

# SLA Quarterly

## November 2003

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**Katie Freeman**  
Executive Chair, 2003

### **Report of the Chair**

The Executive Committee and the Stamping Office and Contact Committee have approved an increase in the stamping fee from 0.125% to 0.225% of premium effective January 1, 2004. Please consult SLA Bulletin #1016 for further details.

Surplus line premiums have continued to climb steadily in the third quarter of 2003 and are expected to far exceed the 2002 record level of \$3.5 billion by as much as \$1.5 billion by year end. For the Surplus Line Association, the robust surplus line market has resulted in a dramatic increase in workflow resulting from the increase in broker batch filings. As a result, the SLA's staff operation has grown to expand its processing capability.

In contrast to the SLA's increase in operating expenses, the SLA stamping fee has been at a record low of 0.125% since January 1, 2003. Due to the lower revenue produced from this stamping fee, the SLA's operating expenses began to exceed its revenue in late September. Thus, the Executive Committee approved a stamping fee increase for 2004. The 0.225% stamping fee beginning January 1, 2004, will bring the SLA combined funds to a level that matches the Executive Committee's approved level of capitalization by the end of 2004 and also cover operating expenses.

On another front, surplus line brokers are reminded that the SLA provides on-site training in Stamping Office filing procedures and also hosts periodic seminars on the same subject. In addition, SLA will respond to emergency training needed when filings have been left undone or new members need training in a hurry. For more information, please contact Vienna Murray at (415) 434-4900, ext. 162 or [vmurray@slacal.org](mailto:vmurray@slacal.org).

## Report of the Director of the Stamping Office



Joy Erven

I would like to thank the SLA membership and staff for the warm welcome I have received as the new Director of the Stamping Office. I am enthusiastic about this opportunity to fulfill the statutory and self-regulatory functions of the Surplus Line Association. While there is much to learn in this role, I am confident my experience in the insurance industry will provide me with the excellent background to serve the surplus lines community.

I look forward to greeting the surplus line brokers and companies at industry events, learning about your undertakings and discovering how the SLA can better serve your needs.

### Year to date

- During the first nine months of 2003, the SLA processed nearly \$3.9 billion in premium from broker filings, up 81.8% from \$2.1 billion processed during the same period in 2002.
- Policy count for the first nine months of 2003 was 278,613, compared to

222,392 for the same period in 2002. And, approximately 63.9% (\$2.5 billion) of the premium processed during the first nine months of 2003 was for policies with an effective date of January 1, 2003 or after.

- Foreign surplus line carriers wrote 75.76% of the premium in the first three quarters of 2003. Lloyd's share was 16.18%. The remaining alien companies wrote 5.42% of the premiums.
- There are 210 companies on the Commissioner's approved List of Eligible Surplus Line Insurers. 91 of these companies are U.S. domiciled, 30 are alien and there are 89 Lloyd's syndicates on the list.

**Welcome to our newest employees:** *Cinfonie Chiu, Beth Macias, Robert Shortt, and Iona Vinson.*

**Welcome to our new members:**

- *Accuratus, Inc.,*
- *Western Brokers Insurance Services*
- *Hamid Nakhostin Ahmadi*
- *Catalina Holdings, Inc.*
- *Herbert H. Landy Insurance Agency, Inc.*
- *Suzanne Martha Patton*
- *Louis Michael Schillinger*
- *Lisa Gaye Bender*

- *David Michael Anderson*
- *William John Braet*
- *Paul Stephen Granata*
- *Helen Marie Miksits*
- *Jinah No*
- *Hanne L. Pierce*
- *Roger Leland Wiseman*
- *Dibiduo & Defendis Insurance Services*
- *Byron Kent Chamberlain*
- *Grapevine Ventures, Inc.*
- *Costello & Sons Insurance Brokers, Inc.*
- *Tutton Insurance Services, Inc.*
- *Michael J. Hall & Co. (Washington State)*
- *Tennant Risk Services Inc.*
- *Mitchell & Mitchell Insurance Agency, Inc.*
- *Financial & Professional Risk Solutions Insurance Agency, Inc.*
- *AON Risk Services of Texas, Inc.*
- *New Century Global of New York, Inc.*
- *Jeffrey George Saams*
- *Sylvia Sison Tagle*
- *Weston Scott Millward Insurance Agency, Inc.*
- *Willis of New Hampshire, Inc.*
- *Mary Bethaine Woods*
- *David Eugene Worden*

**HAVE YOU NOTICED THE SLA BULLETINS ARE NOW BEING SENT BY E-MAIL?**

\*One important item to note, you must have Acrobat Reader 6.0 to open the bulletins. The electronic bulletins are also posted on the SLA web site [www.slacal.org](http://www.slacal.org)

## Congress Considers Federal Charters for Insurers

*By: Ted Pierce  
Executive Director  
Surplus Line Association*

The issue of federal insurance regulation has surfaced again in the U.S. Congress in response to concerns about inefficiencies in state regulation. The changes desired by some have been presented in a bill sponsored by Senator Ernest "Fritz" Hollings (D-SC) in the form of SB 1373. The Insurance Consumer Protection Act of 2003, as it is called, would repeal the McCarran-Ferguson Act and create a new Federal Insurance Regulatory Commission (IRC) under the Department of Commerce. The IRC would regulate rates and hear challenges from consumers on rate hikes. The IRC would also have authority over accounting issues, solvency reviews, market conduct examinations, and licensing standards.

Similar to the Hollings bill, the American Insurance Association supports the establishment of a Federal Insurance Chartering Office that would allow insurers to receive a federal charter instead of a state charter. The American Bankers Insurance Association (ABIA) advocates optional federal charters for both insurers and producers in all lines of coverage. The ABIA's plan would create a National Insurance Commissioner under the U.S. Treasury Department modeled after the Controller of the Currency. The Commissioner would set solvency requirements but would prohibit the regulation of rate and form. The American Council of Life Insurers ACLI also supports optional federal charters modeled after the dual Federal and state system that currently regulates commercial banks, thrifts and credit unions.

In contrast to the national insurance groups, the Independent Insurance Agents & Brokers of America (IIABA – AKA Big 'I') supports a more modest approach of minimum federal standards and streamlined state insurance regulation. Congressional watchers say there is little interest in federal charters on Capitol Hill. However, with five bills currently pending in Congress, the federal effort has set into motion a more vigorous response from the National Association of Insurance Commissioners (NAIC) to modernize and streamline insurance regulation. The NAIC supports a modernized system of functional state-based regulation and has already engaged in cooperative reforms required by the Gramm-Leach-Bliley Act.

## California Legislation

### Homeowners' Insurance

Assembly Bill 1049, (Calderon & Wyland)

Prohibits insurers or agents from basing an adverse underwriting decision on a homeowners policy based on an individual's inquiry about the scope of their coverage. Status: Pending the Governor's signature.

Assembly Bill 1191, (Wiggins)  
Requires insurers to provide policyholders with the reasons for the nonrenewal of their homeowner's insurance policies and requires insurers to provide policyholders, upon request, the reasons for the change in their annual premium. Status: Pending the Governor's signature.

### Insurance General

Assembly Bill 794, (Frommer)

Requires that records regarding minor disciplinary actions against agents and brokers posted on the Department of Insurance's web page to be aged off after 10-years. Status: Signed into Law – Chapter 310, Statutes of 2003.

Senate Bill 1, (Speier)

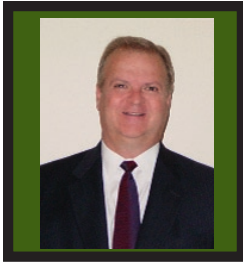
Requires that customers of insurance companies, banks and securities firms be informed of their privacy rights and be asked to opt in before their financial data can be shared with third parties. Status: Signed into Law – Chapter 241, Statutes of 2003.

### Worker's Compensation Reform

The California Legislature approved a package of 8 bills to overhaul the state's workers'

compensation system. Governor Davis promised to sign the measures. The package requires treatment guidelines for work-related injuries. Limits an injured worker to 24 physical therapy or chiropractic treatments but allows for additional treatments when authorized by the insurer in writing. Allows employers to get a second opinion when doctors recommend spinal surgery for injured workers. Requires use of generic drugs, unless a brand name is specified by the treating physician. Requires payment of medical bills in 45 working days instead of 60 days from the date of complete billing. Increases the maximum fine for workers' compensation fraud from \$50,000 to \$150,000.

## Member Profile



Robert V. Tucker  
President

### Valcourt Insurance Services

Robert V. Tucker founded Valcourt Insurance Services in 1998. Valcourt has two offices in California, one in Orange County and one in the Inland Empire. Valcourt is primarily a retail broker, specializing in providing insurance to clients in the health care industry. Bob

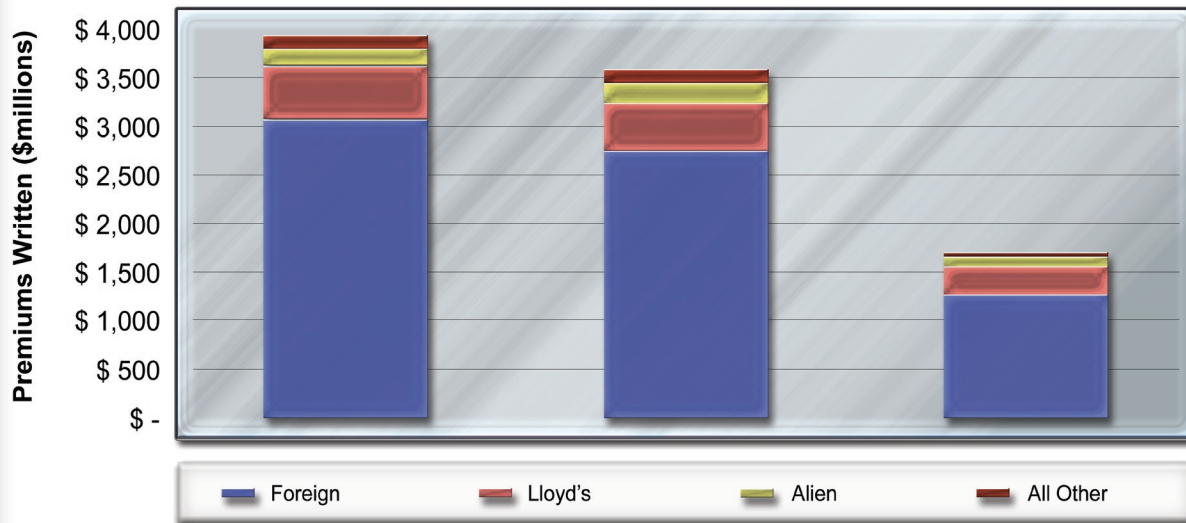
has over 25 years of sales and marketing experience; 22 years have been directly involved with designing and marketing insurance coverages to his health care industry clients. Bob comments, "Due to the nature of insurance companies that provide insurance to this industry, we realize the value of having a Surplus Lines license".

Prior to founding Valcourt, Bob co-founded SRS General Insurance Services in 1993. SRS was purchased by Minet in 1995. He started his property and casualty insurance career in 1989 with Griffith / Sincock, a regional insurance broker in Orange County.

Before entering the insurance industry, Bob was Vice President with FISER, an investment banking firm. Bob's responsibilities included negotiating and structuring tax-free financings as an investment banker, and marketing securities to banks and major insurance companies.

Bob received his Master of Business Administration degree from Utah State University, and his Bachelor of Science Degree in Finance from the University of Utah. Bob tells us that he resides in Orange, CA with his terrific wife Vickie and has the two greatest children on earth, Courtney and Jeff.

### Premium Totals by Company Type



	09/30/2003 (in millions)	12/31/2002 (in millions)	12/31/2001 (in millions)
Foreign	\$ 3,027	\$ 2,700	\$ 1,253
Lloyd's	\$ 626	\$ 576	\$ 376
Alien	\$ 154	\$ 193	\$ 89
All Other	\$ 78	\$ 94	\$ 25
<b>Total</b>	<b>\$ 3,885</b>	<b>\$ 3,563</b>	<b>\$ 1,743</b>

**TOP 35 NONADMITTED COMPANIES  
BASED ON PREMIUM PROCESSED THROUGH SEPTEMBER 30, 2003**

<b>RANK</b>	<b>COMPANY</b>	<b>PREMIUM PROCESSED</b>	<b>% OF TOTAL</b>
1	Lexington Insurance Company	\$389,398,676	10.02%
2	American International Specialty Lines Insurance Company	178,713,398	4.60%
3	Scottsdale Insurance Company	161,390,298	4.15%
4	Royal Surplus Lines Insurance Company	160,435,286	4.13%
5	Evanston Insurance Company	150,718,120	3.88%
6	Steadfast Insurance Company	148,318,276	3.82%
7	Admiral Insurance Company	117,590,543	3.03%
8	Arch Specialty Insurance Company	116,818,394	3.01%
9	Lloyd's of London Syndicate #0033	107,075,649	2.76%
10	Essex Insurance Company	91,931,535	2.37%
11	Westchester Surplus Lines Insurance Company	90,603,249	2.33%
12	Mt. Hawley Insurance Company	86,615,823	2.23%
13	Everest Indemnity Insurance Company	79,578,946	2.05%
14	Lloyd's of London Syndicate #1414	73,904,277	1.90%
15	Gemini Insurance Company	71,443,500	1.84%
16	Illinois Union Insurance Company	70,261,242	1.81%
17	NIC Insurance Company	69,994,209	1.80%
18	North American Capacity Insurance Company	66,216,459	1.70%
19	Pacific Insurance Company Ltd.	61,427,817	1.58%
20	Clarendon America Insurance Company	52,249,955	1.35%
21	General Star Indemnity Company	52,084,610	1.34%
22	Empire Indemnity Insurance Company	50,787,612	1.31%
23	Columbia Casualty Company	49,867,701	1.28%
24	Axis Surplus Insurance Company	42,495,896	1.09%
25	Lloyd's of London Syndicate #0623	39,576,385	1.02%
26	United National Insurance Company	39,305,555	1.01%
27	American Safety Indemnity Company	37,682,285	0.97%
28	First Specialty Insurance Corporation	36,662,616	0.94%
29	Gulf Underwriters Insurance Company	36,307,605	0.93%
30	Lloyd's of London Syndicate #2488	34,480,433	0.89%
31	Chubb Custom Insurance Company	33,984,102	0.87%
32	Lloyd's of London Syndicate #2001	32,472,978	0.84%
33	Commonwealth Insurance Company	32,213,438	0.83%
34	National Fire & Marine Insurance Company	31,881,202	0.82%
35	Burlington Insurance Company	29,953,833	0.77%
	<b>SUB-TOTAL</b>	<b>\$2,924,441,901</b>	<b>75.28%</b>
	ALL OTHERS	960,065,352	24.72%
	<b>TOTAL</b>	<b>\$3,884,507,253</b>	<b>100.00%</b>

**LARGEST COVERAGE CODES BASED ON PREMIUM PROCESSED THROUGH  
SEPTEMBER 30, 2003**

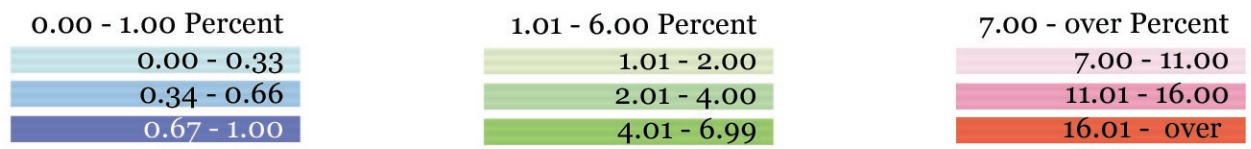
COVERAGE CODE		PREMIUM PROCESSED	% OF TOTAL
1	GENERAL LIABILITY	\$1,255,102,026	32.31%
2	COMMERCIAL DIC/STAND ALONE EARTHQUAKE	389,037,020	10.02%
3	ERRORS AND OMISSIONS	321,884,222	8.29%
4	ALL RISK COMMERCIAL PROPERTY	314,373,339	8.09%
5	INDIV INSURED W/LARGE SCHED TIV > \$500M	267,518,989	6.89%
6	EXCESS LIABILITY	205,609,844	5.29%
7	SPECIAL MULTI-PERIL	148,966,270	3.83%
8	DIRECTORS AND OFFICERS	139,736,996	3.60%
9	PROFESSIONAL LIABILITY	103,323,789	2.66%
10	CONTRACTORS ENGAGED IN NEW TRACT HOMES	87,064,084	2.24%
11	ENVIRONMENTAL IMPAIRMENT REMEDIATION	81,160,585	2.09%
12	EXCESS LIABILITY/UNDERLYING NONADMITTED	80,607,412	2.08%
13	EMPLOYMENT PRACTICES LIABILITY	72,766,326	1.87%
14	INLAND MARINE	48,729,435	1.25%
15	MISCELLANEOUS	38,102,744	0.98%
16	COMMERCIAL PROPERTY-BASIC	31,253,889	0.80%
17	PRODUCTS/COMPLETED OPERATIONS (STAND ALONE)	30,283,028	0.78%
18	HOMEOWNERS MULTI-PERIL	29,422,847	0.76%
19	HOMEOWNERS	22,554,401	0.58%
20	AUTO PHYSICAL DAMAGE-COMMERCIAL	22,003,250	0.57%
21	HIGH LIMITS DISABILITY	19,125,677	0.49%
22	AVIATION	16,297,277	0.42%
23	AUTO LIABILITY-COMMERCIAL	15,330,034	0.39%
24	SECURITY GUARD SERVICES	13,904,753	0.36%
25	SINGLE FAMILY DWELLING/DUPLEX	11,931,126	0.31%
26	ALL FEES	11,850,464	0.31%
27	AUTO COMBINED LIAB & PHYS DAMAGE-COMM.	8,819,162	0.23%
28	GARAGE LIABILITY	7,808,984	0.20%
29	TERRORISM	7,344,141	0.19%
30	HOSPITALS	7,047,296	0.18%
	<b>SUB TOTAL</b>	<b>\$3,808,959,409</b>	<b>98.06%</b>
	ALL OTHERS	75,547,844	1.94%
	<b>TOTAL</b>	<b>\$3,884,507,253</b>	<b>100.00%</b>

**TOP 40 CALIFORNIA SURPLUS LINE BROKERS  
BASED ON PREMIUM PROCESSED THROUGH SEPTEMBER 30, 2003**

<b>RANK</b>	<b>BROKER</b>	<b>PREMIUM PROCESSED</b>	<b>% OF TOTAL</b>
1	Marsh USA Inc.	\$470,436,229	12.11%
2	Swett & Crawford	400,678,017	10.31%
3	Western Risk Specialists, Inc.	309,132,053	7.96%
4	American E & S Insurance Brokers of California, Inc.	116,175,305	2.99%
5	Stewart Smith East, Inc.	107,466,809	2.77%
6	Heath Insurance Brokers Inc.	100,498,698	2.59%
7	Aon Risk Services, Inc. of Southern California Insurance Services	92,529,168	2.38%
8	Tri-City Brokerage, Inc.	85,244,110	2.19%
9	Lemac & Associates, Inc.	84,124,442	2.17%
10	Sterling West Insurance Services, Inc.	83,056,416	2.14%
11	Worldwide Facilities, Inc.	75,821,618	1.95%
12	MTS Insurance Services, LLC.	74,949,362	1.93%
13	Navigators California Insurance Services, Inc.	62,723,049	1.61%
14	Brown & Riding Insurance Services, Inc.	62,244,724	1.60%
15	Burns & Wilcox Insurance Services, Inc.	59,319,257	1.53%
16	Zurich E&S Insurance Brokerage, Inc.	57,867,256	1.49%
17	Cooney, Rikard & Curtin Insurance Services of California, LLC	56,481,856	1.45%
18	Lockton Insurance Brokers, Inc.	54,690,025	1.41%
19	First State Management Group, Inc.	54,226,253	1.40%
20	International E & S Insurance Brokers, Inc.	52,406,921	1.35%
21	Partners Specialty Group, LLC	46,143,127	1.19%
22	ECM Insurance Services, LLC	42,877,671	1.10%
23	Bliss & Glennon, Inc.	40,955,312	1.05%
24	Crouse & Associates Insurance Services of Northern California, Inc.	38,968,309	1.00%
25	ROKS America, Inc. Insurance Brokers	37,348,962	0.96%
26	Monarch E & S Insurance Services	34,585,144	0.89%
27	Canon Insurance Service	33,793,528	0.87%
28	Risk Placement Services Insurance Brokers	33,564,166	0.86%
29	Yates & Associates Insurance Services, Inc.	33,064,273	0.85%
30	Trinity E & S Insurance Services, Inc.	32,244,394	0.83%
31	Carpenter & Moore Insurance Services Inc.	30,738,535	0.79%
32	Crump E&S of San Francisco Insurance Services, Inc.	26,752,067	0.69%
33	Arthur J. Gallagher & Co. Insurance Brokers of California, Inc. (SF)	25,600,611	0.66%
34	M.J. Hall & Company, Inc.	25,571,066	0.66%
35	Harry W. Gorst Company, Inc.	25,303,673	0.65%
36	Crawley Warren Insurance Services, Inc.	22,504,372	0.58%
37	W. Brown & Associates Property & Casualty Insurance Services	22,196,173	0.57%
38	Integrated Risk Solutions Insurance Services, LLC	21,738,098	0.56%
39	Woodruff-Sawyer & Company	20,923,573	0.54%
40	Clemente, Dennis Lacson	20,118,908	0.52%
	<b>SUB-TOTAL</b>	<b>\$3,075,063,535</b>	<b>79.16%</b>
	All Others	809,443,718	20.84%
	<b>TOTAL</b>	<b>\$3,884,507,253</b>	<b>100.00%</b>

# Premiums by County

**BASED ON PREMIUM PROCESSED THROUGH SEPTEMBER 30, 2003**

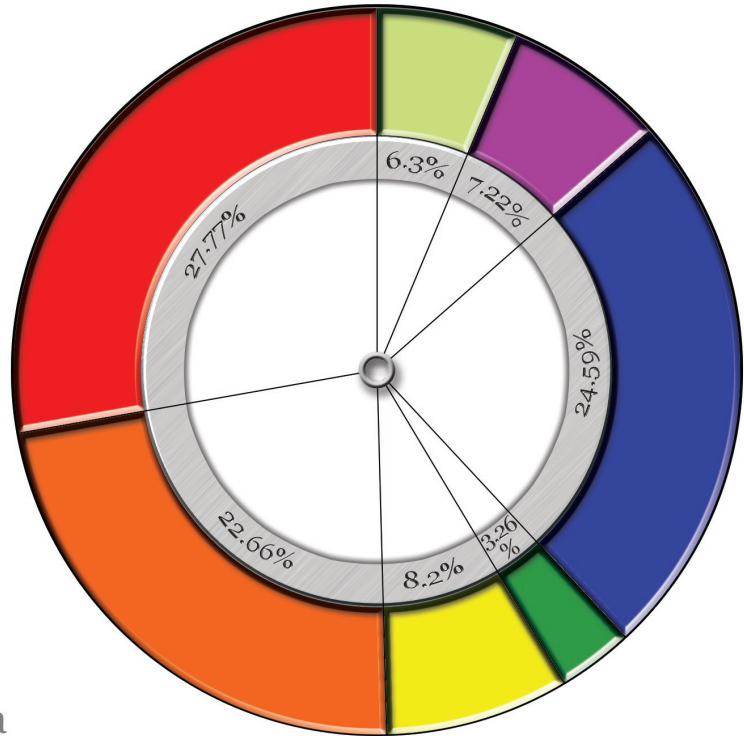


For item types N, R, & X by insured zip code for items with California zip codes.



# Which Businesses Use the Surplus Line Market?

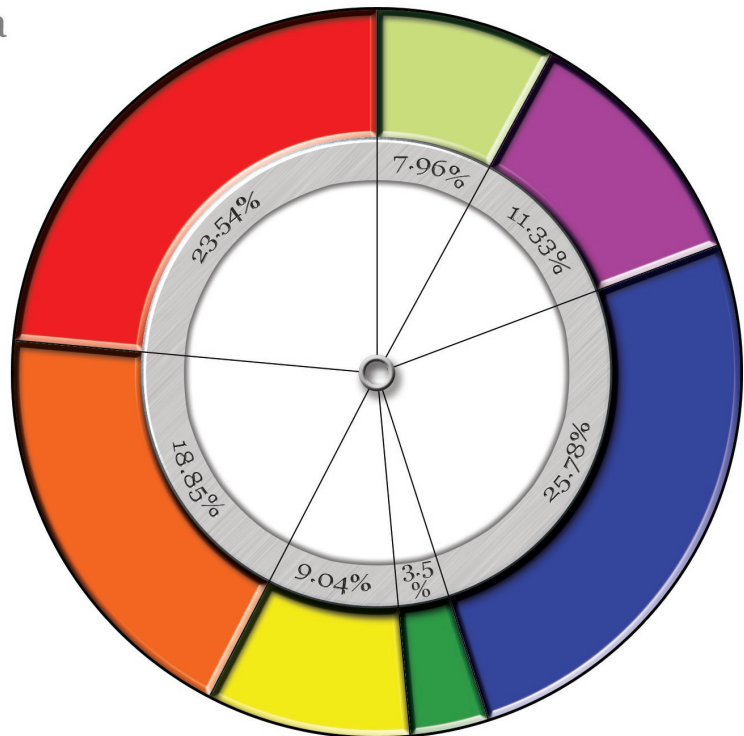
-  Construction
-  Finance, Insurance and Real Estate
-  Manufacturing
-  Retail Trade
-  Services
-  Transportation, Communications and Electric
-  Other



 Northern California

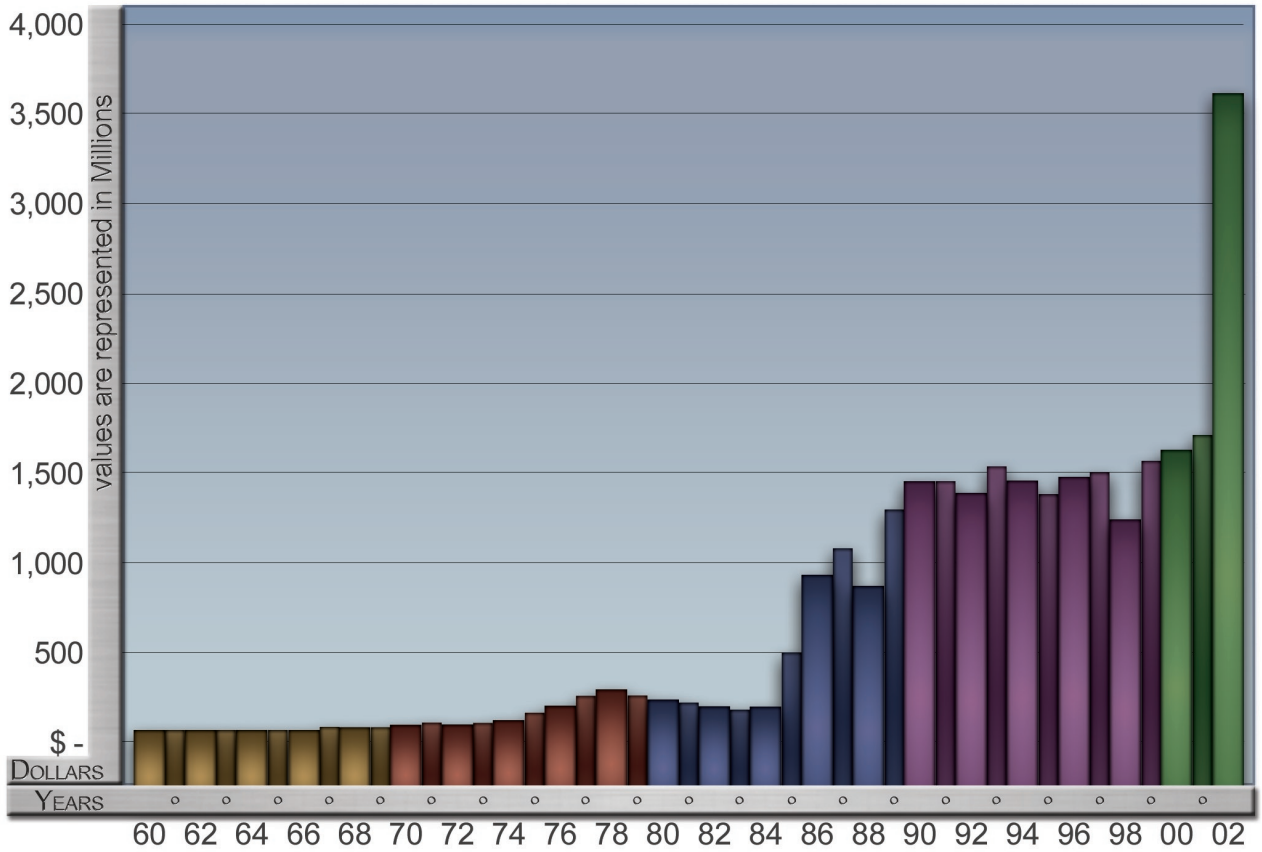
 Southern California

-  Construction
-  Finance, Insurance and Real Estate
-  Manufacturing
-  Retail Trade
-  Services
-  Transportation, Communications and Electric
-  Other

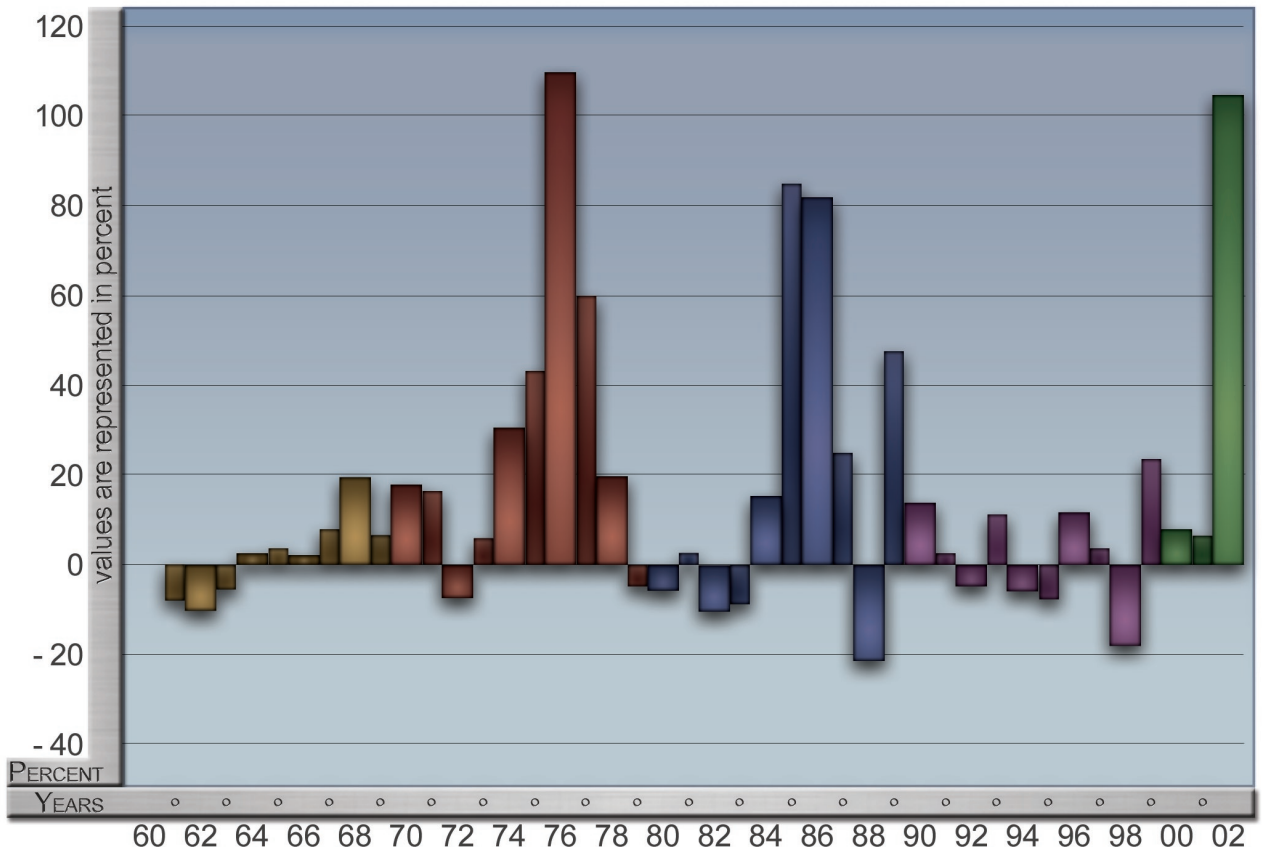


SIC type by zip code for the item types N,R, & X for items with California zip codes.  
 Northern zip code range: 95600-96199. Southern zip range: 90000-93599.

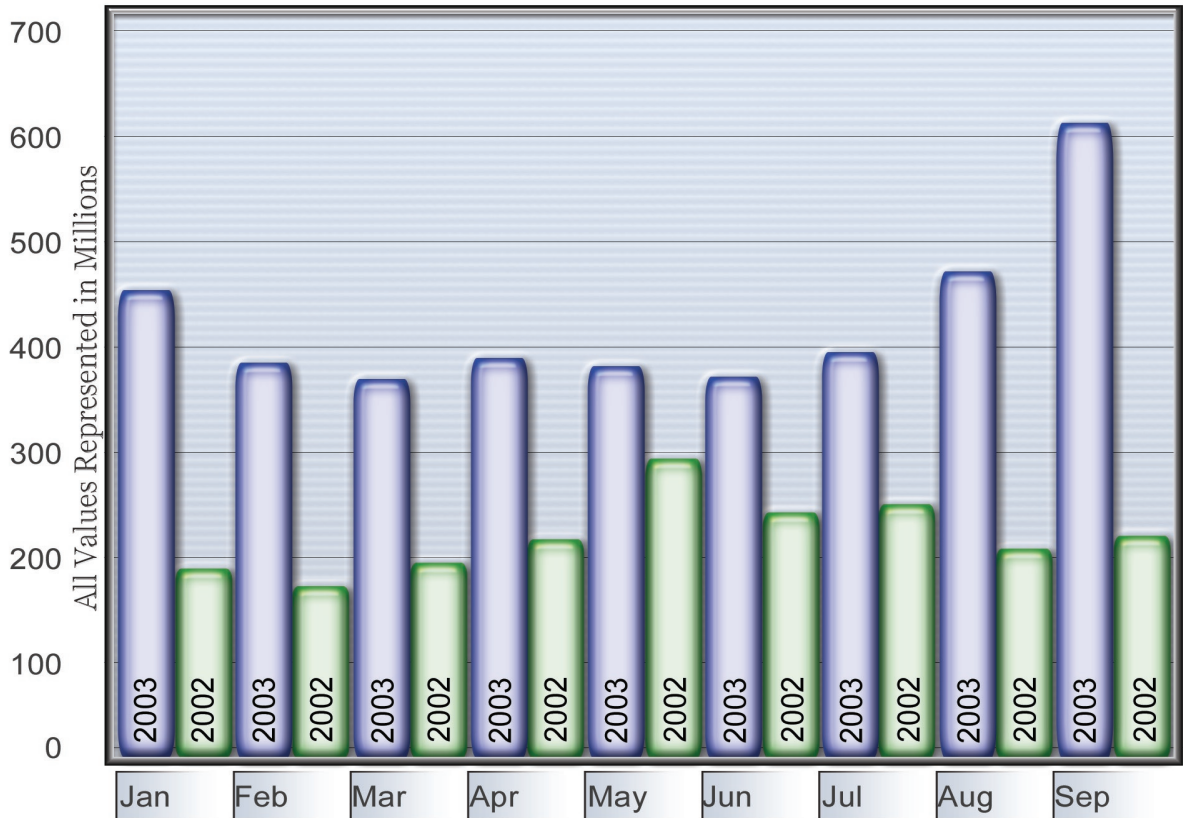
### SLA PREMIUM PROCESSED FOR THE PAST FIVE DECADES



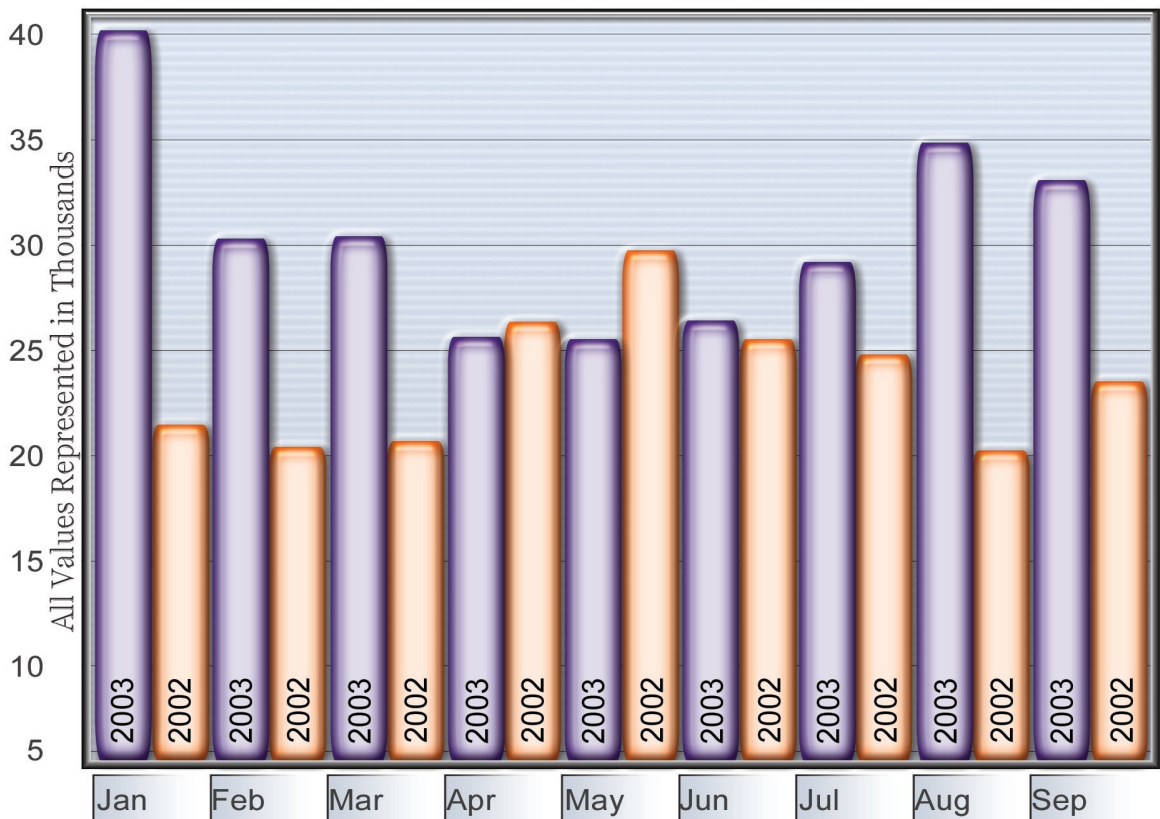
### ANNUAL PERCENTAGE CHANGES FOR THE PAST FIVE DECADES



## COMPARISON OF PREMIUM PROCESSED FOR 2003 VS. 2002



## COMPARISON OF ITEMS PROCESSED FOR 2003 VS. 2002



## *Surplus Line Association of California*

### Scheduled Educational Events for November 2003 & January 2004

*(No seminars scheduled for the month of December)*

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

#### California Claims Settlement Regulations

Presented by: Dan Brown  
LeBoeuf, Lamb, Greene & MacRae LLP  
*Registration & Continental Breakfast 8:30 a.m.*  
Seminar 9:00a.m. – 11:00a.m.  
2 CE Credits – Course #138261

#### **Tuesday, November 18, 2003**

Double Tree Hotel  
7450 Hazard Center Drive  
San Diego, CA 92108

#### **Wednesday, November 19, 2003**

Hilton Hotel  
2200 Harvard Street  
Sacramento, CA 95815

#### Management Liability In A Hard Market

Presented by: Kirk Denebeim  
ECM Insurance Services, Inc.  
*Registration & Continental Breakfast 8:00 a.m.*  
Seminar 8:30 a.m. – 11:30 a.m.  
3 CE Credits – Course #95518

#### **Tuesday, January 13, 2004**

Los Angeles Marriott Downtown  
333 S. Figueroa Street  
Los Angeles, CA 90071

#### **Wednesday, January 14, 2004**

The Fairmont Hotel  
950 Mason Street  
San Francisco, CA 94108

## **November 2003**

The SLA Quarterly is published by the  
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388 Market Street, San Francisco, CA 94111  
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