



THE SURPLUS LINE ASSOCIATION OF OREGON

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SB985

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INTRO

Hello, my name is Roger Helbling. I am the executive director of the Surplus Line Association of Oregon. We assist the Insurance Division in regulating and collecting taxes on surplus lines business. We encourage the proper use of the surplus lines market by the Association members and help foster cooperation and fair dealing with admitted insurance carriers, producers, Association members, and the public.

The Surplus Line Association was originally formed in 1939. It is a non-profit corporation with a membership over 115 surplus lines producers. In 2016 we processed over 53,000 filings representing nearly \$330 million in premium, and helped the state collect over \$7½ million in taxes.

Surplus lines functions as a complement to the standard or admitted market. It provides coverage options when the standard market cannot or will not underwrite the risk or coverage needed. Typical risks that are written in the surplus lines market are vacant buildings, senior & daycare facilities, roofing contractors, bars & taverns, logging & lumbering, and most marijuana business. Typical coverage includes environmental liability, earthquake and flood and Lloyds of London is the largest surplus lines insurer in Oregon. The surplus lines market has been the innovator for new and emerging risks like employment practices liability and cyber risks.

SB985

Our surplus lines market is regulated by the State of Oregon. Every state has rules and regulations within its insurance code that are specifically written to govern surplus lines insurance. They are subject to all of the same rigorous rules and regulations, and must comply with all financial solvency requirements, market conduct standards and regulations of their state or jurisdiction of domicile.

Oregon, like most states requires a “diligent search”. A diligent search requires an agent to seek coverage from admitted insurance carriers and verify they were declined by that market before they may seek coverage from the surplus lines market through a licensed surplus lines broker.

The American Insurance Association and its members have proposed SB985 to streamline and gain efficiencies. Filing rates and forms and gaining Insurance Division approval is expensive, burdensome and may not add value and protection, they add costs. The same is true with the diligent search that is required of the surplus lines producer. **That is why legislators from all over the country added the exemption for diligent search for commercial insureds in the NCOIL Insurance Modernization Act.**

NCOIL is The National Conference of Insurance Legislators. It is a legislative organization comprised principally of legislators serving on state insurance and financial institution committees. NCOIL writes model laws in insurance and works to preserve state jurisdiction over insurance. Oregon is a member of NCOIL.

The Surplus Line Association and its members support efficiencies and modernization. That is why we support SB985 *but* with a diligent search exemption similar to NCOIL. States like VA, MS, and PA have either repealed the diligent search altogether or made exemptions for commercial insureds. If a commercial insured is sophisticated enough to purchase insurance from an admitted insurer without state oversight of rate & form, the same can be said for purchasing surplus lines insurance from a non-admitted insurer without a diligent search. We support similar modernization for surplus lines in Oregon.

CONCLUSION

During my insurance career, I have been an underwriter with an admitted insurer, a managing general agent, a producer with a large insurance broker, and for the last four years, executive director of the Surplus Line Association. I held an OR surplus lines producer license for over 30 years and non-resident surplus lines licenses in 15 states. This experience gives me valuable perspective on SB985. We continue to have discussions with AIA and the Insurance Division and look forward to continuing those conversations. I am available if you want to discuss further or have any questions. Thank you.

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Proposed Modification to SB985

To be located between sections (5) and (6) and reads – “A surplus lines broker seeking to obtain or provide insurance coverage in any of the classes of insurance listed in Section 2(a) may purchase insurance from any eligible nonadmitted insurer without making a diligent search of admitted insurers as required by O.R.S. § 735.410(1)(b)”.