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REPORT OF THE CHAIRMAN

The six-month total for premium processed by the SLA is \$3 billion. If this trend continues, the 2007 total premium volume in California surplus lines will be over \$6 billion for the second year in a row. The total number of policies filed with the SLA as of July 1 is 254,654 which is one percent less than the 2006 six-month total.



Ceil Norton
Chairman, 2007

Currently there are 87 U.S. domiciled insurers on the List of Eligible Surplus Line Insurers and 30 alien and 61 Lloyd's syndicates for a total of 176 entities. From January through June, U.S. domiciled insurers wrote 80.5% of the California surplus line premiums while Lloyd's wrote 15% and all other alien insurers wrote 3.5%. An additional 1%

was written by all other insurers.

The total premium processed through the first six months of 2007 was up 3.5% over the same period in 2006. The increase in premium is due to strong renewals which grew 2.64 percent. The renewal item count grew 5% compared to the 2006 six-month total. The total number of licensed California brokers is now 1,563. This includes 1,050 resident surplus line brokers and 513 nonresident brokers.

The Non-admitted and Reinsurance Reform Act of 2007 (NRRRA) was approved on the floor of the U.S. House of Representatives by unanimous vote on June 25. The bill (H.R.1065) was introduced by Rep. Dennis Moore (D-KS), and calls for a uniform 50-state system of surplus line premium tax allocation on multi-state policies, and single situs or home state regulation of surplus line transactions, participation in the national producer database, uniform standards for surplus line insurer eligibility, and streamlined regulation of commercial purchases. The bill also calls for uniformity in credit for reinsurance by prohibiting extraterritorial application of State laws and solvency regulation.

From January through June, U.S. domiciled insurers wrote 80.5% of the California surplus line premiums while Lloyd's wrote 15% and all other alien insurers wrote 3.5%. An additional 1% was written by all other insurers.

The Senate version of the bill (S.929), introduced by Senators Martinez (R-FL) and Nelson (D-FL) faces a much tougher battle.

The Surplus Line Association of California has not taken a position on the NRRRA bill but acknowledges the need to find an authoritative solution to the multi-state surplus line premium tax allocation problem. In a hearing held June 21, 2006, by the House Subcommittee on Capital Markets and Insurance, both the AAMGA and NAPSLO testified in favor the bill. In 2006, the general consensus among the state surplus line associations was to support the bill with amendments. However, in 2007, the Surplus Line Association of Georgia, the Florida Surplus Lines Service Office, and the Excess Line Association of

New York have expressed serious concern to outright opposition to the bill based primarily on the definition of "home state" and uniform eligibility requirements for surplus line insurers.

In Sacramento, Assembly Bill 522 (Duvall) was amended to allow a one time 90-day policy extension on surplus line policies that is exempt from the diligent search and filing with the SLA. If enacted, the bill would become law on January 1, 2008 and Surplus line brokers would only need to file a copy of the endorsement with the SLA on these extensions. The legislation would not allow any changes in coverage, terms, conditions or limits. Any additional premium charged for the extension would be determined pro rata, based on the same rate of premium as the existing surplus line policy.

The Non-admitted and Reinsurance Reform Act of 2007 (NRRRA) was approved on the floor of the U.S. House of Representatives by unanimous vote on June 25. The bill (H.R.1065) was introduced by Rep. Dennis Moore (D-KS).

LEGISLATIVE UPDATE

STATE

AB 1639 (Duvall), would require California residents who are selling surplus line/special lines' surplus line insurance to be individually licensed by the Department of Insurance, instead of being licensed under, or on behalf of, a business entity.



AB 522 would allow a 90-day policy term extension without a diligent search.

California surplus line brokers are currently having difficulty obtaining nonresident licenses in other states because they do not have an individual surplus line broker's license. This bill passed in the Assembly and is pending floor action in the Senate.

AB 522 (Duvall), would delete the sunset provision on the right of personal lines policy applicants and policyholders to sign the D-1 disclosure notice five days after being provided evidence of insurance. The bill was amended to add a provision allowing brokers to extend existing surplus line policies by 90-days without having to make an SLA filing. This provision would not allow any changes in coverage, terms, conditions or

limits. Any additional premium charged for the extension would be determined pro rata, based on the same rate of premium as the existing surplus line policy. The bill passed in the Assembly and is pending hearing in the Senate Banking, Finance and Insurance Committee.

AB 1051 (Carter), would exempt governmental agencies from existing prohibitions on the purchase of nonadmitted insurance when purchased for the purpose of financing environmental remedial work authorized by a court order. The bill is pending in the Assembly Insurance Committee. This bill passed in the Assembly and is pending hearing in the Senate Banking, Finance and Insurance Committee.

AB 796 (Coto), would delete an inaccurate statement in statute (CIC Sec. 1765.1) regarding the presumption that securities valued by the NAIC Securities Valuation Office (SVO) are automatically considered “readily marketable” assets, unless there is evidence to the contrary. This bill has passed the Assembly and was heard in the Senate Appropriations Committee on July 2.

FEDERAL

HR 1065 & S 929, The Nonadmitted and Reinsurance Reform Act -- calls for a uniform 50-state system of surplus line premium tax allocation on multi-state policies, and home state regulation of surplus line transactions, participation in the national producer database, uniform standards for surplus line insurer eligibility, streamlined regulation of commercial purchases, and a compact on multi-state premium tax allocation. The bill passed in the House by unanimous vote but was referred to the Senate Committee

on Banking, Housing, and Urban Affairs and no action has been taken.

HR 1081 & S 618, The Insurance Industry Competition Act of 2007 – would amend the McCarran-Ferguson Act to make the Federal Trade Commission Act, as it relates to areas other than unfair methods of competition, applicable to the business of insurance to the extent that such business is not regulated by state law. The House bill has multiple committee referrals and the Senate bill is pending in the Judiciary Committee. The Senate held hearings on the bill in March 2007 but no further action has been taken.

S 40, National Insurance Act of 2007 – would authorize the issuance of Federal charters and licenses for carrying on the sale, solicitation, negotiation, and underwriting of insurance or any other insurance operations, to provide a comprehensive system for the Federal regulation and supervision of national insurers and national agencies, to provide for policyholder protections in the event of an insolvency or the impairment of a national insurer, and for other purposes. The bill is pending in the Senate Committee on Banking, Housing, and Urban Affairs.

AB 796 (Coto), would delete an inaccurate statement in statute (CIC Sec. 1765.1) regarding the presumption that securities valued by the NAIC Securities Valuation Office (SVO) are automatically considered “readily marketable” assets, unless there is evidence to the contrary.

REPORT OF THE DIRECTOR OF THE STAMPING OFFICE



Joy Laughery
Director,
Stamping Office

Our broker satisfaction survey was completed by Hill & Knowlten. Thank you to all that participated. We are reviewing the survey report and will work diligently to improve any areas we fell short of your expectations.

2007 has proven to be a challenging and exciting time at The Surplus Line Association. As we celebrate our 70th anniversary, processed premiums are running even with 2006 totals and our item count has decreased over 6% indicating a softening market. Each department has been hard at work on their own special projects. Our IT Department, managed by Dominique Bourdon, is working on our new computer system. We have completed the requirements phase for the new system and are reviewing work flow for each department which will be the foundation for a new filing system. Our Data Processing Department, managed by Patricia McAuley, has played a very active role in the new computer system and has worked closely with IT to ensure a comprehensive and user friendly system is created. Our Financial Department, managed by Linda Cheng, continues to play a vital role in assisting the California Department of Insurance (“CDI”) maintain the **integrity** of the List of Eligible Surplus Line Insurers (LESLI). Each analyst in the Financial Department is assigned to review on average 14 to 15 companies a year. These include companies currently on the LESLI and those companies applying for LESLI listing. In each of 2005 and 2006, the Financial Department recieved eight LESLI applications, and to date in 2007, the Financial Department has recieved eleven such applications.

The Education Department, managed by Vienna Murray, spent time this quarter visiting our top non-resident brokers and went as far as Maryland and New York to ensure compliance. With over 1500 brokers our education department spends time coordinating our CE classes, providing training either in person or by WebEx, as well as answering licensing questions.

Our broker satisfaction survey was completed by Hill & Knowlten. Thank you to all that participated. We are reviewing the survey report and will work diligently to improve any areas we fell short of your expectations. If you have any comments or suggestion see the “SLA Feedback” link on our website. We appreciate the vast experience and depth of knowledge of California surplus line brokers and with your help we can continue to provide outstanding service.

We have new employees I would like to welcome to the SLA team:

- Joe Tacdol - hired 2/28/07
Data Processing Clerk - Data Processing Dept.
- Jamie Ramirez - hired 3/6/07
Data Processing Clerk - Data Processing Dept.
- Hillary Burgess - hired 5/29/07
Education Clerk - Education Dept.
- Schuyler Ko - hired 6/12/07
Data Analyst - Data Processing Dept.
- David Lee - hired 6/12/07
Data Analyst - Data Processing Dept.
- Michael Sims - hired 6/22/07
Data Analyst - Data Processing Dept.

And we would also like to welcome our newest brokers:

Abramson, Robert Phillip	Hub International Midwest Limited
Agency, LLC	Iacino, James Anthony
The Americana Program Underwriters, Inc.	International Aerospace Insurance Services, Inc.
AmWins Brokerage of Illinois, LLC	ISM Group, LLC
Aviation Markets-CA., Inc.	Izzo Insurance Services, Inc.
Baird, Woodrow Michael	James, Thomas Alton
Black/White R.E.Lee Insurance Services, Inc.	JLT Aerospace (North America) Inc.
Boomer Events Insurance Services, Inc.	Johnson, Laura Lee
C.L. Frates and Company	Khalid, Imtiaz G.
Cabaud, Philip Graeme III	Latham, Jess Benjamin IV
Charity First Insurance Services, Inc.	Lockton Companies, LLC
Chung, Gay Catherine	Marketscout Corporation
Cosmos Services (America) Inc.	McDonnell, Daniel Patrick
Daggett, Thomas Brian	McGonegal, Susan Marie
David, Robert Joel	Mischal, Leann Marie
Dean, Regina Celia	Murphy, Daniel Joseph
Dow, Michael Stephen	Murphy, Gerard Martin
Dowell Insurance Agency, Inc.	Nuccio, Robert Vincent
Durkalski, Peter James	Orion Insurance Services, LLC
ECC Insurance Brokers, Inc.	Palmer, Larry Eugene
EnRisk Services, Ltd.	Phillips, Christopher Michael
Foley, Kristen Leigh	Rognstads Inc.
Fortress Insurance Agency, Inc.	Rossomme, Richard David
G.A. Mavon & Co.	Sanchez, Keith Edward
Gassen, Thomas Joseph	Sanders, William Dean
Goldenberg, Harvey William	Security Insurance, Inc. II
Halbleib, James Cooper	Seminario, Michael Carlos
Hawley, Cynthia Ann	Sherman, Richard Thomas
Heatherton, John Patrick	Siler, Tracy Elvis

If you have any comments or suggestion see the "SLA Feedback" link on our website. We appreciate the vast experience and depth of knowledge of California surplus line brokers and with your help we can continue to provide outstanding service.

Silverstone Group, Incorporated	Wiley, Robert Chavez
Soll, Todd Robert	Wilkerson, William Ryan IV
T.B.A. Insurance Group, Ltd.	Young, Matthew Robert
TLC/Amicus Insurance Services, Inc.	Youngbar, Alice Georgeann
Wanzer, Chiree Danielle	ZC Sterling Insurance Agency, Inc.

Total Brokers As of July 3, 2007:

The California Department of Insurance considers, per Bulletin 96-4, that “underwriting” represents a core insurer management function. Where an insurer is nonadmitted, all underwriting and pricing decisions must be made outside California.

CA Corporate:	569	Non-Resident Corporate:	274
CA Individual:	481	Non-Resident Individual:	239
Total CA:	1,050	Total Non-Resident:	513
Total Membership Count:	1,563		

LEGAL UPDATE

California’s regulatory and legal landscape for the surplus line market remains unchanged over the last few months. Although there have been no new developments, market activity has produced inquiries in two areas concerning existing law requirements. Each deserves mention.

NON-ADMITTED INSURER AFFILIATES

If organized and operated in compliance with the guidance set forth in California Department of Insurance (“CDI”) Bulletin 96-4, a California resident surplus line broker may be owned or controlled by a non-admitted insurer.

A nonadmitted insurer may not, however, establish an underwriting office in California, conduct insurance operations, or otherwise establish a “presence” in California. Doing so constitutes the “transaction of insurance” in the State without a

certificate of authority, and thus in violation of CIC § 700, with potential exposure to severe sanctions, including criminal penalties.

Under California’s surplus line laws, a surplus line broker may not act as an underwriter for a nonadmitted insurer regardless of whether the broker is affiliated with a nonadmitted insurer. The California Department of Insurance considers, per Bulletin 96-4, where an insurer is nonadmitted, all underwriting and pricing decisions must be made outside California.

However, Bulletin 96-4 also clarifies that a surplus line broker may exercise a “binding authority” on behalf of a nonadmitted insurer, pursuant to “underwriting guidelines” issued by the nonadmitted insurer.

Under a proper “binding authority” and appropriate underwriting guidelines, a surplus line broker may quote and bind defined risks. Binding authorities and underwriting guidelines may not confer underwriting authority on the surplus line broker; underwriting guidelines must be created by the nonadmitted insurer outside the State.

As to these and similar issues, Bulletin 96-4 remains the governing regulatory guidance regarding permitted relationships and functions as between a surplus line broker and a nonadmitted insurer, and related issues.

“How to avoid losing your license or LESLI listing while conducting California Surplus Line business” will be a major topic of the SLA Continuing Education program scheduled for November 13, 2007, in Los Angeles and November 14, 2007 in San Francisco. For a copy of Bulletin 96-4, see “Fast Links” on the SLA web site (www.slacal.org).

INDEPENDENT PROCUREMENT (CIC 1760(A))

SLA Bulletin #1123 was issued March 19, 2007 to address inquiries whether a surplus line broker could act as a “consultant” for an “independent procurement” under CIC § 1760(a), and be compensated for “consulting services” for a “fee” equivalent to brokerage commission for the placement.

Under California law, a surplus line broker may not place a risk with a non-admitted insurer unless the insurer is LESLI-listed or for a GAP placement that satisfies the requirements of CIC § 1765.1(k). Nor may a surplus line broker circumvent the surplus line laws simply by characterizing unlawful brokerage activities as “consulting ser-

vices.”

Whether and under what circumstances a licensee may lawfully act as a “consultant” in connection with an independent procurement is a highly fact-sensitive question of first impression under California law. For this reason, SLA Bulletin #1123 advised that any Member considering participation in such a “consulting” role would be well-served to first consult with experienced counsel.

However, it appears that certain offshore brokers continue to offer advice encouraging surplus line brokers to mischaracterize unlawful placements as “independent procurements,” in disregard of the surplus line laws, mischaracterize brokerage activities as “consulting services,” and mischaracterize brokerage compensation as “consulting fees.”

The right of independent procurement under CIC § 1760(a) exempts such transactions from the surplus line laws as to insurance buyers only:

Any person may negotiate and effect insurance to protect himself, herself, or itself against loss, damage, or liability with any nonadmitted insurer.

Surplus line licensees may not engage in or be compensated for brokerage activities relevant to an independent procurement that would be unlawful under the terms of their license, or expect to circumvent license requirements by characterizing those activities as “consulting services.”

The SLA Continuing Education program referenced above will include a detailed review of independent procurement under CIC § 1760(a).

Surplus line licensees may not engage in or be compensated for brokerage activities relevant to an independent procurement that would be unlawful under the terms of their license, or expect to circumvent license requirements by characterizing those activities as “consulting services.”

EXPORT LIST HEARING

The current Export List includes several specialty coverages that were added based on the evidence presented at the December 2006 Export List hearing. As to each coverage, the hearing record included detailed written presentations describing the coverage and the need for the coverage, supported

by substantial documentation and market data.

Other proposed coverages were not added to the Export List due to lack of supporting evidence.

Members wishing to have a coverage added to the Export List should notify the SLA by September 30, 2007, to ensure adequate time

AmWINS has become a major influence in the insurance industry. AmWINS places in excess of \$2.8 billion in premiums and operates in over 35 offices nationwide.

MEMBER PROFILE



Kristopher Bauer
Executive Vice
President/
Branch Manger
AmWINS Insurance
Brokerage

Kristopher Bauer is the Executive Vice President/Branch Manger of AmWINS Insurance Brokerage located in San Francisco, California. Kris began his career as an underwriter for Deans & Homer after graduating with a Business Degree from University of the Pacific in 1989. He worked for 6 years as a wholesale broker for Tri-City Brokerage. He then managed Stewart Smith's San Francisco office for 5 years before they acquired AmWINS. Kris is married with 4 children and lives in Orinda, California. He is active

in work for the Special Olympics and Children's Hospital of Oakland.

AmWINS is among the largest and most diversified wholesale insurance distributors in the country. Their brokers and underwriters represent some of the most impressive senior talent in the industry. AmWINS has become a major influence in the insurance industry. They offer a wide array of products and services and there are few needs they cannot meet. Well-established relationships with several hundred carriers and markets allow them to serve over 5,000 retail insurance agencies. AmWINS places in excess of \$2.8 billion in premiums and operates in over 35 offices nationwide.

Premium Totals by Company Type

COMPANY TYPE	6/30/2007	6/30/2006	% GROWTH	% of TOTAL
				6/30/2007
LESLI LISTED COMPANIES				
FOREIGN INSURERS	\$2,404,304,703	\$2,378,144,414	1.10%	80.77%
LLOYD'S SYNDICATES	442,413,019	372,740,421	18.69%	14.86%
ALIEN INSURERS	101,122,794	79,774,310	26.76%	3.40%
SUB TOTAL	\$2,947,840,517	\$2,830,659,146	4.14%	99.03%
ALL OTHER	28,930,411	46,135,715	-37.29%	0.97%
TOTAL	\$2,976,770,929	\$2,876,794,861	3.48%	100.00%

Top 100 California Surplus Line Brokers

Based on Premium Processed through June 30, 2007

RANK	BROKER	PREMIUMS PROCESSED	% OF TOTAL
1	SWETT & CRAWFORD	\$248,793,373	8.36%
2	WESTERN RISK SPECIALISTS, INC.	165,481,411	5.56%
3	AON RISK SERVICES, INC. OF SOUTHERN CALIFORNIA INSURANCE SERVICES	160,709,646	5.40%
4	MARSH USA INC.	150,940,420	5.07%
5	AMERICAN E & S INSURANCE BROKERS OF CALIFORNIA, INC.	104,599,520	3.51%
6	AMWINS INSURANCE BROKERAGE OF CALIFORNIA, LLC	98,945,795	3.32%
7	WORLDWIDE FACILITIES, INC.	90,705,997	3.05%
8	RISK PLACEMENT SERVICES INSURANCE BROKERS	82,425,394	2.77%
9	CRC-STERLING WEST INSURANCE SERVICES, LLC	70,371,733	2.36%
10	HART, ANTHONY JOSEPH	67,607,220	2.27%
11	INTERNATIONAL E & S INSURANCE BROKERS, INC.	67,532,380	2.27%
12	BLISS AND GLENNON INC	64,573,452	2.17%
13	BISYS COMMERCIAL INSURANCE SERVICES, INC.	58,532,158	1.97%
14	COLEMONT INSURANCE BROKERS OF CALIFORNIA, LLC	47,416,839	1.59%
15	ALLIANT INSURANCE SERVICES, INC.	46,803,615	1.57%
16	CRC INSURANCE SERVICES, INC.	45,049,171	1.51%
17	CROUSE & ASSOCIATES INSURANCE SERVICES OF NORTHERN CALIFORNIA, INC.	42,121,336	1.42%
18	BROWN & RIDING INSURANCE SERVICES, INC.	40,913,414	1.37%
19	BURNS & WILCOX INSURANCE SERVICES, INC.	39,044,490	1.31%
20	LOCKTON COMPANIES, LLC	35,419,840	1.19%
21	PARTNERS SPECIALTY GROUP, LLC	31,648,428	1.06%
22	HULL & COMPANY (CALIFORNIA) INC.	31,475,192	1.06%
23	PETERSON, GARY TODD	27,462,794	0.92%
24	SOCIUS INSURANCE SERVICES, INC. (FKA: ECM INSURANCE SVCS, INC.)	24,989,444	0.84%
25	CRUMP INSURANCE SERVICES, INC.	22,147,762	0.74%
26	FIRST STATE MANAGEMENT GROUP, INC.	21,434,976	0.72%
27	WILLIS OF NEW YORK INC	21,240,207	0.71%
28	BORISOFF INSURANCE SERVICES, INC. (DBA: MONARCH E & S INSURANCE SERVICES)	20,637,504	0.69%
29	BASS UNDERWRITERS, INC.	20,003,295	0.67%
30	USI OF SOUTHERN CALIFORNIA INSURANCE SERVICES, INC.	19,283,742	0.65%
31	WILLIS INSURANCE SERVICES OF CALIFORNIA, INC.	18,481,835	0.62%
32	WESTERN RE/MANAGERS INSURANCE SERVICES, INC.	18,057,951	0.61%
33	CHARTWELL INDEPENDENT INSURANCE BROKERS, LLC	17,572,999	0.59%
34	W. BROWN & ASSOCIATES PROPERTY & CASUALTY INSURANCE SERVICES	17,430,977	0.59%
35	AIS AFFINITY INSURANCE AGENCY, INC.	16,996,044	0.57%
36	M.J. HALL & COMPANY, INC.	16,820,981	0.57%
37	COMMODORE INSURANCE SERVICES, INC.	16,811,512	0.56%
38	ARTHUR J. GALLAGHER & CO. INSURANCE BROKERS OF CALIFORNIA, INC. (GLENDALE)	16,755,531	0.56%
39	AON/ALBERT G. RUBEN INSURANCE SERVICES, INC.	14,849,837	0.50%
40	WOODRUFF-SAWYER & COMPANY	14,659,712	0.49%
41	YATES & ASSOCIATES INSURANCE SERVICES, INC.	14,613,935	0.49%
42	NEITCLEM WHOLESALE INSURANCE BROKERAGE, INC	14,540,652	0.49%
43	LAE INSURANCE SERVICES, INC.	14,136,596	0.47%
44	ALL RISKS, LTD.	13,614,897	0.46%
45	CARPENTER & MOORE INSURANCE SERVICES INC.	13,326,574	0.45%
46	SBIB, INC.	13,107,398	0.44%
47	MIDWESTERN GENERAL BROKERAGE, INC.	12,502,989	0.42%
48	ZURICH E&S INSURANCE BROKERAGE, INC.	12,427,635	0.42%
49	COASTAL BROKERS INSURANCE SERVICES INC.	11,602,556	0.39%
50	LOCKTON INSURANCE BROKERS, INC.	11,495,760	0.39%

The total number of licensed California brokers is now 1,563. This includes 1,050 resident surplus line brokers and 513 nonresident brokers.

Top 100 California Surplus Line Brokers

Continued from Page 9

Based on Premium Processed through June 30, 2007

RANK	BROKER	PREMIUMS PROCESSED	% OF TOTAL
51	NORMAN SPENCER MCKERNAN AGY(NSM)-TB&C WHOLESALE INS. SERV'S OF PASADENA	11,234,645	0.38%
52	TRINITY E & S INSURANCE SERVICES, INC.	11,127,915	0.37%
53	LOCKTON COMPANIES, INC.	10,437,972	0.35%
54	AON RISK SERVICES, INC. OF NORTHERN CALIFORNIA INSURANCE SERVICES	10,296,593	0.35%
55	NAS INSURANCE SERVICES, INC.	10,235,003	0.34%
56	R.E. CHAIX & ASSOCIATES INSURANCE BROKERS, INC.	10,215,188	0.34%
57	HARRY W. GORST COMPANY, INC.	9,836,646	0.33%
58	CAMBRIDGE GENERAL AGENCY	9,371,309	0.31%
59	NAVIGATORS CALIFORNIA INSURANCE SERVICES, INC.	9,133,660	0.31%
60	PETERSEN INTERNATIONAL UNDERWRITERS	8,962,549	0.30%
61	HILB ROGAL & HOBBS PROFESSIONAL PRACTICE INS BROKERS, INC.	8,653,983	0.29%
62	BROWN & BROWN OF CALIFORNIA, INC.	8,463,785	0.28%
63	INTEGRATED RISK SOLUTIONS INSURANCE SERVICES, LLC.	8,019,728	0.27%
64	WESTERN SECURITY SURPLUS INSURANCE BROKERS, INC.	7,949,451	0.27%
65	ABD INSURANCE AND FINANCIAL SERVICES	7,626,941	0.26%
66	GALEOTTI, GARY WAYNE	7,621,080	0.26%
67	AMWINS BROKERAGE OF NEW YORK, INC.	7,400,115	0.25%
68	ALBERICO, DONALD ANTHONY	7,191,972	0.24%
69	CAMPBELL & ASSOCIATES INSURANCE BROKERAGE, LLC	7,174,290	0.24%
70	ALL RISKS, LLC	7,147,913	0.24%
71	HDR INSURANCE MANAGERS, LLC	7,105,214	0.24%
72	JOHN L. WORTHAM & SON, L.P.	7,034,234	0.24%
73	HEFFERNAN INSURANCE BROKERS	6,901,898	0.23%
74	A.I. RISK SPECIALISTS INSURANCE, INC.	6,616,071	0.22%
75	INTEGRO USA INC.	6,462,658	0.22%
76	G.J. SULLIVAN CO. EXCESS & SURPLUS LINES BROKERS	6,448,251	0.22%
77	COOPER & MCCLOSKEY, INC. INSURANCE BROKERS	6,074,330	0.20%
78	ALEXANDER, MORFORD & WOO, INC.	6,071,371	0.20%
79	VULCAN EXCESS & SURPLUS INSURANCE SERVICES, INC.	6,028,710	0.20%
80	ROBERTSON TAYLOR (CALIFORNIA), INC.	5,939,497	0.20%
81	ANDERSON & MURISON INC.	5,833,435	0.20%
82	LAMBERSON KOSTER & COMPANY	5,644,597	0.19%
83	NORMAN SPENCER MCKERNAN AGY(NSM)TB&C WHOLESALE INS. SERV'S OF ORANGE CO.	5,518,901	0.19%
84	TIO, TOMAS EDUARDO	5,421,731	0.18%
85	JOSEPH, ROSLYN DENISE	5,101,954	0.17%
86	HCC SPECIALTY UNDERWRITERS, INC.	4,899,578	0.16%
87	CRUMP E&S OF SAN FRANCISCO INSURANCE SERVICES, INC.	4,835,906	0.16%
88	ARC WEST COAST EXCESS & SURPLUS BROKERAGE, LLC	4,781,595	0.16%
89	NAPCO, LLC	4,671,694	0.16%
90	WHOLESALE CONNECTION INSURANCE SERVICES, LLC	4,621,270	0.16%
91	W. B. AHERN ENTERPRISES, INC.	4,492,081	0.15%
92	WESTERN BROKERS INSURANCE SERVICES	4,427,092	0.15%
93	JAMES KLEIN INSURANCE SERVICE INC.	4,393,868	0.15%
94	JOYCE, JAMES THEODORE	4,356,594	0.15%
95	U.S. RISK OF CALIFORNIA, INC.	4,272,651	0.14%
96	NATIONAL ADVANTAGE INSURANCE SERVICES, INC.	4,152,728	0.14%
97	SIERRA SPECIALTY INSURANCE SERVICES, INC.	3,948,773	0.13%
98	TRANS CAL ASSOCIATES	3,941,267	0.13%
99	WORLDLINK INSURANCE SERVICES, INC.	3,938,202	0.13%
100	R.I.C. INSURANCE GENERAL AGENCY, INC.	3,894,680	0.13%
	SUBTOTAL	\$2,604,048,486	87.48%
	ALL OTHER BROKERS	372,722,443	12.52%
	TOTAL	\$2,976,770,929	100.00%

The six-month total for premium processed by the SLA is \$3 billion. If this trend continues, the 2007 total premium volume in California surplus lines will be over \$6 billion for the second year in a row.

Top 100 Nonadmitted Carriers

Based on Premium Processed through June 30, 2007

RANK	COMPANY	PREMIUM PROCESSED	% OF TOTAL
1	LEXINGTON INSURANCE COMPANY	\$341,212,336	11.46%
2	AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY	223,285,085	7.50%
3	SCOTTSDALE INSURANCE COMPANY	87,809,240	2.95%
4	ARCH SPECIALTY INSURANCE COMPANY	86,489,839	2.91%
5	LANDMARK AMERICAN INSURANCE COMPANY	86,172,999	2.89%
6	NAVIGATORS SPECIALTY INSURANCE COMPANY	84,442,173	2.84%
7	ADMIRAL INSURANCE COMPANY	83,444,167	2.80%
8	STEADFAST INSURANCE COMPANY	79,966,397	2.69%
9	NATIONAL FIRE & MARINE INSURANCE COMPANY	71,299,151	2.40%
10	WESTCHESTER SURPLUS LINES INSURANCE COMPANY	66,952,490	2.25%
11	EMPIRE INDEMNITY INSURANCE COMPANY	61,688,019	2.07%
12	EVANSTON INSURANCE COMPANY	56,600,238	1.90%
13	MT. HAWLEY INSURANCE COMPANY	56,469,263	1.90%
14	AXIS SURPLUS INSURANCE COMPANY	54,466,630	1.83%
15	GEMINI INSURANCE COMPANY	53,337,604	1.79%
16	INTERSTATE FIRE & CASUALTY COMPANY	51,776,878	1.74%
17	LLOYD'S OF LONDON SYNDICATE #2987	49,804,714	1.67%
18	ILLINOIS UNION INSURANCE COMPANY	48,489,602	1.63%
19	LLOYD'S OF LONDON SYNDICATE #0033	45,092,006	1.51%
20	LIBERTY SURPLUS INSURANCE CORPORATION	41,155,561	1.38%
21	COLONY INSURANCE COMPANY	38,896,340	1.31%
22	ESSEX INSURANCE COMPANY	38,289,120	1.29%
23	COLUMBIA CASUALTY COMPANY	35,891,930	1.21%
24	EVEREST INDEMNITY INSURANCE COMPANY	35,588,238	1.20%
25	NORTH AMERICAN CAPACITY INSURANCE COMPANY	35,028,493	1.18%
26	CHUBB CUSTOM INSURANCE COMPANY	34,450,742	1.16%
27	LLOYD'S OF LONDON SYNDICATE #2020	33,867,104	1.14%
28	LLOYD'S OF LONDON SYNDICATE #2623	31,499,473	1.06%
29	LLOYD'S OF LONDON SYNDICATE #0510	29,003,183	0.97%
30	ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY	28,666,497	0.96%
31	CENTURY SURETY COMPANY	27,089,459	0.91%
32	AMERICAN SAFETY INDEMNITY COMPANY	26,636,862	0.89%
33	INDIAN HARBOR INSURANCE COMPANY	25,859,095	0.87%
34	HOUSTON CASUALTY COMPANY	25,252,129	0.85%
35	PACIFIC INSURANCE COMPANY LTD.	24,479,349	0.82%
36	JAMES RIVER INSURANCE COMPANY	24,473,034	0.82%
37	BURLINGTON INSURANCE COMPANY	24,434,115	0.82%
38	LLOYD'S OF LONDON SYNDICATE #2488	20,848,414	0.70%
39	CLARENDON AMERICA INSURANCE COMPANY	20,357,841	0.68%
40	ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	19,409,909	0.65%
41	LLOYD'S OF LONDON SYNDICATE #2003	17,950,642	0.60%
42	UNITED NATIONAL INSURANCE COMPANY	17,386,107	0.58%
43	FIRST SPECIALTY INSURANCE CORPORATION	16,766,682	0.56%
44	GENERAL STAR INDEMNITY COMPANY	16,744,878	0.56%
45	NAUTILUS INSURANCE COMPANY	16,642,695	0.56%
46	HUDSON SPECIALTY INSURANCE COMPANY	16,619,595	0.56%
47	FIRST MERCURY INSURANCE COMPANY	16,045,981	0.54%
48	LLOYD'S OF LONDON SYNDICATE #1200	14,782,025	0.50%
49	LLOYD'S OF LONDON SYNDICATE #1225	14,416,977	0.48%
50	LLOYD'S OF LONDON SYNDICATE #2001	13,838,903	0.46%

Currently there are 87 U.S. domiciled insurers on the List of Eligible Surplus Line Insurers and 30 alien and 61 Lloyd's syndicates for a total of 176 entities.

Top 100 Nonadmitted Carriers

Continued from Page 11

Based on Premium Processed through June 30, 2007

RANK	COMPANY	PREMIUM PROCESSED	% OF TOTAL
51	ASPEN INSURANCE UK LIMITED	13,247,573	0.45%
52	LLOYD'S OF LONDON SYNDICATE #0623	13,022,154	0.44%
53	HOMELAND INSURANCE COMPANY OF NEW YORK	13,012,609	0.44%
54	COMMONWEALTH INSURANCE COMPANY	12,978,235	0.44%
55	SR INTERNATIONAL BUSINESS INSURANCE COMPANY LIMITED	12,974,504	0.44%
56	STARR EXCESS LIABILITY INSURANCE COMPANY, LTD.	12,669,762	0.43%
57	GREAT AMERICAN E&S INSURANCE COMPANY	12,168,022	0.41%
58	ROCKHILL INSURANCE COMPANY	11,009,183	0.37%
59	WESTERN HERITAGE INSURANCE COMPANY	10,432,286	0.35%
60	LLOYD'S OF LONDON SYNDICATE #4472	10,058,615	0.34%
61	LLOYD'S OF LONDON SYNDICATE #1084	9,995,431	0.34%
62	LLOYD'S OF LONDON SYNDICATE #1414	9,869,723	0.33%
63	COLONY NATIONAL INSURANCE COMPANY	9,707,671	0.33%
64	GREAT LAKES REINSURANCE (UK) PLC	9,530,827	0.32%
65	ST. PAUL SURPLUS LINES INSURANCE COMPANY	9,223,044	0.31%
66	NUTMEG INSURANCE COMPANY	9,102,016	0.31%
67	ASPEN SPECIALTY INSURANCE COMPANY	8,529,255	0.29%
68	PENN-STAR INSURANCE COMPANY	8,378,651	0.28%
69	LLOYD'S OF LONDON SYNDICATE #0570	8,375,171	0.28%
70	PRAETORIAN SPECIALTY INSURANCE COMPANY	8,360,834	0.28%
71	DARWIN SELECT INSURANCE COMPANY	8,240,836	0.28%
72	LLOYD'S OF LONDON SYNDICATE #0807	8,200,407	0.28%
73	NEWMARKET UNDERWRITERS INSURANCE COMPANY	8,156,786	0.27%
74	LLOYD'S OF LONDON SYNDICATE #0435	7,918,517	0.27%
75	USF INSURANCE COMPANY	7,869,189	0.26%
76	LLOYD'S OF LONDON SYNDICATE #2791	7,843,421	0.26%
77	LLOYD'S OF LONDON SYNDICATE #2010	7,735,816	0.26%
78	LLOYD'S OF LONDON SYNDICATE #4444	7,703,676	0.26%
79	LLOYD'S OF LONDON SYNDICATE #0958	7,473,459	0.25%
80	LLOYD'S OF LONDON SYNDICATE #5000	7,320,036	0.25%
81	MOUNT VERNON FIRE INSURANCE COMPANY	7,272,710	0.24%
82	GLENCOE INSURANCE LIMITED	6,774,827	0.23%
83	AXIS SPECIALTY INSURANCE COMPANY	6,602,357	0.22%
84	LLOYD'S OF LONDON SYNDICATE #2000	6,388,359	0.21%
85	LLOYD'S OF LONDON SYNDICATE #1183	6,229,722	0.21%
86	LLOYD'S OF LONDON SYNDICATE #4242	6,215,906	0.21%
87	TUDOR INSURANCE COMPANY	6,190,345	0.21%
88	AMERICAN EMPIRE SURPLUS LINES INSURANCE COMPANY	6,010,642	0.20%
89	LLOYD'S OF LONDON SYNDICATE #0557	5,778,969	0.19%
90	GOTHAM INSURANCE COMPANY	5,329,056	0.18%
91	NORTHFIELD INSURANCE COMPANY	5,019,160	0.17%
92	ENERGY INSURANCE MUTUAL LIMITED	4,974,621	0.17%
93	NOETIC SPECIALTY INSURANCE COMPANY	4,853,002	0.16%
94	QBE INSURANCE (EUROPE) LIMITED	4,762,465	0.16%
95	LLOYD'S OF LONDON SYNDICATE #0727	4,045,874	0.14%
96	WESTERN WORLD INSURANCE COMPANY	3,941,377	0.13%
97	TRAVELERS EXCESS & SURPLUS LINES COMPANY	3,705,684	0.12%
98	FIREMAN'S FUND INSURANCE COMPANY OF OHIO	3,677,996	0.12%
99	LLOYD'S OF LONDON SYNDICATE #1206	3,642,298	0.12%
100	CATLIN SPECIALTY INSURANCE COMPANY	3,442,728	0.12%
	SUBTOTAL	\$2,867,136,009	96.32%
	All Other Companies	109,634,920	3.68%
	TOTAL	\$2,976,770,929	100.00%

The total number of policies filed with the SLA as of July 1 is 254,654 which is one percent less than the 2006 six-month total.

Top 50 Coverage Codes

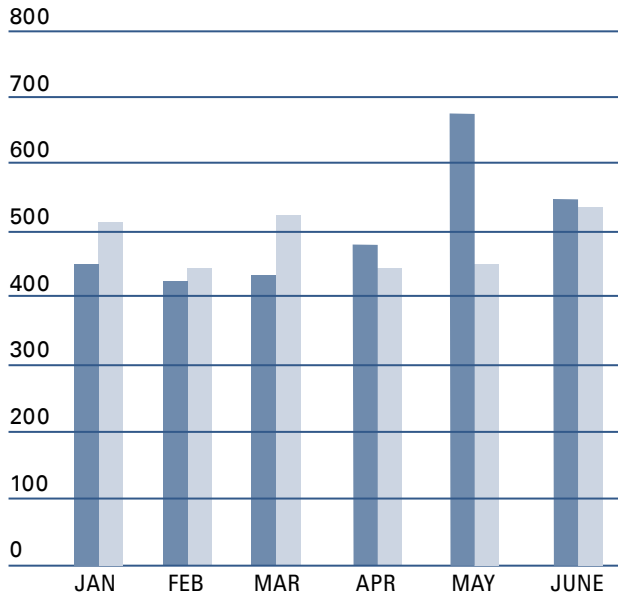
Based on Premium Processed through June 30, 2007

RANK	EXPORT	COVERAGE	PREMIUM PROCESSED	% OF TOTAL
1		GENERAL LIABILITY	\$910,860,526	30.60%
2	YES	COMMERCIAL DIC/STAND ALONE EARTHQUAKE	369,889,206	12.43%
3		ERRORS AND OMISSIONS	279,856,086	9.40%
4		ALL RISK COMMERCIAL PROPERTY	209,450,876	7.04%
5	YES	ENVIRONMENTAL IMPAIRMENT REMEDIATION & POLLUTION	189,501,313	6.37%
6		SPECIAL MULTI-PERIL PACKAGE	142,379,115	4.78%
7		EXCESS LIABILITY	131,677,450	4.42%
8	YES	EXCESS LIABILITY/UNDERLYING NONADMITTED	90,260,523	3.03%
9		MISCELLANEOUS	80,631,920	2.71%
10	YES	EMPLOYMENT PRACTICES LIABILITY	76,896,301	2.58%
11	YES	CONTRACTORS ENGAGED IN NEW TRACT HOMES	69,405,538	2.33%
12	YES	INDIV INSURED W/LARGE SCHED TIV > \$500M	66,501,835	2.23%
13		PROFESSIONAL LIABILITY	62,256,588	2.09%
14		DIRECTORS AND OFFICERS	48,638,008	1.63%
15		INLAND MARINE	27,142,824	0.91%
16	YES	PRODUCTS/COMPLETED OPERATIONS (STAND ALONE)	24,542,096	0.82%
17		HOMEOWNERS MULTI-PERIL	17,135,692	0.58%
18	YES	EVENT CANCELLATION	14,941,378	0.50%
19		AUTO PHYSICAL DAMAGE-COMMERCIAL	14,825,706	0.50%
20	YES	HIGH LIMITS DISABILITY	13,731,018	0.46%
21		HOSPITALS	13,171,666	0.44%
22		GARAGE LIABILITY	9,762,775	0.33%
23		COMMERCIAL PROPERTY-BASIC	9,401,059	0.32%
24		HOMEOWNERS	8,564,543	0.29%
25	YES	SECURITY GUARD SERVICES	7,744,225	0.26%
26		AUTO LIABILITY-COMMERCIAL	6,848,664	0.23%
27		SINGLE FAMILY DWELLING/DUPLEX	6,517,503	0.22%
28		AUTO COMBINED LIAB & PHYS DAMAGE-COMM.	5,837,334	0.20%
29		TERRORISM	4,129,165	0.14%
30		FIDELITY	3,825,781	0.13%
31		BONDS	3,545,547	0.12%
32		GROUP HEALTH	3,390,955	0.11%
33	YES	PERSONAL ARTICLES FLOATERS WRITTEN ON A STAND ALONE	2,940,149	0.10%
34		SPECIAL MULTI-PERIL WITH TERRORISM	2,903,014	0.10%
35		AVIATION	2,874,895	0.10%
36	YES	OILFIELD CONTRACTORS	2,833,994	0.10%
37		ACCIDENT	2,811,193	0.09%
38	YES	VACANT BUILDINGS	2,298,379	0.08%
39	YES	LIMITS THAT ATTACH IN EXCESS OF \$150M	2,079,484	0.07%
40		EXCESS WORKERS COMPENSATION	1,991,061	0.07%
41	YES	EXCESS FLOOD	1,855,218	0.06%
42	YES	PRODUCTS RECALL	1,591,721	0.05%
43	YES	SHORT TERM SPECIAL EVENTS (EXC HOLE IN ONE)	1,476,276	0.05%
44	YES	AVIATION EXCESS LIABILITY	1,329,744	0.04%
45	YES	CLINICAL & SIMILAR TESTS OF PHARMACEUTICAL	1,237,286	0.04%
46	YES	DEMOLITION CONTRACTORS	1,233,795	0.04%
47		CRIME	1,073,755	0.04%
48	YES	TATTOO AND BODY PIERCING	938,629	0.03%
49		DISABILITY INCOME	889,547	0.03%
50		RESIDENTIAL EARTHQUAKE	815,272	0.03%
		SUBTOTAL	\$2,956,436,628	99.32%
		All Other Coverages	20,334,301	0.68%
		TOTAL	\$2,976,770,929	100.00%

The total premium processed through the first six months of 2007 was up 3.5% over the same period in 2006. The increase in premium is due to strong renewals which grew 2.64 percent. The renewal item count grew 5% compared to the 2006 six-month total.

Comparison of Premium Processed for First Six Months of 2007 and 2006

All values represented in Millions



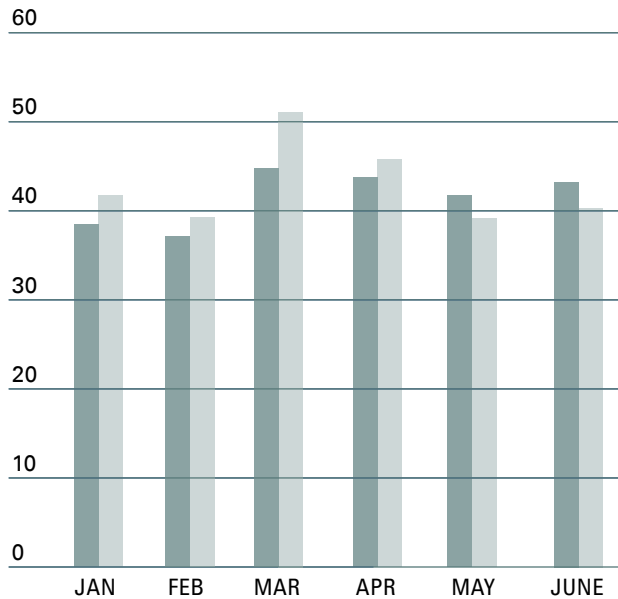
From January through June, U.S. domiciled insurers wrote 80.5% of the California surplus line premiums while Lloyd's wrote 15% and all other alien insurers wrote 3.5%. An additional 1% was written by all other insurers.

■ 2007 ■ 2006

The six-month total for premium processed by the SLA is \$3 billion. If this trend continues, the 2007 total premium volume in California surplus lines will be over \$6 billion for the second year in a row.

Comparison of Items Processed for First Six Months of 2007 and 2006

All values represented in Thousands



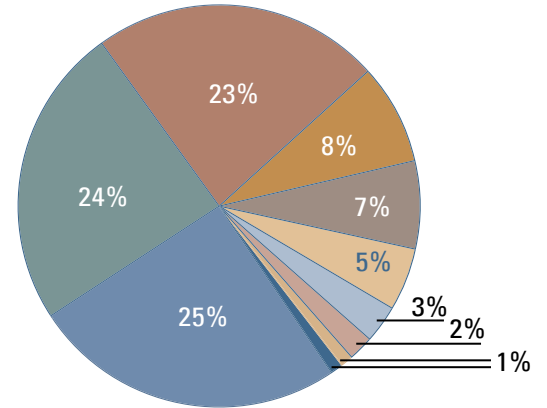
The total number of policies filed with the SLA as of July 1 is 254,654 which is one percent less than the 2006 six-month total.

■ 2007 ■ 2006

Premium Processed by SIC Division for January through June 2007

Chart does not include SIC Divisions with premium processed under 1%

SIC Division	Percentage	Premium
Finance, Insurance, and Real Estate	25%	755,214,170
Services	24%	729,249,708
Construction	23%	699,386,259
Transportation, Communications, Electric	8%	225,409,090
Manufacturing	7%	215,685,149
Retail Trade	5%	157,242,468
Public Administration	3%	74,954,653
Wholesale Trade	2%	58,695,397
Personal Lines	1%	24,222,977
Agriculture, Forestry, and Fishing	1%	23,935,053
Mining	0%	9,357,641
Nonclassifiable Establishments	0%	2,198,747
Policies Processed with no SIC Classification Type	0%	1,219,611
Total		2,976,770,929

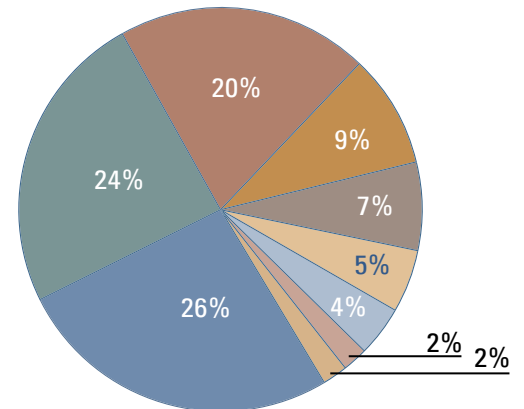


Most premium written in Finance, Services, and Construction.

Item Breakdown by SIC Divisions for January through June 2007

Chart does not include SIC Divisions with item count under 1%

SIC Division	Percentage	Item Count
Construction	26%	66,247
Services	24%	60,494
Finance, Insurance, and Real Estate	20%	51,888
Transportation, Communications, Electric	9%	23,876
Retail Trade	7%	17,394
Manufacturing	5%	11,775
Personal Lines	4%	9,465
Agriculture, Forestry, and Fishing	2%	6,352
Wholesale Trade	2%	5,543
Policies Processed with no SIC Classification Type	0%	731
Public Administration	0%	449
Nonclassifiable Establishments	0%	26
Total		254,654



Most policies written in Construction and Services

Scheduled Educational Events for Surplus Line Association of California

September - November 2007

All our seminars are approved for California Fire & Casualty Broker-Agents (FX)
and Personal Lines Broker-Agents (PL)

California Consumer Services & Market Conduct Activities & the Surplus Lines Market : Navigating the Potential Pitfalls for the Unwary Surplus Lines Producer

Presented by

Dan Brown

Sonnenschein Nath & Rosenthal LLP

Sheryl Lawrence

CA Department of Insurance

Program

Registration & Continental Breakfast at 8:00 a.m.

Seminar 8:30 a.m. - 11:30 a.m. - 3 CE Credits – Course #199258

Dates

Tuesday, September 18, 2007

Hilton Universal City
555 Universal Hollywood Drive
Universal City, CA 91608

Wednesday, September 19, 2007

PG&E Conference Center - Auditorium
245 Market Street
San Francisco, CA 94105

Liability Insurance Challenges for Residential & Mixed Use Construction Projects

Presented by

SUSAN M. BRYAN, AIC, ARM

AIG Excess Casualty

Program

Registration & Continental Breakfast at 7:30 a.m.

Seminar 8:00 a.m. - 12:00 p.m. - 4 CE Credits – Course #199259

Dates

Tuesday, October 16, 2007

Hilton Universal City
555 Universal Hollywood Drive
Universal City, CA 91608

Wednesday, October 17, 2007

PG&E Conference Center - Auditorium
245 Market Street
San Francisco, CA 94105

How to Avoid Losing Your License or LESLI Listing While Conducting California Surplus Line Business

Presented by

James R. Woods

LeBoeuf, Lamb, Greene & MacRae LLP

Program

Registration & Continental Breakfast at 8:00 a.m.

Seminar 8:30 a.m. - 11:30 a.m. - 3 CE Credits – Course #88979

Dates

Tuesday, November 13, 2007

Hilton Universal City
555 Universal Hollywood Drive
Universal City, CA 91608

Wednesday, November 14, 2007

PG&E Conference Center - Auditorium
245 Market Street
San Francisco, CA 94105

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