



# WHAT IS “SURPLUS LINES” INSURANCE

**SURPLUS LINES INSURANCE COVERS HIGH-RISK UNIQUE OR SPECIALIZED RISKS THAT STANDARD, STATE-LICENSED (ADMITTED) INSURERS CANNOT OR WILL NOT COVER.**

## WHAT IT COVERS:

Surplus lines insurance is for a variety of risks that are difficult to place in the standard insurance market:

- **Distressed risks:** Properties in high-risk areas, like flood zones, or those with a history of previous claims.
- **Unique risks:** Highly specialized or unusual risks that require unique policy forms or specialized underwriting expertise (example: coverage for a hand model's hands or a skier's legs).
- **High-capacity risks:** Risks requiring higher policy limits than admitted insurers are typically able to provide.

## HOW IT WORKS:

1. If the coverage isn't available from an admitted insurer, the risk can be placed with a non-admitted insurer.
2. Agent or broker must first make a **diligent effort** to find coverage with a standard, state-licensed (admitted) insurer.
3. The risk is then placed with a non-admitted carrier through a licensed **surplus lines broker**, who has the specialized knowledge to find coverage.
4. The **non-admitted carrier** provides the coverage, even though it's not licensed in Idaho.

## FACTS TO KNOW ABOUT SURPLUS LINES

- Surplus lines carriers are often large foreign companies.
- An agent can utilize a surplus lines product if they are declined by a carrier or if the department has designated types of items which would be difficult to insure.
- A healthy insurance market does not rely on surplus lines for traditional products, like homeowners' coverage.
- Surplus lines are non-admitted carriers and are not required to follow all the laws of the state of Idaho. As a result, there are fewer consumer protections, for example:
  - Having limited coverage and higher deductibles.
  - Excluding wildfires or other perils.
  - Having significantly higher rates.
  - Ability to be dropped from coverage midyear.
- There is no coverage provided for surplus lines insurance by the state guaranty associations, i.e., there is no protection for the consumer if they have a claim and the surplus lines company becomes insolvent.