



New Jersey
Department
of
Banking and
Insurance

**NEW JERSEY SURPLUS LINES
PORTABLE ANSWER BOOK**

TABLE OF CONTENTS

- I. PRODUCER LICENSING QUESTIONS
- II. POLICY PLACEMENT QUESTIONS
- III. SURPLUS LINES TAX QUESTIONS
- IV. SURPLUS LINES INFORMATION PORTAL (SLIP) QUESTIONS
- V. EXPORTABLE LIST QUESTIONS
- VI. OTHER QUESTIONS

Producer Licensing Q&A

Can a risk be placed with an eligible Surplus Lines Insurer without going through a New Jersey Surplus Lines Producer?

No. New Jersey's statutes and regulations require that a surplus lines placement be made by a New Jersey surplus lines producer.

Is the retail/originating producer required to have a producer's license with surplus lines authority?

No. The retail/originating producer need only have property and/or casualty authority on their New Jersey state producer license.

Does my firm need to be licensed?

Yes. New Jersey requires both the agency as well as the individual agent to be licensed.

How can I become a licensed producer with surplus lines authority?

You can become licensed through:

- National Insurance Producer Registry (NIPR) website
- Department's Licensing website at <https://www.state.nj.us/dobi/inslic.htm>

Who should be licensed in my office?

New Jersey's statutes and regulations requires that anyone who "sells, solicits and negotiates" business must be licensed.

Can my firm obtain Surplus Lines authority without having a resident office in the state?

Yes. Resident producers as well as nonresident producers can obtain surplus lines authority.

What is the SLA Number?

The SLA Number is a unique number assigned by the Department which identifies the surplus lines producer. It consists of five characters. It forms the prefix to all policy SLA Transaction Numbers.

Who can answer specific questions about producer licensing?

Joseph McDougal at inslic@dobi.nj.gov.

Policy Placement Q&A

How do I determine that a policy can be written in the Surplus Lines market?

Policies can be placed in the surplus lines market if:

- The risk or coverage is listed on the Exportable List, or
- Originating producer has made a "diligent effort" to place the risk in the admitted market - i.e., they obtained declinations of the risk from three (3) admitted carriers.

Does New Jersey have a stamping office?

No. Surplus lines producers are responsible to ensure that policies belong in the surplus lines market and all statutes and regulations regarding the placements are followed.

Does New Jersey have specific stamps to place on policies?

Yes. Below are the required stamps:

- Surplus lines policies that have been placed through surplus lines insurers **who are domiciled in New Jersey** must contain below language:

Notice to policyholder: This policy is written by a domestic surplus lines insurer, an eligible unauthorized insurer pursuant to section 2 of P.L.2011, c.39 (C.17:22-6.69b), and is not subject to the rate or form filing or approval requirements of the New Jersey Department of Banking and Insurance. This policy may contain conditions, limitations, exclusions and different terms than a policy otherwise issued by a New Jersey authorized or admitted insurer. This policy is not covered by the New Jersey Property-Liability Guaranty Association. This policy may be covered by the New Jersey Surplus Lines Insurance Guaranty Fund, but only to the extent provided pursuant to section 2 of P.L.1984, c.101 (C.17:22-6.71).

- Surplus lines policies that have been placed through surplus lines insurers **who are foreign or alien** must contain the below language:

This policy is written by a surplus lines insurer and is not subject to the filing or approval requirements of the New Jersey Department of Banking and Insurance. Such a policy may contain conditions, limitations, exclusions, and different terms than a policy issued by an insurer granted a Certificate of Authority by the New Jersey Department of Banking and Insurance. The insurer has been approved by the Department as an eligible surplus lines insurer, but the policy is not covered by the New Jersey Insurance Guaranty Fund, and only a policy of medical malpractice liability insurance as defined in N.J.S.A. 17:30D-3d or a policy of property insurance covering owner-occupied dwellings of less than four dwelling units are covered by the New Jersey Insurance Guaranty Fund.

- Surplus lines policies whose risks or coverages are listed on the Exportable List must contain the word "Exportable."

Who completes the disclosure statement (Exhibit A-1)?

The retail/originating producer is responsible for the completion of the disclosure statement at the time of quotation. The surplus lines producer should retain a copy of this form.

What form does retail/originating producer use to record the “diligent effort”?

The retail/originating producer is responsible for the completion of the SLPS-6-CERT1 form (Certification of Effort to Place Risk With Authorized Insurer). The surplus lines producer must retain a copy of this form.

Is the surplus lines producer required to retain the original SLPS-6-CERT1?

No. N.J.S.A. 11:1-47.3 allows for producers to maintain electronic documents.

An insurer needs an SLA Transaction Number from me. What is that?

The SLA Transaction Number is a twelve-character identifier that the surplus lines producer must assign to each New Jersey surplus lines policy. It consists of three parts:

- The first part is the surplus lines agency's five-character SLA number, followed by a dash;
- The second part is the last two digits of the year of the policy's effective date, followed by another dash;
- The third and last part is a five-digit sequential number beginning with 00001 for the first policy filing of the year. This numbering sequence continues consecutively for each subsequent policy filing throughout the year (00002, 00003, etc.) This consecutive sequence only applies to policies, not to endorsements, which should simply share the same number used by their corresponding original policies.

The surplus lines producer must place the transaction number on the policy and/or confirmation of coverage, as well as on all monetary endorsements. Additionally, the surplus lines producer must report the transaction number as part of the SLIP filing process, and communicate the number to the surplus lines insurer.

I have hundreds of similar policies written during a month. Do I need to contact three insurers for each placement?

No. N.J.A.C. 11:1—33 allows producer that place substantially similar risks to have contacted the insurer within 30 days. However, the SLPS-6-CERT1, Certificate of Effort to Place Risk with Authorized Insurer should be completed for each insured and every risk that is not on the exportable list.

Surplus Lines Tax Q&A

What is the Surplus Lines Tax Rate in New Jersey?

The New Jersey Surplus Lines Tax Rate is 5% of the total premium.

Are fees taxable?

No. New Jersey surplus lines tax applies only to premium; fees are **not** included in the tax calculation.

How are Surplus Lines Taxes paid in New Jersey?

Surplus lines taxes must be paid electronically via the Surplus Lines Information Portal (SLIP).

What is the deadline for paying Surplus Lines Taxes?

All surplus lines business effective during a calendar quarter must be reported and taxes paid within forty-five (45) days after the end of that quarter.

Can a surplus lines producer charge a policy fee?

Yes; however, certain limitations apply. Surplus lines producers may charge a policy fee:

- For personal lines policies, a fee not to exceed \$50.00; and
- For commercial lines policies, a fee equal to the greater of two percent of the premium for the applicable policy period or \$100.00, but in no event exceeding \$250.00.

Can a surplus lines producer charge any other fees?

Yes. A surplus lines producer may charge a fee for the actual cost incurred for any services performed by a person that is not associated with the surplus lines producer, such as inspection services.

What types of insureds are exempt from surplus lines tax in New Jersey?

Governmental organizations, municipalities, counties, and other state and local governments are exempt from surplus lines tax.

What types of insurance are exempt from the New Jersey Surplus Lines Law?

The following types of insurance are exempt from the New Jersey surplus lines statutes and regulations:

- Railroad or aviation risks engaged in interstate or international commerce;
- Insurance of vessels, crafts or hulls, cargoes, marine builders' risks, marine protection and indemnity or other risks including strikes and war risks commonly insured under ocean or wet marine forms and policies.

Does my firm have to file a tax return if no business is written during a calendar quarter?

No. The quarterly tax filing is only required for those quarters in which surplus lines business has actually written; there is no quarterly "zero filing."

Are churches, federally chartered bank and credit unions, or any other not-for-profit entities required to paid surplus lines taxes?

Yes. Only New Jersey state governmental organizations, municipalities, and counties agencies are exempt from surplus lines tax.

Surplus Lines Information Portal (SLIP) Q&A

How do I get access to SLIP?

Once your agent and your agency obtain surplus lines authority and you are ready to start filing on SLIP, please contact the Department at sleo@dobi.nj.gov to request an administrator's SLIP account.

Does the Department have training material for SLIP?

Yes. The Department maintains vital SLIP information and training material at the SLIP Resource Center located at <http://slipinfo.njslasuite.com/>.

How do I file policies in SLIP?

Policies may be filed in SLIP in one of two ways: via manual entry or via batch entry.

Where can I find information on Batch Filings?

On our SLIP Resource Center at <http://slipinfo.njslasuite.com/>.

On certain policies, SLIP requires me to enter a Fire Premium. What does that mean?

On any policy that involves property coverage, SLIP requires producers to allocate some portion of the property premium to 'Fire' premium.

If the premiums are not separated on the Declarations Page of the policy, then the insurer should be able to provide guidance on allocations.

If you have questions on this topic, please contact the Department.

What is the deadline for filing business in SLIP?

All surplus lines business effective during a calendar quarter must be reported, with all taxes paid, within forty-five (45) days after the end of that quarter.

What should I do if the list of Coverage Codes on SLIP does not include the risk for the policy I am trying to submit?

The list of coverage codes does not include every possible type of risk. If the risk is not listed, please find a risk that most closely matches.

On Underwriters at Lloyd's policies, SLIP is asking for a UMR Number. What is that?

All Lloyd's policies are assigned a Unique Market Reference (UMR) Number, alternatively known as an Authority Reference Number. This number indicates which specific Lloyd's syndicate underwrote the coverage, and can be found on the Policy Declarations Page and/or Binder.

Are surplus lines producers required to submit a “zero filing” in SLIP if no business was written during the quarter?

No. The quarterly filing is only required for those quarters in which surplus lines business has actually written; there is no quarterly “zero filing.”

Exportable List Q&A

What is the Exportable List?

The Exportable List is a listing of insurance risks/coverages for which New Jersey has deemed no sufficient admitted market exists; for these risks/coverages, producers are permitted to bypass the 'diligent effort' process and place them directly in the surplus lines market.

Where can I find the Exportable List?

On the Department website at https://www.nj.gov/dobi/orders/a15_109exportlist.pdf.

Legal Malpractice Liability and Medical Malpractice Liability are on the Exportable List; do I still need a SLPS-6-CERT1 to place these coverages in the surplus lines market?

Yes. Both risks are listed as exceptions to the Exportable List; therefore, a SLPS-6-CERT1 must be completed.

How can I add or delete a risk or coverage from the Exportable List?

Risks or coverages can be added or deleted from the list by submitting documented evidence that a change in the list is warranted. This documentation should be submitted to the hearing officer prior to the annual Exportable Hearing.

When is the Exportable Hearing?

The Department holds a hearing annually in December. Although there is no set date, each year the Department posts a 30-day notice in the Insurance Register.

What is the Special Risk List?

The Special Risk List is a listing of insurance risks/coverages which are of an unusual nature or a high loss-hazard or are difficult to place or rate.

Where can I find the Special Risk List?

On the Department website at <https://www.state.nj.us/dobi/notices/specialrisks2011.pdf>.

Other Q & A

Does the Department have an annual filing for surplus lines producers?

No. Surplus lines producers only need to report their business in SLIP on a quarterly basis; there is no annual requirement.

How long must a producer maintain policy files/records?

Policy files must be maintained five years after the policy expiration or cancellation date.

In addition to the terms of the policy, what information should be included with the Declaration page?

The surplus lines agent shall write or print on the outside of the policy and on any certificate, cover note, or other confirmation of the insurance the following:

- The surplus lines agent's name, address and license number
- The retail/originating producer name and address from whom the business originated

What risks/coverages are covered by the New Jersey Surplus Lines Guaranty Fund?

- Medical malpractice liability insurance as defined in N.J.S.A. 17:30D-3d
- Property insurance covering owner-occupied dwellings of less than four dwelling units

Where can I find additional surplus lines information?

- Department website at https://www.state.nj.us/dobi/division_insurance/sleo.htm
- SLIP Resource Center at <http://slipinfo.njstate.com/>

What are the statutes and regulations that govern surplus lines transaction?

- N.J.S.A. 17:22-6.40 et. seq. – Surplus Lines Law
- N.J.A.C. 11:19-3.1 et. seq. – Data Submission Requirements
- N.J.A.C. 11:1-33 – Procurement Procedures
- N.J.A.C. 11:1-34 – Exportable List
- N.J.A.C. 11:1-47.1-4 through 47.4 – Electronic Transactions