

SLA Quarterly

May 2003

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Katie Freeman
 Executive Chair, 2003

Report of the Chair

The SLA is off to a great start. The first quarter 2003 has seen a continued response from the Surplus Line market to the hard market conditions. The Association has also developed new strategic initiatives to address current market conditions and help the Association serve California insurance consumers. I'm confident that the Association's governance and structure are in good hands.

On March 24, Insurance Commissioner John Garamendi issued privacy regulations requiring that licensees, such as Surplus Line Brokers, provide consumers with a notice describing the licensee's privacy practices at the time of policy application and annually thereafter. All notices must clearly and conspicuously describe the categories of personal information collected about individuals, and the categories of third parties who may receive that information. For further details, see the article on page three.

Commissioner Garamendi has cited homeowners' insurance price increases and renewals as the biggest issue so far this year. The Commissioner is opposed to credit scoring, which he has stated is inherently discriminatory and a substitute for redlining. With regards to claims history reports, the Commissioner has indicated they are useful, but their use must be regulated. The Commissioner has a task force to examine this issue and is planning to issue a bulletin to the industry establishing the Department's position on the use of these underwriting tools.

On the legislative front, several bills have been introduced in the California Legislature. AB 700 (Diaz) and AB 794 (Frommer) would require enforcement actions taken against licensed brokers posted in the CDI web site to be of greater detail and posted for longer duration. SB 850 (Ortiz) would give the Commissioner greater regulation over policy forms in the admitted market. SB 667 (Soto) would give the Commissioner authority to bar an admitted carrier from ceasing to offer a line of coverage without receiving prior approval. AB 841 (Perata) would authorize the Commissioner to apply for injunctive relief in the Los Angeles or San Francisco Superior Courts when an insurer that has no principle office in California has committed or is about to commit a violation of law, or any rule, regulation or order issued by the Commissioner. The

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Senate passed (SB 1) the privacy bill (Speier) providing consumer protection greater than the NAIC approved levels for insurers operating in California. Both SB 841 (mentioned above) and the privacy

bill would likely apply to surplus lines.

Overall, our relationships with both the DOI and the Legislature are very good and it's important that we continue on the path

toward a working partnership.

I look forward to greeting many of you throughout the year as I fulfill my term as SLA Chair.



California's Newly-Promulgated Privacy Regulations

By: Daniel R. Brown, Esq.

LeBoeuf, Lamb, Greene and MacRae

The California Department of Insurance (the "Department") has adopted regulations governing the treatment of nonpublic personal information gathered in connection with providing financial products or services primarily for personal, family, or household use (10 CCR §§ 2689.1 - 2689.24) (the "Regulations"). The Regulations, which took effect March 24, 2003, require some additional information be included in all California privacy notices sent after the effective date.

As with the NAIC Model, the Regulations **generally allow customers and consumers the opportunity to opt-out of the sharing of financial information and opt-in before medical information is shared**, but there are significant differences between the Regulations and the NAIC Model privacy regulations. Members of The Surplus Line Association ("SLA") operating in California presumably already issue a privacy notice to their customers as required by California Insurance Code section 791.04, and the form of that notice will simply need to incorporate the new requirements

of the Regulations. For members operating in multiple states, it might be necessary to develop a California-specific privacy notice or revise existing multi-state notice forms to ensure compliance in California. SLA members are subject to the Regulations because they are "engaged in the business of insurance," and members have until Monday, June 23, 2003 to ensure that all nonaffiliated contracts require the third party to maintain the confidentiality of nonpublic personal information obtained in connection with such contract.

New Mandatory Safeguards for the Protection of Privacy Information

SLA members are now required to "implement a comprehensive **written** information security program that includes administrative, technical and physical safeguards for the protection of customer information." The program must be "appropriate to the size and complexity of the [SLA member] and the nature and scope of its activities." The security program must be designed to (a) ensure the security and confidentiality of customer information, (b) protect against any anticipated threats or hazards to the security or integrity

of such information, and (c) protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. Members should take steps to (1) assess the risk to personal information in their systems or files; (2) manage and control that risk; (3) interact with service providers to safeguard any personal information; and (4) continue to monitor and evaluate the security program, and to adjust as appropriate based on changing technology or other relevant factors. Failure to create and maintain an adequate security program can result in cease and desist orders, fines, and/or license revocation.

Specific Form Requirements

Privacy notices must be "clear and conspicuous," and the Regulations include specific criteria to determine whether notices satisfy this requirement. In particular, California privacy notices must (a) use at least 10-point type; (b) include a prominent front-page notice directing the reader to the back of the page if the notice is on the back; (c) contain the phrase "IMPORTANT PRIVACY CHOICES" (or a similar highlight in 16-point bold face type) if the

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recipient is required to be given an opportunity to opt out; (d) be on the first page of the mailing if the notice includes the “opt-out” opportunity, and is mailed with information other than a bill or renewal offer; and (e) achieve a minimum Flesch Reading Ease Score of 50.

The Regulations specifically address the use, or possible use, of the Internet or similar electronic means of communication, and describe the necessary appearance and accessibility of any web page privacy notices in great detail. Unless a consumer agrees to use an electronic method to “opt-out” of the disclosure policy, the member must provide either a self-addressed postage prepaid return envelope or a toll-free telephone number.

Specific Content Requirements

The initial and annual notices provided to customers and consumers must include all of the following information:

- The categories of nonpublic personal information collected (*e.g.*, assets, income, beneficiaries, social security numbers, etc.);
- The categories of nonpublic personal information that is or might be disclosed;
- The categories of affiliates and nonaffiliated third parties to whom nonpublic personal information is or might be disclosed, and their general types of businesses;
- The categories of nonpublic personal information about former

customers that might be disclosed and the categories of affiliates and nonaffiliated third parties to whom such nonpublic personal information might be disclosed, if the information is disclosed pursuant to California Insurance Code section 791.13(k) (*e.g.*, information for marketing purposes after the customer has been given an opportunity to opt-out);

- If nonpublic personal information will or might be disclosed to an affiliate for marketing purposes without affirmative authorization or the right to “opt-out” of that disclosure, an explanation of the potential disclosure and the fact that the law does not allow customers to restrict such disclosure;
- An explanation of the **right to opt-out of the disclosure of nonpublic personal financial information to nonaffiliated third parties**, including reasonable means by which the customer or consumer may exercise that right;
- Any disclosures made under section 603(d)(2)(A)(iii) of the federal Fair Credit Reporting Act (15 U.S.C. 1681a(d)(2)(A)(iii)) regarding the ability to opt-out of disclosures of information among affiliates;
- The SLA member’s policies and practices with respect to protecting the confidentiality and security of nonpublic personal information, including a general description as to who is authorized to have access to the information (*see* section below describing the Regulations’ standards for safeguarding information);
- If applicable, a statement that the consumer has the right to access

and request correction of recorded nonpublic personal information and a brief description of the manner in which those rights may be exercised; and

- The categories of disclosures that will be made under California Insurance Code section 791.13 (*e.g.*, pursuant to authorization, to law enforcement or regulatory organizations, to consumer reporting agencies, etc.).

It is not sufficient to merely categorize the information that might be disclosed in only general terms, such as “transaction information.” Appendix A to the Regulations gives specific examples of adequate descriptions of the categories of personal information collected.

Abbreviated Notices Are Permitted

SLA members may provide an abbreviated notice informing applicants or policyholders that: (1) personal information may be collected from third parties; (2) such information as well as other personal or privileged information may be disclosed to third parties without authorization; (3) they have a right to access and correct all personal information collected; and (4) a full-scale notice as described above will be furnished upon request. Any such abbreviated notice must be clear and conspicuous (as defined in the Regulations), describe reasonable means of obtaining the full-scale notice (*e.g.*, providing a toll-free request number), and contain a compliant opt-out notice if applicable.

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Timing of Providing Notice

If a written privacy notice is not provided at the time a customer relationship is established (e.g., an agreement to insure over the telephone), such notice must be provided orally and must be provided in written or electronic form within 14 business days after a customer relationship is established. Documentation showing the oral disclosure and the written notice must be maintained. In addition, even if the consumer does not opt-out, the information shared by the member cannot exceed the scope of the member's opt-out notice,

and cannot include account or policy numbers. A consumer must be given at least 30 days to opt-out before any nonpublic personal financial information is shared.

California-Specific Forms

SLA members may use both California and national privacy notices, or they may use a combined form. A combined form must satisfy all California requirements, and any use of two separate notices must clearly state that California residents' rights are not limited by the "standard" privacy notice also used by the member. The privacy notice required by the Regulations is in addition to the notice

required by existing California statute, and both such notices may be provided either separately or in a single combined notice as long as all requirements of the existing statute and the Regulations are satisfied. It is unfair discrimination to deny a consumer or customer a product or service because they do not consent to the disclosure of information.

If you have any questions regarding these issues, please contact James R. Woods or Dan Brown in our San Francisco office (415-951-1100).



Member Profile

Mark Maucere
London American
General Agency, Inc.



London American General Agency, founded in 1964, has seen its share of change in the insurance industry. Having started as an equine mortality and farm and ranch retail agency, then turning into a wholesale brokerage after the demise of the founder, London American was purchased by Ed Maucere in 1986. Over time, Ed replaced the majority of the brokerage business with underwritten books of transportation lines such as limousines, trucks, and non-standard auto. Prop 103 put an end to the non-standard auto business, and London American relocated from Mission Viejo to San Diego in 1989 to begin its next phase of development.

Mark Maucere, London American's Executive Vice President, started on the ground floor at the agency in 1988, and after a short departure from the insurance industry to obtain his MBA in Marketing from National University and gain experience working outside of insurance, he re-joined the agency in 1996 as a marketing representative. Due to the increasingly soft transportation market in the mid- and late-90s, Mark and Ed determined that the agency needed to diversify in order to survive.

London American obtained an underwriting contract for a small restaurant program in 1996, and in the next few years continued to diversify by adding a professional liability department, and obtaining property/casualty underwriting contracts and brokerage appointments with major carriers. Mark's role in the agency expanded, and he was instrumental in the devel-

opment of the agency's underwriting and brokerage operations, as well as its strategic and marketing plans.

Mark has performed virtually every job in the agency, from file clerk, receptionist, and mail clerk to rater, underwriter and broker. Mark's current duties include running the day-to-day operations as London American's COO, and managing and brokering business for the London American affiliate, WSIB, which specializes in motorsports coverages.

Mark is active in several industry associations, including the California Insurance Wholesalers Association, AAMGA, SLA, and IBA West. When he is not working or traveling, Marks spends time at home with his wife Kelly, and year-old son, Nicholas.



Report of the Director of the Stamping Office



Deanna Zanoni

The total premiums for the 1st quarter 2003 were \$1,226,013,330, up 114% over last year. The total items with premiums we processed for the 1st quarter were 99,394. This was up 48% over last year. The Data Processing Department, headed up by Pat McAuley, is current, with less than a week backlog. My congratulations goes to them for all their hard work.

We welcome our newest employees: Paul Cruz, Melissa Eckert, Lisa Gee, Angi Lewis and Arlyn Sy-Rena to the Data Processing Department, Julianne Miles to the Financial Department and Wendy Johnston, Executive Assistant.

We would also like to welcome our new members to the Association:

- Peter Robert Taffae
- XN Risk Insurance Services, Inc.
- Willis of New York, Inc.
- Philip Christopher Stump
- Presidio Excess Ins. Services Inc.
- McNeil & Company, Inc.
- Kenneth James MacKumis
- Daniel Patrick Hodgkiss
- Thomas Michael Greninger
- John Robert Castro

- Carmack Insurance
- Caldwell Insurance Agency Inc.
- CIB Insurance Services International, LLC
- James Gary Breese
- Martha Elisabeth Branch
- Baja Bound Ins.Services Inc.
- Art Hauser Insurance Agency, Inc.
- ARIS/B&W Ins. Services Inc.
- Daniels-Head Ins. Agency Inc.
- Roslyn Denise Joseph
- Interstate Risk Ins.Services Inc.
- Douglas Ewing Satterfield
- Merriwether & Williams Insurance Services
- Westar of California Insurance Services LLC
- Trish Jean Taylor
- Russell Bertram Sands
- Insurance Designs Corporation
- MacWilliam Bright Henderson
- Judy Ellen Halliburton
- FIA Insurance Services Inc.
- Donald S Barberie Insurance Agency Inc.
- Complete Equity Markets Inc.
- Mechanic Group Inc.
- J & K Insurance Services Incorporated
- Summit Global Partners Insurance Services

The registration for the Western States Surplus Line Conference has been sent out. If you have not received your copy, please give us a call at (415) 434-4900 or call the Host State Montana at (406) 443-7324 or fax them at (406) 442-8263. I hope to see a lot of you there. The dates of the conference

are July 9th through July 12th. It is being held at Big Sky, Montana.

Our Education Department has scheduled classes for over 50 CE credits this year. Please look out for our mailings or check our website at www.slacal.org.

RETIREMENT

On July 30, 2003, I will be retiring after 42 years plus with the Association. It will be a happy, but sad occasion. This has been my life! I would like to say it has been a wonderful journey. I will miss all of you. I have been here through the death of President Kennedy, sending men into space, going to the moon, & the tragic death of some; War – POWs, MIAs and the loss of service people; going from manual typewriters & doing accounting by hand to the marvel of computers. I will say without the support of my wonderful husband, Ric and many of you, I would not have lasted this long. I hope I will know how to act – to do what I want, when I want. Travel is one thing on our list to do and entertaining friends and family.

Thanks for the Memories.

Deanna M. Zanoni

The Surplus Line Association of California

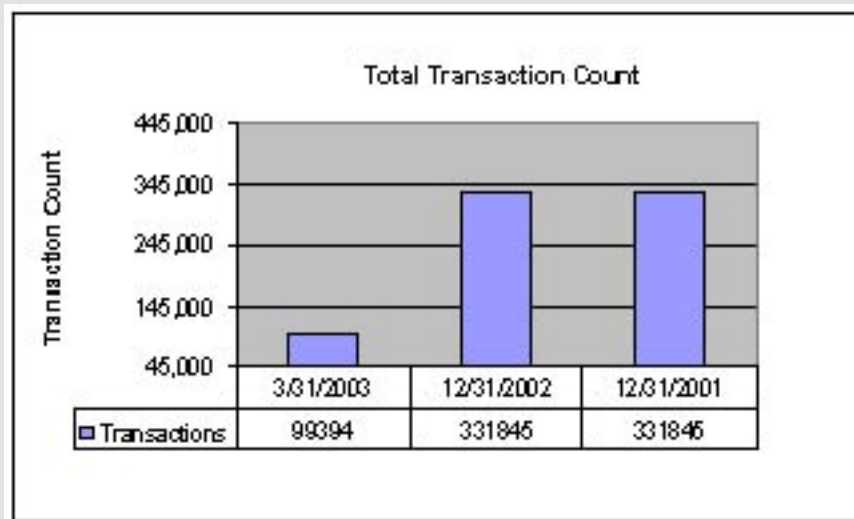
TOP 50 CALIFORNIA SURPLUS LINE BROKERS
BASED ON PREMIUM PROCESSED THROUGH MARCH 31, 2003

	BROKER	PREMIUM PROCESSED	% OF TOTAL
1	SWETT & CRAWFORD	135,129,634	11.02
2	MARSH USA INC.	112,725,162	9.19
3	WESTERN RISK SPECIALISTS, INC.	104,488,237	8.52
4	HEATH INSURANCE BROKERS INC.	39,170,398	3.20
5	TRI-CITY BROKERAGE, INC.	37,248,591	3.04
6	MTS INSURANCE SERVICES, LLC.	31,593,937	2.58
7	ZURICH E&S INSURANCE BROKERAGE, INC.	30,469,147	2.49
8	STERLING WEST INSURANCE SERVICES, INC.	29,810,837	2.43
9	LEMAC & ASSOCIATES, INC.	29,593,339	2.41
10	STEWART SMITH EAST, INC.	23,350,940	1.90
11	WORLDWIDE FACILITIES, INC.	20,523,015	1.67
12	LOCKTON INSURANCE BROKERS, INC.	19,903,595	1.62
13	FIRST STATE MANAGEMENT GROUP, INC.	19,151,156	1.56
14	BLISS & GLENNON, INC.	18,873,768	1.54
15	BURNS & WILCOX INSURANCE SERVICES, INC.	18,508,833	1.51
16	AON RISK SERVICES, INC. OF SOUTHERN CALIFORNIA INS. SERVICES	18,088,171	1.48
17	NAVIGATORS CALIFORNIA INSURANCE SERVICES, INC.	17,653,694	1.44
18	BROWN & RIDING INSURANCE SERVICES, INC.	16,590,489	1.35
19	AMERICAN E & S INSURANCE BROKERS OF CALIFORNIA, INC.	16,372,334	1.34
20	CANON INSURANCE SERVICE	15,467,714	1.26
21	COONEY, RIKARD & CURTIN INSURANCE SERVICES OF CALIFORNIA, LLC	15,281,240	1.25
22	CRAWLEY WARREN INSURANCE SERVICES, INC.	14,997,607	1.22
23	ECM INSURANCE SERVICES, LLC	13,782,692	1.12
24	PARTNERS SPECIALTY INSURANCE SERVICES, INC.	13,334,900	1.09
25	INTERNATIONAL E&S INSURANCE BROKERS, INC.	13,207,082	1.08
26	TRINITY E & S INSURANCE SERVICES, INC.	13,059,149	1.07
27	RISK PLACEMENT SERVICES INSURANCE BROKERS	13,017,682	1.06
28	YATES & ASSOCIATES INSURANCE SERVICES, INC.	12,492,423	1.02
29	CROUSE & ASSOCIATES INS.SERVICES OF NORTHERN CALIFORNIA, INC.	10,912,339	0.89
30	ARROWHEAD GENERAL INSURANCE AGENCY, INC.	10,533,784	0.86
31	HARRY W. GORST COMPANY, INC.	9,097,870	0.74
32	CARPENTER & MOORE INSURANCE SERVICES INC.	8,761,175	0.71
33	MONARCH E & S INSURANCE SERVICES	8,568,646	0.70
34	CRUMP E&S OF SAN FRANCISCO INSURANCE SERVICES, INC.	8,401,001	0.69
35	W. BROWN & ASSOCIATES PROPERTY & CASUALTY INSURANCE SERVICES	7,980,645	0.65
36	ARTHUR J. GALLAGHER & CO. INSURANCE BROKERS OF CALIFORNIA, INC.	7,650,826	0.62
37	WESTERN RE/MANAGERS INSURANCE SERVICES, INC.	7,165,504	0.58
38	BASED ON PREMIUM PROCESSED THROUGH MARCH 31, 2003	7,056,284	0.58
39	M.J. HALL & COMPANY, INC.	7,052,630	0.58
40	PROFESSIONAL PRACTICE INSURANCE BROKERS, INC.	6,882,398	0.56
41	PETERSEN INTERNATIONAL UNDERWRITERS	6,605,618	0.54
42	INTEGRATED RISK SOLUTIONS INSURANCE SERVICES, LLC.	6,466,169	0.53
43	CRUMP E&S OF CALIFORNIA INSURANCE SERVICES, INC.	5,790,558	0.47
44	ROKS AMERICA, INC. INSURANCE BROKERS	5,647,965	0.46
45	WILLIS INSURANCE SERVICES OF CALIFORNIA, INC.	5,276,390	0.43
46	COASTAL BROKERS INSURANCE SERVICES INC.	5,178,621	0.42
47	CAMBRIDGE GENERAL AGENCY	5,169,147	0.42
48	ANDERSON & MURISON INC.	5,111,775	0.42
49	R.E. CHAIX & ASSOCIATES INSURANCE BROKERS, INC.	5,099,815	0.42
50	GRAY-STONE & COMPANY	5,057,823	0.41

The total premium processed for the top 50 brokers was \$1,019,352,751, accounting for 83.14% of the overall premium processed by the SLA for the first quarter of 2003.

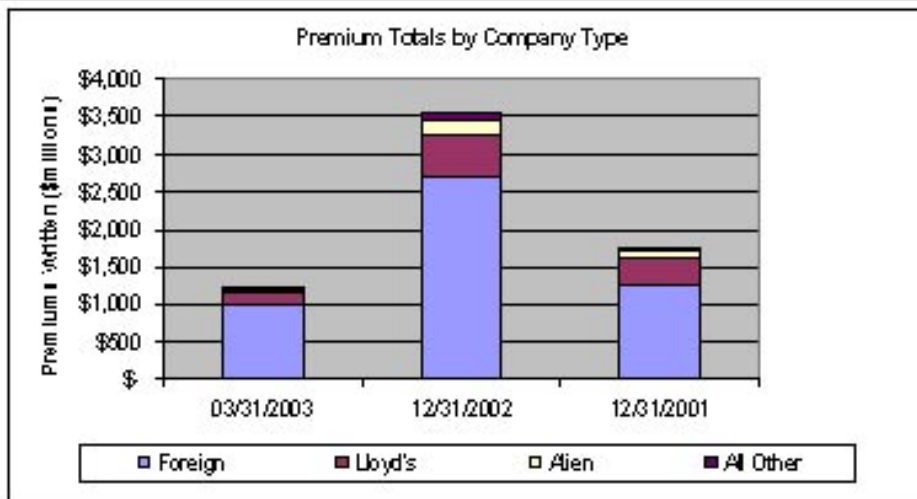
LARGEST COVERAGE CODES BASED ON PREMIUM PROCESSED THROUGH MARCH 31, 2003

COVERAGE CODE	PREMIUM PROCESSED	% OF TOTAL
GENERAL LIABILITY	\$386,529,999	31.53
COMMERCIAL DIC/STAND ALONE EARTHQUAKE	133,190,757	10.86
ERRORS AND OMISSIONS	101,357,748	8.27
ALL RISK	98,118,059	8.00
EXCESS LIABILITY	61,284,364	5.00
SPECIAL MULTI-PERIL	50,230,816	4.10
DIRECTORS AND OFFICERS	45,063,298	3.68
INDIV INSURED W/LARGE SCHED TIV > \$500M	44,570,396	3.64
PROFESSIONAL LIABILITY	42,846,932	3.49
ENVIRONMENTAL IMPAIRMENT REMEDIATION	41,767,383	3.41
CONTRACTORS ENGAGED IN NEW TRACT HOMES	33,096,859	2.70
EXCESS LIABILITY/UNDERLYING NONADMITTED	31,764,392	2.59
EMPLOYMENT PRACTICES LIABILITY	24,331,090	1.98
INLAND MARINE	15,788,267	1.29
MISCELLANEOUS	14,306,986	1.17
HOMEOWNERS MULTI-PERIL	12,317,023	1.00
COMMERCIAL PROPERTY-BASIC	10,327,932	0.84
PRODUCTS/COMPLETED OPERATIONS (STAND ALONE)	9,822,168	0.80
HOMEOWNERS	7,389,948	0.60
AUTO PHYSICAL DAMAGE-COMMERCIAL	6,843,860	0.56
SUB-TOTAL	\$1,170,948,275	95.51
ALL OTHER COVERAGES	55,065,059	4.49
TOTAL	\$1,226,013,334	100.00

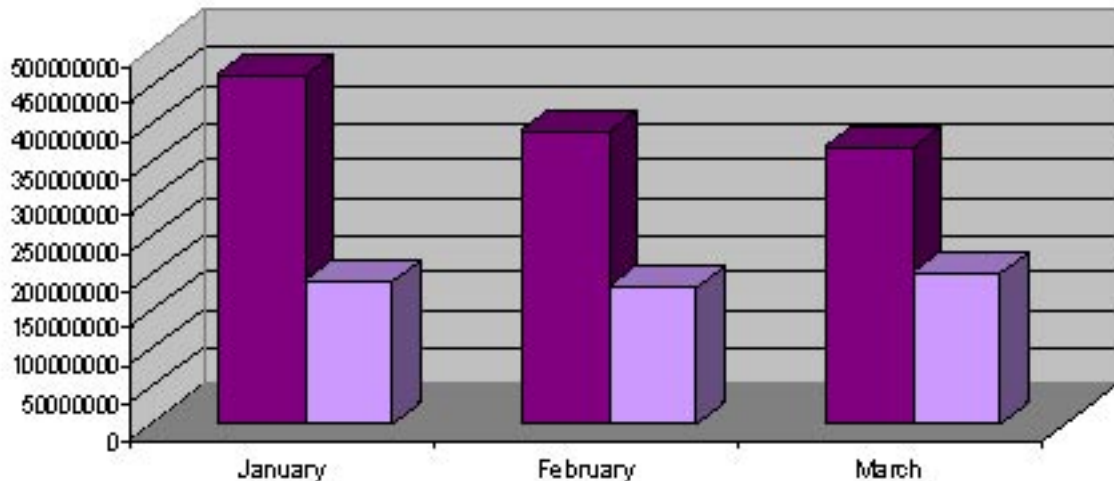


**TOP 30 NONADMITTED COMPANIES
BASED ON PREMIUM PROCESSED THROUGH MARCH 31, 2003**

RANK	COMPANY	PREMIUM PROCESSED	% OF TOTAL
1	LEXINGTON INSURANCE COMPANY	\$106,001,700	8.65
2	AMERICAN INTERNATIONAL SPECIALTY LINES INS. CO.	74,787,654	6.10
3	STEADFAST INSURANCE COMPANY	61,490,580	5.02
4	SCOTTSDALE INSURANCE COMPANY	54,506,375	4.45
5	EVANSTON INSURANCE COMPANY	52,236,312	4.26
6	ROYAL SURPLUS LINES INSURANCE COMPANY	51,505,183	4.20
7	ADMIRAL INSURANCE COMPANY	36,067,351	2.94
8	MT. HAWLEY INSURANCE COMPANY	30,421,457	2.48
9	ESSEX INSURANCE COMPANY	30,347,760	2.48
10	ILLINOIS UNION INSURANCE COMPANY	29,702,707	2.42
11	WESTCHESTER SURPLUS LINES INSURANCE COMPANY	28,741,848	2.34
12	ARCH SPECIALTY INSURANCE COMPANY	28,739,557	2.34
13	GEMINI INSURANCE COMPANY	22,745,178	1.86
14	PACIFIC INSURANCE COMPANY LTD.	20,511,615	1.67
15	NORTH AMERICAN CAPACITY INSURANCE COMPANY	20,332,436	1.66
16	CLARENDON AMERICA INSURANCE COMPANY	19,985,504	1.63
17	NIC INSURANCE COMPANY	19,738,609	1.61
18	EVEREST INDEMNITY INSURANCE COMPANY	18,064,764	1.47
19	GENERAL STAR INDEMNITY COMPANY	17,209,575	1.40
20	UNITED NATIONAL INSURANCE COMPANY	16,812,633	1.37
21	EMPIRE INDEMNITY INSURANCE COMPANY	16,044,479	1.31
22	LLOYD'S OF LONDON SYNDICATE #0623	14,641,271	1.19
23	CHUBB CUSTOM INSURANCE COMPANY	13,578,766	1.11
24	COLUMBIA CASUALTY COMPANY	13,482,967	1.10
25	NATIONAL FIRE & MARINE INSURANCE COMPANY	13,198,052	1.08
26	GULF UNDERWRITERS INSURANCE COMPANY	12,599,779	1.03
27	COMMONWEALTH INSURANCE COMPANY	12,460,319	1.02
28	ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES Ltd.	12,165,498	0.99
29	AMERICAN EMPIRE SURPLUS LINES INSURANCE COMPANY	11,803,741	0.96
30	LLOYD'S OF LONDON SYNDICATE #2488	11,788,295	0.96
Sub-Total		\$871,711,963	71.10
All Other Companies		354,301,071	28.90
Total		\$1,226,013,034	100.00

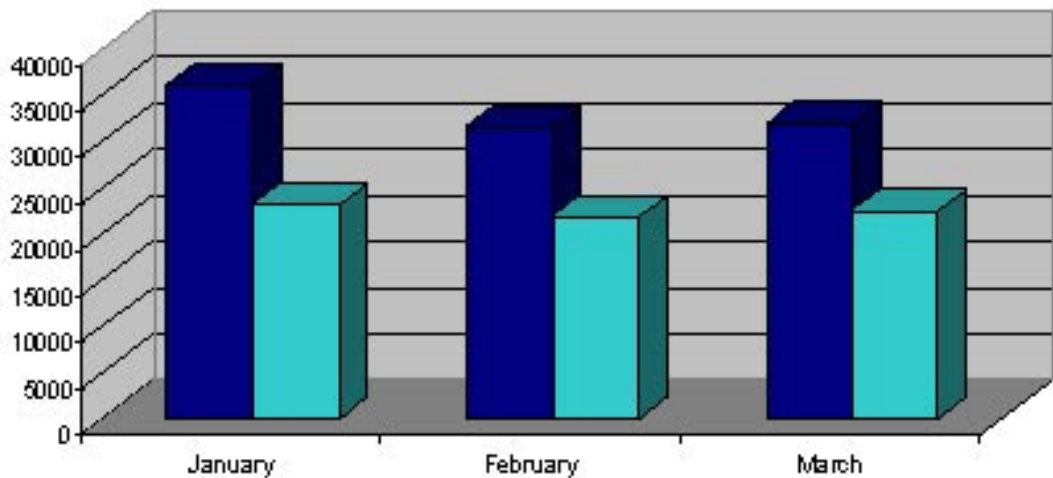


Comparison of Premium Processed for 1st Quarter 2003 vs. 2002



	January	February	March
2002	188,919,953	181,524,036	201,393,030
2003	465,274,007	390,758,182	369,981,141

Comparison of Items Processed for 1st Quarter 2003 vs. 2002



	January	February	March
2002	23117	21789	22401
2003	36001	31580	31813

The Tagging Process

The SLA issued a total of 36,896 tags during the first quarter of 2003.

Tag letters (tags) notify the surplus line broker of problems detected in the filed documents, i.e. discrepancies between required forms, violations with California Insurance Code (CIC) regulation, missing information (such as the breakdown of premium by coverage) necessary for statistical purposes as requested by the California Dept. of Insurance (CDI) and SLA membership.

Late filings with or without an explanation comprise 61% of the tags issued. Late tags are automatically generated when the system compares the policy effective date against the batch postmark date and the time lapse is greater than 60 days.

The policy documents for new and renewal policies must contain the following contents as stated in CIC § 381:

- The name of the insured
- The name of the insurer
- The property or life insured
- The risk insured against
- The policy period
- The premium

The information from the policy is used to validate the information stated on the SL1 and

SL2 forms; any inconsistencies between documents generate a tag for clarification.

For documents that specify renewal, a system check is performed to link the current document to a policy immediately preceding it. If the system check is negative, a tag is generated. The policy will not be tagged if the broker provides a valid reason (e.g. prior policy placed with an admitted carrier) it was not filed through the SLA with the renewal.

The policy should always be submitted prior to endorsements to ensure the policy is processed before any endorsements are reviewed. (Due to our prior three-month backlog, the SLA accepts partial responsibility for the 4% tag issuance on endorsements with no record of prior policy.)

Since January 1997, California required policies underwritten by Lloyd's to identify the individual syndicate numbers and their respective percentage of participation. The percentage of participation should total 100% of the premium being filed. If multiple line slips comprise the security for a policy, the percentage of participation for each line slip needs to be identified as well.

The SLA currently issues seven tags addressing problem areas on the SL2 form. The 18% tag issuance reflected on the chart is cumulative of the seven tags.

Problem areas of the SL2 form are:

- Field no. 1 should be the full name of the individual who performed the diligent search.
- Section 6 should provide a complete description of the diligent search efforts. (This part is required even if ultimately the submission is made to fewer than three admitted carriers.)
- If the risk was submitted to at least three admitted carriers, all of section 7(B) must be completed stating first and last names of company reps, telephone numbers, whether the reps are employees or agents, the month and year of declination, and the declination code.
- The admitted carriers must be easily identifiable, either by complete name or first part of name and corresponding NAIC number.
- The admitted carriers must be licensed in the state of California.
- The admitted carriers must write the class of business that is being insured.
- A new search is required for all renewals and extension endorsements because of changes in market conditions.

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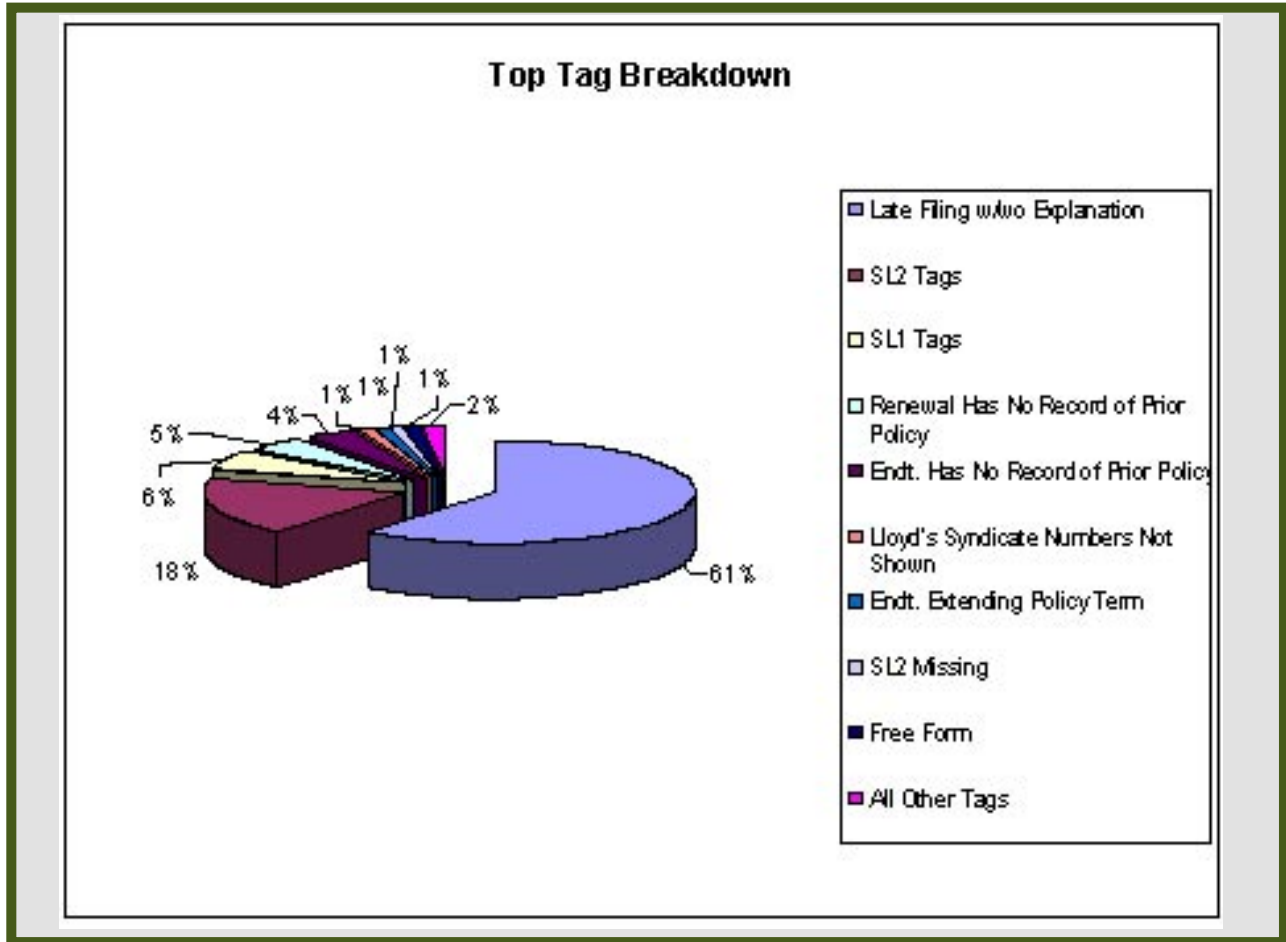
(Continued from Page 10)

Effective September 28, 1998, Regulation 2190 required the surplus line broker to maintain the original SL1 forms; the agent, broker or surplus line broker who signed the SL2 form maintains the original Diligent Search Report, and copies are sent to

other parties involved in the transaction and to the SLA. Original forms received by the SLA result in a tag.

On March 2003, with the approval of the CDI, the SLA eliminated certain tags listed in its Plan of Operation. The tags concerned

duplicate filings, filing with an admitted carrier, special lines coverage, and out of state risks. Removal of these tags should allow the broker additional time to concentrate on the more serious violations.



Eligible Surplus Line Insurers ... effective March 1, 2003, annual, quarterly, and supplemental filings required of non-admitted insurers who wish to remain on (or be added to) the California List of Eligible Surplus Line Insurers (LESLI) must be submitted to:

*Julianne McCoy
Licensing Background Bureau
California Department of Insurance
300 Capitol Mall
Sacramento, CA 95814*

For a comprehensive guide to the California surplus line filing and eligibility requirements, please refer to SLA Bulletin #995 (dated January 31, 2003), available on our website www.slacal.org or by written request to the SLA.

Surplus Line Association of California

Scheduled Educational Events for May & June 2003

ALL OUR SEMINARS ARE APPROVED FOR CA
FIRE & CASUALTY
BROKER-AGENTS (FX)

Professional Ethics In The Insurance Industry

Presented by: Mary C. Moore-Campagna, CPCU,
CPIW, AIM, ARP, AAM, AAI, AIAF, AIS
(MC)2 Insurance Training and Consulting Services
Course #135581 - 3 CE Credits
Registration 8:00 a.m.
Seminar 8:30 a.m. - 11:30 a.m.

Tuesday, May 20, 2003

Piccadilly Inn Hotel
4961 North Cedar Avenue
Fresno, CA 93726

Wednesday, May 21, 2003

Holiday Inn- Stockton
111 East March Lane
Stockton, CA 95207

Directors & Officers Liability - For Profit And Non- Profit

Presented by: Laura S. Danoff, CPCU
LS Danoff Educational Enterprises
Course #104338- 3 CE Credits
Registration 8:00 a.m.
Seminar 8:30 a.m. - 11:30 a.m.

Tuesday, June 17, 2003

Radisson Hotel
2323 Grand Canal Blvd.
Stockton, CA 95207

Wednesday, June 18, 2003

Doubletree Hotel
100 The City Drive
Orange, CA 92868

May 2003

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