DATE: December 30, 2014

TO: All Surplus Lines Agencies

FROM: Kenneth A. Rudert, Executive Director

SUBJECT: Surplus Lines Law – Exempt Commercial Purchaser
Minimum Qualifying Amounts Adjustment Effective January 1, 2015

Section 1610 of the current Insurance Company Law (40 P.S. §991.1610) contains a definition for “Exempt Commercial Purchaser.” Within the definition is minimum qualifying amounts for three categories which are to be adjusted beginning January 1, 2015 and every five years thereafter. The current definition is as follows:

"Exempt commercial purchaser." Any person purchasing commercial insurance that, at the time of placement, meets the following requirements:

(1) The person employs or retains a qualified risk manager to negotiate insurance coverage.

(2) The person has paid aggregate nationwide commercial property and casualty insurance premiums in excess of one hundred thousand ($100,000) dollars in the immediately preceding twelve (12) months.

(3) (i) The person meets at least one of the following criteria:

(A) The person possesses a net worth in excess of twenty million ($20,000,000) dollars, as adjusted under subparagraph (ii).

(B) The person generates annual revenues in excess of fifty million ($50,000,000) dollars, as adjusted under subparagraph (ii).

(C) The person employs more than five hundred (500) full-time or full-time equivalent employees per individual insured or is a member of an affiliated group employing more than one thousand (1,000) employees in the aggregate.

(D) The person is a not-for-profit organization or public entity generating annual budgeted expenditures of at least thirty million ($30,000,000) dollars, as adjusted under subparagraph (ii).

(E) The person is a municipality with a population in excess of fifty thousand (50,000) persons.
(ii) Beginning January 1, 2015 and every five years thereafter, the amounts under clauses (A), (B) and (D) shall be adjusted to reflect the percentage change for the five-year period in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor and Industry.

Through the coordinated efforts of the NAIC’s Surplus Lines Task Force, adjustments have been calculated using Consumer Price Index data for the period September 2009 – September 2014. The adjusted minimum qualifying amounts effective January 1, 2015 are as follows:

<table>
<thead>
<tr>
<th>Subclause</th>
<th>Previous Minimum</th>
<th>Adjusted Minimum Effective 1/1/2015</th>
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</thead>
<tbody>
<tr>
<td>(A)</td>
<td>$20,000,000</td>
<td>$22,040,000</td>
</tr>
<tr>
<td>(B)</td>
<td>$50,000,000</td>
<td>$55,100,000</td>
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<tr>
<td>(D)</td>
<td>$30,000,000</td>
<td>$33,060,000</td>
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