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TO: Fiona Wilmarth, Analyst
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FAX #: 717-783-2664

FROM: Peter J. Salvatore
Regulatory Coordinator

RECEIVED
 2000 FEB 15 AM 8:45
 INDEPENDENT REGULATORY
 REVIEW COMMISSION

MESSAGE:

Attached is a fax that was received late last night. I will contact the author and inform him that the regulation is in the final stages and not proposed as indicated.

I also wanted to share this with you prior to the embargo period.

If you have any questions or concerns regarding this matter, please call me.

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National Association of Professional Surplus Lines Offices, Ltd.
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Richard M. Bouhan
Executive Director

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February 14, 2000

Mr. Peter J. Salvatore
Regulatory Coordinator
Office of Special Projects
1326 Strawberry Square
Harrisburg, Pennsylvania 17120

Re: Surplus Lines Regulation -- Comments

Dear Mr. Salvatore:

The following are comments submitted by the National Association of Professional Surplus Lines Offices (NAPSLO) to the proposed adoption of Pennsylvania Insurance Department Regulation Chapter 124 dealing with surplus lines insurance.

NAPSLO is a national organization of over 475 wholesale surplus lines agents/brokers and nearly 100 non-admitted companies that provide coverage through licensed surplus lines brokers. Thirty-one Pennsylvania licensed wholesale surplus lines agent/brokerage firms are members of NAPSLO.

In 1998, the Pennsylvania Legislature enacted P.J. 1108, No. 150 which, in part, eliminated "large commercial risks" from rate and form filing and approval requirements. A large commercial risk is defined "as a risk of a commercial entity, that is not a personal risk, whose annual property and casualty premiums on all policies, excluding workers' compensation, total at least twenty-five thousand dollars (\$25,000) or has at least twenty-five (25) full time employees at the time the policy is written or renewed, and for which the entity uses an employee acting as an insurance manager or buyer or a retained qualified insurance consultant or risk manager provided the insurance is procured in accordance with the laws of this Commonwealth."

The purpose of this legislation is to allow "large commercial risks" the opportunity to secure their insurance from an insurance market of enhanced competition and to obtain their coverage in a more efficient manner without the burden, delay and cost involved in fulfilling the rate and form filing and approval requirements of the insurance code. Moreover, this commercial lines deregulation legislation is designed to "free-up" scarce departmental resources for deployment in other regulatory priorities having greater consumer impact than an expenditure of effort directed at approving rates and forms for large commercial insurance purchasers.

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Mr. Peter J. Salvatore
February 14, 2000
Page -2

NAPSLO believes that if the legislative mandate to provide large commercial risks with easier or unfettered access to competitive markets is to be fulfilled, this regulation, governing surplus lines placements, should be consistent with the provisions of Public Law 1108, No. 150. Such a change would provide commercial entities insuring "large insurance risks" with equal access to both admitted and surplus lines markets.

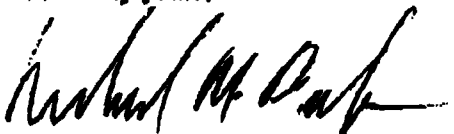
NAPSLO, therefore, suggests that the following changes be made in the regulation.

First, section 124.6 of the proposed regulation be amended by adding a provision placing "large commercial risks" on the export list. This would allow surplus lines brokers to place coverage for "large commercial risks" directly with approved or eligible surplus lines carriers without a "diligent search" or the necessity of obtaining declinations. This would give "large commercial risks" equal access to both admitted and non-admitted markets. An alternative approach would be to waive the "diligent search" requirement contained in section 124.5 of the proposed regulation for "large commercial risks."

Secondly, section 124.7 of the proposed regulation should be amended to eliminate the requirement that any "unique form of coverage not available in the admitted market" be filed with the department if the coverage is procured by a surplus lines licensee for a "large commercial risk." Since form filing is no longer required for "large commercial risks" securing coverage from admitted carriers, it should not be necessary for surplus lines carriers insuring similar deregulated risks.

These changes in the proposed regulation would make the regulation consistent with the commercial lines deregulation legislation enacted in 1998 and fulfill the legislative mandate to provide "large commercial risks" with efficient access to a broad range of deregulated commercial insurance markets.

Sincerely yours,



Richard M. Bouhan
Executive Director
and General Counsel