



THE SURPLUS LINE ASSOCIATION
OF CALIFORNIA

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February 20, 1990

Bulletin No. 444
Supplement to Bulletin
Nos. 423 and 426

BULLETIN TO ALL MEMBERS:

RE: Security Program - Specific Implementation of Association
Bulletin No. 423 and 426 - Revision

- a) Minimum Capital and Surplus.
- b) Computer Diskette Submission.

Attached for your information and guidance is a copy of a letter dated February 15, 1990 from the California Insurance Department to the Association concerning revisions to Bulletin No. 423 and 426.

Please note the effective dates of the modifications outlined in the Department's letter for implementation with respect to new and current security.

A. D. Freeman, Jr.
Manager

ADF:mfq

encl.

DEPARTMENT OF INSURANCE

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SURPLUS LINE
ASSOCIATION

February 15, 1990

Mr. A. D. Freeman, Jr., Manager
The Surplus Line Association of California
388 Market Street, Ste. 1150
San Francisco, CA 94111SUBJECT: Specific Implementation of Association
Bulletins No. 423 and 426
a) Minimum Capital and Surplus
b) Computer Diskette Submission

Dear Mr. Freeman:

From time to time the Department has issued guidelines to your membership on the selection of security for the exportation of California risks. These guidelines have been devised and determined on a reasonable and rational basis in accord with Insurance Code Section 1765.1. The most recent guidelines were set forth in your Bulletin No. 423 issued September 1, 1987 and Bulletin No. 426 issued April 12, 1988. The Department has determined that it is necessary to modify these guidelines to adequately protect California policyholders. The Department has increased the minimum capital and surplus requirements for foreign nonadmitted security and provided for a transition period to promote equitable treatment.

The Department also requests that annual statement information now be submitted in both written hardcopy form and on a computer diskette.

The modifications to previously issued guidelines are as follows:

- 1) NEW SECURITY - The minimum capital and surplus guideline specified in paragraph 1. of our letter to the Association dated April 8, 1988 (incorporated in Bulletin No. 426) is increased from two million eight hundred thousand dollars (\$2,800,000) to five million four hundred thousand dollars (\$5,400,000). Any U.S. domiciled nonadmitted insurer or syndicate security which has not been used as of the date of this letter and is now or in the future proposed for use must have a positive net worth of at least \$5.4 million surplus as regards policyholders.

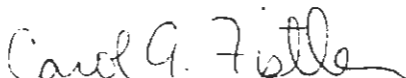
- 2) CURRENT SECURITY - Any U.S. domiciled nonadmitted insurer or syndicate which has been used prior to the date of this letter must establish that on or before December 31, 1990, it had a positive net worth of \$5.4 million surplus as regards policyholders. The net worth can be established by entries in the 1990 Annual Statement submitted by the broker. Should full conformance not be achieved by December 31, 1990, then the affected security presumptively shall be deemed no longer acceptable for further surplus lines exportation unless and until it attains such full conformance.
- 3) COMPUTER DISKETTE - Subparagraph A of paragraph I. of our letter to the Association dated August 20, 1987 (incorporated in Bulletin No. 426), is hereby modified to require that henceforth beginning with the 1989 Annual Statement, the surplus lines broker must submit annual statement data both in written form and on a computer diskette prepared in accordance with NAIC specifications.

We remind you that the Security Review Program effective as of September 1, 1987, and as modified herein, is designed to assist surplus line brokers and special lines' surplus lines brokers in evaluating securities which he/she may employ. However, it is always the broker licensee who bears the ultimate responsibility for evaluating, judging and selecting that security which will safeguard the interests of California risks.

As always, we realize that the participation of the Association as agent for the Insurance Commissioner in the security review procedures outlined herein shall be purely mechanical and ministerial, and the Association shall have no authority or responsibility for either the selection or the rejection of any security.

If you have any questions regarding the above, please contact me.

Very truly yours,


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