



To: Surplus Lines Licensees

From: Stephen J. Johnson *SJJ/ceb*
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation

Date: November 18, 2013

RE: Surplus Lines Regulation Amendment

Title 31 Pa. Code, Chapter 124, was amended, effective November 25, 2013. The amendments fall within three categories: (1) editorial amendments; (2) updates necessitated by statutory amendments; and (3) revisions that recognize existing business practices and/or modernize and streamline administrative requirements to the benefit of Pennsylvania's surplus lines licensees. Following is a description of certain changes contained in the rulemaking:

IMPORTANT: As this notice only addresses certain of the provisions of Chapter 124, you should review and familiarize yourself with the chapter in its entirety.

- Section 124.5 was amended to clarify the documentation necessary to deem that a diligent search was made and to set forth the procedure for obtaining and recording declinations from admitted carriers.
- Section 124.6 was amended to revise the procedural filing requirements to accommodate electronic filings consistent with current practices. Specifically, a surplus lines licensee would file a written declaration reporting the transaction involving the placement of coverage which appears on the most recent export list on a form prescribed by the Department.
- Section 124.8 was amended to eliminate the surplus lines licensee bond requirements in accordance with the 2002 Amendments' elimination of the bonding and residency requirements for surplus lines agents.
- Section 124.9 was amended to eliminate the requirements to qualify as an eligible surplus lines insurer as per the 2011 Amendments to section 1605, which were based upon federal law, i.e., the Nonadmitted and Reinsurance Reform Act of 2010 ("NRRA") requirements, which set forth standards for eligibility of nonadmitted insurers.

- Section 124.10 was amended to modify required elements of a foreign and alien insurer's request to be considered for placement on the Department's eligible surplus lines insurer list in accordance with the revisions to section 1605 made by the 2011 Amendments.
- A new section, 124.11, was added to require a surplus lines licensee to file with the Department a written declaration reporting transactions involving exempt commercial purchasers pursuant to the requirements of 40 P.S. §991.1610(a.1), as added by the 2011 Amendments.

The final-form rulemaking was published in the *Pennsylvania Bulletin* at 43 Pa.B. 6345 (October 26, 2013). A copy is available by visiting the web site of the *Pennsylvania Bulletin* (www.pabulletin.com).