

# SLA Quarterly

## MAY 2002

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**Horst Lechler**  
 Executive Chair, 2002

### **Report of the Chair**

The SLA has received a large influx of new members recently bringing the total membership to 487. The 50 new Surplus Line Broker licenses coincide with the obvious hard market in commercial lines business (the SLA has processed \$824,071,102 in premium in the first four months of 2002 -- a 9.58% increase). Only five of these new licenses are non-resident brokers doing risk purchasing group (RPG) business in California. To date, the RPG license is the only non-res-

ident surplus line broker's license facilitated by California regulation.

On another front, the California Department of Insurance (CDI) has just completed a statutory compliance audit of the SLA covering the years 1998 through 2000. The audit is used to determine if the SLA complies with the Plan of Operation describing the duties and tasks performed on behalf of the CDI. The final audit report states SLA operations substantially comply with the Plan of Operation and the applicable California Insurance Code sections examined. The report includes several findings and recommendations for improvement that resulted from the examination.

Brokers have raised concerns over the calculation of the state surplus line premium tax and the inclusion of policy fees, broker fees and/or inspection fees. SLA Bulletin 806, published on August 8, 1997, was the

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SLA's most recent clarification of this issue. The explanation provided in that bulletin still stands as the CDI's official policy on this issue. All charges and fees imposed by the insurer constitute taxable premium. Fees negotiated between brokers and insured are not taxable pre-

mium.

Finally, the National Association of Insurance Commissioners' International Insurance Department (NAIC-IID) has published their quarterly list of alien insurers and Lloyd's syndicates. California's List of Eligible Surplus Line Insurers (LESLI) mirrors the

NAIC-IID listing of Lloyd's syndicates. Currently, there are 232 LESLI listed companies. Of these, 107 are Lloyd's syndicates. Thirty-seven of these syndicates have limited status leaving only 70 Lloyd's syndicates with full status. The LESLI also includes 33 alien and 92 foreign companies. ■

## Legislative Update

S.B. 1678, Richard Polanco (D) This bill would define the measure of recovery under an open fire policy that requires payment of actual cash value of a loss as well as under an open fire policy that requires pay-

ment of replacement cost for a loss. The bill would provide that deviations from the standard policy with respect to fire and other perils shall not be in conflict with the previous governing and standard policy and shall be substantially equivalent or more favorable to the insured than the standard policy. The bill is pending in the Insurance Committee.

S.B. 1972, Richard Polanco (D) This bill would state the Legislature's intent

to add to the types of insurance that may be placed with a nonadmitted insurer through a surplus line broker insurance relative to coverage for the costs of shipment of a deceased insured to Mexico and the costs of burial in Mexico. The bill is pending in the Insurance Committee.

A.B. 2984, Committee on Insurance. This bill would establish a non-resident surplus line brokers license. Licensees would be subject to the same qualifying requirements as a resident applicant such as maintaining a surplus line brokers bond, designating a principal office in their state of residence and keeping complete records of business transacted with nonadmitted insurers. The bill is pending on the Assembly floor. ■



## Report of the Director of the Stamping Office, *Deanna Zanoni*

The results of the 1<sup>st</sup> quarter 2002 are down 4.47% from last year. The total premiums processed were \$571,836,795 for 2002. The item count however, is up for the 1<sup>st</sup> quarter by .59% and a total of 67,307 items processed for the period. We are still working on the backlog that occurred when we went on the new system. Our staff is working long days and weekends to lessen the backlog.

We would like to welcome our newest employee Edmund De Guzman. Edmund has joined the Financial Department as our Senior Examiner. He brings with him much knowledge from his former employer the California Department of Insurance. Edmund has worked with our financial department in the previous years.

We would also like to welcome the latest members to the Association:

- Lippa Surplus Lines Brokers, Inc.
- Jacquelyn Warner Le Sage
- Alexander, Morford & Woo, Inc.
- E.L.M. Insurance Brokers, Inc.
- APG Insurance Services
- Colony Agency Services, Inc.
- PBIS Insurance Services, Inc.
- Mexico Auto Travel Insurance Services, Inc.
- Kevin Michael Pallotta
- Business Backers Management Corp.
- Target Underwriting Management Corp.
- Donald Claude Vaughan
- David Robert McDonald
- James Alfred Agostini
- ABD Insurance & Financial Services
- Arrow Insurance Service, Inc.
- Automotive Risk Management & Insurance Services, Inc.
- Bob Hope & Associates, Insurance & Financial Services, Inc.
- Eden Park Insurance Brokers, Inc.
- Falcon Insurance Agency of California, Inc.
- Robert Henry Grimaldi
- Mycontracts.com Insurance Services, Inc.
- Peck & Peck Insurance Brokers
- Executive Insurance & Financial Services Inc.
- Petra Pacific Insurance Service, Inc.
- John Anthony Meyer
- Donna Suzanne Grimes
- Western Marine Insurance Service Corporation
- Steven H. Spiegler Insurance Services, Inc.
- Laurie Jean Potter
- Ralph John Pratt
- Aero Insurance Brokers, Inc.



**Deanna Zanoni**  
Director of the Stamping  
Office

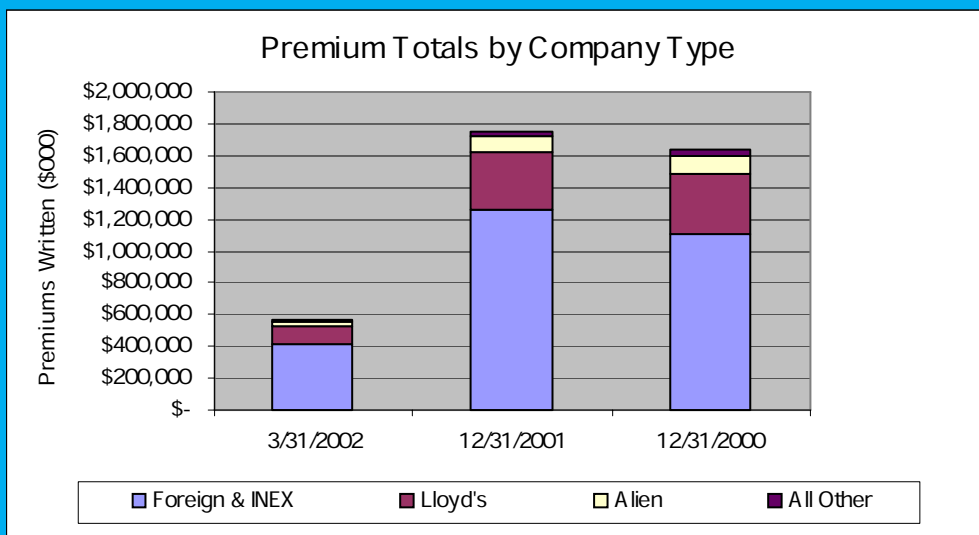
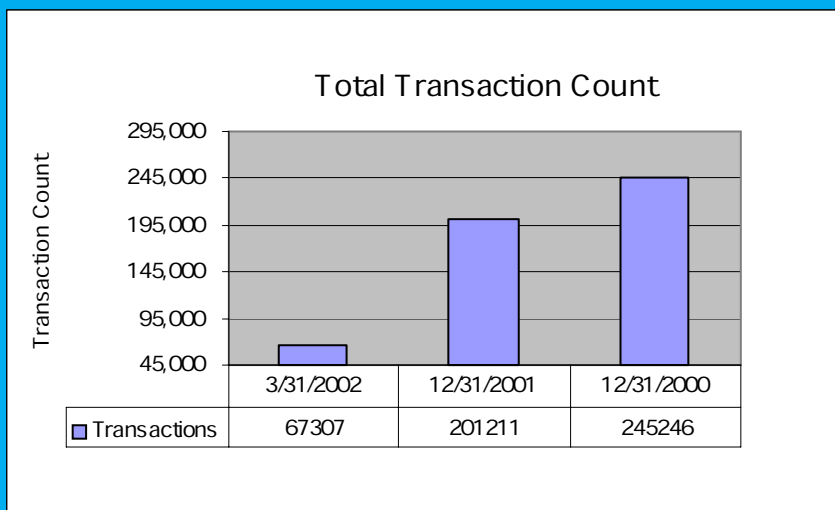
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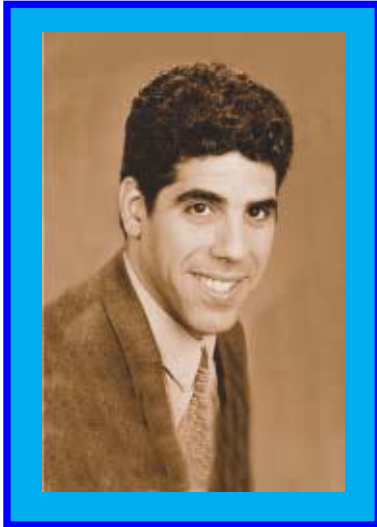
- American-Mexican Insurance Services, Inc.
- D. W. Ferguson & Associates, Inc.
- DeWitt Stern of California, LLC
- MFC&V Insurance Services, A California Corp.
- Gary Lee Getman
- Professional Program Insurance Brokerage
- Repath McAuley Woods, LLC
- USI of Southern California Insurance
- Jeffrey Lawrence Jones
- David H. Wood
- Floyd David Crain

- California Insurance Center
- Horizon Risk Incorporated
- Financial Pacific Insurance Agency
- Ajalon Specialty Insurance Brokers, LLC
- John French Sargeant

A reminder: Western States Surplus Line Conference is coming up in July. The dates are July 25 – July 28, 2002. It is being held at Whistler, BC, Canada. Washington State is the host state. If you have not received your registration packet, please contact Deanna at (415) 434-4900. Hope to see you there. ■



## SLA MEMBER PROFILE



**Derek Borisoff**

**Derek Borisoff  
President, CEO and Owner,  
Monarch E&S Insurance Services**

**Facts**

- Graduated from USC in 1983
- Was a NAPSLO intern
- Worked at and was a Principle of Howard-James Co. (an E&S shop in the San Fernando Valley).
- Started with Monarch E&S Insurance Services in 1994.
  - Became a partner in 1995.
  - Became President in 1996
  - Currently is the Owner and serves as President and CEO.

**Monarch E&S Insurance Services**

Started in 1986 by Don Penniall, Monarch E&S Insurance Services is a full service Managing General Agency/ Surplus Lines Broker representing the best Non-Admitted and Admitted E&S Carriers in our industry. They are committed to being a viable marketplace for their Retail Agent customers for both Personal Lines and Commercial Lines. Independently owned with a committed, experienced staff, they are able to provide their customers with the quotes and service they need. Most of the staff has been with Monarch from the beginning. Monarch's main office is in La Crescenta, Ca. with another office in San Diego.

“We enjoy the wide assortment of ‘Pen’/Binding Facilities because we make our carriers money. Plain and simple!” ■

*–Derek Borisoff*



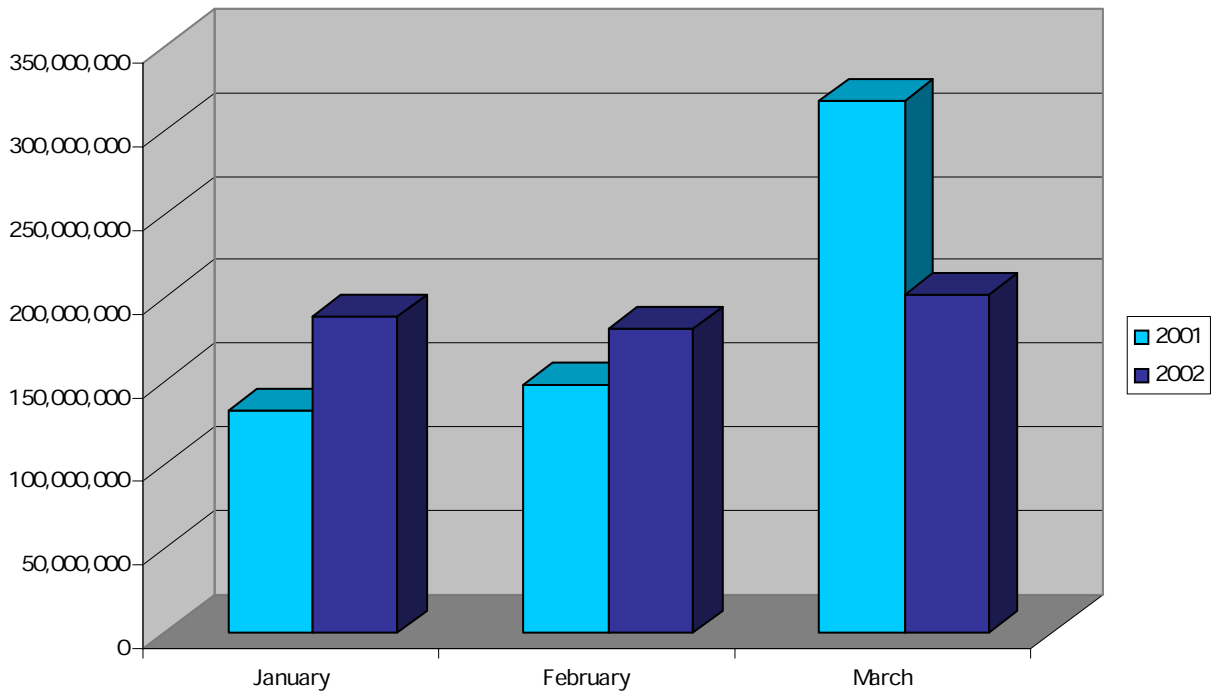
**Don't Forget!**

The SLA Manual is available on our website at [www.slacal.org](http://www.slacal.org). Click on the link titled **SLA Manual**.

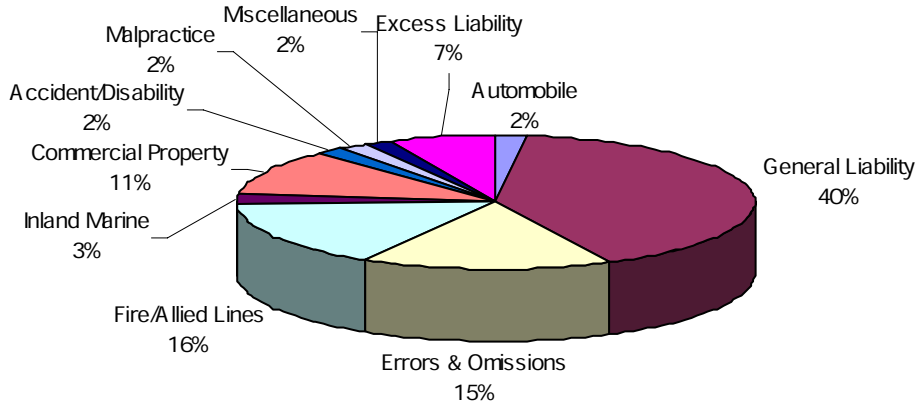
## TOP 10 INSURERS Based on Premium Processed 1<sup>ST</sup> Quarter 2002

Insurer	Premium Processed	%
1. Lloyd's of London	\$ 114,406,998	20.01%
2. Lexington Insurance Company	\$ 58,183,253	10.17%
3. American International Specialty Lines Insurance Company	\$ 37,903,752	6.63%
4. Scottsdale Insurance Company	\$ 26,218,769	4.59%
5. Steadfast Insurance Company	\$ 23,040,179	4.03%
6. Columbia Casualty Company	\$ 18,748,942	3.28%
7. Admiral Insurance Company	\$ 18,196,431	3.18%
8. Evanston Insurance Company	\$ 17,736,441	3.10%
9. Essex Insurance Company	\$ 17,219,852	3.01%
10. Pacific Insurance Company Ltd.	\$ 13,614,503	2.38%
<b>SUB TOTAL</b>	<b>\$ 345,269,120</b>	<b>60.38%</b>
All Other Insurers	\$ 226,567,899	39.62%
<b>TOTAL</b>	<b>\$ 571,837,019</b>	<b>100.00%</b>

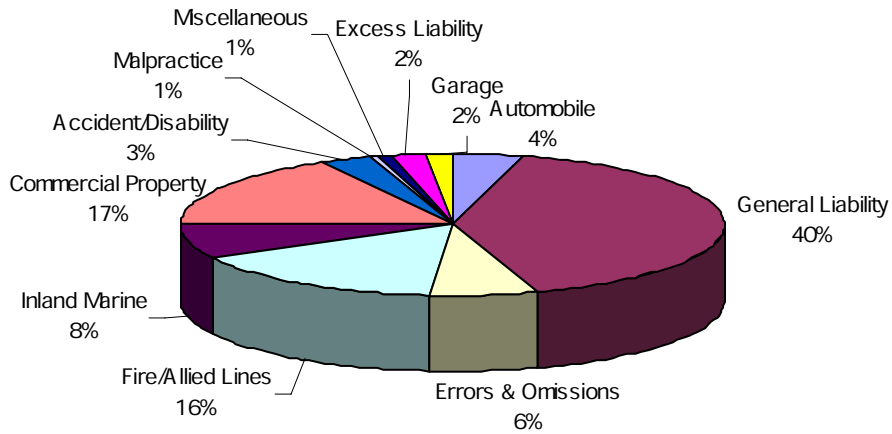
Comparison of Processed Premium Volume for the First  
Quarter of 2002 vs 2001



### Distribution of Processed Premium by Coverage Type for 1st Quarter of 2002



### Distribution of Processed Transactions by Coverage Type for 1st Quarter of 2002



# Surplus Line Association of California

*A guide to scheduled educational events 2002*  
**ALL OUR SEMINARS ARE APPROVED FOR CA Fire & Casualty**

*Broker – Agents (FX)*

## JUNE

### MISCELLANEOUS PROFESSIONAL LIABILITY

Presented by: Laura S. Danoff, CPCU  
L S Danoff Educational Enterprises  
3 CE Credits – Course #78303

**Tuesday, June 18, 2002**

The Fairmont Hotel  
950 Mason Street  
San Francisco, CA 94108

**Thursday, June 20, 2002**

Hilton Universal City & Towers  
555 Universal Terrace Parkway  
Universal City, CA 91608



## May 2002

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For the members of  
The Surplus Line Association

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*Katie Freeman Insurance Services*

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*Crouse & Associates Ins. Brokers, Inc.*

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*Arthur J. Gallagher & Company*

\*\*\*\*\*

**Ted Pierce**  
Executive Director, SLA

**Deanna M. Zanoni**  
Stamping Office Director, SLA

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