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DATE: December 12, 2001

TO: All Surplus Lines Licensees

FROM: Kenneth A. Rudert - Executive Director

SUBJECT: Cancellations, Non-renewals and Premium Increases

After more than 10 years of soft market conditions in the property and casualty business the market began to tighten up in the last quarter of 2000. This tight market condition has grown as 2001 progressed and has recently gotten considerably worse as the marketplace feels the extreme affects of the tragic events of September 11, 2001. As with all tight markets, underwriting considerations become much stricter.

A tight market condition also triggers an increase in the number of cancellations, non-renewals and premium increases. As a result, we have started to receive inquiries relating to the rules that affect these types of transactions.

Many of the non-admitted surplus lines carriers appearing on our Eligible List believe that they are exempt from the rules of cancellation, non-renewal and premium increases and that these rules only apply to the admitted or licensed carriers. This is not so, and in turn, a variety of debates between the surplus lines licensee and the surplus lines carrier take place.

To equip you, ahead of time, we are enclosing a packet of information for purposes of reference and to create a file that consists of the following:

1. [A copy of the Regulations](#), Part VII, Subchapter G as amended which support Act 86 of the law which was

- enacted in July 1986 and amended in June 1995 as part of the insurance law.
2. An outline received from our Insurance Department that speaks specifically to the procedures necessary with regard to a Plan of Withdrawal should a given insurance carrier be forced to do so.
 3. [A reference sheet](#), also received from our Insurance Department, that details the grounds for mid-term cancellations.

One issue that we get inquiries about involves the 60 day notice that is required for non-renewal transactions. Although the enclosed documents do not make specific reference to this, please note in your file that a 60 day notice of non-renewal must occur prior to the original expiration date of the placement in question. Extending the policy period beyond the original expiration date in order to comply with the 60 day notice requirement is a violation of Act 86. This ruling was established by commissioner adjudication on several occasions in the past dating back to, at least, 1992.

Finally, you may access the Regulations on the State web site at www.pacode.com as changes do take place from time to time. We trust that the enclosed information will be helpful to you and enable you to create a file on this subject for future reference. Since there are so many different combinations of situations that can develop in this general area, it is impossible for us to speak to all. At the same time, however, after reviewing the enclosed information, should you have a problem that develops in this general area, always feel free to contact us and we will do our very best to help in the circumstances in question.

KAR/rls

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/Bulletin - Act 86

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