

## **SURPLUS LINES INSURANCE IN COLORADO**

**A consumer guide and answers to  
common questions.**

### **What is “surplus lines insurance” ?**

Surplus Lines Insurance is not a new type of insurance even though it may not be familiar to you. It is a type of insurance that protects unusual risks or exposures that the traditional “licensed insurer” will not insure. In Colorado you can legitimately purchase insurance from either “licensed insurance companies” or “approved surplus lines insurers”.

Licensed insurance companies are regulated by the Colorado Division of Insurance and must provide premium rate information and certify compliance for the policy forms they use. Approved surplus lines insurers must secure approval from the Colorado Division of Insurance but do not have to get approval for premiums or policy forms.

Surplus lines insurance can only be procured by Insurance Producers who have been approved by the Colorado Division of Insurance for this type of business. They are called Surplus Lines Brokers.

### **Why is my insurance provided by an approved surplus lines insurer?**

After extensive inquiries to the licensed insurers that your agent represents, it has been determined that the coverage that you require is unavailable from a licensed insurer. The reasons that the licensed insurer will not accept you is that you might present a higher risk than they are willing to take or you have had claims in the past.

### **Does the Guaranty Fund protect my surplus Lines policy?**

**NO.** Colorado has a provision that if a licensed insurance company becomes insolvent, policyholders will be able to recover a portion or all of any loss up to a specified amount. This is called the Guaranty Fund.  
In the unlikely event of an insolvency an approved surplus lines insurer there is *NO* recourse from the Guaranty Fund.

### **Should I be concerned about the solvency of my surplus lines insurer?**

A M Best, a nationally recognized analyst company, has determined that financial failures are no greater in surplus lines insurers than licensed insurers. In addition Colorado statutes mandate that the Colorado Division of Insurance monitors certain minimum financial requirements for surplus lines insurers writing insurance in Colorado. Surplus lines insurers must apply annually to Colorado for approval to transact insurance. In addition, your agent will be able to provide you with a number of financial “ratings” that have been assigned to a particular surplus lines insurer. These ratings will reflect the size and proficiency of the insurer.

**Is a surplus lines insurer required to give Notice of Non Renewal, Cancellation or of Changes in Premium or other policy terms?**

**NO.** Surplus lines insurers are not subject to Colorado statutes which require these notices.

The Colorado legislature recognized that surplus lines insurers accept more hazardous risks than licensed insurers. Because of this they are exempt from these provisions.

Your insurance agent should be in contact with the representative of the surplus line insurer to make sure that your interests are fully protected.

As with any other legal document it is important that you read and understand any insurance policy.

**Is the “surplus lines tax” that I pay in addition to other premium taxes?**

**NO.** Licensed insurance companies include premium taxes in the premiums they charge . Since surplus lines insurers do not get approval for premiums they charge they are required to show the tax separately. In addition to the tax, there is an additional fee charged called the “stamping fee”. Both the surplus lines tax and the stamping fee are governed by the Division of Insurance. Surplus lines brokers are also permitted by statute to charge additional fees.

**Where can I get additional information about surplus lines insurance?**

The Surplus Lines Association of Colorado is a non profit organization that will respond to questions about surplus lines insurance. While they cannot provide specific advice on your particular policy, they can provide background data and offer assistance to Colorado consumers. Their phone # is **303-331-9399.**

The Colorado Division of Insurance maintain a website that contains a list of the Approved Surplus Lines Insurers in Colorado. The web address is **[www.dora.state.co.us/insurance/.](http://www.dora.state.co.us/insurance/)**

The Colorado Division of Insurance will investigate complaints against surplus lines insurers.

*Produced by the Surplus Lines Association of Colorado in cooperation with the Colorado Division of Insurance.*

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## A CONSUMER GUIDE