

## Report of the Chair



*Kathryn A. Nelson*

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The SLA received some good news from the California Department of Insurance. Mark Lowder, Deputy Commissioner of the Enforcement Branch responded positively to the SLA's request for confirmation that the Surplus Line Broker responses to the Year 2000 (Y2K) Compliance Questionnaire does indeed constitute a Year 2000 readiness disclosure. Pursuant to both Federal Public Law 105-271, the Year 2000 Information and Readiness Disclosure Act and Section 3270 of the California Civil Code, Surplus Line Brokers who responded to the Department's Y2K Compliance Questionnaire are provided with some protection from liability based on good faith statements.

Additional good news comes to us from the Department's Enforcement Division Chief. Dennis Ward has confirmed that the Department of Insurance considers railroad protective policies to be a special lines coverage exempt from filing with the SLA.

On another front, a special SLA Ad Hoc Committee is preparing a strategic plan for the association to give the organization more direction in the areas of member services, industry affairs and other association functions. The Ad Hoc Committee is chaired by Stacey Beougher of IIW Insurance Services of California. The

new strategic plan should be completed by July and copies will be made available.

The SLA is also undertaking a rewrite and re-engineering of its transaction processing system for the stamping office operations. This new computer system will allow the SLA to process monthly batch filings more efficiently and take us one step closer to developing an electronic filing system.

From July 21st through 23rd, the Surplus Line Association of Oregon will host the Western States Surplus Line Conference at the Skamania Lodge in Stevenson, Washington. For further information, contact the SLA.

Finally, for those who like to plan ahead, the next SLA Annual Meeting will be held on January 18, 2000 at the Fairmont Hotel in San Francisco and repeated on January 20 at the Marriott Downtown in Los Angeles. ▲

**VISIT OUR WEB SITE!  
WWW.SLA-CAL.ORG**



## SLA QUARTERLY

April 1999

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of California,  
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For the members of  
The Surplus Line Association

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## Report from the Director of the Stamping Office

It's hard to believe the first quarter of this year is gone already! The totals for the first quarter filings were \$375,500,715 in premium (up 24.14% over first quarter in 1998) and 61,578 in transaction count (up 16.18%). Premium processed by the SLA (and transaction count) during the first quarter of 1999 are significantly higher compared to 1998, as we were at a six-week backlog last year and are happy to report that, as of March 31, 1999, we are at a four-week backlog.

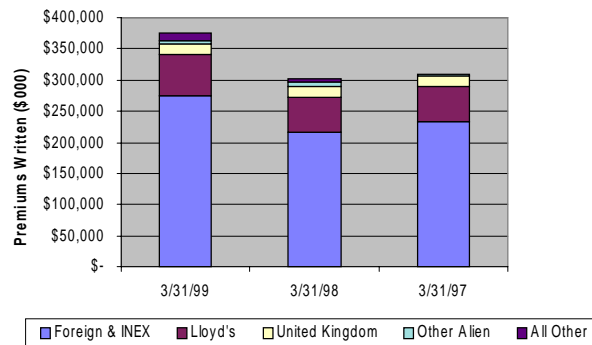
We conducted three very well attended seminars on broker filing procedures during the first quarter. For those who missed the seminars, we will be presenting another similar seminar in

San Diego on July 27<sup>th</sup>. This is a seminar that should be attended by those who handle surplus line filings, specifically those who complete SL1 and SL2 forms.

In March, we mailed the new 8 1/2" x 11" SLA Manual via SLA Bulletin #853 to all our members. This new manual replaces the smaller three-ring binder we provided you previously. The new manual has been expanded to include more information in response to staff and members suggestions. We spent a great deal of time preparing this manual and appreciate the very positive feedback we have been receiving. To the people involved, I thank you very much for a great job.▲

### Surplus Line Association of California

Premium Totals by Company Type



	3/31/99	3/31/98	3/31/97
Foreign & INEX	\$275,643	\$216,418	\$232,671
Lloyd's	\$ 65,124	\$ 56,396	\$ 57,282
United Kingdom	\$ 16,851	\$ 17,584	\$ 17,858
Other Alien	\$ 5,651	\$ 7,272	\$ 883
All Other	\$ 12,232	\$ 4,800	\$ 942
<b>Total</b>	<b>\$375,501</b>	<b>\$302,470</b>	<b>\$309,636</b>

# 1999 Filing Requirements for LESLI Listed Companies

Inquiries are coming in concerning 1999 document filing requirements for eligible surplus line insurers in California (or LESLI listed companies). Here are some of the commonly asked questions and our replies.

## **What are California's regulatory filing requirements for 1999?**

The document filing requirements for 1999 are essentially the same as 1998. SLA Bulletin #852 and the revised Filing Guide outline the eligibility and document filing requirements for surplus line insurers under Insurance Code Section 1765.1. Please refer to the Guide for the list of documents required for foreign and alien insurers.

NOTE: Effective February 24, 1999, if there are no changes to any of the required documents already on file with the California DOI, the insurer need not include those documents in the 1999 annual renewal package. Please refer to the Guide for further instructions.

## **When are the required documents due in California?**

To ensure continued compliance with the requirements of Insurance Code section 1765.1, LESLI listed companies are required to keep the documents filed with the California DOI up-to-date at all times.

Whenever there are changes to,

or new versions of, any of the documents previously filed with the DOI, the insurer must file these new or revised documents as they become available. The documents may either be filed as part of the insurer's annual renewal filing or as an update filing.

## **What is included in an annual renewal filing and when should it be made?**

Each year LESLI listed companies are required to renew their surplus line eligibility status in California. This annual renewal process includes the filing of all new and/or amended required documents that are available at the time of filing. The annual renewal filing may be made anytime provided it is made on or before the anniversary date of the insurer's LESLI approval date. The filing must be accompanied by a \$2,250 filing fee.

For annual renewal filing requirements, please refer to the Guide.

## **The 1998 Annual Statement for U.S. domiciled insurers is due for regulatory filing on March 1, 1999. When should it be filed with the California DOI?**

As soon as certified copies of the insurer's 1998 Annual Statement are available. Please wait until the insurer's home state certifies the 1998 Annual Statement before filing it in California. Filing uncertified copies of the 1998

Annual Statement are deemed unacceptable and will be returned at the expense of the insurer.

Remember, the California DOI expects to receive certified copies of an insurer's Annual Statement no later than April 30<sup>th</sup> each year.

## **What is included in an update filing and when is it made?**

Throughout the year, whenever the information on file with the California DOI has been changed, updated or revised, the insurer will be required to make an update filing if the new information is available before the insurer makes (or subsequent to the insurer making) its annual renewal filing.

A \$250 filing fee must accompany each type of updated financial document, and \$35 for each type of updated non-financial document.

## **Please clarify: Is the \$250 filing fee required for updated financial documents assessed per copy or per set?**

The \$250 filing fee for updated financial documents is assessed on a "per set" basis (consisting of four copies of the required document).

Likewise, the \$35 non-financial filing fee is assessed on a "per set" basis.

*continued on page 4*



1999

## CALIFORNIA LEGISLATION

**Assembly Bill 413**, Introduced by Assemblywoman Marilyn C. Brewer (R-70) would clarify that special lines' surplus line brokers may also be referred to, in short, as special lines brokers.

(Status: 2/25/99 Introduced in the Committee on Insurance.)

**Assembly Bill 478**, Introduced by Assemblyman Dave Cox (D-5), Surplus Line Brokers Certificates. Existing law requires certificates evidencing the placement of insurance with an eligible non-admitted insurer to be in the name of the issuing surplus line broker and to contain specified provisions and disclosures. Existing law requires a certificate of insurance or verification of insurance provided as evidence of insurance in lieu of an actual policy of insurance to contain specified statements relating to the fact the certificate or verification is not an insurance policy, and does not amend, extend, or alter the coverage afforded by the policies listed in the certificate or verification. This bill would exempt certificates evidencing the placement of insurance with an eligible non-admitted insurer from the provision of law that requires a certificate of insurance or verification of insurance to contain specified statements relating to the fact the certificate or verification is not an insurance policy, and does not amend, extend, or alter the cov-

erage afforded by the policies listed in the certificate or verification.

(Status: 3/1/99, Referred to the Committee on Insurance)

**Senate Bill 896**, Introduced by Senator Jackie Speier (D-8), Auditing Premium Tax Returns.

Existing law imposes a tax, as specified, upon the gross premiums of insurance and provides for the processing and auditing of tax returns by the Department of Insurance, for the issuing of deficiency assessments and the processing of petitions and refunds by the State Board of Equalization. This bill would, as provided, transfer those tax return processing and auditing duties of the Department of Insurance to the State Board of Equalization, and would appropriate an unspecified amount from the General Fund to the board for the purpose of funding the board's performance, for the 1999-2000 fiscal year, of the transferred audit duties.

(Status: Set for hearing in the Senate Insurance Committee on April 21.) ▲

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**LES LI Filing Requirements -**

**Is there a penalty for filing late?**

There is no monetary penalty for filing late. However, it is imperative that LESLI listed companies make their annual renewal

and/or update filings in a timely manner to avoid adverse regulatory action by the California DOI.

**Is the sponsoring broker or the insurer responsible for making the annual renewal and/or update filings?**

Generally, the sponsoring broker makes the regulatory filings on behalf of the insurer it sponsors. However, the insurer may make regulatory filings directly with the California DOI provided it keeps its sponsoring broker informed of all filings made. It is also recommended that the sponsoring broker maintain a complete set of all filings made by the LESLI company(s) it sponsors.

**How does an insurer apply to become an eligible surplus line carrier in California?**

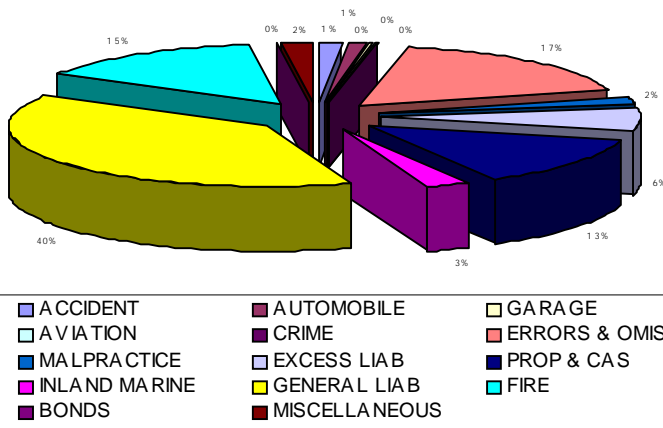
The insurer must apply in writing to the California DOI stating its wish to become an eligible surplus line insurer. The insurer must demonstrate that it has met the financial and operational standards required under Insurance Code Section 1765.1. Please refer to the Filing Guide for details.

**You may obtain a copy of SLA Bulletin #852 and the revised Filing Guide by visiting the SLA Web Site or by faxing your request to Melissa Easley at (415) 434-8505.**



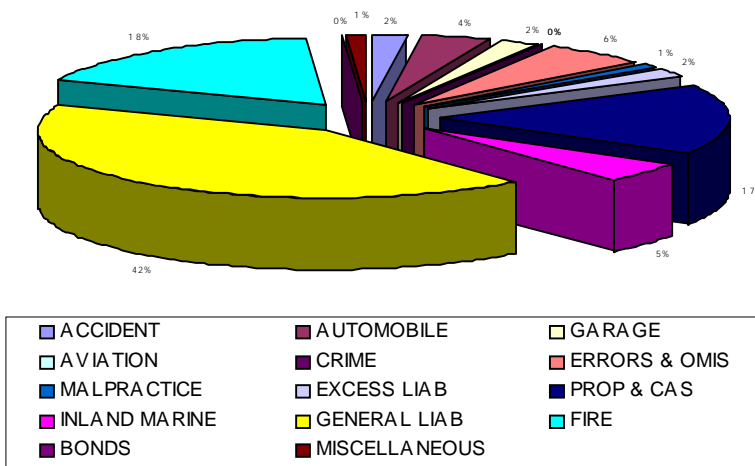
The following pie graphs represent the percentage of premium and item count, by type of coverage for surplus line placements during the first quarter of 1999. The highest premium volume and item count was a result of General Liability coverage.

**COVERAGE TOTALS BY PREMIUM FOR FIRST QUARTER 1999**



**Total Premium Volume for 1st Quarter: \$375,500,715.14**

**COVERAGE TOTALS BY ITEM COUNT FOR FIRST QUARTER 1999**



**Total Item Count for 1st Quarter: 62,142**

# *SLA Educational Calendar*

*A guide to education events in 1999*

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## MAY 1999

FINDING & USING SURPLUS LINE  
INFORMATION ON THE INTERNET  
CDI #CFX13319 - 1 CE Credit

REINSURANCE  
Pending - 3 CE Credits

Tuesday, May 18, 1999  
The Fairmont Hotel  
Terrace Room  
950 Mason Street  
San Francisco, CA 94108

Thursday, May 20, 1999  
Marriott  
333 S. Figueroa  
Los Angeles, CA 90071

## JULY 1999

WESTERN STATES SURPLUS LINE CONFERENCE

July 21- 24, 1999  
1131 Skamania Lodge Way  
Skamania Lodge  
Stevenson, Washington 98648

SLA FILING PROCEDURES  
CDI #FX11007 - 2 CE Credits

Tuesday, July 27, 1999  
DoubleTree Hotel  
7450 Hazard Center Drive  
San Diego, CA 92108

## AUGUST 1999

ADVANCED MARITIME  
INSURANCE  
CDI #FX10653 - 4 CE Credits

Wednesday, August 25, 1999  
The Fairmont Hotel  
950 Mason Street  
San Francisco, CA 94108

Thursday, August 26, 1999  
Marriott  
333 S. Figueroa  
Los Angeles, CA 90071

## OCTOBER 1999

DIRECTORS & OFFICERS  
Pending - 3 CE Credits

Thursday, October 7, 1999  
Marriott  
333 S. Figueroa  
Los Angeles, CA 90071

Thursday, October 14, 1999  
Sheraton Palace Hotel  
2 New Montgomery Street  
San Francisco, CA 94105

