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REPORT OF THE CHAIRMAN

The Executive Committee and the Stamping Committee have approved an increase in the stamping fee from .125% to .225% effective January 1, 2009. In the coming year, the processed premium is expected to drop significantly. This



Warren Stanley
Chairman, 2008

is based on 2008 trends and a 2009 projection that includes both premium volume considerations and overall economic activity. The stamping fee is a calculation of the processed premium predicted for the following year. Thus the stamping fee must be increased. The SLA has NOT experienced an increase in expenses. Expenses have remained steady over the last four years. See SLA Bulletin #1163 for details on how the stamping fee change applies to new, renewal, and non-

renewal business as well as extension endorsements.

The January through September 2008 SLA data shows a decline in California surplus line premium volume. The \$4.5 billion in total surplus line premium processed by the SLA in the first 9-months of 2008 is almost even with last year's 9-month total. However, when a one-time jumbo late filing received by the SLA in the first quarter is subtracted, it becomes clear there has been a 12% decrease in premium volume over the last 9 months. The SLA has processed 358,746 surplus line insurance policies through September which represents a 5% decrease compared to the 2007 nine-month total.

There are currently 95 U.S. domiciled insurers on the List of Eligible Surplus Line Insurers (LESLI) and 31 alien and 70 Lloyd's syndicates for a total of 196 entities. There are 9 insurer applicants pending the LESLI. From January through September, U.S. domiciled insurers wrote 79.24% of the California surplus line premiums while Lloyd's wrote 14% and all other alien insurers wrote 2.89%. An additional 3.88%

The recent enactment of California Assembly Bill 2956 (Coto), changes the definition of agent and broker in California Code sections 1621 and 1623 to reflect that they transact in the "admitted" market. Surplus line brokers are not affected by the bill and remain governed by Part 2, Chapter 6 (Sections 1760 et seq. of the CA code). The new Section 1623(b) permits wholesale intermediary brokers to avail themselves of the presumption (that they are a broker as opposed to an agent) if they provide the disclosures prescribed by the bill (see Legislative Update, Pg. 4).

was processed as premiums held in suspense for unknown carriers, broker fees, or coverage written by carriers that have not been properly identified or were de-listed, or Lloyd's without syndicate details.

The SLA membership was recently asked to vote on amendments to the Constitution approved by the Executive Committee. An affirmative "yes" vote among 2/3 of eligible voters is required to amend the SLA Constitution. Eligible voters are defined as resident surplus line broker licensees who have filed one or more SL-1 or SL-2 Form with the Association within the 12-months immediately preceding the date of the annual meeting of the Association. The amendments are needed because the existing Constitution is out-of-date. For example, the existing constitution allows voting only by U.S. Postal Service mail or facsimile transmission; electronic mail is not recognized. The existing Constitution also divides the membership and related quorum requirements between Northern California and Southern California, a geographic division that was necessary for vote taking in 1938 but no longer serves any apparent purpose. On October 30th, the SLA received vote number 255 which

represents the 2/3 vote required for adoption.

The recent enactment of California Assembly Bill 2956 (Coto), changes the definition of agent and broker in California Code sections 1621 and 1623 to reflect that they transact in the "admitted" market. Thus, surplus line brokers are not affected by the bill and remain governed by Part 2, Chapter 6 (Sections 1760 et seq. of the CA code). The newly created Section 1623(b) permits wholesale intermediary brokers to avail themselves of the presumption (that they are a broker as opposed to agent) if they provide the disclosures prescribed by the bill as follows: that the person is transacting on behalf of the consumer; a description of the basic services to be performed as a broker; amount of the broker fee charged; if applicable, the fact that the broker may be entitled to receive compensation from the insurer resulting from the consumer's purchase of insurance. The duty of disclosure of fees, by wholesale brokers in the admitted market is limited to disclosure to their retail broker/agent. The law goes into effect January 1, 2009. See "Legislative Update" on page 6 for further details.

To qualify as the surplus line advisory organization to the Commissioner of Insurance, the Surplus Line Association of California "must file with the Commissioner a copy of its constitution", (CIC Sec. 1780.54(b) (1).

LEGAL UPDATE

AMENDING THE SLA CONSTITUTION

On September 22, 2008, significant amendments to the Constitution of the Surplus Line Association of California (the "Association") were submitted

to the eligible voting membership for approval. An affirmative vote of two-thirds of such members, or 252 eligible voting members, is required to adopt the amendments. Voting is open until October 31, 2008, unless extended.

This vote is the culmination of a process initiated by the Executive Committee of the Association in 2007, when it commissioned a legal review of the Association’s Constitution with the objective of identifying archaic provisions. Many provisions of the existing Constitution date from the Association’s formation in 1938. Although the Constitution has been amended, most recently in 2003, certain of its provisions remain archaic. For example, provisions addressing voting methods and meetings no longer make sense in light of modern communications technology, transportation, and business operations. The revisions have been designed to modernize and clarify such archaic provisions.

A brief overview of the most significant changes contained in the amendments follows:

Quorum and voting eligibility requirements are modified to parallel the voting requirements established for amendment of Article XII of the existing Constitution pursuant to the 2003 amendment of that Article.

Amendment of the Constitution requires a two-thirds vote of resident members who have made an SL-1 or SL-2 Form filing within the 12 months preceding the vote. The amendments apply the same SL-1 or SL-2 Form filing definition to quorum requirements, eligibility to vote for election of officers at the annual meeting, and the conduct of Association business requiring a vote of the Membership.

The amendments provide that only resident members who have “transacted” under their own license during the past year – i.e. made one or more SL-1 or SL-2 Form filings during

the twelve months immediately preceding a vote – are eligible to vote or eligible to be counted for purposes of determining a quorum. Accordingly, resident members who are endorsed to an organizational license and do not “transact” under their own license are not eligible to vote or to be counted for quorum purposes to elect officers or to conduct other Association business requiring a vote of the Membership.

The amendments permit votes to be taken “at a meeting, or by mail, electronic mail, facsimile, or via other modern communications technology...” This revision replaces the existing U.S. Postal Service mail and facsimile voting methods to take account of changes in modern communications technology such as electronic mail. The updated voting methods apply to election of officers, committee meetings, and amendments to the Constitution.

The amendments replace archaic Arbitration provisions with provisions permitting appointment of a Mediator for a term of not more than 12 months and establish flexible procedures for mediation under the auspices of the appointed Mediator or other alternative dispute resolution, as appropriate, at the discretion of the Executive Committee.

Various other provisions of the existing Constitution are clarified in the revised Constitution to conform more clearly to established Association governance and operating practices.

To promote fair dealing between Members and with the public, help ensure that consumers in the State of California who have insurance needs that cannot adequately be met through the admitted insurance market have access to financially sound and reputable nonadmitted insurers, and encourage proper use of the surplus line market, consistent with the public interest (Article IV(2), Purposes & Powers, SLA Constitution).

Under AB 2956, if wholesalers in the admitted market want the legal presumption of broker vs. agent, they must provide a written disclosure to their retail producer describing the basic services to be performed as a broker, the amount of all broker fees being charged by the wholesaler, and, if applicable, the fact that the wholesaler may receive compensation from the insurer, directly or indirectly, as a consequence of the consumer's purchase of insurance. The legislation further protects wholesale brokers from being construed as agents by allowing them to collect, transmit premium or return premium and deliver policies and other evidence of insurance.

LEGISLATIVE UPDATE

STATE LEGISLATIVE UPDATE

AB 2956 (COTO): Signed into law by the Governor on September 25 and becomes effective January 1, 2009. This bill codifies the traditional "totality of the circumstances" test for determining whether



AB 2956 (Coto), which establishes a legal distinction between an agent and a broker, is applicable to insurance transactions in the "admitted" market only.

an insurance professional is acting as a broker or as an agent. This is subject to several specific criteria with which a broker must comply to gain the presumption that it is acting as a broker, and several specific criteria that may be used to rebut the presumption that a licensee is acting as a broker. This legislation is applicable to transactions in the "admitted" market only and thus, surplus line brokers remain governed by Part 2, Chapter 6 (Sections 1760 et seq. of the CA Code). The legislation was necessary because insurance producers need clear guidelines to determine which activities constitute agency and which constitute broker-

age. The bill includes a disclosure requirement from retail brokers to insureds and from wholesale brokers to the originating producers in order for the statutory "presumption of broker" to apply. The wholesale intermediary broker disclosure must be in writing to the retail producer, including a description of the basic services the wholesaler will perform as a broker, the amount of all broker fees being charged by the wholesaler, and, if applicable, the fact that the wholesaler may be entitled to receive compensation from the insurer, directly or indirectly, for the consumer's purchase of insurance as a consequence of the transaction. The legislation further protects wholesale intermediary brokers from being construed as agents by allowing them to collect, transmit premium or return premium and deliver policies and other documents evidencing insurance without being construed to be an insurance agent.

AB 1699 (DUVALL): New law effective June 13, 2008. The California Department of Insurance issued a June 27 notice informing all California Surplus Line Brokers that the licensing fees for brokers who transact solely on behalf of a surplus line broker business entity was reduced from \$700 to \$500. The fee for surplus line brokers who does not solely transact on behalf of a surplus line broker business entity license was increased from \$700 to \$1,000 (see SLA Bulletin #1159).

The law also requires surplus line business entities

to provide two hours of training to its employees who solicit, negotiate, or effect insurance coverage placed by a nonadmitted insurer. The training is to be given to each eligible employee every five years. The Surplus Line Association of California will develop a curriculum for the training.

Finally, the Insurance Code was amended to clarify the criteria for surplus line broker business entities to use when determining the minimum number of individuals to license as surplus line brokers. Specifically, Section 1765.2 (a) now states that, "a licensee under this chapter may be issued to an individual or any legal business entity. If issued to a business entity or individual that maintains more than one surplus line office from which it transacts that business with California residents, it shall name the natural person or persons located at each such surplus line office maintained by the licensee who is or are to be responsible for the proper discharge at each office of all duties placed upon the licensee acting as a surplus line broker. Each natural person shall meet all of the requirements for the license."

AB 2044 (DUVALL): This bill was signed by the Governor on September 25 and becomes effective January 1, 2009. The law is intended to be a technical clean-up bill sponsored by the Department of Insurance to give the Insurance Commissioner the authority to issue citations and assess administrative fines for minor violations of the Insurance Code, and makes a number of technical, corrective and clarifying amendments to the Insurance Code. The bill includes a provision that reduces from 30 to 24, the mandatory hours for annual continuing education credits for Fire and Casualty Broker/

Agents who have had a license for at least 4 years. The CDI sought this provision to bring California in compliance with the NAIC uniform standard for broker licensing.

AB 3054 (CALIFORNIA DEPARTMENT OF INSURANCE): This bill was vetoed by the Governor on September 28. This was 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 had advised that this bill presented no problems for surplus line brokers.

AB 1088 (CARTER): Signed into law by the Governor on September 30 and becomes effective January 1, 2009. This bill would exempt the risk portion of any blended finite risk product used in the financing element of state or federal Superfund environmental settlements, as specified, from the 3% gross premium tax on surplus line brokers. The bill is intended to help the City of San Bernardino by allowing segregation of the risk portion of coverage from the financing portion so the premium tax only applies to the risk portion.

AB 2044 (Duvall) reduces from 30 to 24, the mandatory hours for annual continuing education credits for Fire and Casualty Broker/Agents who have had a license for at least 4 years.

FEDERAL LEGISLATIVE UPDATE

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 pre-

“Congress continues to vote regularly on insurance matters. In order to create the most effective and sensible legislation, we, as lawmakers, must educate ourselves on insurance policy and build a knowledge base in the federal government on these issues. An Office of Insurance Information (HR 5840) would help initiate such sought after results,” U.S. Representative Paul E. Kanjorski (D-PA).

mium 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 failed to act on the bill in 2008. An amended version of the bill is expected to be reintroduced in 2009.

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 House Financial Services Subcommittee on Capital Markets marked up the bill July 9, 2008 the bill passed on the House floor on September 17. No action is expected in the Senate. The bill will have to be reintroduced in the next Congress.

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 bills are pending in their 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. On July 9, 2008, the House Financial Services Committee marked up the bill for consideration by the full committee. The bill failed to come up for a vote on the House floor and will have to be reintroduced by its sponsors in the next Congress.

HR 5792, The Increasing Insurance Coverage Options for Consumers Act of 2008 was intro-

duced by Rep. Dennis Moore (D-KS). The bill would amend the Liability Risk Retention Act of 1986 to cover risk retention groups offering commercial property insurance. Applies the exemption of purchasing groups from state law to commercial property insurance. Revises the procedures for submitting financial documents to state insurance

commissioners, mandatory disclosures, and prohibits states from regulating risk retention groups not chartered or licensed in such state, except as permitted under this act. The House Financial Services Subcommittee on Capital Markets marked up the bill on July 9, 2008 for consideration by the full committee.

REPORT OF THE DIRECTOR OF THE STAMPING OFFICE



Joy Erven
Director,
Stamping Office

The first nine months of 2008 have been very challenging for the Surplus Line Association. The Data Processing department has processed \$4,521,160,326 in premiums. This is a .55% decline from last year's filed premium. We expect \$5.5 billion in processed premiums for this year, however

we do expect a sharp decline in premiums for 2009. We are currently evaluating the stamping fee and premium processed to determine goals for next year. A bulletin was sent in mid October informing the membership of the stamping fee increase from .125% to .225% effective effective 1/1/09.

Also as a reminder our Annual Meeting will be held January 26, 2009 in San Francisco and on January 28, 2009 in Los Angeles. The first part of the Annual Meeting will consist of election of officers, Report of the Secretary/Treasurer, as well as a legal update by our counsel – Dewey & LeBoeuf. After the meeting is adjourned the SLA will host lunch. Please look for the bulletin that will go out in December with more information and be sure to RSVP. Our Annual Meeting is a great opportunity to catch up with old acquaintances and make new contacts in the insurance industry. I hope to see you there!

As of October 20, 2008, the SLA has 3,872 members of which 2,592 are resident brokers and 1,280 are nonresident brokers. Of the combined resident and nonresident brokers, 946 are organizational licensees and 2,926 are individual licensees.

New Brokers Added to Membership Since July 28, 2008

Business Entity Licenses:

Allied North America Insurance Brokerage of Arizona, LLC
AmWINS Brokerage of Georgia, LLC
AmWINS Brokerage of Texas, Inc.
CBIZ Insurance Services, Inc.
Chas G. Haake & Sons, Inc.

Deposit Alternative, LLC
FSIC Insurance Agency, LLC
Genevea Risk Services - Midwest, LLC
Harn & Lechler Insurance Services, LLC
Lawyers Pacific Insurance

Brokerage, Inc.
Macchia General Insurance Agency
Momentous Insurance Brokerage Inc.
PetFirst Healthcare, LLC
Risk Specialists Companies
Insurance Agency, Inc.

“Member” means a licensed surplus line broker that has satisfied the requirements of Article V, paragraph 1. “Membership” means the collective body of Members of the Association, or the status of being a Member (Article I(2), Definitions, SLA Constitution).

S Philips Surety & Insurance Services Inc
S. H. Smith Insurance Agency of Minnesota, Inc.
Safebuilt Insurance Services, Inc.
Stanton Group Risk Management Services, LLC
Thatcher Aviation Risk Services & Insurance Solutions, LLC
Thaxton & Associates Creative Insurance Services
TIP National, Inc.
Willis of Tennessee, Inc.
XS Specialty LLC

Individual Licenses:

Adams, George Henry III
Adams, Gisela Lina
Alcantar, Daren Daniel
Allen, Andrew Matson
Andrews, Stanley Todd
Autery, Pamela Dawn
Ayoob, James Richard
Baiseri, Alexander
Baker, John Thomas
Banez, Lopes Laurie
Barber, Elizabeth Amy
Barbera, Irene Mary
Barrett, Patricia Arellano
Bass, Ricky Allen
Bautista, Rowena Borja
Bell, Michael Joseph
Bewlay, Nancy Margaret
Bickle, Cindy Marie
Bisson-Worthington, Regina Marie
Blazina, Charles Michael
Bontempo, Paul William
Bragg, William Albert
Brandt, Craig Louis
Buchanan, Kathleen Hennessey
Bushkuhl, Michael Bethany-Belle
Cabreza, Julieta Taino
Candy, Timothy Odenfield

Carlton, Vera Darlyne
Carson, Susan Wells
Castillo, David Alan
Cesare, Thomas Dominick
Ciavola, Cynthia Ann
Cline, Christine Kettlewell
Cook, Deepa Gupta
Corbett, John Jay
Corrigan, Kelly Ann
Croslin, Jessica Lynn
Dady, Brett Heie
D’Aprile, Richard William
Daugherty, Corey Edward
Davis, Rosa Marina
Day, Craig Lehan
Dean, Lauren Michele
Del Carlo, Laura Ferrari
Dennis, Gail Ann
Depatten, Jennifer Ann
Derrenberger, Mark Daniel
Digirolamo, Irene Therese
Dillon, Paul Jason
Domasian, Amelia Rosario
Domay, Amy Lyn
Dow, William Robert
Eardley, Anthony Scott
Eisenberg, Marla Jean
Elkins, Stephen Robert
Engman, Renee Marie
Erickson, John Scott
Escobar, Norma Elizabeth
Esqueda, David Paul
Fenn, Thomas Edward
Ferem, Teresa Catherine
Flury, Gerald George
Forand, Richard Leo
Freeman, Nicholas Michael
Fritzberg, Gayle Marie
Garcia, Bernardo Yuson
Gassen, Mark David
Giannini, Anne Patricia
Glick, Gregg William
Golston, Vivian
Gonsalves, Ryan James

Gould, Martin
Graves, Michael Scott
Green, Mark Atchley
Gukenberger, Jeffrey Arnold
Haefner, Matthew Brendan
Haenig, Sharon Ann
Hall, Lorna Denise
Halvorsen, Marc Vern
Hamblin, Andrew
Hancock, Amanda Eden
Hanley, David Johnson II
Harrell, Andrew Robert
Hathorn, John Eric
Herman, Steven Michael
Herndon, Harold Lester-Leonard
Herron, Frank Richard
Hersh, Julia Marie
Hill, James Robert
Hobby, Judson Luther II
Hogan, Margaret Ann
Holden, William Willard
Hunziker, Stephen Earl
Ildefonso, Raquel Santos
Ingram, Renee Kennison
Ivancic, Kathryn Margaret
Iverson, Karen Marie
Iverson, Mark Allen
Jacobson, Annie Elizabeth
Jadach, Steven
Janes, Brian Dean
Jesser, James Ronald
Jester, Douglas Robert
Johndrow, Nicholas Merritt
Johnson, Salane Maeve
Johnston, James Mason
Karpenko, Mark Victor
Kelly, Mae Frances
Kennard, Paula Lee
Kerner, Robert Fredrick
Khabbaz, Fouad Joseph
Klausner, Chris Gallant
Klauss, Daniel David
Koot, Shirley Abadeza
Korn, Michael Jude

Kramer, Jack Phillip
 Kramer, Steven Jeffrey
 Kunney, Marc Robert
 Lazzaroni, David Charles
 Lechler, Horst Leonhard
 Lee, Tony T.
 Light, Russell Wellington
 Liner, David Michael
 Lintlop, Roger Edward
 Lockhead, Lisa
 Lomax, Emily Ann
 Lowe, Stephen Taylor
 Lymore, Stephanie Antonieta
 Macchia, Joseph Dominick
 Manley, Kelly Rae
 Mann, Gregory Samuel
 Mascorro, Carlos Enrique
 McClinton, Stephanie Christian
 McDowell, Jorden
 McGee, Gina Lynn
 McGill, Kevin
 McGowan, Thomas Bernard III
 Mendoza, Judith Lanehart
 Mercado, Tracy Ann Vasquez
 Moore-Altes, Jane Menefee
 Moraes, Anthony Cruz
 Morgan, Scott David
 Morisaki, Gloria Jean
 Moroney, John Joseph
 Newell, William A
 Ngo, Lan The
 Nitz, Christine Michelle
 Noble, Janice Rolene
 Norman, Brian Jackson
 Norouzi, Homayoun
 Oliver, David Paul

O'Neill, Timothy William
 Orphan, Kevin Joel
 Orr, Beth Shafer
 Orr, John Michael
 Overmyer, Gregory Ross
 Pedrero, Eduardo
 Philips, Shahesta Makram
 Pierce, John Andrew
 Pike, David Eric
 Pitts, Kari Kay
 Pourziaee, Michael
 Prentice, Gregory Scott
 Prentis, John Robert
 Price, Joshua David
 Prince, Duncan Earl Jr
 Przedpelski, John Edward
 Railey, Frances Johnson
 Reback, Larry Adam
 Ring, Robert Lee
 Roller, Brian Russell
 Rosenberg, Andrew Louis
 Rozzi, James Thomas
 Ruggles, Mark Joseph
 Ruiz, Debra Elaine
 Salvagio, Phillip
 Samie, Farzaneh
 Savoia, Carl Mario
 Schnuriger, Cynthia Lee
 Sellke, Kevin Donald
 Sevilla, Neptaly
 Sheridan, Thomas Eugene
 Singh, Amrit
 Smith, June La Shawn
 Snyder, Michelle Frances
 Southall, Graham Douglas
 Starnes, Andy Thomas

Stasi, Marcy Lyn
 Stebbing, Ethel Margaret
 Stinnett, Rebecca Zane
 Stone, Nathaniel Jason
 Strandberg, Robert Salant
 Talsma, Yvette Janine
 Tatara, Marcia Anne
 Taylor, Kim Elizabeth
 Tejeski, Donald John
 Tewhill, Susan Jean
 Thomas, Nancy Rose
 Varnell, Susan Lee
 Vexter, Peter Lewis
 Villar, Terrence Patrick
 Visconti, Rina
 Vitanza, Vincent Joseph
 Volmer, Jacqueline Marie
 Walsh, John Francis
 Warrender, Richard Victor
 Watson, Brenda Bennett
 Webster, Kelly Rae
 West, Timothy Jay
 Wheeler, Jennifer Lyn
 Whiteford, Lucille
 Wilcox, Jonathan Winston
 Williams, Brendan David
 Williams, James Henry
 Williams, James Ralph
 Wright, John Alan
 Yanez, Gustavo Augusto
 Yearsley, Nancy Wistar
 Young, Stuart Patrick

To monitor, facilitate and encourage compliance by Members, non-admitted insurers, and other licensees and persons subject to the Surplus Line Law, and to discourage and seek to prevent non-compliance with the Surplus Line Laws (Article IV(1), Purposes and Powers, SLA Constitution).

SLA Membership Totals as of October 20, 2008:

| | | | |
|----------------|-------|--------------------------|-------|
| CA Corporate: | 616 | Non-Resident Corporate: | 330 |
| CA Individual: | 1,976 | Non-Resident Individual: | 950 |
| Total CA | 2,592 | Total Non-Resident | 1,280 |

Total Membership Count: 3,872

MEMBER PROFILE



Thomas R Petersen MBA, RHU

Vice President, Chief Information Officer

Thomas R. Petersen attended California State University at Northridge and later earned an MBA in International Business at Pepperdine University in 1985 before joining Petersen International Underwriters in 1986. As Vice President/Chief Information Officer, Thomas' duties involve product development, industry liaison, legal counsel liaison and national association representation. Thomas is a Registered Health Underwriter, a licensed investigator, a Life Fellow of the American College of Forensic Examiners and an Emergency Medical Technician.

Thomas is one of the Principals of Petersen International Underwriters, and is involved in the insurance industry as an active member and officer of local, state and national insurance associations.

The Petersen International Underwriters team has authored various trade magazine articles and monthly newsletters. They are also public speakers, including appearances before the Million Dollar Round Table, an association of Financial Professionals. Petersen International Underwriters has developed study courses for many colleges, including Michigan State, Purdue, Florida State, Tulane, Norte Dame, USC, Butler and Indiana State. They've also served as instructors for the Life Underwriters Training Council, the Disability Insurance Training Council and parts of the CLU and CPCU curricula.

Petersen International Underwriters is owned by four partners – W. Harold Petersen, Thomas Petersen, Mike Petersen and Mark Petersen. While the ownership is between two generations, there are actually three generations of the Petersen family working in the company. Out of 30 employees, eight of them are in the Petersen family. "It makes it easy when someone calls and asks to speak to Mr. Petersen!"

Authorized Representative: An individual resident or non-resident Member may, and each organizational resident or non-resident shall, designate an "authorized representative." A Member's authorized representative shall have all the authority of a Member as ascribed to such a Member under the SLA Constitution, including but not limited to, authority to be counted towards a quorum and to vote on the Member's behalf if such authority is granted to the relevant member under the SLA Constitution (Article V(3) Membership, SLA Constitution).

Top 100 California Surplus Line Brokers

Based on Premium Processed through September 30, 2008

| Rank | BROKER | PREMIUMS PROCESSED | % OF TOTAL |
|------|--|--------------------|------------|
| 1 | AON RISK SERVICES, INC. OF SOUTHERN CALIFORNIA INSURANCE SERVICES | \$559,023,839 | 12.36% |
| 2 | WESTERN RISK SPECIALISTS, INC. | 377,590,560 | 8.35% |
| 3 | MARSH USA INC. | 308,821,855 | 6.83% |
| 4 | SWETT & CRAWFORD | 298,828,099 | 6.61% |
| 5 | AMWINS INSURANCE BROKERAGE OF CALIFORNIA, LLC | 273,032,108 | 6.04% |
| 6 | AON RISK INSURANCE SERVICES WEST, INC. | 119,041,700 | 2.63% |
| 7 | BLISS AND GLENNON INC | 107,945,042 | 2.39% |
| 8 | LOCKTON COMPANIES, LLC | 104,640,020 | 2.31% |
| 9 | RISK PLACEMENT SERVICES INSURANCE BROKERS | 96,104,549 | 2.13% |
| 10 | AMERICAN E & S INSURANCE BROKERS OF CALIFORNIA, INC. | 82,790,922 | 1.83% |
| 11 | WORLDWIDE FACILITIES, INC. | 74,905,821 | 1.66% |
| 12 | HART, ANTHONY JOSEPH | 71,335,662 | 1.58% |
| 13 | PARTNERS SPECIALTY GROUP, LLC | 61,162,153 | 1.35% |
| 14 | BROWN & RIDING INSURANCE SERVICES, INC. | 52,153,334 | 1.15% |
| 15 | CRC-STERLING WEST INSURANCE SERVICES, LLC | 51,380,400 | 1.14% |
| 16 | COLEMONT INSURANCE BROKERS OF CALIFORNIA, LLC | 49,961,699 | 1.11% |
| 17 | BISYS COMMERCIAL INSURANCE SERVICES, INC. | 48,017,091 | 1.06% |
| 18 | FIRST STATE MANAGEMENT GROUP, INC. | 46,094,156 | 1.02% |
| 19 | CRUMP INSURANCE SERVICES, INC. | 45,043,661 | 1.00% |
| 20 | CROUSE & ASSOCIATES INSURANCE SERVICES OF NORTHERN CALIFORNIA, INC. | 42,826,997 | 0.95% |
| 21 | CRC INSURANCE SERVICES, INC. | 42,653,404 | 0.94% |
| 22 | BURNS & WILCOX INSURANCE SERVICES, INC. | 41,314,779 | 0.91% |
| 23 | HRH E&S SERVICES, LLC | 37,141,286 | 0.82% |
| 24 | HULL & COMPANY, INC. | 36,123,111 | 0.80% |
| 25 | WILLIS INSURANCE SERVICES OF CALIFORNIA, INC. | 34,744,012 | 0.77% |
| 26 | SOCIUS INSURANCE SERVICES, INC. | 33,997,538 | 0.75% |
| 27 | INTERNATIONAL E & S INSURANCE BROKERS, INC. | 31,224,134 | 0.69% |
| 28 | BORISOFF INSURANCE SERVICES, INC. (DBA: MONARCH E & S INSURANCE SERVICES) | 31,215,580 | 0.69% |
| 29 | BASS UNDERWRITERS, INC. | 30,909,051 | 0.68% |
| 30 | TRACKSURE INSURANCE AGENCY, INC. | 30,687,255 | 0.68% |
| 31 | WOODRUFF-SAWYER & COMPANY | 29,016,940 | 0.64% |
| 32 | HARRY W. GORST COMPANY, INC. | 25,846,129 | 0.57% |
| 33 | ARTHUR J. GALLAGHER & CO. INSURANCE BROKERS OF CALIFORNIA, INC. (GLENDALE) | 23,949,899 | 0.53% |
| 34 | WESTERN RE/MANAGERS INSURANCE SERVICES, INC. | 23,128,095 | 0.51% |
| 35 | WILLIS OF NEW YORK INC | 22,711,510 | 0.50% |
| 36 | W. BROWN & ASSOCIATES PROPERTY & CASUALTY INSURANCE SERVICES | 19,236,349 | 0.43% |
| 37 | ALL RISKS, LLC | 18,810,551 | 0.42% |
| 38 | M.J. HALL & COMPANY, INC. | 18,161,008 | 0.40% |
| 39 | NEITCLEM WHOLESALE INSURANCE BROKERAGE, INC | 17,922,762 | 0.40% |
| 40 | ALL RISKS, LTD. | 17,666,803 | 0.39% |
| 41 | JOHN L. WORTHAM & SON, L.P. | 16,776,522 | 0.37% |
| 42 | COASTAL BROKERS INSURANCE SERVICES INC. | 16,645,770 | 0.37% |
| 43 | HILB ROGAL & HOBBS PROFESSIONAL PRACTICE INS BROKERS, INC. | 16,444,820 | 0.36% |
| 44 | CARPENTER & MOORE INSURANCE SERVICES INC. | 16,409,366 | 0.36% |
| 45 | AIS AFFINITY INSURANCE AGENCY, INC. | 15,788,704 | 0.35% |
| 46 | ZURICH E&S INSURANCE BROKERAGE, INC. | 15,648,760 | 0.35% |
| 47 | YATES & ASSOCIATES INSURANCE SERVICES, INC. | 15,524,958 | 0.34% |
| 48 | LAMBERSON KOSTER & COMPANY | 15,013,357 | 0.33% |
| 49 | INTEGRO USA INC. | 14,853,284 | 0.33% |
| 50 | ABD INSURANCE AND FINANCIAL SERVICES | 13,726,336 | 0.30% |

The Association shall maintain a Stamping Office to serve as a facility to receive, review, process and record documents required by law or regulation to be filed by or on behalf of surplus line brokers or nonadmitted insurers with the Commissioner or the Commissioner's delegee, and to perform such other Stamping Office functions relevant to surplus line regulation that the Association may choose, or mutually agree with the Commissioner, to perform (Article XV(1), SLA Constitution).

THE SURPLUS LINE ASSOCIATION OF CALIFORNIA
Safeguarding Consumers

To serve as a source of professional expertise regarding surplus line brokerage, advisory, and regulatory activity relevant to the surplus line market to assist Members, the Commissioner, the Legislature, the Judiciary, other lawmaking or regulatory bodies, industry organizations, and the consuming public, and to communicate with state and federal authorities and organizations of admitted insurers regarding appropriate matters (Article IV(3), Purposes and Powers, SLA Constitution).

| Rank | BROKER | PREMIUMS PROCESSED | % OF TOTAL |
|------|---|------------------------|----------------|
| 51 | WESTERN SECURITY SURPLUS INSURANCE BROKERS, INC. | 13,718,360 | 0.30% |
| 52 | MIDWESTERN GENERAL BROKERAGE, INC. | 13,629,280 | 0.30% |
| 53 | SBIB, INC. | 13,624,670 | 0.30% |
| 54 | HILB ROGAL & HOBBS INSURANCE SERVICES OF CALIFORNIA, INC. | 12,829,589 | 0.28% |
| 55 | NAS INSURANCE SERVICES, INC. | 12,430,917 | 0.27% |
| 56 | COMMODORE INSURANCE SERVICES, INC. | 12,336,866 | 0.27% |
| 57 | HEFFERNAN INSURANCE BROKERS | 12,052,693 | 0.27% |
| 58 | CAMBRIDGE GENERAL AGENCY | 11,503,095 | 0.25% |
| 59 | ALEXANDER, MORFORD & WOO, INC. | 11,359,723 | 0.25% |
| 60 | MCGRIFF, SEIBELS & WILLIAMS, INC. | 10,920,108 | 0.24% |
| 61 | TAFARO, EDWARD ALAN | 10,398,868 | 0.23% |
| 62 | GALEOTTI, GARY WAYNE | 10,325,545 | 0.23% |
| 63 | A.I. RISK SPECIALISTS INSURANCE, INC. | 10,244,651 | 0.23% |
| 64 | FRANK CRYSTAL & CO INC | 10,036,586 | 0.22% |
| 65 | PROCTOR FINANCIAL, INC. | 10,015,583 | 0.22% |
| 66 | PETERSEN INTERNATIONAL UNDERWRITERS | 9,912,001 | 0.22% |
| 67 | R.E. CHAIX & ASSOCIATES INSURANCE BROKERS, INC. | 9,702,525 | 0.21% |
| 68 | CHARTWELL INDEPENDENT INSURANCE BROKERS, LLC | 9,681,716 | 0.21% |
| 69 | BROWN & BROWN OF CALIFORNIA, INC. | 9,466,553 | 0.21% |
| 70 | COOPER & MCCLOSKEY, INC. INSURANCE BROKERS | 9,175,731 | 0.20% |
| 71 | TRINITY E & S INSURANCE SERVICES, INC. | 9,165,121 | 0.20% |
| 72 | BARNEY & BARNEY, LLC. | 8,828,514 | 0.20% |
| 73 | ROBERTSON TAYLOR (CALIFORNIA), INC. | 8,706,543 | 0.19% |
| 74 | HALL, JAMES ALLAN | 8,097,530 | 0.18% |
| 75 | ANDERSON & MURISON INC. | 8,047,632 | 0.18% |
| 76 | COOPER GAY RISK SERVICES, INC. | 7,911,873 | 0.17% |
| 77 | W. B. AHERN ENTERPRISES, INC. | 7,771,865 | 0.17% |
| 78 | G.J. SULLIVAN CO. EXCESS & SURPLUS LINES BROKERS | 7,575,939 | 0.17% |
| 79 | HDR INSURANCE MANAGERS, LLC | 6,873,849 | 0.15% |
| 80 | ALBERICO, DONALD ANTHONY | 6,544,193 | 0.14% |
| 81 | ROKS AMERICA, INC. INSURANCE BROKERS | 6,514,117 | 0.14% |
| 82 | MERCATOR RISK SERVICES, INC. | 6,477,413 | 0.14% |
| 83 | ARC WEST COAST EXCESS & SURPLUS BROKERAGE, LLC | 6,429,347 | 0.14% |
| 84 | JAMES KLEIN INSURANCE SERVICE INC. | 6,241,132 | 0.14% |
| 85 | PACIFIC WHOLESALE INSURANCE BROKERS, LLC | 6,215,471 | 0.14% |
| 86 | HCC SPECIALTY UNDERWRITERS, INC. | 6,072,829 | 0.13% |
| 87 | NAPCO, LLC | 6,019,143 | 0.13% |
| 88 | NATIONAL SPECIALTY UNDERWRITERS, INC. | 5,938,951 | 0.13% |
| 89 | LAE INSURANCE SERVICES, INC. | 5,796,175 | 0.13% |
| 90 | VULCAN EXCESS & SURPLUS INSURANCE SERVICES, INC. | 5,579,390 | 0.12% |
| 91 | WHOLESALE CONNECTION INSURANCE SERVICES, LLC | 5,524,695 | 0.12% |
| 92 | U.S. RISK OF CALIFORNIA, INC. | 5,444,298 | 0.12% |
| 93 | DEALEY, RENTON & ASSOCIATES INSURANCE BROKERS | 5,357,925 | 0.12% |
| 94 | TRANS CAL ASSOCIATES | 5,316,800 | 0.12% |
| 95 | TIO, TOMAS EDUARDO | 5,051,782 | 0.11% |
| 96 | NORMAN SPENCER MCKERNAN AGY(NSM)TB&C WHOLESALE INS. SERV'S OF ORANGE CO. | 5,013,205 | 0.11% |
| 97 | PROWEST INSURANCE SERVICES, INC. | 4,987,771 | 0.11% |
| 98 | E.L.M. INSURANCE BROKERS, INC. | 4,978,458 | 0.11% |
| 99 | ARTHUR J. GALLAGHER & CO. INSURANCE BROKERS OF CALIFORNIA, INC. (ALISO VIEJO) | 4,873,478 | 0.11% |
| 100 | AON/ALBERT G. RUBEN INSURANCE SERVICES, INC. | 4,835,624 | 0.11% |
| | SUBTOTAL | \$4,009,547,868 | 88.68% |
| | ALL OTHER BROKERS | 511,612,458 | 11.32% |
| | TOTAL | \$4,521,160,326 | 100.00% |

Top 100 Nonadmitted Carriers

Based on Premium Processed through September 30, 2008

| RANK | COMPANY | PREMIUM PROCESSED | % OF TOTAL |
|------|--|-------------------|------------|
| 1 | LEXINGTON INSURANCE COMPANY | \$821,865,462 | 18.18% |
| 2 | AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY | 230,391,055 | 5.10% |
| 3 | STEADFAST INSURANCE COMPANY | 214,309,715 | 4.74% |
| 4 | SCOTTSDALE INSURANCE COMPANY | 112,054,333 | 2.48% |
| 5 | LANDMARK AMERICAN INSURANCE COMPANY | 99,470,576 | 2.20% |
| 6 | ADMIRAL INSURANCE COMPANY | 98,935,404 | 2.19% |
| 7 | EMPIRE INDEMNITY INSURANCE COMPANY | 98,301,681 | 2.17% |
| 8 | ILLINOIS UNION INSURANCE COMPANY | 94,256,084 | 2.08% |
| 9 | AXIS SURPLUS INSURANCE COMPANY | 81,660,729 | 1.81% |
| 10 | EVANSTON INSURANCE COMPANY | 80,666,330 | 1.78% |
| 11 | WESTCHESTER SURPLUS LINES INSURANCE COMPANY | 77,717,352 | 1.72% |
| 12 | MT. HAWLEY INSURANCE COMPANY | 75,466,202 | 1.67% |
| 13 | COLUMBIA CASUALTY COMPANY | 73,893,917 | 1.63% |
| 14 | NAVIGATORS SPECIALTY INSURANCE COMPANY | 68,089,222 | 1.51% |
| 15 | LLOYD'S OF LONDON SYNDICATE #2623 | 67,508,802 | 1.49% |
| 16 | LLOYD'S OF LONDON SYNDICATE #0033 | 66,890,575 | 1.48% |
| 17 | INTERSTATE FIRE & CASUALTY COMPANY | 65,510,956 | 1.45% |
| 18 | ARCH SPECIALTY INSURANCE COMPANY | 64,059,964 | 1.42% |
| 19 | LIBERTY SURPLUS INSURANCE CORPORATION | 61,544,266 | 1.36% |
| 20 | LLOYD'S OF LONDON SYNDICATE #2987 | 59,493,399 | 1.32% |
| 21 | ESSEX INSURANCE COMPANY | 51,886,949 | 1.15% |
| 22 | ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY | 51,159,278 | 1.13% |
| 23 | LLOYD'S OF LONDON SYNDICATE #2003 | 49,209,059 | 1.09% |
| 24 | COLONY INSURANCE COMPANY | 48,439,835 | 1.07% |
| 25 | GEMINI INSURANCE COMPANY | 48,306,091 | 1.07% |
| 26 | NATIONAL FIRE & MARINE INSURANCE COMPANY | 47,713,519 | 1.06% |
| 27 | INDIAN HARBOR INSURANCE COMPANY | 46,288,838 | 1.02% |
| 28 | HOUSTON CASUALTY COMPANY | 46,140,634 | 1.02% |
| 29 | CHUBB CUSTOM INSURANCE COMPANY | 43,751,414 | 0.97% |
| 30 | SWISS RE INTERNATIONAL SE | 40,313,645 | 0.89% |
| 31 | NORTH AMERICAN CAPACITY INSURANCE COMPANY | 39,974,667 | 0.88% |
| 32 | CENTURY SURETY COMPANY | 38,501,049 | 0.85% |
| 33 | JAMES RIVER INSURANCE COMPANY | 34,956,449 | 0.77% |
| 34 | EVEREST INDEMNITY INSURANCE COMPANY | 32,957,379 | 0.73% |
| 35 | PACIFIC INSURANCE COMPANY LTD. | 32,626,046 | 0.72% |
| 36 | LLOYD'S OF LONDON SYNDICATE #2488 | 32,139,440 | 0.71% |
| 37 | LLOYD'S OF LONDON SYNDICATE #1200 | 32,124,898 | 0.71% |
| 38 | AMERICAN SAFETY INDEMNITY COMPANY | 31,972,063 | 0.71% |
| 39 | VOYAGER INDEMNITY INSURANCE COMPANY | 31,957,659 | 0.71% |
| 40 | NAUTILUS INSURANCE COMPANY | 29,457,947 | 0.65% |
| 41 | PRAETORIAN SPECIALTY INSURANCE COMPANY | 29,373,564 | 0.65% |
| 42 | LLOYD'S OF LONDON SYNDICATE #0510 | 28,368,593 | 0.63% |
| 43 | FIRST MERCURY INSURANCE COMPANY | 28,049,377 | 0.62% |
| 44 | BURLINGTON INSURANCE COMPANY | 25,877,460 | 0.57% |
| 45 | PRINCETON EXCESS AND SURPLUS LINES INSURANCE COMPANY | 25,332,589 | 0.56% |
| 46 | ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED | 24,578,269 | 0.54% |
| 47 | GREAT LAKES REINSURANCE (UK) PLC | 24,395,280 | 0.54% |
| 48 | LLOYD'S OF LONDON SYNDICATE #0623 | 24,314,073 | 0.54% |
| 49 | HUDSON SPECIALTY INSURANCE COMPANY | 24,140,211 | 0.53% |
| 50 | ALLIED WORLD NATIONAL ASSURANCE COMPANY | 23,053,886 | 0.51% |

To maintain a Stamping Office as provided in Article XV and to perform such acts and engage in such activities as may be necessary or appropriate to assist the Commissioner and support sound regulation and effective regulatory oversight of the surplus line market, including without limitation the collection of market data and dissemination of information to Members, governmental or industry organizations, and the consuming public (Article IV(4), Purposes and Powers, SLA Constitution).

THE SURPLUS LINE ASSOCIATION OF CALIFORNIA
Safeguarding Consumers

To perform such functions, engage in such activities, and maintain such facilities as may be necessary or appropriate to conduct the affairs and further the interests of the Association, provide services to its Members, and to exercise all power and authority incidental thereto (Article IV(5), SLA Constitution).

| RANK | COMPANY | PREMIUM PROCESSED | % OF TOTAL |
|------|---|------------------------|----------------|
| 51 | COMMONWEALTH INSURANCE COMPANY | 22,412,189 | 0.50% |
| 52 | ST. PAUL SURPLUS LINES INSURANCE COMPANY | 20,063,223 | 0.44% |
| 53 | GREAT AMERICAN E&S INSURANCE COMPANY | 19,500,188 | 0.43% |
| 54 | AIG EXCESS LIABILITY INSURANCE COMPANY LTD. | 18,913,562 | 0.42% |
| 55 | ASPEN INSURANCE UK LIMITED | 18,116,558 | 0.40% |
| 56 | LLOYD'S OF LONDON SYNDICATE #4472 | 17,154,447 | 0.38% |
| 57 | LLOYD'S OF LONDON SYNDICATE #2001 | 17,129,060 | 0.38% |
| 58 | FIRST SPECIALTY INSURANCE CORPORATION | 16,530,717 | 0.37% |
| 59 | WESTERN HERITAGE INSURANCE COMPANY | 16,024,737 | 0.35% |
| 60 | GENERAL STAR INDEMNITY COMPANY | 15,413,800 | 0.34% |
| 61 | LLOYD'S OF LONDON SYNDICATE #1414 | 15,086,493 | 0.33% |
| 62 | LLOYD'S OF LONDON SYNDICATE #4242 | 14,807,644 | 0.33% |
| 63 | PENN-STAR INSURANCE COMPANY | 14,416,969 | 0.32% |
| 64 | COLONY NATIONAL INSURANCE COMPANY | 14,063,697 | 0.31% |
| 65 | DARWIN SELECT INSURANCE COMPANY | 12,897,986 | 0.29% |
| 66 | LLOYD'S OF LONDON SYNDICATE #2010 | 12,730,802 | 0.28% |
| 67 | HOMELAND INSURANCE COMPANY OF NEW YORK | 12,345,797 | 0.27% |
| 68 | QBE SPECIALTY INSURANCE COMPANY | 12,271,875 | 0.27% |
| 69 | LLOYD'S OF LONDON SYNDICATE #0958 | 11,751,129 | 0.26% |
| 70 | LLOYD'S OF LONDON SYNDICATE #5151 | 11,689,093 | 0.26% |
| 71 | LLOYD'S OF LONDON SYNDICATE #1084 | 11,619,671 | 0.26% |
| 72 | LLOYD'S OF LONDON SYNDICATE #1225 | 11,554,670 | 0.26% |
| 73 | CATLIN SPECIALTY INSURANCE COMPANY | 11,317,994 | 0.25% |
| 74 | FIREMAN'S FUND INSURANCE COMPANY OF OHIO | 11,281,264 | 0.25% |
| 75 | LLOYD'S OF LONDON SYNDICATE #4444 | 10,996,499 | 0.24% |
| 76 | GENERAL SECURITY INDEMNITY COMPANY OF ARIZONA | 10,680,080 | 0.24% |
| 77 | LLOYD'S OF LONDON SYNDICATE #5000 | 10,395,725 | 0.23% |
| 78 | LLOYD'S OF LONDON SYNDICATE #2000 | 10,299,788 | 0.23% |
| 79 | UNITED NATIONAL INSURANCE COMPANY | 10,295,824 | 0.23% |
| 80 | ENERGY INSURANCE MUTUAL LIMITED | 9,872,724 | 0.22% |
| 81 | TRAVELERS EXCESS & SURPLUS LINES COMPANY | 9,530,950 | 0.21% |
| 82 | LLOYD'S OF LONDON SYNDICATE #0807 | 9,126,406 | 0.20% |
| 83 | LLOYD'S OF LONDON SYNDICATE #2791 | 9,049,014 | 0.20% |
| 84 | LLOYD'S OF LONDON SYNDICATE #0570 | 8,934,635 | 0.20% |
| 85 | MOUNT VERNON FIRE INSURANCE COMPANY | 8,820,745 | 0.20% |
| 86 | LLOYD'S OF LONDON SYNDICATE #0435 | 8,715,870 | 0.19% |
| 87 | NUTMEG INSURANCE COMPANY | 8,431,188 | 0.19% |
| 88 | NOETIC SPECIALTY INSURANCE COMPANY | 8,421,918 | 0.19% |
| 89 | LLOYD'S OF LONDON SYNDICATE #1183 | 8,191,468 | 0.18% |
| 90 | USF INSURANCE COMPANY | 8,026,555 | 0.18% |
| 91 | ROCKHILL INSURANCE COMPANY | 7,998,154 | 0.18% |
| 92 | INTERNATIONAL INSURANCE COMPANY OF HANNOVER LIMITED | 7,849,619 | 0.17% |
| 93 | AMERICAN EMPIRE SURPLUS LINES INSURANCE COMPANY | 7,377,384 | 0.16% |
| 94 | INTEGON SPECIALTY INSURANCE COMPANY | 7,258,260 | 0.16% |
| 95 | NORTHFIELD INSURANCE COMPANY | 7,248,100 | 0.16% |
| 96 | LLOYD'S OF LONDON SYNDICATE #1206 | 7,189,890 | 0.16% |
| 97 | TUDOR INSURANCE COMPANY | 6,510,506 | 0.14% |
| 98 | LLOYD'S OF LONDON SYNDICATE #2121 | 6,354,490 | 0.14% |
| 99 | MAXUM INDEMNITY COMPANY | 6,040,969 | 0.13% |
| 100 | GOTHAM INSURANCE COMPANY | 5,930,163 | 0.13% |
| | SUBTOTAL | \$4,258,086,671 | 94.18% |
| | ALL OTHER COMPANIES | 263,073,655 | 5.82% |
| | TOTAL | \$4,521,160,326 | 100.00% |

Top 30 Coverage Codes

Based on Premium Processed through September 30, 2008

| RANK | EXPORT | COVERAGE | PREMIUM PROCESSED | % OF TOTAL |
|------|--------|--|------------------------|----------------|
| 1 | | GENERAL LIABILITY | \$1,059,559,543 | 23.44% |
| 2 | E | COMMERCIAL DIC/STAND ALONE EARTHQUAKE | 549,962,153 | 12.16% |
| 3 | | ERRORS AND OMISSIONS | 543,373,431 | 12.02% |
| 4 | | ALL RISK COMMERCIAL PROPERTY | 462,544,739 | 10.23% |
| 5 | | SPECIAL MULTI-PERIL PACKAGE | 260,010,783 | 5.75% |
| 6 | | EXCESS LIABILITY | 214,083,596 | 4.74% |
| 7 | E | INDIVIDUAL INSUREDS WITH LARGE SCHEDULES WHERE THE TIV (TOTAL INSURED VALUES) ARE IN EXCESS OF \$500 MILLION | 190,279,842 | 4.21% |
| 8 | E | ENVIRONMENTAL IMPAIRMENT REMEDIATION & POLLUTION LIABILITY | 179,791,624 | 3.98% |
| 9 | E | EXCESS LIABILITY/UNDERLYING NONADMITTED | 147,481,563 | 3.26% |
| 10 | | PROFESSIONAL LIABILITY | 126,572,169 | 2.80% |
| 11 | | MISCELLANEOUS | 126,244,547 | 2.79% |
| 12 | | DIRECTORS AND OFFICERS | 106,452,838 | 2.35% |
| 13 | E | EMPLOYMENT PRACTICES LIABILITY | 60,142,358 | 1.33% |
| 14 | E | PRODUCTS/COMPLETED OPERATIONS (WRITTEN ON A STAND ALONE BASIS) | 54,875,539 | 1.21% |
| 15 | | COMMERCIAL PROPERTY-BASIC | 52,380,210 | 1.16% |
| 16 | | INLAND MARINE | 37,550,691 | 0.83% |
| 17 | E | CONTRACTORS ENGAGED IN CONSTRUCTION OF NEW TRACT HOMES AND/OR NEW CONDOMINIUMS | 29,914,942 | 0.66% |
| 18 | | HOMEOWNERS MULTI-PERIL | 24,360,795 | 0.54% |
| 19 | | TERRORISM | 23,495,419 | 0.52% |
| 20 | E | EVENT CANCELLATION | 20,000,171 | 0.44% |
| 21 | | AUTO PHYSICAL DAMAGE-COMMERCIAL | 19,138,504 | 0.42% |
| 22 | | HOSPITALS | 18,319,121 | 0.41% |
| 23 | | AVIATION | 15,726,966 | 0.35% |
| 24 | | HOMEOWNERS | 15,650,185 | 0.35% |
| 25 | | GARAGE LIABILITY | 14,177,251 | 0.31% |
| 26 | E | HIGH LIMITS DISABILITY | 14,154,009 | 0.31% |
| 27 | E | SECURITY GUARD SERVICES | 12,115,028 | 0.27% |
| 28 | | SINGLE FAMILY DWELLING/DUPLEX | 11,144,455 | 0.25% |
| 29 | | AUTO LIABILITY-COMMERCIAL | 10,228,052 | 0.23% |
| 30 | | GROUP HEALTH | 8,122,234 | 0.18% |
| | | SUBTOTAL | \$4,407,852,757 | 97.49% |
| | | ALL OTHER COVERAGES | 113,307,569 | 2.51% |
| | | TOTAL | \$4,521,160,326 | 100.00% |

The 2008 nine-month total for premium processed by the SLA is \$4.5 billion. The total number of policies filed with the SLA from January 1 through September 30, 2008 is 358,746 which is a 4.88% decrease compared to last year's nine month policy count.

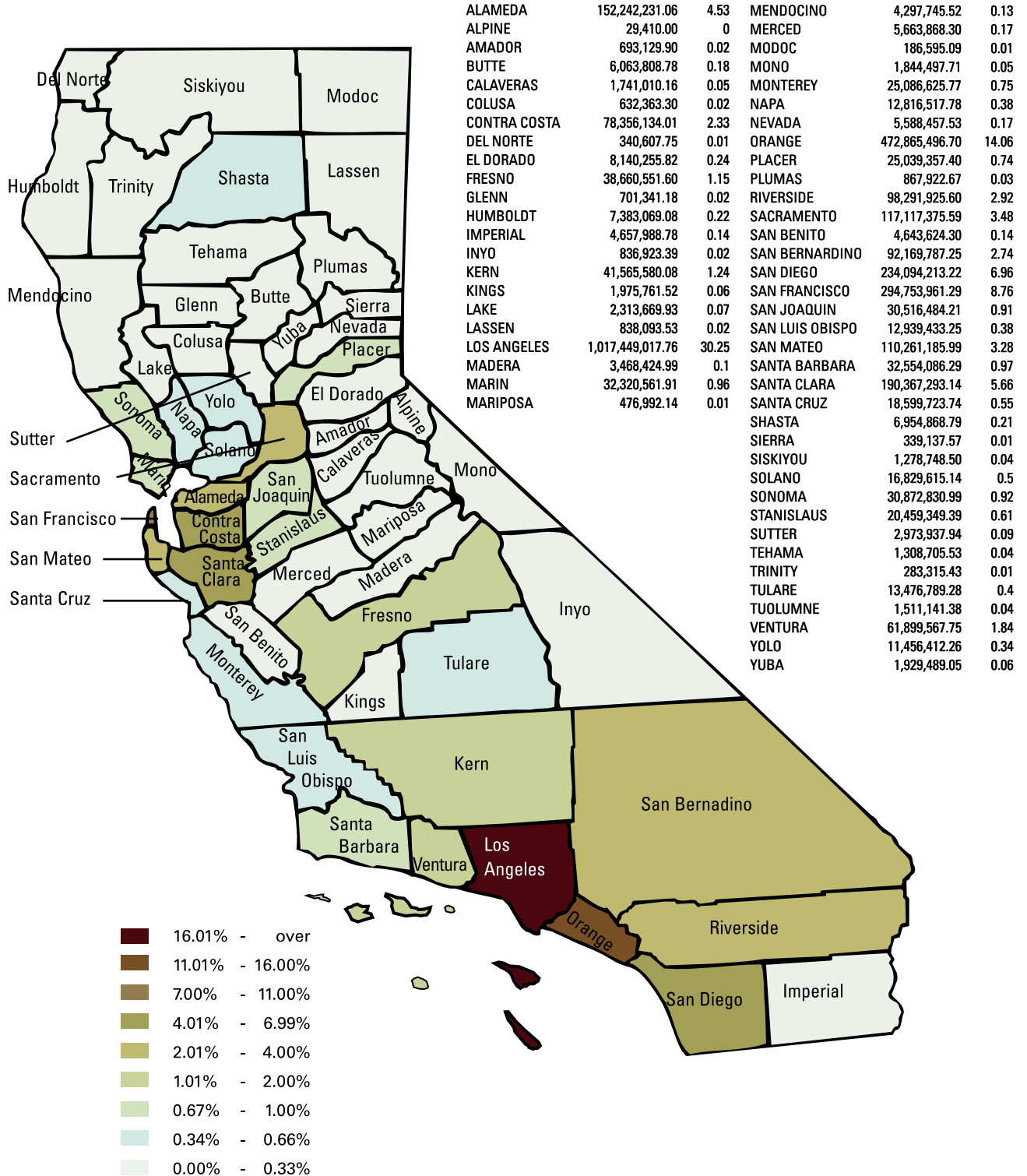
Premium Totals by Company Type

| COMPANY TYPE | (\$ in thousands) | | | % of TOTAL 9/30/2008 |
|-------------------------------|------------------------|------------------------|---------------|-------------------------|
| | 9/30/2008 | 9/30/2007 | % GROWTH | |
| LESLI LISTED COMPANIES | | | | |
| FOREIGN INSURERS | \$3,582,705,094 | \$3,695,816,118 | -3.06% | 79.24% |
| LLOYD'S SYNDICATES | 632,489,072 | 662,998,427 | -4.60% | 13.99% |
| ALIEN INSURERS | 175,446,809 | 145,772,988 | 20.36% | 3.88% |
| SUBTOTAL | \$4,390,640,974 | \$4,504,587,533 | -2.53% | 97.11% |
| ALL OTHER | 130,519,352 | 41,467,106 | 214.75% | 2.89% |
| TOTAL | \$4,521,160,326 | \$4,546,054,639 | -0.55% | 100.00% |

THE SURPLUS LINE ASSOCIATION OF CALIFORNIA
Safeguarding Consumers

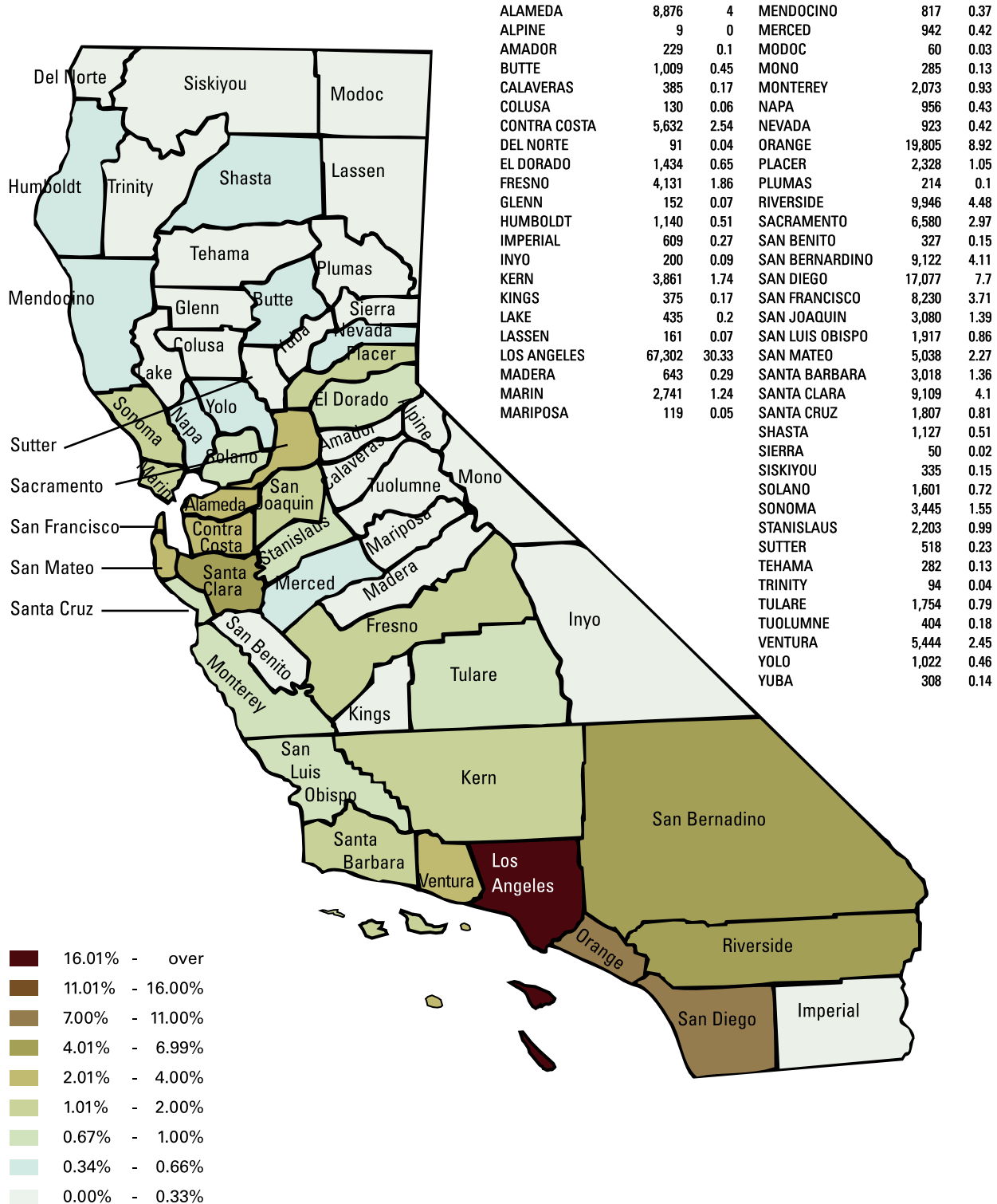
Premiums by County

Based on Premium Processed through September 30, 2008



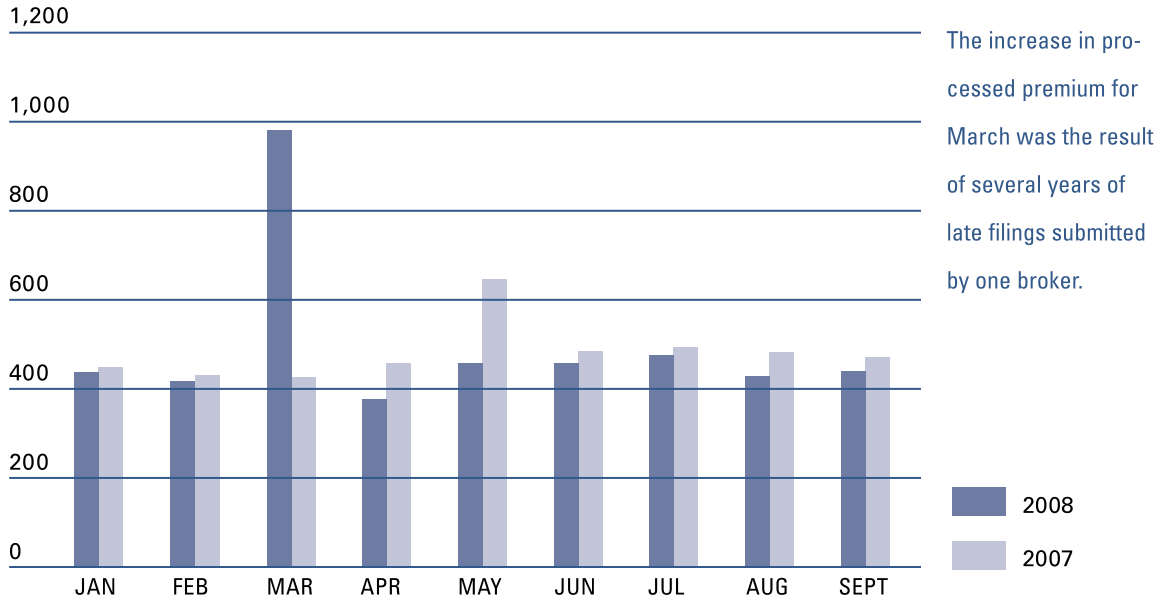
Surplus Lines Policies by County

Based on Policies Processed through September 30, 2008



Comparison of Premium Processed for 3rd Quarter 2008 versus 2007

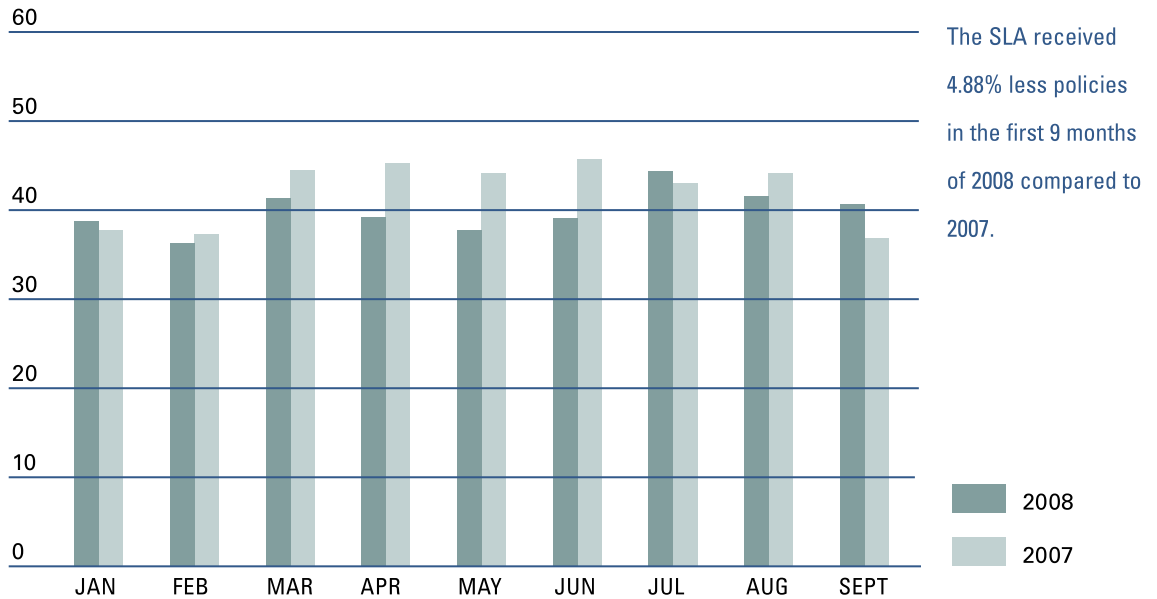
All values represented in Millions



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.

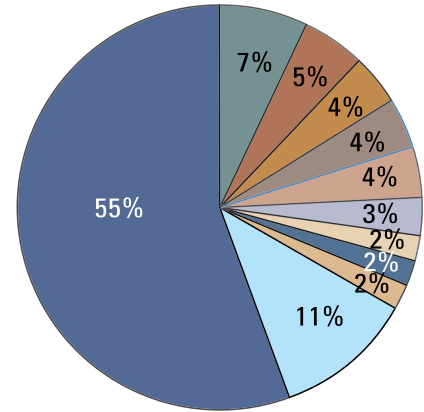
Comparison of Items Processed for 3rd Quarter 2008 versus 2007

All values represented in Thousands



Issued Tags for 3rd Quarter 2008

| Tags Description | Percentage | Count |
|---------------------------------------|------------|---------------|
| Late Filing with Explanation | 55% | 53,835 |
| Late Filing | 7% | 6,703 |
| Incomplete SL2 Form | 5% | 4,866 |
| Section 7(B) of SL2 Incomplete | 4% | 4,228 |
| Incomplete SL1 Form | 4% | 4,042 |
| Renewal has No Record of Prior Policy | 4% | 3,665 |
| No Record of Policy Endorsement | 3% | 3,096 |
| Lloyd's Syndicate Numbers | 2% | 2,315 |
| Incomplete Admitted Company Names | 2% | 2,289 |
| Unlisted Admitted Company | 2% | 1,536 |
| All Other Tags | 11% | 10,266 |
| Total | | 97,473 |



Over 50% of the tags issued by the stamping office are for late filings.

IT CORNER



Brent Hunter
Manager, Information
Technology

The IT Department continues to be a bustling center of activity, with the development of the new Stamping office custom software application continuing to take center stage. We continue on a highly aggressive schedule, and we are on target for Phase 1 code delivery by November 10. We

will begin the User Acceptance Test (UAT) shortly afterwards, starting with testing conducted by the

IT Department. In parallel, we are in the process of planning for Phase 2 code delivery and testing of the LESLI electronic automation system and the broker interface for the new electronic filing system in 2009.

We would also like to remind all brokers that our Broker Extranet website is available for electronic filing of documents. For more details, please visit www.slacal.org and click the button in the upper left corner labeled "Broker Login".

Scheduled Educational Events for The Surplus Line Association of California

November 2008 - January 2009

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

What the E&S Broker Needs to Know About Reinsurance

Presented by

Garick Zillgitt

Zillgitt Insurance Counseling

Renate Jordan

Vice President, Treaty Department
General Re

Tony Joseph, ACII, CIP

Senior Vice President
Lloyd's America, Inc.

Laura S. Danoff, CPCU, AIS, ASLI

Assistant Manager, Education Department
The Surplus Line Association of California

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

Seminar 8:30 a.m. - 11:30 a.m. - 3 CE Credits - Course # 213183

Dates

Tuesday, November 11, 2008

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

Wednesday, November 12, 2008

PG&E Conference Center Auditorium
245 Market Street
San Francisco, CA 94105
(use rear entrance)

Ethics in Insurance & Risk Management

Presented by

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

Risk Management Consultant and Educator
R. J. Marshburn and Associates
CertifiedRiskManagers.com

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

Seminar 8:00 a.m. - 12:00 p.m. - 4 CE Credits - Course # 217902
(This course satisfies the 4-hour CDI ethics requirement)

Dates

Tuesday, January 13, 2009

Sheraton Los Angeles Downtown
711 South Hope Street
Los Angeles, CA 90017

Wednesday, January 14, 2009

PG&E Conference Center Auditorium
245 Market Street
San Francisco, CA 94105
(use rear entrance)

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