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REPORT OF THE CHAIRMAN

Due to new surplus line broker (SLB) license requirements, the SLA membership increased by 1,394 licensees in the first quarter of 2008. State legislation passed in 2007 (AB 1639, Chapter 122, Statutes of 2007) changed California's surplus



Warren Stanley
Chairman, 2008

line broker licensing laws by requiring previously endorsed transactors to organizational licenses to become individually licensed as surplus line brokers in order to do business under an organization SLB license. This change applies to both California residents and non-residents. Enclosed is a list of the surplus line broker licenses granted by the California Department of Insurance since January 1, 2008.

The SLA is currently engaged in a rewrite of its governing Constitution to bring it in line with changes in membership and to improve procedures for determining a meeting quorum, voting, electing officers, and amending the Constitution. I anticipate these changes will be put to a vote of the eligible members-at-large sometime this year.

The SLA has completed the first phase of a strategic plan which represents a consensus among the organization's leadership and management concerning the Association's focus, direction and priorities on matters outside of the Plan of Operation. The strategic plan includes goals in the areas of broker education, information management, communication, outreach, automation of broker filings, customer service, member involvement, and productivity. The plan will be completed in June and posted on the SLA website.

As of April 25, 2008, the California Department of Insurance licenses 893 organizations as surplus line brokers (302 of which are nonresident), and licenses 2192 individual surplus line brokers (657 of which are nonresidents).

The SLA has established an electronic filing system that eliminates the need for the submission of hard copy filings by brokers. Agency Management Systems can submit batch filings in the form of data and images directly to the SLA database. Another electronic interface is available that involves manually

logging into the SLA website to upload broker data and images of the standard forms and declaration page. Brokers that want to become electronic filers must first register for the SLA Broker Extranet by contacting support@slacal.org. The

filing system allows brokers to reply and/or print tags with attachment, view and/or print stamping fee invoices, view and/or print filing history, upload and/or file XML data batches, and upload and/or file image batches.

LEGAL UPDATE

TREASURY RELEASES “BLUEPRINT FOR A MODERNIZED FINANCIAL REGULATORY STRUCTURE”

The U.S. Department of Treasury’s “Blueprint for a Modernized Financial Regulatory Structure” (the “Blueprint”) released March 31, 2008 endorses, as expected, an optional federal charter (“OFC”) system for insurers and producers administered by a new Office of National Insurance within the Treasury Department.¹

Under the Blueprint, OFCs would be issued by a newly created Office of National Insurance, which would be modeled on the Office of Comptroller of the Currency which oversees nationally chartered banks. The Blueprint does not endorse, but is consistent with, the OFC legislation currently pending in Congress (H.R.3200/S.40) (the National Insurance Act of 2007), and would include: (1) a system of optional federal chartering, licensing, regulation, and supervision of insurers, reinsurers, and producers; and (2) preemption of many state laws for those entities that opt for a federal charter. The Blueprint and the current OFC legislation, however, assume regulation of surplus line producers would continue to happen at the state level. Neither the Blueprint nor the current OFC legislation include a mechanism for surplus lines eligibility for non-US insurers that are not in a position to become

national insurers. It is possible that the legislation could be amended to more directly address surplus lines as it moves through committee.

Acknowledging that implementation of the Blueprint is a long-term process, the Treasury identified short-, interim-, and long-term objectives. With regards to insurance, the Treasury found that some aspects of insurance regulation “require immediate attention” well-ahead of the “difficult and ongoing” OFC debate and recommended that Congress create an interim Office of Insurance Oversight (“OIO”). The OIO would be housed within the Treasury and have two main purposes: (1) exercise newly granted statutory authority to address international regulatory issues, such as reinsurance collateral; and (2) advise the Treasury Secretary on major domestic and international policy issues.

As its name suggests, the Blueprint provides an outline of broad reforms for the financial system. While the Blueprint contains a description of the surplus lines market and its regulation, it makes no criticism of the existing system of state regulation, nor does it mention the legislation pending in Congress (H.R. 1065/ S.929) (the Nonadmitted and Reinsurance Reform Act “NRRRA”) that would clear out much of the overlap in surplus lines regulation.

¹The Blueprint is available at <http://www.treas.gov/press/releases/reports/Blueprint.pdf>.

On April 17, U.S. Representative Paul Kanjorski (D-PA) introduced the Insurance Information Act of 2008 (HR 5840) which would establish an Office of Insurance Information within the Treasury Department – essentially implementing the Office of Insurance Oversight described in the Treasury’s Blueprint for a Modernized Financial Regulatory Structure.

NONADMITTED AND REINSURANCE REFORM ACT

As previously reported, (August 2007), the NRRRA was passed on a voice vote by the House of Representatives in June 2007 and sent to the Senate Committee on Banking, Housing, and Urban Affairs where an identical bill was already under consideration. The Committee is expected to hold hearings on insurance issues including the NRRRA by early summer. If passed in its current form, the NRRRA would:

- Give exclusive regulatory authority to the insured's home state for the placement of non-admitted insurance;
- Establish a uniform system for the collection and allocation of premium tax obligations related to nonadmitted insurance;
- Establish uniform standards for surplus lines eligibility and one-stop nationwide eligibility for IID-listed and other insurers;
- Preempt state diligent search requirements with respect to sophisticated commercial purchasers;
- Make the ceding insurer's domiciliary state the single point of regulation with respect to credit for reinsurance;

- Prevent states from applying laws in an extra-territorial manner; and
- Create uniformity in reinsurer solvency regulation based on NAIC accreditation requirements.

OUTLOOK

Insurance reform recommendations contained in the Blueprint are unlikely to become law this year. With regards to the Blueprint, Congress has indicated that its immediate focus is on the current housing crisis and recession threat, and that overhauling the financial regulatory system must take a back seat to dealing with the current economic crises.

Long-term, the Treasury is considering big picture questions about the structure of the insurance market. For instance, in its October 2007 request for public comments, the Treasury asked: "Should the States continue to have a role (or the sole role) in insurance regulation? Insurance regulation is already somewhat bifurcated between retail and wholesale companies (e.g. surplus lines carriers). Does the current structure work? How could that structure be improved?"

We will continue to monitor developments in federal legislation closely.

Federal regulation of insurance has become a perennial issue in the U.S. Congress but is not seen as urgent. The federal government is planning to reorganize its oversight of financial industries and has been talking about federal insurance regulation for 12 years -- tapping into a deep well of frustration with the state system. The insurance industry is working with the National Association of Insurance Commissioner's to establish uniformity among the states, but uniformity must also be supported by the state legislatures.

LEGISLATIVE UPDATE

STATE LEGISLATIVE UPDATE

AB 1699 (DUVALL): Passed in the Assembly and referred to the Senate Committee on Banking, Finance & Insurance. The bill is a request from the SLA, and the California Department of Insurance in cooperation with the surplus line brokerage

community to further reduce the licensing fees for surplus line brokers who transact insurance solely for a licensed surplus line broker organization. This bill would require surplus line brokers transacting only on behalf of a surplus line organization to pay in advance a filing fee of \$250 per year or part of a year as specified. All other surplus line

brokers would be required to pay in advance a filing fee of \$500 per year or part of a year as specified. This is a \$200 reduction in licensing fees for 1,994 brokers licensed as individual surplus line brokers after 1/1/08 who plan to transact on behalf of their organization. The bill was heard in the Senate Committee on April 16. The chances of enactment are high.



Surplus Line Brokers are likely to see a \$200 reduction in their biennial license fee thanks to AB 1699 (Duvall).

Assembly Bill 1699 would require that organizations licensed as surplus line brokers provide 2-hours of appropriate training every 5-years to its employees who solicit, negotiate, or effect non-admitted insurance. The bill also requires organizational surplus line brokers that have multiple offices to maintain an individually licensed surplus line broker at each office.

AB 2956 (COTO): This bill would codify the traditional “totality of the circumstances” test for determining whether an insurance professional is acting as a broker or as an agent. Insurance producers need clear guidelines to determine which activities constitute agency and which constitute brokerage. The bill adds a disclosure requirement from retail brokers to the insured and from wholesale brokers to the originating producer in order for the statutory “presumption of broker” to apply. The wholesaler disclosure would include the nature and amount of fees and the fact of any insurer compensation it receives. The bill was heard in the Assembly Committee on Insurance on April 30 and the chances of enactment are low.

AB 2044 (DUVALL): This bill, sponsored by the Department of Insurance, is intended to be a technical clean-up bill. However, the department has indicated that it intends to add provisions that would reduce from 30 hours to 24 hours the mandatory continuing education requirement for property and casualty brokers/agents and allow the Department to issue citations to producers for minor violations of the insurance code. The CDI needs this bill to bring California in compliance with the NAIC uniform standard for broker licensing. No action has been taken on the bill.

AB 3054 (CALIFORNIA DEPARTMENT OF INSURANCE): This bill is an insurance omnibus bill intended as a technical cleanup of the insurance code but includes one provision dealing with the interest calculation for surplus line broker premium tax late payments. The SLA general counsel has advised that this bill presents no problems for surplus line brokers. No action has been taken on the bill.

FEDERAL UPDATE

On March 31 the U.S. Treasury Secretary Henry Paulson, Jr. released a “blueprint” for a stronger regulatory structure in financial services that includes insurance. Secy. Paulson said insurance regulation is almost wholly state-based, with 50+ regulators. This structure raises a number of issues with an international dimension that can be inefficient and costly. The Secretary called for the establishment of an Office of National Insurance within the Treasury Department to oversee an optional federal charter for insurance similar to the dual chartering system for banks. Congress

has not responded well to the Treasury proposal and offered that the Treasury cannot implement these reforms without an act of Congress.

HR 1065/S 929, The Nonadmitted and Reinsurance Reform Act of 2007 was introduced in early 2007 in the House by Rep. Dennis Moore (D-KS), and in the Senate by Senators Mel Martinez (R-FL) and Bill Nelson (D-FL). The bill would require 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. The House bill passed on June 25, 2007. The Senate version faces a much tougher battle.

HR 5611, The National Association of Registered Agents and Brokers Reform Act (NARAB II) was introduced by Rep. David Scott (D-13) on March 13, 2008. The bill provides a federal standard under which producers may receive multi-state licenses on a streamlined basis. It does not impart any regulatory authority at the federal level. The bill was referred to the House Committee on Financial Services where no hearings have been held.

HR 1081/S 618, The Insurance Industry Competition Act of 2007 was introduced in the House by Rep. Peter DeFazio (D-OR) and Sen. Patrick Leahy (D-VT), on Feb. 15, 2007. The bill

would amend the McCarran-Ferguson Act to make the Federal Trade Commission Act, as it related 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 bill also authorizes the Department of Justice and the Federal Trade Commission to use joint statements of their antitrust enforcement policies regarding joint activities in the business of insurance. Hearings have been held in the Senate Judiciary Committee only.

HR 3200/S 40, The National Insurance Act of 2007 was introduced in mid 2007 by Rep. Melissa Bean (D-IL) and Sen. John Sununu (R-NH). The bill 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. The bill is pending in the committees of jurisdiction where no hearings have been held.

HR 5840, the Insurance Information Act of 2008 was introduced on April 17 by Rep. Paul Kanjorski (D-PA). The bill would establish an Office of Insurance Information within the Treasury Department – essentially implementing the Office of Insurance Oversight described in the U.S. Treasury’s Blueprint for a Modernized Financial Regulatory Structure. The bill is not expected to be enacted in 2008.

NARAB II is an updated version of a federal proposal from 1999 to establish a national board to oversee agent licensing and CE standards. Under the proposal, any agent or agency can choose to be a member of the National Association of Registered Agents and Brokers and then be held to a single set of licensing and CE standards in every state in which they do business.

REPORT OF THE DIRECTOR OF THE STAMPING OFFICE



Joy Laughery
Director,
Stamping Office

The SLA has discontinued the mailing of invoices to brokers who have no outstanding balances and/or activity effective March 2008. We will be discontinuing issuance of the quarterly premiums processed report for all brokers as of April 2008.

The Stamping Office results for the first quarter of 2008 show a 39.76 percent increase in total processed premium over last year's figures. However, the increase is due to late filings received and processed that totaled \$ 504,411,612. This was an unusual event, and created the highest premium processed month on record. Without the late filings the filed premium total is \$473,772,930. This is only a slight increase over filed premium in March of 2007.

As of March 31, 2008, the total processed the premium was \$ 1,803,281,395. The item count that comprises the premium volume is 116,105 premium bearing documents. This is a small decrease over last year.

Other items worth noting:

Exciting Broker Extranet news: You can now use the Broker Extranet to upload your batches in addition to answering tags (even those requiring attachments), print prior invoices and see items submitted to our office. This exciting development will save you lots of time and we have received very positive feedback since this new service was implemented. The process is a simple one, and if you understand how to attach a document electronically you are already half way there! Please contact Laura Danoff, Assistant Manager, Education for more information.

WSSLC 2008: It's not too soon to register for Western States Surplus Lines Conference that will be held July 13th thru July 16th. The conference location is The Sun River Resort in Bend, Oregon. The website for all the information you will need for registration, lodging, and educational sessions is: www.wsslc08conference.com

SLA GOES GREEN: DISCONTINUATION OF ZERO BALANCE INVOICE

In accordance with Insurance Commissioner Steve Poizner's vision of a paperless environment, the SLA discontinued the mailing of invoices to brokers with no outstanding balances and/or activity effective March 2008. With the elimination of these invoices, the SLA paper consumption was reduced from 15,000 to 5,000 pages.

In March 2008, there were two sets of mailings: the monthly Invoices and quarterly Statements. Brokers with balances owing and/or filing activity received their regular invoices with the remittance notice, Detail Policy Activity report and Quarterly Premiums Processed report. Those

brokers should continue to sign the invoices and return them to the SLA with a check for the stamping fee amount due.

Brokers with zero balance due and/or no filing activity for the month received a single page Statement which contained the Quarterly Premiums Processed report from January through March 2008. This statement was for record keeping purposes only and does not need to be returned to the SLA. We will discontinue issuing the Quarterly Statements as of April 1, 2008.

If you want to support the Go Green initiative, the Broker Extranet offers the following

features:

- Responding to tags online and uploading attachments to tags
- Uploading of batch data, images or both
- Viewing your accounts receivable history
- Viewing invoices with activities

Other features include reviewing your transaction and accounts receivable history.

The Broker Extranet is located on our website www.slacal.org under Broker Log In. For more information or to sign up, please contact support@slacal.org

MEMBER PROFILE



Anne McNally
Senior Vice President
Chief Compliance
Officer
ABD Insurance &
Financial Services

Anne McNally is a Senior Vice President and the Chief Compliance Officer for ABD Insurance and Financial Services. With the recent acquisition by Wells Fargo, Anne has expanded her role to oversee Compliance for the entire West Region of Wells Fargo Insurance Services.

Anne and her team establish policies and procedures, update compliance training, monitor compliance with office reviews and interact with external regulators and auditors. Anne also serves as a Board Member of ABD Financial Services (Broker Dealer).

Anne joined ABD in June of 1991. She has twenty years experience in the insurance industry, three of those with an insurance company (Transamerica) and the balance in insurance agency operations and management. Anne is a graduate of the University of California, Berkeley (B.A. in Psychology/Business).

Anne is actively involved in the community, including several years of fundraising for the Leukemia & Lymphoma Society and Oakland Children's Hospital, and as a Board Member for Contra Costa Ballet. Anne is also active in various insurance professional organizations including the CIC, CIAB and SLA of California.

As part of Wells Fargo Insurance Services, ABD offers complete insurance and risk management consulting services including executive liability, workers' compensation, property and liability, international programs, employee and executive benefits, 401(k) plans and individual private client and wealth management services. Currently the 14th largest broker of U.S. business individually (3rd largest U.S. retail broker combined with Wells Fargo Insurance Services) and the nation's number one broker of D&O Liability insurance (Towers Perrin Survey), ABD serves the technology community and a wide range of other clients from headquarters in Redwood City, CA and 21 other locations across the western United States. For more information, please visit ABD at www.cybersure.com

The SLA electronic filing system was launched at the end of 2007 with capabilities to handle automatic e-filing of batches. This is a drastic change in procedure for the brokers. Brokers can now log into the broker extranet and upload their batches as well as attach documents to respond to tags. We are planning more options that provide additional ease to the broker workload.

SLA COMMITTEE MEMBERS 2008

EXECUTIVE COMMITTEE

Warren Stanley - Chairman

Wholesale Connection Insurance Services, LLC

Phil Mazur

Swett & Crawford

John Edack

Arch Specialty Insurance Agency, Inc.

Anne McNally

ABD Insurance Services Financial

Les Ross

Tri-City Brokerage, A Division of BISYS
Commercial Insurance Services, Inc

Davis Moore

Worldwide Facilities, Inc.

Ceil Norton

Burns & Wilcox Insurance Services, Inc.

Gerald J Sullivan

Gerald J. Sullivan & Associates, Inc.

Doris Barnett

Colemont Insurance Brokers

Theodore M (Ted) Pierce - Staff Liaison

Surplus Line Association of California

Kris Bauer

AmWINS Insurance Brokerage of CA

STAMPING COMMITTEE

John Edack

Arch Specialty Insurance Agency, Inc.

Chris Brown

Brown & Riding Insurance Services, Inc.

Dean Andrighetto

ACE USA - Westchester Specialty

Frank Cravens

M.J. Hall & Company

Chris Houska

CRC Insurance Services

Patrick Hanley

Socius Insurance Services, Inc.

Mike McGrath

All Risks, LLC

Brokers attending the SLA Annual Meeting in January 2008 approved the nominating committee slate of officers. The top three officers are Warren Stanley – Chairman, John Edack – Vice Chairman, and Les Ross, Secretary-Treasurer.

Pam Quilici

Crouse & Associates Insurance Services of Northern California, Inc.

Joy Laughery - Staff Liaison

Surplus Line Association of California

AUTOMATION COMMITTEE

Pam Quilici

Crouse & Associates Insurance Services of Northern California, Inc.

Bill Buckley

G J Sullivan Company E & S Brokers

Fred Fisher

E.L.M. Insurance Brokers, Inc.

Joe Pospichal

London American General Agency, Inc.

Angela Urrutia

Specialty Insurance Underwriters

Warren Stanley

Wholesale Connection Insurance Services, LLC

Dominique Bourdon - Staff Liaison

Surplus Line Association of California

EDUCATION COMMITTEE

Bob Gilbert

First Mercury Emerald Ins. Services

Tina Epstein

Argonaut Specialty Insurance Services

Katie Freeman

Katie Freeman Insurance Services

Stephanie Reilly, CPCU

Heffernan Insurance Brokers

Steven Stern

Wholesale Connection Insurance Services, LLC

Vienna Murray - Staff Liaison

Surplus Line Association of California

LEGISLATIVE COMMITTEE

Hank Haldeman

Gerald J. Sullivan & Associates, Inc.

Dave Anderson

Anderson & Murison, Inc.

Doris Barnett

Colemont Insurance Brokers

Patrick Hanley

Socius Insurance Services, Inc.

The Executive Committee is the governing body of the SLA and consists of thirteen individual resident surplus line brokers and/or the authorized representatives of organization resident members. The Executive Committee appoints a 5-member Stamping Committee.

Ed Maucere

London American General Agency, Inc.

Anne McNally

ABD Insurance Services Financial

Richard Polizzi

Western Security Surplus Insurance

Les Ross

Tri-City Brokerage, A Division of BISYS Commercial Insurance Services, Inc

Gerald J Sullivan

Gerald J. Sullivan & Associates, Inc.

AUDIT COMMITTEE

Warren Stanley - Chairman

Wholesale Connection Insurance Services, LLC

John Edack

Arch Specialty Insurance Agency, Inc.

Ceil Norton

Burns & Wilcox Insurance Services, Inc.

ADMITTED MARKET LIAISON COMMITTEE

Gerald J Sullivan

Gerald J. Sullivan & Associates, Inc.

Chris Brown

Brown & Riding Insurance Services, Inc.

Ian Fitt

Western Re Management

Hank Haldeman

Gerald J. Sullivan & Associates, Inc.

In addition to heading the Executive Committee, the SLA Chairman heads the Audit Committee and appoints the chairs of the Nominating Committee, Admitted Market Liaison Committee, Automation Committee, Education Committee, and Legislative Committee.

Top 50 California Surplus Line Brokers

Based on Premium Processed through March 31, 2008

RANK	BROKER	PREMIUMS PROCESSED	% OF TOTAL
1	AON RISK SERVICES, INC. OF SOUTHERN CALIFORNIA INSURANCE SERVICES	\$530,420,655	29.41%
2	AMWINS INSURANCE BROKERAGE OF CALIFORNIA, LLC	130,190,699	7.22%
3	WESTERN RISK SPECIALISTS, INC.	120,395,201	6.68%
4	SWETT & CRAWFORD	103,166,419	5.72%
5	MARSH USA INC.	70,886,758	3.93%
6	LOCKTON COMPANIES, LLC	47,696,576	2.64%
7	RISK PLACEMENT SERVICES INSURANCE BROKERS	33,489,648	1.86%
8	AMERICAN E & S INSURANCE BROKERS OF CALIFORNIA, INC.	29,433,107	1.63%
9	BLISS AND GLENNON INC	26,207,741	1.45%
10	WORLDWIDE FACILITIES, INC.	23,310,144	1.29%
11	CRC-STERLING WEST INSURANCE SERVICES, LLC	21,046,559	1.17%
12	COLEMONT INSURANCE BROKERS OF CALIFORNIA, LLC	18,631,376	1.03%
13	HRH E&S SERVICES, LLC	18,551,281	1.03%
14	BISYS COMMERCIAL INSURANCE SERVICES, INC.	18,528,436	1.03%
15	HART, ANTHONY JOSEPH	17,511,909	0.97%
16	CRC INSURANCE SERVICES, INC.	16,760,391	0.93%
17	PARTNERS SPECIALTY GROUP, LLC	16,428,368	0.91%
18	BROWN & RIDING INSURANCE SERVICES, INC.	15,510,082	0.86%
19	BURNS & WILCOX INSURANCE SERVICES, INC.	14,025,537	0.78%
20	HILB ROGAL & HOBBS PROFESSIONAL PRACTICE INS BROKERS, INC.	13,974,515	0.77%
21	FIRST STATE MANAGEMENT GROUP, INC.	13,622,825	0.76%
22	CRUMP INSURANCE SERVICES, INC.	12,876,696	0.71%
23	WILLIS OF NEW YORK INC	12,745,011	0.71%
24	SOCIUS INSURANCE SERVICES, INC.	11,918,284	0.66%
25	HULL & COMPANY, INC.	11,876,297	0.66%
26	WILLIS INSURANCE SERVICES OF CALIFORNIA, INC.	11,751,002	0.65%
27	CROUSE & ASSOCIATES INSURANCE SERVICES OF NORTHERN CALIFORNIA, INC.	11,195,379	0.62%
28	AON RISK SERVICES, INC. OF NORTHERN CALIFORNIA INSURANCE SERVICES	9,843,971	0.55%
29	HARRY W. GORST COMPANY, INC.	9,529,669	0.53%
30	BASS UNDERWRITERS, INC.	9,144,115	0.51%
31	INTERNATIONAL E & S INSURANCE BROKERS, INC.	8,681,765	0.48%
32	WOODRUFF-SAWYER & COMPANY	8,026,608	0.45%
33	ALL RISKS, LTD.	7,331,792	0.41%
34	HILB ROGAL & HOBBS INSURANCE SERVICES OF CALIFORNIA, INC.	7,249,610	0.40%
35	CARPENTER & MOORE INSURANCE SERVICES INC.	7,232,295	0.40%
36	W. BROWN & ASSOCIATES PROPERTY & CASUALTY INSURANCE SERVICES	6,946,745	0.39%
37	COASTAL BROKERS INSURANCE SERVICES INC.	6,549,977	0.36%
38	M.J. HALL & COMPANY, INC.	6,482,437	0.36%
39	NAS INSURANCE SERVICES, INC.	6,224,422	0.35%
40	ZURICH E&S INSURANCE BROKERAGE, INC.	6,214,642	0.34%
41	YATES & ASSOCIATES INSURANCE SERVICES, INC.	5,898,965	0.33%
42	HEFFERNAN INSURANCE BROKERS	5,721,823	0.32%
43	WESTERN SECURITY SURPLUS INSURANCE BROKERS, INC.	5,640,001	0.31%
44	ALL RISKS, LLC	5,639,628	0.31%
45	NEITCLEM WHOLESALE INSURANCE BROKERAGE, INC	5,093,050	0.28%
46	AON/ALBERT G. RUBEN INSURANCE SERVICES, INC.	4,268,402	0.24%
47	MIDWESTERN GENERAL BROKERAGE, INC.	4,152,062	0.23%
48	PETERSEN INTERNATIONAL UNDERWRITERS	3,996,746	0.22%
49	ALEXANDER, MORFORD & WOO, INC.	3,933,056	0.22%
50	A.I. RISK SPECIALISTS INSURANCE, INC.	3,908,172	0.22%
	SUBTOTAL	\$1,519,860,848	84.28%
	ALL OTHER BROKERS	283,420,547	15.72%
	TOTAL	\$1,803,281,395	100.00%

The SLA stamping office results for the first quarter of 2008 show a 39.76 percent increase in total processed premium over 2007 figures for the same period. The increase is due to late filings totaling \$504.4 million. This was an unusual event and created the highest premium processed month on record. Without these unusual late filings, the filed premium total for the first quarter would be a mere .66% above the 2007 total.

Top 50 Nonadmitted Carriers

Based on Premium Processed through March 31, 2008

RANK	CARRIER	PREMIUM PROCESSED	% OF TOTAL
1	LEXINGTON INSURANCE COMPANY	\$336,630,816	18.67%
2	STEADFAST INSURANCE COMPANY	138,520,110	7.68%
3	AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY	94,928,043	5.26%
4	ILLINOIS UNION INSURANCE COMPANY	45,848,323	2.54%
5	COLUMBIA CASUALTY COMPANY	40,401,541	2.24%
6	AXIS SURPLUS INSURANCE COMPANY	35,505,061	1.97%
7	SCOTTSDALE INSURANCE COMPANY	35,403,734	1.96%
8	ADMIRAL INSURANCE COMPANY	33,917,309	1.88%
9	LANDMARK AMERICAN INSURANCE COMPANY	30,923,759	1.71%
10	WESTCHESTER SURPLUS LINES INSURANCE COMPANY	29,404,406	1.63%
11	EMPIRE INDEMNITY INSURANCE COMPANY	28,990,650	1.61%
12	ARCH SPECIALTY INSURANCE COMPANY	28,637,675	1.59%
13	MT. HAWLEY INSURANCE COMPANY	25,880,337	1.44%
14	LLOYD'S OF LONDON SYNDICATE #0033	25,843,822	1.43%
15	EVANSTON INSURANCE COMPANY	24,332,105	1.35%
16	NAVIGATORS SPECIALTY INSURANCE COMPANY	24,034,018	1.33%
17	LLOYD'S OF LONDON SYNDICATE #2623	23,994,901	1.33%
18	INTERSTATE FIRE & CASUALTY COMPANY	22,402,396	1.24%
19	CHUBB CUSTOM INSURANCE COMPANY	22,223,526	1.23%
20	LIBERTY SURPLUS INSURANCE CORPORATION	21,374,623	1.19%
21	LLOYD'S OF LONDON SYNDICATE #2987	20,763,606	1.15%
22	SWISS RE INTERNATIONAL SE	18,810,947	1.04%
23	INDIAN HARBOR INSURANCE COMPANY	18,362,913	1.02%
24	ESSEX INSURANCE COMPANY	18,063,681	1.00%
25	NATIONAL FIRE & MARINE INSURANCE COMPANY	17,841,897	0.99%
26	EVEREST INDEMNITY INSURANCE COMPANY	17,290,392	0.96%
27	HOUSTON CASUALTY COMPANY	16,224,232	0.90%
28	NORTH AMERICAN CAPACITY INSURANCE COMPANY	16,142,592	0.90%
29	GEMINI INSURANCE COMPANY	15,051,389	0.83%
30	COLONY INSURANCE COMPANY	14,648,238	0.81%
31	ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY	14,202,356	0.79%
32	LLOYD'S OF LONDON SYNDICATE #2488	13,870,267	0.77%
33	ST. PAUL SURPLUS LINES INSURANCE COMPANY	13,105,319	0.73%
34	PACIFIC INSURANCE COMPANY LTD.	12,672,663	0.70%
35	LLOYD'S OF LONDON SYNDICATE #2003	12,311,930	0.68%
36	JAMES RIVER INSURANCE COMPANY	11,788,212	0.65%
37	HUDSON SPECIALTY INSURANCE COMPANY	11,358,846	0.63%
38	PRAETORIAN SPECIALTY INSURANCE COMPANY	11,339,473	0.63%
39	AIG EXCESS LIABILITY INSURANCE COMPANY LTD.	10,833,491	0.60%
40	CENTURY SURETY COMPANY	10,498,584	0.58%
41	GREAT LAKES REINSURANCE (UK) PLC	10,342,091	0.57%
42	AMERICAN SAFETY INDEMNITY COMPANY	10,204,908	0.57%
43	ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	9,370,106	0.52%
44	NAUTILUS INSURANCE COMPANY	9,013,530	0.50%
45	LLOYD'S OF LONDON SYNDICATE #0510	8,995,375	0.50%
46	LLOYD'S OF LONDON SYNDICATE #1200	8,804,614	0.49%
47	LLOYD'S OF LONDON SYNDICATE #0623	8,672,923	0.48%
48	FIRST MERCURY INSURANCE COMPANY	8,334,183	0.46%
49	ALLIED WORLD NATIONAL ASSURANCE COMPANY	8,319,253	0.46%
50	COMMONWEALTH INSURANCE COMPANY	8,052,845	0.45%
	SUBTOTAL	\$1,454,488,009	80.66%
	All Other Companies	348,793,386	19.34%
	TOTAL	\$1,803,281,395	100.00%

As of March 31, 2008, the total processed premium was \$1.8 billion. This premium consists of 116,105 premium bearing documents which represents a slight increase compared to the first quarter of 2007.

Top 30 Coverage Codes

Based on Premium Processed through March 31, 2008

RANK	EXPORT	COVERAGE	PREMIUM PROCESSED	% OF TOTAL
1		GENERAL LIABILITY	\$413,909,976	22.95%
2		ERRORS AND OMISSIONS	243,587,114	13.51%
3		ALL RISK COMMERCIAL PROPERTY	238,808,404	13.24%
4	E	COMMERCIAL DIC/STAND ALONE EARTHQUAKE	173,830,729	9.64%
5		EXCESS LIABILITY	93,498,302	5.18%
6		SPECIAL MULTI-PERIL PACKAGE	79,998,547	4.44%
7	E	ENVIRONMENTAL IMPAIRMENT REMEDIATION & POLLUTION	74,580,987	4.14%
8	E	INDIV INSURED W/LARGE SCHED TIV > \$500M	69,689,919	3.86%
9		PROFESSIONAL LIABILITY	63,833,005	3.54%
10		DIRECTORS AND OFFICERS	55,736,567	3.09%
11	E	EXCESS LIABILITY/UNDERLYING NONADMITTED	49,567,470	2.75%
12		MISCELLANEOUS	36,239,672	2.01%
13	E	PRODUCTS/COMPLETED OPERATIONS (STAND ALONE)	27,783,809	1.54%
14	E	EMPLOYMENT PRACTICES LIABILITY	23,189,590	1.29%
15	E	CONTRACTORS ENGAGED IN NEW TRACT HOMES	16,024,569	0.89%
16		INLAND MARINE	13,052,333	0.72%
17		TERRORISM	12,317,669	0.68%
18		AVIATION	10,535,325	0.58%
19		HOSPITALS	9,882,075	0.55%
20		HOMEOWNERS MULTI-PERIL	7,765,011	0.43%
21	E	EVENT CANCELLATION	7,172,099	0.40%
22		AUTO PHYSICAL DAMAGE-COMMERCIAL	5,742,519	0.32%
23		HOMEOWNERS	5,720,196	0.32%
24	E	AVIATION EXCESS LIABILITY	5,254,700	0.29%
25	E	HIGH LIMITS DISABILITY	5,124,474	0.28%
26	E	SECURITY GUARD SERVICES	4,320,414	0.24%
27		GARAGE LIABILITY	4,171,619	0.23%
28		SINGLE FAMILY DWELLING/DUPLEX	3,905,511	0.22%
29		GROUP HEALTH	3,626,445	0.20%
30		CRIME	3,471,052	0.19%
		SUBTOTAL	\$1,762,340,103	97.73%
		All Other Coverages	40,941,293	2.27%
		TOTAL	\$1,803,281,395	100.00%

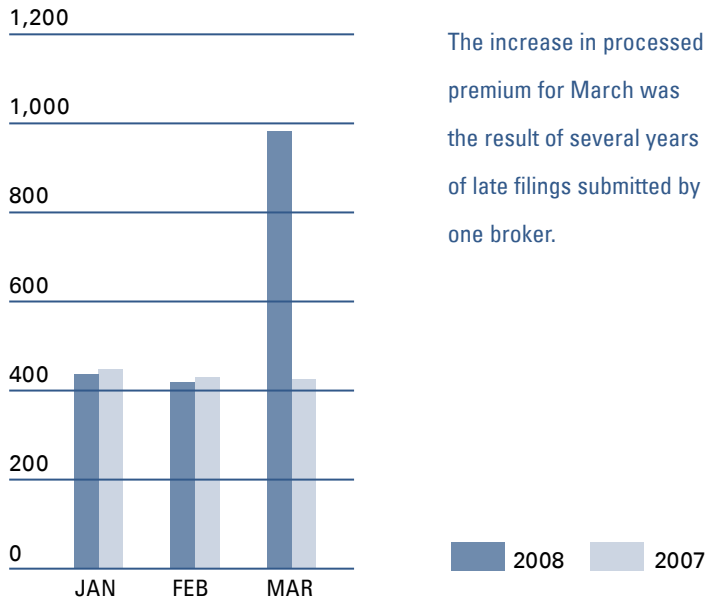
In the first Quarter of 2008, U.S. domiciled insurers wrote 78.46 percent of the total California surplus line premium. Lloyd's wrote 11.04 percent and all other alien insurers wrote 3.78 percent. The remaining 6.73% consists of premium processed under Lloyd's with no syndicate details, premium held in suspense for unknown carriers, inspection and other fees and premium for companies that have been delisted.

Premium Totals by Company Type

COMPANY TYPE	(\$ in thousands)			% of TOTAL 3/31/2008
	3/31/2008	3/31/2007	% GROWTH	
LES LI LISTED COMPANIES				
FOREIGN INSURERS	\$1,414,798	\$1,030,753	37.26%	78.46%
LLOYD'S SYNDICATES	199,011	188,705	5.46%	11.04%
ALIEN INSURERS	68,200	55,428	23.04%	3.78%
SUBTOTAL	\$1,682,010	\$1,274,886	31.93%	93.27%
ALL OTHER	121,272	15,367	689.17%	6.73%
TOTAL	\$1,803,281	\$1,290,253	39.76%	100.00%

Comparison of Premium Processed for 1st Quarter 2008 versus 2007

All values represented in Millions

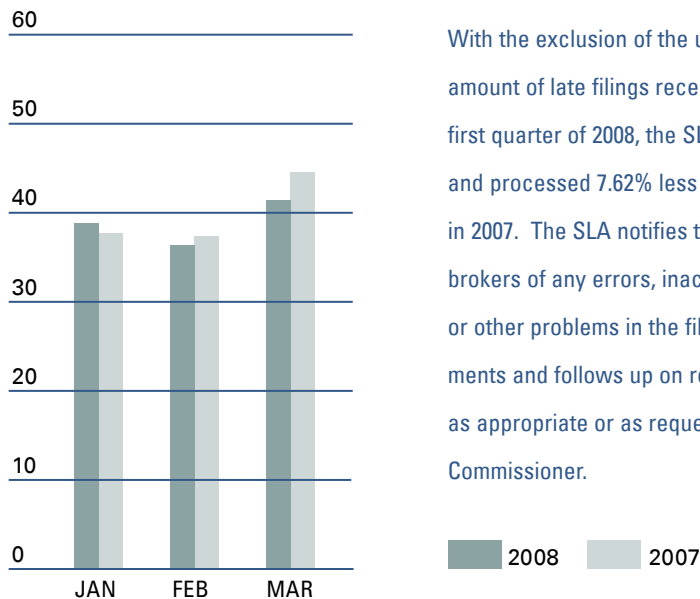


The increase in processed premium for March was the result of several years of late filings submitted by one broker.

The SLA is the Insurance Commissioner's designated recipient of all SL-1 and SL-2 filings and required accompanying documents. The SLA reviews each batch of filings received and records all pertinent information, as required by the Commissioner, in the SLA's computer database. During the review, the SLA determines whether the SL-1 and SL-2 have been fully completed and whether the insurer is on the List of Eligible Surplus Line Insurers.

Comparison of Items Processed for 1st Quarter 2008 versus 2007

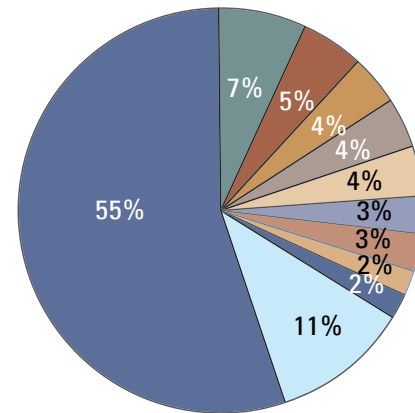
All values represented in Thousands



With the exclusion of the unusual amount of late filings received in the first quarter of 2008, the SLA received and processed 7.62% less filings than in 2007. The SLA notifies the filing brokers of any errors, inaccuracies, or other problems in the filed documents and follows up on responses as appropriate or as requested by the Commissioner.

Issued Tags for 1st Quarter 2008

Tags Description	Percentage	Count
Late Filing with Explanation	55%	19,406
Late Filing	7%	2,310
Incomplete SL2 Form	5%	1,730
Section 7(B) of SL2 Incomplete	4%	1,527
Incomplete SL1 Form	4%	1,489
Lloyd's Syndicate Numbers	4%	1,237
No Record of Policy Endorsement	3%	944
Renewal has No Record of Prior Policy	3%	936
Unlisted Admitted Company	2%	822
Incomplete Admitted Company Names	2%	763
All Other Tags	11%	3,732
Total		34,896



Western States Surplus Lines Conference 2008

The 2008 Western States Surplus Lines Conference will be held at the beautiful Sunriver Resort in Central Oregon from July 13 - 16, 2008. Come enjoy the beauty and relax at the Northwest's premier 4 Star resort surrounded by scenic rivers, pristine golf courses and magnificent mountains. This year's conference is featuring an Education Program and great networking opportunities, as well as plenty of outdoor fun.

Early Registration by Friday, June 13, 2008

Conference Attendee \$ 775.00

Spouse \$ 350.00

Child \$ 250.00

For lodging and current conference information visit:

<http://www.wsslc08conference.com>

Scheduled Educational Events for Surplus Line Association of California

May - June 2008

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

Contractual Liability and Insurance Coverage

Presented by

Robert J. Marshburn, CRM, CIC, ARM, CRIS, CISC

Founder and Principal

R.J. Marshburn & Associates

CertifiedRiskManagers.com

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

Seminar 8:00 a.m. - 12:00 p.m. - 4 CE Credits - Course # 207582

Dates

Tuesday, May 20, 2008

Hilton Universal City

555 Universal Hollywood Drive

Universal City, CA 91608

Wednesday, May 21, 2008

PG&E Conference Center - Auditorium

245 Market Street

San Francisco, CA 94105

(use rear entrance)

Personal Lines: Coverage Gaps That'll Getcha!

Presented by

Ruth F. Cazden, CPCU

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

Seminar 8:30 a.m. - 11:30 a.m. - 3 CE Credits - Course #206636

Dates

Tuesday, June 17, 2008

Hilton Universal City

555 Universal Hollywood Drive

Universal City, CA 91608

Wednesday, June 18, 2008

PG&E Conference Center - Auditorium

245 Market Street

San Francisco, CA 94105

(use rear entrance)

Other Upcoming Events

May 6 **Rancho Mirage**

June 10 **Santa Barbara**

July 8 **San Diego**

August 5 **Orange County**

PLEASE CHECK OUR WEBSITE FOR UPDATES

www.slacal.org – under "Education"

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