

# MARKET BULLETIN

REF: Y4081

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<b>Title</b>	Amendment to Mandatory California Disclosure Notices
<b>Purpose</b>	This bulletin advises the market of a change to the California Disclosure Notice requirements. Revised California Disclosure Notices are attached.
<b>Type</b>	Event
<b>From</b>	Giles Taylor, Manager, International Regulatory Affairs Contact details: 020 7327 6677 / LITA@Lloyds.com
<b>Date</b>	23 November 2007
<b>Deadline</b>	Revised disclosure notices effective from 1 January 2008
<b>Related links</b>	<a href="http://www.sla-cal.org/publications/bulletins/1100_series/1141.pdf">http://www.sla-cal.org/publications/bulletins/1100_series/1141.pdf</a>

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## Summary

Further to previous market bulletins Y3453 'California Insurance: Mandatory Disclosure Statement' and Y3524 'California Insurance: Mandatory Disclosure Notices – Further Guidance', it must be noted that the mandatory California Disclosure Notices have been reissued, following an announcement by the Surplus Lines Association of California on 30 October 2007. Assembly Bill 522 approved by the Governor on 27 July 2007, eliminated the January 1 2008 sunset date on a provision that allows non-admitted insurers and surplus line brokers to bind immediately homeowners' insurance coverage and obtain the applicant's signed disclosure within five days of binding coverage. As a consequence of this Bill, the statutory disclosure notices were reissued to reflect that the current text of the forms become permanent on 1 January, 2008.

Managing Agents whose syndicates write California surplus lines and exempt insurance should make their underwriters and coverholders aware of this. The revised disclosure notices take effect from 1 January 2008, and should therefore be used for business incepting on or after this date.

## Details

California Assembly Bill (AB) 522, approved on 27 July, 2007, amended sections of the California Surplus Lines Law. A summary of these changes were posted earlier on Crystal on lloyds.com.

As a result of AB522, a non-admitted insurer is permitted to allow for a short-term extension of coverage without a 'diligent search' of admitted insurers being conducted if:

- the risk remains the same
- the insured remains the same
- coverage is provided under the existing surplus lines policy

Such an extension may not exceed 90 days in the aggregate during any 12 month period. The extension may not include a change in coverage, terms, conditions or limits. Any additional premium charged for the extension shall be determined pro-rata based on the same rate of premium as the existing surplus lines policy.

AB522 also amended California Insurance Code § 1764.1 to repeal the sunset clause that appeared in §1764.1(f), which would have taken effect 1 January, 2008. Repealing the sunset clause means that certain 2004 amendments will remain in effect.

As a consequence of AB522, the statutory disclosure notices (D-1 and D-2 forms) have been reissued to reflect that the current text of the forms become permanent on 1 January, 2008.

Following these amendments, the previous California Disclosure Notice wordings, LSW1146a and LSW1147a will be withdrawn on 31 December 2007. They are replaced with LSW1146b (representing D-1) and LSW1147b (representing D-2), which are attached as Appendix 1 and 2.

These revised wordings are effective from 1 January 2008 and should therefore be used for business incepting on or after this date.

This bill also allows non-admitted insurers and surplus line brokers to bind insurance coverage and obtain the applicant's signed disclosure within five days of binding coverage. It also gives applicants notice of the power to cancel the policy within five days. This provision applies to commercial lines coverage, personal insurance and associated umbrella policies.

The California Surplus Lines Association's Bulletin can be found here:  
[http://www.sla-cal.org/publications/bulletins/1100\\_series/1141.pdf](http://www.sla-cal.org/publications/bulletins/1100_series/1141.pdf)

You may wish to refer to Lloyd's market bulletin Y3453 and Y3524, for background information and guidance on when these wordings should be used.

## Queries

Lloyd's International Trading Advice  
Tel: 020 7327 6677  
E-mail: [LITA@lloyds.com](mailto:LITA@lloyds.com)

This bulletin has been sent to active underwriters and the Compliance Officers of Lloyd's brokers and managing agents and for information, to the LMBC and LMA.

The information contained in this market bulletin is provided in order to support managing agents in meeting their commitment 'to protect Lloyd's licences and authorisations to conduct insurance business in the UK and overseas'. The information will also help underwriters decide, prior to binding, how a risk can be underwritten in compliance with Lloyd's trading rights in the country concerned.

Giles Taylor  
Manager, International Regulatory Affairs  
International Market Access

## NOTICE

1. THE INSURANCE POLICY THAT YOU HAVE PURCHASED IS BEING ISSUED BY AN INSURER THAT IS NOT LICENSED BY THE STATE OF CALIFORNIA. THESE COMPANIES ARE CALLED "NONADMITTED" OR "SURPLUS LINE" INSURERS.
2. THE INSURER IS NOT SUBJECT TO THE FINANCIAL SOLVENCY REGULATION AND ENFORCEMENT WHICH APPLIES TO CALIFORNIA LICENSED INSURERS.
3. THE INSURER DOES NOT PARTICIPATE IN ANY OF THE INSURANCE GUARANTEE FUNDS CREATED BY CALIFORNIA LAW. THEREFORE, THESE FUNDS WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR ASSETS IF THE INSURER BECOMES INSOLVENT AND IS UNABLE TO MAKE PAYMENTS AS PROMISED.
4. CALIFORNIA MAINTAINS A LIST OF ELIGIBLE SURPLUS LINE INSURERS APPROVED BY THE INSURANCE COMMISSIONER. ASK YOUR AGENT OR BROKER IF THE INSURER IS ON THAT LIST, OR VIEW THAT LIST AT THE WEB SITE OF THE CALIFORNIA DEPARTMENT OF INSURANCE:  
[WWW.INSURANCE.CA.GOV](http://WWW.INSURANCE.CA.GOV).
5. FOR ADDITIONAL INFORMATION ABOUT THE INSURER YOU SHOULD ASK QUESTIONS OF YOUR INSURANCE AGENT, BROKER, OR "SURPLUS LINE" BROKER OR CONTACT THE CALIFORNIA DEPARTMENT OF INSURANCE, AT THE FOLLOWING TOLL-FREE TELEPHONE NUMBER: 1-800-927-4357.
6. IF YOU, AS THE APPLICANT, REQUIRED THAT THE INSURANCE POLICY YOU HAVE PURCHASED BE BOUND

IMMEDIATELY, EITHER BECAUSE EXISTING COVERAGE WAS GOING TO LAPSE WITHIN TWO BUSINESS DAYS OR BECAUSE YOU WERE REQUIRED TO HAVE COVERAGE WITHIN TWO BUSINESS DAYS, AND YOU DID NOT RECEIVE THIS DISCLOSURE FORM AND A REQUEST FOR YOUR SIGNATURE UNTIL AFTER COVERAGE BECAME EFFECTIVE, YOU HAVE THE RIGHT TO CANCEL THIS POLICY WITHIN FIVE DAYS OF RECEIVING THIS DISCLOSURE. IF YOU CANCEL COVERAGE, THE PREMIUM WILL BE PRORATED AND ANY BROKER FEE CHARGED FOR THIS INSURANCE WILL BE RETURNED TO YOU.

Date: \_\_\_\_\_

Insured: \_\_\_\_\_

11/07  
LSW1146b

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