

Surplus lines insurance

Covers high-risk, unique, or specialized risks that standard, state-licensed insurers cannot or will not cover



What it may cover

Surplus lines insurance provides coverage 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.
- **High-capacity risks:** Risks requiring higher policy limits than admitted insurers are typically able to provide.

How it works

1. Agent or broker must first make a diligent effort to find coverage with a standard, state-licensed (admitted) insurer.
2. If the coverage isn't available from at least two insurers, the risk can be placed with a nonadmitted insurer.
3. The risk is then placed with a nonadmitted carrier through a licensed surplus lines broker, who has the specialized knowledge to find coverage.

Facts to know about surplus lines

- Surplus lines carriers are not regulated by the Oregon Division of Financial Regulation, but are subject to Oregon claims handling statutes.
- An agent can utilize a surplus lines product if risk is declined by standard (admitted) carriers.
- A healthy insurance market does not rely on surplus lines for traditional products, like homeowners' coverage.
- Because surplus lines are nonadmitted carriers, it is not required to follow all the laws of the state of Oregon. For example, a surplus lines carrier can:
 - » Offer limited coverage and higher deductibles
 - » Exclude wildfires or other perils
 - » Have significantly higher rates
 - » Drop you from coverage midyear
- There is no coverage provided for surplus line insurance policies by either the Oregon Insurance Guaranty Association or by the Oregon Life and Health Insurance Guaranty Association.