing and pricing their policies. They can tailor a policy to meet a specific risk and typically have higher premiums because they are willing to cover risks that standard insurance companies are not.

Typical properties insured by surplus lines

- Multi-dwelling units, like condos or townhouses
- Mobile homes
- Expensive cars or boats
- Costly art collections
- Extremely old or dangerously exposed homes



Other risks insured by surplus lines:

Surplus lines insurers also typically cover specialty risks such as earthquakes, terrorist acts, taxi cabs, insurance for oil and gas refineries, and special events such as state fairs and football games. Surplus lines insurers also cover professional athletes who insure their bodies and consumers looking to insure the vacant home of a recently deceased relative until after probate or the legal processing of the will.

Who regulates surplus lines insurance companies?

Surplus lines insurers are regulated in the state or country in which their headquarters are located. They may sell insurance in Louisiana once they have met eligibility requirements and registered with the Louisiana Department of Insurance (LDI). Unlike standard insurance companies, surplus lines insurers are not subject to rate and policy review, and there are Louisiana laws that do not apply to them. This allows surplus lines insurers the flexibility needed to provide a market for unique, large or high risks.

What is the official status of surplus lines insurers in Louisiana?

Louisiana surplus lines insurers are classified as either an “approved unauthorized insurer,” which means the LDI determined the company meets eligibility criteria, or an “eligible unauthorized insurer,” which means the LDI has not made this determination and that the surplus lines broker is responsible for doing so. Alternately, companies selling standard property and casualty insurance are considered “authorized/ admitted” because they are licensed and regulated in Louisiana.



Do I have protection in case the surplus lines company goes out of business?

If your surplus lines company becomes insolvent, any open claims you have could go unpaid.

Surplus lines insurers do not participate in and their policies are not covered by the Louisiana Insurance Guaranty Association (LIGA), which pays claims in the event a standard insurance company becomes insolvent.

Is an affidavit required before purchasing surplus lines insurance?

Prior to Act 203 of 2013, an affidavit stating the applicant is not able to obtain authorized personal lines insurance was required before purchasing surplus lines insurance.

Act 203 eliminated the affidavit requirement. Instead, applicants must complete Form 438 to acknowledge that the insurance agent has informed them about surplus lines insurance prior to placing coverage with a surplus lines insurer.

Specifically, with Form 438, the applicant acknowledges the following:

- The insurance may be placed with an approved unauthorized insurer or other eligible unauthorized insurer and in the event of insolvency, losses shall not be paid by LIGA.
- The applicant expressly authorizes the procurement of surplus lines insurance coverage and that the coverage shall be placed through a duly licensed surplus lines agent.



What is the minimum capital and surplus requirement for foreign surplus lines insurers?

With the passage of Act 203 of 2013, Louisiana's financial requirement conforms with the Nonadmitted and Reinsurance Reform Act of 2010. Surplus lines companies must have at least \$15 million in combined capital and surplus to be eligible to do business in Louisiana.

The commissioner of insurance has discretion to approve a surplus lines insurer with a smaller amount of capital and surplus, but at least \$4.5 million is required upon a finding that the insurer is acceptable after considering factors listed in Act 203.

How do I know if a surplus lines insurer is registered with the LDI?

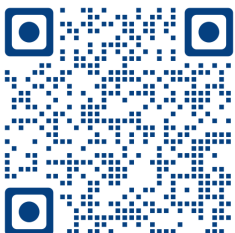
You can perform an active company search for all insurance agents and companies licensed to sell insurance in Louisiana by visiting the www.lidi.la.gov.

How do I purchase surplus lines insurance?

To purchase surplus lines insurance, contact a Louisiana licensed surplus lines insurance agent.

Want more information about surplus lines insurance?

The [National Association of Insurance Commissioners](http://www.naic.org) (NAIC) offers basic information about surplus lines brokers as well as for commercial purchasers and consumers shopping for a policy.



Questions about surplus lines? CONTACT US...

public@ldi.la.gov • 800-259-5300 • Scan QR code for **LDIConnect App**

This public document is produced by the Louisiana Department of Insurance and is available online.