



Quarterly

Report of the Incoming Chair, Stacey A. Beougher

February 2001



Marion Perkins
Executive Chair, 2000



Stacey A. Beougher
Executive Chair, 2001



Robert Gilbert
Vice-Chair, 2001

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Presiding over the SLA Annual Meeting, January 16 and 18, 2001, the Association's 2000 Chair, Marion A. Perkins reported to the members, "The Surplus Line Association of California has an ongoing strategic plan in place which will be updated annually to keep in step with the ongoing operation of the association. The association has also significantly increased its efforts to create quality education."

Perkins also stated the members of the SLA processed \$1.6 billion in premiums during 2000. "This robust performance demonstrates the resourcefulness of the surplus line market to respond to consumer demand for difficult to place risks," he said.

Other business at the Annual Meeting included election of the new Executive Committee. Serving as Chair during 2001 will be Stacey A. Beougher of IIW Insurance Services of California. Other officers are

Robert Gilbert, Vice Chair (General Star Management Company) and Katie A. Freeman – Secretary/Treasurer (Katie Freeman Insurance Services). Completing the Executive Committee for 2001 are Greg Crouse (Crouse & Associates Ins. Brokers, Inc.), Hartley D. Cravens (Cravens, Lefler & McCormick), Hank H. Haldeman (Gerald J. Sullivan & Associates), Michael F. Heagerty (Harry W. Gorst Company, Inc.), Rupert Hall (M.J. Hall & Company, Inc.), Horst Lechler (Anderson & Murison, Inc.), Philip E. Mazur (Sherwood Insurance Services), Marion A. Perkins (First State Insurance Services) Kathryn A. Nelson, (Nelson, Gordon & James Insurance Services, Inc.), and Stephanie Reilly (Marsh Risk Ins. Services).

Those present received one hour of continuing education credit for an E-Commerce/I-Business panel discussion presented by Jim Woods and Dan Brown of LeBoeuf, Lamb, Greene & MacRae. ●



Annual Meeting
Speech of the
Executive Director,
Ted Pierce
January 16, 2001

Thank you Marion. It's been a joy to work with you this year.

Marion Perkins is the First Chair to directly involve himself in the efficiency of the Stamping Office. As Chairman of the Stamping Office and Contact Committee, Marion helped the SLA staff figure out how to minimize the backlog of unprocessed broker batch filings. As Chair, Marion helped the SLA stamping office analyze our tagging procedures and gain a better understanding of which tags were being generated unnecessarily. Finally, Marion helped the SLA come up with new streamlined versions of our standard forms. These drafts are under discussion with the Department.

Marion, I thank you and the SLA staff thanks you for your tremendous contribution to the SLA operations.

Turning to the industry, over the last 10-years, Califor-

nia Surplus Lines was 4.06 percent of the California's property & casualty insurance market—never exceeding 4.28%.

The Year 2000 A.M. Best Review of the Excess & Surplus Lines Industry demonstrated that California alone was 17% of the U.S. surplus lines market. The A.M. Best report also notes that consistent with prior years, surplus lines carriers continue to exhibit favorable financial strength ratings.

In the year 2000, the SLA saw a 7 % increase in surplus line premium volume over 1999 totals, which we will hear more about from the Director of the Stamping Office—Deanna Zanoni.

Turning to the Department of Insurance, just two weeks ago, DOI added two items to the Export List. The Department announced the Commissioner had approved in a letter signed by Dennis Ward that, disaster income protection and foster family liability would be added to the List. However, the Export List now excludes Hole-in-One policies from the definition of two items, Short Term Special Events & Prize Indemnification.

Having worked with the new Insurance Commissioner Harry Low—who will speak to us shortly, I think you'll find he is engaged in the job. Commissioner Low is a man of the utmost integrity, honesty and one of the hardest working individuals I've ever met. The Commissioner will describe to us his organization of the California Department of Insurance.

Turning to the California

Legislature, passage of California A.B. 2251 which became effective on January 1, 2001, requires non-admitted carriers and surplus line brokers who advertise on the Internet to disclose their name, address of domicile or principle place of business, and their insurance license number or certificate of authority number on their web site. In addition to the Legislature, the California Department of Insurance has indicated in several instances how it will seek to regulate use of the Internet by the insurance industry generally, and by the surplus line market specifically. However, further clarification may be needed.

The Bulletin 96-4 Seminar to be held January 30 in Los Angeles and January 31 in San Francisco will further describe the regulation of California Surplus Line Brokers on the Internet and provide helpful handouts. As you know, Bulletin 96-4, is a DOI bulletin from June 1996 that clarified the Department's position on a number of issues affecting Surplus Line Brokers. This regulation left very few stones unturned. Divided into 7 major areas, the bulletin addresses: 1) Broker affiliation with non-admitted companies, 2) solicitation of business, 3) Acceptance or Declination of Risks, Binding Authority, Risk Quotation, 4) The Printing, Maintenance and Execution of Certificates of Insurance, Policy Preparation, Execution and Issuance, 5) Claims, 6) Management Functions, and 7) Electronic Transactions. All surplus line brokers must be familiar with this

Continued on page 3 -

TOP 25 CARRIERS IN PREMIUM FOR THE YEAR 2000

Rank	Company/Lloyds Syndicate	\$ Prem. Processed	1999 Year-end Ranking
1	Lexington Insurance Company	130,435,866	2
2	American Int'l. Specialty Lines Ins. Co.	96,873,719	1
3	Scottsdale Insurance Company	87,365,958	3
4	Pacific Insurance Company Ltd.	59,480,921	4
5	Admiral Insurance Company	51,470,807	8
6	Evanston Insurance Company	49,425,225	13
7	Steadfast Insurance Company	49,049,020	7
8	Clarendon American Insurance Company	45,536,732	15
9	General Star Indemnity Company	41,807,223	5
10	Royal Surplus Lines Insurance Company	41,655,394	10
11	Essex Insurance Company	36,073,199	16
12	Zurich Specialties (London) Ltd.	29,720,692	17
13	Legion Indemnity Insurance Company	27,539,251	11
14	Lloyd's Syndicate #435	24,991,493	18
15	Lloyd's Syndicate #376	23,673,870	28
16	United National Insurance Company	22,244,249	19
17	Caliber One Indemnity Company	21,202,152	24
18	American Equity Insurance Company	19,817,665	21
19	Lloyd's Syndicate #79	18,556,599	25
20	United Capitol Insurance Company	17,838,562	6
21	Lloyd's Syndicate #2020	16,965,129	53
22	Gulf Underwriters Insurance Company	15,740,569	12
23	Commonwealth Insurance Company	13,903,148	23
24	Columbia Casualty Company	13,871,798	20
25	Chubb Custom Insurance Company	13,747,114	49

Exec. Director's Speech Con't.
bulletin's content, because it directly impacts how you do business in California.

The SLA has entered the 21st century confident we will remain an effective entity adding value to surplus line brokers and the insurance consuming public we serve.

But as we all know—the only thing certain about the future is change. You may experience the following changes in the near future. Your retail customers may be banks or insurance agents owned by bank holding companies. Under the Gramm-Leach-Bliley Act, few banks have

bought insurance companies, but they have bought insurance agencies. You should also expect to be in competition with Non-Resident Surplus Line Brokers—they haven't come into play yet, but they are almost guaranteed within the next three years as a direct result of the NARAB provision of the Gramm-Leach-Bliley Act. The upside is, it will become much easier for you to do business across state lines.

Finally, you can now gain direct access to London Market—Standards were published by Lloyd's in November 2000 explaining how you can become a Lloyd's Broker beginning this

month.

In conclusion, the membership of the Surplus Line Association of California can take pride in the partnership we have forged with the DOI. The SLA has achieved the appropriate balance between its role as advisory organization to the Department and a member driven trade association.

I want to emphasize how pleased I am to serve as Executive Director. There's no ownership in the SLA, just YOUR trust, and confidence and support of the people you've hired to manage your Association. Again, thank you. ●

Report of the Director of the Stamping Office

The year 2000 was the largest year in the history of the Surplus Line Association of California. We processed \$1,630,559,998 in premiums for 2000. This is up 6.98% over last year. The total item count was up as well. We processed 245,246 premium items for 2000. It is 4.44% over last year. The top coverages filed were: General Liability, Errors & Omissions, Commercial DIC/Stand Alone Earthquake and Directors and

Officers. The stamping fee was reduced as of 1-1-01 to .25% from .35%. Please refer to our Bulletin #900 for further information on the reduction of the stamping fee.

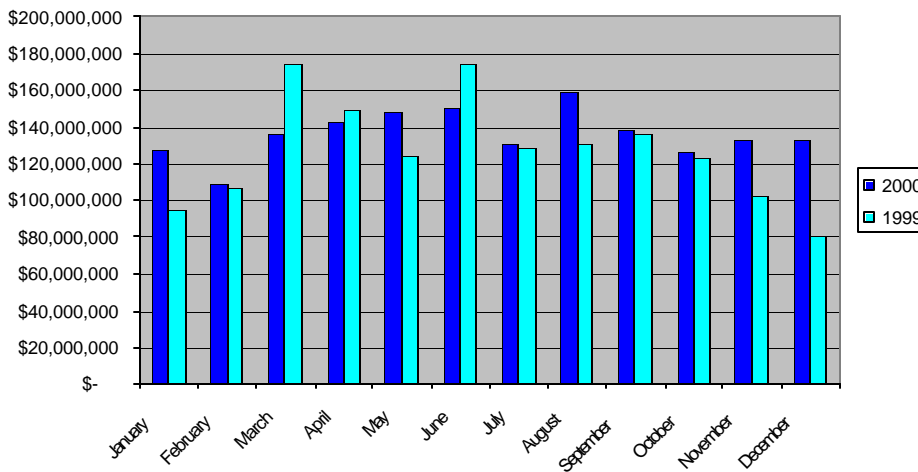
Our staff has been busy the last portion of 2000 with the transaction rewrite of our AS400 system. They are putting in many hours and input into this project, as well as keeping up with the day to day work.

Deanna M. Zanoni

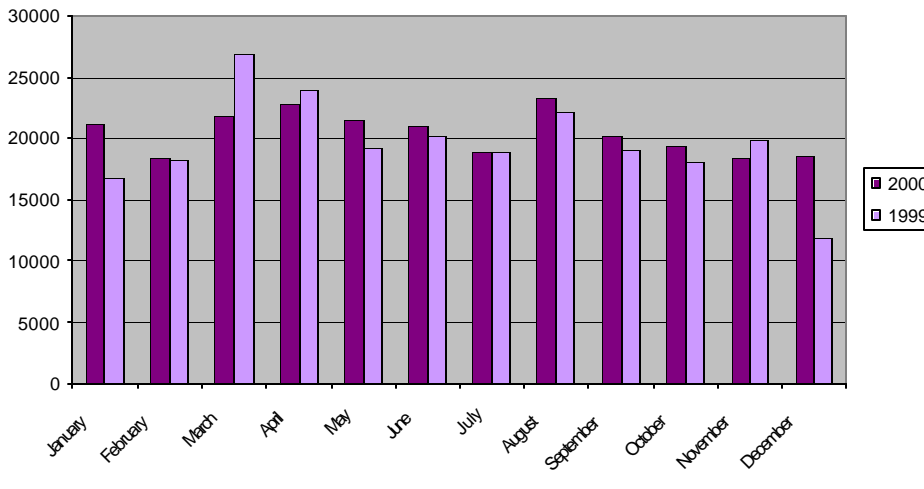
A reminder, your Annual Statement and Tax Return are due to the Department of Insurance on March 1st.

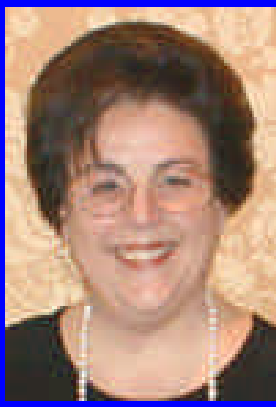
This year's Western States Surplus Line Conference is being hosted by Colorado. The conference will be held at Breckenridge. The dates are July 25 through July 28. Hope to see many of you there. ●

Comparison of Premium Volume for 1999 vs 2000



Comparison of Transaction Count for 1999 vs 2000





Employee Profile:

*We at the Surplus Line Association
want to wish Deanna Zanoni a
Happy 40th Anniversary
of Service to the SLA!*

On Feb. 6, 2001, Deanna Zanoni, the SLA's Stamping Office Director, celebrates her 40th anniversary with the Association. Deanna laughs that she began her career "at the ripe old age of two."

Deanna arrived at the SLA with an extensive background in accounting. Serving as a bookkeeper for her father's business, she worked closely with his personal accountant, developing exceptional problem solving and number crunching abilities. Deanna remembers her first years at the Association, "The membership was comprised of 75 brokers and the stamping fee was .075%. The filing system consisted of two index cards per policy and the policies were filed by coverage. Then the system was upgraded and the policy information was recorded on a 12-inch hard disk, and tags were typed on a manual typewriter on NCR paper and no White-Out, leaving zero margin for error."

After two years Deanna was promoted to Supervisor of the Data Processing Department. During her tenure, the office equipment was upgraded to

electric typewriters, adding machines, and photocopiers.

With the Association's first publication of the "Review of Alien Non-Admitted Insurers" brochure in the mid-70's, Deanna was responsible for the conversion of all foreign currency into U.S. dollars, providing detailed financial statements for all companies involved. Deanna's hard work and dedication earned her two rapid promotions in 1975; she was promoted to Bookkeeper in March and Office Manager in December.

In the late 80's, following the trend towards computerization, Deanna was selected to work on the development and design of the new computer system. Deanna recalls bringing "stacks and stacks of policies exemplifying the typical to worst case scenarios" for the programmer to review. Together they developed a system that would accommodate the Association for the next fourteen years, and continues to serve as a model for other SLA offices.

As the membership grew to 400+ brokers, so to did Deanna's area of responsibility. In July of 1996 she assumed the position of Stamping Office Director. Recognizing the im-

pending technological changes as well as future broker needs, the Association decided to embark on a system rewrite. With the encouragement of Executive Director, Ted Pierce, Deanna is committed to the success of the rewrite. Ted notes that "Deanna is dedicated to her work, loves what she is doing, and is one of the most conscientious managers I've ever met." She attends every meeting on each phase of development, from the clerical to the administrative tables, providing what "only someone with her knowledge and expertise in the industry can bring to the discussions," explains Data Processing Manager Judith Flowers.

Deanna's commitment to the Association extends to her relationship with staff. She describes herself as very "people-oriented." She encourages the enrollment in technological enhancement courses that benefit both the employee and the client. Education Manager Nadine Watso, who has known Deanna for 26 years, says of their working relationship that they "get along very well, and she is easy to work for. She is happy with her job and continues to be satisfied with the challenges." Twelve year

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employee, Lead Analyst Vickie Marks, calls Deanna “approachable, very professional, and has a great sense of humor.” Financial Manager Linda Cheng describes Deanna as “very generous, dedicated, and always open to suggestions.” Deanna views the staff as a family; she manages with an open door policy, ready to assist employees with questions or problems. Deanna’s other

family includes husband Ric, whom she credits with the support and encouragement that fosters her positive outlook, and six-year old Golden, Sophie.

Deanna remains active in her contacts with the Association’s membership. She oversees much of the planning of SLA sponsored activities for the committee members. She serves as the instructional speaker on state tax filings in the Broker Filing Seminars.

Executive Chairperson 2000, Marion Perkins, says, “It’s been a pleasure working with Deanna. She obviously has a wealth of historical knowledge about the SLA and her experience in invaluable. Most importantly, she still loves what she is doing, and is always enthusiastically instrumental in helping bring about the changes necessary to keep the organization moving forward.” ♦

SLA Chair Stacey Beougher and Commissioner Harry Low at the SLA Annual Meeting in San Francisco



Speaking to the members at the Annual Meeting held in San Francisco on January 16, 2001, Commis-

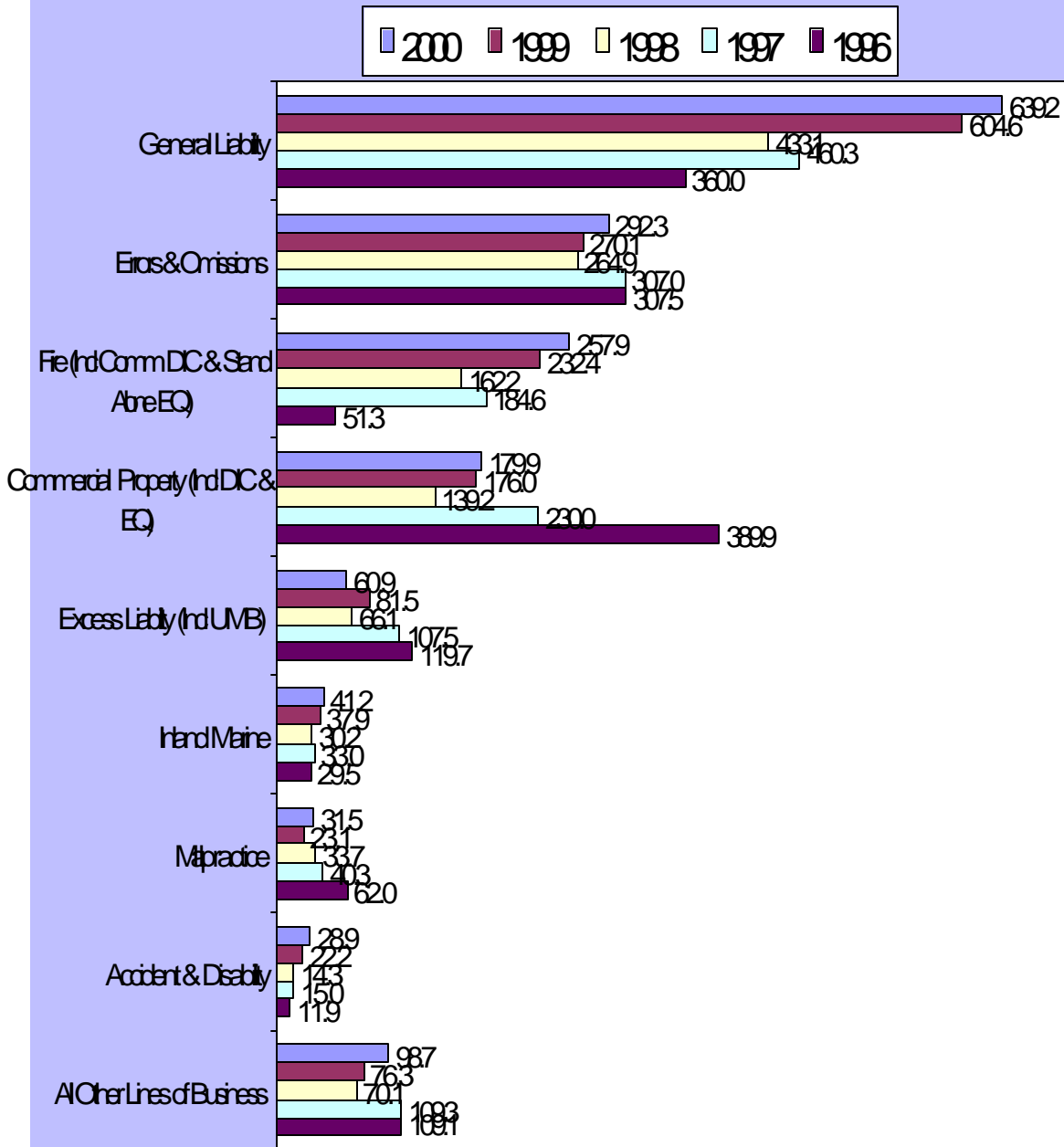
sioner Harry Low said heading an Insurance Department that has 13,000 employees, 16 offices, and a \$157 million

budget requires cooperation from the staff. His motto to the Department personnel is E Pluribus Unum which means “from many, one.” The Commissioner said he plans to emphasize Californian’s underserved communities by creating an office of Constituent and Community Affairs.

With respect to the SLA, the Commissioner said he is amazed by the scope and breath of the services provided by the SLA to the Department. He praised California surplus line brokers for their high standards of ethics and thanked the SLA for its important role in document filing, insurance fraud reporting, the Export List, the LESLI List, the Stamping Office, the security review process, and the Surplus Line Task Force.



Premiums Processed by Largest Coverages 1996-2000



TOP 100 BROKERS IN PREMIUM FOR THE YEAR 2000

1.	Marsh Risk & Insurance Services	\$149,816,072	51.	Crump E & S of San Francisco Ins. Serv.	\$7,061,588
2.	Western Risk Specialists, Inc.	\$133,586,533	52.	Black, White & Associates Ins. Brokers	\$7,043,015
3.	Sherwood Insurance Services	\$91,281,593	53.	Crawley Warren Insurance Services	\$6,946,161
4.	Swett & Crawford	\$65,973,611	54.	Anthony Joseph Hart	\$6,940,619
5.	Aon Risk Services, Inc. of So. California	\$51,349,462	55.	Professional Practice Ins. Brokers	\$6,887,042
6.	Tri-City Brokerage, Inc.	\$44,685,068	56.	Vulcan Excess & Surplus Ins. Services	\$6,753,257
7.	First State Management Group, Inc.	\$42,686,235	57.	AIS Affinity Insurance Services, Inc.	\$6,727,539
8.	Lemac & Associates, Inc.	\$34,935,705	58.	Anderson & Murison, Inc.	\$6,463,681
9.	Worldwide Facilities, Inc.	\$32,158,535	59.	London American General Agency, Inc.	\$6,398,965
10.	American E & S Ins. Brokers California	\$31,762,529	60.	R.E. Chaix & Associates Ins. Brokers	\$6,093,470
11.	Heath Insurance Brokers, Inc.	\$31,706,072	61.	Dennis Lacson Clemente	\$6,041,919
12.	M.T.S. Insurance Services, LLC	\$31,096,149	62.	Seabury & Smith, Inc.	\$5,919,912
13.	Aon Risk Services, Inc. of No. California	\$30,464,572	63.	G.J. Sullivan Co. Excess & Surplus	\$5,735,160
14.	Hanley-Marquez-Lefcourt Surplus Lines	\$28,519,172	64.	Trans Cal Associates	\$5,351,184
15.	Burns & Wilcox Insurance Services, Inc.	\$26,864,706	65.	WNC Insurance Services, Inc.	\$5,342,735
16.	Stewart Smith East, Inc.	\$24,280,118	66.	NAS Insurance Services, Inc.	\$5,261,567
17.	Westcap Insurance Services, Inc.	\$24,028,740	67.	Partners Specialty Ins. Services, Inc.	\$4,976,728
18.	Arrowhead General Insurance Agency	\$21,979,850	68.	Gray-Stone & Company	\$4,887,482
19.	Woodruff-Sawyer & Company	\$21,575,814	69.	International Facilities Ins. Services, Inc.	\$4,882,723
20.	Brown & Riding Insurance Services, Inc.	\$20,838,281	70.	Hull & Company (California), Inc.	\$4,115,147
21.	Monarch E & S Insurance Services	\$20,549,314	71.	L.W. Bunch Insurance Services, Inc.	\$3,975,914
22.	A.J. Renner & Associates, Inc.	\$19,255,879	72.	SBIB, Inc.	\$3,965,815
23.	Carpenter & Moore Insurance Services	\$19,207,229	73.	Pacific International Brokers Ltd.	\$3,907,409
24.	W.K. Cooper & Co. International Brok.	\$18,847,454	74.	Dwyer & Associates Insurance Services	\$3,885,950
25.	Petersen International Underwriters	\$17,262,762	75.	Cooper & McCloskey, Inc. Ins. Brokers	\$3,781,348
26.	Harry W. Gorst Company, Inc.	\$16,742,046	76.	Anfield Insurance Services, Inc.	\$3,779,537
27.	SHG Insurance Services, LLC	\$16,448,675	77.	Excess & Surplus Lines Ins. Brokers	\$3,571,417
28.	Trinity E & S Insurance Services, Inc.	\$16,272,647	78.	AFG Insurance Agency of California, Inc.	\$3,532,869
29.	Arthur J. Gallagher & Co. Ins. Brokers of	\$15,069,132	79.	Canon Insurance Services	\$3,416,617
30.	Yates & Associates Insurance Services	\$14,677,536	80.	M.J. Hall & Company, Inc.	\$3,399,674
31.	Glendale Specialty Risks Ins. Services	\$13,104,150	81.	Harborview Insurance Services, Inc.	\$3,344,434
32.	Crump E & S of California Ins. Services	\$12,484,873	82.	Triesco Insurance Services	\$3,286,363
33.	ROKS America, Inc. Insurance Brokers	\$12,260,919	83.	Costanza Insurance Agency, Inc.	\$3,268,513
34.	Aris Insurance Services	\$11,038,810	84.	Alburger, Basso, DeGrosz Ins. Services	\$3,256,190
35.	Bliss & Glennon, Inc.	\$11,038,410	85.	Richter/Robb Pacific Insurance Services	\$3,244,932
36.	Cambridge General Agency	\$10,627,765	86.	Sunderland Insurance Services, Inc.	\$3,032,703
37.	W. Brown & Associates Property & Cas.	\$10,566,511	87.	Acordia of California Insurance Services	\$3,018,760
38.	Crouse & Associates Ins. Svc. Of So. CA	\$9,229,574	88.	Inspro Corporation	\$2,990,759
39.	Vikco Insurance Services, Inc.	\$9,079,539	89.	James C. Jenkins Ins. Service, Inc.	\$2,986,608
40.	Western Re/Managers Ins. Services, Inc.	\$8,889,950	90.	Willis Corroon Corp. of Los Angeles	\$2,952,049
41.	James Klein Insurance Service, Inc.	\$8,864,961	91.	Michael Zelichov Ins. Services, Inc.	\$2,899,544
42.	Near North Entertainment Ins. Serv., Inc.	\$8,742,455	92.	Call Gap, Ltd.	\$2,897,498
43.	Coastal Brokers Insurance Services	\$8,427,994	93.	Lockton Insurance Brokers, Inc.	\$2,841,754
44.	Integrated Risk Solutions Ins. Services	\$8,326,905	94.	R.I.C. Insurance General Agency, Inc.	\$2,816,059
45.	Robertson Taylor (California) Inc.	\$8,296,417	95.	F.B. Beattie Insurance Services, Inc.	\$2,740,746
46.	Western Security Surplus Ins. Brokers	\$8,276,634	96.	United Chinese American General	\$2,689,078
47.	Aon/Albert G. Ruben Insurance Services	\$8,194,704	97.	United Network of Ins. Services, Inc.	\$2,648,085
48.	American Special Risk Insurance Serv.	\$7,679,753	98.	Dealey, Renton & Associates Insurance	\$2,631,072
49.	Nelson, Gordon & James Ins. Services	\$7,251,138	99.	Frederick John Fisher	\$2,600,045
50.	Chubb Custom Market, Inc.	\$7,213,033	100.	Internat'l Jewelers Block and Fine Arts	\$2,592,249

Surplus Line Association of California A Guide to Education Events in 2001

March 2001

**How to Protect Your Clients From Employment
Practice Related Lawsuits: 2 CE Credits -
#88978**

Tuesday, March 13, 2001
Hilton Universal City & Towers
555 Universal Terrace Parkway
Universal City, CA 91608



Thursday, March 15, 2001
The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

April 2001

**Fiduciary Responsibility: 2 CE Credits -
#88980**

Wednesday, April 25, 2001
Hilton Universal City & Towers
555 Universal Terrace Parkway
Universal City, CA 91608



Thursday, April 26, 2001
The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

July 2001

Western States Surplus Lines Conference

July 25 - July 28, 2001

February 2001

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For the members of
The Surplus Line Association

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Marion A. Perkins
First State Insurance Services

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