

**NAPSLO Policy Regarding Certificate of Insurance Requirements for Surplus Lines Brokers
Adopted June 20, 2012**

The application of laws or regulations that require certificate of insurance forms to be approved by state insurance departments is inappropriate for the surplus lines market and for its broker/producers. While such requirements might be useful and beneficial for insurance producers that operate in the standard market with admitted insurers, they are unsuitable to the surplus lines market, which is characterized by non-standard and manuscript policy forms requiring that certificate of insurance forms have individual treatment before they can be issued with the proper wording.

Issue: In recent years, regulators and insurance producers have become increasingly concerned about abuses and confusion arising from the issuance of certificates of insurance by insurance producers. As a result, states have been enacting laws that require certificate of insurance forms be filed with and approved by the state insurance department unless the form is a standardized document such as an ACORD form. Some of these laws specifically include surplus lines insurance, surplus lines insurers and/or surplus lines brokers and require a surplus lines insurer and/or broker to obtain the department's approval of any certificate of insurance form it might use.

Recently, The IIABA has undertaken a nationwide initiative to require that certificates of insurance forms only be provided on standard forms (or on filed and approved forms) to prevent certificates of insurance from being altered to include provisions that policyholders insist be added. Simply, the creation of a requirement for filing and approval of certificate of insurance forms by state insurance departments is seen as a way to shield insurance agents from client pressure to issue certificates that are inconsistent with policy terms and conditions.

A statutory or regulatory requirement that surplus lines brokers issue only a standard certificate of insurance form or file and receive approval from the state insurance department of non-standard certificate of insurance forms violates an important NAPSLO regulatory principle.

NAPSLO Regulatory Principle: Freedom from regulation of rates and forms is what distinguishes the surplus lines market from the admitted market and is the essential regulatory feature that allows the surplus lines industry to serve the consumer and function as a market for hard to place risks. Preserving this "freedom" is a primary and fundamental principle of NAPSLO regulatory philosophy should be defended at all times in all states, even for minor infringements.

Conclusion: NAPSLO opposes provisions in laws or regulations that would require or mandate surplus line brokers or surplus lines companies to issue standard or state approved certificate of insurance forms.