

## What's Inside

### Report of the Chairman

pgs. 1-2

### Executive Director's Report

pgs. 2-3

### Legislative Update

pgs. 3-5

### Update on Silvers v. State Board of Equalization ET AL.

pgs. 5-6

### Report of the Director of the Stamping Office

pgs. 6-9

### SLA/Satyam EAS Phase 2 Development Team

pg. 9

### Member Profile

pg. 10

### Premium Totals by Company Type

pg. 10

### Top 50 California Surplus Line Brokers

pg. 11

### Top 50 Nonadmitted Carriers

pg. 12

### 50 Largest Coverages

pg. 13

### Comparison of Premium & Items Processed 2nd Quarter for 2009 vs 2008

pg. 14

### Tags Issued for 2nd Quarter 2008

pg. 15

### IT Corner

pg. 15

### Education Calendar & SLA Executive Committee

pg. 16

## REPORT OF THE CHAIRMAN

On Tuesday, June 2, the SLA released a two-hour on-line training video (via Bulletin #1181) that fulfills the statutory requirement set by AB 1699 (Chapter 29 of the laws of 2008), Sec. 1(f) (now Section 1765(f) of the California Insurance



**John Edack**  
Chairman, 2009

Code). Of the 4,200 brokers who received the bulletin, an estimated 3,000 had viewed the video by the July 1, 2009 deadline. The California Department of Insurance has granted a 30-day extension to those who were unable to view the video by July 1. The training applies to all employees of surplus line broker organizational licensees (both resident and non-resident) who solicit, negotiate, or effect insurance coverage placed by a nonadmitted insurer and must be administered once every five years.

The SLA has learned that the California Board of Equalization's total revenue in 2008 from premium taxes on independently procured surplus line policies was \$7.4 million compared to \$9.3 million in 2007, \$12.2 million in 2006, \$13.2 million in 2005, \$18.6 million in 2004, and \$19 million in 2003. There is an obvious down-turn in the premiums written in direct procurement surplus line policies probably due to the advent of the nonresident surplus line broker's license.

During the National Association of Insurance Commissioner's Summer National Meeting in Minneapolis, MN (June 11 -16), the Surplus Lines Task Force discussed the problems associated with ten states (IL, IN, MA, MI, NE, NC, OH, RI, SC, VA) that do not have statutes instructing surplus line brokers to allocate multi-state surplus line premium taxes to the other states on multi-state policies.

These "gross premium" states contribute to the lack of uniformity in tax filing dates, lack of allocation standards, and inter-

- *The two-hour on-line training mandated by CIC § 1765(f) was viewed by 3,000 surplus line workers as of July, 2009. For a CD-Rom version, contact [vmurray@slacal.org](mailto:vmurray@slacal.org).*
- *California revenue from independent procurement taxes on surplus line premiums have declined in each of the last six years from \$19M to \$7.4M.*
- *Ten states (IL, IN, MA, MI, NE, NC, OH, RI, SC, VA) do not instruct surplus line brokers to allocate multi-state premium taxes to the other states.*

On Capitol Hill, the NAIC is lobbying in favor of the nonadmitted insurance provisions of the Nonadmitted and Reinsurance Reform Act (HR 2571 & S 1363), which call upon the states to form an interstate tax compact. However, at the Commissioner level, the NAIC Surplus Line Task Force members have not taken action to support the mandatory provisions of an interstate compact?

ferre with the proper payment of premium taxes. This is why the surplus line industry via NAPSLO, AAMGA, and the stamping offices have argued that the mandatory provisions of a multi-state clearinghouse for the allocation premiums taxes and to reconcile the differences in state law is essential. The surplus line industry has good reason to urge the task force to act. On Capitol Hill, the NAIC is lobbying in favor of the surplus line provision of the Nonadmitted and Reinsurance Reform Act (HR 2571 & S 1363), that calls upon the states to form a compact. The NAIC Task Force is still determining if they can support an interstate compact despite the actions of the NAIC Washington, D.C. office.

U.S. Government Accountability Office issued a report dated April 2009 noting inconsistencies in insurance producer licensing among the states. The report titled GAO-09-372 Insurance Reciprocity and Uniformity urges that when Congress considers changes to its oversight of the insurance industry, it should ensure all states perform nationwide criminal background checks as part of producer licensing. The report also notes that states differ in how they define lines of coverage. The report acknowledges that consumer protections present challenges to reciprocity. The report seems to defend the California requirement that criminal background checks and fingerprinting are a prerequisite of licensure.

## EXECUTIVE DIRECTOR'S REPORT



**Ted Pierce**  
Executive Director

On March 26, 2009, the CDI issued Bulletin No. 2009-3 informing all insurance producers that they are decreasing licensing fees by 6% effective July 1, 2009. Individual surplus line broker (SLB) licensees who do not conduct business under their own license saw a reduction in their annual licensing fee from \$250 to \$235. Individual SLB licensees who do conduct business under their license went from \$500 to \$470, and the filing fee for adding or deleting an individual broker will go from \$24 to \$23.

Please note that California broker/agent license renewals have been conducted online since July 1, 2009. This online program guides the licensee, step-by-step, through the renewal process by asking the same questions that were on the traditional mail-in renewal application. The licensee will be able to answer the questions online, update contact information (address, e-mail, etc), and submit a credit card payment (Visa, American Express, MasterCard). There is no additional charge for the use of this service. Credit card transactions are encrypted and no one but the licensee and his or her credit card company will have access to the credit card number.

The licensing record is updated on the CDI's Web site and the renewed license is mailed within three business days. Before using CDI's Online Renewal Service, you should do the following:

1. If you received your renewal notice that was sent to you by the CDI, please have it available as it contains information that may help you renew your license online. The notice contains your license number and seven-digit renewal ID number that is located on the upper right hand corner of the notice.
2. If you did not receive your renewal notice,

you may still use this service by providing the last four digits of your social security number, license number, and date of birth.

3. Have a credit card with you (Only Visa, American Express, and MasterCard will be accepted). Credit card transactions are encrypted and no one but the licensee and his or her credit card company will have access to the credit card number.
4. An email address is required.
5. Be prepared to print your confirmation page that you will receive at the completion of the transaction. (For your convenience, an email confirmation will also be sent).

Please note that California broker/agent license renewals have been conducted online since July 1, 2009. This online program guides the licensee, step-by-step, through the renewal process by asking the same questions that were on the traditional mail-in renewal application. If you received your renewal notice from the CDI, please have it available as it contains information that may help you renew your license online. The notice contains your license number and seven-digit renewal ID number that is located on the upper right hand corner of the notice.

## LEGISLATIVE UPDATE

### STATE LEGISLATION

**AB 196 (Committee on Budget):** This bill establishes a 4.8 percent surcharge on all new or renewed commercial and residential fire and multiperil property insurance policies issued or renewed on or after January 1, 2010. The surcharge revenue would be deposited into an Emergency Response Fund for use for emergency activities of the California Emergency Management Agency, the Department of Forestry and Fire Protection, and the Military Department. This bill also establishes the Local Government Mutual Aid Enhancement Program to provide local agencies additional funding to enhance or sustain fire and rescue disaster mutual aid

capacity to combat the effects of emergencies and disasters. Local agencies would receive 31.3 percent of revenues deposited into the Emergency Response Fund beginning July 1, 2010. AB 196 passed the Senate on June 26th with a vote of 23-13; however, the urgency clause failed passage with a vote of 23-14. The bill was granted reconsideration and is currently on the Third Reading File of the Senate and can be taken up at any time. AB 39xxx (Evans) contains the same language as AB 196 relative to the fire surcharge. This measure passed the Assembly on June 28th with a vote of 44-31. It is currently in the Senate.

**AB 784 (Gaines):** This bill would provide that a nonadmitted insurer that is affiliated with a California domestic insurer shall not be deemed to be transacting insurance in California as long as all California business written by the nonadmitted insurer is transacted by and through a surplus lines broker licensed in California. The bill would also authorize a nonadmitted insurer to receive administrative services rendered in California by its California domestic insurer affiliate or any other affiliate as long as the administra-



*State Lawmakers ended months of political gridlock on July 23 and agreed on a \$143 billion budget that closes a \$41 billion deficit through 2010 with tax increases, deep cuts in services and extensive borrowing.*

tive services do not relate to the placement or transaction of any California risk or constitute management of the nonadmitted insurer. The bill would also permit a nonadmitted insurer and its California domestic affiliate to have common directors and officers as long as the nonadmitted insurer maintains a resident operating manager in its home state. AB 784 is a two year bill.

## **FEDERAL LEGISLATION**

**The Nonadmitted and Reinsurance Reform Act (NRRRA) of 2009 (HR 2571 & S 1363)** was introduced by Rep. Dennis Moore (D-KS) in the House and Senators Evan Bayh (D-IN), Mel Martinez (R-FL), Bill Nelson (D-FL), and Mike Crapo (R-ID) in the Senate. The NRRRA would limit the compliance requirements of surplus line brokers placing multi-state risks to the laws of the home state and adopt a uni-

form standard for multi-state premium tax allocation via an interstate compact. The bill would also create uniformity in state eligibility standards for nonadmitted insurers and create direct access to the surplus lines market for sophisticated commercial purchasers.

The legislation's reinsurance provisions include (1) the ceding insurer's domiciled state to be the sole regulatory authority for determining credit for reinsurance for the insurer's ceded risk; (2) federal preemption of a state's ability to regulate on an extraterritorial basis in certain circumstances, and (3) the reinsurer's domiciliary state to be the sole regulator of that reinsurer's financial sol-

After weeks of negotiations and budget break-ups, it appears a budget deal has been struck. The new budget makes big cuts in state spending and rejects Governor Schwarzenegger's proposal for a surcharge on homeowner insurance policies to boost funding for emergency services. The surcharge would have averaged about \$48 a year per homeowner.

veny. This bill attempts to create a uniform regulatory system while preserving the role of the state regulator.

**The National Association of Registered Agents and Brokers Reform Act, H.R. 2554**, was introduced by Representatives David Scott (D-GA) and Randy Neugebauer (R-TX), along with more than 30 House colleagues. The bill would streamline the multi-state licensing process for insurance producers. The National Association of Registered Agents and Brokers Reform Act — or “NARAB II” as the bill is informally called — would create an organization whose specific jurisdiction would be the oversight of producer reciprocal licensing and continuing education standards on a national level.

**The Insurance Information Act of 2009 (HR 2609)**, would establish within the Department of the Treasury the Office of Insurance

Information. This new office would have the authority to monitor all aspects of the insurance industry, establish Federal policy on international insurance matters, serve as a liaison between the Federal government and the several States regarding insurance matters, and serve as an advisory to the Treasury regarding the export promotion of United States insurance products and services.

**The National Insurance Consumer Protection Act (HR 1880)**, would create an optional federal charter through an Office of National Insurance. A federal charter would create a framework for a national system of state-based regulation and create uniform standards in such areas as market conduct, licensing, the filing of new products and reinsurance. California Insurance Commissioner, Steve Poizner is opposed to the federal charter legislation.

National Association of Registered Agents and Brokers Reform Act — or “NARAB II” as the bill is informally called — would create an organization whose specific jurisdiction would be the oversight of producer reciprocal licensing and continuing education standards on a national level.

## UPDATE ON SILVERS V. STATE BOARD OF EQUALIZATION, ET AL.

At the time of printing, the evidentiary phase of the bench trial in the case of *Silvers v. State Board of Equalization* is complete, and closing arguments will be heard on July 29, 2009. This litigation could have a significant impact on the surplus lines market in California and is of interest to the SLA and its members. As a result, the SLA has closely monitored the litigation and participated through submission of an amicus brief. In addition, Dennis Ward, who is a consultant to the SLA, testi-

fied from the perspective of a non-party with experience regulating the surplus lines market in California. He provided the court with informative testimony about the nature of the surplus lines market, how it is regulated and taxed, and why the surplus lines market performs an essential function.

The case was initiated on April 4, 2008, when Stephen F. Silvers and Steven J. Gold (“Plaintiffs”) filed a Complaint in the California

The case of *Silvers v. State Board of Equalization* could have a significant impact on the surplus lines market in California. The plaintiffs seek a judicial declaration that Lexington Insurance Company, a surplus line insurer, has been doing business in California and therefore is subject to a 2.35% annual gross premium tax under Section 28, Article XIII of the California Constitution.

Superior Court for Los Angeles County against the State Board Of Equalization and its Executive Director, as well as Lexington Insurance Company and Does 1-500. Plaintiffs seek a judicial declaration that Lexington Insurance Company, a surplus line insurer, has been doing business in California and therefore is subject to a 2.35% annual gross premium tax under Section 28, Article XIII of the California Constitution. Plaintiffs assert that Lexington is doing business in California when it issues policies on California risks, collects premiums thereon and adjusts, investigates and defends against claims in California. Plaintiffs argue that the constitutional tax should be paid in addition to the 3% premium tax assessed on surplus line brokers.

Lexington asserts that the legislative history and intent establish that the activities of a licensed surplus line broker do not render it subject to the section 28 "doing business" tax and that the legislative history and case law establish conclusively that the premium tax

is in lieu of, not in addition to, the section 28 tax.

As we have previously reported, the SLA filed an amicus curiae brief early in the proceedings in support of Lexington Insurance Company's position. The amicus curiae brief filed by the SLA explained that Plaintiffs' position is contrary to 70 years of established case law and contrary to the legislative history of the relevant California statutes.

Lexington and the State Board of Equalization filed motions for summary judgment in December 2008. The Court denied both motions. The Court requested more information on legislative intent and the surplus lines regulatory structure, and Dennis Ward's testimony at trial was responsive to those concerns.

Closing arguments are scheduled for July 29, 2009, with a ruling expected some time thereafter. We will provide an update when the ruling is issued.

## REPORT OF THE DIRECTOR OF THE STAMPING OFFICE



**Joy Erven**  
Director,  
Stamping Office

Industry trends have continued on the decline, as demonstrated by California surplus lines 6-month premium processed - \$ 2,252,898,568 compared to last year's premium processed of \$3,116,822,030. If this trend continues, we will process

approximately \$ 4.5 billion in 2009. This is a sharp decline from our historic high of \$ 6.1 billion achieved in 2006.

The lines of coverage that have seen the most marked decline are: Terrorism (-59%), All Risk Commercial Property (-55%) and Contractors Engaged in New Tract Home Building (-54%). These figures are a comparison of the first 6 months of 2008 to 2009. Not surprising, due to current economic conditions, the line

of business with the largest jump is Vacant Building coverage which rose 357%.

As a reminder, please make sure you have completed the new requirement of 2 hours of E & S Basics as mandated by the Department of Insurance. We have a link to the training video on our website which you can watch free of charge. The link is on the home page, [www.slacal.org](http://www.slacal.org), under "Updates". Please feel free to call Vienna Murray, Manager of Education if you need any assistance.

In our previous newsletter we published a list of hosts for the upcoming Western States Conferences. Please note: Montana has withdrawn from hosting. This moves

the schedule up by 1 year for all states. Washington will host in 2010, Nevada in 2011 and California in 2012. When Washington SLA hosts in 2010, the conference will be held in Whistler, Canada. Please keep in mind the new passport requirements for leaving and entering the United States. It would be prudent to start the paperwork process now if you or a family member does not have a passport and is planning on attending the conference.

Our office is always available to assist in any way we can the members of our organization. If you have filing questions, education questions or any other surplus lines issue we are here to help you resolve your issues.

Industry trends have continued on the decline, as demonstrated by California surplus lines premium processed. \$ 2,252,898,568 compared to last year's premium processed of \$ 3,116,822,030. If this trend continues, we will process \$ 4.5 billion in 2009.

## New Brokers Added to Membership Since April 27, 2009

### Business Entity Licenses

AAA Member Services Company, LLC  
Americal Long-Term Care Administration & Insurance Agency, LLC  
AmWINS Brokerage of Alabama, LLC  
AmWINS Brokerage of the Carolinas, LLC  
Apex General Insurance Agency, Inc.  
Arlington/Roe & Co., Inc.  
C.M. Meiers Company, Inc.  
Cannon General Insurance Services, LLC  
Combined Specialties International, Inc.  
Custom Assurance Placements, Ltd.  
DC Insurance Services, Inc.  
DCI Holdings, Inc.  
Deltuck, Inc.  
Donald P. Pipino Company, Ltd  
Encore & Company, Inc.  
Evergreen Insurance Managers Inc  
GMACI Insurance Agency LLC  
Highburypro Insurance Services, Inc.

Malloy Imrie & Vasconi Insurance Services LLC  
MBA Insurance Agency of Arizona, Inc  
National Transportation Associates, Inc.  
Pioneer Programs Insurance Solutions, LLC  
Regional Excess Underwriters LLC  
Risk Reduction Insurance Services LLC  
Roger Metzger Associates, Inc.  
RSC Insurance Brokerage, Inc.  
Signature Select LLC  
Thames Insurance Services, Inc.  
Vela Insurance Services, Inc.  
Weatherbill Insurance Agency LLC  
Wells Fargo Insurance Services of Ohio, LLC  
Wells Fargo Insurance Services of Texas, Inc.  
Wells Fargo Insurance Services Southeast, Inc.  
Western E&O Brokers, Inc.  
Westrope General Insurance Agency LLC  
Willis of Michigan, Inc.

**Individual Licenses**

Agnor, Linda A  
Ali, M Munawar  
Arnold, Stephen Ray  
Atkinson, Mira Lynn  
Bahadorani, Farhad  
Banks, Carol Lynn  
Barretto, Brando Sastre  
Barry, Allen G III  
Bass, Richard Allen  
Baxley, Bradford Lee  
Beaumont, Mary Aline  
Becker, Karen Lynn  
Bishop, James Riordan  
Bolce, John David  
Bradberry, Robert Hodges  
Brady, Daniel John  
Brock, Kevin Donald  
Brock, Mark Ramsey  
Busch, Jodi Autumn  
Capponi, David John  
Caron, Matthew Paul  
Carr, Bill David  
Chang, Stephanie Vivian  
Chawki, Annette  
Chiang-Estrada, Lin  
Cifra, Tracy L  
Constantine, Joseph Michael  
Contreras, Jennifer Ann  
Cooper, Robert Glenn  
Cross, Royce Marvin  
Crouch, Canaan Michael  
Cullen, Alexandra Rose  
Daly, Peter Boyd  
Davis, Dani Marie  
Davis, Joseph Nicholas  
Day, Darcy Ann  
Diaz-Colon, Hector Manuel  
Dicaprio, Aaron John  
Diehr, Susan Ann

Donnelly, James R Jr  
Dubich, Christine Alise  
Durkin, John Anthony  
Duszynski, Jon Michael  
Eng, Colleen Joy  
Ferrer, Jamie Leonard  
Flemming, Susan Brown  
Frost, George Robert  
Gallagher, Kevin Patrick  
George, Joseph John  
Goode, Erdenebolor  
Goodwyne, James Charles  
Gordonwright, Peter Graeme  
Graham-Helwig, Roland Henry  
Gregg, Larry Christopher  
Griffin, Van Cox  
Hartzfeld, Lynn Carol  
Hayes, Charles Kevin  
Hellman, Robert Mark  
Henderson, Macwilliam Bright  
Hendry, Debra Lois  
Hoopes, Douglas Warren  
Hoskins, Mary Margaret  
Hudkins, Lee Jay  
Iversen, Gerard Burt  
Jacoy, Frank Anthony  
Jenal, Susan G  
Jensen, Josh Allan  
Johnson, Daniel Gale  
Kachin, Dmitriy Sergeyvich  
Kaiser, Charles Edward  
Kechichian, Angela  
Kent, Lawrence Vincent  
Kim, Daniel  
Kisor, Stephen Joseph  
Kleine, Rhonda  
Kumar, Yogesh  
Lara, Natalie Kristine  
Lee, Pattie Joyner  
Lees, Mark  
Lo, Belinda Kuai Yin

Loeppke, Bruce Monroe  
Long, Eric Grant  
Lowery, Bryan Earl  
Lubeck, James Francis  
MacNaughtan, Kirk Mark  
Mahoney, Marguerite Ann  
Malloy, Timothy Patrick  
Mann, William Jeffrey  
McDonnell, James Brian  
McManus, Kathleen Ann  
Meister, Marion Ursina  
Messecc, James Anthony  
Metzger, Roger Wayne  
Midkiff, Philip Clinton  
Miyamoto, Yohei  
Morgan, Warren Jr.  
Motekaitis, Paul Joseph  
Nakamura, Richard Daryl  
Neargarder, Carrie Jane  
Nickel, Walter Russell Jr  
Nogaki, Bryan Ken  
Nola, Anthony Vincent  
Norman, Paulette Ann  
O'Connor, Ryan Patrick  
Okrepkie, Bruce George  
Olson, Robert James  
Osgood, Sandra Ruth  
Pagoumian, David Paul  
Paulin, Leonard Leo  
Perkins, Craig Allen  
Peterson, Robert Edwin Jr  
Piccinonno, Pat Joseph  
Pipkin Davis, Andrea Lynn  
Pope, Alan Joseph  
Powell-Acker, Mary Ann  
Pozmantier, Jeffrey Louis  
Preston, Beth Marie  
Proctor, Luke Phillip  
Ramsey, Timothy Ray  
Rapp, Raynor Lizette  
Richards, Arthur Glenn

Except as provided in Sections 1760 and 1760.5, a person within this State shall not transact any insurance on property located or operations conducted within, or on the lives or persons of residents of this State with nonadmitted insurers, except by and through a surplus line broker licensed under this chapter and upon the terms and conditions prescribed in this chapter (CIC § 1761).



Richards, Michael Francis  
 Ritchey, Barton Julius  
 Romano, Salvatore Richard  
 Rudolph, Cameron Allyn  
 Rutherford, Douglas Bond  
 Sacks, Kenneth David  
 Sanders, Thomas Lloyd  
 Sepulveda, Carol Ann  
 Shapiro, Sheryl Lynn  
 Shoop, James William  
 Shunka, Richard John

Silverman, Jordan Scott  
 Singer, Mary Annette  
 Smith, Janet Edwards  
 Solomon, Eugene Jay  
 Solomon, Naftali Y  
 Speno, Ronald George  
 Stang, Richard Dennison  
 Stephenson, James Kevin  
 Streeter, Leonard Cairns  
 Stump, Michael Kevin  
 Swanson, Wayne Allen

Sweat, Richard Alan  
 Thatcher, William Randolph  
 Topel, Steven Jay  
 Ushio, Masumi  
 Valdesuso, Reynaldo  
 Waldorf, Stephen Michael  
 Webb, James William  
 Weddle, Rebecca Percival  
 Wishcop, Denise D  
 Wong, Christine Rebecca  
 Wyer, Nikki Annette

SLA Membership Totals as of April 15, 2009

California Business Entities	629	Non-Resident Business Entities	379
California Individuals	2,152	Non-Resident Individuals	1,131
Total California	2,781	Total Non-Resident	1,510

Total SLA Membership: 4,219

The SLA has contracted with the Indian outsourcing firm Mahindra Satyam to move the SLA from the current proprietary software solution provided by Sapiens to an open source solution built in Java Enterprise Edition.

**SLA/SATYAM EAS PHASE 2 DEVELOPMENT TEAM (SAN FRANCISCO)**



From left to right: Rema Devi Ravindran, Yeogeniy Koymfan, Patrice Kwang, Brent Hunter, Joy Erven, Linda Cheng, Vani Ganti, Thomas Leibold, Swarna Kondapalli, Rammohan Akula (not in picture: Rama Ganesh APN and Anand Rajasekhar)

## MEMBER PROFILE



**Tina Epstein Abrams**

Assistant Vice President, Regional Business Manager of Arch Specialty Insurance Agency Inc

Tina Epstein Abrams is Assistant Vice President - Excess Casualty Underwriter in Argonaut Specialty Insurance Services' Los Angeles Office. She joined the company early in its inception in April 2005. Her duties include the marketing and underwriting of general Excess Casualty and

Umbrella products in the Western Region, as well as directing all excess placements for the Entertainment Industry on a national basis. Ms. Abrams has extensive career experience in varied aspects of the casualty insurance industry, including underwriting management of Casualty, Excess Casualty, Directors & Officers, and Fiduciary product lines in both standard and non-admitted markets, as well as brokerage experience in both the National Brokerage and Facultative Reinsurance environments.

Ms. Abrams is a rare Los Angeles native and graduate of Mt. St. Mary's College. Having always worked in the Los Angeles area, she holds licenses as a Fire & Casualty Agent-Broker in California and Non-Resident Property/Casualty agent in New York. She is serving her third term on the Education Committee of the Surplus Line Association of California. An avid reader, mother of two and grandmother of one, Tina is pursuing a new-found interest in hiking and is training to walk the Country Music Half Marathon in Nashville, TN in 2010.

Argonaut Specialty, working exclusively with wholesale brokers, provides coverage for medium to large-size businesses requiring Primary General liability and Excess/Umbrella lines of business. Their targeted Excess & Surplus accounts typically fall outside the standard insurance market's portfolio and appetite due to unique risk characteristics of the insured, which can include physical perils, the nature of the business, or the insured's loss experience.

In the first six months of 2009, foreign insurers wrote 79.2% of the California surplus line premium, Lloyd's wrote 16.16%, and all other aliens wrote 3.79%.

## Premium Totals by Company Type

COMPANY TYPE	6/30/2009	6/30/2008	% GROWTH	% of TOTAL 6/30/2009
<b>LES LI LISTED COMPANIES</b>				
FOREIGN INSURERS	1,784,304,204	2,468,717,462	-27.72%	79.20%
LLOYD'S SYNDICATES	364,152,834	408,781,589	-10.92%	16.16%
ALIEN INSURERS	85,460,753	122,000,292	-29.92%	3.79%
<b>SUBTOTAL</b>	<b>\$2,233,917,792</b>	<b>\$ 2,999,499,343</b>	<b>-25.52%</b>	<b>99.16%</b>
ALL OTHER	18,980,777	117,322,687	-83.82%	0.84%
<b>TOTAL</b>	<b>\$ 2,252,898,568</b>	<b>\$3,116,822,030</b>	<b>-27.72 %</b>	<b>100.00%</b>

## Top 50 Surplus Line Brokers

Based on Premium Processed through June 30, 2009

Rank	BROKER	PREMIUMS PROCESSED	% OF TOTAL
1	MARSH USA INC.	\$182,204,920	8.09%
2	SWETT & CRAWFORD	175,080,052	7.77%
3	WESTERN RISK SPECIALISTS, INC.	160,300,142	7.12%
4	AON RISK INSURANCE SERVICES WEST, INC.	85,253,914	3.78%
5	HART, ANTHONY JOSEPH	83,460,217	3.70%
6	AMWINS INSURANCE BROKERAGE OF CALIFORNIA, LLC	82,373,676	3.66%
7	LOCKTON COMPANIES, LLC	52,202,745	2.32%
8	RISK PLACEMENT SERVICES INSURANCE BROKERS	50,124,662	2.22%
9	BLISS AND GLENNON INC	49,291,968	2.19%
10	CRUMP INSURANCE SERVICES, INC.	48,688,582	2.16%
11	WORLDWIDE FACILITIES, INC.	46,417,733	2.06%
12	AMERICAN E & S INSURANCE BROKERS OF CALIFORNIA, INC.	42,843,757	1.90%
13	CRC-STERLING WEST INSURANCE SERVICES, LLC	36,138,932	1.60%
14	CRC INSURANCE SERVICES, INC.	31,863,320	1.41%
15	BURNS & WILCOX INSURANCE SERVICES, INC.	30,056,287	1.33%
16	BORISOFF INSURANCE SERVICES, INC. (DBA: MONARCH E & S INSURANCE SERVICES)	29,092,027	1.29%
17	FIRST STATE MANAGEMENT GROUP, INC.	27,842,287	1.24%
18	COLEMONT INSURANCE BROKERS OF CALIFORNIA, LLC	26,566,945	1.18%
19	BROWN & RIDING INSURANCE SERVICES, INC.	24,731,069	1.10%
20	PROCTOR FINANCIAL, INC.	24,217,364	1.07%
21	PARTNERS SPECIALTY GROUP, LLC	23,449,424	1.04%
22	CROUSE & ASSOCIATES INSURANCE SERVICES OF NORTHERN CALIFORNIA, INC.	22,757,262	1.01%
23	WILLIS INSURANCE SERVICES OF CALIFORNIA, INC.	21,321,795	0.95%
24	SEMINARIO, MICHAEL CARLOS	20,696,253	0.92%
25	HULL & COMPANY, INC.	18,934,248	0.84%
26	ARTHUR J. GALLAGHER & CO. INSURANCE BROKERS OF CALIFORNIA, INC. (GLENDALE)	18,744,458	0.83%
27	SOCIUS INSURANCE SERVICES, INC.	18,094,575	0.80%
28	BASS UNDERWRITERS, INC.	17,535,656	0.78%
29	WESTERN RE/MANAGERS INSURANCE SERVICES, INC.	16,690,382	0.74%
30	ALL RISKS, LLC	15,783,267	0.70%
31	WOODRUFF-SAWYER & COMPANY	15,104,725	0.67%
32	AIS AFFINITY INSURANCE AGENCY, INC.	13,454,141	0.60%
33	WILLIS OF NEW YORK INC	12,902,549	0.57%
34	HARRY W. GORST COMPANY, INC.	12,489,198	0.55%
35	HRH E&S SERVICES, LLC	12,029,943	0.53%
36	HILB ROGAL & HOBBS INSURANCE SERVICES OF CALIFORNIA, INC.	11,458,623	0.51%
37	COASTAL BROKERS INSURANCE SERVICES INC.	10,909,038	0.48%
38	ALL RISKS, LTD.	10,653,870	0.47%
39	M.J. HALL & COMPANY, INC.	10,106,037	0.45%
40	TRACKSURE INSURANCE AGENCY, INC.	9,840,478	0.44%
41	INTERNATIONAL E & S INSURANCE BROKERS, INC.	9,237,265	0.41%
42	ZURICH E&S INSURANCE BROKERAGE, INC.	9,062,818	0.40%
43	ARTHUR J. GALLAGHER RISK MANAGEMENT SERVICES, INC.	8,416,176	0.37%
44	ALLIANT INSURANCE SERVICES, INC.	8,318,980	0.37%
45	JOHN L. WORTHAM & SON, L.P.	8,230,445	0.37%
46	R.E. CHAIX & ASSOCIATES INSURANCE BROKERS, INC.	7,958,248	0.35%
47	W. BROWN & ASSOCIATES PROPERTY & CASUALTY INSURANCE SERVICES	7,842,203	0.35%
48	ROBERTSON TAYLOR (CALIFORNIA), INC.	7,394,085	0.33%
49	COOPER GAY RISK SERVICES, INC.	7,341,891	0.33%
50	NEITCLEM WHOLESALE INSURANCE BROKERAGE, INC	7,339,582	0.33%
	<b>SUBTOTAL</b>	<b>\$1,682,848,213</b>	<b>74.70%</b>
	ALL OTHER BROKERS	570,050,355	25.30%
	<b>TOTAL</b>	<b>\$2,252,898,568</b>	<b>100.00%</b>

## Top 50 Nonadmitted Carriers

Based on Premium Processed through June 30, 2009

RANK	COMPANY	PREMIUM PROCESSED	% OF TOTAL
1	LEXINGTON INSURANCE COMPANY	\$369,747,860	16.41%
2	AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY	89,619,259	3.98%
3	SCOTTSDALE INSURANCE COMPANY	75,562,403	3.35%
4	EMPIRE INDEMNITY INSURANCE COMPANY	57,836,476	2.57%
5	EVANSTON INSURANCE COMPANY	53,996,096	2.40%
6	LANDMARK AMERICAN INSURANCE COMPANY	50,890,265	2.26%
7	ADMIRAL INSURANCE COMPANY	46,133,395	2.05%
8	LLOYD'S OF LONDON SYNDICATE #2623	45,839,080	2.03%
9	MT. HAWLEY INSURANCE COMPANY	43,613,841	1.94%
10	STEADFAST INSURANCE COMPANY	43,103,677	1.91%
11	QBE SPECIALTY INSURANCE COMPANY	42,966,266	1.91%
12	COLUMBIA CASUALTY COMPANY	42,678,938	1.89%
13	INTERSTATE FIRE & CASUALTY COMPANY	38,915,342	1.73%
14	AXIS SURPLUS INSURANCE COMPANY	38,728,025	1.72%
15	ILLINOIS UNION INSURANCE COMPANY	38,342,005	1.70%
16	LLOYD'S OF LONDON SYNDICATE #2987	35,621,132	1.58%
17	ARCH SPECIALTY INSURANCE COMPANY	35,346,692	1.57%
18	ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY	33,645,060	1.49%
19	COLONY INSURANCE COMPANY	33,392,830	1.48%
20	LLOYD'S OF LONDON SYNDICATE #0033	31,551,496	1.40%
21	LIBERTY SURPLUS INSURANCE CORPORATION	31,546,322	1.40%
22	NAVIGATORS SPECIALTY INSURANCE COMPANY	30,656,024	1.36%
23	WESTCHESTER SURPLUS LINES INSURANCE COMPANY	30,335,355	1.35%
24	HOUSTON CASUALTY COMPANY	27,146,134	1.20%
25	CHUBB CUSTOM INSURANCE COMPANY	25,849,345	1.15%
26	LLOYD'S OF LONDON SYNDICATE #2003	22,323,161	0.99%
27	AMERICAN SAFETY INDEMNITY COMPANY	21,316,135	0.95%
28	NATIONAL FIRE & MARINE INSURANCE COMPANY	21,234,875	0.94%
29	ESSEX INSURANCE COMPANY	21,073,869	0.94%
30	FIRST MERCURY INSURANCE COMPANY	20,680,382	0.92%
31	GEMINI INSURANCE COMPANY	20,226,550	0.90%
32	JAMES RIVER INSURANCE COMPANY	20,025,564	0.89%
33	MAX SPECIALTY INSURANCE COMPANY	19,895,742	0.88%
34	LLOYD'S OF LONDON SYNDICATE #1200	19,540,256	0.87%
35	NORTH AMERICAN CAPACITY INSURANCE COMPANY	19,408,159	0.86%
36	INDIAN HARBOR INSURANCE COMPANY	18,532,559	0.82%
37	NAUTILUS INSURANCE COMPANY	18,282,848	0.81%
38	CENTURY SURETY COMPANY	17,812,515	0.79%
39	PACIFIC INSURANCE COMPANY LTD.	16,760,720	0.74%
40	LLOYD'S OF LONDON SYNDICATE #0510	16,664,303	0.74%
41	SWISS RE INTERNATIONAL SE	16,601,191	0.74%
42	ALLIED WORLD NATIONAL ASSURANCE COMPANY	15,867,102	0.70%
43	ASPEN INSURANCE UK LIMITED	15,463,047	0.69%
44	ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	14,955,298	0.66%
45	LLOYD'S OF LONDON SYNDICATE #2488	14,810,786	0.66%
46	CATLIN SPECIALTY INSURANCE COMPANY	14,154,973	0.63%
47	DARWIN SELECT INSURANCE COMPANY	13,880,378	0.62%
48	LLOYD'S OF LONDON SYNDICATE #0623	13,477,121	0.60%
49	EVEREST INDEMNITY INSURANCE COMPANY	12,182,441	0.54%
50	IRONSHORE SPECIALTY INSURANCE COMPANY	12,171,213	0.54%
	<b>SUBTOTAL</b>	<b>\$1,830,404,506</b>	<b>81.25%</b>
	ALL OTHER COMPANIES	422,494,062	18.75%
	<b>TOTAL</b>	<b>\$2,252,898,568</b>	<b>100.00%</b>

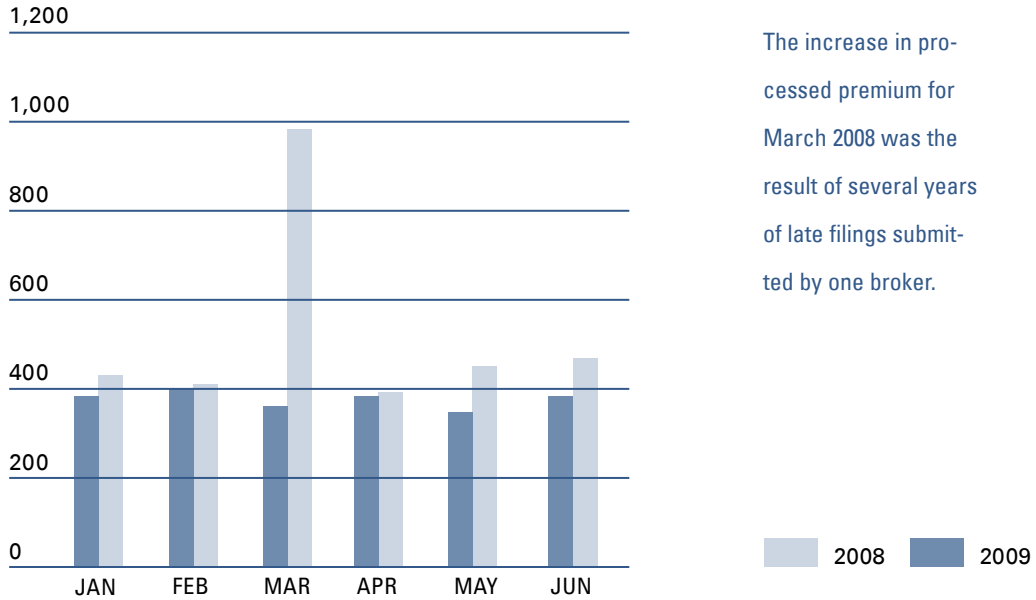
## Top 50 Coverages

Based on Premium Processed through June 30, 2009

RANK	EXPORT	COVERAGE	PREMIUM PROCESSED	% OF TOTAL
1		GENERAL LIABILITY	\$483,698,410	21.47%
2	E	COMMERCIAL DIC/STAND ALONE EARTHQUAKE	306,774,809	13.62%
3		ERRORS AND OMISSIONS	282,611,329	12.54%
4		ALL RISK COMMERCIAL PROPERTY	155,278,937	6.89%
5		SPECIAL MULTI-PERIL PACKAGE	125,242,269	5.56%
6		EXCESS LIABILITY	109,570,063	4.86%
7		MISCELLANEOUS	98,520,010	4.37%
8	E	INDIVIDUAL INSURED WITH LARGE SCHEDULES WHERE THE TIV (TOTAL INSURED VALUES) ARE IN EXCESS OF \$500 MILLION	90,795,368	4.03%
9		PROFESSIONAL LIABILITY	82,950,076	3.68%
10	E	ENVIRONMENTAL IMPAIRMENT REMEDIATION & POLLUTION LIABILITY	76,166,652	3.38%
11	E	EXCESS LIABILITY/UNDERLYING NONADMITTED	59,841,900	2.66%
12		DIRECTORS AND OFFICERS	55,473,936	2.46%
13		COMMERCIAL PROPERTY-BASIC	39,549,976	1.76%
14	E	EMPLOYMENT PRACTICES LIABILITY	31,879,237	1.42%
15	E	PRODUCTS/COMPLETED OPERATIONS (WRITTEN ON A STAND ALONE BASIS)	30,547,054	1.36%
16		INLAND MARINE	20,812,802	0.92%
17	E	VACANT BUILDINGS	17,968,626	0.80%
18		HOSPITALS	16,444,330	0.73%
19	E	EVENT CANCELLATION	15,662,085	0.70%
20		HOMEOWNERS MULTI-PERIL	14,779,049	0.66%
21		AUTO PHYSICAL DAMAGE-COMMERCIAL	11,840,909	0.53%
22	E	CONTRACTORS ENGAGED IN CONSTRUCTION OF NEW TRACT HOMES AND/OR NEW CONDOMINIUMS	10,290,600	0.46%
23		HOMEOWNERS	8,755,107	0.39%
24	E	HIGH LIMITS DISABILITY	8,129,522	0.36%
25		TERRORISM	7,401,075	0.33%
26		SINGLE FAMILY DWELLING/DUPLEX	7,048,647	0.31%
27		GARAGE LIABILITY	7,046,351	0.31%
28	E	SECURITY GUARD SERVICES	6,272,106	0.28%
29		GROUP HEALTH	5,247,967	0.23%
30		AUTO LIABILITY-COMMERCIAL	4,828,887	0.21%
31		ACCIDENT	4,266,041	0.19%
32		AUTO COMBINED LIAB & PHYS DAMAGE-COMM.	3,658,641	0.16%
33	E	AMUSEMENT PARKS/CARNIVALS/DEVICES	3,358,174	0.15%
34	E	OILFIELD CONTRACTORS	2,903,451	0.13%
35	E	PRODUCTS RECALL	2,784,078	0.12%
36		SPECIAL MULTI-PERIL WITH TERRORISM	2,690,147	0.12%
37		BONDS	2,469,845	0.11%
38		DISABILITY INCOME	2,432,109	0.11%
39	E	PERSONAL ARTICLES FLOATERS WRITTEN ON A STAND ALONE BASIS	2,228,422	0.10%
40	E	CRANE & RIGGING CONTRACTORS	1,953,815	0.09%
41		AVIATION	1,891,922	0.08%
42		CRIME	1,624,563	0.07%
43		FIDELITY	1,616,549	0.07%
44	E	SHORT TERM SPECIAL EVENTS (EXC HOLE IN ONE)	1,596,766	0.07%
45	E	AVIATION EXCESS LIABILITY	1,501,484	0.07%
46	E	CLINICAL & SIMILAR TESTS OF PHARMACEUTICAL	1,473,742	0.07%
47		EXCESS WORKERS COMPENSATION	1,411,779	0.06%
48		RESIDENTIAL EARTHQUAKE	1,192,757	0.05%
49	E	POLITICAL RISKS INCLUD EXPROPRIATION, CONFISCATION, UNFAIR CALLING	1,119,270	0.05%
50		PRODUCT TAMPERING	951,097	0.04%
		<b>SUBTOTAL</b>	<b>\$2,234,552,738</b>	<b>99.19%</b>
		All Other Coverages	18,345,831	0.81%
		<b>TOTAL</b>	<b>\$2,252,898,568</b>	<b>100.00%</b>

**Comparison of Premium Processed for 2nd Quarter 2009 versus 2008**

*All values represented in Millions*

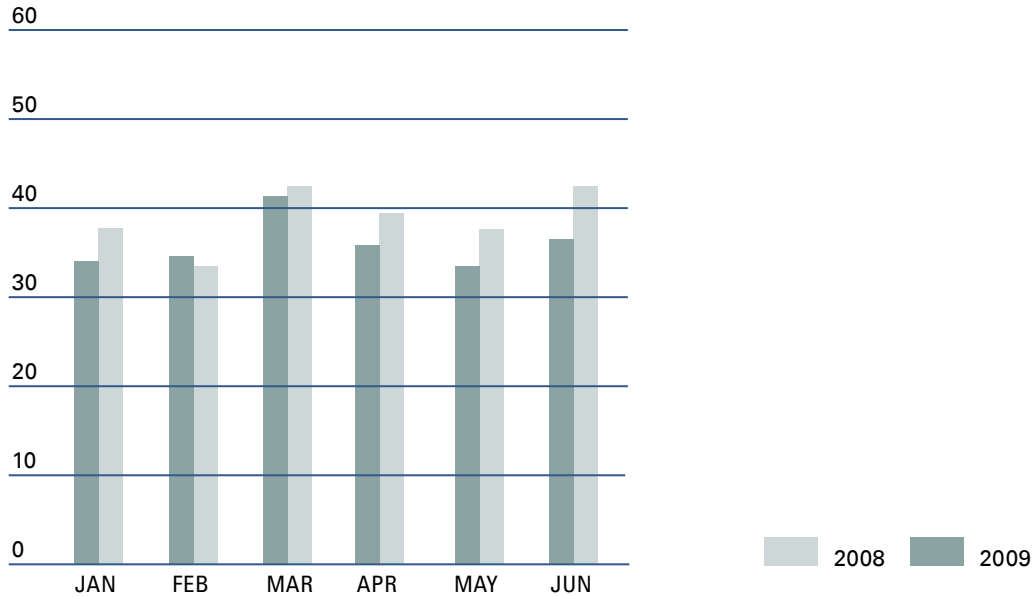


The increase in processed premium for March 2008 was the result of several years of late filings submitted by one broker.

A licensed surplus line broker may originate surplus lines business, or may accept that business from any other originating licensee duly licensed for the type or types of insurance involved, and may compensate those licensees therefor (CIC § 1763.2(A)).

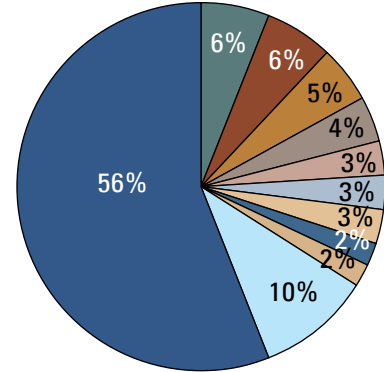
**Comparison of Items Processed for 2nd Quarter 2009 versus 2008**

*All values represented in Thousands*



## Issued Tags for 2nd Quarter 2009

Tags Description	Percentage	Count
Late Filing with Explanation	56%	34,378
Incomplete SL2 Form	6%	3,953
Late Filing	6%	3,382
Section 7(B) of SL2 Incomplete	5%	3,028
Incomplete SL1 Form	4%	2,484
Incomplete Admitted Company Names	3%	1,823
Renewal has No Record of Prior Policy	3%	1,817
No Record of Policy Endorsement	3%	1,731
Lloyd's Syndicate Numbers	2%	1,234
Unlisted Admitted Company	2%	1,184
All Other Tags	10%	6,395
<b>Total</b>		<b>61,409</b>



*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 on a highly aggressive software development schedule for our new internal stamping office application, EAS, which will handle several billion dollars in transactions annually.

We continue to receive strong support and participation from the Administration, Data Processing, Education and Financial Departments. We are wrapping up the

Request For Proposal (RFP) process to locate a vendor that can provide a “front end” to our automated server-to-server filing system that will enhance the ability for brokers to file electronically with the SLA. In addition to the system development initiatives just described, we continue to maintain and provide day-to-day maintenance and support for our network and systems infrastructure, including application support for employees and SLA members, and ad-hoc support to all departments within the SLA.

# Scheduled Educational Events for The Surplus Line Association of California

September 2009 - November 2009

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

## Assembly Bill 2956: How Did We Get Here? What Does it Mean?

### Presented by

**Sanford Michelman**

Partner

Michelman & Robinson LLP

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

Seminar 8:30 a.m. - 11:30 a.m. - 3 CE Credits - #230147

### Dates

**Tuesday, September 15, 2009**

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

**Wednesday, September 16, 2009**

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

## Demystifying Inland Marine Coverage & The New Real Estate Economy

### Presented by

**Dan Haskell**

Vice President

Lexington Insurance Company

**Helen Chisholm**

Senior Production Specialist

Western Risk Specialists, Inc.

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

Seminar 8:30 a.m. - 11:30 a.m. - 3 CE Credits - pending CDI approval

### Dates

**Tuesday, October 20, 2009**

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

**Wednesday, October 21, 2009**

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

## Professional Submissions; Avoiding Insurance Agent & Broker E&O Claims; Lloyd's of London

### Presented by

**Lori M. Hunter, CPCU, ASLI**

Property/Casualty Broker

Worldwide Facilities, Inc

**Kristina B. Mason**

Financial Services/Executive Liability Broker

Worldwide Facilities, Inc

**Anthony Joseph**

Senior Vice President

Lloyd's America, Inc.

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

Seminar 8:30 a.m. - 11:30 a.m. - 3 CE Credits - pending CDI approval

### Dates

**Tuesday, November 17, 2009**

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

**Wednesday, November 18, 2009**

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

## 2009 SLA Executive Committee

**John Edack - Chairman**

Arch Specialty Insurance Agency,  
Inc.

**Les Ross - Vice Chairman**

Crump Insurance Services, Inc.

**Patrick Hanley - Secretary Treasurer**

Socius Insurance Services, Inc.

**Warren Stanley**

Wholesale Connection Insurance  
Services

**Doris Barnett**

Colemont Insurance Brokers

**Kris Bauer**

AmWINS Insurance Brokerage of CA

**Chris Brown**

Brown & Riding Insurance Services,  
Inc.

**Frank Cravens**

M.J. Hall & Company, Inc.

**Anne McNally**

Wells Fargo Insurance Services

**Phil Mazur**

Swett & Crawford

**Davis Moore**

Worldwide Facilities, Inc

**Pam Quilici**

Crouse & Associates

**Gerald J Sullivan**

Gerald J. Sullivan & Associates

## Editors

**Ted Pierce**

Executive Director, SLA

**Joy Erven**

Director, Stamping Office, SLA

Please address all correspondence to the  
Editors:

SLA Quarterly  
50 California Street, 18th Floor  
San Francisco, CA 94111  
Telephone: (415) 434-4900  
Fax: (415) 434-3716  
[www.slacal.org](http://www.slacal.org)

The SLA Quarterly is published by The  
Surplus Line Association of California, 50  
California Street, 18th floor, San Francisco,  
CA 94111 for the members of The Sur-  
plus Line Association