



# MSLAA

MONTANA SURPLUS LINES AGENTS' ASSOCIATION

MAY 2005

## EFFECTIVE JULY 1, 2005 CONTROLLED ACCESS TO THE SURPLUS LINES MARKET WILL INCREASE

The Surplus Lines restrictions in Montana Insurance Code are very well intended to protect Montana insurance consumers from the risk of an insolvent surplus lines insurer. However, these strict statutory restrictions have prevented access to very financially stable markets and reduced consumer choice.

Over the years some consumers have been frustrated by being denied access to the surplus lines market when quotes are received from the admitted market. Insurance producers have been frustrated when they could not provide competitive quotes from the surplus lines markets to clients for consumer consideration. The Montana Insurance Department has received numerous complaints from producers and consumers over the frustration in the competitive market place.

The Montana Insurance Department worked closely with the Montana Surplus Lines Agents' Association, MSLAA, and the Independent Insurance Agents' Association of Montana, IIAM, to draft and propose House Bill 631 in this year's session of the Montana Legislature. HB-631 amends 33-2-302 with a goal of increasing access to the surplus lines market and increasing consumer choice while continuing to insure consumer protection.

HB-631 passed both houses of the Montana Legislature without a negative vote in any committee or on the floor. The bill was signed by the governor and will become law effective July 1, 2005. This bill will allow consumers, with additional information in a form approved by the Montana Insurance Department to receive a quote in a financially "A" rated or better surplus lines company. This will assist consumers to make the decision from a basis of knowledge on their insurance proposals. Only policies of significant premium can qualify with the minimum of at least 10% **and** \$1,500 less premium that has been quoted by the admitted markets. Once these requirements are met the consumer may accept a proposal in the surplus lines market even though the admitted market quoted the risk.

The reason the bill does not become effective until 7/1/05 is because of the time needed to develop the additional information language and the form in which this information will be required to be provided to Montana consumers. The Montana Insurance Department will be working with the MSLAA to accomplish the task of developing the information language and the form in which to provide this information. It will also be necessary for the MSLAA and the Montana Insurance Department to modify the surplus lines filing form to allow for this change to 33-2-302. The filing procedures or the MSLAA stamping office will also require some modification. At the same time, MSLAA is working with the Montana Insurance Department to develop a system that will allow electronic filing of surplus lines business for the future in Montana.

Please watch for further bulletins on this and other important issues from MSLAA. We also encourage you to regularly check [www.MSLAA.org](http://www.MSLAA.org) for important updates and information on the surplus lines procedures and market in Montana.

## Western States Surplus Lines Conference

Don't forget to attend the WSSLC July 24-26, 2005 on Coronado Island in San Diego, California. When you attend, you can expect educational sessions led by experts in the industry aimed at keeping you at the top of your profession. You can also expect to rejuvenate your creative juices through entertaining,

engaging, and inspirational speakers and social events. Come and enjoy the sun, surf and surplus lines on the beaches of the Pacific Ocean in one of the nation's premier resort hotels. For more information visit <http://ws.slacal.org/> .

## Tidbits:

### Updated MSLAA Handbook

Please visit our website and download the most recent MSLAA handbook. This handbook contains all of the recent changes in laws and regulations that every broker needs to know before sending in Surplus Lines submission forms. Knowing the most recent regulations helps you, as a Surplus Lines Producer, feel comfortable that you are in compliance with state requirements for filing Surplus Lines. This manual will be updated with the changes in law as of July 2005.

### Updated Approved Risk List

This has all of the state-approved categories when determining the type of risk used on the Surplus Lines submission forms. If your insured is listed in one of these categories you do not have to do a diligent search.

### List of Surplus Lines Companies Eligible in Montana

This list has all companies that are eligible to do business in Montana for Surplus Lines. No other companies will be accepted when completed forms are submitted to the Surplus Lines Stamping Office.

### FAQ's

- Q: If I have completed a diligent search and prior to writing the policy come to find out that an insurance carrier in the admitted market will write the risk, can I still file with Surplus Lines?**
- A:** No, if the risk will be accepted by any insurance carrier in the admitted market it cannot be filed through surplus lines. ([MCA 33-2-302](#)) (Due to HB-631 July 1 2005 this will change to "Yes" with certain conditions)
- Q: What is an Endorsement / Cancellation coversheet for?**
- A:** That form has to be attached to all audit endorsement, general change endorsements and cancellations that are submitted to the Stamping Office. Almost all endorsements are completely different. This makes our job here more efficient so that we are not searching the document for the required information we just read it directly off of the form. This allows us to get the copy back to you in a more timely manner.
- Q: Where do I go to find Legislative issues that will effect filing Surplus Lines in Montana?**
- A:** There are a few sources but the Independent Insurance Agents Association of Montana website is in our opinion the best. Go to [www.iiamt.org](http://www.iiamt.org) select "Government Affairs" then "Insurance Legislation". This is a very good source, they put out a bi-weekly bulletin during the legislative session with details of the activity dealing directly with Surplus Lines and other important insurance legislation.
- Q: On Part 1, Question 1 on the submission form it says "Give a detailed description why insurance for this risk is unavailable from an authorized insurer" what answers are acceptable for this field?**
- A:** Your answer has to be detailed enough to explain why it was not written. 1 word answers are not acceptable and the submission will be mailed back to the SL Producer to be corrected. If you are the SL Producer and do not see the completed form before it is sent to the stamping office, please make sure that you tell the Producing Producer to be detailed with their answers or it will cost the SL Producer unwanted work to fix the problem. Examples of answers that are not acceptable to the stamping office are available online at <http://www.mslaa.org/rntu.htm> . The list on the website is not every incorrect answer but just a few common ones that we see.

FUTURE ISSUES WILL BE AVAILABLE IN AN ELECTRONIC FORMAT, TO SUBSCRIBE TO THE MSLAA QUARTERLY NEWSLETTER PLEASE VISIT [WWW.MSLAA.ORG](http://WWW.MSLAA.ORG) AND FILL OUT THE SURVEY ON THE HOMEPAGE OR SEND AN EMAIL TO [NSPANO@QWEST.NET](mailto:NSPANO@QWEST.NET) - PUT "[MSLAA NEWSLETTER](#)" IN THE SUBJECT LINE.