An Act

ENROLLED SENATE
BILL NO. 1873

By: Sparks of the Senate

and

Blackwell of the House

An Act relating to surplus lines insurance; amending 36 O.S. 2011, Section 1106, as last amended by Section 2, Chapter 365, O.S.L. 2012 (36 O.S. Supp. 2013, Section 1106), which relates to surplus lines insurers; modifying certain requirements permitting procurement of insurance through surplus lines brokers; amending 36 O.S. 2011, Section 1109, as amended by Section 12, Chapter 45, O.S.L. 2012 (36 O.S. Supp. 2013, Section 1109), which relates to notice of limitation of coverage; authorizing Commissioner to promulgate rules to establish additional disclosure requirements; and declaring an emergency.

SUBJECT: Surplus lines insurers

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 36 O.S. 2011, Section 1106, as last amended by Section 2, Chapter 365, O.S.L. 2012 (36 O.S. Supp. 2013, Section 1106), is amended to read as follows:

Section 1106. If insurance required to protect the interest of the insured for the amount of insurance, coverage terms and solvency requirements of the insured cannot be procured from admitted insurers after ~~direct~~ inquiry ~~to authorized insurers~~ in the market available to the insurance producer, then insurance may be procured from surplus lines insurers subject to the following conditions:

1. The surplus lines insurer shall meet the requirements of the Unauthorized Insurers and Surplus Lines Insurance Act and the following conditions:

a. the insurer has capital and surplus or its equivalent under the laws of its domiciliary jurisdiction which equals the greater of:

(1) the minimum capital and surplus requirements under the laws of this state for nonadmitted insurers, or

(2) Fifteen Million Dollars ($15,000,000.00),

b. the requirements of subparagraph a of this paragraph may be satisfied by an insurer's possessing less than the minimum capital and surplus upon an affirmative finding of acceptability by the Insurance Commissioner. The finding shall be based upon such factors as quality of management, capital and surplus of any parent company, company underwriting profit and investment income trends, market availability and company record and reputation within the industry. In no event shall the Insurance Commissioner make an affirmative finding of acceptability when the nonadmitted insurer's capital and surplus is less than Four Million Five Hundred Thousand Dollars ($4,500,000.00), and

c. the insurer, if an alien insurer, is listed on the National Association of Insurance Commissioners Nonadmitted Insurers Quarterly Listing; and

2. The insurance shall be procured through a licensed surplus lines licensee or broker licensed in the insurer's home state. An Oklahoma surplus lines license is required only where Oklahoma is the home state of the insurer.

For the purposes of carrying out the provisions of the Nonadmitted and Reinsurance Reform Act of 2010, the Insurance Commissioner is authorized to utilize the national insurance

producer database of the National Association of Insurance Commissioners, or any other equivalent uniform national database, for the licensure of an individual or entity as a surplus lines licensee or broker and for renewal of such license.

SECTION 2. AMENDATORY 36 O.S. 2011, Section 1109, as amended by Section 12, Chapter 45, O.S.L. 2012 (36 O.S. Supp. 2013, Section 1109), is amended to read as follows:

Section 1109. A. Insurance contracts procured as surplus line coverage from surplus lines insurers in accordance with this article shall be fully valid and enforceable as to all parties, and shall be given recognition in all matters and respects to the same effect as like contracts issued by admitted insurers.

B. Insurance contracts procured as surplus line coverage shall contain in bold-face type notification stamped by the surplus lines licensee or broker or surplus lines insurer on the declaration page of the policy that the contracts are not subject to the protection of any guaranty association in the event of liquidation or receivership of the surplus lines insurer. <u>The Commissioner is hereby authorized to promulgate rules to establish further disclosure requirements for the purpose of protecting consumers of surplus line coverage.</u>

SECTION 3. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the Senate the 20th day of May, 2014.

Presiding Officer of the Senate

Passed the House of Representatives the 21st day of May, 2014.

Presiding Officer of the House
of Representatives

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this 22nd

day of May, 20 14, at 2:53 o'clock P M.

By: Audrey Rockwell

Approved by the Governor of the State of Oklahoma this 3rd

day of June, 20 14, at 11:08 o'clock A M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this 3rd

day of June, 20 14, at 1:38 o'clock P. M.

By: Chris Benge