



THE STATE
of **ALASKA**

GOVERNOR BILL WALKER

Department of Commerce, Community,
and Economic Development

DIVISION OF INSURANCE

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BULLETIN B 15-10

TO: LICENSEES IN THE STATE OF ALASKA AND OTHER INTERESTED PARTIES

RE: DILIGENT SEARCH REQUIREMENTS FOR PLACING BUSINESS WITH A SURPLUS LINES BROKER

Inaccurate documentation from producing brokers has been noted in premium tax audits conducted on surplus lines brokers. The Alaska Division of Insurance is issuing this bulletin to provide additional guidance to the insurance industry on the diligent search efforts and subsequent documentation requirements for producing brokers to provide to surplus lines brokers.

Alaska Statute (AS) 21.34.020 and 3 Alaska Administrative Code (AAC) 25.010 requires a producing broker, prior to procuring insurance through a surplus lines broker, to conduct and document a diligent search among admitted insurers in this state who are actually writing the particular kind or class of insurance required by the client. AS 21.34.900 defines a "producing broker" to mean "the insurance producer or surplus lines broker licensed under AS 21.27 dealing directly with the client seeking insurance." 3 AAC 25.035 sets out acceptable forms of documentation necessary to establish that the producing broker and the surplus lines broker have complied with the requirements of AS 21.34.020 and 3 AAC 25.010(a).

It is the producing broker's responsibility to provide adequate documentation to surplus lines brokers. It is a disservice to the insured should the diligent search not be performed and documented adequately.

Common errors that must be discontinued immediately include:

- Using declinations from an admitted company that is not writing the particular kind or class of insurance required by the client.
- Not identifying the class of business or type of risk and line of coverage when using the surplus lines placement list.
- Incomplete documentation provided to the surplus lines broker.
- Written documentation for declinations from admitted insurers that does not include all of the following:
 - Name of insurance company (not insurance group, agency or managing general agent)
 - Business location

- Phone number
- Name and position of the person contacted
- Date of contact
- Adequate reason for the declination; some examples of inadequate declination reasons are
 - 1) “does not write homeowners insurance,” when the policy being placed is a homeowners policy, and 2) “class of business.”


The Alaska Division of Insurance will contact the producing broker if the division determines there is insufficient or inaccurate documentation. Failure to comply with Alaska statutes and regulations may be cause for administrative action.

A revised Affidavit of Due Diligence form, which is not a required form but may be used, is located on the web at:

<https://www.commerce.alaska.gov/web/ins/SurplusLines/BrokersPremiumReportForms.aspx>

If you have any questions regarding this bulletin, please contact Rebecca Nesheim at (907) 465-2584 or rebecca.nesheim@alaska.gov.

Dated October 28th, 2015



Lori Wing-Heier
Director