



SEPTEMBER 30, 2003

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BULLETIN # 1016

RE: STAMPING FEE INCREASE FROM 0.125% TO 0.225% EFFECTIVE JANUARY 01, 2004

The Executive Committee and the Stamping Office and Contact Committees approved an increase in the stamping fee from 0.125% to 0.225% effective January 1, 2004.

NEW & RENEWAL BUSINESS

All new and renewal policies/certificates, and extension endorsements with an effective date on or after January 1, 2004 will incur a stamping fee of 0.225%. Endorsements extending a policy term are treated similarly to renewals; the stamping fee is based on the effective date of the extension endorsement.

EXAMPLE: The stamping fee for a policy with the term of 7/3/03 to 7/30/04 is 0.125%. An endorsement extending the policy term to 8/30/04 with an endorsement effective date of 7/30/04 will have a stamping fee of 0.225% (based on the extension date of the endorsement).

ENDORSEMENTS & CANCELLATIONS

The stamping fee for all endorsements (excluding extension endorsements), audits, installments or cancellations applicable to policies/certificates effective prior to 1/1/04 will be the same percentage as the inception date of the policy/certificate being endorsed.

EXAMPLE: The stamping fee for a policy with the term of 7/30/03 to 7/30/04 is 0.125%. An endorsement issued on that policy but with an endorsement effective date of 6/1/04 will also have a stamping fee of 0.125% (based on the inception date of the policy/certificate being endorsed).

If you have any questions, please do not hesitate to give me a call at extension 105 or Pat McAuley at extension 111.

Joy Erven
Stamping Office Director

Justification for Stamping Fee Increase

For the SLA, the robust surplus lines market has resulted in an increase in operating expenses. Over the past two years, the SLA has experienced a dramatic increase in workflow resulting from the increased volume of broker batch filings. As a result, the SLA had to grow the staff operation and rent more office space to house these employees.

In contrast to the SLA's increase in operating expenses, the SLA stamping fee has been at a record low of 0.125% since January 1, 2003. The Executive Committee approved this stamping fee as a means to bring down the association's combined reserve and operating funds. In 2001 and 2002, the SLA funds had been growing steadily due to the growing premium volume in the California surplus lines market. The stamping fee was 0.35% in 2001 and lowered to 0.25% in 2002. In calendar year 2003, the intended decrease in the SLA combined funds was achieved by August 30. However, in the months of September through December 2003, the SLA's normal operating expenses will exceed stamping fee revenue by \$180,000 per month. In other words, the organization is operating at a loss.

The Executive Committee and Stamping Office and Contact Committees have calculated that a stamping fee of 0.225% beginning January 1, 2004 will suffice to bring the SLA combined funds to a level that matches the Executive Committee's approved level of capitalization by the end of 2004 and cover operating expenses.

Please know, the Executive Committee will revisit the stamping fee every year in response to fluctuations in the California surplus lines market.