Understanding New Jersey surpl[illegible]

What is a surplus-lines policy?

It is a policy written by an insurance company that is not authorized (not licensed) in the state of New Jersey. A surplus-lines policy from an unauthorized company may be legally written through surplus-lines producers, when the insurer is deemed to be an eligible surplus-lines insurer. This means the insurer has met the standards for financial integrity and other standards of New Jersey law. Eligible surplus-lines insurers hold a certificate of eligibility issued by the Department of Banking and Insurance and are included on the department's eligible surplus-lines insurer list (also known as the "white list").

Is a surplus-lines company less safe than other companies?

Not at all. A surplus-line[illegible] more likely to become ins[illegible]han a[illegible] authorized company. The d[illegible] is tha[illegible] the DOBI is not monitoring [illegible] company' [illegible]ecords o[illegible] basis, [illegible]tain qualifyi[illegible]ds mu[illegible]aintained [illegible]in o[illegible] o[illegible]thorize[illegible]pan[illegible] n[illegible]nce N[illegible]

For your protection, sig[illegible] overs[illegible]t is achieved thro[illegible]is. Regulators in the juris[illegible] the company is domiciled examine the company's financial records, as well as vario[illegible] independent rating agencies, such as A.M. Best.

Isn't there a state fund to protect policyholders from company insolvenci[illegible]

There is protection under New Jersey's guaranty funds for the insolv[illegible] insurance companies that [illegible] in New Jersey. Howeve[illegible] exceptions, surplus-l[illegible]icies are [illegible] covered by any sta[illegible] fund[illegible] medical malpractice [illegible]and property in[illegible]ce cove[illegible]ccupied dwellin[illegible] four [illegible] are co[illegible] Jersey [illegible] Lines G[illegible]is is a s[illegible] distinctio[illegible] insured [illegible]plus-li[illegible]pan[illegible] lack of [illegible] pr[illegible] mu[illegible]sidered [illegible]rchase d[illegible]cision. [illegible] with a financially [illegible]urplus-[illegible]rance company [illegible]re prudent tha[illegible]lacement with an a[illegible] insurance company that is financia[illegible]aired.

[illegible] would my insurance prod[illegible]er offer me a surplus-li[illegible]s policy?

[illegible]here are several reasons why it may be necessary to look for coverage in the surplus-lines market. First, the risk of loss may be too great for acceptance by regular markets. Second, the risk may be too little understood by regular markets to select and price the risk appropriately. Third, there may be no other way to access an exclusive program for a particular type of risk.

Nevertheless, p[illegible] the surplus-lines m[illegible] considered a last reso[illegible]uthorized insurance compan[illegible]hav[illegible]ot been able [illegible]atisfy your i[illegible] needs. Before [illegible]ent c[illegible]ue with a surplus-[illegible]ligent effort to place [illegible]uthorized companies usu[illegible]e required, unless the type of risk [illegible]one that has been placed on the department's "exportable list"—a list of risks assumed to be difficult to place with authorized companies.

What should I know about forms and rates used by a surplus-lines company?

Effective Sept. 1, 2003, policy forms used by a surplus-lines company no longer are regulated by the DOBI. These policy forms can deviate significantly from standard forms, which means they must be read carefully, especially the exclusions. Rates generally cannot be lower than the lowest rate filed by any authorized insurance company. Otherwise, a surplus-lines company does not need DOBI approval for its rates, except that rates are not permissible if they are deemed to be excessive, inadequate or unfairly discriminatory.

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What about adherence to cancellation and nonrenewal laws?

Unlike the authorized companies, surplus-lines insurance companies are not subject to New Jersey cancellation and nonrenewal laws. Consequently, the terms for canceling and nonrenewing the policy must be found in the policy itself. For example, before coverage is bound by the insurance company, you should determine what the minimum-earned premium will be if the policy is canceled a short time later.

Why [illegible]eing [illegible] for a[illegible] state t[illegible] on my p[illegible]

The 5 percent s[illegible] see on your bill se[illegible]ate for the franchise tax th[illegible]u have been collected fro[illegible]he i[illegible]urer were it [illegible]horized in N[illegible]y.