

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 FREMONT STREET
SAN FRANCISCO, CA 94105

Bulletin No. 2015- 3
March 19, 2015

TO: All Surplus Line Brokers and Other Interested Persons

SUBJECT: Exempt Commercial Insured

In implementing the nonadmitted insurance provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Insurance Code Section 1760.1(b) defines the term "commercial insured" to include specific dollar amounts for net worth, annual revenues, and annual budgeted expenditures, which are subject to adjustment on January 1, 2015, and each fifth January 1 occurring thereafter. Under these provisions, the specified dollar amounts are adjusted to reflect the percentage change for a five-year period in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor. Insurance Code section 1760.1 (b) (3) (B) requires the Commissioner to issue a bulletin to all surplus line brokers advising of any adjustments, and in so doing the Commissioner may adopt the calculations of the NAIC or other entity.

The NAIC Surplus Lines (C) Task Force, at an open session during the November 2014 NAIC National Meeting, agreed to a method for calculating the adjustments. The NAIC has made the numerical calculations available to the California Department of Insurance ("CDI"). The NAIC Surplus Lines (C) Task Force adopted a standard interpretation of the phrase "such 5-year period" to be the five years beginning September 2009 and ending September 2014. The CDI issues this bulletin to advise all surplus line brokers and other interested parties of its adoption of the NAIC's adjustment calculations.

Wherefore, in determining the applicability of the commercial insured definition, the percentage change calculation and adjusted minimum amounts for the affected categories should be calculated utilizing the percentages and dollar amounts shown below:

Change Calculation

CPI-U September 2009	215.969*
CPI-U September 2014	238.031*

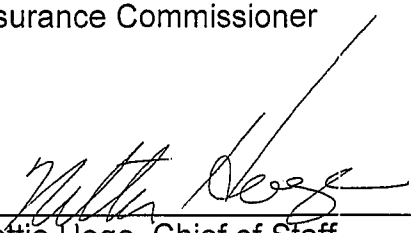
**Source: CPI Detailed Report, October 2014, Table 24: Consumer Price Index for All Urban Consumers*

Adjustment Calculation (238.031-215.969)/215.969
Percentage Change .102 or 10.2%

Category

Previous Minimum	Adjusted Minimum as of 1/1/2015
Net Worth	
\$20,000,000	\$22,040,000
Annual Revenues	
\$50,000,000	\$55,100,000
Annual Budgeted Expenditures	
\$30,000,000	\$33,060,000

DAVE JONES
Insurance Commissioner

By 
Nettie Hoge, Chief of Staff