

DEPARTMENT OF INSURANCE

ADMINISTRATION & LICENSING SERVICES BRANCH
320 CAPITOL MALL
SACRAMENTO, CA 95814
(916) 492-3555 OR (800) 967-9331
(916) 327-6907 (FAX)
www.insurance.ca.gov

**NOTICE (Revised)**

TO: All Surplus Line Brokers and Fire and Casualty Broker-Agents Currently Transacting on Behalf of Surplus Line Broker Organizations

DATE: September 21, 2007

SUBJECT: New Surplus Line Broker License Requirements

Legislative Background

Recent legislation was passed to change California's surplus line broker licensing laws for the purpose of streamlining the licensing process and to become more uniform and reciprocal with other states in regards to non-resident licensing of surplus line brokers. As of January 1, 2008, all individuals currently transacting on behalf of Surplus Line Broker Organizations will be required to be individually licensed as a Surplus Line Broker. This change applies to both California residents and non-residents. Assembly Bill 1639 (Duvall, Chapter 122, Statutes of 2007) became law and will take effect on January 1, 2008. This legislation, in part, makes significant changes to the surplus line broker licensing requirements and fees contained in Sections 1765 and 1765.3 of the California Insurance Code (CIC).

Individuals Most Likely to be Affected

- Those individuals most affected by these changes will be Fire and Casualty Broker-Agents who transact on behalf of a Surplus Line Broker Organization but are not themselves licensed as a Surplus Line Broker.
- Individuals licensed as a Surplus Line Broker but who are not also licensed as a Fire and Casualty Broker-Agent.
- New applicants for a Surplus Line Broker license who are not currently licensed by the California Department of Insurance in any capacity.

Changes

Sections 1765 and 1765.3 of the CIC were amended to make the following changes:

- All individuals transacting surplus lines business in California must hold an individual Surplus Line Broker license. **Effective January 1, 2008**, individuals licensed as a Fire and Casualty Broker-Agent may **not** transact surplus lines business on behalf of a surplus line broker's organizational license, without also holding an individual surplus line broker license;

- Applicants for a Surplus Line Broker license must be currently licensed as a Fire and Casualty Broker-Agent, (license issued by the CDI), to be considered for a Surplus Line Broker license;
- The original application and renewal fees for a surplus line broker license have been reduced from \$1,200 to \$700 per two-year license term;
- The fee for licensed surplus line broker organizations to endorse a licensed individual surplus line broker on their licenses has been reduced from \$336 per license term to a one-time \$24 fee. There will be a new requirement for surplus line broker organizations to notify the CDI when terminating a surplus line broker on their license, which is also a one-time fee of \$24;
- Surplus Line Brokers who are only transacting on behalf of a licensed surplus line broker organization will not be required to file a \$50,000 surplus line broker bond.
- Per Section 1760.5 (b) of the CIC, all of the above changes also apply to special lines' surplus line brokers.

Bond Requirement

As explained above, Surplus Line Brokers who are only transacting on behalf of a licensed surplus line broker organization will not be required to file a \$50,000 surplus line broker bond. However, all other surplus line brokers must still comply with the \$50,000 bond requirement. For instance, if you are a Surplus Line Broker who transacts on behalf of an organization but you also place surplus lines business through your individual license, you are subjected to the bond requirement. In contrast, if you are a Surplus Line Broker transacting only through a surplus line broker organization's license, you are not subject to the bonding requirement.

Instructions

The following instructions will assist individuals not currently licensed as either a Surplus Line Broker or a Fire and Casualty Broker-Agent to obtain the appropriate license(s):

- **If you are currently licensed as a Fire and Casualty Broker-Agent and transact on behalf of a Surplus Line Broker Organization, follow these instructions:**

Step 1: Submit an Individual Application for Insurance License, Form 441-9, and mark the Surplus Line Broker or Special Line Surplus Line Broker box;

Step 2: Include the \$700 license fee with the application;

Step 3: Any Surplus Line Broker Organization for which an individual will be transacting on its behalf will need to submit a surplus line broker endorsement, Form LIC 411-8A. When terminating an individual, Surplus Line Broker Organizations will need to submit a surplus line broker termination, Form LIC 411-8T. The fee for submitting either of these forms is \$24.

*Please note that the CDI will be adding both the surplus line broker application and surplus line broker endorsement/termination forms to its online services available on the CDI Website. These online services should be made available to surplus line broker applicants and organizations during Fall 2007.

- **If you are currently licensed as a Surplus Line Broker, but do not also hold a Fire and Casualty Broker-Agent license, follow these instructions:**

Step 1: Either go to the CDI Website and submit an application through the online application service (FLASH) or submit an Individual Application for Insurance License, Form 441-9. For both methods, mark the Fire and Casualty Broker-Agent box.

Step 2: Include the \$144 license fee with the application

Step 3: Any Surplus Line Broker Organization for which an individual will be transacting on its behalf will need to submit a surplus line broker endorsement, Form LIC 411-8A. When terminating an individual, Surplus Line Broker Organizations will need to submit a surplus line broker termination, Form LIC 411-8T. The fee for submitting either of these forms is \$24.

- **If you are currently not licensed as either a Surplus Line Broker or Fire and Casualty Broker-Agent, follow these instructions:**

Step 1: Complete the prelicensing education requirements for a Fire and Casualty Broker-Agent license;

Step 2: Either go to the CDI Website and submit an application through the online application service (FLASH) or submit an Individual Application for Insurance License, Form 441-9. For both methods, mark the Fire and Casualty Broker-Agent box;

Step 3: Schedule a qualifying examination for a Fire and Casualty Broker-Agent either through the CDI Website or by indicating a requested examination date on the Individual Application for Insurance License, Form 441-9;

Step 4: Include both the \$144 license fee and \$41 examination fee with the application;

Step 5: obtain livescan fingerprint impressions either at a CDI Examination site or by arranging for an appointment with a California Department of Justice approved live scan fingerprint vendor. The cost for the fingerprint impressions is \$65.95 made payable to the fingerprint vendor.

Step 6: Once you have passed the qualifying examination and have been issued a Fire and Casualty Broker-Agent license by the California Department of Insurance, then follow the instructions previously explained for those individuals who are currently licensed as a Fire and Casualty Broker-Agent and transact on behalf of a Surplus Line Broker Organization.

With the large number of Surplus Line Broker applications expected to be received as a result of this legislation, it is prudent to submit your applications early to avoid any lapse in your ability to transact in the surplus lines market. The CDI will accept surplus line broker applications with requested effective dates of January 1, 2008 at any time prior to January 1, 2008. Please write in bold lettering on the application, **“REQUEST JANUARY 1, 2008 EFFECTIVE DATE”** on the application.

Please visit the CDI’s Website at www.insurance.ca.gov for more information regarding these changes and to review the Surplus Line Broker License frequently asked questions Web Page.

Please contact the Producer Licensing Bureau at (800) 967-9331 if you have further questions about the new requirements.