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News Release

For Additional Information, Contact:
Cliston Brown, Vice President, Public Affairs
(571) 243-5331
cbrown@slacal.com

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California SLA Lowers Stamping Fee to 0.18%, Effective January 1, 2023

SAN RAMON, Calif.—The Board of Directors of the Surplus Line Association (SLA) of California has voted to decrease the association's stamping fee to 0.18%, effective January 1, 2023. The stamping fee will adjust downward from its current 0.25% level that took effect on January 1, 2020.

Aside from modest returns on conservative investments, the stamping fee—which is applied to all surplus lines policies filed in California—is the sole source of revenue for the SLA, a 501(c)(6) non-profit association. These revenues fund all SLA operations, including a Data Analysis Department that reviews approximately 800,000 surplus lines filings annually on behalf of the California Department of Insurance (CDI).

As the appointed surplus lines advisory organization for the CDI, the SLA is responsible for thoroughly reviewing every surplus lines policy filed in the State of California to ensure compliance with all applicable laws and regulations. It also reviews out-of-state insurers for solvency to ensure policies are placed with companies that can pay claims, helps brokers comply with all applicable laws and regulations, provides free continuing education courses, and advocates for a healthy, fair and competitive surplus lines marketplace.

"This was the right move to make at the right time," said Janet Beaver, chair of the SLA Board of Directors. "We raised the stamping fee in 2019 during an economic boom so that the SLA could pay off significant long-term liabilities and ensure it had sufficient reserves to avoid any reduction in member services or staffing in the event of a lengthy recession or market downturn. We are now free of long-term debt and positioned to meet a three-year recession without any changes in service or revenue-related layoffs, enabling us to provide relief for our consumers."

The rapid growth of the surplus lines industry since the board last adjusted the stamping fee, along with the prudent fiscal decisions made by the Board of Directors and SLA management, enabled the SLA to pay off all obligations to pensioners and to retire a construction loan necessitated by a move from San Francisco to less-expensive office space in San Ramon five years ago. The board raised the stamping fee during good economic times to shield consumers from potentially having to pay more fees during leaner times. Now that the SLA is in sound fiscal condition, and the economy is struggling due to massive inflation and spiking gasoline prices, the time is right to help insurance consumers.

“There is always a temptation to lower fees when times are good and then to raise them when the economy is struggling and more revenues are needed,” said Ben McKay, the SLA’s CEO and executive director. “That approach hits consumers in the pocket at the worst possible time. Our board and senior management chose to take exactly the opposite approach, and now, at a time when everybody is suffering from higher prices, we are delivering stamping fee relief to surplus lines consumers.”

This is only the second stamping fee change by the SLA in the last 10 years. The last adjustment took place three years ago, after the SLA held its stamping fee steady at 0.2% for the previous seven years. McKay said members advised that frequent changes created bookkeeping problems for them.

“The approach to the stamping fee used to be very reactive, raising the stamping fee if we had a budget shortfall and then lowering it when we resolved the shortfall, and this was happening every year or two, even twice a year at one point,” McKay said. “We chose to institute fiscal discipline and use our contingency funds to bridge funding gaps and provide more stability and predictability to our members. We also now provide six months’ notice whenever the board adjusts the stamping fee, and it appears that this approach creates a minimum of problems for our members and their filers.”

The 0.18% stamping fee is well below the midpoint (0.3%) of the SLA’s stamping fee variance since 1977, and 25% below the mean (0.24%) during that time. The lowest stamping fee for the SLA over the last 45 years was 0.1% over a four-year period from January 1, 1987 to December 31, 1990, while the highest was 0.5% over a two-year period from January 1, 1994 to December 31, 1995.

ABOUT THE SLA:
The Surplus Line Association of California (SLA) operates as a self-governed private organization. Appointed by the Commissioner in 1994, the Association serves as the statutory surplus line advisory organization to the California Department of Insurance (CDI) and facilitates the state’s capacity to monitor and direct surplus line brokers’ placements of insurance with eligible nonadmitted insurers. Working with its members and the CDI, the Association assists its members’ compliance with California laws and regulations; helps maintain a healthy, fair, and competitive surplus line marketplace in California; and strives to protect the interests of California insurance consumers. Visit the SLA’s website at www.slacal.com.

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