



Quarterly

August 2003

What's Inside:

- REPORT OF THE CHAIR, PG. 1*
- CALIFORNIA'S PRIVACY REGULATIONS, PGS. 2-3*
- MEMBER PROFILE, PG. 3*
- DIRECTOR OF THE STAMPING OFFICE, PGS. 4-5*
- PREMIUM PROCESSED BY COVERAGE CODE, PG. 6*
- TOP 50 BROKERS BASED ON PREMIUM, PG. 7*
- TOP 30 INSURERS BASED ON PREMIUM, PG. 8*
- INSUREDS DISTRIBUTED BY SIC CODE & INSUREDS DISTRIBUTED BY PREMIUM VOLUME, PG. 9*
- PREMIUM TOTALS BY COMPANY TYPE & TRANSACTION COUNT, PG. 10*
- COMPARISON OF ITEMS & PREMIUM, PG. 11*
- EDUCATIONAL CALENDAR & SLA OFFICERS AND STAFF, PG. 12*

The Surplus Line Association of California
 388 Market Street, 11th Floor
 San Francisco, CA 94111
 Phone: (415) 434-4900
 Fax: (415) 434-3716
 E-Mail: Via the SLA Website
www.slacal.org



Katie Freeman
Executive Chair, 2003

Report of the Chair

The Surplus Line Association of California has experienced a continued increase in premium volume from the Surplus Line Broker Community. If current forecasts hold true, the total premium volume for the year will exceed \$4.5 billion. I want to recognize the SLA staff, especially the data entry analysts for their hard work to address this large influx of broker batch filings. They have responded to these extraordinary circumstances by coping with an increased workload resulting from the robust surplus line market.

Since January 1, 2003, the California Department of Insurance has permitted brokers from other states to obtain a non-resident surplus line brokers license in California. To date, 16 brokers

have obtained this license.

As of this publication date, there are 209 companies on the List of Eligible Surplus Line Insurers (LESLI). Eighty-eight of these companies are U.S. domiciled, 32 or alien domiciled and 89 are Lloyd's syndicates.

The SLA Search Committee for the new Director of the Stamping Office has completed their task and hired a new Director. Upon her retirement on July 31, Deanna Zanoni was succeeded by Joy Erven--former Underwriting & Marketing Services Supervisor for ACE Westchester Specialty in San Francisco. Joy Erven began employment at the SLA on July 21. When you meet Joy, please join me in welcoming her to the SLA.

The SLA members-at-large approved an amendment to the SLA Constitution to clarify that the Constitution may be amended by a two-thirds majority vote of active resident brokers. "Active," brokers are defined as those who have filed at least one standard SL-1 or SL-2 form with the SLA within the 12-months immediately preceding the vote. ■

California Privacy Regulations & Service Contracts: Which Contracts Need to Be Amended?

*By: Daniel R. Brown, Esq.
LeBoeuf, Lamb, Greene and
MacRae*

As you are no doubt aware, new regulations require surplus lines brokers and others who have a California license to amend service contracts with “nonaffiliated third parties.” See SLA Bulletin No. 1002; 10 CCR § 2689.24. Any contract subject to the regulation has to be amended to require the service provider to maintain the confidentiality of any private information received as a result of the contract. This requirement caused a flurry of activity among insurers, producers, and others involved in the California insurance market as each party tried to assess whether they had any contracts that had to be amended. In particular, many parties have been trying to determine (1) who is a “nonaffiliated third party” providing services to the licensee, and (2) whether the service contract involves the type of private information protected by the regulations.

The regulations define the term “nonaffiliated third party” to include any person or entity that is not an affiliate of, or related by common ownership, or affiliated by corporate control

with, a licensee. Thus, licensees do not need to amend contracts with service providers if they are owned by the same parent company and are part of the same related family of companies, even if the service provider and the licensee do not directly own shares of each other.

For example, assume that a surplus line broker (a “licensee”) enters into a contract with a data storage and protection company (a “service company”). The contract requires the service company to copy and electronically store all of the broker’s files, including applications, communications, claims documentation, etc. The service company would necessarily have access to nonpublic personal information in the broker’s files. If the broker and the service company belong to the same family of companies (e.g., the broker owned the service company, the service company owned the broker, or another company owned both the broker and the service company), then the service contract would not need to be amended because the service company is not a nonaffiliated third party. If, however, the broker and the service company are not part of the same family of companies, the service contract must be

amended to require the service company to maintain the confidentiality of the nonpublic personal information it receives.

In a few instances, both parties to a service contract might have an obligation to amend a service contract. For example, an insurer (a “licensee”) could enter into a contract with a broker (also a “licensee”). If the services called for under the contract only run one way (e.g., the broker provides claims handling services to the insurer), then the broker is acting as the service company and would be receiving nonpublic personal information. As such, the insurer must amend the contract to require the broker to maintain the confidentiality of the private information, but the broker would not need to request a similar amendment from the insurer. If, on the other hand, both licensees provide services to each other (e.g., a contract between a wholesale broker and a retail broker under which both parties provided services and nonpublic personal information to each other), then both parties would be under an obligation to amend the contract to require each other to maintain the confidentiality of private information.

There is, however, a

(Continued on Page 3)

(Continued from Page 2)

second factor in addition to determining whether the service company is a nonaffiliate: whether the nonaffiliate has access to nonpublic personal information as a result of the contract. Although the regulations are not entirely clear on this point, it appears that only contracts that involve nonpublic personal information must be amended. If a licensee has a service contract with a nonaffiliate but that nonaffiliate will never receive any

nonpublic personal information, then that contract would not need to be amended. For example, a contract with a nonaffiliated copier-repair service would not need to be amended since that service provider would not have access to the type of information protected by the regulations.

The requirement to amend contracts with service providers is broadly worded and can be troublesome to comply with. Determining who is a nonaffiliate

and whether they have access to nonpublic personal information, however, can reduce the burden and narrow the list of service providers that should be approached with a contract amendment. For more information and a sample amendment, see SLA Bulletin No. 1002 or contact Dan Brown at 415-951-1147.



Member Profile



Joan Spiegel
Senior Vice President
**Marsh Risk & Insurance
Services**

Joan Spiegel is a Client Advisor in the Casualty Risk Management Department of Marsh, San Francisco. She is responsible for account planning and management for a variety of large risk management accounts.

Prior to joining the firm in 1997, Joan was the Vice President Risk Management at Safeway Inc. In that position she was responsible for all insured and self-insured property and casualty risks, including loss control, claim administration and insurance programs. Joan joined Safeway as the Director in 1991 and was elected Vice President in 1995. Joan was the Risk Manager at Lucky Stores, Inc. in Dublin California from 1988 to 1991. She was the Liability Claim and Insurance Manager at Pacific Telesis Group from 1984 to 1988. Before entering the risk management field, Joan was a multi-line claim supervisor for Maryland Casualty. She began her career as a claim representa-

tive trainee with Aetna Casualty in 1974.

Joan has a Masters degree in Business Administration from the University of California, Berkeley and a Bachelors degree in Arts from the University of Southern California. She has also achieved the Chartered Property and Casualty Underwriter, Associate in Risk Management and Associate in Claims designations.



Report of the Director of the Stamping Office



Deanna Zanoni

We want to welcome our newest employee Sarah Nilsson to our Data Processing Department.

We would also like to welcome our new members to the Association:

- Arc West Coast Excess & Surplus Brokerage, LLC
- Rockwood Programs, Inc.
- Avant Insurance Managers, Inc.
- Bolton & Company
- Propius Insurance Services, Inc.
- Interstate Specialty Marketing, Inc.
- Jerry Cleon Pond
- USI of Southern California Insurance Services, Inc.
- Euclid Insurance Services, Inc.
- Hobbs Group Insurance
- Partners Specialty Group LLC
- David Sidney Yeskin
- Fred Roland Sabbe
- Mary Katherine Nolan
- Douglas Prosper Montgomery
- K & K Insurance Group, Inc.
- Gary Lee Jarvis

- J. E. Brown & Assoc.
- John Joseph Gaskill
- Gary Wayne Galeotti
- Colin John Davidson
- Cres Insurance Services, LLC
- Allied General Agency Company
- William Michael Eck
- Robert Neil Rosenfeld
- Lisa Ann Erickson
- Amigo Mexican Insurance Services, Inc.
- Conroy Insurance Services, Inc.
- Dianne Christine Daines
- Carl Richard Sadler
- Valcourt Enterprises, Inc.
- Rico, Pfitzer, Pires, & Associates Ins. Agency, Inc.
- Quantitative Risk & Insurance Services, Inc.
- Dawn Elizabeth Perri
- Frances Maliszewski
- New Age Brokerage, Inc.
- King Insurance Support Systems, Inc.
- Insurance Synamic Network, Inc.
- Eastern Premiere Group, Inc.
- Donald Dean Culpepper
- Arch Specialty Insurance Agency, Inc.
- Fidelity National Insurance Services, Inc.
- PRM Insurance Services, Inc.
- Brown & Brown of California, Inc.

The total premiums for the first six months of 2003 were \$2,377,068,232- up 72% over last year. The total items with premiums processed for the first six months were 179,737- up 19% over last year.

By the time this goes to print the Western States Surplus Line Conference will have taken place in Big Sky, Montana. So on to next year's conference to be held in South Shore, Lake Tahoe, Nevada.

This is the last time I will be signing off, as retirement is only less than a month away. So Goodbye and Ciao!





Christmas 1966

***The Surplus Line Association
would like to thank
Deanna Zanoni
for 42 years of hard work
& dedication.***



LARGEST COVERAGE CODES BASED ON PREMIUM PROCESSED THROUGH JUNE 30, 2003

COVERAGE CODE	PREMIUM PROCESSED	% OF TOTAL
GENERAL LIABILITY	\$763,132,109	32.10%
COMMERCIAL DIC/STAND ALONE EARTHQUAKE	266,932,822	11.23%
ALL RISK COMMERCIAL PROPERTY	215,618,395	9.07%
ERRORS AND OMISSIONS	211,661,602	8.90%
EXCESS LIABILITY	123,580,079	5.20%
SPECIAL MULTI-PERIL	87,503,011	3.68%
DIRECTORS AND OFFICERS	84,995,280	3.58%
INDIV INSURED W/LARGE SCHED TIV > \$500M	79,166,763	3.33%
PROFESSIONAL LIABILITY	75,115,833	3.16%
ENVIRONMENTAL IMPAIRMENT REMEDIATION	59,059,560	2.48%
CONTRACTORS ENGAGED IN NEW TRACT HOMES	58,209,696	2.45%
EMPLOYMENT PRACTICES LIABILITY	48,981,112	2.06%
EXCESS LIABILITY/UNDERLYING NONADMITTED	47,669,869	2.01%
INLAND MARINE	35,447,345	1.49%
MISCELLANEOUS	22,623,395	0.95%
HOMEOWNERS MULTI-PERIL	19,992,453	0.84%
COMMERCIAL PROPERTY-BASIC	19,604,505	0.82%
PRODUCTS/COMPLETED OPERATIONS (STAND ALONE)	18,122,168	0.76%
AUTO PHYSICAL DAMAGE-COMMERCIAL	13,837,602	0.58%
HOMEOWNERS	13,465,855	0.57%
HIGH LIMITS DISABILITY	12,874,771	0.54%
SECURITY GUARD SERVICES	9,041,968	0.38%
AUTO LIABILITY-COMMERCIAL	8,825,200	0.37%
SINGLE FAMILY DWELLING/DUPLEX	7,889,397	0.33%
AUTO COMBINED LIAB & PHYS DAMAGE-COMMERCIAL	5,075,112	0.21%
SUB TOTAL	\$2,308,425,902	97.11%
All Others	68,642,330	2.89%
TOTAL	\$2,377,068,232	100.00%



**TOP 50 CALIFORNIA SURPLUS LINE BROKERS
BASED ON PREMIUM PROCESSED THROUGH JUNE 30, 2003**

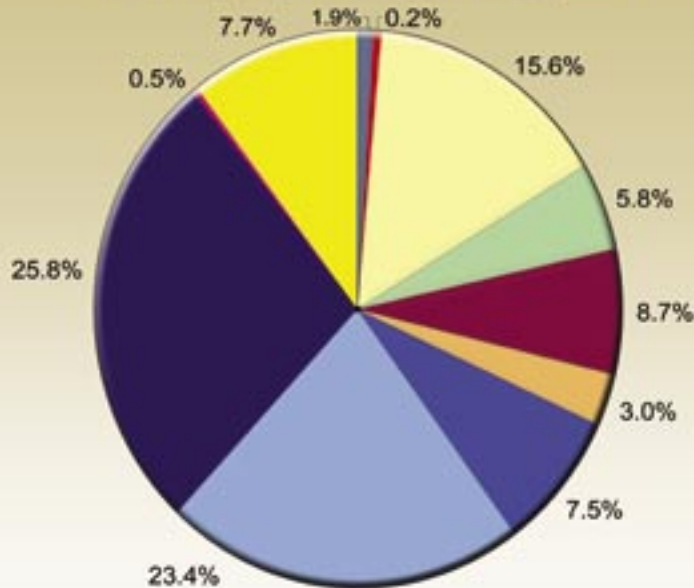
	BROKER	PREMIUM PROCESSED	% OF TOTAL
1	SWETT & CRAWFORD	\$260,292,234	10.95%
2	WESTERN RISK SPECIALISTS, INC.	233,236,745	9.81%
3	MARSH USA INC.	193,202,128	8.13%
4	STEWART SMITH EAST, INC.	75,944,170	3.19%
5	HEATH INSURANCE BROKERS INC.	70,801,883	2.98%
6	TRI-CITY BROKERAGE, INC.	60,808,754	2.56%
7	MTS INSURANCE SERVICES, LLC.	55,112,531	2.32%
8	STERLING WEST INSURANCE SERVICES, INC.	51,744,656	2.18%
9	LEMAC & ASSOCIATES, INC.	51,223,434	2.15%
10	AMERICAN E & S INSURANCE BROKERS OF CALIFORNIA, INC.	50,837,593	2.14%
11	WORLDWIDE FACILITIES, INC.	46,525,446	1.96%
12	ZURICH E&S INSURANCE BROKERAGE, INC.	41,888,833	1.76%
13	BROWN & RIDING INSURANCE SERVICES, INC.	38,309,725	1.61%
14	NAVIGATORS CALIFORNIA INSURANCE SERVICES, INC.	38,243,016	1.61%
15	AON RISK SERVICES, INC. OF SOUTHERN CALIFORNIA INSURANCE SERVICES	34,778,219	1.46%
16	BURNS & WILCOX INSURANCE SERVICES, INC.	33,879,703	1.43%
17	INTERNATIONAL E & S INSURANCE BROKERS, INC.	33,617,873	1.41%
18	FIRST STATE MANAGEMENT GROUP, INC.	33,359,424	1.40%
19	ROKS AMERICA, INC. INSURANCE BROKERS	32,944,309	1.39%
20	COONEY, RIKARD & CURTIN INSURANCE SERVICES OF CALIFORNIA, LLC	31,348,093	1.32%
21	LOCKTON INSURANCE BROKERS, INC.	30,190,540	1.27%
22	BLISS & GLENNON, INC.	27,943,309	1.18%
23	ECM INSURANCE SERVICES, LLC	27,222,740	1.15%
24	PARTNERS SPECIALTY GROUP, LLC	26,319,646	1.11%
25	CROUSE & ASSOCIATES INSURANCE SERVICES OF NORTHERN CALIFORNIA, INC.	24,553,932	1.03%
26	YATES & ASSOCIATES INSURANCE SERVICES, INC.	24,430,538	1.03%
27	CANON INSURANCE SERVICE	24,052,778	1.01%
28	CARPENTER & MOORE INSURANCE SERVICES INC.	21,365,270	0.90%
29	RISK PLACEMENT SERVICES INSURANCE BROKERS	20,980,473	0.88%
30	TRINITY E & S INSURANCE SERVICES, INC.	20,115,704	0.85%
31	MONARCH E & S INSURANCE SERVICES	19,745,835	0.83%
32	CRAWLEY WARREN INSURANCE SERVICES, INC.	19,270,046	0.81%
33	M.J. HALL & COMPANY, INC.	16,056,907	0.68%
34	AIS AFFINITY INSURANCE AGENCY, INC.	15,447,478	0.65%
35	W. BROWN & ASSOCIATES PROPERTY & CASUALTY INSURANCE SERVICES	15,191,136	0.64%
36	HARRY W. GORST COMPANY, INC.	14,804,783	0.62%
37	NEAR NORTH ENTERTAINMENT INSURANCE SERVICES, LLC.	14,299,343	0.60%
38	CRUMP E&S OF SAN FRANCISCO INSURANCE SERVICES, INC.	13,317,923	0.56%
39	INTEGRATED RISK SOLUTIONS INSURANCE SERVICES, LLC.	13,019,373	0.55%
40	PETERSEN INTERNATIONAL UNDERWRITERS	13,006,426	0.55%
41	CLEMENTE, DENNIS LACSON	12,923,965	0.54%
42	WOODRUFF-SAWYER & COMPANY	12,411,537	0.52%
43	COASTAL BROKERS INSURANCE SERVICES INC.	11,622,279	0.49%
44	R.E. CHAIX & ASSOCIATES INSURANCE BROKERS, INC.	10,847,341	0.46%
45	ARROWHEAD GENERAL INSURANCE AGENCY, INC.	10,756,544	0.45%
46	WILLIS INSURANCE SERVICES OF CALIFORNIA, INC.	10,461,462	0.44%
47	CAMBRIDGE GENERAL AGENCY	10,408,015	0.44%
48	BLACK, WHITE & ASSOCIATES INSURANCE BROKERS	10,248,315	0.43%
49	SBIB, INC.	9,844,963	0.41%
50	PROFESSIONAL PRACTICE INSURANCE BROKERS, INC.	9,805,247	0.41%
	SUB-TOTAL	\$1,978,762,616	83.24%
	All Others	398,305,615	16.76%
	TOTAL	\$2,377,068,232	100.00%

**TOP 30 NONADMITTED COMPANIES
BASED ON PREMIUM PROCESSED THROUGH JUNE 30, 2003**

RANK	COMPANY	PREMIUM PROCESSED	% OF TOTAL
1	Lexington Insurance Company	\$256,834,512	10.80%
2	American International Specialty Lines Insurance Company	129,747,179	5.46%
3	Royal Surplus Lines Insurance Company	103,686,639	4.36%
4	Scottsdale Insurance Company	101,937,831	4.29%
5	Evanston Insurance Company	94,287,462	3.97%
6	Steadfast Insurance Company	94,137,166	3.96%
7	Admiral Insurance Company	76,235,697	3.21%
8	Arch Specialty Insurance Company	64,032,383	2.69%
9	Essex Insurance Company	61,394,929	2.58%
10	Westchester Surplus Lines Insurance Company	61,300,939	2.58%
11	Mt. Hawley Insurance Company	54,853,981	2.31%
12	Everest Indemnity Insurance Company	52,881,542	2.22%
13	Illinois Union Insurance Company	51,072,492	2.15%
14	Gemini Insurance Company	44,996,078	1.89%
15	NIC Insurance Company	42,367,894	1.78%
16	Pacific Insurance Company Ltd.	38,148,476	1.60%
17	North American Capacity Insurance Company	37,642,735	1.58%
18	Clarendon America Insurance Company	35,209,150	1.48%
19	Empire Indemnity Insurance Company	34,970,736	1.47%
20	General Star Indemnity Company	33,937,236	1.43%
21	Sheffield Insurance Corporation	32,555,381	1.37%
22	United National Insurance Company	28,208,167	1.19%
23	Columbia Casualty Company	26,968,538	1.13%
24	Commonwealth Insurance Company	26,244,018	1.10%
25	Lloyd's Of London Syndicate #0623	24,693,544	1.04%
26	American Safety Indemnity Company	23,774,124	1.00%
27	Lloyd's Of London Syndicate #0033	22,367,522	0.94%
28	Gulf Underwriters Insurance Company	22,284,792	0.94%
29	Chubb Custom Insurance Company	21,752,951	0.92%
30	Lloyd's Of London Syndicate #2488	21,152,006	0.89%
	SUB-TOTAL	\$1,719,676,100	72.34%
	All Others	657,392,132	27.66%
	TOTAL	\$2,377,068,232	100.00%

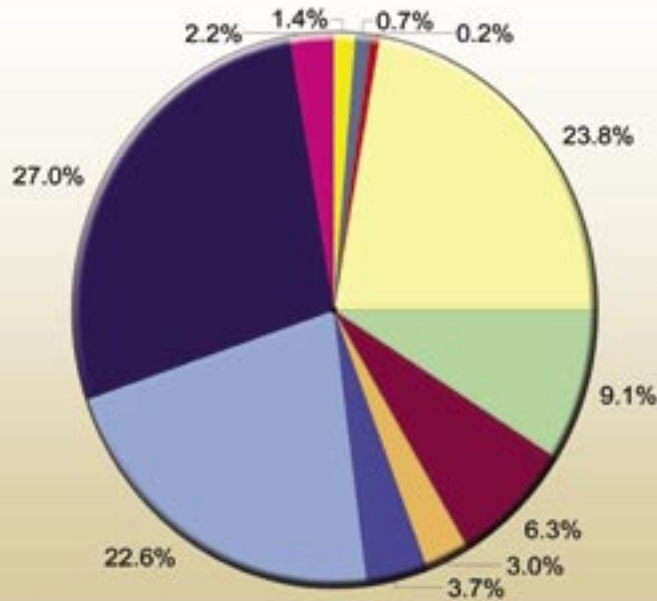
The Surplus Lines Insured

Number of Insureds Distributed by Standardized Industrial Class for January 01, 2003 through June 30, 2003



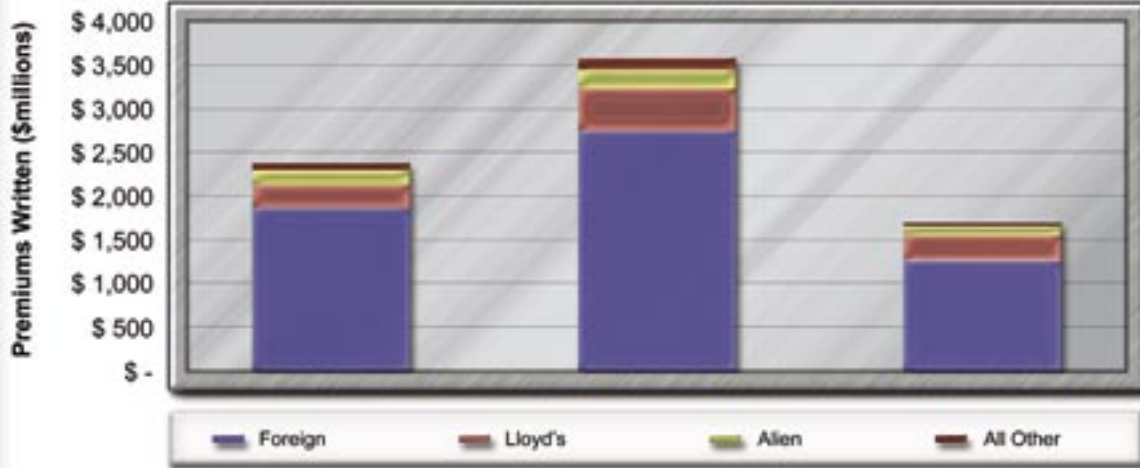
■ Agriculture, Forestry and Fishing - 1.9%	■ Mining - 0.2%
■ Construction - 15.6%	■ Manufacturing - 5.8%
■ Transportation, Communications, Electric - 8.7%	■ Wholesale Trade - 3.0%
■ Retail Trade - 7.5%	■ Finance, Insurance & Real Estate - 23.4%
■ Services - 25.8%	■ Public Administration - 0.5%
■ Personal Lines - 7.7%	

Insureds Distributed by Premium Volume and Based on Standardized Industrial Class for January 01, 2003 through June 30, 2003



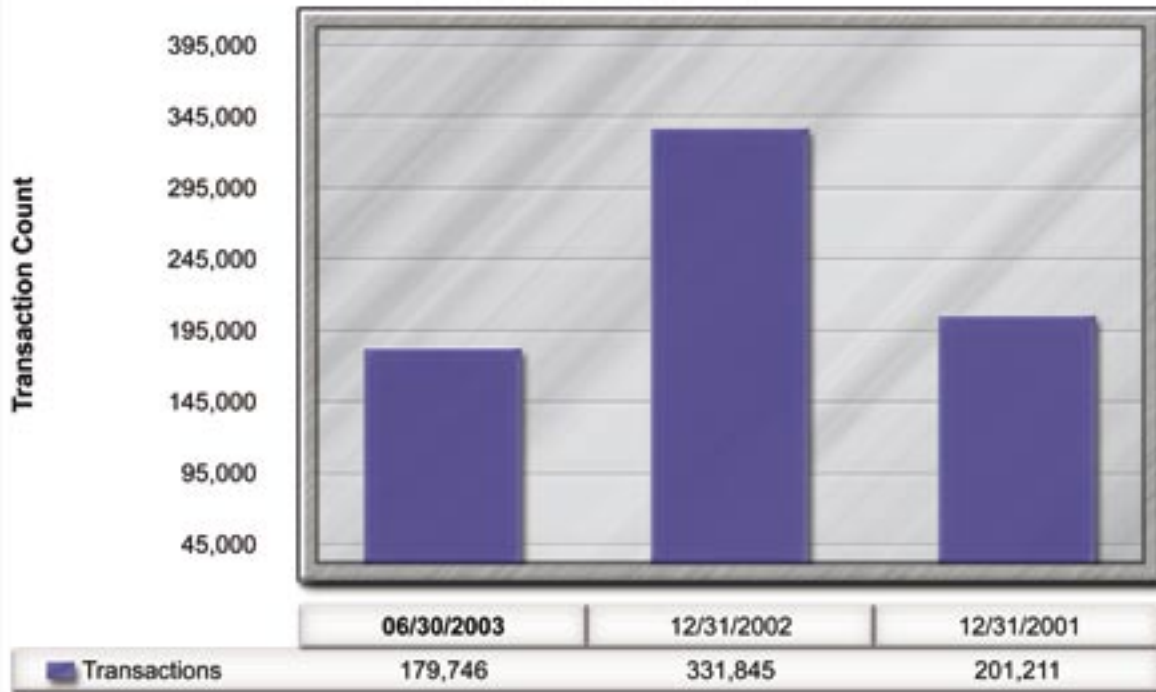
■ Agriculture, Forestry and Fishing - 0.7%	■ Mining - 0.2%
■ Construction - 23.8%	■ Manufacturing - 9.1%
■ Transportation, Communications, Electric - 6.3%	■ Wholesale Trade - 3.0%
■ Retail Trade - 3.7%	■ Finance, Insurance & Real Estate - 22.6%
■ Services - 27.0%	■ Public Administration - 2.2%
■ Personal Lines - 1.4%	

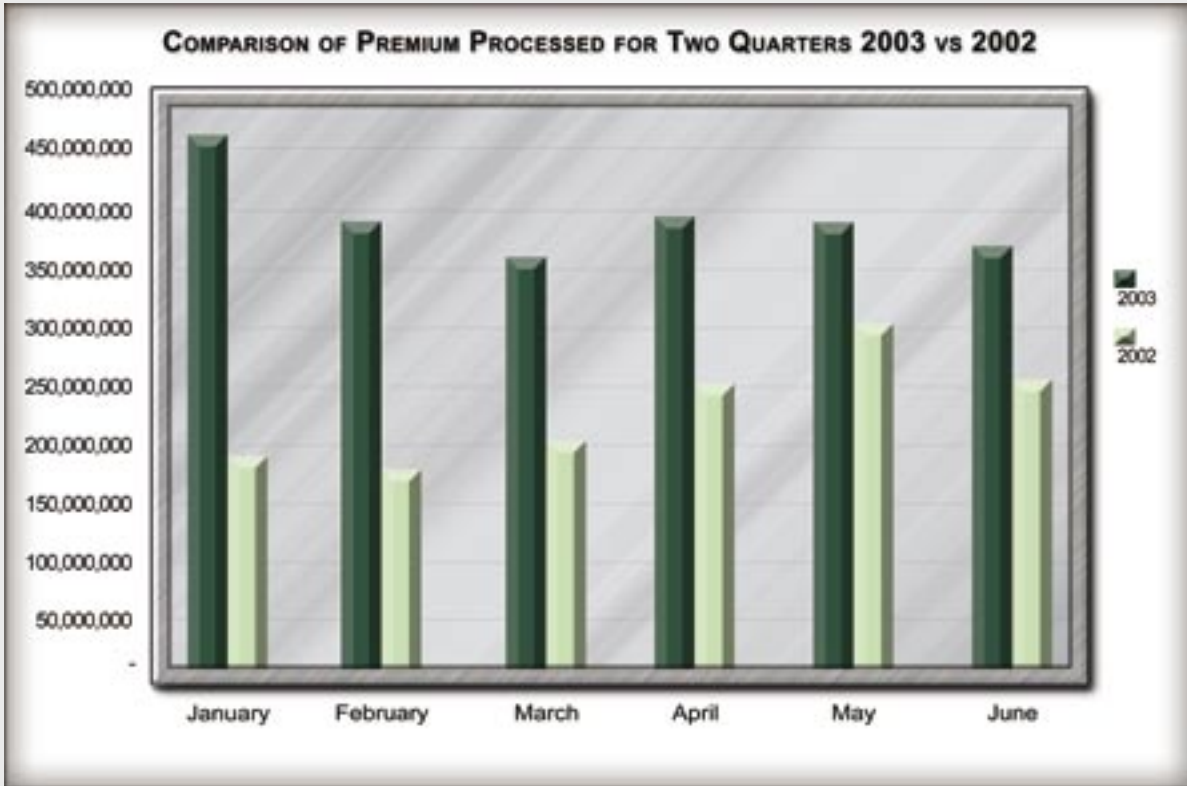
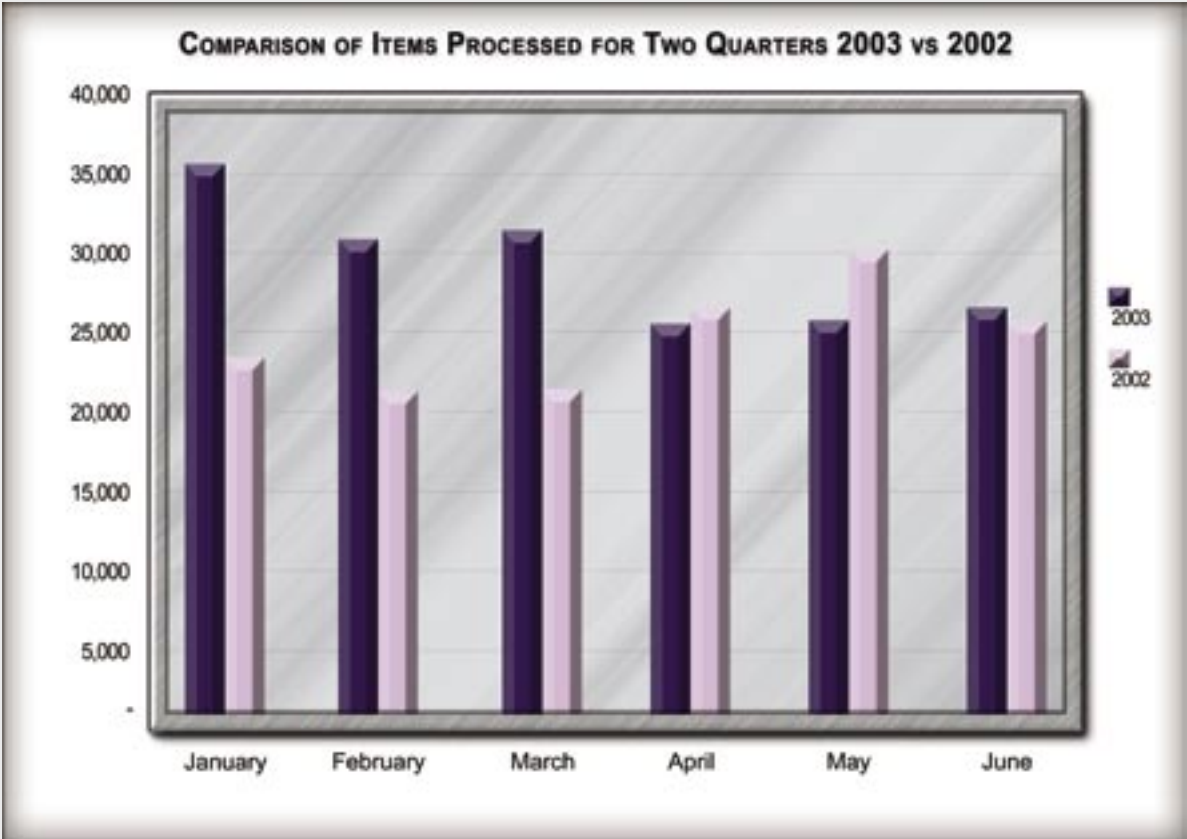
Premium Totals by Company Type



	06/30/2003 (in millions)	12/31/2002 (in millions)	12/31/2001 (in millions)
Foreign	\$ 1,932	\$ 2,700	\$ 1,253
Lloyd's	\$ 300	\$ 576	\$ 376
Alien	\$ 103	\$ 193	\$ 89
All Other	\$ 43	\$ 94	\$ 25
Total	\$ 2,378	\$ 3,563	\$ 1,743

Total Transaction Count





Surplus Line Association of California

Scheduled Educational Events for September & October 2003

(No seminars scheduled for the month of August)

**ALL OUR SEMINARS ARE APPROVED FOR CA
FIRE & CASUALTY
BROKER-AGENTS (FX)**

Mock Trial

Presented by: Jonathon Sher
Wilson, Elser, Moskowitz, Edelman & Dicker LLP
Registration & Continental Breakfast 8:00
Seminar 8:30 a.m. – 12:30 p.m.
4 CE Credits – Course #11793

Tuesday, September 23, 2003

Hilton Burbank Airport & Convention Center
2500 Hollywood Way
Burbank, CA 91505

Wednesday, September 24, 2003

The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

Insurance For Information Technology Professionals

Presented by: Letha Heaton & Carol Murphy
Shand Morahan & Co., Inc.
Registration & Continental Breakfast 8:00
Seminar 8:30 a.m. – 11:30 a.m.
3 CE Credits – Course #138262

Tuesday, October 21, 2003

Hilton Universal City & Towers
555 Universal Terrace Parkway
Universal City, CA 91608

Wednesday, October 22, 2003

The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

**F e b r u a r y
2 0 0 1**

The SLA Quarterly is published by the Surplus Line Association of California,
388 Market Street, S.F., CA 94111
For the members of
The Surplus Line Association

SLA OFFICERS & STAFF

Stacey Beougher - SLA Chair

IIW Insurance Services of California

Robert J. Gilbert -Vice Chair

General Star Management Company

SLA Vice Chair

Katie A. Freeman - Secretary/Treasurer

Katie Freeman Insurance Services

Greg Crouse

Crouse & Associates Ins. Brokers, Inc.

Hartley D. Cravens

Cravens, Lefler & McCormick

Hank H. Haldeman

Gerald J. Sullivan & Associates

Rupert Hall

M.J. Hall & Company, Inc.

Michael F. Heagerty

Harry W. Gorst Company, Inc.

Horst Lechler

Anderson & Murison, Inc.

Phillip E. Mazur

Sherwood Insurance Services

Marion A. Perkins

First State Insurance Services

Katheryn A. Nelson

Nelson, Gordon & James Insurance Services, Inc.

Stephanie Reilly