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DATE: January 23, 2004

TO: All Resident and Non-resident Surplus Lines Licensees

FROM: Kenneth A. Rudert - Executive Director

SUBJECT: **Diligent Search Process of Admitted Insurers**

Over the years, all of the states have made provisions that allow placements to be made in the surplus lines marketplace. At the same time, no state has ever encouraged this process. This is because the surplus lines market has been viewed as a second level market to be called upon when a given risk cannot be placed in the admitted or licensed market.

Like most states, Pennsylvania achieves this qualification of a risk entering the surplus lines market through the diligent search process. As with most other states, Pennsylvania requires a minimum of three admitted or licensed carriers to decline the risk before said risk can be considered for the surplus lines market. Subject to certain exceptions as outlined in the Surplus Lines Law, the diligent search is conducted by the producer, representing the insured, by way of the appropriate affidavit (form 1609-PB). This affidavit, prepared by the producer, and the surplus lines affidavit (form 1609-SLL), prepared by the surplus lines licensee, work together in tandem and are applicable to most surplus lines filings necessary for Pennsylvania. (All affidavit forms can be viewed and downloaded via the PSLA web site at www.pasla.org.)

The diligent search process is fully described in the Regulations that support the Surplus Lines Law under Section 124.5. For the convenience of all surplus lines licensees, we have attached a reproduction of the appropriate section devoted to the diligent search process.

After your review, should you have any questions regarding this Bulletin and its [attachment](#), please do not hesitate to

contact us.

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