

THE SURPLUS LINE ASSOCIATION

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NO. 217

BULLETIN TO ALL MEMBERS

RE: 1965 Review of Alien Non-Admitted Insurers

The Association has been making this review available to its members for two years. It was originally explained in a bulletin to the members on February 6, 1963. Since there have been some changes in the membership of the Association it is perhaps advisable to attach copy of this previous bulletin.

This loose leaf book has been well received by the membership and 65 copies are issued.

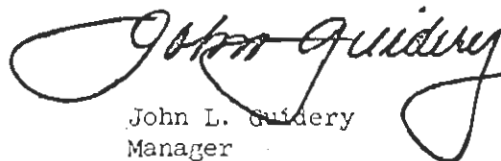
Each spring we request the financial statements from the companies, or in some cases from some of our members where the companies may not understand our request. Some of the statements covering 1964 are coming in at this time. We propose a slight change in the publication this year. Since this will be the third year of the book, the index needs a complete revision and the only practical way to do this properly is to withhold the issuance of the pages until most of the reports have been received. We therefore contemplate issuing the 1965 edition in the early part of September when we should have most of the 1964 company reports. Of course, we would inform you if there were any developments that we felt should have your immediate attention.

We also find that the book is becoming very bulky and we believe that it will be possible to do a better job this year with printing of the loose leaf pages on both sides of the page which will, of course, cut down on the bulk.

The price of the book continues to be the same and this is \$50 per copy and \$25 for each annual reprint. If any of the members who have not previously subscribed would desire the 1965 edition, this could be furnished them in September for \$50. The regular bill for the annual reprint of \$25 will be made to present subscribers in September when the new pages are sent out.

For those members who have infrequent use of the book, we again call attention to the fact that it is available for perusal at the Association offices both at 315 Montgomery Street, San Francisco and at 510 South Spring Street, Los Angeles.

Very truly yours,



John L. Guidery
Manager

Enc.

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February 6, 1963

About two years ago Commissioner McConnell directed the Surplus Line Association stamping office to obtain full financial information on all alien companies which were used as security for non-admitted business written in California and falling within the scope of Chapter VI of the Insurance Code. The two years have been spent in obtaining as complete financial data as possible (as well as other pertinent information) on approximately seventy alien companies, and separate files have been prepared for each company.

In order to facilitate the easy dispensing of data requested by members, a loose-leaf book entitled "Review of Alien Non-Admitted Insurers" has been made up. This book contains the essentials which will assist a member to evaluate the soundness, solvency, etc. of any of the approximately seventy companies currently being used as security. The following quotations from the "Preface" of the book should give you an idea of the contents:

"It is the purpose of this volume to present certain statistics of the alien companies not admitted in California. These are the companies actually writing California surplus line business during 1962.

Companies that have written California surplus line business previous to 1962, which business may still be in force, are not included in this study if there were no subsequent writings.

Company statements for the 1961 year are presented, and statements for subsequent years will be identified so that they may be inserted as received.

As additional companies enter the picture, their statements will be added to this review.

This review of companies is upon the contention that a number of factors should enter into the rating of companies. These factors are summarized below. There is no attempt made herein to assign ratings to each factor. Indeed, it is felt that to do so will produce incongruous results. On the other hand, it is the purpose to make the company results sufficiently obvious that conclusions may be drawn without the necessity of rating designations."

The Review also defines the following terms, all of which are shown in the specific report on each company:

- "(1) Capital Paid
- (2) Free Funds (Surplus)
- (3) Policyholders' Surplus
- (4) Increase or Decrease in Policyholders' Surplus
- (5) Underwriting Funds
- (6) Net Premiums
- (7) Ratios
- Cover
- Ratio of Policyholders' Surplus to Premium
- (8) Profit or Loss Balance
- (9) Investments
- (10) U. S. Trust Fund
- (11) Classes of Business Transacted
- (12) Affiliations
- (13) Report of Directors or Chairman's Report
- (14) Report of the Auditors"

Should you desire to examine this book, it will be available for review by northern members in the stamping office, and by southern members in the office of the Insurance Association of Los Angeles, at 510 South Spring Street where it will be maintained under the personal control of Muriel Hively, Executive Director.

The purpose of this letter is to notify the Association members that the Executive Committee has directed the stamping office to write each member and inquire whether or not you would like to be provided with a complete copy of the Review at a cost of \$50.00 per copy. This charge would include all supplementary reports made thru 1963; new companies would be added and reports based on 1962 balance sheets and other up-to-date information would go out to you for insertion in the loose-leaf book. It is planned that the cost of preparing reprints for the following year (which should be moderate) would be borne on a pro-rate basis by each subscribing member. Following receipt of the replies to this letter, the subject will receive early attention by the Executive Committee.

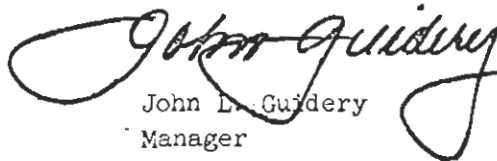
I might comment on the fact that a briefer version of this Review was placed at the disposal of several Insurance Commissioners (at the request of Commissioner McConnell and by authority of the Executive

Committee). Each person who scrutinized this book was enthusiastic about it and stressed its unquestioned value in analyzing the financial strength of the companies covered.

We feel that you may want to avail yourself of this means of assisting you in complying with Section 1765 of the Insurance Code, which is construed as placing the responsibility for the security used solely on the surplus line broker.

An early response would be appreciated telling us whether or not you would be interested in obtaining the Review and if so, how many copies you desire.

Very truly yours,

A handwritten signature in cursive script that reads "John L. Guidery". The signature is written in dark ink and is positioned above the typed name and title.

John L. Guidery
Manager

JLG:dd