A CONSUMER'S GUIDE TO
SURPLUS LINES
Traditional insurance markets consisting of North Carolina licensed (“admitted”) companies are not always available for every risk. The surplus lines market is an insurance marketplace that is established for the purpose of insuring unique or hard to place risks. Some of the rules that apply to surplus lines placements and surplus lines companies differ from those that govern coverage obtained from licensed insurance companies.

The North Carolina Department of Insurance (NCDOI) hopes this guide will help you understand this frequently misunderstood market, its purposes and its limitations. Please read this guide carefully, and should you have any questions after reading the material, do not hesitate to ask your agent. Additionally, help is available by calling our toll-free number 1-855-408-1212 or by visiting the Department’s Web site www.ncdoi.com.

Mike Causey
Insurance Commissioner
Surplus lines business consists primarily of property and casualty coverages such as commercial general liability insurance, fire insurance, mobile home policies, automobile physical damage coverage, and medical malpractice insurance.

Most surplus lines policies are sold to businesses. A small percentage of the surplus lines market consists of individual consumers who cannot secure residential property or automobile physical damage coverage with an admitted insurer.

The policies of surplus lines companies are not reviewed or approved by the NCDOI. A surplus lines company can modify, and often does modify, standard policy language to decrease or increase coverage depending upon the desire of the insured and the extent to which the company is willing to offer coverage.

There is NO protection for surplus lines policies. The Insurance Guaranty Association only covers policies of licensed insurers. This means that if the surplus lines insurer has financial difficulties, claims against your policy might go unpaid.
Why am I getting coverage from a Surplus Lines Insurer?
Your agent was unable to obtain the coverage you requested among the companies licensed in North Carolina, but was able to provide the coverage from an eligible surplus lines company.

The reason for your broker's action is that the risk or property for which you sought coverage may be unique or have certain risk characteristics that prevented your agent from placing the coverage with licensed carriers.

How is the rate or price of a Surplus Lines policy determined?
The rate or premium charged for a surplus lines policy is determined by the insurer depending upon coverage, policy limits, exclusions, deductibles or other similar policy provisions.

As unlicensed carriers, surplus lines insurers do not file their rates or premiums with the NCDOI for review. The total cost of the policy will include the insurer's premium charge, state surplus lines taxes plus broker fees and commissions incurred in selling and delivering the policy to you.

Can my policy be renewed or extended?
Your surplus lines policy may or may not be renewed or extended when the policy expires. An extension of coverage may depend upon the availability of the coverage from insurers licensed in North Carolina and the willingness of the insurance company to continue to accept the risk.

Since a surplus lines policy is not subject to the same notice requirements as a policy issued by an admitted carrier, notice of a premium increase for a new policy term or the company's intent not to extend the policy at the same terms and conditions may not be provided until or around the date the policy expires.

Therefore, it is necessary for you to keep in contact with your broker, particularly as the expiration of the policy term nears, to learn the status of the policy and to assure continuity of coverage.

FREQUENTLY ASKED QUESTIONS

IF YOU HAVE QUESTIONS, THE CONSUMER SERVICES DIVISION OF THE DEPARTMENT OF INSURANCE IS HERE TO HELP.

Toll free: 855-408-1212 Outside of NC: 919-807-6750 Fax: 919-733-0085

North Carolina Department of Insurance
1201 Mail Service Center
Raleigh, NC 27699-1201

You can find additional information as well as a downloadable copy of our Request for Assistance form on the NCDOI Web site.

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