

SLA Quarterly

November 2002

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Horst Lechler
 Executive Chair, 2002

Chairman's Perspective

The SLA's Stamping Office is bracing for historic record premiums. Monthly batch filings of Surplus Line Brokers have been increasing rapidly for the past year more than doubling last year's total premium. The annual renewal season is expected to increase the volume of commercial line premiums flowing to the surplus line industry even further.

The SLA Executive Committee has directed the SLA's executive director, Ted Pierce to expand the processing capabilities of the organization to meet current and future

demands. Moreover, I have directed that the organization overcome the backlog of unprocessed broker batch filings and prepare for further business flow as soon as possible. In response, the SLA has already expanded its total number of data entry analysts from 20 to 32 and is looking into renting more office space.

This tremendous flow of business has been characterized by an overwhelming volume in general liability policies with all other coverages trailing far behind which include: Commercial DIC/Stand Alone Earthquake, E&O, Commercial Property, D&O, Excess Liability, Special Multiperil, Contractors Engaged in New Tract Homes, EPL, and Environmental Impairment Remediation.

For the first nine months of 2002, Underwriters at Lloyd's Syndicates have written \$358 million in premiums, other alien carriers have written \$124 million and foreign carriers have written \$1.6 billion in premiums. Currently Lloyd's represents 16.74 percent of the

Continued on Page 2

California surplus line market, other alien carriers represent 5.81 percent and foreign carriers represent 74.5 percent of the market.

The current estimate for the 2002 total California surplus line premium is \$3.7 billion (based on premiums received). This represents a 130% increase over last year. Stamping fee income is increasing at a faster rate than expenses and this is what prompted the recent bulletin

#978 announcing that the SLA stamping fee will be lowered from .25 percent to .125 percent beginning January 1, 2003.

To improve the SLA's financial forecasting ability, I have directed the SLA to switch from its current cash basis of accounting to an accrual accounting system. With these adjustments and improvements, I am confident the SLA can meet the needs of its members and the requirements as an advisory organization to the

California Department of Insurance.

The unprecedented increase in filings has strained the Association's staff and systems. Only the hard work of the dedicated people in the San Francisco office has seen us through this exceptional year. I want to compliment everyone at the SLA for a job well done under very trying circumstances. ■

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



Deanna Zanoni
Director of the Stamping Office

The total premiums filed and processed for nine months 2002 is \$2,137,218,148. This is up 52.76% over last year. The item count is 222,392 items for the nine months, up 43.43% over last year. We are working very hard on the backlog. We have hired 12 new employees to help us get current. The staff is putting in many hours.

We are open seven days a weeks to get the backlog down.

We are still in the test phase of the extranet project. This will enable you to make filings on line. Hopefully this will be in place shortly.

I am pleased to announce that Pat McAuley has taken the position of Manager of Data Processing. We welcome our newest employees: Vienna Murray, Manager of Education and James Gerber in the Financial Department.

We would like to welcome the following new members to the Association:
Avo Alan Gharibian
New Century Insurance Ser-

vices Inc.
Vincent Pulsipher
Health Care Facilities of America, Inc.
J E C Insurance Services Inc.
Emergent Insurance Services
David Gundersen Wilkins
Carol Jan Wells
Sharp Insurance Agency Inc.
Salvagio Inc.
Direct Health & Benefits Inc.
Thomas Charles Clansen
Rohn Insurance Agency
Knauf Insurance Agency
Insurance Works, Inc.
Shawn Patrick Evans
James Howard Leatzow
American Business Insurance Services, Inc.
Hanleigh General Agency, Inc. ■

Top 30 LESLI Companies Based on Premium Processed Through September 30, 2002

Rank	Company	Premium Processed 9/30/2002	3rd QTR 2001 Ranking	Premium Processed 9/30/2001
1	LEXINGTON INSURANCE COMPANY	172,942,433	2	94,604,578
2	STEADFAST INSURANCE COMPANY	117,606,121	4	47,143,201
3	SCOTTSDALE INSURANCE COMPANY	98,200,592	3	56,035,015
4	AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY	91,132,468	1	221,941,414
5	EVANSTON INSURANCE COMPANY	82,082,066	5	41,168,118
6	ROYAL SURPLUS LINES INSURANCE COMPANY	78,896,707	7	29,857,598
7	ADMIRAL INSURANCE COMPANY	76,309,290	6	39,951,606
8	CLARENDON AMERICA INSURANCE COMPANY	58,135,883	12	23,183,775
9	ESSEX INSURANCE COMPANY	57,513,571	8	29,227,698
10	PACIFIC INSURANCE COMPANY LTD.	50,595,700	9	28,388,674
11	GENERAL STAR INDEMNITY COMPANY	49,457,809	10	25,706,800
12	COLUMBIA CASUALTY COMPANY	38,472,773	26	13,270,651
13	UNITED NATIONAL INSURANCE COMPANY	37,137,093	15	20,964,364
14	ILLINOIS UNION INSURANCE COMPANY	36,014,079	14	21,294,496
15	CALIBER ONE INDEMNITY COMPANY	34,966,573	18	17,948,737
16	SPECIALTY SURPLUS INSURANCE COMPANY	34,878,863	35	9,666,377
17	LLOYD'S OF LONDON SYNDICATE #0435	34,663,428	11	25,520,562
18	WESTCHESTER SURPLUS LINES INSURANCE COMPANY	30,831,572	94	2,471,616
19	MT. HAWLEY INSURANCE COMPANY	30,527,794	47	6,511,859
20	GEMINI INSURANCE COMPANY	28,705,499	29	11,106,971
21	LLOYD'S OF LONDON SYNDICATE #2488	27,966,990	16	19,595,302
22	ZURICH SPECIALTIES (LONDON) LIMITED	27,362,053	13	21,717,836
23	NIC INSURANCE COMPANY	27,185,098	69	4,504,022
24	FIRST SPECIALTY INSURANCE CORPORATION	27,173,100	20	17,540,865
25	LLOYD'S OF LONDON SYNDICATE #0623	25,371,566	32	10,731,944
26	COMMONWEALTH INSURANCE COMPANY	23,989,271	24	13,960,341
27	GULF UNDERWRITERS INSURANCE COMPANY	22,187,515	21	16,522,121
28	CHUBB CUSTOM INSURANCE COMPANY	22,153,070	25	13,514,584
29	GREAT AMERICAN E&S INSURANCE COMPANY	20,310,048	30	10,812,474

Premium Totals by Company Type

Company Type	09/30/2002 (000)	%	Revised 09/30/2001 (000)	%
LESLI Companies:				
Foreign	\$1,592,317	74.50	981,710	70.18
Lloyd's	357,865	16.74	264,113	18.88
Alien	124,228	5.81	73,382	5.25
Sub-total	\$2,074,410	97.06	\$1,319,205	94.30
Unlisted Companies	62,808	2.94	79,695	5.70
Total	\$2,137,218	100.00	\$1,398,900	100.00

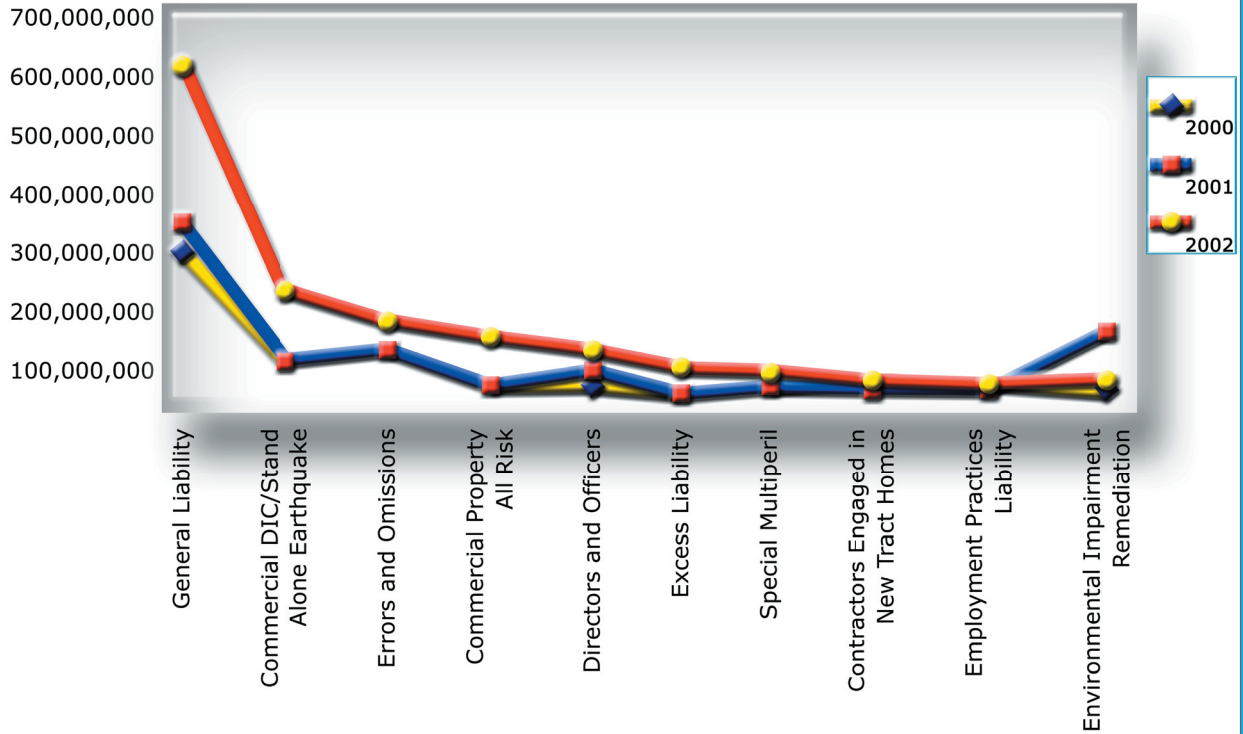
30 Largest Brokers Based on Premium Processed Through September 30, 2002

Rank	BROKER	Premium Processed 9/30/2002	3rd QTR 2001 Ranking	Premium Processed 9/30/2001
1	SWETT & CRAWFORD	235,316,165	2	120,158,480
2	MARSH USA INC.	162,163,340	1	268,312,755
3	WESTERN RISK SPECIALISTS, INC.	131,536,466	3	99,560,273
4	AON RISK SERVICES, INC. OF SOUTHERN CALIFORNIA INS SERVICES	70,355,258	6	32,961,340
5	AMERICAN E & S INSURANCE BROKERS OF CALIFORNIA, INC.	64,028,569	4	39,620,073
6	TRI-CITY BROKERAGE, INC.	54,752,379	8	30,434,697
7	HEATH INSURANCE BROKERS INC.	51,595,814	17	16,686,337
8	CARPENTER & MOORE INSURANCE SERVICES INC.	50,891,725	5	35,337,266
9	MTS INSURANCE SERVICES, LLC.	50,868,339	15	17,136,193
10	FIRST STATE MANAGEMENT GROUP, INC.	46,717,042	10	22,074,155
11	LEMAC & ASSOCIATES, INC.	46,125,433	9	22,099,936
12	STEWART SMITH EAST, INC.	44,335,044	19	16,141,222
13	WORLDWIDE FACILITIES, INC.	40,137,015	14	20,912,488
14	ZURICH E&S INSURANCE BROKERAGE, INC.	38,916,790	13	20,929,462
15	STERLING WEST INSURANCE SERVICES, INC.	33,676,837	29	11,513,403
16	ECM INSURANCE SERVICES, LLC	31,817,759	16	17,109,431
17	BURNS & WILCOX INSURANCE SERVICES, INC.	31,508,394	11	21,213,664
18	INTERNATIONAL E&S INSURANCE BROKERS, INC.	27,456,512	35	9,636,650
19	COONEY, RIKARD & CURTIN INS. SERVICES OF CALIFORNIA, LLC	26,391,354		0
20	BROWN & RIDING INSURANCE SERVICES, INC.	25,778,114	28	11,522,068
21	YATES & ASSOCIATES INSURANCE SERVICES, INC.	25,287,402	26	11,764,889
22	ANFIELD INSURANCE SERVICES, INC.	24,963,559	58	4,441,034
23	MONARCH E & S INSURANCE SERVICES	23,899,713	23	12,898,031
24	LOCKTON INSURANCE BROKERS, INC.	23,429,397	42	6,590,447
25	ARTHUR J. GALLAGHER & CO. INS. BROKERS OF CALIFORNIA, INC.	21,302,767	20	15,728,285
26	RISK PLACEMENT SERVICES INSURANCE BROKERS	20,213,592	25	12,165,544
27	PARTNERS SPECIALTY INSURANCE SERVICES, INC.	19,976,384	37	8,895,073
28	BLISS & GLENNON, INC.	17,985,581	27	11,693,663
29	WOODRUFF-SAWYER & COMPANY	17,678,583	24	12,473,883
30	HARRY W. GORST COMPANY, INC.	17,672,644	33	9,760,650



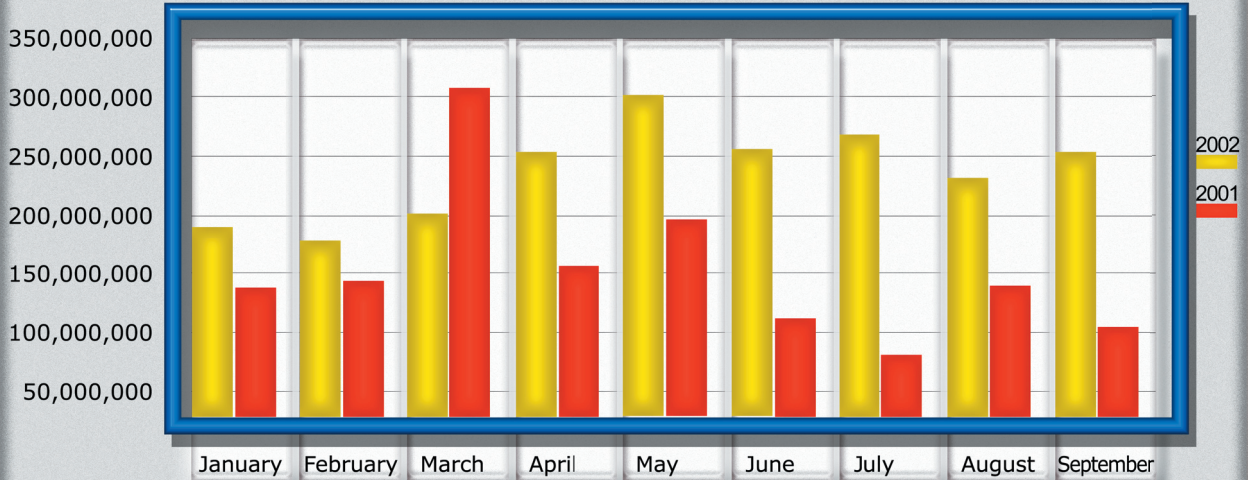
Teamwork will take you to the top!

Comparison of Premium Processed for Years 2000 Through 2002 for the Top 10 Coverages

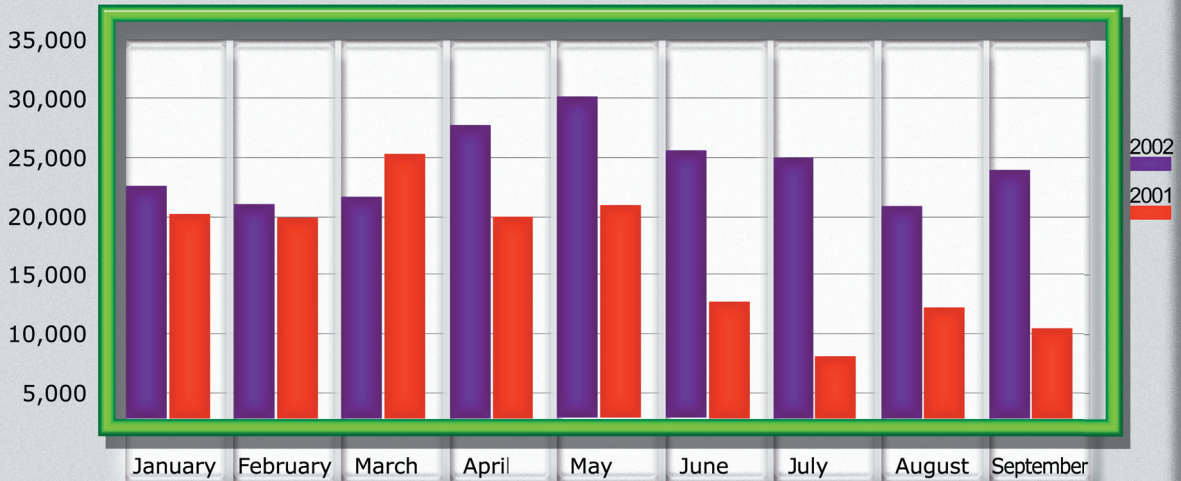


Coverages	2000	2001	2002
General Liability	298,088,234	342,957,627	624,581,383
Commercial DIC/Stand Alone Earthquake	112,344,225	114,549,988	239,304,691
Errors and Omissions	133,272,950	133,387,324	191,861,855
Commercial Property All Risk	70,288,512	73,570,662	172,443,086
Directors and Officers	91,982,779	112,132,562	137,962,921
Excess Liability	45,303,773	42,144,534	101,939,583
Special Multiperil	66,063,863	63,653,769	91,484,618
Contractors Engaged in New Tract Homes	50,084,968	31,806,397	55,231,483
Employment Practices Liability	47,735,130	36,423,428	53,027,427
Environmental Impairment Remediation	37,125,923	163,565,570	50,413,210

Comparison of Premium Processed for 1st Three Quarters of 2002 vs 2001



Comparison of Transactions Processed for 1st Three Quarters of 2002 vs 2001



SLA of California Participates in Annual IICF Bridge Week Charitable Event



The Surplus Line Association of California participated in the annual Insurance Industry Charitable Fund (IICF) Bridge Week Charity event this year by volunteering at the San Francisco Food Bank. The volunteers spent their time cleaning and inspecting canned food and putting together Thanksgiving meals to be distributed to families throughout the San Francisco Area. We would like to thank everyone who volunteered to contribute to this great cause.

Surplus Line Association of California

A guide to scheduled educational events for 2003
ALL OUR SEMINARS ARE APPROVED FOR CA
FIRE & CASUALTY
Broker-Agents (FX)

JANUARY

**Unraveling the Mysteries of the
Alternative Marketplace**
Presented by Laura S. Danoff, CPCU
L.S. Danoff Educational Enterprises
3 CE Credits

Tuesday, January 21, 2003
Doubletree Hotel
100 The City Dr.
Orange, CA 92868

FEBRUARY

Employment Practices Liability
Presented by Patrick Hanley
ECM Insurance Services
3 CE Credits

Wednesday, February 19, 2003
Hilton Universal City & Towers
555 Universal Hollywood Drive
Universal City, CA 91608

Thursday, February 20, 2003
Fairmont Hotel
950 Mason Street
San Francisco, CA 94108



November 2002

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For the members of
The Surplus Line Association

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