



STATE OF WEST VIRGINIA

Offices of the Insurance Commissioner

EARL RAY TOMBLIN
Governor

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Insurance Commissioner

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WEST VIRGINIA INFORMATIONAL LETTER

NO. 180

TO: All Insurance Companies, Insurance Agencies, Individual Insurance Producers and all Persons engaged in the business of insurance in the State of West Virginia.

RE: West Virginia FAIR Plan and the Voluntary Market

Questions have arisen as to whether a producer can place homeowners coverage in the surplus lines market before attempting to place the coverage with the West Virginia FAIR Plan. The purpose of this Informational Letter is to share the Insurance Commissioner's interpretation of the coverage placement requirements regarding surplus lines insurance and the FAIR Plan, and to provide guidance to interested parties on this topic.

The West Virginia FAIR Plan does not compete with the voluntary insurance market. The West Virginia FAIR Plan is an insurance association that provides coverage on insurable property for owners who have been unable to obtain coverage elsewhere.

An individual producer, after having performed a diligent search for coverage among licensed carriers as required by W.Va. CSR § 114-20-4, may place the coverage through a surplus lines licensee, without having first attempted to place the coverage with the West Virginia FAIR Plan.


ADVICE TO CONSUMERS REGARDING SURPLUS LINES COVERAGE

Surplus lines carriers are out-of-state companies not licensed in West Virginia, but legally eligible to sell insurance on risks that licensed companies won't cover. Surplus lines carriers generally charge more than licensed companies and offer less coverage. The Insurance Commissioner does not approve the rates or forms of surplus lines carriers.

Surplus lines carriers are not members of a guaranty association. This means that a claim under a policy might go unpaid if the surplus lines carrier becomes unable to pay its claims.

Producers must make a "diligent effort" to find coverage with a licensed company before offering consumers a surplus lines policy. Before a consumer buys coverage from a surplus lines carrier, he or she should make sure there are no other options, and ask for the identity of the licensed companies that declined to write the coverage, and the reasons for the declinations.

If you have a question concerning this Informational Letter, please e-mail your question to Informational.Letters@wvinsurance.gov or call (304) 558-0401.


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Insurance Commissioner

