

## What's Inside

### Report of the Chairman

pgs. 1-2

### Legal Update

pgs. 2-3

### Legislative Update

pgs. 3-6

### Report of the Director of the Stamping Office

pgs. 6-11

### Courtesy Filings

pg. 12

### E & S Basics

pgs. 13-14

### Premium Totals by Company Type

pg. 14

### Top 50 California Surplus Line Brokers

pg. 15

### Top 50 Nonadmitted Carriers

pg. 16

### 50 Largest Coverage Codes

pg. 17

### Comparison of Premium & Items Processed, 2nd Quarter, for 2008 vs 2007

pg. 18

### Tags Issued for 2nd Quarter 2008

pg. 19

### IT Corner

pg. 19

### Education Calendar & SLA Officers and Staff

pg. 20

## REPORT OF THE CHAIRMAN

The 2008 six-month total for premium processed by the SLA is \$3.1 billion. The total number of policies filed with the SLA from January 1 through June 30, 2008 is 232,638 which is an 8.65% decrease compared to last year's six month policy count.



**Warren Stanley**  
Chairman, 2008

Currently there are 95 U.S. domiciled insurers on the List of Eligible Surplus Line Insurers and 31 alien and 70 Lloyd's syndicates for a total of 196 entities. From January through June, U.S. domiciled insurers wrote 79.21% of the California surplus line premiums while Lloyd's wrote 13.12% and all other alien insurers wrote 3.91%. An additional 3.76% was processed as Lloyd's without syndicate details,

premiums held in suspense for unknown carriers, broker fees, or coverage written by carriers that have not been properly identified or were de-listed.

As a result of the passage of AB 1699 (Duvall) (effective June 13, 2008) by the California State Legislature, the California Department of Insurance issued a June 27 notice informing all California Surplus Line Brokers that the licensing fees for brokers who transact solely on behalf of a surplus line broker business entity was reduced from \$700 to \$500. The fee for individual surplus line brokers who do not solely transact on behalf of a surplus line broker business entity license was increased from \$700 to \$1,000 (see SLA Bulletin #1159).

The law also requires surplus line business entities to provide two hours of training to its employees who solicit, negotiate, or effect insurance coverage placed by a nonadmitted insurer. The training is to be given to each eligible employee every five years. The Surplus Line Association of California will develop a curriculum for the training.

*This new law clarifies the criteria for surplus line broker business entities to use when determining the minimum number of individuals to license as surplus line brokers. Individuals or legal business entities that maintain a surplus line brokers license and maintain multiple officers to transact surplus lines business, must maintain at least one individually licensed surplus line broker at each one of those locations.*

Finally, the insurance code was amended to clarify the criteria for surplus line broker business entities to use when determining the minimum number of individuals to license as surplus line brokers. Specifically, Section 1765.2 (a) now states that, “a licensee under this chapter may be issued to an individual or any legal business entity. If issued to a business entity or individual that maintains more than one surplus line

office from which it transacts that business with California residents, it shall name the natural person or persons located at each such surplus line office maintained by the licensee who is or are to be responsible for the proper discharge at each office of all duties placed upon the licensee acting as a surplus line broker. Each natural person shall meet all of the requirements for the license.”

*Silvers v. State Board of Equalization*, seeks to compel the state’s taxing authority to assess premium taxes against Lexington Insurance Company (a surplus line insurer) as an insurer doing business in the state. The complaint names several hundred defendants indicating the intent to be an industry-wide action.

## LEGAL UPDATE

### SUMMARY OF SILVERS V. STATE BOARD OF EQUALIZATION, ET AL.

On April 4, 2008, Stephen F. Silvers and Steven J. Gold (“Plaintiffs”) filed a Complaint in the California Superior Court for Los Angeles County against the State Board Of Equalization and its Executive Director, as well as Lexington Insurance Company and Does 1-500. A “Doe” is an unnamed and unidentified party. In this case, it is possible Plaintiffs may later seek to amend their complaint to name other surplus line insurers in place of the as-yet unnamed “Does.” In the Complaint, Plaintiffs seek a judicial declaration that Lexington Insurance Company, a surplus line insurer, has been doing business in California and therefore is subject to a 2.35% annual gross premium tax under Section 28, Article XIII of the California Constitution

On June 20, 2008, the State Board of Equalization and Lexington Insurance Company filed documents with the Los Angeles Superior Court requesting that the Court dismiss the Complaint.

In support of Lexington Insurance Company’s request for dismissal, the SLA filed an amicus curiae brief on June 23, 2008. An amicus curiae is one that is not a party to the case, but helps the Court by offering information to assist the Court in making an informed decision. The SLA, and its membership, has expertise in the California surplus line market that makes it uniquely qualified to provide the Court with valuable information and perspective. Accordingly, the SLA filed an amicus curiae brief (the “SLA Brief”) to assist the Court’s deliberations. The SLA Brief explains that Plaintiffs’ position is contrary to 70 years of established case law and contrary to the legislative history of the relevant California statutes. The brief raises three major points:

1. Surplus line insurers play an essential role in the California insurance market.
2. The legislative history of the Insurance Code establishes that the Legislature did not intend to impose the Section 28 premium tax on surplus line insurance. The statutes and case law further establish that surplus line insurers are not recognized as doing business

in California and are not subject to taxation under Section 28.

3. Although surplus line insurers are not taxed under Section 28, they are subject to a comprehensive taxation scheme that ensures taxation of surplus line insurance premiums. Interference with this taxation scheme would violate legislative intent and would likely

lead to negative consequences in pricing and availability of surplus line insurance in a market for an essential product that is already fully taxed and regulated.

A hearing was held on July 25 and Lexington's demurrer for failure to state a cause of action (a low judicial standard) was rejected by the court, and the case will proceed with discovery.

## LEGISLATIVE UPDATE

### STATE LEGISLATIVE UPDATE

**AB 1699 (DUVALL):** Now law-effective June 13, 2008. The California Department of Insurance issued a June 27 notice informing all California Surplus Line Brokers that the licensing fees for brokers who transact solely on behalf of a surplus line broker business entity was reduced from \$700 to \$500. The fee for individual surplus line brokers who do not solely transact on behalf of a surplus line broker business entity license was increased from \$700 to \$1,000 (see SLA Bulletin #1159).

The law also requires surplus line business entities to provide two hours of training to its employees who solicit, negotiate, or effect insurance coverage placed by a nonadmitted insurer. The training is to be given to each eligible employee every five years. The Surplus Line Association of California will develop a curriculum for the training.

Finally, the insurance code was amended to clarify the criteria for surplus line broker business entities to use when determining the minimum number of individuals to license as surplus line brokers.

Specifically, Section 1765.2 (a) now states that, "a licensee under this chapter may be issued to an individual or any legal business entity. If issued to a business entity or individual that maintains more than one surplus line office from which it transacts that business with California residents, it shall name the natural person or persons located at each such surplus line office maintained by the licensee who is or are to be responsible for the proper discharge at each office of all duties placed upon the licensee acting as a surplus line broker. Each natural person shall meet all of the requirements for the license."

**AB 2956 (COTO):** This bill would codify the traditional "totality of the circumstances" test for determining whether an insurance professional is acting as a broker or as an agent. Insurance producers need clear guidelines to determine which activities constitute agency and which constitute brokerage. The bill adds a disclosure requirement from retail brokers to the insured and from wholesale brokers to the originating producer in order for the statutory "presumption of broker" to apply. The

According to the insurance agents and brokers groups that are sponsors of California AB 2956, the bill is needed to clarify an area of law that does not establish clear distinctions between acts that would render a broker an agent, despite the parties' intentions. The bill would codify the totality of circumstances test that has been the common law rule for determining when a producer is acting as an agent or broker.

wholesaler disclosure would include the nature and amount of fees and the fact of any insurer compensation it receives. As of this writing, the bill is pending enactment on the Senate floor.

**AB 2044 (DUVALL):** This bill, sponsored by the Department of Insurance, is intended to be a technical clean-up bill. However, the department has indicated that it intends to add provisions



*Surplus Line Brokers are likely to see a \$200 reduction in their biennial license fee thanks to AB 1699 (Duvall).*

that would reduce from 30 hours to 24 hours the mandatory continuing education requirement for property and casualty brokers/agents and allow the Department to issue citations to producers for minor violations of the insurance code. The CDI needs this bill to bring California in compliance with the NAIC uniform standard for broker licensing. No action has been taken on the bill.

**AB 3054 (CALIFORNIA DEPARTMENT OF INSURANCE):** This bill is an insurance omnibus bill intended as a technical cleanup of the insurance code but includes one provision dealing with the interest calculation for surplus line broker premium tax late payments. The SLA

general counsel has advised that this bill presents no problems for surplus line brokers. No action has been taken on the bill.

**AB 1088 (CARTER):** This bill would exempt the risk portion of any blended finite risk product used in the financing element of state or federal Superfund environmental settlements, as specified, from the 3% gross premium tax on surplus line brokers. The bill is intended to help the City of San Bernardino by allowing segregation of the risk portion of coverage from the financing portion so the premium tax only applies to the risk portion. The bill passed the Assembly on May 15 and is pending action on the Senate floor.

#### **FEDERAL LEGISLATIVE UPDATE**

On March 31, the U.S. Treasury Secretary Henry Paulson, Jr. released a “blueprint” for a stronger regulatory structure in financial services that includes insurance. Secy. Paulson said insurance regulation is almost wholly state-based, with 50+ regulators. This structure raises a number of issues with an international dimension that can be inefficient and costly. The Secretary called for the establishment of an Office of National Insurance within the Treasury Department to oversee an optional federal charter for insurance similar to the dual chartering system for banks. Congress has responded to the Treasury proposal through the introduction of HR 5840, a bill to create an Office of Insurance Information in the U.S. Treasury Department. The bill was amended in the House Subcommittee of Jurisdiction on July 9, 2008.

**HR 1065/S 929,** The Nonadmitted and Reinsurance

The Nonadmitted and Reinsurance Reform Act (NRRA) (HR1065/S929) is approaching the end of the 110th Congress where it has passed the House but not been acted upon in the Senate. If the bill is not enacted in 2008, it will be reintroduced in the 111th Congress.

Reform Act of 2007 was introduced in early 2007 in the House by Rep. Dennis Moore (D-KS), and in the Senate by Senators Mel Martinez (R-FL) and Bill Nelson (D-FL). The bill would require a uniform 50-state system of surplus line premium tax allocation on multi-state policies, single situs or home state regulation of surplus line transactions, participation in the national producer database, uniform standards for surplus line insurer eligibility, and streamlined regulation of commercial purchases. The bill also calls for uniformity in credit for reinsurance by prohibiting extraterritorial application of State laws and solvency regulation. The House bill passed on June 25, 2007. The Senate version faces a much tougher battle.

**HR 5611**, The National Association of Registered Agents and Brokers Reform Act (NARAB II) was introduced by Rep. David Scott (D-13) on March 13, 2008. The bill provides a federal standard under which producers may receive multi-state licenses on a streamlined basis. It does not impart any regulatory authority at the federal level. The House Financial Services Subcommittee on Capital Markets marked up the bill July 9, 2008 for consideration by the full House.

**HR 1081/S 618**, The Insurance Industry Competition Act of 2007 was introduced in the House by Rep. Peter DeFazio (D-OR) and Sen. Patrick Leahy (D-VT), on Feb. 15, 2007. The bill would amend the McCarran-Ferguson Act to make the Federal Trade Commission Act, as it related to areas other than unfair methods of competition, applicable to the business of insurance to the extent that such business is not regulated by state law. The bill also authorizes the Department of Justice and the Federal Trade Commission to

use joint statements of their antitrust enforcement policies regarding joint activities in the business of insurance. Hearings have been held in the Senate Judiciary Committee only.

**HR 3200/S 40**, The National Insurance Act of 2007 was introduced in mid 2007 by Rep. Melissa Bean (D-IL) and Sen. John Sununu (R-NH). The bill would authorize the issuance of Federal charters and licenses for carrying on the sale, solicitation, negotiation, and underwriting of insurance or any other insurance operations, to provide a comprehensive system for the Federal regulation and supervision of national insurers and national agencies, to provide for policyholder protections in the event of an insolvency or the impairment of a national insurer. The bills are pending in their committees of jurisdiction where no hearings have been held.

**HR 5840**, the Insurance Information Act of 2008 was introduced on April 17 by Rep. Paul Kanjorski (D-PA). The bill would establish an Office of Insurance Information within the Treasury Department – essentially implementing the Office of Insurance Oversight described in the U.S. Treasury’s Blueprint for a Modernized Financial Regulatory Structure. On July 9, 2008, the House Financial Services Committee marked up the bill for consideration by the full House.

**HR 5792**, The Increasing Insurance Coverage Options for Consumers Act of 2008 was introduced by Rep. Dennis Moore (D-KS). The bill would amend the Liability Risk Retention Act of 1986 to cover risk retention groups offering commercial property insurance. Applies the exemption of purchasing groups from state law

**NARAB II (HR 5611)** is an updated version of a federal proposal from 1999 to establish a national board to oversee agent licensing and CE standards. Under the proposal, any agent or agency can choose to be a member of the National Association of Registered Agents and Brokers and then be held to a single set of licensing and CE standards in every state in which they do business.



to commercial property insurance. Revises the procedures for submitting financial documents to state insurance commissioners, mandatory disclosures, and prohibits states from regulating

risk retention groups not chartered or licensed in such state, except as permitted under this act. The House Financial Services Subcommittee on Capital Markets marked up the bill on July 9, 2008 for consideration by the full House.

## REPORT OF THE DIRECTOR OF THE STAMPING OFFICE



**Joy Laughery**  
Director,  
Stamping Office

232,638.

One of the surprises of this quarter was a large late filing. This caused premium processed to exceed projections. While this changes our ability to accurately assess the true figures, we always welcome late filings. Many of you may not know there is no penalty from the SLA for filing a policy late. It is very important your firm complies with the regulatory guidelines and regardless of when a policy was effective you can send the filing to us with an explanation.

Which brings us to late tags. We would like to spend some time this year and pinpoint the reasons for late filings. Fifty percent of the tags that are issued are for late filing with explanations. Tags are something that can be reduced. Most brokers have control over whether they will receive a tag. For the late filings to have reached 50% of the tags we need to gain a deeper understanding of what is happening with the insurers and brokers so we can accurately address the

The year 2008 has been full of ups, downs and surprises. The Data Processing department has processed \$3,116,822,030 in premium. We are on target to remain even \$5 billion in processed premium. Our total items processed to date are

problem. Please email me at [jlaughery@slacal.org](mailto:jlaughery@slacal.org) if you would like to provide feedback on this issue. You can also send me an email through our website under "About Us" and then the "contact us" link.

With the advent of our Broker Extranet, the development of an electronic filing system, and solutions to tags, I would like to see everyone become productive and thus more profitable!

**We would like to welcome our newest brokers:**

### **Business Entity Licenses**

**Althans Insurance Agency, Inc.**  
**Amigo Mexican Insurance Services, Inc**  
**Artisan's Choice Insurance Services, Inc.**  
**BCD Insurance Services, Inc.**  
**Beacon Hill Associates, Inc.**  
**CAMICO Services, Inc.**  
**Casualty & Surety, Inc.**  
**Colemont Insurance Brokers of Arizona LLC**  
**Colemont Insurance Brokers of Connecticut LLC**  
**Colemont Insurance Brokers of Illinois LLC**  
**Commercial Industrial Building Owners Alliance, Inc.**  
**Contractor Managing General Insurance Agency, Inc.**  
**DLD Company, The**  
**Farallone Pacific Insurance Services, LLC**  
**Home Crest Insurance Services, Inc.**  
**Insurance Solutions & Services, Inc.**

Under the guidance of the California Department of Insurance, the SLA notifies filing surplus line brokers of any errors, inaccuracies, or other problems in the filed documents and follows up on responses as it deems appropriate or as requested by the Commissioner. This notification may be issued in writing in the form of a tag letter or issued through the broker extranet in the form of an electronic tag. Tags relating to deficiencies in the SL-1 and SL-2 forms remain outstanding in the SLA system for 30 days. If the tag is not resolved by the broker in this time, the tag is unsuspended and a report listing all such unresolved violations by broker is sent to the Commissioner.

IRG Environmental, LLC  
 Kerber Agency, LLC, The  
 Landscape Contractors Insurance Services, Inc.  
 Lawson-Hawks Insurance Agency  
 M. G. Skinner & Associates Insurance Agency, Inc.  
 Maguire Insurance Agency, Inc.  
 Mapfre Tepeyac, Inc.  
 Municipal General Insurance Agency  
 Navigators Management Company, Inc.  
 OnPoint Underwriting, Inc.  
 Pennington Group, LLC  
 Recentis Intermediaries, LLC

Repath McAuley Woods LLC  
 Resource Marketing Insurance Agency, LLC  
 RSA Surplus Lines Insurance Services, Inc.  
 Thompson Insurance Enterprises, LLC  
 Tower Brokerage & Insurance Services, LLC  
 Trade Group Insurance Specialties, Inc.  
 USI Insurance Services, LLC  
 Wells Fargo Insurance Agency of Michigan, Inc.  
 Wells Fargo Insurance Services of Oregon, Inc.  
 Wells Fargo Special Risks, Inc.  
 Worldlink Specialty Insurance Services, Inc.  
 Wright & Co.

## Individual Licenses

|                                 |                              |                             |
|---------------------------------|------------------------------|-----------------------------|
| Abdulla, Tamar                  | Barnette, Betsy Seitzinger   | Bradway, Mark Howard        |
| Abram, Stephen Robert           | Barraza, Dana Gloria         | Brantingham, Kenneth Bruce  |
| Acker, Martha Lee               | Bartmas, Sonja Marie         | Brasher, Rhonda Thompson    |
| Adam, Stuart Charles            | Bauer, Charlene Marie        | Braun, Carolyn Ann          |
| Adolphsen, Jennifer Bates       | Bauer, John W                | Brewster, Stewart Charles   |
| Akerstrom, Brittany Nicole      | Bauer, Wayne William         | Brian, Robert Ray           |
| Alanko, Bert Victor             | Bell, Eric Todd              | Brooks, Robert Franklin Jr  |
| Alderman, Jeremy Nicholas       | Benveniste, Glenn Bension    | Brown, Nancy Perkins        |
| Alferez, David Alberto          | Berg, Marc Alan              | Bruce, Christopher Geoffrey |
| Allen, Cristina Marie           | Berger, Janis L              | Bruegging, Stacy Lee        |
| Allen, John Henry Jr            | Bernard, Melissa Irene       | Brumberg, Scott Paul        |
| Amick, Terri Tobiassen          | Beurle, James Alex           | Buckenroth, Paul John       |
| Anderson, Jo Ann F.             | Bickell, Wayne William       | Burbage, Lisa Lynn          |
| Andronaco, Nicholas Christopher | Black, Joanne Ellis          | Burke, Phillip Bolles       |
| Annese, Michael Joseph Jr       | Blakeley, Richard Allen      | Burke, William Norbert Jr   |
| Anthony, Kimeral Dena           | Blumencranz, Marc            | Butschek, Catherine V M     |
| Aragon-Haas, Cynthia Edith      | Bobal, Lori A.               | Buttine, John Matthew       |
| Arnold, Lonnie Kane             | Boge, David Terry            | Byrd, Kimberley Lawrence    |
| Asfaw, Ezana Admasu             | Bonazzoli, Karen             | Byron, Edward Gardner Jr    |
| Ashcraft, Steven Patrick        | Bostick, Robert James        | Calle, Rita Mildred         |
| Azaryan, Angela                 | Bouyet, Laura                | Callihan, Dianne Dollie     |
| Baker, Andrew Bradford          | Bovenzi, James Jerome        | Candilora, Stephen A        |
| Baker, Howard Michael           | Bowermaster, William Michael | Carreras, Daniel            |
| Ball, Jonathan E.               | Boy, Joahna Paulette         | Castro, Angelina Esther     |
| Bannister, Elizabeth Claire     | Bradberry, Robin Kay         | Castro, Stephanie Irene     |

As of July 7, 2008, the SLA has 3,639 members of which 2,451 are resident brokers and 1,188 are nonresident brokers. Of the combined resident and nonresident brokers, 931 are corporate broker licensees and 2,718 are individual licensees.

SLA Terms of Membership: Any individual or organization licensed as a resident or non-resident surplus line broker under the laws of the State of California shall be deemed a Member of the Association. Membership in the Association automatically terminates upon a Member's ceasing to be a licensed surplus line broker in California.

|                              |                            |                            |
|------------------------------|----------------------------|----------------------------|
| Cha, Mina                    | Demaranville, Stephen Todd | Galligan, Michael Ryan     |
| Chaix, Timothy Eugene        | Dennis, Alan Cleon         | Ganino, Franco             |
| Chan, Karen                  | Destefano, Michael John    | Garcia, Michael Louis      |
| Chase, Stephen Brinkley      | Dezonias, Tiffany Dana     | Garland, Patricia (T)      |
| Chilimidos, Darren Spyros    | Di Salvatore, Denise Ann   | Garside, Ian David         |
| Chinn, Tiffany Grace         | Dillas, Makita Michele     | Gates, Robert Barker Jr    |
| Chipp, David Edwin           | Dolan, Kenneth             | Gatton, Joicie Marie       |
| Cho, Emmanuel Sungjae        | Doss, Randy Levar          | Gavaris, George Michael    |
| Christian, Barbara Jean      | Dowers, Dana Louis         | Gerpe, Edward              |
| Cindric, Brian Thomas        | Drobbin, Gloria Ellen      | Gill, Michael Patrick      |
| Cink, Tracy Theresa          | Dugan, Albert Francis Jr   | Girden, Richard William    |
| Clark, Charles Richard       | Dunbar, Bruce Clay III     | Glaser, Norma Carmen       |
| Clark, Christina Greninger   | Dunn, Jeffrey Scott        | Gloudeman, Renee Clare     |
| Clinch, Wayne Michael        | Duree, Alvelda Louise      | Godfrey, James Harold Jr   |
| Clipsham, Barry Charles      | Dziadkiewicz, Edward Paul  | Godso, Alan Kurt           |
| Clougherty, Brian Patrick    | Ear, Vicki Kuy             | Goggin, Susan Holm         |
| Cole, Carolyn Mary           | Easty, Terry Anne          | Gomez, Grace Margaret      |
| Coles, Jeffrey Scott         | Eck, William Michael       | Gonzalez, Gerardo          |
| Compton, James Ayers         | Edelman, Lester            | Gookin, Laura Lee          |
| Cook, Michael Alan           | Edlund, Mark Wayne         | Gore, Alyssa Taylor        |
| Corbett, Raymond Alan        | Edson, Victoria Lynn       | Gowan, Matthew Taylor      |
| Costello, Bryan O'connor     | Edwards, Joan Diane        | Graf, William Bruce        |
| Coyle, Brian                 | Emmerson, Kathryn Susan    | Graff, Gerry Dean          |
| Crombie, Kevin John          | Ergastolo, John            | Grant, Michael James       |
| Cronin, Christopher Devinnie | Fagan, Robert Charles      | Greig, John Canavan        |
| Crowson, Deana D.            | Fane, Nicholas Benjamin    | Grice, Graham George       |
| Crystal, James Finesilver    | Feickert, Keith Francis    | Grindell, William Robert   |
| Curry, Blane Edward          | Feldman, George Philip     | Grossman, Robert Louis     |
| Dabovich, Lisa Marie         | Fell, Wayne Michael        | Guagenti, Erica Lee        |
| D'ambra, Christine Marie     | Ferraro, Michael Dino      | Gust, Sherri Lynne         |
| Dancer, Craig R.             | Fields, Irene              | Gutierrez, Laura Jayne     |
| Dangelo, Celia Marie         | Firmeza, Elizabeth Tengco  | Haaser, Lisa Marie         |
| Daniels, Christine Louise    | Fisher, Toby Eugene        | Hahn, Edward Moon-Sik      |
| Davidson, Michael Tipton     | Fleischman, Carole Lea     | Hall, Terry Elgin          |
| Davies, Nicholas James       | Flewellen, Patsy Catherine | Halsey, Joseph             |
| Davis, Christopher Todd      | Franco, Rita Camille       | Hamilton, Joseph Michael   |
| Davis, James Ray             | Franklin, James Collier    | Hamilton, Kent Gordon      |
| Davis, Michael John          | French, Corie Lynn         | Hammond, Sylvia Lizarraga  |
| Deboard, Diane Gray          | Fulgentis, Ross James      | Hampar, Michael William    |
| Dechiaro, Joseph             | Furrer, Kristine Marie     | Hampton, Wesley Gordon     |
| Deist, Thomas Allen          | Gaddis, Christopher Todd   | Hansen, Margaret Elizabeth |



Hanson, Patrick Stanley  
Harney, Christopher David  
Hartman, Steven Wendell  
Harvey, Parker  
Hawkins, Christopher Stark  
Heard, Maureen Ann  
Helveston, Ronald Carol  
Hempel, Stefany Dawn  
Henry, Brendan C.  
Henthorn, Frank Michael  
Hepworth, David Mark  
Herchert, Robert Landess  
Herlihy, Michael  
Hessing, Janet Lin  
Hicks, Kenneth Samuel  
Higgins, Sandra Marie  
Hinton, Anthony Brent  
Hogshead, Brenda Brothers  
Honeycutt, Frankie Carter  
Horoshak, Jay Pearson  
House, Randell Louis  
Howard, Jeremiah Scott  
Hoyt, Paul George  
Hubbard, Pamela Micheline  
Hudson, Deirdre Ann  
Hughes, James Kenneth Jr  
Huh, Susan Kim  
Hulvey, Teri Lynn  
Humphrey, Harry Marshall  
Hunter, Gregory Otis  
Huss, David Thomas  
Inge, Joseph Bryan  
Inouye, Chris Takeo  
Jackson, Jammie Dean  
Jacobs, Frank Gerard  
Jaynes, Jillian Leighann  
Jeewanjee, Zainuddean Akbar  
Jefimenko, Rosemary Natasha  
Jike, Phyllis Jane  
Jimenez, Maritess Pineda  
Johnson, Janet Dee

Johnson, Robert Campbell Jr  
Jolly, Eileen O'Neill  
Jones, Gregory Lee  
Jones, Matthew Alexander  
Jones, Paul Edward  
Joschko, Phillip J  
Joyce, Anne Hayes  
Jragatsbanian, Lilit  
Judson, Arthur Edward  
Juedes, Scott William  
Kanehann, William Morris  
Karasaki, Chad William  
Kaspar, Christopher M.  
Kaufman, Mark Lee  
Keenan, Timothy Michael  
Keller, Susan Agnes  
Kenny, Amanda Forbes  
Kerber, Duane Alan  
Kerrigan, Philip  
Kilano, Susan Bernadet  
King, Carol Leigh  
Kingsley, Robert Truman  
Kitchen, Gary Ellis  
Klug, Thomas Edward  
Knapp, Nolan Guy  
Knapp, Rona Lenard  
Knouse, Jon David  
Koop, Lynn Cogger  
Kubiak, Erin Kathleen  
Lakes, Shaquita Delois  
Lakie, Susan Kathleen  
Lamb, Scott (H)  
Lane, Scott Christopher  
Langfeldt, Jeffrey David  
Larocca, Tina Ann  
Lee, Michael Ku  
Lemme, Mario  
Leshner, Diane Gail  
Lewis, Bryan Blake  
Lewis, Jarmain Marie  
Lewis, Pamela Sue

Lippa, David Anthony  
Little, Tammy Epps  
Livingston, Christopher Earl  
Livingston, Louise Shaw  
Loeloff, Mandy Elizabeth  
Logan, Scott Allen  
Lohman, William Desmond II  
Lopes, Kristeen Louise  
Lovitt, Emalyn Celia  
Lumpkin, Joan Delcambre  
Mack, Marilee Wilson  
Mantione, Vincent Paul  
Marquez, Fernando  
Marshall, Douglas Edwin  
Martincich, Michele Ann Marie  
Martinez, Gabriela Uriela  
Marty, Cynthia Fay  
Masucci, Michael Francis Jr  
Mathews, Michael Allan  
Mattull, Christie Lynn  
Mazan, Adam Jacob  
Maze, George Sim  
McCann, Terrence Dennis  
McDonald, James Gerald  
McDonnell, Celia  
McDonough, Kevin  
McGee, Jenny Lea  
McWilliams, Marcela Elizabeth  
Meehan, Gerard Norbert  
Meeker, Kenneth Rodney  
Meskin, Amir Solomon  
Messerschmidt, Judith Ann  
Midei, Matt Charles  
Milledge, Droste Deforest Jr  
Miller, Daniel Louis  
Miller, Michael Dale  
Mitolier, Jared Jay  
Mogensen, Michael Johannes  
Mohr, Patrice Lynn  
Montminy, Richard Joseph  
Moody, Terry Kay

Classes of Members:  
There are four classes of Members, individual resident Members, individual non-resident Members, organization resident Members, and organization non-resident Members. Members of each class have the rights and duties specifically ascribed to Members of their class under the SLA Constitution.

Authorized Representative: An individual resident or non-resident Member may, and each organizational resident or non-resident shall, designate an "authorized representative." A Member's authorized representative shall have all the authority of a Member as ascribed to such a Member under the SLA Constitution, including but not limited to, authority to be counted towards a quorum and to vote on the Member's behalf if such authority is granted to the relevant member under the SLA Constitution.

|                             |                                     |                                |
|-----------------------------|-------------------------------------|--------------------------------|
| Moore, Terry Douglass       | Pierce, James Robinson Jr.          | San Mateo, Lizabeth Hortizuela |
| Morales, Rocio Carmen       | Pinson, William Paul Jr             | San, Ha Thanh                  |
| Moreno, Sandra              | Pipino, James Donald                | Sanders, Michelle Elaine       |
| Morris, Christopher Robert  | Plewinski, Matthew Robert           | Sargeant, Joanne Elizabeth     |
| Morton, Phillip Gregory     | Pobuda, Conrad Walter               | Sarrey, Joseph William Jr      |
| Muhlbach, Pamela Sue        | Polley, Michael Scott Sr            | Schedeck, Marika Madeleine     |
| Muir-Taylor, Alastair James | Pope, Christina Leshel              | Scherm, Kelly Bernell          |
| Murphy, Michael Robert      | Potts, Michael Anthony              | Schneider, Daniel Louis        |
| Murphy, William Matthew     | Prewett, Warren Clark               | Schneider, Joan Feldkircher    |
| Myles, Lee Eric             | Prince, Matthew Allen               | Schorz, Jennifer Ann           |
| Nadler, Shay Ann            | Prince, Michael Drew                | Scire, William Peter           |
| Nageer, Tarique I           | Quaschnick, Rachele Ann             | Scott, Delores Dintzner        |
| Nance, Richard Jackson      | Ramos, Christopher Demetrio         | Senyo, Susanne K               |
| Naterman, Catalina Michiyo  | Ranallo, Robert Anthony             | Severson, Todd Lee             |
| Newland, Sharon Marie       | Randall, Kim Leslie                 | Sherwin, Terrence John         |
| Nguyen, Kelly Thuy          | Randall-Molaschi, Bonnie Mary H. C. | Shipman, Claudia Delayne       |
| Nichols, Sheryl Diane       | Rasey, Teresa Anne                  | Shoemaker, Charles Robert      |
| Nicholson, Shelbi Leigh     | Rathbun, Phillip Allen              | Sikora, Sandra Lee             |
| Niemela, Barbara Joanne     | Ravelo, George Michael              | Sillifant, Karen Nadine        |
| Norman, Cynthia Hope        | Reeves, Cathy Janine                | Skidmore, Christopher Dale     |
| Norton, Ersilia             | Ribbens, Sarah Lambert              | Slivka, Jeffrey Michael        |
| Oase, Kathy Gwen            | Richards, Michael Raymond           | Slovak, Katrina Colosimo       |
| O'Donnell, John Patrick     | Rimbey, Michael Glenn               | Smith, Adrian                  |
| O'Donnell, Michael John     | Rivera, Mario Humberto              | Smith, David Legrand           |
| O'Hara, Dennis Hugh         | Roberts, Eric Maurice               | Smith, Mark                    |
| Olson, Karl Ivan            | Roberts, Judy Leo                   | Smith, Mark Ellsworth          |
| Orlando, Michael Anthony    | Rodriguez, Jeffrey John             | Smith, Sheryl Lynne            |
| Osbourne, Thomas Richard    | Romano, Michael Richard             | Smith, Susan                   |
| Owens, Laree Lynn           | Romero, Mario Miguel                | Smith, Timothy Craig           |
| Owusu-Fianko, Sandra        | Romo, Michelle Lea                  | Spaan, Michael Louis           |
| Palmer, George Nelson       | Rooke, Linda Joy                    | Spence, Alan Barrow            |
| Parrish, Joshua James       | Rose, Jan Wayne                     | Spillers, Mary Alison          |
| Patton, Rebecca Scarborough | Rosenfeld, Robert Neil              | Spraggins, Teresa Lynn         |
| Pearson, Rebecca Stewart    | Roth, Robert Duncan Jr              | Stahl, Lisa Denise             |
| Pechin, Casey John          | Rothman, Elliott Charles            | Stanley, Delia Zamarripa       |
| Peck, Andrew Mitchell       | Rountree, Bruce James               | Stanley, Todd Warren           |
| Pedack, Richard Emil        | Royle, Shawn Michael                | Stein, Philip Jesse            |
| Pena, Antonio III           | Russo, David D.                     | Stephens, John Christopher     |
| Perkins, David Scott        | Rutsky, Kathleen Dale               | Stephens, Linda Sue            |
| Picetti, Jennifer Ann       | Ryzhkina, Elena                     | Stowe, Cynthia                 |
| Piche, David Lorne          | Salyer, Mariana Cardenas            | Stubbenieck, Bradley Alan      |

Suffolk, Nancy Rene  
 Sweeney, Sean S  
 Tam, Tony  
 Tarling, Michael D.  
 Tarr, Danielle Elaine  
 Tatum, Pamela Lorraine  
 Taylor, Martine Nicole  
 Thaxton, Michael Todd  
 Therrell, John Simeon  
 Thibodeaux, Chad Eric  
 Thomas, Richard Robert  
 Thomas, Roy Oliver  
 Thomas, William Staats III  
 Thompson, Carter Winslow  
 Tibbetts, Jane Hilary  
 Tillou, Russell Ernest  
 Tindle, Mark Alan  
 Toland, Frederick Morgan Jr.  
 Toland, Scott Hamilton  
 Tomasulo, Michael Patrick  
 Touchstone, John Stephen  
 Townsend, Matthew Paul  
 Tran, Chau Thoai  
 Trask, Travis Matthew  
 Tremaine, Jesse Matthew

Trocino, Tony Joseph  
 Troncoso, Cecilia Yvette  
 Troy, Timothy Patrick  
 Tudor, Gloria Ruth  
 Tumbleson, Josh Daniel  
 Underwood, Edmund William Jr  
 Uyehara, Gregory John  
 Vandegriff, Mark Andrew  
 Vanderwall, Dirk Lewis  
 Varela, Sandra Marcela  
 Vermeer, Jolene Marie  
 Walls, John Linn  
 Walsh, Frank Morehouse  
 Walsh, Melissa Woodward  
 Waterman, Jonathan Marc  
 Watkins, Robert J  
 Weber, Adam Craig  
 Weber, Hester Catharina  
 Weckerle, Joseph Frederick V  
 Wede, Jon Scott  
 Weibel, Eric Jerome  
 Weir, Pamela  
 Weitzman, Andrea Lane  
 West, Dane Austin  
 West, Gwendolyn Lankford

Westervelt, Winsome  
 Whitehouse, Sheila Wilma  
 Whitt, Daniel Edward  
 Whittington, Andrew John  
 Wightman, Scott Stephen  
 Williams, Carol Margaret  
 Williams, Darren Lee  
 Winkler, Deborah E  
 Winter, Phillip Raymond  
 Witherspoon, John Cavin  
 Wolf, Michael Scott  
 Wolf, Scott Allen  
 Wood, Amy Christine  
 Wright, Nancy Lou  
 Wylie, Russell William  
 Yamamoto, Yemiko  
 Yancey, Roy Robert  
 Yang, Terry Hongkun  
 Ying, Mark Glen  
 Young, Leo Li-Ming  
 Younger, Rodney Lloyd  
 Yuen, Chui-Yin  
 Yuhas, Nickolas C  
 Zachry, John Bertrand  
 Zanoni, William Thomas  
 Zimmerman, Robert H II

Submission of Questions: Pursuant to the Surplus Line Laws, in order to avoid conflict with insurance coverages actually available through admitted insurance carriers and to enable the Stamping Office to maintain a complete record of all decisions concerning Member inquiries, Members are required to submit through the Stamping Office all questions relating to surplus line business on which a ruling or interpretation is deemed necessary from the Insurance Commissioner. Where the question submitted also involves an Association determination, it will be referred to the appropriate committee for review before submission to the Commissioner.

**SLA Membership Totals as of July 7, 2008:**

|                |       |                          |       |
|----------------|-------|--------------------------|-------|
| CA Corporate:  | 612   | Non-Resident Corporate:  | 319   |
| CA Individual: | 1,839 | Non-Resident Individual: | 879   |
| Total CA       | 2,451 | Total Non-Resident       | 1,198 |

**Total Membership Count: 3,649**

## COURTESY FILINGS

Clarification has been requested regarding the propriety of so-called “courtesy filings.” The term “courtesy filing” is generally understood to mean where a surplus line broker is asked to make the surplus line filings and associated surplus line tax filings on behalf of a broker or agent that does not hold a California resident or non-resident surplus line broker license.

California law does not recognize “courtesy filings.” Nor does California law exempt so-called “courtesy filings,” or licensees making them, from any requirements of the surplus line laws.

The term “courtesy filing” is a misnomer. It has no legal or regulatory significance. For the avoidance of doubt, the only type of surplus line filing recognized in California is one made by a licensed surplus line broker that complies in all respects with the surplus line laws.

By making the legally-required surplus line filings in connection with any placement, the surplus line licensee is responsible for full compliance with the surplus line laws whether the licensee originated the placement or not, regardless of whether the licensee is compensated for performing such functions. The licensee therefore must ensure that:

- A proper diligent search was conducted
- The insurer with which the placement is made is LESLI-approved or satisfies the requirements for a placement with an unauthorized nonadmitted insurer (e.g., the “GAP exemption” under California Insurance Code (CIC) §1765.1(k))
- The risk is exportable

- The insured is provided with and signs the D1 Disclosure Notice and the D2 Disclosure Statement is affixed to the policy when issued.
- Surplus line tax is properly calculated and collected
- Surplus line tax is timely paid
- If applicable, multistate premium and surplus line tax is allocated properly
- Required documentation is completed accurately and timely filed
- The licensee complies with all other surplus line law requirements

Under the CIC, courtesy filings have long been viewed as the equivalent of a surplus line licensee “renting its license” to unlicensed persons. The historical rationale for certain courtesy filings was that an out-of-state broker could not be expected to obtain a California resident surplus line broker license for occasional transactions involving California risks.

California now offers a non-resident surplus line broker license that can be readily obtained by any surplus line broker licensed in another state [CIC §1639(e)]. The historical rationale for courtesy filings on behalf of non-resident surplus line brokers therefore no longer applies.

Any surplus line broker asked to make a courtesy filing should be mindful of the risks and obligations that the licensee assumes in doing so. The requesting resident or non-resident producer should be advised to obtain a California resident or non-resident surplus line license.

Due to concern about businesses advertising themselves as third party filers for surplus line broker stamping office filings, the SLA General Counsel has urged that brokers be reminded that if they are asked to make a “courtesy filing” they should be mindful of the risks and obligations that they assume in doing so. The requesting resident or non-resident producer should be advised to obtain a California resident or non-resident surplus line brokers license.

## E & S BASICS



**Laura Danoff,**  
CPCU, AIS, ASLI  
Assistant Education  
Manager

When I think back to my start in E&S some 30 years ago, I now realize how clueless I was. I'd been the last person left in the Underwriting Department of a small California insurer that was going under, spending my days issuing Cut Through endorsements to our reinsurers, when the headhunter called with an Assistant Broker position in an office that did something called "surplus lines". I didn't know what it was, but I did know that I was soon going to be out of a job and this job would be a shorter commute, so I went for it.

Soon I was spending my days typing a form called an SLA-101 (now the SL-2), listing the name of my employer, Insured's name/address, coverage, premium, and three lines where I was told to list "American Reserve, Hartford, and USF&G", then apply the boss's signature stamp. When American Reserve went belly-up, I was told to replace that name with Mission (ironic, as that was the next company to go under). Was a search performed? Did I even know what the form was for? When someone called and told me to "bind" something, what did that mean? What were the implications? I just know the phone call made everyone in the office happy and sometimes resulted in doughnuts for all.

I think many of us had similar starts – finding ourselves in an unusual area of insurance and without a roadmap, so the SLA is emphasizing the importance that all employees in surplus lines

review E&S basics to remove the mystery (and avoid E&O situations). The SLA has put together a 2 hour CE-Approved class called "E&S Basics". Here's a sampling of the content:

### Admitted vs. Non-Admitted

- Surplus Line insurers, also known as non-admitted insurers, are insurance companies that are licensed (i.e. "admitted") in their home state or country (for example, Delaware), but not in the state in which coverage is needed (for example, California).
- Being non-admitted does NOT mean non-regulated! In order for an insurer to be on California's List of Eligible Surplus Line Insurers (the LESLI), an insurer must demonstrate to the California Department of Insurance its financial stability, reputation and integrity, by meeting strict standards.
- Flexibility of Rate and Form – because non-admitted forms and rates aren't filed in California, the surplus line marketplace can react quickly and creatively to changes/needs in the marketplace. This is why so many new coverages will first enter the marketplace on non-admitted paper.

### Keep a Close Watch on...

Policy Forms! Because the forms aren't filed, they're also not uniform, so policy analysis is critical! Forms can vary greatly from insurer to insurer, especially in areas of definitions, exclu-

Surplus line insurers can provide coverage for distressed, unique, and high-capacity risks partly because of their freedom from rate and form filing regulations. Because surplus line insurers are not licensed in the insured's home state, they are not subject to that state's insurance regulations.



sions, conditions, territory, so it's important to review the policy language carefully.

Quotations! Frequently, coverage is placed in the non-admitted market because there are problems to be solved, exposures are unique, there are characteristics that might make the risk undesirable to the admitted market, or it may need to be written on a Claims Made or Claims Made and Reported basis, so it's important to review quotations carefully. Some things to watch out for include policy term, minimum earned premiums, warranties, retroactive dates, endorsements [Note: the title of the endorsement isn't enough – one insurer's Computer Consultant Endorsement may vary greatly from another insurer's endorsement with the same title – make sure you get a copy of the wording], and for Professional Liability: the description of Professional Services to be covered. And of course, Subjectivities. Often, the E&S broker will be contacted at the last minute, when the admitted marketplace pulls out, so quotes may be offered "subject to" any number of important

things. Binding coverage without nailing these down can result in an E&O situation for the broker if the information after the fact is other than what the underwriter anticipated.

### Cast of Characters

#### Who are these people and what do they do?

One of the mysteries of the E&S marketplace, is: who does what and what's the difference?

- E&S Broker/Surplus Line Broker/Wholesale Broker/Wholesaler
- Managing General Agent/General Agent
- Underwriting Manager
- Program Manager
- California Department of Insurance
- The Surplus Line Association of California

This new course will be in addition to our 1 hour CE-approved SLA Filing Procedures – The Nuts and Bolts, and we are currently exploring making these courses available online. Stay tuned.

The surplus lines market is the distribution system of the surplus lines insurers and intermediaries that provide insurance on risks for which insurance is not available from the admitted insurers. An admitted insurer is an insurer that is licensed to do business in the insured's home state. The distribution system of admitted insurers and their products is known as the admitted market, or the standard market.

## Premium Totals by Company Type

| COMPANY TYPE                  | (\$ in thousands)  |                    |              | % of TOTAL<br>6/30/2008 |
|-------------------------------|--------------------|--------------------|--------------|-------------------------|
|                               | 6/30/2008          | 6/30/2007          | % GROWTH     |                         |
| <b>LESLI LISTED COMPANIES</b> |                    |                    |              |                         |
| FOREIGN INSURERS              | \$2,468,717        | \$2,404,304        | 2.68%        | 79.21%                  |
| LLOYD'S SYNDICATES            | 408,781            | 442,413            | -7.60%       | 13.12%                  |
| ALIEN INSURERS                | 122,000            | 101,122            | 20.65%       | 3.91%                   |
| <b>SUBTOTAL</b>               | <b>\$2,999,499</b> | <b>\$2,947,840</b> | <b>1.75%</b> | <b>96.24%</b>           |
| ALL OTHER                     | 117,322            | 28,930             | 305.53%      | 3.76%                   |
| <b>TOTAL</b>                  | <b>\$3,116,822</b> | <b>\$2,976,770</b> | <b>4.70%</b> | <b>100.00%</b>          |

## Top 50 California Surplus Line Brokers

Based on Premium Processed through June 30, 2008

| Rank | BROKER  | PREMIUMS PROCESSED     | % OF TOTAL     |
|------|---|------------------------|----------------|
| 1    | AON RISK SERVICES, INC. OF SOUTHERN CALIFORNIA INSURANCE SERVICES         | \$560,091,507          | 17.97%         |
| 2    | WESTERN RISK SPECIALISTS, INC.  | 232,192,130            | 7.45%          |
| 3    | MARSH USA INC.  | 219,828,302            | 7.05%          |
| 4    | AMWINS INSURANCE BROKERAGE OF CALIFORNIA, LLC                             | 201,774,326            | 6.47%          |
| 5    | SWETT & CRAWFORD  | 201,476,665            | 6.46%          |
| 6    | LOCKTON COMPANIES, LLC  | 77,337,757             | 2.48%          |
| 7    | RISK PLACEMENT SERVICES INSURANCE BROKERS                                 | 60,252,337             | 1.93%          |
| 8    | BLISS AND GLENNON INC   | 57,678,771             | 1.85%          |
| 9    | AMERICAN E & S INSURANCE BROKERS OF CALIFORNIA, INC.                      | 52,122,142             | 1.67%          |
| 10   | WORLDWIDE FACILITIES, INC.  | 47,346,628             | 1.52%          |
| 11   | HART, ANTHONY JOSEPH  | 46,009,801             | 1.48%          |
| 12   | CRC-STERLING WEST INSURANCE SERVICES, LLC                                 | 40,271,085             | 1.29%          |
| 13   | PARTNERS SPECIALTY GROUP, LLC   | 39,800,726             | 1.28%          |
| 14   | AON RISK SERVICES, INC. OF NORTHERN CALIFORNIA INSURANCE SERVICES         | 39,616,360             | 1.27%          |
| 15   | BISYS COMMERCIAL INSURANCE SERVICES, INC.                                 | 39,541,631             | 1.27%          |
| 16   | BROWN & RIDING INSURANCE SERVICES, INC.                                   | 34,761,747             | 1.12%          |
| 17   | HRH E&S SERVICES, LLC   | 33,929,382             | 1.09%          |
| 18   | COLEMONT INSURANCE BROKERS OF CALIFORNIA, LLC                             | 32,840,802             | 1.05%          |
| 19   | CROUSE & ASSOCIATES INSURANCE SERVICES OF NORTHERN CALIFORNIA, INC.       | 30,855,810             | 0.99%          |
| 20   | FIRST STATE MANAGEMENT GROUP, INC.  | 30,373,280             | 0.97%          |
| 21   | BURNS & WILCOX INSURANCE SERVICES, INC.                                   | 28,931,874             | 0.93%          |
| 22   | CRUMP INSURANCE SERVICES, INC.  | 26,467,814             | 0.85%          |
| 23   | CRC INSURANCE SERVICES, INC.  | 24,493,575             | 0.79%          |
| 24   | HULL & COMPANY, INC.  | 24,489,250             | 0.79%          |
| 25   | INTERNATIONAL E & S INSURANCE BROKERS, INC.                               | 23,477,885             | 0.75%          |
| 26   | SOCIUS INSURANCE SERVICES, INC.   | 22,369,834             | 0.72%          |
| 27   | WILLIS INSURANCE SERVICES OF CALIFORNIA, INC.                             | 19,031,636             | 0.61%          |
| 28   | BASS UNDERWRITERS, INC.   | 18,968,350             | 0.61%          |
| 29   | WILLIS OF NEW YORK INC  | 18,432,329             | 0.59%          |
| 30   | HARRY W. GORST COMPANY, INC.  | 17,982,463             | 0.58%          |
| 31   | WOODRUFF-SAWYER & COMPANY   | 16,249,874             | 0.52%          |
| 32   | TRACKSURE INSURANCE AGENCY, INC.  | 16,232,049             | 0.52%          |
| 33   | AIS AFFINITY INSURANCE AGENCY, INC.                                       | 15,065,244             | 0.48%          |
| 34   | HILB ROGAL & HOBBS PROFESSIONAL PRACTICE INS BROKERS, INC.                | 14,124,135             | 0.45%          |
| 35   | BORISOFF INSURANCE SERVICES, INC. (DBA: MONARCH E & S INSURANCE SERVICES) | 13,737,459             | 0.44%          |
| 36   | W. BROWN & ASSOCIATES PROPERTY & CASUALTY INSURANCE SERVICES              | 13,302,391             | 0.43%          |
| 37   | HILB ROGAL & HOBBS INSURANCE SERVICES OF CALIFORNIA, INC.                 | 12,839,689             | 0.41%          |
| 38   | WESTERN RE/MANAGERS INSURANCE SERVICES, INC.                              | 12,246,486             | 0.39%          |
| 39   | ALL RISKS, LTD.   | 12,102,241             | 0.39%          |
| 40   | JOHN L. WORTHAM & SON, L.P.   | 11,893,584             | 0.38%          |
| 41   | CARPENTER & MOORE INSURANCE SERVICES INC.                                 | 11,890,716             | 0.38%          |
| 42   | M.J. HALL & COMPANY, INC.   | 11,613,903             | 0.37%          |
| 43   | NEITCLEM WHOLESALE INSURANCE BROKERAGE, INC                               | 11,394,046             | 0.37%          |
| 44   | COASTAL BROKERS INSURANCE SERVICES INC.                                   | 11,377,860             | 0.37%          |
| 45   | YATES & ASSOCIATES INSURANCE SERVICES, INC.                               | 10,856,907             | 0.35%          |
| 46   | ALL RISKS, LLC  | 10,476,966             | 0.34%          |
| 47   | WESTERN SECURITY SURPLUS INSURANCE BROKERS, INC.                          | 10,039,448             | 0.32%          |
| 48   | MIDWESTERN GENERAL BROKERAGE, INC.  | 9,876,142              | 0.32%          |
| 49   | NAS INSURANCE SERVICES, INC.  | 9,637,181              | 0.31%          |
| 50   | CHARTWELL INDEPENDENT INSURANCE BROKERS, LLC                              | 8,672,658              | 0.28%          |
|      | <b>SUBTOTAL</b>   | <b>\$2,546,375,179</b> | <b>81.70%</b>  |
|      | ALL OTHER BROKERS   | 570,446,851            | 18.30%         |
|      | <b>TOTAL</b>  | <b>\$3,116,822,030</b> | <b>100.00%</b> |

The 2008 six-month total for premium processed by the SLA is \$3.1 billion. The total number of policies filed with the SLA from January 1 through June 30, 2008 is 232,638 which is an 8.65% decrease compared to last year's six month policy count.

## Top 50 Nonadmitted Carriers

Based on Premium Processed through June 30, 2008

| RANK | COMPANY  | PREMIUM PROCESSED      | % OF TOTAL     |
|------|--|------------------------|----------------|
| 1    | LEXINGTON INSURANCE COMPANY                              | \$572,359,561          | 18.36%         |
| 2    | STEADFAST INSURANCE COMPANY                              | 165,297,197            | 5.30%          |
| 3    | AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY | 161,414,102            | 5.18%          |
| 4    | ILLINOIS UNION INSURANCE COMPANY                         | 73,016,893             | 2.34%          |
| 5    | SCOTTSDALE INSURANCE COMPANY                             | 67,464,021             | 2.16%          |
| 6    | LANDMARK AMERICAN INSURANCE COMPANY                      | 66,342,295             | 2.13%          |
| 7    | EMPIRE INDEMNITY INSURANCE COMPANY                       | 66,088,069             | 2.12%          |
| 8    | ADMIRAL INSURANCE COMPANY                                | 65,200,447             | 2.09%          |
| 9    | AXIS SURPLUS INSURANCE COMPANY                           | 61,028,720             | 1.96%          |
| 10   | COLUMBIA CASUALTY COMPANY                                | 59,215,422             | 1.90%          |
| 11   | WESTCHESTER SURPLUS LINES INSURANCE COMPANY              | 51,699,444             | 1.66%          |
| 12   | MT. HAWLEY INSURANCE COMPANY                             | 51,012,858             | 1.64%          |
| 13   | EVANSTON INSURANCE COMPANY                               | 50,688,141             | 1.63%          |
| 14   | INTERSTATE FIRE & CASUALTY COMPANY                       | 48,651,116             | 1.56%          |
| 15   | LLOYD'S OF LONDON SYNDICATE #0033                        | 47,762,923             | 1.53%          |
| 16   | NAVIGATORS SPECIALTY INSURANCE COMPANY                   | 47,602,429             | 1.53%          |
| 17   | ARCH SPECIALTY INSURANCE COMPANY                         | 45,561,377             | 1.46%          |
| 18   | LLOYD'S OF LONDON SYNDICATE #2623                        | 44,777,378             | 1.44%          |
| 19   | LIBERTY SURPLUS INSURANCE CORPORATION                    | 40,494,842             | 1.30%          |
| 20   | LLOYD'S OF LONDON SYNDICATE #2987                        | 39,408,246             | 1.26%          |
| 21   | CHUBB CUSTOM INSURANCE COMPANY                           | 35,210,980             | 1.13%          |
| 22   | ESSEX INSURANCE COMPANY                                  | 34,319,503             | 1.10%          |
| 23   | ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY           | 32,242,399             | 1.03%          |
| 24   | INDIAN HARBOR INSURANCE COMPANY                          | 31,361,974             | 1.01%          |
| 25   | GEMINI INSURANCE COMPANY                                 | 30,763,488             | 0.99%          |
| 26   | COLONY INSURANCE COMPANY                                 | 30,692,526             | 0.98%          |
| 27   | HOUSTON CASUALTY COMPANY                                 | 29,748,954             | 0.95%          |
| 28   | LLOYD'S OF LONDON SYNDICATE #2003                        | 29,740,359             | 0.95%          |
| 29   | SWISS RE INTERNATIONAL SE                                | 28,988,859             | 0.93%          |
| 30   | NORTH AMERICAN CAPACITY INSURANCE COMPANY                | 28,726,644             | 0.92%          |
| 31   | NATIONAL FIRE & MARINE INSURANCE COMPANY                 | 27,804,755             | 0.89%          |
| 32   | EVEREST INDEMNITY INSURANCE COMPANY                      | 25,169,180             | 0.81%          |
| 33   | LLOYD'S OF LONDON SYNDICATE #2488                        | 23,978,893             | 0.77%          |
| 34   | JAMES RIVER INSURANCE COMPANY                            | 23,363,278             | 0.75%          |
| 35   | PRAETORIAN SPECIALTY INSURANCE COMPANY                   | 23,152,880             | 0.74%          |
| 36   | CENTURY SURETY COMPANY                                   | 23,131,561             | 0.74%          |
| 37   | PACIFIC INSURANCE COMPANY LTD.                           | 22,447,273             | 0.72%          |
| 38   | AMERICAN SAFETY INDEMNITY COMPANY                        | 21,277,158             | 0.68%          |
| 39   | ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED     | 21,055,014             | 0.68%          |
| 40   | LLOYD'S OF LONDON SYNDICATE #1200                        | 19,371,145             | 0.62%          |
| 41   | HUDSON SPECIALTY INSURANCE COMPANY                       | 19,245,662             | 0.62%          |
| 42   | NAUTILUS INSURANCE COMPANY                               | 18,310,857             | 0.59%          |
| 43   | ST. PAUL SURPLUS LINES INSURANCE COMPANY                 | 17,806,411             | 0.57%          |
| 44   | VOYAGER INDEMNITY INSURANCE COMPANY                      | 17,105,979             | 0.55%          |
| 45   | FIRST MERCURY INSURANCE COMPANY                          | 16,855,647             | 0.54%          |
| 46   | LLOYD'S OF LONDON SYNDICATE #0510                        | 16,515,874             | 0.53%          |
| 47   | BURLINGTON INSURANCE COMPANY                             | 15,764,879             | 0.51%          |
| 48   | LLOYD'S OF LONDON SYNDICATE #0623                        | 15,520,594             | 0.50%          |
| 49   | COMMONWEALTH INSURANCE COMPANY                           | 14,875,569             | 0.48%          |
| 50   | GREAT LAKES REINSURANCE (UK) PLC                         | 14,623,274             | 0.47%          |
|      | <b>SUBTOTAL</b>  | <b>\$2,534,257,048</b> | <b>81.31%</b>  |
|      | All Other Companies                                      | 582,564,982            | 18.69%         |
|      | <b>TOTAL</b>   | <b>\$3,116,822,030</b> | <b>100.00%</b> |

In the first six-months of 2008, U.S. domiciled insurers wrote 79.21 percent of the California surplus lines premium, Lloyd's wrote 13.12 percent and alien insurers wrote 3.91 percent. The remaining 3.76 percent represents premium processed under Lloyd's with no syndicate details or premium held in suspense for unknown carrier, inspection and other fees and premium for companies that have been de-listed.

## Top 50 Coverage Codes

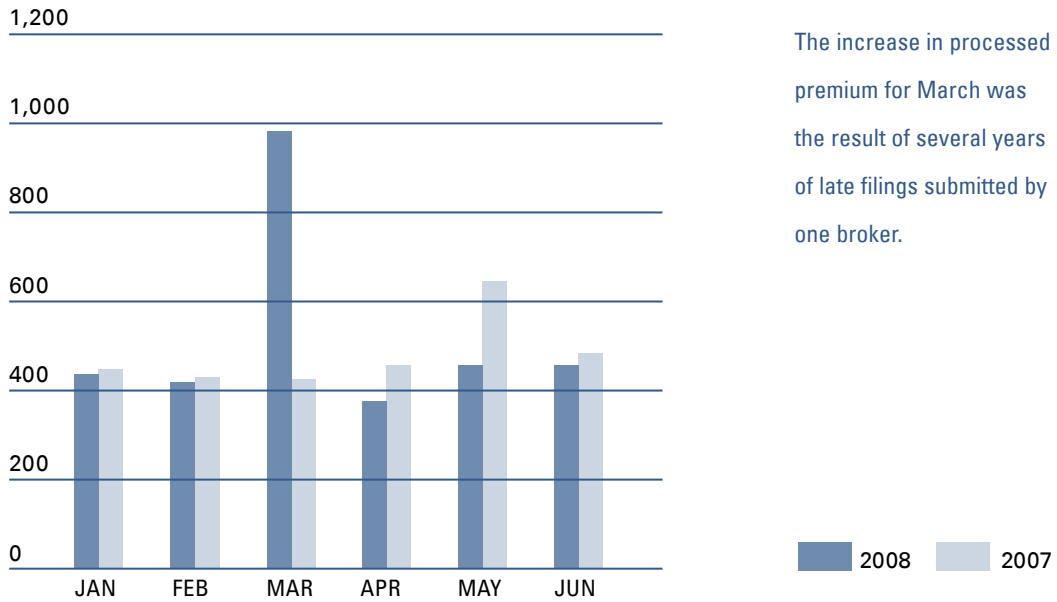
Based on Premium Processed through June 30, 2008

| RANK | EXPORT | COVERAGE   | PREMIUM PROCESSED      | % OF TOTAL     |
|------|--------|--|------------------------|----------------|
| 1    |        | GENERAL LIABILITY  | \$739,539,070          | 23.73%         |
| 2    |        | ERRORS AND OMISSIONS   | 405,376,858            | 13.01%         |
| 3    | X      | COMMERCIAL DIC/STAND ALONE EARTHQUAKE                                      | 354,614,481            | 11.38%         |
| 4    |        | ALL RISK COMMERCIAL PROPERTY   | 351,163,830            | 11.27%         |
| 5    |        | SPECIAL MULTI-PERIL PACKAGE  | 154,663,033            | 4.96%          |
| 6    |        | EXCESS LIABILITY   | 147,673,806            | 4.74%          |
| 7    | X      | ENVIRONMENTAL IMPAIRMENT REMEDIATION & POLLUTION                           | 121,365,170            | 3.89%          |
| 8    | X      | INDIV INSURED W/LARGE SCHED TIV > \$500M                                   | 112,931,714            | 3.62%          |
| 9    | X      | EXCESS LIABILITY/UNDERLYING NONADMITTED                                    | 105,694,224            | 3.39%          |
| 10   |        | PROFESSIONAL LIABILITY   | 93,923,757             | 3.01%          |
| 11   |        | DIRECTORS AND OFFICERS   | 82,355,509             | 2.64%          |
| 12   |        | MISCELLANEOUS  | 76,786,982             | 2.46%          |
| 13   | X      | EMPLOYMENT PRACTICES LIABILITY   | 41,090,514             | 1.32%          |
| 14   | X      | PRODUCTS/COMPLETED OPERATIONS (STAND ALONE)                                | 39,324,093             | 1.26%          |
| 15   |        | COMMERCIAL PROPERTY-BASIC  | 28,870,503             | 0.93%          |
| 16   |        | INLAND MARINE  | 24,885,341             | 0.80%          |
| 17   | X      | CONTRACTORS ENGAGED IN NEW TRACT HOMES AND /OR CONDOMINIUMS                | 22,130,125             | 0.71%          |
| 18   |        | TERRORISM  | 18,121,616             | 0.58%          |
| 19   |        | HOSPITALS  | 16,156,711             | 0.52%          |
| 20   |        | HOMEOWNERS MULTI-PERIL   | 16,023,300             | 0.51%          |
| 21   | X      | EVENT CANCELLATION   | 13,288,304             | 0.43%          |
| 22   |        | AVIATION   | 12,270,980             | 0.39%          |
| 23   |        | AUTO PHYSICAL DAMAGE-COMMERCIAL  | 12,147,047             | 0.39%          |
| 24   | X      | HIGH LIMITS DISABILITY   | 9,688,000              | 0.31%          |
| 25   |        | HOMEOWNERS   | 9,587,286              | 0.31%          |
| 26   | X      | SECURITY GUARD SERVICES  | 7,944,275              | 0.25%          |
| 27   |        | GARAGE LIABILITY   | 7,749,644              | 0.25%          |
| 28   |        | SINGLE FAMILY DWELLING/DUPLEX  | 7,414,162              | 0.24%          |
| 29   |        | GROUP HEALTH   | 5,849,880              | 0.19%          |
| 30   | X      | AVIATION EXCESS LIABILITY  | 5,448,038              | 0.17%          |
| 31   |        | AUTO LIABILITY-COMMERCIAL  | 5,164,773              | 0.17%          |
| 32   |        | BONDS  | 3,946,896              | 0.13%          |
| 33   | X      | VACANT BUILDINGS   | 3,934,263              | 0.13%          |
| 34   |        | CRIME  | 3,928,710              | 0.13%          |
| 35   | X      | PRODUCTS RECALL  | 3,119,015              | 0.10%          |
| 36   |        | SPECIAL MULTI-PERIL WITH TERRORISM   | 3,037,695              | 0.10%          |
| 37   |        | ACCIDENT   | 2,984,411              | 0.10%          |
| 38   |        | AUTO COMBINED LIAB & PHYS DAMAGE-COMM.                                     | 2,925,313              | 0.09%          |
| 39   |        | DISABILITY INCOME  | 2,733,812              | 0.09%          |
| 40   | X      | OILFIELD CONTRACTORS   | 2,348,373              | 0.08%          |
| 41   | X      | SHORT TERM SPECIAL EVENTS (EXC HOLE IN ONE)                                | 2,329,976              | 0.07%          |
| 42   | X      | PRIZE INDEMNIFICATION (EXCL HOLE IN ONE)                                   | 2,225,396              | 0.07%          |
| 43   | X      | CLINICAL & SIMILAR TESTS OF PHARMACEUTICAL                                 | 2,032,031              | 0.07%          |
| 44   | X      | CRANE & RIGGING CONTRACTORS  | 1,766,437              | 0.06%          |
| 45   | X      | EXCESS CRIME   | 1,759,671              | 0.06%          |
| 46   | X      | PERSONAL ARTICLES FLOATERS WRITTEN ON A STAND ALONE                        | 1,666,323              | 0.05%          |
| 47   | X      | EXCESS FLOOD   | 1,499,424              | 0.05%          |
| 48   | X      | DEMOLITION CONTRACTORS   | 1,483,931              | 0.05%          |
| 49   |        | EXCESS WORKERS COMPENSATION  | 1,215,433              | 0.04%          |
| 50   | X      | SHORT TERM MEDIA/ENTERTAINMENT FAILURE TO SURVIVE FOR \$5 MILLION AND OVER | 1,057,449              | 0.03%          |
|      |        | <b>SUBTOTAL</b>  | <b>\$3,095,237,585</b> | <b>99.31%</b>  |
|      |        | All Other Coverages  | 21,584,445             | 0.69%          |
|      |        | <b>TOTAL</b>   | <b>\$3,116,822,030</b> | <b>100.00%</b> |

In the first six months of 2008, general liability remained the most common coverage code written in California surplus lines at 23.73 percent of the premium. Errors and omissions remained number two at 13.01 percent of the premium followed by commercial DIC/stand alone earthquake at 11.38 percent, all risk commercial property at 11.27 percent, and special multi-peril package at 4.96 percent.

**Comparison of Premium Processed for 2nd Quarter 2008 versus 2007**

*All values represented in Millions*

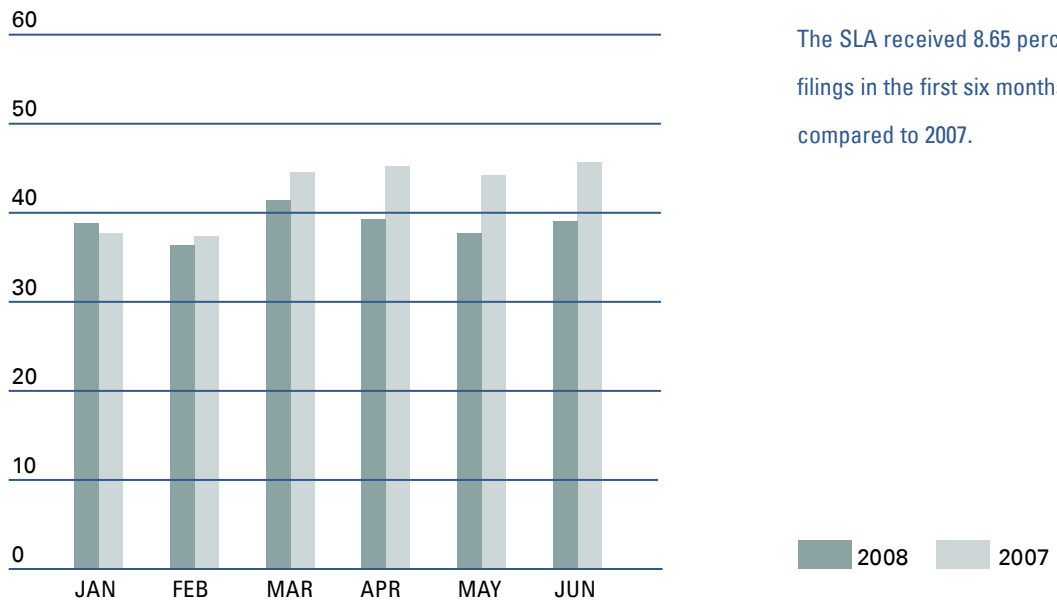


The increase in processed premium for March was the result of several years of late filings submitted by one broker.

The SLA is the Insurance Commissioner's designated recipient of all SL-1 and SL-2 filings and required accompanying documents. The SLA reviews each batch of filings received and records all pertinent information, as required by the Commissioner, in the SLA's computer database. During the review, the SLA determines whether the SL-1 and SL-2 have been fully completed and whether the insurer is on the List of Eligible Surplus Line Insurers.

**Comparison of Items Processed for 2nd Quarter 2008 versus 2007**

*All values represented in Thousands*

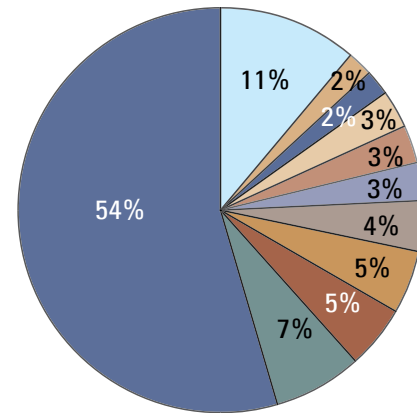


The SLA received 8.65 percent less filings in the first six months of 2008 compared to 2007.



## Issued Tags for 2nd Quarter 2008

| Tags Description                      | Percentage | Count  |
|---------------------------------------|------------|--------|
| Late Filing with Explanation          | 54%        | 34,458 |
| Late Filing                           | 7%         | 4,472  |
| Incomplete SL2 Form                   | 5%         | 3,341  |
| Section 7(B) of SL2 Incomplete        | 5%         | 2,977  |
| Incomplete SL1 Form                   | 4%         | 2,873  |
| No Record of Policy Endorsement       | 3%         | 1,980  |
| Renewal has No Record of Prior Policy | 3%         | 1,907  |
| Lloyd's Syndicate Numbers             | 3%         | 1,717  |
| Incomplete Admitted Company Names     | 2%         | 1,552  |
| Unlisted Admitted Company             | 2%         | 1,536  |
| All Other Tags                        | 11%        | 7,176  |
| Total                                 |            | 63,989 |



*Over 50% of the tags issued by the stamping office are for late filings.*

## IT CORNER



**Brent Hunter**  
Manager, Information  
Technology (Acting)

The past few months have been a very busy time for the IT Department. As the new acting IT Manager, I recently returned from a business trip to Hyderabad, India to visit Satyam Computer Services, the third-party vendor that is re-writing the stamping office internal software application.

The trip was highly productive, and I returned with excitement and confidence in the offshore development team. The major goals were to meet and get to know the team members, to announce key organizational changes, to engage a thorough project management process and to emphasize the importance of meeting the November 10<sup>th</sup> Phase 1 delivery deadline. All of these goals were met.

Phase 1 code will be completed by November 10,

and User Acceptance Testing (UAT) will begin shortly thereafter. The UAT will last for at least a few months, depending on how many bugs are uncovered and how quickly it takes to resolve the bugs. Further enhancements will be added during Phase 2. The specific details and timeline of the development and implementation schedule are currently being defined.

The search function on the SLA website has been revamped and is now fully operational. In addition, the SLA Committee descriptions are now online. This makes it easier for anyone who wishes to learn more about the committee charters.

Lots of other behind-the-scenes activities are also taking place, all of which have the ultimate goal of helping SLA achieve its mission of ensuring that a responsive and lawful non-admitted insurance market is maintained in California.

# Scheduled Educational Events for Surplus Line Association of California

September - November 2008

All our seminars are approved for California Fire & Casualty Broker-Agents (FX)  
and Personal Lines Broker-Agents (PL)

## You be the Jury: A Combined Employment Practices and Broker E&O Mock Trial

---

### Presented by

**Louis H. Castoria**

Partner

Wilson Elser Moskowitz Edelman & Dicker LLP

---

### Registration & Continental Breakfast at 8:00 a.m.

Seminar 8:30 a.m. - 11:30 a.m. - 3 CE Credits - Course # 212202

---

### Dates

**Tuesday, September 16, 2008**  
Hilton Universal City  
555 Universal Hollywood Drive  
Universal City, CA 91608

**Wednesday, September 17, 2008**  
PG&E Conference Center Auditorium  
245 Market Street  
San Francisco, CA 94105  
(use rear entrance)

---

## Review of CA SLA Filing Procedures and Surplus Line Regulations

---

### Presented by

**Laura S. Danoff, CPCU, AIS, ASLI**

Assistant Manager, Education Dept.

The Surplus Line Association of California

**Hank Haldeman**

Executive Vice President

The Sullivan Group

---

### Registration & Continental Breakfast at 8:00 a.m.

Seminar 8:30 a.m. - 11:30 a.m. - 3 CE Credits - *pending CDI course approval*

---

### Dates

**Tuesday, October 21, 2008**  
Hilton Universal City  
555 Universal Hollywood Drive  
Universal City, CA 91608

**Wednesday, October 22, 2008**  
PG&E Conference Center Auditorium  
245 Market Street  
San Francisco, CA 94105  
(use rear entrance)

---

## What the E&S Broker Needs to Know About Reinsurance

---

### Presented by

**Garick Zillgitt**

---

### Registration & Continental Breakfast at 8:00 a.m.

Seminar 8:30 a.m. - 11:30 a.m. - 3 CE Credits - Course #213183

---

### Dates

**Tuesday, November 11, 2008**  
Hilton Universal City  
555 Universal Hollywood Drive  
Universal City, CA 91608

**Wednesday, November 12, 2008**  
PG&E Conference Center Auditorium  
245 Market Street  
San Francisco, CA 94105  
(use rear entrance)

---

## 2008 SLA Officers & Staff

**Warren Stanley - Chairman**

*Wholesale Connection Insurance Services*

**John Edack - Vice Chairman**

*Arch Specialty Insurance Agency, Inc.*

**Les Ross - Secretary Treasurer**

*Tri-City Brokerage, a Division of Crump  
Insurance Services, Inc.*

**Doris Barnett**

*Colemont Insurance Brokers*

**Kris Bauer**

*AmWINS Insurance Brokerage of CA*

**Chris Brown**

*Brown & Riding Insurance Services, Inc.*

**Frank Cravens**

*M.J. Hall & Company, Inc.*

**Patrick Hanley**

*Socius Insurance Services, Inc.*

**Anne McNally**

*ABD Insurance Services Financial*

**Phil Mazur**

*Swett & Crawford*

**Davis Moore**

*Worldwide Facilities, Inc.*

**Ceil Norton**

*Burns & Wilcox Insurance*

**Gerald J Sullivan**

*Gerald J. Sullivan & Associates*

## Editors

**Ted Pierce**

*Executive Director, SLA*

**Joy Laughery**

*Director, Stamping Office, SLA*

Please address all correspondence  
to the Editors:

SLA Quarterly  
50 California Street, 18th Floor  
San Francisco, CA 94111  
Telephone: (415) 434-4900  
Fax: (415) 434-3716  
[www.slacal.org](http://www.slacal.org)

*The SLA Quarterly is published by the Surplus  
Line Association of California, 50 California  
Street, 18th floor, San Francisco, CA 94111 for  
the members of the Surplus Line Association*