



Division of Consumer Services  
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**CHIEF FINANCIAL OFFICER**  
**STATE OF FLORIDA**  
 Florida Department of Financial Services

# SURPLUS LINES INSURANCE

## Insuring the Uninsurable



Marie Parks lives in a **home**, built on the **beach** overlooking the Gulf of Mexico.



JoAnn Decker

operates a home **childcare business** in Orlando.



Hector Sanchez owns a **\$200,000 sports car** in Tampa.



**W**hat do all of these Florida residents have in common? They all have insurance needs that may be uninsurable in the standard insurance market. That is where surplus lines insurance can help. Surplus lines insurance companies write policies for high-risk situations that other insurance companies will not cover.

Whether someone needs homeowners insurance for a dangerously exposed home, property and liability coverage for an expensive car or boat, or even liability insurance for a high-risk business, there is a need and a place for surplus lines insurance in Florida.

### What Is Surplus Lines Insurance?

Surplus lines insurance is an alternative type of insurance coverage for consumers who cannot get coverage in the standard or "admitted" market. Standard companies will not write policies for unusual, high-risk situations. This may include extremely old homes located in coastal areas, expensive boats and cars, day-care centers' liability needs, or medical malpractice needs. The surplus lines market also provides coverage for very high risks, such as professional athletes who insure their bodies or consumers looking to insure the vacant home of a recently deceased relative until after probate or the legal processing of the will.

### What Are the Benefits of Surplus Lines Insurance?

Freedom from some regulation, such as filing forms and rates, allows surplus lines companies to tailor a policy to meet a specific risk, as opposed to being confined to the coverages listed on a standard form. This tailor-made fit makes the surplus lines market a viable option for some consumers.

### What Are Some Other Differences With Surplus Lines Insurance?

The Florida Insurance Guaranty Association (FIGA) does not guarantee the claims of surplus lines companies, which means if a company selling surplus lines products goes bankrupt, FIGA will not pay the policyholder's claims. Regulation of the surplus lines insurance industry is maintained through the licensing of surplus lines insurance agents.

Some policies have a minimum earned premium requirement. This means that regardless of the length of time you have the coverage, you will owe the minimum amount. The amount should be noted on your declarations page, the front page of your policy. The cost of surplus lines coverages can be more expensive than those sold in the standard market. There is usually a service fee and premium receipts tax assessed with the premium charged.

Florida Department of Financial Services  
 in conjunction with the  
 Florida Surplus Lines Service Office

**Florida Surplus Lines Service Office**

"Serving Florida's Surplus Lines Community"

## Service Fees and Taxes

The service fees and taxes are collected by the Florida Surplus Lines Service Office (FSLSO). FSLSO is a self-regulating, not-for-profit organization, created by the Florida Legislature to oversee the surplus lines industry in this state. The law requires the FSLSO to enhance insurance availability to consumers, provide advice and counsel for the benefit of consumers, agents, companies and government agencies, and to protect the revenues of this state.

Currently, a service fee of 0.1 percent is applicable for all surplus lines policies with an effective date after April 1, 2007 to be collected by the agent at the time the policy is purchased. The service fee should be shown separately on the declaration page. The agent forwards the fee to the surplus lines agent. The surplus lines agent is required to send all collected fees to the FSLSO on or before the 45th day following the end of the quarter.

In addition to the service fee, a premium receipts tax of 5 percent is also assessed on the premium charged for surplus lines coverage. (If the premium were \$1,000, the receipts tax would be \$50.) Your agent is required to collect this amount, along with the premium at the time of delivery of the policy. This tax must be presented as a separate charge on the declarations page, and may not be waived or paid by your agent. This tax is then paid to the Florida Department of Financial Services.

Most surplus lines policies also include a nonrefundable policy fee. This fee helps to cover the administrative cost of the policy.

## Applicable Assessments

In 2002, the Florida Legislature passed a law establishing the Citizens Property Insurance Corporation (Citizens). Citizens provides insurance to, and serves the needs of, homeowners in high-risk areas and others who cannot find coverage in the standard voluntary insurance market. Citizens may impact the insurance industry by charging an assessment (fee) to financially recover from an operational deficit. Assessment charges and time periods are determined by Citizens. This would impact both the admitted and nonadmitted insurance markets. FSLSO has the responsibility for collecting any assessments, levied by Citizens, on surplus lines transactions.

Florida law also provides the Florida Hurricane Catastrophe (CAT) Fund with the ability to assess surplus lines policyholders to pay emergency assessments in the event the CAT Fund board determines a deficit exists. FSLSO is responsible for identifying surplus lines premiums subject to the assessments, as well as verifying and collecting such assessments through the surplus lines agents.

## Penalty Fees

Surplus lines policies may vary from those of the standard market. Carefully read the terms and agreements of your

policy upon receipt. You are not provided a “free look period;” therefore, your policy is binding at the time indicated on your application receipt and/or policy. If you should cancel your policy before the expiration date, you could be charged a penalty fee of up to 25 percent of your premium.

## How Do I Purchase Surplus Lines Insurance?

Surplus lines coverage is sold by licensed surplus lines agents. The Department of Financial Services issues licenses to general lines agents to become surplus lines agents after they have completed training and passed the required examinations. You may call the Department's Consumer Helpline toll-free at 1-800-342-2762 to verify whether a particular agent is licensed to sell surplus lines insurance in Florida.

General lines insurance agents who become surplus lines agents automatically become members of the FSLSO. The general lines agent, who is not a surplus lines agent and cannot obtain coverage for a consumer in the standard market, can locate a Florida surplus lines agent to find the coverage the consumer needs. Once coverage has been purchased, the surplus lines agent will issue a receipt or a binder, beginning coverage immediately. Please note, however, before choosing a surplus lines company as an option, the law requires the agent to first receive three rejections from licensed insurers in the standard market.

After the sales transaction, the policy information is provided by surplus lines agents to the FSLSO, which then prepares activity reports for review by the Department of Financial Services.

## Purchasing a Policy Without a Florida Licensed Surplus Lines Agent.

When there is no Florida agent involved in an insurance transaction, and the policyholders or their representatives purchase coverage from unauthorized insurers, this is called Independently Procured Coverage, or IPC. In IPC transactions, the policyholders or their representatives must report the premium to the FSLSO so that they can pay the appropriate premium receipts tax, service fee and assessments.

Policyholders or their representatives must report premium

via a secure web portal at [www.FSLSO.com](http://www.FSLSO.com). Users will be required to register to create a customer account and login to file the policy data. Once an IPC transaction is submitted, taxes, fees, and other assessments are invoiced and should be made payable to each respective entity.

Policyholders whose information is not filed or filed incorrectly may be subject to civil action by the Florida Department of Financial Services and may have to pay interest on any past due amounts.

## How Do I File a Claim?

Make sure your agent is listed on the declarations page of your policy. You may contact your agent directly to file a claim. If you are unable to contact your agent, contact your company. If you cannot contact either, call the FSLSO. It will assist you in contacting the surplus lines agent. If your company is located outside of the country (an alien company), the FSLSO will assist you in contacting an agent or the company.

If you have difficulty getting your claim resolved, contact the Florida Department of Financial Services Consumer Helpline toll-free at 1-800-342-2762 for assistance.

## Your Rights and Responsibilities When Buying Surplus Lines Insurance

When you buy surplus lines insurance you have certain rights and responsibilities. You are responsible for evaluating your needs and making sure the insurance company and policy you choose can meet those needs.

*You are responsible* for verifying licenses. To verify the license of a surplus lines agent, general lines agent or company, call the Florida Department of Financial Services Consumer Helpline at 1-800-342-2762.

*You have the right* to a fair quote for coverage, and to a refund if your agent quoted your premium incorrectly and you paid too much for your policy. You are responsible, however, for paying any additional premium amount if your agent quoted your premium too low and you still want to continue your coverage

*You are responsible* for ensuring the accuracy and completeness of information on your application, and for not signing any blank, incomplete or inaccurate forms. In addition, you have the right to receive copies of all forms and applications signed by you or your agent.

*You are responsible* for getting a receipt of proof of coverage from the agent once you sign the application and pay for coverage.

*You have the right* to a proper and timely investigation of your claim.

## Termination of Coverage

There are various reasons why a company may refuse to renew or cancel a policy. There is also a process a company must follow if a policy is being canceled or nonrenewed. The provisions a company must follow are listed below:

### Notice of Nonrenewal

If the company issuing a surplus lines policy decides not to renew that policy, it must notify the consumer in writing at least 45 days before the policy expires. The notice must state the reason(s) why the policy is not being renewed.

### Notice of Cancellation

If the company cancels or terminates the policy within the first 90 days the policy is in force, for any reason other than nonpayment of premium, the company must provide the consumer with 20 days written notice.

However, if the reason for termination is nonpayment of premium, the company must provide only 10 days written notice of cancellation.

If false information is provided on an application, or the consumer fails to comply with the company's underwriting requirements, no notice of cancellation is required. The policy may be canceled immediately.

Failure of a financial institution to honor a check or payment may void the contract and all contractual obligations ab initio (from the start).

If you have questions about a company or agent providing surplus lines insurance, call the Florida DFS Consumer Helpline at 1-800-342-2762, or visit the FSLSO Web site at [www.FSLSO.com](http://www.FSLSO.com).

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