

The Surplus Line Association of California

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Financial Services Modernization Act - NARAB Provision

On November 12, 1999, the President signed S 900, the Financial Services Modernization Act (A.K.A. The Gramm-Leach-Bliley Act) into law. The law is expected to spur mergers and acquisitions among financial holding companies. More importantly, the law put state insurance regulators under the gun to effect a three-year phase-in of national licensing for insurance producers, which includes surplus line brokers.

The Act creates the National Association of Registered Agents and Brokers (NARAB), a national association which insurance producers may join in order to receive the benefit of streamlined multi-state licensing. However, the Act's NARAB provisions do not become effective until three years after enactment of S 900. Moreover, NARAB will not come into being if a majority of the

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SLA Quarterly

February 2000

Report of the Chair

Katheryn A. Nelson



Katheryn A. Nelson
1999 Executive Committee
Chair



Marion A. Perkins
2000 Executive Committee
Chair



Stacey A. Beougher
2000 Executive Committee
Vice-Chair

Presiding over the SLA Annual Meeting, January 18 and 20, 2000, the Association's 1999 Chair, Katheryn A. Nelson of Nelson, Gordon & James, Tustin, CA, reported to the members, "The Surplus Line Association of California processed a record of over \$1.5 billion in premiums during 1999." This strength demonstrates the industry's ability to respond to a consumer-driven demand for more innovation in products to bring difficult risk under control, she said.

Nelson also stated, "The membership of the Surplus Line Association of California should be proud of the public/private partnership forged with the California Department of Insurance. The SLA has achieved the appropriate balance between its role as an advisory organization to the Department of Insurance and as a member trade association."

Other business at the Annual Meeting, held in San Francisco January 18 and in Los Angeles January 20, included election of the new Executive Committee. Serving as Chair during 2000 will be Marion A.

Perkins of First State Insurance Services. Other officers are Stacey A. Beougher, Vice Chair (IIW Insurance Services of California) and Katie A. Freeman, Secretary/Treasurer (Katie Freeman Insurance Services). Completing the Executive Committee for 2000 are Roger E. Chaix (R.E. Chaix & Associates Insurance Brokers), Hartley D. Cravens (Cravens Pacific Insurance Services), Hank H. Haldeman (Gerald Sullivan & Associates), Michael F. Heagerty (Harry W. Gorst Company), Robert J. Gilbert (General Star Management Company), Horst Lechler (Anderson & Murison), Phillip E. Mazur (Sherwood Insurance Services), Katheryn A. Nelson, 1999 chair (Nelson Gordon & James), Stephanie Reilly (Marsh Risk & Insurance Services), and R. Gray Scott (Trans Cal Associates).

Those present received one hour of continuing education credit for an "Update on Regulatory and Legislative Issues" presented by Dennis Ward, Chief of the Enforcement Division of the Department of Insurance, and SLA general counsel, Jim Woods, managing partner with LeBoeuf, Lamb, Greene & MacRae.



The Surplus Line Association of California

Report of the Director of the Stamping Office

Deanna M. Zanoni

Happy New Year to all of you! We survived the Y2K crisis. No Y2K problems. Two of our employees gave up their New Year's Day to make sure we were up and running on January 3rd. Thank you to David Koon and Juli Hara.

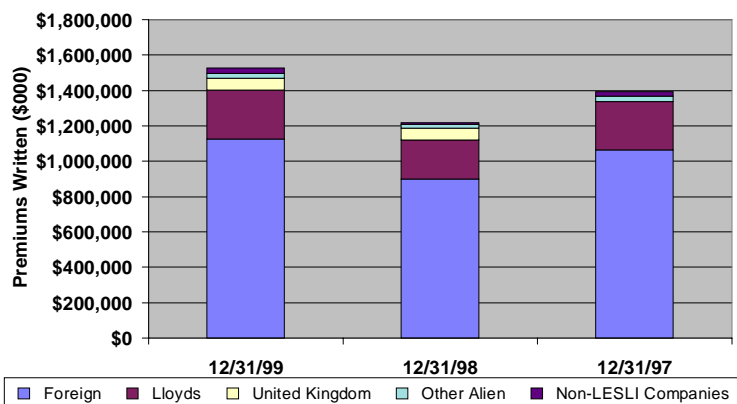
We closed out December business early due to Y2K testing. We still had an increase over last year. Premiums for the year were \$1,524,697,215. This is 25% over 1998. The item count for the year

was 234,828 up 16% from last year. The top 100 brokers and 25 insurers for 1999 are listed in the newsletter. Also included is a graph on the top coverages.

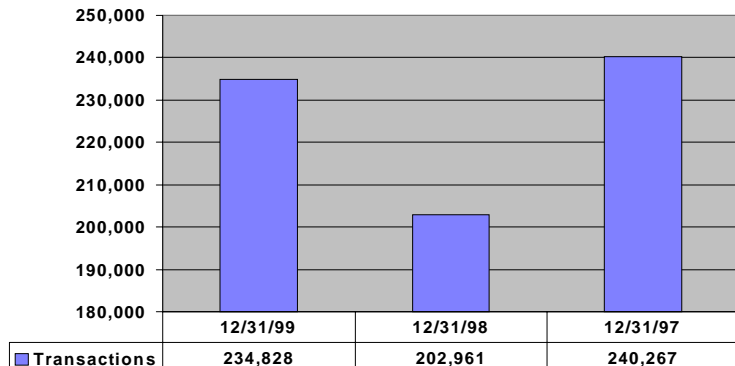
A reminder, your Annual Statement and Tax Return are due to the Department of Insurance on March 1st.

This year's Western States Conference will be hosted by Idaho at the Coeur d'Alene Resort. The dates are July 30 through August 2, 2000.

Premiums Written



Transactions Processed



February 2000

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SLA OFFICERS & STAFF

Marion Perkins

First State Insurance Services
SLA Chair

Stacey Beougher

IIW Insurance Services of California
SLA Vice Chair

Katie Freeman

Katie Freeman Insurance Services
Secretary-Treasurer

Roger E. Chaix

R.E. Chaix & Associates Insurance Brokers, Inc.

Hartley Cravens

Cravens Pacific Insurance Services

Robert J. Gilbert

General Star Management Company

Hank Haldeman

Gerald J. Sullivan & Associates, Inc.

Michael F. Heagerty

Harry W. Gorst Company, Inc.

Horst Lechler

Anderson & Murison, Inc.

Phillip E. Mazur

Sherwood Insurance Services

Katheryn A. Nelson

Nelson, Gordon & James Insurance Services, Inc.

Stephanie Reilly

Marsh Risk & Insurance Services

R. Gray Scott

Trans Cal Associates

Ted Pierce

Executive Director

Deanna M. Zanoni

Director, Stamping Office

Please address all correspondence to the Editors:

SLA Quarterly, 388 Market Street
San Francisco, CA 94111
Telephone: (415) 434-4900
Fax: (415) 434-3716

Employee Profile



Janet Toy, SLA Financial Examiner, was born in the Chinese Year of the Sheep; it is believed that people born under this sign possess

wisdom and gentleness. Although Janet is not a serious student of the Chinese horoscope, the consensus among her co-workers is that these traits aptly describe her. "Well grounded and mellow", "a wealth of knowledge", and "extremely competent with a wonderful sense of humor", are some comments from her colleagues. Fellow examiner, Patrice Kwang, describes Janet as easy going, generous, and very helpful; "nothing upsets her; she has a very positive attitude."

Upon entering her 8th year with the Association, Janet retains her enthusiasm for the job: the ability to work independently, brainstorming with fellow examiners, and the camaraderie of the people she works with. Janet enjoys the challenge of working as an examiner; drawing from her past experience in preparing the annual statutory statements for companies, she now examines them. She particularly relishes working on the alien insurers, learning about European legislation and its relationship to California law.

Janet's professional career is rooted in the insurance industry. After graduation, Janet joined the Agency Accounting division of the Hartford Insurance Company. After 11 years, her department relocated from San Francisco to Walnut Creek, and being a "city gal" opted to stay in San Francisco and "live a life of leisure." Her plans were spoiled when a former co-worker submitted Janet's name for an available position in the accounting depart-

Janet Toy, Financial Department

ment of Rathbone, King and Seeley, Inc. For the next 12 years, Janet juggled responsibilities between the affiliates Rathbone, King and Seeley Insurance brokerage and American Star Insurance Company. Seeking more experience in analytical work, Janet joined the Association's Financial Dept. after a referral from a former American Star employee.

Janet is a born and bred native of San Francisco. In January, she celebrates her 36th wedding anniversary with another native San Franciscan. She still resides in San Francisco with husband, Jim, and baby, Samantha (Sammi), her 7-year old border collie. Her daughter, Jimiann, lives in San Jose and shares a dental practice in Campbell with husband, Jeff.

Although Janet misses the days as a volunteer patient at her daughter's dental school, she manages to occupy her spare time with ballroom dancing and attending trade shows, i.e. apparel, gourmet foods, etc. Fellow employees marvel at Janet's resourcefulness when it comes to another favorite pastime: shopping. "If you're looking for something, Janet will know where to get it." Janet has a reputation for picking up gifts for family and friends for any or no reason. The "rumor" circulating around the office is that once a year Janet flies to the East Coast with empty suitcases to fill at her destination, whether it be New York, Boston, etc.

Happily for Janet, this May she will have an additional reason to shop. She is expecting her first grandchild in the upcoming Year of the Dragon.

A guide to scheduled Educational events 2000

FEBRUARY

Tuesday, February 29, 2000

SLA Filing Procedures
#11007 – 2CE Credits
DoubleTree Hotel
222 N. Vineyard Avenue
Ontario, CA 91764

MARCH

Wednesday, March 22, 2000

Environmental Liability
Pending – 2CE Credits
The Pan Pacific Hotel
500 Post Street
San Francisco, CA 94102

Thursday, March 23, 2000

Environmental Liability
Pending – 2CE Credits
Los Angeles Marriott Downtown
333 South Figueroa Street
Los Angeles, CA 90071

APRIL

Tuesday, April 4, 2000

Employers Practice Liability
Pending – 3CE Credits
The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

Thursday, April 6, 2000

Employers Practice Liability
Pending – 3CE Credits
Hilton Universal City & Towers
555 Universal Terrace Parkway
Universal City, CA 91608

MAY

Wednesday, May 24, 2000

Liability Insurance Developments
Donald S. Malecki
Pending – 3CE Credits
Hilton Universal City & Towers
555 Universal Terrace Parkway
Universal City, CA 91608

Thursday, May 25, 2000

Liability Insurance Developments
Donald S. Malecki
Pending – 3CE Credits
The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

Continued on next page

Education Calendar Continued

JULY

Western States Surplus Line Conference
Coeur d' Alene, Idaho

SEPTEMBER

Tuesday, September 26, 2000

Financial Fraud

1 CE Credit

Los Angeles Marriott Downtown
333 South Figueroa Street
Los Angeles, CA 90071

Wednesday, September 27, 2000

Financial Fraud

1 CE Credit

The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

OCTOBER

Tuesday, October 10, 2000

Pending - 1 CE Credit

The New Risks of Cyberspace

Los Angeles Marriott Downtown
333 South Figueroa Street
Los Angeles, CA 90071

Wednesday, October 11, 2000

Pending - 1 CE Credit

The New Risks of Cyberspace

The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

Financial Services Modernization Act from Page 1

combined US states and territories have enacted, 1) laws with uniform provisions regarding the requirements for producer licensing and which do not limit the licensing of non-residents, or 2) reciprocal laws allowing non-resident agents to be licensed by paying the required fee and submitting proof of licensure from and the application filed with the producer's state of residence. The National Association of Insurance Commissioners (NAIC) will determine whether or not a majority of the states have satisfied the requirements to avoid the implementation of NARAB but their decision is subject to judicial review.

The NAIC is working diligently to avoid the establishment of NARAB by adopting a model law called the Producer

Excess and Surplus Lines Market Continues to Be Viable and Strong



In its sixth annual study of the U.S. excess and surplus lines industry, A.M. Best reported that the surplus lines industry maintains financial performance and insolvency rates that are on par with the admitted market. According to the report, despite negative perceptions in the past, surplus lines carriers are indeed a viable and successful market segment. The study found that during the five years ending in 1998, U.S. domiciled surplus lines insurers have a good solvency track record as evidenced by:

- ❖ The underwriting profitability of the surplus lines market outperformed the industry by 10 points.
- ❖ Investment income of surplus lines insurers increased 35% vs. 23% for the total industry.
- ❖ Surplus line insurers maintain a higher percentage of assets in fixed income securities, 71.9% vs. 57.1% for the total industry.
- ❖ The median A.M. Best's Rating for surplus line insurers was "A" while the standard market's median rating was "A-".
- ❖ Surplus lines writers dominating the industry are well-capitalized, multiple-line writers with more disciplined and expertise in underwriting.
- ❖ Since 1992, insolvency rates for the total property and casualty industry, including the surplus lines market, have generally stabilized.
- ❖ Regulatory oversight has improved and many states (California was first) have increased their capital requirements.
- ❖ The number of surplus lines insolvencies in a given year has averaged 1.5 per year for the past 30 years.

The study also found that the surplus lines market continues to be exposed to the increasingly competitive pressures caused by the persistent soft pricing condition of the commercial lines market, commercial lines deregulation, and the alternative market.

License Model Act. The NAIC model act will call for "reciprocal" licensing. The NAIC has a long-term goal of adopting "uniform" state licensing laws. The NAIC did not originally plan to include surplus line brokers in the Producer License Model Act but that was changed by S 900—which specifically includes surplus line brokers in the definition of "producer". NARAB will only go into effect if a majority of the states do not adopt the NAIC model law by November 12, 2002.

If allowed to go into effect, NARAB would permit producers to become a member of the Association by showing proof of licensure in any state and by paying an annual membership fee. NARAB members would be automatically entitled to licensure in any state for which they are willing to pay the licensing fee. State agent licensing laws imposing any additional requirements upon NARAB mem-

bers, except for counter-signature requirements, would be pre-empted. NARAB's board of directors would be appointed by the NAIC, and NARAB would report to and be subject to the oversight of the NAIC. NARAB would be a nonprofit corporation organized under the laws of the District of Columbia and would not be an agent or instrumentality of the U.S. Government—much like the National Association of Securities Dealers.

If the NAIC model act is amended to meet California's needs, the Department of Insurance will follow NAIC's lead and, within the next three years, adopt a reciprocal licensing law that permits non-residents to do business in California in both the admitted and non-admitted market. Currently, California only allows non-resident surplus line broker licensure for risk purchasing groups.

Pointers for Reducing Tags

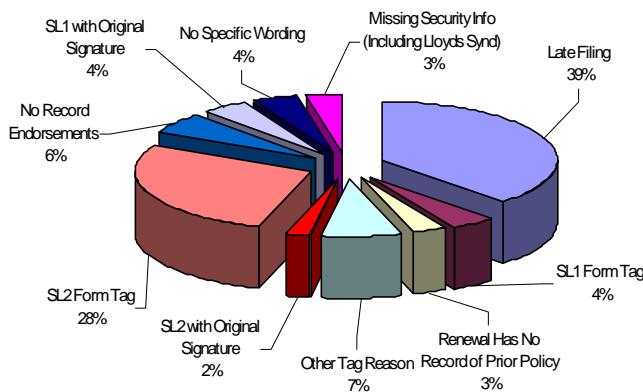


- ❖ All policies must be received at the SLA within 60 days of placement.
- ❖ There are 21 questions in Section 7(b) of the SL-2 form. All questions must be answered completely.
- ❖ It is helpful if the following information is included on endorsements: named insured and policy number as it is shown on the policy, policy term, coverage type and security company information
- ❖ The information on the SL-1 should correspond to the information submitted on the policy. Also, the California premium shown (upper right corner) should be the **same amount** as listed on the coversheet or adding machine tape.
- ❖ The original signature SL-1 form should not be submitted to the SLA. The SLA should receive copies only.
- ❖ All Lloyd's placements, effective 1/1/97, must have a syndicate list, which includes the syndicate number for each syndicate and percentage of participation of the risk.
- ❖ If filing a document that shows renewal and broker is aware there is no policy for prior year, advise the SLA of the reason: previous policy admitted carrier, not the Broker of Record, new account not a renewal, etc.
- ❖ The original signature SL-2 form should not be submitted to the SLA. The SLA should receive copies only.

Wyoming Non-Resident Filing of Taxes

According to a letter received by the Surplus Line Association of Colorado from the Wyoming Department of Insurance (DOI), non-resident surplus line brokers can legitimately file taxes in Wyoming without utilizing a resident surplus line producer. This provision, however, is only applicable to multi-state risks and does not apply to those risks or exposures that are solely in the state of Wyoming. Accommodation filings will not be accepted if the risk is resident, located or to be performed solely in Wyoming. The acceptance of accommodation filings will continue until the end of the 2001 general session of the Wyoming Legislature. If the Wyoming insurance code remains unchanged after the conclusion of the 2001 general session of the Legislature, the Wyoming DOI will continue to enforce the law this way. For further information, call Ted Pierce at (800) 334-0491, Ext. 132.

Top Tags Incurred in 1999



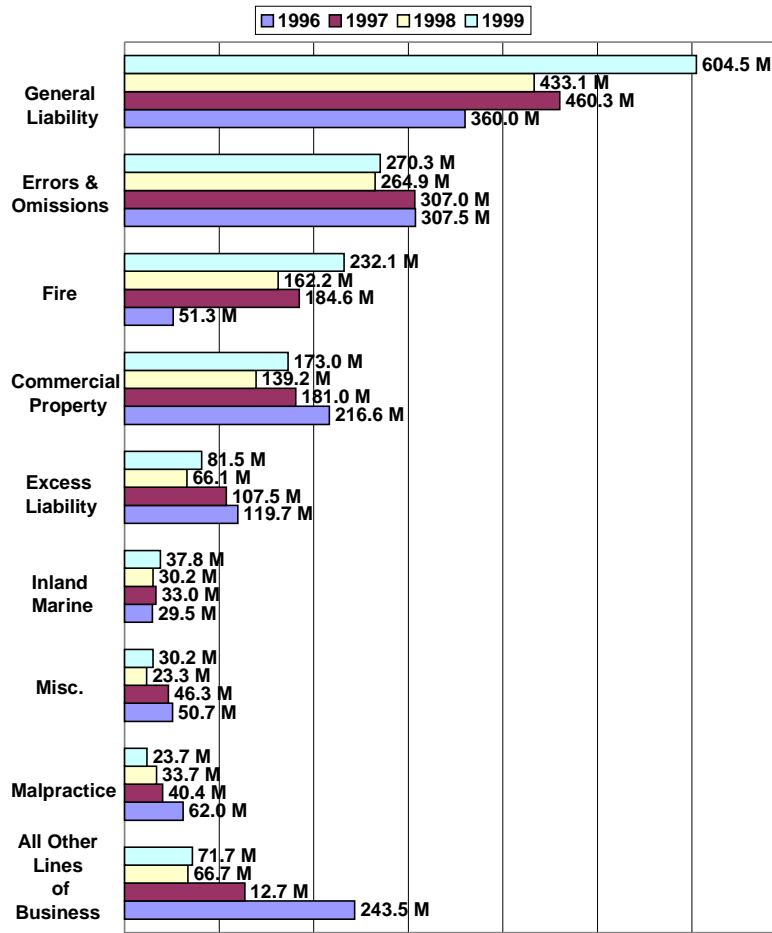
Visit the SLA of California on the web



Top 100 Brokers by Premium Processed for 1999

1. Western Risk Specialists, Inc	\$192,981,320	51. AIS Affinity Insurance Services	\$6,993,690
2. Sherwood Insurance	\$117,467,985	52. James Klein Insurance Service	\$6,941,265
3. Marsh Risk & Insurance Services	\$112,991,895	53. London American General Agency	\$6,916,899
4. Aon Risk Services, Inc. of	\$64,400,830	54. Anderson & Murison, Inc.	\$6,830,033
5. Swett & Crawford	\$58,106,118	55. Vulcan Excess & Surplus Insurance	\$6,667,455
6. First State Management Group, Inc.	\$45,583,694	56. WNC Insurance Services, Inc.	\$6,610,399
7. Tri-City Brokerage, Inc.	\$39,054,245	57. Black, White & Associates	\$6,473,989
8. Worldwide Facilities, Inc.	\$30,998,912	58. Crouse & Associates Insurance	\$6,016,988
9. Aon Risk Services, Inc. of	\$28,683,271	59. East Valley Insurance Brokerage.	\$5,871,835
10. American E & S Insurance Brokers	\$25,075,522	60. Sheldon Jay Bachrach	\$5,815,391
11. Burns & Wilcox Insurance Services	\$25,067,532	61. G.J. Sullivan Co. Excess & Surplus	\$5,735,220
12. Westcap Insurance Services, Inc.	\$25,035,793	62. Near North Entertainment Insurance	\$5,658,031
13. Lemac & Associates, Inc.	\$23,345,509	63. Dennis Lacson Clemente	\$5,541,480
14. Carpenter & Moore Insurance	\$20,672,630	64. Stewart Smith West, Inc.	\$5,445,452
15. Arrowhead General Insurance Agency	\$19,464,160	65. Trans Cal Associates	\$5,395,318
16. Hanley - Marquez - Lefcourt Surplus	\$17,074,607	66. International Facilities Insurance	\$5,321,364
17. Penniall & Associates, Inc.	\$16,680,514	67. Woodruff - Sawyer & Company	\$5,242,463
18. Glendale Specialty Risks Insurance	\$16,015,075	68. Nelson, Gordon & James Insurance	\$4,984,283
19. ROKS America, Inc. Insurance	\$15,953,633	69. Willis Corroon Corporation of	\$4,829,737
20. Yates & Associates Insurance	\$15,533,769	70. Vikco Insurance Services, Inc.	\$4,805,429
21. Trinity E & S Insurance Services	\$14,633,152	71. Gray - Stone & Company	\$4,357,118
22. Harry W. Gorst Company, Inc.	\$14,355,950	72. NAS Insurance Services, Inc	\$4,249,993
23. Petersen International	\$13,414,554	73. R.E. Chaix & Associates Insurance	\$4,229,950
24. M.T.S. Insurance Services, LLC	\$12,353,242	74. Kevin E. Woodwick	\$4,209,112
25. Brown & Riding Insurance Services	\$11,997,362	75. PENCO - West Insurance Agency	\$4,034,585
26. SHG Insurance Services, LLC	\$11,823,737	76. Hull & Company (California), Inc.	\$3,953,502
27. Cambridge General Agency	\$11,604,379	77. Anthony Joseph Hart	\$3,947,418
28. Stewart Smith East, Inc.	\$10,944,675	78. Robertson Taylor (California) Inc.	\$3,711,814
29. Canon Insurance Services	\$10,902,935	79. F. B Beattie Insurance Services	\$3,708,044
30. Crump E & S of San Francisco	\$10,547,758	80. L. W. Bunch Insurance Services	\$3,668,387
31. Sedgwick of California Inc.	\$10,112,610	81. Chubb Custom Market, Inc.	\$3,487,666
32. Arthur J. Gallagher & Co.	\$9,787,177	82. Dwyer & Associates Insurance	\$3,379,747
33. Heath Insurance Brokers, Inc.	\$9,700,393	83. AFG Insurance Agency of	\$3,370,005
34. W. Brown & Associates Property &	\$9,571,652	84. Andreini & Company	\$3,316,709
35. Crump E & S of California	\$9,250,039	85. Michael Zelichov Insurance	\$3,242,333
36. Aris Insurance Services	\$8,987,064	86. R. I. C. Insurance General Agency,	\$3,191,060
37. Aon/Albert G. Ruben Insurance	\$8,982,957	87. Montgomery & Collins, Inc.	\$3,160,988
38. A. J. Renner & Associates, Inc.	\$8,672,848	88. M. J. Hall & Company, Inc.	\$3,106,575
39. Crump E & S of California	\$8,608,506	89. United Chinese American General	\$3,054,423
40. W. K. Cooper & Co. International	\$8,448,203	90. Inspro Corporation	\$2,976,501
41. American Special Risk Insurance	\$8,421,550	91. Costanza Insurance Agency, Inc.	\$2,972,328
42. Costal Brokers Insurance	\$8,129,263	92. International Jewelers Block	\$2,950,332
43. Professional Practice Insurance	\$7,908,160	93. Brett Baccala	\$2,923,753
44. Crawley Warren Insurance Services	\$7,837,538	94. James C. Jenkins Insurance	\$2,863,272
45. Western Security Surplus Insurance	\$7,765,280	95. Narver Associates, Inc., Insurance	\$2,831,105
46. United Network of Insurance	\$7,762,677	96. Anfield Insurance Services, Inc.	\$2,826,140
47. Bliss & Glennon, Inc.	\$7,632,887	97. Pacific International Brokers Ltd.	\$2,812,747
48. Sedgwick of California Inc.	\$7,582,666	98. Truman Van Dyke Company, A Corp	\$2,644,843
49. Amtech Excess & Surplus Insurance	\$7,511,035	99. Dealey, Renton & Associates	\$2,398,727
50. Western Re/Managers Insurance	\$7,130,380	100. Harborview Insurance Services,	\$2,228,024

Surplus Line Premium Processed



Top 25 Companies by Premium Processed for 1999

1.	American Int'l Specialty Lines Ins	\$170,843,453	14.	Acceptance Ins. Co.	\$23,902,069
2.	Lexington Ins. Co.	\$115,031,111	15.	Clarendon America Ins. Co.	\$23,427,165
3.	Scottsdale Ins. Co.	\$89,937,090	16.	Essex Ins. Co.	\$22,970,661
4.	Pacific Ins. Co. Ltd	\$61,855,904	17.	Zurich Specialties (London) Ltd.	\$22,196,503
5.	General Star Indemnity Co.	\$53,289,607	18.	Lloyd's of London Synd. #0435	\$21,084,322
6.	United Capitol Ins. Co.	\$41,944,639	19.	United Nat'l Ins. Co.	\$19,954,900
7.	Steadfast Ins. Co.	\$41,169,189	20.	Columbia Casualty Co.	\$18,469,578
8.	Admiral Ins. Co.	\$38,792,003	21.	American Equity Ins. Co.	\$17,631,364
9.	Reliance Ins. Co. of Illinois	\$38,701,959	22.	Tudor Ins. Co.	\$16,706,512
10.	Royal Surplus Lines Ins. Co.	\$28,308,474	23.	Commonwealth Ins. Co. (CAN)	\$15,943,529
11.	Legion Indemnity Co.	\$27,158,630	24.	Caliber One Indemnity Ins. Co.	\$14,765,500
12.	Gulf Underwriters Ins. Co.	\$26,798,105	25.	Lloyd's of London Synd. #0079	\$14,348,652
13.	Evanston Ins. Co.	\$26,771,831			

How to Contact Us



The Surplus Line Association of California
388 Market Street, 11th Floor
San Francisco, CA 94111



Phone: (415) 434-4900
Fax: (415) 434-3716



E-Mail: Via the SLA web site
www.sla-cal.org