

GAP EXEMPTION PLACEMENT CONDITIONS/REQUIREMENTS (California Insurance Code Section 1765.1(k))

Placement Conditions:

1. Multiple insurers are needed to obtain coverage for 100% of the risk.
2. Eighty per cent (80%) of the risk is placed with listed or admitted insurers.
3. Unlisted insurers do not represent a disproportionate portion of the lower layers of coverage.
4. Within thirty (30) days of placement, and annually thereafter, the placing broker must submit to the Commissioner copies of all documentation that the broker relied upon to determine that the financial stability, reputation and integrity of the company was adequate to safeguard the interest of the insured. The documentation should be sent to the California Department of Insurance at the following address:

Department of Insurance
Attn: Surplus Lines Enforcement Unit
(Gap Exemption)
300 Capitol Mall, 16th Floor
Sacramento, CA 95814

Requirements For The Insured:

1. The insured must be a sophisticated insurance purchaser.
2. The insured must have annual aggregate insurance premiums, excluding workers compensation and health insurance, totalling at least \$100,000.
3. The insured cannot be a multiple employer welfare arrangement as defined in 1002 (40) (A) of Title 29 of the United States Code, or any other arrangement among two or more employers that are not under common ownership or control, which is established or maintained for the primary purpose of providing insurance benefits to the employees or two or more employers.

Security Requirements:

1. The nonadmitted insurer must demonstrate financial stability, reputation, and integrity.
2. The nonadmitted insurer must not have been previously objected to, removed from the eligibilty list or denied placement on the list.

Coverage Limitation:

1. Unlisted insurers cannot be used if the coverage includes employer-sponsored health insurance or insurance mandated by government.