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TO: All Surplus Lines Brokers, All Qualified Unauthorized Insurers, and Other Interested Parties

From: Christina Urias
Director of Insurance

Date: November 30, 2004

RE: Licensing Requirements for Individuals who Procure Surplus Lines Insurance Coverage

The Department recently learned that there is a common misconception within the industry regarding the interpretation of A.R.S. §20-411(E), established by Laws 2001, Ch. 205 and takes this opportunity to clarify the licensing requirements for individuals who procure surplus lines insurance coverage. Apparently, some individuals licensed as property or casualty insurance producers who take and pass the surplus lines examination mistakenly believe that they may also act as surplus lines brokers if they do so in affiliation with business entities that hold surplus lines licenses. A.R.S. § 20-411(E) provides that:

"At least one individual in each office or place where surplus lines insurance is transacted in this state shall be licensed as an insurance producer authorized for property or casualty insurance under this title and shall have passed the examination required by this section."

Subsection (E), however, must be read in conjunction with the other licensing requirements set forth in A.R.S. §20-411. A.R.S. §20-411(A) provides that **each** person (individual or business entity) must possess the required license in order to act as a

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surplus lines broker. Subsection (E) pertains to business entities, serving purely to ensure the availability of a person who is qualified and knowledgeable about the procurement of surplus lines coverage at every office of a business entity licensed as a surplus lines broker. It does not exempt an individual involved in procuring surplus lines coverage from the other licensing requirements of A.R.S. §20-411. Therefore, a person who does not hold a surplus lines broker license may not procure surplus lines coverage, but may refer such business to a licensed surplus lines broker. See Circular Letter 2000-9 for additional details concerning surplus lines broker activities and license requirements.

Insurance producers and surplus lines brokers should be mindful that “aiding or assisting any person in the unauthorized transaction of insurance business” constitutes grounds for the imposition of a civil penalty, or the denial, suspension, or revocation of a license, under A.R.S. § 20-295(A)(11).

If you have any questions regarding this Bulletin, please contact Steve Fromholtz, Licensing Supervisor, at (602) 912-8470 or sfromholtz@id.state.az.us