

**304.10-070 Eligible surplus lines insurers.**

- (1) A broker shall not place surplus lines insurance with an insurer that he or she knows, or in the exercise of reasonable diligence could know:
  - (a) Has a surplus in regard to policyholders of less than six million dollars (\$6,000,000);
  - (b) Has not established satisfactory evidence of good repute and financial integrity;
  - (c) Is unsound financially; or
  - (d) Is ineligible under the Kentucky insurance code.
- (2) A broker may:
  - (a) Place insurance covering certificates of investment with an insurance company or guarantee fund which is financially sound and has capital funds and reserves in excess of fifteen million dollars (\$15,000,000); and
  - (b) Place insurance with a United States insurance exchange which the commissioner, in his or her discretion, may designate for use by surplus lines brokers licensed by the Commonwealth of Kentucky.
- (3) A broker shall not place insurance with an alien insurer that is not recognized by the National Association of Insurance Commissioners and does not maintain in the United States a trust fund for the benefit of United States policyholders of at least five million four hundred thousand dollars (\$5,400,000).
- (4) A broker shall not place insurance with an insurer that has engaged in the insurance business less than three (3) years unless the insurer has deposited with the commissioner publicly-traded securities with a market value of at least six hundred thousand dollars (\$600,000).
- (5) This section shall not apply to surplus lines insurers eligible to do business in Kentucky as of July 15, 1982, except that the commissioner may revoke eligibility, or may order the insurer to comply with this section or may suspend the operation of the insurer in Kentucky.
- (6) The commissioner may declare that a surplus lines insurer is ineligible to transact business in Kentucky. The commissioner shall promptly mail notice of all declarations of ineligibility to each surplus lines broker if at any time the commissioner has reason to believe that a surplus lines insurer:
  - (a) Is in unsound financial condition;
  - (b) Has acted in an untrustworthy manner;
  - (c) No longer meets the standards set forth in this subtitle;
  - (d) Has willfully violated the laws of Kentucky; or
  - (e) Does not conduct a proper claims practice.

**Effective:** July 15, 2010

**History:** Amended 2010 Ky. Acts ch. 24, sec. 1093, effective July 15, 2010. -- Amended 2000 Ky. Acts ch. 393, sec. 39, effective July 14, 2000. -- Amended 1986 Ky. Acts ch. 437, sec. 15, effective July 15, 1986. -- Amended 1984 Ky. Acts ch. 207, sec. 1, effective July 13, 1984. -- Amended 1982 Ky. Acts ch. 123, sec. 8,

effective July 15, 1982. -- Amended 1978 Ky. Acts ch. 262, sec. 1, effective June 17, 1978. -- Created 1970 Ky. Acts ch. 301, subtit. 10, sec. 7, effective June 18, 1970.