

## Surplus Lines Insurers

Insurance not available through licensed insurers may be placed with eligible surplus lines insurers. To be eligible to write surplus lines coverage in Texas, the insurer must meet certain requirements and be on TDI's "eligible list." Before selling a surplus lines policy, an agent must make a diligent effort to find a licensed insurer to issue the policy.

- It is common for surplus lines insurers to retain a significant portion of the premium in the event the insured cancels the policy midterm.
- Texas laws regarding notice of cancellation and nonrenewal do not apply to surplus lines insurers.
- Defense costs could be included within the limit of liability, and prior acts or run-off coverage may not be available.
- In some cases, a surplus lines insurer can cancel before a policy's renewal date.
- Surplus lines insurers are not required to file rates and policy forms with TDI. Policy forms may be more restrictive than those that are subject to TDI review.
- TDI does not audit the finances of surplus lines insurers.
- If a surplus lines insurer becomes insolvent, its policyholders are not protected by the Texas Property and Casualty Insurance Guaranty Association.