

# SLA Quarterly

## March 2004

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**Greg Crouse**  
Executive Chair, 2004



**Rupert Hall**  
Vice Chair, 2004



**Chris Brown**  
Secretary -Treasurer, 2004

### Report of the Chair

The SLA Annual meeting held in San Francisco on January 20, and Beverly Hills on January 22, was moderated by the Association's 2003 Chairperson, Katie Freeman of Katie Freeman Insurance Services, San Diego, CA. Katie thanked the audience for letting her serve as their elected leader for the past year and recognized the regulators from the California Department of Insurance in the audience. Katie thanked the regulators for their hard work and dedication to public service.

Katie also thanked the members of her Executive Committee and the chairs of her standing committees: Greg Crouse – Stamping Committee, Kathy Nelson – Education Committee, Hank Haldeman – Legislative Committee, Rupert Hall – Automation Committee, and Jim Pettipas – Audit Committee. Katie paid special tribute to Jerry Sullivan, who as a member of the Stamping Committee provided a skilled analysis of the SLA's revenue and expenditure patterns, which served as a major determining factor for the budget and stamping fee.

Katie noted the highlights of 2003

by reviewing the major surplus line statistics, which included a record high premium total of \$5.1 billion, representing a 43.1 percent increase over the 2002 total. Katie also noted that in 2003 we celebrated the 65<sup>th</sup> Anniversary of the Stamping Office. Katie welcomed the establishment of non-resident surplus line brokers as of January 1, 2003 and noted that 96 non-resident brokers had obtained this license to date.

Katie concluded by emphasizing that the SLA, "...now entering its 66<sup>th</sup> year as a self - regulating body of surplus line brokers, is making its very best effort to do its stated and statutory job to the best of its leaders' and professional staff's abilities." Katie recognized the brokers for demonstrating a "steady vigilance in keeping pace with the changes in mode and methods of industry regulation." As California Surplus Line Brokers, "we serve the vital interests of California and its citizenry. Together, we will continue to maintain a fair and lawful surplus line marketplace," she said.

In the business portion of the meeting, Katie presided over the election of officers for 2004. Greg Crouse of Crouse & Associates was elected chairman. Rupert

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Hall of M.J. Hall & Company, Inc. was elected Vice Chair and Chris Brown of Brown & Riding was elected Secretary – Treasurer. The remaining elected members of the 13-member Executive Committee are Katie Freeman of Katie Freeman Insurance Services, James Pettipas of ECM Insurance Services, LLC, Hank Haldeman of Gerald J. Sullivan & Associates, Inc., Horst Lechler of Anderson & Murison,

Inc., Ceil Norton of Burns & Wilcox Insurance, Les Ross of Tri-City Brokerage, Inc., Joan Spiegel of Marsh Risk & Insurance Services, John Edack of Arch Specialty Insurance Agency, Inc., Georgina Polizzi of Western Security Surplus Insurance Brokers, and Warren Stanley of Canon Insurance Services.

Those present also enjoyed a

30-minute presentation from the SLA General Counsel, James R. Woods of LeBoeuf, Lamb, Greene & MacRae. Mr. Woods spoke on the subject of Federal insurance charter legislation, privacy laws, the diligent search requirements under California surplus line statute and recent media reports of unauthorized Lloyd's policies.



## Speech from SLA Annual Meeting 2004



**Ted Pierce**  
Executive Director

It's been a pleasure working with our chairman Katie Freeman this year and I appreciate her guidance and leadership. Katie Freeman presided over some of the longest meetings the SLA Executive Committee has ever held – with more resolutions passed and more calls to action than any of her recent predecessors. Which means we've been very busy.

I'm going to speak to the State of the Surplus Line Industry. Then I will address the state of the overall property/casualty industry. And I will conclude with my take on the challenges ahead.

- The year 2003 was extremely busy and unprecedented for the Surplus Lines Association, both in terms of the total premium processed by the Data Processing Department, and by the growing number of non-admitted insurers applying to become approved surplus lines carriers in California; each of whose financial strength is screened and monitored

by the Financial Department, which also monitors those companies currently on the approved list.

### 2003 Premium Volume

- In 2003, the increase in California surplus line premium was a combination of the 12% increase in new policies written and a 24.5% increase in the overall average premium per policy. In other words, the increase in premiums can be attributed to both premium volume increases as well as rate and price increases.

- Large foreign insurers (such as Lexington Insurance Company, American International Specialty Insurance Company, Scottsdale Insurance Company, and Steadfast Insurance Company) continue to dominate the California surplus lines market. Premiums written by all foreign insurers grew nearly 57 percent to \$4.1 billion in 2003 and represented 81% of the 2003 premiums. Lloyd's premiums grew 21.6% to \$668 million and had a 13% market share, while all other alien insurers grew 4% to \$200 million and had a 4% market share.

- Based on the data from the 2003 A.M. Best Review of Excess and Surplus Lines the overall direct surplus line premiums in 2002 increased nearly 62% over 2001 to \$25.6 billion. By contrast, the U.S. property/casualty industry grew more moderately from \$356.8 billion to \$406.7 billion, or by 14%.

The surplus lines market, as a percent of the total property/casualty industry, grew from 2.4% to 4.2% in 2002.

Given that in 2003 California surplus lines premiums surged to over \$5 billion, it'll be interesting to find out what percentage of the whole property/casualty industry the surplus line segment represents in 2003.

### List of Eligible Surplus Line Insurers (or LESLI-listed Companies)

- The SLA Financial Department has been (and continues to be) busy monitoring and investigating a larger-than-usual number of companies that have experienced, or are experiencing financial difficulties. These difficulties include companies that were involved in mergers and acquisitions; and/or companies that experienced financial strength rating downgrades. In addition, there were a total of 14 new applications for surplus line eligibility in 2003, compared to 7 in 2002 and 6 in 2001.

- The 2003 Best E&S Study continues to report that over the last five years, operating results generated by the surplus line market have continued to outperform the overall property/casualty industry. Despite a very challenging year for the entire insurance industry in 2002, Best concluded that overall, the major surplus lines carriers maintained a high level of financial strength and

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strong operating results.

Although the surplus line market has continued to outperform the overall property/casualty industry, A.M. Best found that surplus line carriers' underwriting results in recent years have weakened, due largely to adverse loss development (alongside their standard market counterpart). Best concluded that, "surplus line insurers retained a greater percentage of financial strength ratings in the secure category compared with the total property/casualty industry."

### Overall Property/Casualty Industry Results – 2003

- Although the fourth-quarter results of 2003 won't be out for a couple of months, results through last year's first three quarters reveal an industry in a strong rebound, with significant improvement noted in every key financial statistic: premium growth, combined ratio, investment earnings, and policyholders' surplus.

- Despite higher catastrophe losses in 2003, premium growth outpaced growth in loss and loss adjustment expenses, and other underwriting expenses during the first nine months of last year. According to industry experts, underwriting results improved in 2003 as insurers focused on the fundamentals of the insurance business, solid underwriting, and careful claim settlement. A recovery of the stock market and strong growth in investment income also played a big role in the turnaround of the industry.

According to A.M. Best, the property and casualty industry reported strong premium growth and favorable underwriting results for the first nine months of 2003, compared with the same period of 2002. Combined ratio through the first nine months of 2003 dropped 5.2 points to 100.0 from 105.2 in 2002. However, Best questions the sustainability of the industry's improved combined ratio, given the likelihood of significant

loss-reserve adjustments and "one-time" charges slated for the fourth quarter of 2003.

### Industry outlook in 2004

#### Economic

- Interest rates will rise, but not too quickly.
- Real gross domestic product – the output of goods and services produced by labor and property located in the United States – in this area growth is expected to accelerate from nearly 3% last year to close to 4% in 2004.

#### General Trends

- Industry observers offered a generally positive review and forecast of the insurance industry... Robert Hartwig, Chief economist at the Insurance Information Institute in New York, said financial declines that insurers endured for five years came to an end last year, with another "solid year" ahead in 2004.

- Mergers, acquisitions and consolidations will continue. John Nigh, Tillinghast M&A practice leader, expects mergers and acquisitions to continue at a rapid pace. He predicts to see one significant insurance merger transaction (such as the St. Paul-Travelers and Manulife-Hancock) per month over the next 24 months.

- According to Steve Lowe, Global P/C Insurance practice leader, "In both personal and commercial lines, a strong brand will become more critical to success. Greater scale will be required to support the distribution of mass-market products. Going forward, size will be defined by companies like AIG and the new St. Paul-Travelers combination."

- The Chairman of Lloyd's, Lord Levene, said at the NAPSLO Annual Meeting in September 2003 that the surplus lines insurance market will become increasingly more important to the U.S. economy.

### The Challenges Ahead

- Due to concerns about reserve adequacy and increasing loss costs, New York-based Fitch Rating Agency's rating outlook for the commercial lines sector remains negative.

- Industry experts also warned that insurers will continue to face greater scrutiny from ratings agencies and regulators.

- Among major external risks, tort costs remain among the factors that most significantly affect insurer financial performance. The failure of tort and asbestos reform legislation was easily the industry's biggest disappointment in 2003. Tort and asbestos reform are high on the industry's agenda in 2004.

- Industry experts believe that if the strong underwriting discipline many property/casualty writers employed in 2003 is maintained, it could create the much-needed stability in the market. Despite more restrictive conditions, the insurance industry continues to be confronted with numerous challenges, such as: rising cost of health care, natural and man-made catastrophes, asbestos claims, terrorism, fraud, unrestrained tort costs, legislative reforms, etc.

### But I'm positive about my negativity:

The surplus line market continues to thrive due to the coverages it makes available to consumers. When admitted carriers pull back from certain markets, leaders emerge in the surplus line market. To this end, the SLA will continue monitor, facilitate and encourage compliance by Members with surplus line laws. We will promote fair dealing between Members and the public, to protect the rights of admitted insurers under surplus line laws. We'll also help to facilitate the right of consumers to obtain the products they demand on a timely basis. Thank you.



# ANNUAL MEETING 2004



## Report of the Director of the Stamping Office



Joy Erven

The year 2003 was record breaking for the Surplus Line Association. Our Data Processing Department processed 5.1 billion in Premium for the year 2003. This is an increase of 43% over 2002. In addition, the total item count was 371,000. The effects of the last two years' hard market are still being felt by our company through the number of policies written and higher Premiums processed. I am happy to report that through hard work and additional staffing the backlog from last year that was four months is now down to two weeks.

General Liability was the top coverage filed last year at 33.5% of the total filings. Other top coverages included: Commercial DIC, All Risk, and Excess Liability.

Our Education Department hosted a total of 13 seminars for continuing education this last year, for a total of 59 CE credits. We had 1698 attendees and issued 1620 certificates for credits. The classes we host are of no cost to attendees and I strongly encourage companies

to take advantage of this service. Classes are offered monthly in both Northern and Southern California. We will be offering the Mandatory Claims class in March. Please check our website or call Vienna Murray, Education Manager, for information.

Our Financial Department has been busy reviewing the companies on the LESLI list. At the end of the year 2003, the LESLI list consisted of 91 Foreign Companies, 30 Alien Companies and 90 Lloyd's Syndicates.

Our IT Department spent last year on a variety of projects. One, the Broker Extranet, is currently being rolled out to Brokers. Brokers are now able to receive email notification of tags and can respond to or research tags and policies online. We are introducing this service in phases and your office will be contacted about signing up.

I have a couple of dates for you to mark on your calendars. First, I would like to remind you that the Annual Statement and Tax Return is due to the Department of Insurance on March 1<sup>st</sup>. This year the forms are online at the Department of Insurance's website, or on our website. The state tax is unchanged at 3% and the stamping fee as of 2004 is .225%.

The second date to note is the Western States Surplus Line Conference. This year it is being hosted by Nevada and will be held at Harvey's in Lake Tahoe. The dates of the conference are July 20

through 24th. We will be the host state in 2005. We have already contracted with the Hotel Del Coronado in San Diego.

I would like to thank my Management team for all their hard work this last year:

Linda Cheng, Manager – Financial Department; Vienna Murray, Manager – Education Department; Pat McAuley, Manager – Data Processing Department, her assistant Vickie Marks, Supervisor – Data Processing Department, and James Bullard, Manager – IT Department, along with Ted Pierce, our Executive Director. It is a pleasure working with you.

As always, it is a pleasure working with the Department of Insurance. I would also like to thank the members of the Committees for your hard work and dedication this last year.

2004 promises to be full of challenges and I am confident that with the team we have, we will rise to the occasion.

## Member Profile



Georgina Polizzi  
**Senior Vice-President**  
Western Security Surplus

Georgina's family emigrated to the United States from England via Canada in 1961. She became a naturalized US citizen in 1976.

Georgina Polizzi has worked in the insurance industry since 1974, starting at Rathbone, King & Seeley, Inc. in Los Angeles. She was the assis-

tant to the branch manager, who trained her in the Lloyd's marketplace. The focus was on the surplus lines basics -- excess liability, umbrellas, products liability and kidnap & ransom insurance. In 1980, Georgina joined iWest Insurance Brokers in their Los Angeles office as the office manager. She continued to place accounts and began to learn the MGA side of the business. In 1981, Georgina left iWest to help start Western Security Surplus Insurance Brokers, (WSS). Being one of the original three founding members of the firm, she has participated in all facets of running a wholesale operation. At present, Georgina is the branch manager of the WSS Pasadena office along with being respon-

sible for overseeing administration and human resource for the entire firm.

Since 1981, WSS has been providing retail brokers an extensive line of commercial and personal lines insurance products, with access to both admitted and non-admitted markets. As a Wholesale Broker and Managing General Agent, WSS is a proud member of the following trade associations: PLUS, CIWA, NAPSLO, SLA and TSLA. WSS is headquartered at 790 E. Green Street, Pasadena, CA 91101 with branch offices in Los Alamitos and Roseville, CA and Dallas, TX.

## Bridge Week 2004

*By: Wendy Johnston*  
*Executive Assistant*

Going on 5 years, The Surplus Line Association of California has participated in the Insurance Industry Charitable Foundation (IICF) Bridge Week, volunteering at various nonprofit agencies in California. As an annual employee team-building event this past October, we donated our time to the San Francisco Food Bank and Golden Gate National Parks Association at Presidio Dunes.

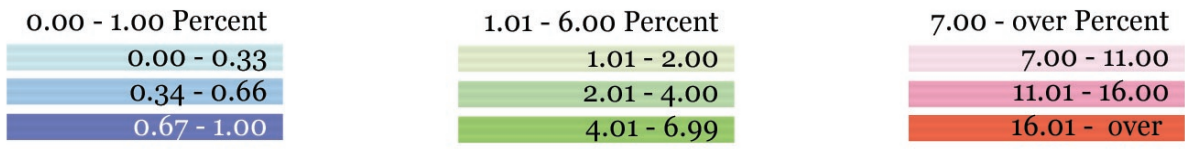
"IICF Bridge Week is a state-wide, nine-day event where teams of insurance industry employees provide volunteer community service at neighborhood nonprofit organizations. In 2002, over 2,000 insurance industry employee volunteers participated in nearly 200 service projects, contributing thousands of volunteer hours at nonprofit agencies across California."

The SLA staff has a 99.9% participation rate. The 2003

IICF Bridge Week was organized by the San Francisco Volunteer Center – an organization that coordinates specialized programs concentrating on specific populations and community needs. We will continue to participate in IICF Bridge Week in the future and encourage all insurance industry employees to get more information for next year's event. To get more information on IICF Bridge Week please go to [www.iicfbridgeweek.org](http://www.iicfbridgeweek.org).

# Surplus Lines Policies by County

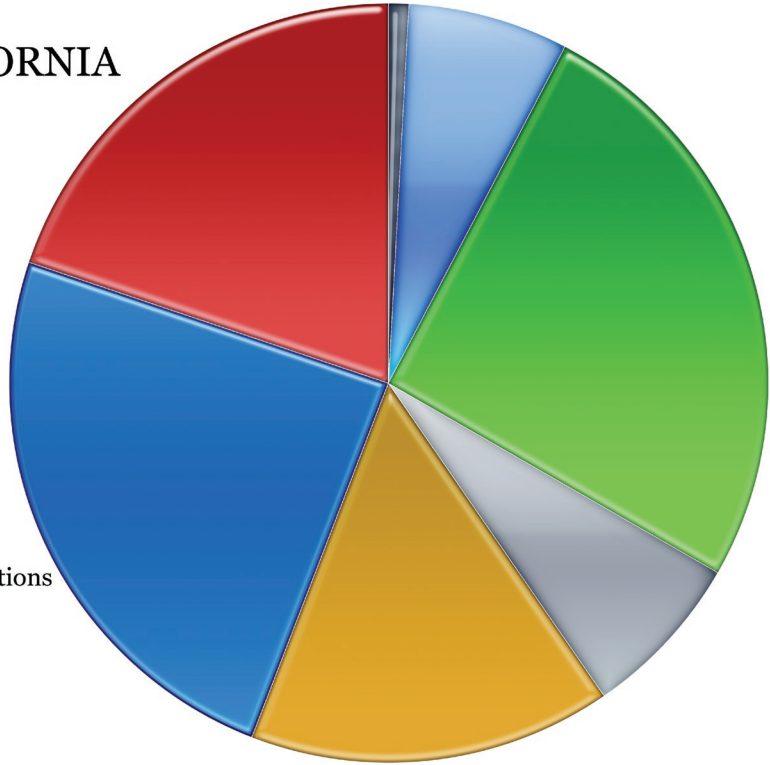
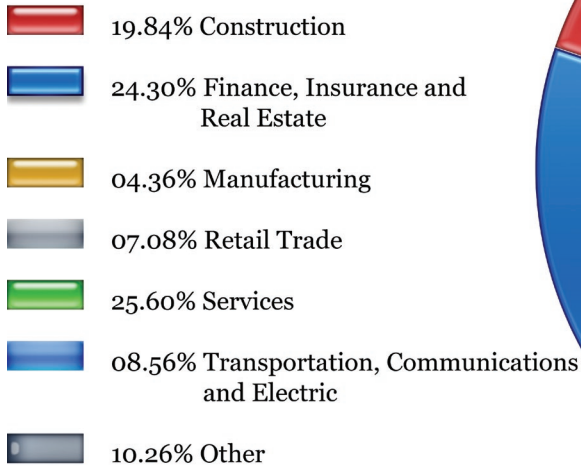
**BASED ON POLICIES PROCESSED THROUGH DECEMBER 31, 2003**



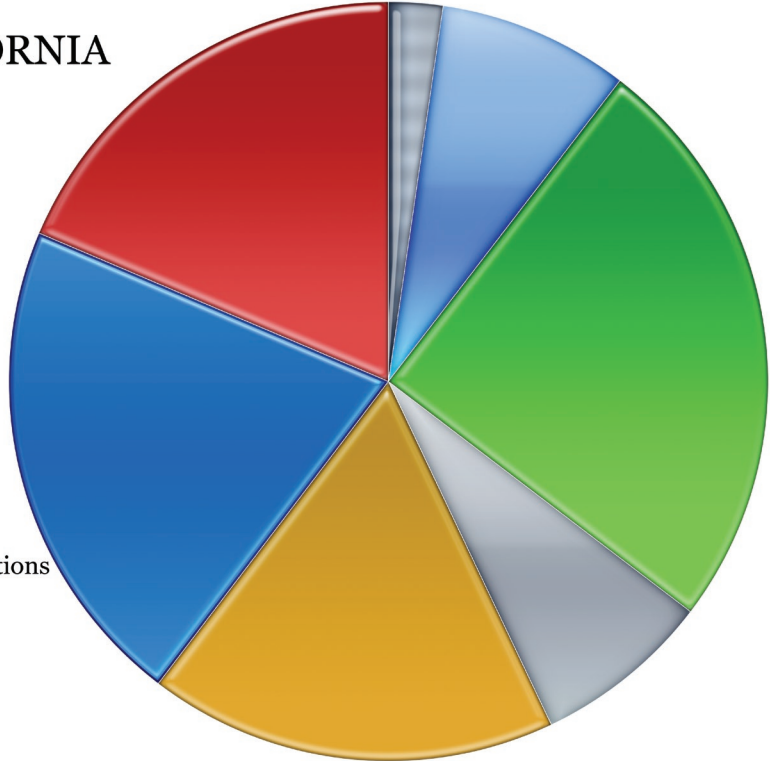
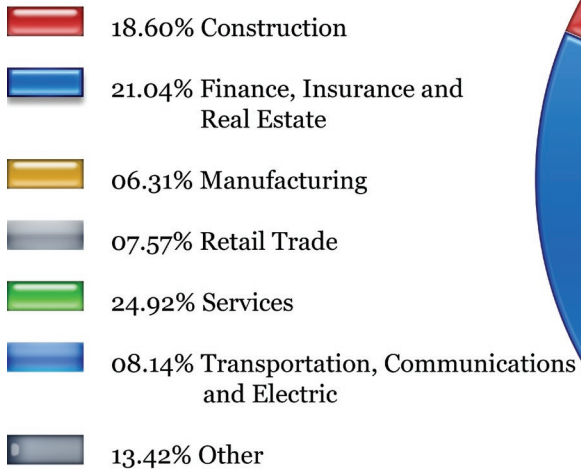
\*By insured zip code for policies with California zip codes.

# Which Businesses Use the Surplus Line Market?

## NORTHERN CALIFORNIA



## SOUTHERN CALIFORNIA



SIC type by zip code for all item types with California zip codes.  
Northern zip code range: 93600-96199. Southern zip code range: 90000-93599.



**Top 100 California Surplus Line Brokers  
Based on Premium Processed by the SLA for Year 2003**

Rank		BROKER	Premium Processed (\$ Millions)		% Growth 2003-2002	% of Total
2003	2002		2003	2002		2003
1	1	SWETT & CRAWFORD	513.4	400.7	28.13%	10.07%
2	3	WESTERN RISK SPECIALISTS, INC.	434	195.4	122.11%	8.51%
3	2	MARSH USA INC.	427.3	338.4	26.27%	8.38%
4	5	AMERICAN E & S INS. BROKERS OF CA, INC.	151.3	110.8	36.55%	2.97%
5	13	STEWART SMITH EAST, INC.	144.7	67.3	115.01%	2.84%
6	7	MTS INSURANCE SERVICES, LLC.	141.1	83.1	69.80%	2.77%
7	4	AON RISK SERVICES, INC. OF SO. CA INS. SERVICES	134.8	115	17.22%	2.64%
8	6	HEATH INSURANCE BROKERS INC.	132.7	93.1	42.53%	2.60%
9	15	STERLING WEST INSURANCE SERVICES, INC.	127.3	55.7	128.55%	2.50%
10	9	TRI-CITY BROKERAGE, INC.	106.9	80.6	32.63%	2.10%
11	10	LEMAC & ASSOCIATES, INC.	105.8	77	37.40%	2.07%
12	16	BURNS & WILCOX INSURANCE SERVICES, INC.	92.3	54.9	68.12%	1.81%
13	12	WORLDWIDE FACILITIES, INC.	92.1	68.6	34.26%	1.81%
14	18	NAVIGATORS CA INSURANCE SERVICES, INC.	84.7	50.3	68.39%	1.66%
15	21	COONEY, RIKARD & CURTIN INS. SERV. OF CA, LLC	83.5	41.1	103.16%	1.64%
16	19	BROWN & RIDING INSURANCE SERVICES, INC.	77.4	45	72.00%	1.52%
17	20	INTERNATIONAL E & S INSURANCE BROKERS, INC.	73.8	42.2	74.88%	1.45%
18	11	FIRST STATE MANAGEMENT GROUP, INC.	70.3	68.7	2.33%	1.38%
19	22	ARTHUR J. GALLAGHER & CO. INS. BROKERS OF CA, INC. (SF)	65.3	41.1	58.88%	1.28%
20	14	ZURICH E&S INSURANCE BROKERAGE, INC.	65.1	61.5	5.85%	1.28%
21	-	PARTNERS SPECIALTY GROUP, LLC	62.9	0	100.00%	1.23%
22	37	LOCKTON INSURANCE BROKERS, INC.	61.3	23.4	161.97%	1.20%
23	28	CROUSE & ASSOCIATES INS. SERVICES OF NO. CA, INC.	60.4	30.8	96.10%	1.18%
24	17	ECM INSURANCE SERVICES, LLC	59	53	11.32%	1.16%
25	26	BLISS & GLENNON, INC.	51.1	36.9	38.48%	1.00%
26	35	ROKS AMERICA, INC. INSURANCE BROKERS	46.3	24	92.92%	0.91%
27	24	MONARCH E & S INSURANCE SERVICES	44.5	37.1	19.95%	0.87%
28	23	YATES & ASSOCIATES INSURANCE SERVICES, INC.	44.3	40.8	8.58%	0.87%
29	46	CANON INSURANCE SERVICE	43.3	18.1	139.23%	0.85%
30	25	RISK PLACEMENT SERVICES INSURANCE BROKERS	43.2	37	16.76%	0.85%
31	39	AON RISK SERVICES, INC. OF NO. CALIF. INS. SERVICES	42.9	22.1	94.12%	0.84%
32	61	WILLIS INSURANCE SERVICES OF CALIFORNIA, INC.	42.9	10.9	293.58%	0.84%
33	51	TRINITY E & S INSURANCE SERVICES, INC.	41.2	15.6	164.10%	0.81%

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The Surplus Line Association of California

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34	8	CARPENTER & MOORE INSURANCE SERVICES INC.	34.4	81.9	-58.00%	0.67%
35	29	HARRY W. GORST COMPANY, INC.	34.3	28.4	20.77%	0.67%
36	50	M.J. HALL & COMPANY, INC.	34	16	112.50%	0.67%
37	31	WOODRUFF-SAWYER & COMPANY	32.4	25.5	27.06%	0.64%
38	32	CRUMP E&S OF SAN FRANCISCO INS. SERVICES, INC.	29.7	25.3	17.39%	0.58%
39	38	W. BROWN & ASSOCIATES P&C INS. SERV.	29.7	23.1	28.57%	0.58%
40	48	CLEMENTE, DENNIS LACSON	28.7	17.2	66.86%	0.56%
41	40	CRAWLEY WARREN INSURANCE SERVICES, INC.	28.7	21.6	32.87%	0.56%
42	30	PETERSEN INTERNATIONAL UNDERWRITERS	26.8	26.8	0.00%	0.53%
43	43	INTEGRATED RISK SOLUTIONS INS. SERVICES, LLC.	26.7	19.5	36.92%	0.52%
44	45	R.E. CHAIX & ASSOCIATES INSURANCE BROKERS, INC.	26.7	18.2	46.70%	0.52%
45	53	SBIB, INC.	25.6	14.9	71.81%	0.50%
46	44	CAMBRIDGE GENERAL AGENCY	23.8	18.5	28.65%	0.47%
47	57	COASTAL BROKERS INSURANCE SERVICES INC.	21.3	13.4	58.96%	0.42%
48	41	AIS AFFINITY INSURANCE AGENCY, INC.	20.4	21.4	-4.67%	0.40%
49	55	ANDERSON & MURISON INC.	20.2	13.7	47.45%	0.40%
50	36	WESTERN RE/MANAGERS INSURANCE SERVICES, INC.	20.1	23.8	-15.55%	0.39%
51	49	BLACK, WHITE & ASSOCIATES INSURANCE BROKERS	19.8	16	23.75%	0.39%
52	62	HULL & COMPANY (CALIFORNIA) INC.	19.4	10	94.00%	0.38%
53	54	WESTERN SECURITY SURPLUS INS. BROKERS, INC.	18.8	14.1	33.33%	0.37%
54	63	EXCESS & SURPLUS LINES INSURANCE BROKERS, INC.	18.7	9.9	88.89%	0.37%
55	-	HULL & COMPANY	18.6	0	100.00%	0.36%
56	-	NEAR NORTH INSURANCE BROKERAGE	17.8	0	100.00%	0.35%
57	59	NAS INSURANCE SERVICES, INC.	17.1	12	42.50%	0.34%
58	42	CRUMP E&S OF CALIFORNIA INS. SERVICES, INC.	16.6	20.4	-18.63%	0.33%
59	58	VULCAN EXCESS & SURPLUS INSURANCE SERVICES, INC.	15.2	12.2	24.59%	0.30%
60	34	NEAR NORTH ENTERTAINMENT INSURANCE SERVICES, LLC.	14.8	24.8	-40.32%	0.29%
61	52	PROFESSIONAL PRACTICE INSURANCE BROKERS, INC.	14.1	15.1	-6.62%	0.28%
62	70	TRANS CAL ASSOCIATES	13.9	9	54.44%	0.27%
63	76	DWYER & ASSOCIATES INSURANCE SERVICES, INC.	13.8	7.1	94.37%	0.27%
64	67	LONDON AMERICAN GENERAL AGENCY, INC.	13.7	9.7	41.24%	0.27%
65	74	CHUBB CUSTOM MARKET, INC.	13.5	7.2	87.50%	0.26%
66	33	AON/ALBERT G. RUBEN INSURANCE SERVICES, INC.	13.2	25	-47.20%	0.26%
67	60	JAMES KLEIN INSURANCE SERVICE INC.	12.8	11.1	15.32%	0.25%
68	221	ABD INSURANCE AND FINANCIAL SERVICES	12.1	0.5	2320.00%	0.24%
69	112	COMMODORE INSURANCE SERVICES, INC.	11.2	3.7	202.70%	0.22%
70	56	ARROWHEAD GENERAL INSURANCE AGENCY, INC.	10.8	13.4	-19.40%	0.21%
71	64	RICHTER/ROBB PACIFIC INSURANCE SERVICES, INC.	10.7	9.8	9.18%	0.21%
72	47	GRAY-STONE & COMPANY	10.1	17.3	-41.62%	0.20%
73	68	G.J. SULLIVAN CO. EXCESS & SURPLUS LINES BROKERS	9.5	9.7	-2.06%	0.19%
74	-	WILLIS OF NEW YORK INC	9.5	0	100.00%	0.19%
75	110	ABRAM, RONALD ALAN	9.1	3.7	145.95%	0.18%

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76	77	INTERNATIONAL FACILITIES INS. SERVICES, INC.	8.2	7	17.14%	0.16%
77	78	WNC INSURANCE SERVICES, INC.	7.9	7	12.86%	0.15%
78	88	R.I.C. INSURANCE GENERAL AGENCY, INC.	7.8	5.3	47.17%	0.15%
79	182	DEANS & HOMER	7.7	1	670.00%	0.15%
80	79	PROWEST INSURANCE SERVICES, INC.	7.5	6.6	13.64%	0.15%
81	-	WESTERN MARINE INSURANCE SERVICE CORPORATION	7.4	0	100.00%	0.15%
82	93	CHIVAROLI & ASSOCIATES, INC.	7.3	5.1	43.14%	0.14%
83	98	GEORGE ROTHERT & ASSOCIATES, INC.	7.2	4.3	67.44%	0.14%
84	-	AMERICAN E & S INS. BROKERS OF CA, INC. (SAN DIEGO)	6.9	0	100.00%	0.14%
85	90	DRIVER ALLIANT INSURANCE SERVICES, INC.	6.9	5.2	32.69%	0.14%
86	240	REPATH MCAULEY WOODS, LLC	6.7	0.3	2133.33%	0.13%
87	219	BASS UNDERWRITERS, INC.	6.7	0.5	1240.00%	0.13%
88	83	COSTANZA INSURANCE AGENCY OF CALIFORNIA, INC.	6.7	5.7	17.54%	0.13%
89	-	NEW AGE BROKERAGE, INC.	6.6	0	100.00%	0.13%
90	92	NATIONAL ADVANTAGE INSURANCE SERVICES, INC.	6.5	5.2	25.00%	0.13%
91	115	ACORDIA OF CALIFORNIA INSURANCE SERVICES, INC.	6.5	3.6	80.56%	0.13%
92	129	HEFFERNAN INSURANCE BROKERS	6.5	2.7	140.74%	0.13%
93	127	E.L.M. INSURANCE BROKERS, INC.	6.4	2.9	120.69%	0.13%
94	122	INTERWEST INSURANCE SERVICES, INC.	6.3	3.1	103.23%	0.12%
95	91	WESTERN BROKERS INSURANCE SERVICES	6.2	5.2	19.23%	0.12%
96	147	SEABURY & SMITH, INC.	6.2	1.8	244.44%	0.12%
97	89	JAMES C. JENKINS INSURANCE SERVICE INC.	6	5.2	15.38%	0.12%
98	101	NATIONAL INSURANCE PROFESSIONALS CORPORATION	5.9	4.3	37.21%	0.12%
99	87	W. B. AHERN ENTERPRISES, INC.	5.9	5.3	11.32%	0.12%
100	85	E.M. MORROW INSURANCE GENERAL AGENCY, INC.	5.9	5.4	9.26%	0.12%
		<b>Subtotal</b>	<b>4,755.2</b>	<b>3,203.8</b>	<b>48.42%</b>	<b>93.26%</b>
		All Other Brokers	343.7	359.4	-4.37%	6.74%

***Congratulations to all the Top Brokers!***



**35 Largest Coverages  
Based on Premium Processed by The SLA During 2003**

Rank		COVERAGE	Premium Processed (\$ Millions)		% Growth 2003 - 2002	% of Total 2003	
2003	2004		2003	2002			
1	1		GENERAL LIABILITY	1,711.70	1,017.90	68.16%	33.57%
2	2	E	COMMERCIAL DIC/STAND ALONE EARTHQUAKE	498.7	406.7	22.60%	9.78%
3	3		ERRORS AND OMISSIONS	450.7	361.7	24.60%	8.84%
4	4		ALL RISK COMMERCIAL PROPERTY	432.5	277.3	56.00%	8.48%
5	6		EXCESS LIABILITY	290.0	192.9	50.32%	5.69%
6	9	E	INDIV INSURED W/LARGE SCHED TIV > \$500M	207.3	93.9	120.75%	4.07%
7	7		SPECIAL MULTI-PERIL	201.3	145.4	38.45%	3.95%
8	5		DIRECTORS AND OFFICERS	194.5	210.1	-7.43%	3.81%
9	13		PROFESSIONAL LIABILITY	142.2	73.0	94.74%	2.79%
10	12	E	EXCESS LIABILITY/UNDERLYING NONADMITTED	122.3	75.4	62.16%	2.40%
11	8	E	CONTRACTORS ENGAGED IN NEW TRACT HOMES	116.9	96.1	21.66%	2.29%
12	11	E	ENVIRONMENTAL IMPAIRMENT REMEDIATION	103.4	79.0	30.99%	2.03%
13	10	E	EMPLOYMENT PRACTICES LIABILITY	91.5	81.5	12.33%	1.79%
14	15		INLAND MARINE	62.9	53.1	18.46%	1.23%
15	14		MISCELLANEOUS	52.3	57.9	-9.79%	1.03%
16	18	E	PRODUCTS/COMPLETED OPERATIONS (STAND ALONE)	42.3	28.8	46.88%	0.83%
17	16		COMMERCIAL PROPERTY-BASIC	40.6	30.0	35.47%	0.80%
18	17		HOMEOWNERS MULTI-PERIL	38.6	29.8	29.44%	0.76%
19	22		HOMEOWNERS	30.0	20.9	43.63%	0.59%
20	20		AUTO PHYSICAL DAMAGE-COMMERCIAL	28.9	25.9	11.35%	0.57%
21	19	E	HIGH LIMITS DISABILITY	26.8	26.6	0.55%	0.53%
22	21		AUTO LIABILITY-COMMERCIAL	17.9	23.6	-24.27%	0.35%
23	26	E	SECURITY GUARD SERVICES	17.3	11.5	50.49%	0.34%
24	27		SINGLE FAMILY DWELLING/DUPLEX	15.4	10.8	42.35%	0.30%
25	48		HOSPITALS	13.6	1.4	894.00%	0.27%
26	25		GARAGE LIABILITY	11.2	12.8	-11.91%	0.22%
27	31		AUTO COMBINED LIAB & PHYS DAMAGE-COMM.	10.5	8.4	25.83%	0.21%
28	-		TERRORISM	9.5	0	100.00%	0.19%
29	-		SPECIAL MULTI-PERIL WITH TERRORISM	8.5	0	100.00%	0.17%
30	50	E	AVIATION EXCESS LIABILITY	7.6	0.9	713.07%	0.15%
31	24		DISABILITY INCOME	7.1	12.8	-44.49%	0.14%
32	30		POLLUTION LEGAL LIABILITY	6.6	9.9	-33.56%	0.13%
33	32	E	CLINICAL & SIMILAR TESTS OF PHARMACEUTICAL	6.5	3.9	68.54%	0.13%
34	23		AVIATION	5.4	16.3	-67.10%	0.11%
35	29	E	Event Cancellation	5.2	10.3	- 49.4%	0.10%
			<b>SUBTOTAL</b>	<b>5,027.7</b>	<b>3,506.5</b>	43.38%	<b>98.60%</b>
			All Other Coverages	71.2	56.7	25.94%	1.40%
			<b>TOTAL</b>	<b>5,098.9</b>	<b>3,563.2</b>	43.10%	<b>100.00%</b>

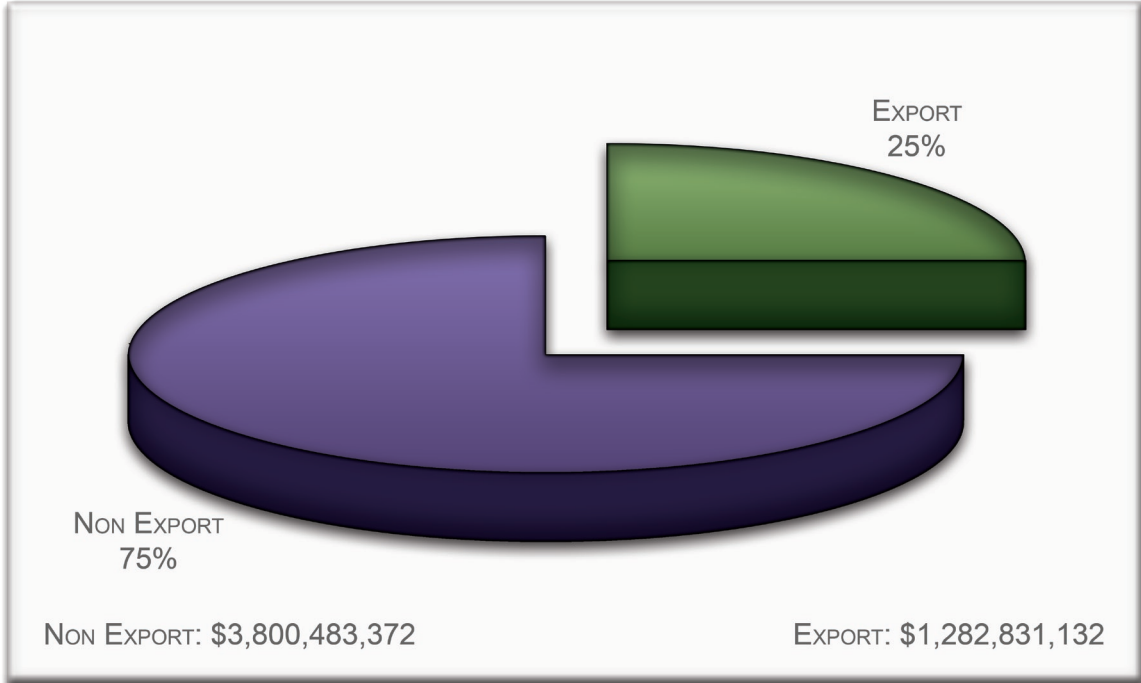
\*E = Export List

**TOP 30 Eligible Surplus Line Insurers  
Based on Premium Processed by The SLA for 2003**

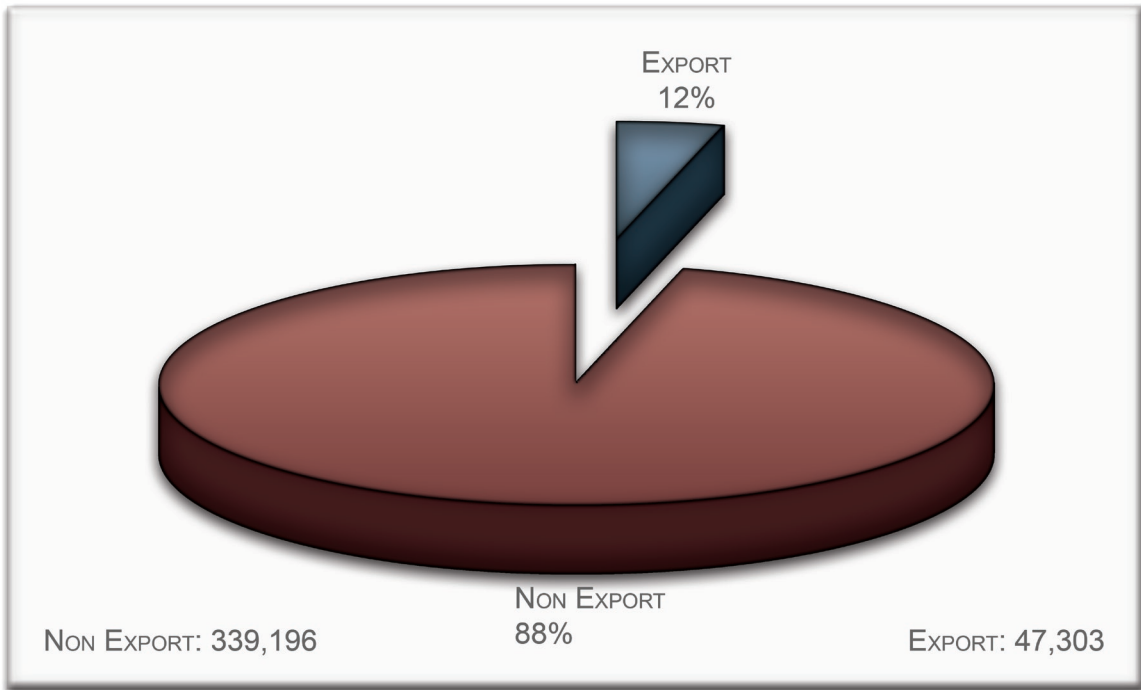
Rank		Company	Premium Processed (\$ Millions)		% Growth 2003-2002	% of Total 2003
2003	2002		2003	2002		
1	1	LEXINGTON INSURANCE COMPANY	572.8	304.0	88.42%	11.23%
2	5	AMERICAN INT. SPECIALTY LINES INS. CO.	285.4	140.1	103.71%	5.60%
3	3	SCOTTSDALE INSURANCE COMPANY	210.8	160.4	31.42%	4.13%
4	2	STEADFAST INSURANCE COMPANY	204.4	187.5	9.01%	4.01%
5	6	EVANSTON INSURANCE COMPANY	197.1	138.3	42.52%	3.87%
6	4	ROYAL SURPLUS LINES INSURANCE COMPANY	176.8	143.8	22.95%	3.47%
7	41	ARCH SPECIALTY INSURANCE COMPANY	165.1	21.1	682.46%	3.24%
8	7	ADMIRAL INSURANCE COMPANY	152.2	121.7	25.06%	2.98%
9	13	WESTCHESTER SURPLUS LINES INSURANCE CO.	126.5	67.6	87.13%	2.48%
10	9	ESSEX INSURANCE COMPANY	117.7	93.4	26.02%	2.31%
11	16	MT. HAWLEY INSURANCE COMPANY	111.6	58.9	89.47%	2.19%
12	83	EVEREST INDEMNITY INSURANCE COMPANY	99.6	8.0	1145.00%	1.95%
13	17	NIC INSURANCE COMPANY	95.9	54.3	76.61%	1.88%
14	12	ILLINOIS UNION INSURANCE COMPANY	91.7	69.4	32.13%	1.80%
15	19	GEMINI INSURANCE COMPANY	91.2	50.3	81.31%	1.79%
16	28	NORTH AMERICAN CAPACITY INSURANCE CO.	88.8	36.0	146.67%	1.74%
17	10	PACIFIC INSURANCE COMPANY LTD.	79.8	75.0	6.40%	1.57%
18	8	CLARENDON AMERICA INSURANCE COMPANY	71.8	96.1	-25.29%	1.41%
19	15	COLUMBIA CASUALTY COMPANY	66.6	60.0	11.00%	1.31%
20	11	GENERAL STAR INDEMNITY COMPANY	64.7	70.3	-7.97%	1.27%
21	42	EMPIRE INDEMNITY INSURANCE COMPANY	63.5	21.1	200.95%	1.25%
22	36	AMERICAN SAFETY INDEMNITY COMPANY	57.7	23.3	147.64%	1.13%
23	31	LLOYD'S OF LONDON SYNDICATE #0033	51.5	33.4	54.19%	1.01%
24	21	FIRST SPECIALTY INSURANCE CORPORATION	50.6	44.5	13.71%	0.99%
25	20	LLOYD'S OF LONDON SYNDICATE #0623	49.8	48.8	2.05%	0.98%
26	24	GULF UNDERWRITERS INSURANCE COMPANY	49.6	41.8	18.66%	0.97%
27	14	UNITED NATIONAL INSURANCE COMPANY	49.4	60.5	-18.35%	0.97%
28	96	AXIS SURPLUS INSURANCE COMPANY	48.8	5.3	820.75%	0.96%
29	22	LLOYD'S OF LONDON SYNDICATE #2488	47.2	43.6	8.26%	0.93%
30	27	COMMONWEALTH INSURANCE COMPANY	45.1	36.5	23.56%	0.88%
		<b>Subtotal</b>	<b>3,583.7</b>	<b>2,315.0</b>	54.80%	<b>70.28%</b>
		All Other Companies	1,525.2	1,248.2	21.39%	29.72%
		<b>Total</b>	<b>5,098.9</b>	<b>3,563.2</b>	43.10%	<b>100.00%</b>

At the end of 2003, there were 211 companies on the California List of Eligible Surplus Line Insurers: 91 foreign (or U.S. domiciled) insurers, 30 alien (or non-U.S. domiciled) insurers and 90 Lloyd's Syndicates. Premiums processed by the SLA during 2003 hit a milestone of nearly \$5.1 billion, a 43% gain from 2002. The premium increase can be attributed to an 18.7% increase in the 186,358 new policies that were processed in 2003 compared to 156,943 in 2002. In addition, the overall average premium per surplus line policy was \$19,394 in 2003, up 24.5% from \$15,578 in 2002. Premiums continued to be predominantly written by foreign insurers, which accounted for 81% (or \$4.1 billion) of the 2003 premiums, followed by Lloyd's with 13% (\$668 million) and other alien insurers with nearly 4% (\$200 million).

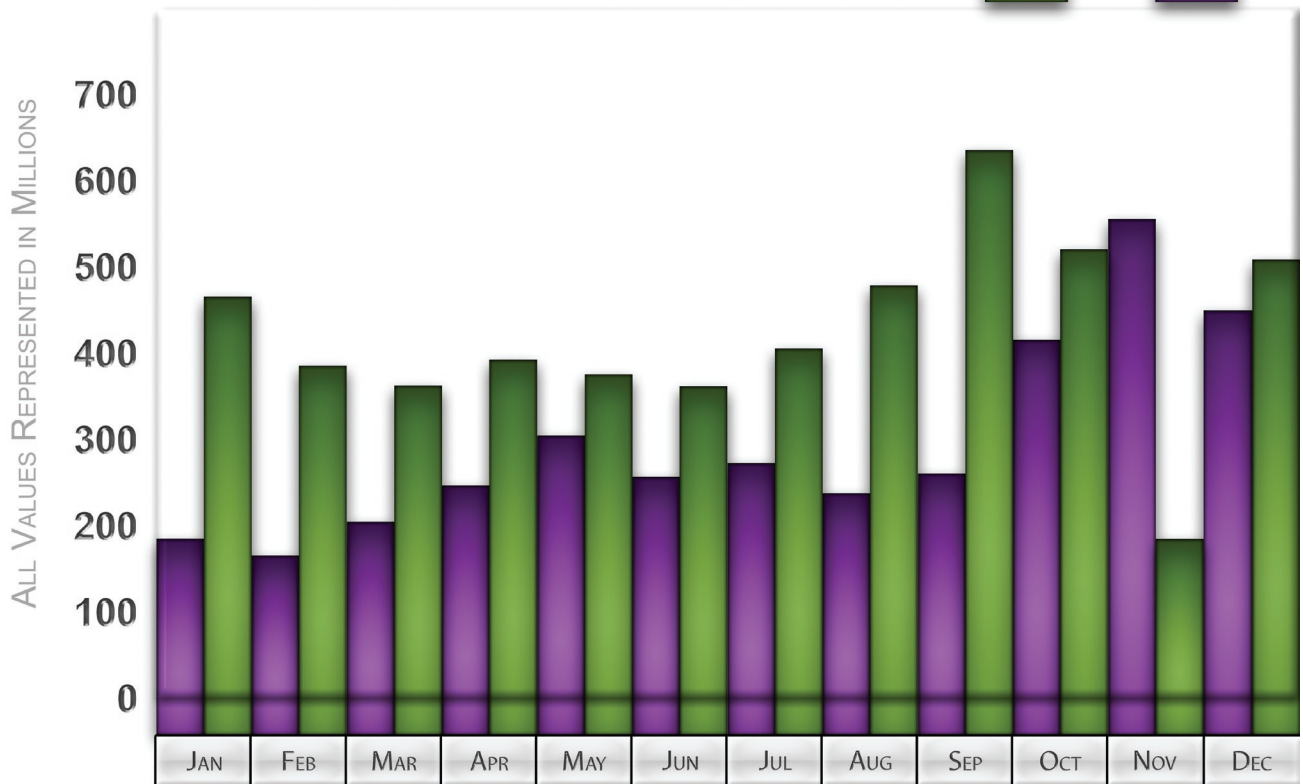
### COMPARISON OF EXPORT VS NON EXPORT COVERAGE BY PREMIUM PROCESSED 2003



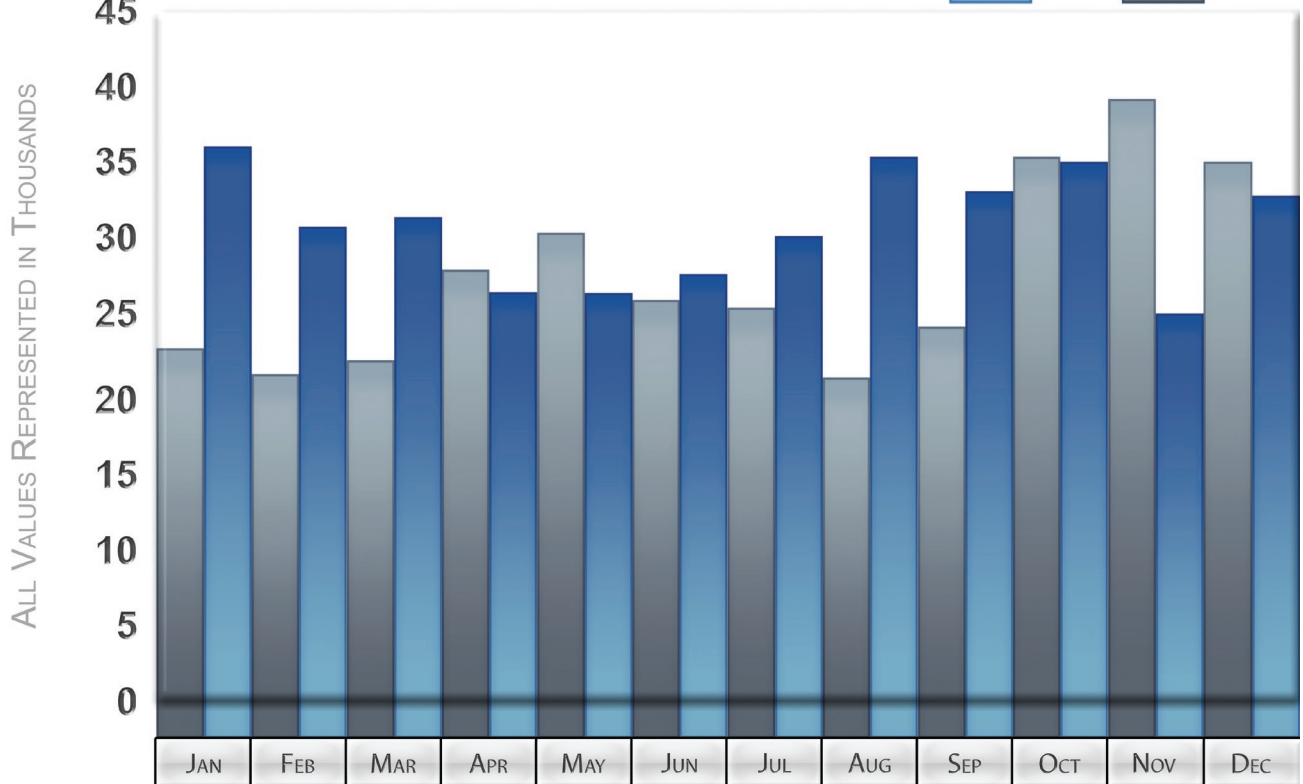
### COMPARISON OF EXPORT VS NON EXPORT COVERAGE BY ITEMS PROCESSED 2003



### 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 March 2004 & April 2004

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

#### California Fair Claims Settlement Regulations

Presented by: Patrick Hagan  
Partner, Dillingham & Murphy, LLP

*Registration & Continental Breakfast 8:00 a.m.*  
Seminar 8:30 a.m. – 11:30 a.m.  
3 CE Credits – *pending approval*

**Tuesday, March 23, 2004**  
Hilton Universal City & Towers  
555 Universal Hollywood Drive  
Universal City, CA 91608

**Wednesday, March 24, 2004**  
Hyatt Regency San Francisco  
5 Embarcadero Center  
San Francisco, CA 94111

#### Construction Defect And Mold Liability - Managing the Risk

Presented by: Robert J. Marshburn, CRM, CIC, ARM  
R. J. Marshburn & Associates

*Registration & Continental Breakfast 7:30 a.m.*  
Seminar 8:00 a.m. - 12:00 p.m.  
4 CE Credits – Course #145258

**Tuesday, April 20, 2004**  
Hilton Universal City & Towers  
555 Universal Hollywood Drive  
Universal City, CA 91608

**Wednesday, April 21, 2004**  
The Fairmont Hotel  
950 Mason Street  
San Francisco, CA 94108

## March 2004

The SLA Quarterly is published by the  
Surplus Line Association of California,  
388 Market Street, San Francisco, CA 94111  
for the members  
of the Surplus Line Association

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