

## Report of the Chairman, William H. Newton

The SLA continues to offer its members superb service and guidance through the commitment and dedication of our active volunteer leadership and well trained staff specialists. Moreover, our new executive director, Ted Pierce has brought to the SLA a much needed emphasis on association management and member services.

The Association is currently involved in an effort to update its publications beginning with the SLA Manual. Upon completion, each member will receive a copy of the updated manual which serves as a comprehensive reference source of relevant California statutes, regulations and related SLA materials for surplus line brokers. The Association is also updating an existing pamphlet defining the non-admitted market to insurance professionals and California insurance con-

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## New Tag Summary Report

The new Tag Summary Report, which is sent to the principals of each firm, will now be provided on a quarterly instead of a monthly basis.

The purpose of the Tag Summary Report is to provide the principals of each firm with a better understanding of their tag accumulations. It is a summary of the tag violations generated as a result of any errors,

discrepancies, missing information or other problems detected in the filed documents. This report is for informational purposes only, no action is required upon receipt.

If a broker would like additional information in regards to this report or has any questions they may contact Judith Flowers, Pat McAuley or Ted Pierce.

## Lloyd's Forum

We are pleased to announce that the SLA will be hosting a Lloyd's forum event in Los Angeles on September 28, 1998.

Lloyd's Chairman, Max Taylor will discuss some of the major changes that have occurred in the Lloyd's market over the course of the past year as well as some of the challenges confronting Lloyd's in the months ahead. Mr. Taylor will touch on, among other subjects, the effective exploitation of new technology to facilitate communication between Lloyd's underwriters and brokers around the world.

Following Mr. Taylor's speech, a series of senior Lloyd's underwriters will give a variety of presentations on topics to include:

\* The U.S. healthcare revolution and its implications for the insurance of medical professionals and administrators

\* Utilities deregulation's in the U.S. and the changes this has brought about in the insurance requirements of utility companies

\* Directors & Officers Insurance and the year 2000 problem

\* Political Risk Insurance and the internationalization of U.S. business

The forum event will be held at:

Regent Beverly Wilshire Hotel  
9500 Wilshire Boulevard  
Beverly Hills CA 90212

Contact Nadine Watso,  
Manager, Education  
(Pending approval for 3 CE Credits)

## Report of the Director of the Stamping Office

We attended the Western States Surplus Line Conference in June. It was held at the beautiful Wigwam Resort in Arizona. The meetings were very informative and provided our members seven credits of Continuing Education. Best of all the weather cooperated, not reaching over 100 degrees the entire time we were there.

Our thanks to the host state, Arizona, John Rohwer and his Board of Directors at the Sur-

plus Line Association of Arizona for putting it all together.

The Management team has been busy rewriting our SLA Manual. This is quite a task we have undertaken. There are considerably more details than we ever imagined. It will be out later this year and will be in a new larger size – 8 ½ x 11.

We welcome aboard three new employees: Meriam Abalos, Aurora Sario, in Data Processing and Lisa Lewis in

Data Services. Lisa, a former employee, previously worked in the Data Processing Department.

We also want to welcome our newest members to the Association:

Call Gap, Ltd.  
Climate Risk Management Ins. Inc.  
Douglas George Kocher  
Hanley-Marquez-Lefcourt Surplus Lines, LLC  
Integrated Risk Solutions Ins.  
J. H. Blades Insurance Services  
Joan Marie Kelly  
Municipal General Ins. Agency  
Pacific Professional Insurance Inc.  
Pelican Insurance Services, Inc.  
Personal Benefit Ins. Services  
Preston Bakerjian Insurance Service

### Q& A on Continuing Education Requirements

**Q.** How many C.E. credits does a broker need to renew their license?

**A.** If you were licensed after January 1, 1992, you are required to take 25 C.E. credits per year for four consecutive years. Thereafter, 30 credit hours are required for each two-year renewal period.

**A.** If you were licensed before January 1, 1992, you are required to have 30 C.E. credits for each two-year renewal period.

**Q.** How to decipher the CDI course codes prefixes:

**A.** CLX – Life Agents only  
CFX – Fire and Casualty

Broker-Agents only

CFL – For both Life Agents and Fire and Casualty Broker and Agents

CLT – For both Life Agents and Fire and Casualty Brokers and Agents

**Q.** How often can I take the same course?

**A.** You may repeat a course you have previously attended provided it is taken during a different license period. No course may be taken twice during the same license period for continuing education credit.

**Q.** What is the carry-over rule for C.E. credits?

**A.** Excess hours may be carried over provided they were accumulated during the second year of your two-year license

period.

**Q.** How long must I retain the certificates of completion?

**A.** Students should retain the certificate for five (5) years.

**Q.** Are C.E. credits required when I am 70 years old?

**A.** A licensee shall not be required to comply with the C.E. requirements if the licensee submits proof to the commissioner that he or she has been a licensee in good standing for 30 continuous years in this state and is 70 years of age or older. Code section 1749.3(i).

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The California Department of Insurance (CDI) has an automated system where you can have a list of your C.E. hours faxed to you.

Call 916-322-3555 and press 1133 – be prepared to have your Social Security number before you call.

In addition, you can look up your own C.E. credit status in the agents & brokers section of the CDI web page at <http://www.insurance.ca.gov/>

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## California Legislative Update

### **SB 678 (Leslie) Image advertising by surplus line brokers and non-admitted insurers**

Status: Passed by the Senate and Assembly, with a 3-year expiration clause. The bill was signed by the Governor on August 4, 1998.

This bill was originally introduced on February 25, 1997 by Senator Tim Leslie (R-Tahoe City). The bill would establish the requirements for "image advertising" by surplus line brokers and both LESLI listed and non-LESLI listed non-admitted carriers. The current language of the bill slightly curtails the ability of surplus line brokers to advertise while explicitly allowing advertising limited to image and product advertising to LESLI and non-LESLI compa-

nies.

Specifically, this bill: permits surplus line brokers to advertise and solicit in any advertising or marketing medium; these advertisements may include the name of specific non-admitted insurers as well as the non-admitted insurance products available, as long as: 1) the non-admitted insurer is legally authorized to accept placements from the surplus line broker, 2) the non-admitted insurer's name is not used in connection with any of its own non-admitted insurance products, 3) the insurer's unlicensed status, and the non-admitted status of the insurance products are disclosed in the ad in type no smaller than the smallest type used in the ad, 4) the ad does not contain any knowingly false or misleading information.

Special lines surplus lines brokers are permitted to advertise and solicit business the same as surplus line brokers. With respect to non-admitted insurers that are members of groups of insurers, the bill allows surplus line brokers to use the name of the group in their advertising.

With respect to LESLI listed companies, the bill permits advertising if: 1) their unlicensed status is disclosed, 2) the ad is truthful, 3) the ad does not discuss premiums or rates, and 4) specific products are not mentioned in media of general circulation.

For non-admitted insurers that are not on the LESLI list,

advertising is permitted in any media except media targeted primarily at California insureds or prospective insureds, as long as they meet the standards set out for LESLI listed companies and do not advertise any information about a specific product.

### **SB 237 (Johnson) Special lines surplus line broker definition**

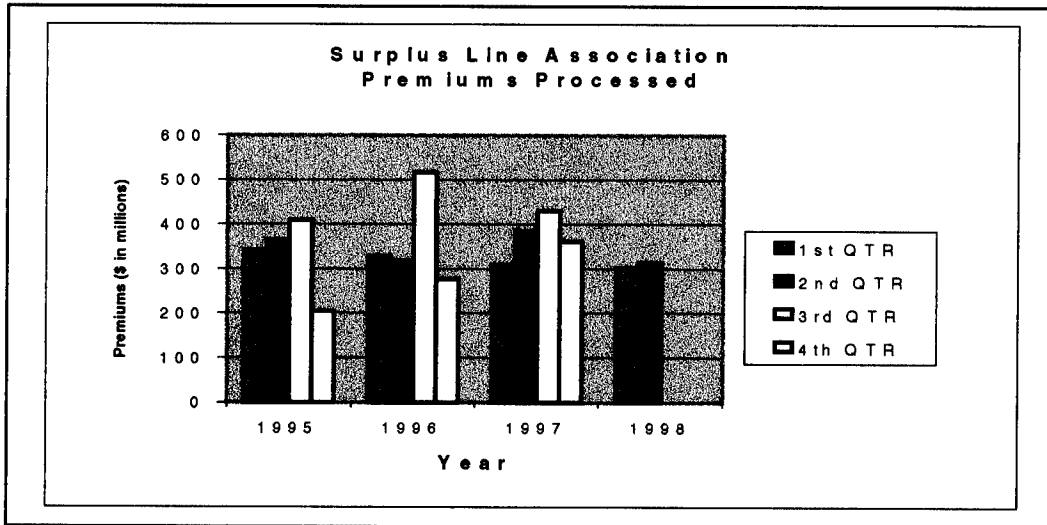
Status: Passed by the Senate and approved by the Assembly Insurance Committee on June 17 and is pending action in the Assembly Appropriations Committee.

This bill was introduced by Senator Ross Johnson (R-Irvine) and makes technical, conforming changes related to specified exemptions that apply to the placement of special lines' insurance by a special lines' surplus line broker which are consistent with AB 816 of 1997. The sponsors of this bill indicate that some inappropriate language regarding special lines' surplus line brokers inadvertently remains in current laws which are intended to apply solely to surplus line insurers and brokers. The co-sponsors indicate that this bill contains solely technical cleanup amendments consistent with AB 816 (Brewer, 1997), which exempted special lines' surplus lines brokers from using only the non-admitted insurers on the LESLI when placing marine, aviation,

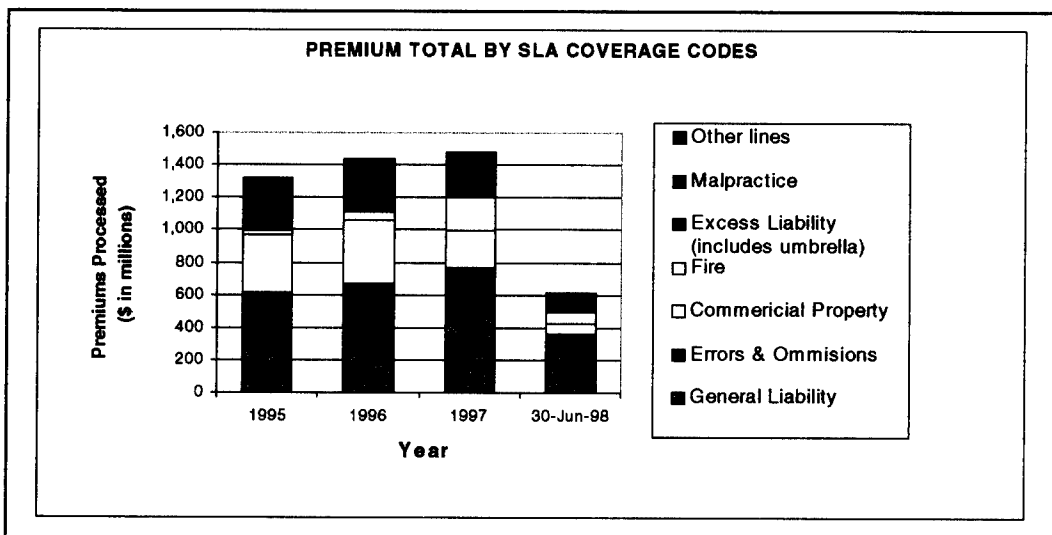
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## Premiums Processed

Through the first six months of 1998, the SLA processed 101,653 items totaling \$617.5 million in premiums compared to 120,569 items and \$694.3 million in premiums for the same period in 1997 (down 15.7% and 11.7%, respectively):



Based on premium volume, general liability continues to be the largest coverage processed by the SLA from brokers filings through June 30, 1998:



spacecraft and transportation risks.

**AB 1975 (Brewer) Surplus line broker definition/section 1764.1 and disclosure statement**

Status: Passed by the Assembly and approved by the Senate. The bill is pending the Governor's signature.

The bill was introduced by Assemblywoman Marilyn C. Brewer (R-Newport Beach) and would define "surplus line broker" as a person licensed pursuant to the surplus line law. The bill would also improve the mandatory disclosure statement to be provided to policyholders who are purchasing insurance from a non-admitted insurer by adding the following language: "California law requires any insurance policies underwritten by a non-admitted insurer to be issued by an insurer on the List of Eligible Surplus Line Insurers approved by the Insurance Commissioner."

Each of these bills must return to their original house of origin for a final vote prior to being sent to the Governor for signature.

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**SL-2 Form Tags -  
What are they and How  
to Prevent them**

The Surplus Line Association

(SLA) is responsible for notifying the filing broker of any errors, discrepancies, missing information or other problems detected in the filed documents. These notifications are referred to as "tags". Missing and/or incomplete information on the SL-2 form continues to be the major reason for tag violations of SL forms. **All sections of the SL-2 form must be completed (with the exception of questions # 3 and 5 if they are not applicable).**

The most frequently tagged sections of the SL-2 form are question #s 6 and 7. Question #6 on the SL-2 form asks for a description of the efforts made to place insurance with the admitted market and how the search was performed. Repeating the names of the three admitted carriers from section 7(B) is not a sufficient answer. The broker should provide the means of contact, via phone, fax, etc.

**Question # 7(B) is the section that results in the most tag violations. The complete admitted company name** should be included in the first section of 7(B). The admitted company used must be listed in the Department of Insurance book titled: "**Insurance Organizations Authorized in California**". (A surplus line broker can contact the Surplus Line Association if they need a copy of this book.) It is also acceptable to list the insurer group names, such as Cigna Group, Chubb

Group, California Ins. Group, etc. instead of an individual company name on the SL-2 form.

If the complete company name is not used, the **NAIC # should be included** to identify the correct company (e.g., Aetna #19046). The broker should avoid only listing the NAIC # because the companies are listed in alphabetical order in the publication.

The second section of 7(B) should include the **first and last name** of the representative and their telephone number. The next section must list the **month and year** (oftentimes the month **or** the year is listed instead of both month and year). The last section must contain the declination code. (The brokers should be certain all sections are completed for each of the three companies.)

If 7(A) was answered '**no**' (which means the risk was submitted to less than three companies) then section 8 must be completed.

The broker should remember the SL-2 form requires a wet signature **by the licensee who performed or supervised the search** and date.

Once the broker is tagged, he/she has 30 days to respond to the SL-1 and SL-2 form tags. If the tag is not answered in the required amount of time, our database automatically generates a report of these violations to the Department of Insurance on a weekly basis.

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sumers. Two new brochures are also under development. The first brochure, aimed at the general public, will be an informational piece describing the SLA. A second brochure, aimed at retail agents and brokers, will explain how to access the surplus line market without losing your license.

On another front, the SLA is engaged in a strategic planning process intended to give direction to the employees and communicate to the membership the functions of the Association. I have asked the SLA's Vice Chair Katheryn Nelson to head an Ad Hoc Committee to develop a written strategic plan over the next several months.

In regards to the SLA's daily operations, the Data Processing Department is up-to-date on their processing of surplus line filings. A new design for our automated transaction processing system, which is currently under development, will further guarantee that surplus line filings are processed on time.

Looking forward, the California Department of Insurance (CDI) is planning their annual hearing on the Export List for sometime in the Fall. The hearing will be held at the CDI Los Angeles office. I have assigned Executive Committee members Roger E. Chaix and Daniel V. Colacurcio to head an Ad Hoc Committee to oversee the SLA's interests as they relate to the

Export List. Any and all suggestions or comments on the Export List are welcomed and encouraged. Please forward all comments to Ted Pierce at the SLA office.

### **Accessible On-Line**

We now have internet e-mail available. Here are the e-mail addresses for some of our employees:

Linda Cheng  
[lcheng@slacal.org](mailto:lcheng@slacal.org)

Judith Flowers  
[jflowers@slacal.org](mailto:jflowers@slacal.org)

David Koon  
[davidk@slacal.org](mailto:davidk@slacal.org)

Stephanie Lymore  
[slymore@slacal.org](mailto:slymore@slacal.org)

Pat McAuley  
[pmcauley@slacal.org](mailto:pmcauley@slacal.org)

Ted Pierce  
[tpierce@slacal.org](mailto:tpierce@slacal.org)

Nadine Watso  
[nwatso@slacal.org](mailto:nwatso@slacal.org)

Deanna Zanoni  
[dzanoni@slacal.org](mailto:dzanoni@slacal.org)

## **EDUCATIONAL CALENDAR**

### **September 1998**

**Workplace Claims and Related Coverage Issues**  
(Pending approval for 2 CE Credits)

**Environmental Liability**  
(Approved for 2 CE Credits CFX10442)

Thursday, September 17, 1998

Newport Beach Marriott Hotel  
900 Newport Center Drive  
Newport Beach, CA 92660

Registration & Continental  
Breakfast:  
8:00 a.m. – 8:30 a.m.

Class Presentation:  
8:30 a.m. – 12:15 p.m.

**Lloyd's Forum Event**  
(Pending approval for 3 CE Credits)

Monday, September 28, 1998

Regent Beverly Wilshire Hotel  
9500 Wilshire Boulevard  
Beverly Hills CA 90212

Contact Nadine Watso,  
Manager, Education, for  
additional information for the  
seminars listed above.