STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Bulletin SL-6

October 10, 2025

To: All Property & Casualty Licensees

Re: Revised and Restated Requirements for Surplus Lines Placements

This Bulletin supersedes Bulletins SL-3 and SL-5, which are hereby rescinded.

The purpose of this bulletin is to (i) restate the requirements generally applicable to surplus lines placements, and (ii) advise that the diligent effort exception established by Public Act 25-87 only applies to surplus lines brokers when they procure insurance coverage through an unaffiliated wholesale broker

A. Diligent Effort Requirement

1. Recent Revisions to the Surplus Lines Diligent Effort Requirement

Prior to October 1, 2023, Conn. Gen. Stat. § 38a-741 required that "licensees" (interpreted in this context to mean surplus lines brokers[1]) file with the Insurance Commissioner quarterly signed written statements setting forth the facts showing that they made a diligent effort to procure insurance from the admitted market prior to placing coverage in the surplus lines market.

Effective October 1, 2023, this requirement was modified by Public Act 23-65, an Act Concerning the Renewal of Surplus Lines Insurance Policies. Public Act 23-65 required that "licensees" (interpreted in this context to mean surplus lines brokers) keep and make available to the Insurance Commissioner, upon request, any and all documentation concerning the diligent effort to obtain from authorized insurers the coverage required by their insureds. In response to Public Act 23-65, the Insurance Department issued Bulletin SL-5, in which surplus lines brokers were advised that they were no longer required to file signed written statements with the Insurance Department through OPT*ins*, the web application that facilitates the submission of premium tax, surplus lines submissions, and other state-specific filings and payments to the

[1] "Any applicant for a surplus lines broker's license shall be a person, firm, association or corporation who or which is domiciled and maintains an office in this state or a nonresident who or which desires to act within this state, and is licensed as an insurance producer. A surplus lines broker's license shall authorize the licensee to procure, from insurers not authorized to transact business in this state, subject to the restrictions herein provided, policies of insurance against loss from any contingency as provided by the insurance laws of this state, except any insurance coverage which can be placed through a residual market mechanism, as defined in section 38a-976." Conn. Gen. Stat. § 38a-794.

Commissioner. Rather, Bulletin SL-5 advised that surplus lines brokers were required to maintain all statutory information and documentation in their own files to be provided promptly to the Commissioner upon request.

Effective October 1, 2025, the surplus lines diligent effort requirement was further revised as contemplated by Public Act 25-87, which establishes a limited exception to the diligent effort requirement, as described below.

2. Restatement of General Diligent Effort Requirement

The Department restates its longstanding position that a diligent effort to procure coverage in the regular market, within the meaning of C.G.S. § 38a-741, is presumed to have been made if: (1) the line, sub-line or class of insurance sought is considered generally unavailable through admitted insurers or a residual market mechanism and, as such, is included in the Department's Exportable List, as published by the Commissioner from time to time; or (2) in connection with the each placement (including the renewal of a prior placement), the risk has been declined by three authorized insurers that customarily write the type of insurance at issue.

The records supporting the three declinations, whether obtained by the producer (i.e., retail agent) or surplus lines broker, must be maintained by the surplus lines broker throughout the policy period and for one year thereafter. The records must include the specific reason for declination, the date declined, and the name and title of the insurance company's underwriter declining the coverage. In addition, as specified in Public Act 23-65, information for each placement must also include:

1. a written statement that the insured and producer (i.e., retail agent) or surplus lines broker, after diligent efforts, were unable to procure from the authorized insurers the full amount of insurance the insured needed to protect their interests;

2. documents showing that the amount of insurance procured from unauthorized insurers was only the excess over the amount of coverage available from authorized insurers; and

3. the policy type and, if it is for real property, the property's location.

Although surplus lines brokers are required to maintain and produce to the Insurance Commissioner upon request a record of the required declinations, *it is the Department's continued position that the responsibility to fulfill the diligent search requirement falls upon the insured's producer (i.e., retail agent).* A surplus lines broker should not pursue a placement with unauthorized insurer, directly or through a wholesale broker, in the absence of evidence of the required declinations – unless the Limited Exception as defined below applies.

3. Limited Exception Established by Public Act 25-87

Public Act 25-87 revised Conn. Gen. Stat. § 38a-741 to exclude "brokers" from the diligent effort requirement where the subject insurance policy was procured or placed through an unaffiliated wholesale surplus lines insurance broker (the "Limited Exception"). The term "broker", as used in Public Act 25-87, is not defined in the Connecticut Insurance Statutes (Title 38a of the Connecticut General Statutes). In the absence of a statutory definition, the Insurance Department interprets the term "broker" as used in Public Act 25-87 to mean "surplus lines broker."

Notably, if the legislature had intended the exception from the diligent effort requirement established by Public Act 25-87 to apply to "producers" (i.e., retail agents), as defined by Conn. Gen. Stat. § 38a-702a, it is reasonable to expect that the term "producer" would have been specified in the Act or that the diligent effort required pursuant to Conn. Gen. Stat. § 38a-741(b)(1) would have been repealed in its entirety.

Based on the foregoing, the Limited Exception only applies to placements in the surplus lines market where the surplus lines broker acts as the retail agent and accesses such market through an unaffiliated wholesale surplus lines broker.

B. Restatement of Other Surplus Lines Placement Guidance

1. *Surplus Lines Tax Filings and Payments*

All surplus lines tax filings and payments must be made using the National Association of Insurance Commissioners OPT*ins* (Online Premium Tax for Insurance) application, which requires electronic payments via ACH, credit or debit. The steps for submitting a tax filing through the OPT*ins* application are simple and require no formal training. Easy to follow instructions are available at: http://www.optins.org. Once registered and an account established, surplus lines brokers can log in, upload return forms and submit payments online.

Using OPT*ins* allows surplus lines brokers to save time and ensures that filings and payments are received on time. **To implement OPT*ins*, contact the OPT*ins* Marketing Team at optinsmktg@naic.org or call (816) 783-8787**.

Connecticut will continue to collect all surplus lines premium taxes for risks for which Connecticut is the home state. Section 8206(6)(A) of the Nonadmitted and Reinsurance Reform Act of 2010 ("NRRA"), 15 U.S.C. § 8202, defines the term "home state" as:

(i) The State in which an insured maintains its principal place of business or, in the case of an individual, the individual's principal residence; or

(ii) If 100 percent of the insured risk is located out of the State referred to in clause (i), the State to which the greatest percentage of the insured's taxable premium for that insurance contract is allocated. Affiliated Groups.

In addition, section 8206(6)(B) of the NRRA provides that:

If more than 1 insured from an affiliated group are named insureds on a single nonadmitted insurance contract, the term "home State" means the home State, as determined pursuant to subparagraph (A), of the member of the affiliated group that has the largest percentage of premium attributed under such insurance contract.

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Based on the foregoing, Connecticut is the home state for a surplus lines insured with a principal place of business in Connecticut even if a portion of their risk is located elsewhere.

Please note that the current quarterly schedule requires that tax returns and payments be filed on the 15th of February, May, August and November each year. See Conn. Gen. Stat. § 38a-743(c)(3).

2. *Flood Insurance and Exempt Commercial Purchasers*

In accordance with Conn. Gen. Stat. § 38a-741(b), a diligent effort is not required to place flood insurance. In addition, consistent with the NRRA, a diligent effort is not required to be undertaken when a surplus lines broker procures or places nonadmitted insurance on behalf of an "exempt commercial purchaser", provided that the (1) the broker has disclosed to the exempt commercial purchaser that insurance may or may not be available from the admitted market that may provide greater protection with more regulatory oversight, and (2) the exempt commercial purchaser[2] has subsequently requested in writing for the broker to procure from or place such insurance with an unauthorized insurer.

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[2] The term "exempt commercial purchaser" means any person purchasing commercial insurance that, at the time of placement, meets the following requirements:
(A) The person employs or retains a qualified risk manager to negotiate insurance coverage.
(B) The person has paid aggregate nationwide commercial property and casualty insurance premiums in excess of $100,000 in the immediately preceding 12 months.
(C)(i) The person meets at least 1 of the following criteria:
(I) The person possesses a net worth in excess of $20,000,000, as such amount is adjusted pursuant to clause (ii).
(II) The person generates annual revenues in excess of $50,000,000, as such amount is adjusted pursuant to clause (ii).
(III) The person employs more than 500 full-time or full-time equivalent employees per individual insured or is a member of an affiliated group employing more than 1,000 employees in the aggregate.
(IV) The person is a not-for-profit organization or public entity generating annual budgeted expenditures of at least $30,000,000, as such amount is adjusted pursuant to clause (ii).
(V) The person is a municipality with a population in excess of 50,000 persons.
(ii) Effective on the fifth January 1 occurring after July 21, 2010, and each fifth January 1 occurring thereafter, the amounts in subclauses (I), (II), and (IV) of clause (i) shall be adjusted to reflect the percentage change for such 5-year period in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor. 15 U.S.C.A. § 8206.

Please note that this bulletin only applies to surplus lines insurance placed or renewed through licensed surplus lines brokers. Unauthorized insurance not placed or renewed through a surplus lines broker, including independently procured insurance, continues to be under the jurisdiction of the Connecticut Department of Revenue Services.

Surplus lines brokers may address questions regarding this Bulletin to: cid.surpluslines@ct.gov.

The Connecticut Insurance Department encourages readers of this Bulletin to sign up for e-Alerts on the Department's web site **www.ct.gov/cid** for news, information, updates and other relevant material.

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Insurance Commissioner