

PROGRAM DIVISION BULLETIN

2006-32

September 14, 2006

Alaska Surplus Lines Changes

Effective June 11, 2006, the Alaska Division of Insurance amended Title 3, Chapter 25, of the Alaska Administrative Code regarding surplus lines coverage.

Conditions for Procurement of Surplus Lines Coverage

Insurance may be procured through a surplus lines broker from an eligible nonadmitted insurer only if before binding the producing broker has provided to the surplus lines broker documentation of the following:

- Nonavailability; or
- Documentation that particular policy terms or conditions that are material to the insured cannot be obtained from an insurer that is admitted to do business in the state of Alaska.

Documentation

A producing broker and a surplus lines broker must retain in an insured's file an acceptable form of documentation to establish that the producing broker and the surplus lines broker are in compliance with the conditions of procurement of surplus lines coverage. The following are acceptable forms of documentation:

- Documentation of declinations from admitted insurers;
- Evidence that the full amount, kind, or class of insurance could not be obtained from admitted insurers;
- Affirmation that the coverage is on the Director's current surplus lines placement list; or
- An exception from the Director.

To be an acceptable form of documentation, an oral declination must be documented in writing and include the name, office location, and phone number of the insurer, the name and position of the person contacted, the date of contact, and the reason for the declination. A declination from an insurer for a class of insurance may be cited for other insureds for no more than 180 days.

Notice

The written notice requirement may be satisfied by the surplus lines broker by providing to the producing broker a pre-printed notice that contains the required information, and the

© 2006 American International Group, Inc.
The material contained herein is proprietary to the member companies of American International Group, Inc. and is intended for use only by Program Administrators. Unauthorized disclosure, dissemination, copying, or other use of this material without the expressed written permission of AIG is strictly prohibited.

AIG

PROGRAM DIVISION

100 Summer Street/19th Floor, Boston, MA 02110
phone 617-330-1100 / fax 617-330-8595

producing broker then providing the pre-printed notice to the insured at the time evidence of insurance is required.

A nonadmitted insurer may not issue a notice of cancellation for nonpayment of premium until after the written notice requirement has been satisfied.

Report of Insurance Transactions

A surplus lines broker must include the following information in the report of each surplus lines insurance transaction on a form prescribed by the Director:

- The policy term and the date that coverage was bound;
- Identification of the type of insurance as it is required to be reported in the annual statement that must be filed with the Director by an admitted insurer;
- The gross premiums charged for each type of insurance;
- If the National Association of Insurance Commissioners has not assigned a company number, an identifying number for the company that has been obtained from the Division;
- The name and firm license number issued for the producing broker; and
- The name and firm license number of the surplus lines broker.

Each report of a surplus lines transaction must be signed by the surplus lines broker.

Monthly Premium Report

The monthly premium report summary required of a surplus lines broker must be postmarked or filed electronically when the Division notifies surplus lines brokers that electronic filing is available. The postmark or filing must occur on or before the last working day of each month. The report must include all surplus lines insurance transactions of the previous calendar month for each insurer with which surplus lines coverage was placed. If no transactions took place during the month, the report must be completed with a statement that no transactions occurred during the month being reported and filed on or before the due date. The monthly premium report summary must include, for each insurer with which surplus lines coverage was placed, the following:

- The name of the surplus lines broker;
- The surplus lines broker's license number; and
- The month's total gross premiums written, less any return premium or any exempt premium, and the month's total resulting taxes and fees by the type of identified insurance.

Required Notice of Nonrenewal and Premium Increase

On May 16, 2006, the Alaska Department of Commerce, Division of Insurance, issued Bulletin B 06-10 containing an approved form of the Alaska surplus lines policyholder notice as required under 3 AAC 25.050. On June 20, 2006, the Division issued Amended Bulletin B 06-10 advising insurers that Bulletin B 06-10 contained an error in the policyholder notice and effective June 20, 2006, Bulletin B 06-10 is revoked and replaced with Amended Bulletin B 06-10. The amended bulletin contains the corrected approved form of the surplus lines policyholder notice. Copy of Policyholder Notice attached.

If you have any questions regarding this notice, please contact your Program Manager.

© 2006 American International Group, Inc.
The material contained herein is proprietary to the member companies of American International Group, Inc. and is intended for use only by Program Administrators. Unauthorized disclosure, dissemination, copying, or other use of this material without the expressed written permission of AIG is strictly prohibited.

AIG

PROGRAM DIVISION

100 Summer Street/19th Floor, Boston, MA 02110
phone 617-330-1100 / fax 617-330-8595

ALASKA POLICYHOLDER NOTICE

3 AAC 25.050

This policy is issued by a nonadmitted or surplus lines insurer. Insurance may only be purchased from nonadmitted insurers if the full amount, kind, or class of insurance cannot be obtained from insurers who are admitted to do business in the State of Alaska. Your broker or the surplus lines broker has determined that this was true on the date the policy was placed. Before issuing a renewal policy or extending this policy, remarketing is required. To avoid intentional or unintentional extension of coverage in the surplus lines market when an admitted market for that coverage exists, a nonadmitted insurer is prohibited from the automatic renewal or extension of a policy without remarketing by your broker or the surplus lines broker.

In order to comply with the Alaska Administrative Code, the following notice is given:

You are hereby notified that, under 3 AAC 25.050, your policy will terminate effective no later than the date and time of its expiration. We reserve the right to cancel this policy sooner than the expiration date by giving you notice of cancellation as required in AS 21.36.220. You may request through your broker that a new policy from the surplus lines broker be concurrent with the effective date of the termination of this policy.

You are also notified that a new policy, if issued by us, is subject to ratering, which may result in a premium increase of more than ten percent (10%). As required by 3 AAC 25.050, you are hereby notified that any subsequent policy issued by us may be subject to a ten percent (10%) or more increase in premium. The actual premium will be based upon rates that apply at the time a subsequent policy, if any, is issued and will be made available to you before the effective date of the new policy, or the date subsequent coverage is bound, whichever occurs first.