



SLA CONNECTION

Surplus Lines News from the Golden State

The Surplus Line Association of California

Fall 2019

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Export List Hearing

California Department of Insurance Sets Date for November 19th

By Clifton Brown Editor-In Chief, SLA Connection

The **California Department of Insurance** (CDI) has set November 19, 2019, as the date for the next Export List hearing. It will take place at 10:00 a.m. in the 24th floor hearing room of the CDI's San Francisco offices at 45 Fremont Street.

This hearing is of tremendous importance to the California surplus lines industry, because it is at this time that the CDI hears testimony regarding whether it should add or remove coverages from the Export List.

The Export List is a listing of coverages that the CDI has deemed to be generally unavailable in the admitted market and, therefore, exempt from the "diligent search" requirement of the California Insurance Code. The CDI decides to add or remove coverages based on evidence presented during the Export List hearing.

What the CDI is allowed to consider for the Export List changed considerably in 2017 when the California Legislature unanimously passed, and then-Gov. **Jerry Brown** signed, the SLA-sponsored **Assembly Bill 1641**. This law gives the CDI explicit authority to put new, innovative products on the Export List without waiting to see whether a reasonable or adequate market will develop. The CDI retains the authority to take these products off the export list at a later time in the event that a reasonable or adequate market does develop, although it is crucial to note that state law does not define "reasonable or adequate."

Whether the admitted market for a particular coverage is reasonable or adequate is the crux of an issue that is expected to come up at this year's hearing. Some of the California surplus lines community is advocating for the CDI to return Com-

mercial Difference in Condition (DIC)/Stand-Alone Earthquake with limits of \$10 million or less to the Export List, after deleting this coverage from the list in 2018.

Following the CDI's decision to delete that coverage, many surplus line brokers expressed disappointment with the result, and the SLA commissioned a study by the Milliman Corp. to make two key determinations:

1) What constitutes a reasonable or adequate admitted market?

2) Once a suggested standard for a reasonable or adequate admitted market was developed, does the admitted market for Commercial DIC/Stand-Alone Earthquake meet that standard at any level of policy limits?

The Milliman study, which will be submitted as evidence for the hearing, suggested the following working definition of a reasonable and adequate admitted market: "A 'reasonable and adequate' market is a competitive one, composed of companies who supply insurance at actuarially sound prices, are financially sound, and meet existing demand."

Using that suggested working definition, Milliman's analysts who produced the study indicated they did not believe a reasonable and adequate admitted market existed for Commercial DIC/Stand-Alone Earthquake coverage in California.

It will now be up to the CDI to consider this study, as well as any other evidence produced by the surplus lines community or the admitted market, to determine whether the coverage should be restored to the Export List.

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Flood of Legislative, Regulatory Issues Leads To Greater Focus on Government Relations



By Benjamin J. McKay
SLA CEO and Executive Director

In my seven-plus years with the Surplus Line Association, there have always been legislative and regulatory issues that posed potential impacts on the surplus line industry.

But never before have we seen so many of these issues at the same time.

As I wrote in the Spring 2019 **SLA Connection**, the issue of wildfires and their impact on homeowners' insurance has forced our association to pay much closer attention to the personal lines space. In the first six months of this year, the percentage of California surplus lines premiums written in homeowners surpassed 2%, after several years of consistently hovering between 1.4% and 1.8%.

We are not the only ones paying attention. The state government is also keenly interested in the impact of wildfires on homeowners' insurance. Governor **Gavin Newsom** has tasked a wildfire commission to study the issue and develop legislative solutions. The legislature has already passed legislation creating a wildfire victims' fund to cover costs resulting from fires inadvertently sparked by utility companies. And both the **Assembly Insurance Committee** and the **Senate Insurance Committee** in Sacramento have held hearings on the issue.

Legislators and their staff made it clear that they wanted to hear from us about the role of surplus lines in covering homeowners. The Senate Insurance Committee asked me to tes-

tify at its hearing in the spring, and in the fall, Assembly Insurance Committee staff asked **Cliston Brown**, our vice president for Communications and Government Relations, to testify at that committee's hearing in August.

In both cases, legislators who are considering legislative solutions to the market changes in wildfire-prone areas wanted to hear from us what our role is in this marketplace, so that they could be well-informed as they move for-

ward. This is exactly what we envisioned when we created a formal role for government relations within the Communications Department in 2016, and even prior to that time: that we would establish ourselves as a trusted source of information for legislators and regulators regarding surplus lines issues.

authorization Act (TRIPRA), another program of vital interest in the surplus lines space. All this activity, and its potential for consequential impacts upon our industry, has made it clear that government relations can no longer be a part-time focus for the SLA.

That is why we have decided to split the communications and government relations functions, with Cliston taking the helm of the new **Public Affairs Department** and shifting

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ward. This is exactly what we envisioned when we created a formal role for government relations within the Communications Department in 2016, and even prior to that time: that we would establish ourselves as a trusted source of information for legislators and regulators regarding surplus lines issues.

But now, in addition to the never-ending wildfire issue, we are seeing many other issues come to the fore, and not just in Sacramento. On the federal level, Congress is grappling with how financial services can provide services to cannabis businesses in states where cannabis sales are legal, even as it remains illegal at the federal level. Many insurers are reluctant to insure this business as long as federal prohibitions remain in place, due to very rational concerns about the potential legal pitfalls and consequences. With surplus lines insurers playing a predominant role in writing this coverage, whatever Congress decides will have a notable impact on our industry.

Congress is also trying to figure out how to provide for a private insurance market to emerge for flood insurance, after more than 50 years of most flood policies being written by the National Flood Insurance Program (NFIP). With the NFIP deeply in debt and constantly in need of taxpayer bailouts, the need for a viable private market is clear. We have been making the case for several years that surplus line insurers need to be part of this solution, if and when a solution finally emerges.

Congress must also consider the renewal of the Terrorism Risk Insurance Program Re-

his main focus toward government relations. He will also retain two specific areas of communications in which he has extensive experience and expertise: executive communications and media relations.

Member communications will remain with the **Communications Department** and take on a more modern focus with an emphasis on digital communications. To that end, we have hired our longtime contractor **James Greene** to come aboard and head that department. This is a move we have discussed and anticipated for some time, and with this flurry of legislative and regulatory activity expected to continue for the foreseeable future, it has become clear that the time for this change is now.



Top 50 Brokers by Group¹

Based on Premium Processed by the SLA January Through September 2019

Rank	Company	Premium	% of Total	Total Item Count
1	MARSH & MCLENNAN COS. INC.	946,625,118	12.21%	3,948
2	CRC	915,401,800	11.81%	42,784
3	AMWINS GROUP INC.	644,955,500	8.32%	60,408
4	AON P.L.C.	464,999,237	6.00%	3,105
5	R-T SPECIALTY, LLC	457,433,414	5.90%	20,834
6	ARTHUR J. GALLAGHER & CO.	414,566,766	5.35%	22,025
7	WORLDWIDE FACILITIES, LLC	285,413,880	3.68%	25,911
8	BROWN & RIDING INSURANCE SERVICES, INC.	203,157,668	2.62%	10,549
9	WILLIS TOWERS WATSON P.L.C.	188,308,553	2.43%	1,597
10	BURNS & WILCOX	185,307,349	2.39%	56,890
11	LOCKTON INC.	166,545,674	2.15%	7,892
12	CROUSE & ASSOCIATES INSURANCE SERVICES	158,139,478	2.04%	15,108
13	ALL RISKS, LTD.	100,757,267	1.30%	10,735
14	NATIONAL TRANSPORTATION ASSOCIATES, INC.	98,741,788	1.27%	8,655
15	ALLIANT INSURANCE SERVICES INC.	97,743,626	1.26%	1,182
16	WOODRUFF-SAWYER & CO.	93,616,537	1.21%	1,372
17	RISK SPECIALISTS COMPANIES INSURANCE AGENCY, INC.	88,906,026	1.15%	2,197
18	INTEGRO GROUP HOLDINGS L.P.	76,451,894	0.99%	1,366
19	GORST & COMPASS INSURANCE	74,207,704	0.96%	30,108
20	SOCIUS INSURANCE SERVICES, INC.	66,259,732	0.85%	4,952
21	WHOLESALE TRADING INSURANCE SVCS (JENCAP HOLDINGS)	65,103,373	0.84%	1,740
22	SPECIALTY PROGRAM GROUP	57,481,585	0.74%	21,451
23	BROWN & BROWN INC.	55,651,327	0.72%	4,370
24	HUB INTERNATIONAL LTD.	46,585,169	0.60%	1,645
25	CIBA INSURANCE SERVICES	45,314,135	0.58%	1,790
26	BASS UNDERWRITERS	40,807,505	0.53%	18,901
27	HULL & COMPANY, INC.	40,624,115	0.52%	11,759
28	COASTAL BROKERS INSURANCE SERVICES INC.	35,611,973	0.46%	10,322
29	EDGEWOOD PARTNERS INSURANCE CENTER, DBA EPIC INSUR	35,517,571	0.46%	864
30	SOUTHWEST BUSINESS CORPORATION	34,601,105	0.45%	1,359
31	USI INSURANCE SERVICES L.L.C.	30,255,305	0.39%	463
32	TOKIO MARINE HOLDINGS, INC.	28,133,574	0.36%	3,456
33	TRACKSURE INSURANCE AGENCY, INC.	27,145,843	0.35%	458
34	M.J. HALL & CO., INC.	27,015,371	0.35%	7,415
35	SCOTTISH AMERICAN INSURANCE	25,995,901	0.34%	8,691
36	NAS INSURANCE SERVICES, LLC	25,645,295	0.33%	4,366
37	ACRISURE L.L.C.	23,932,254	0.31%	733
38	BERKSHIRE HATHAWAY, INC.	23,652,358	0.31%	3,668
39	WESTERN SECURITY SURPLUS INSURANCE BROKERS, INC.	21,032,036	0.27%	6,337
40	ALLIED PROFESSIONALS' INSURANCE SERVICES	20,822,197	0.27%	62
41	RSI INSURANCE BROKERS, INC	19,581,362	0.25%	1,231
42	ABD INSURANCE & FINANCIAL SERVICES INC.	19,016,946	0.25%	189
43	WORLD RISK INSURANCE SOLUTIONS, LLC	18,668,900	0.24%	26
44	MCGRIFF, SEIBELS & WILLIAMS, INC.	18,660,509	0.24%	149
45	PETERSEN INTERNATIONAL UNDERWRITERS	18,431,039	0.24%	2,982
46	US RISK BROKERS	17,262,100	0.22%	2,876
47	EXCEPTIONAL RISK ADVISORS, LLC	17,025,951	0.22%	575
48	AMTRUST FINANCIAL SERVICES, INC.	16,968,562	0.22%	19,075
49	NEITCLEM WHOLESALE INSURANCE BROKERAGE, INC.	16,438,872	0.21%	2,394
50	USI INSURANCE SERVICES NATIONAL, INC.	16,076,285	0.21%	212
Subtotal		6,616,597,525	85.37%	471,177
All Other Brokers		1,133,450,260	14.63%	229,414
Total		7,750,047,784	100.00%	700,591

¹ Premium Processed represents the total premium processed by the SLA for each group member for the entire time period specified.

Top Carriers by Ultimate Parent

Based on Premium Processed by the SLA January Through September 2019

ULTIMATE PARENT ¹	COMPANY	PREMIUM PROCESSED	% OF TOTAL
LLOYD'S	LLOYD'S ²	1,565,386,673	20.20%
LLOYD'S Total		1,565,386,673	20.20%
AMERICAN INTERNATIONAL GROUP, INC.	LEXINGTON INSURANCE COMPANY	269,448,255	3.48%
	AIG SPECIALTY INSURANCE COMPANY	106,392,204	1.37%
	WESTERN WORLD INSURANCE COMPANY	44,963,931	0.58%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	24,565,355	0.32%
AMERICAN INTERNATIONAL GROUP, INC. Total		445,369,745	5.75%
MARKEL CORPORATION	UNITED SPECIALTY INSURANCE COMPANY	239,979,016	3.10%
	EVANSTON INSURANCE COMPANY	168,475,709	2.17%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	7,112,249	0.09%
MARKEL CORPORATION Total		415,566,975	5.36%
BERKSHIRE HATHAWAY INC.	NATIONAL FIRE & MARINE INSURANCE COMPANY	297,524,257	3.84%
	GENERAL STAR INDEMNITY COMPANY	24,286,707	0.31%
	MOUNT VERNON FIRE INSURANCE COMPANY	15,324,058	0.20%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	2,613,307	0.03%
BERKSHIRE HATHAWAY INC. Total		339,748,328	4.38%
NATIONWIDE MUTUAL INSURANCE COMPANY	SCOTTSDALE INSURANCE COMPANY	339,703,440	4.38%
NATIONWIDE MUTUAL INSURANCE COMPANY Total		339,703,440	4.38%
JAMES RIVER GROUP HOLDINGS, LTD.	JAMES RIVER INSURANCE COMPANY	311,389,539	4.02%
	FALLS LAKE NATIONAL INSURANCE COMPANY	14,106,509	0.18%
JAMES RIVER GROUP HOLDINGS, LTD. Total		325,496,049	4.20%
AXA SA	INDIAN HARBOR INSURANCE COMPANY	315,902,773	4.08%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	6,306,954	0.08%
AXA SA Total		322,209,727	4.16%
ZURICH INSURANCE GROUP LTD.	STEADFAST INSURANCE COMPANY	209,162,571	2.70%
	EMPIRE INDEMNITY INSURANCE COMPANY	55,085,041	0.71%
ZURICH INSURANCE GROUP LTD. Total		264,247,612	3.41%
W. R. BERKLEY CORPORATION	ADMIRAL INSURANCE COMPANY	106,068,458	1.37%
	GEMINI INSURANCE COMPANY	59,617,122	0.77%
	NAUTILUS INSURANCE COMPANY	57,506,982	0.74%
	BERKLEY ASSURANCE COMPANY	28,499,396	0.37%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	4,694,866	0.06%
W. R. BERKLEY CORPORATION Total		256,386,824	3.31%
FAIRFAX FINANCIAL HOLDINGS LIMITED	ALLIED WORLD SURPLUS LINES INSURANCE COMPANY	59,375,690	0.77%
	ALLIED WORLD NATIONAL ASSURANCE COMPANY	46,701,614	0.60%
	CRUM & FORSTER SPECIALTY INSURANCE COMPANY	40,557,845	0.52%
	FIRST MERCURY INSURANCE COMPANY	31,628,590	0.41%
	HUDSON SPECIALTY INSURANCE COMPANY	24,588,488	0.32%
	HUDSON EXCESS INSURANCE COMPANY	14,730,380	0.19%
	SENECA SPECIALTY INSURANCE COMPANY	9,071,426	0.12%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	39,703	0.00%
FAIRFAX FINANCIAL HOLDINGS LIMITED Total		226,693,736	2.93%
CHUBB LIMITED	WESTCHESTER SURPLUS LINES INSURANCE COMPANY	84,187,658	1.09%
	ILLINOIS UNION INSURANCE COMPANY	80,643,119	1.04%
	CHUBB CUSTOM INSURANCE COMPANY	31,157,457	0.40%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	5,470,050	0.07%
CHUBB LIMITED Total		201,458,284	2.60%
LIBERTY MUTUAL HOLDING COMPANY INC.	IRONSHORE SPECIALTY INSURANCE COMPANY	109,768,183	1.42%
	LIBERTY SURPLUS INSURANCE CORPORATION	71,062,396	0.92%
	LIBERTY MUTUAL INSURANCE EUROPE SE	15,309,492	0.20%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	1,550,895	0.02%
LIBERTY MUTUAL HOLDING COMPANY INC. Total		197,690,966	2.55%
TOKIO MARINE HOLDINGS, INC.	HOUSTON CASUALTY COMPANY	116,054,090	1.50%
	TOKIO MARINE SPECIALTY INSURANCE COMPANY	58,170,597	0.75%
	SAFETY SPECIALTY INSURANCE COMPANY	8,704,175	0.11%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	1,406,528	0.02%
TOKIO MARINE HOLDINGS, INC. Total		184,335,390	2.38%
ARGO GROUP INTERNATIONAL HOLDINGS, LTD.	COLONY INSURANCE COMPANY	120,937,880	1.56%
	PELEUS INSURANCE COMPANY	25,964,125	0.34%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	1,748,391	0.02%
ARGO GROUP INTERNATIONAL HOLDINGS, LTD. Total		148,650,396	1.92%
QBE INSURANCE GROUP LIMITED	QBE SPECIALTY INSURANCE COMPANY	129,637,063	1.67%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	33,501	0.00%
QBE INSURANCE GROUP LIMITED Total		129,670,565	1.67%
ALLEGHANY CORPORATION	LANDMARK AMERICAN INSURANCE COMPANY	87,023,651	1.12%
	CAPITOL SPECIALTY INSURANCE CORPORATION	25,672,590	0.33%
	COVINGTON SPECIALTY INSURANCE COMPANY	11,622,933	0.15%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	1,526,031	0.02%
ALLEGHANY CORPORATION Total		125,845,205	1.62%
ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	124,124,342	1.60%
ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED Total		124,124,342	1.60%
SWISS RE LTD.	NORTH AMERICAN CAPACITY INSURANCE COMPANY	55,289,407	0.71%
	SWISS RE INTERNATIONAL SE	39,111,841	0.50%
	FIRST SPECIALTY INSURANCE CORPORATION	29,403,227	0.38%
SWISS RE LTD. Total		123,804,475	1.60%
THE HARTFORD FINANCIAL SERVICES GROUP, INC.	NAVIGATORS SPECIALTY INSURANCE COMPANY	91,546,932	1.18%
	MAXUM INDEMNITY COMPANY	23,394,853	0.30%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$7.5M	6,114,696	0.08%
THE HARTFORD FINANCIAL SERVICES GROUP, INC. Total		121,056,481	1.56%
All Other Groups with Premium Processed <=\$121.0M		1,848,696,683	23.85%
Taxable Fees		43,905,888	0.57%
Grand Total		7,750,047,784	100.00%

4 ¹ Ultimate parent per AM Best as of 9/30/2019; All Lloyd's Syndicates combined under Lloyd's
² Refer to the following page for a breakdown of Lloyd's Syndicates with premium processed >=\$7.5M

Top Lloyd's Syndicates In California With Managing Agent¹

Based on Premium Processed by the SLA January Through September 2019

LLOYD'S	PREMIUM PROCESSED	% OF TOTAL
Lloyd's Syndicate 2623 (Beazley Furlonge Limited)	197,102,037	12.59%
Lloyd's Syndicate 2987 (Brit Syndicates Limited)	86,548,490	5.53%
Lloyd's Syndicate 33 (Hiscox Syndicates Limited)	86,403,868	5.52%
Lloyd's Syndicate 3624 (Hiscox Syndicates Limited)	80,008,322	5.11%
Lloyd's Syndicate 510 (Tokio Marine Kiln Syndicates Limited)	75,671,757	4.83%
Lloyd's Syndicate 1458 (RenaissanceRe Syndicate Management Limited)	50,479,076	3.22%
Lloyd's Syndicate 2001 (MS Amlin Underwriting Limited)	48,740,402	3.11%
Lloyd's Syndicate 2003 (Catlin Underwriting Agencies Limited)	47,604,208	3.04%
Lloyd's Syndicate 623 (Beazley Furlonge Limited)	43,580,365	2.78%
Lloyd's Syndicate 1861 (AmTrust Syndicates Limited)	33,676,057	2.15%
Lloyd's Syndicate 609 (Atrium Underwriters Limited)	33,625,705	2.15%
Lloyd's Syndicate 2488 (Chubb Underwriting Agencies Limited)	33,487,484	2.14%
Lloyd's Syndicate 2007 (Axis Managing Agency Limited)	30,573,396	1.95%
Lloyd's Syndicate 1880 (Tokio Marine Kiln Syndicates Limited)	28,081,062	1.79%
Lloyd's Syndicate 4472 (Liberty Managing Agency Limited)	28,075,696	1.79%
Lloyds Syndicate 1886 (QBE Underwriting Limited)	26,930,121	1.72%
Lloyd's Syndicate 1084 (Chaucer Syndicates Limited)	26,839,173	1.71%
Lloyd's Syndicate 4444 (Canopus Managing Agents Limited)	26,361,355	1.68%
Lloyd's Syndicate 2121 (Argenta Syndicate Management Limited)	25,827,224	1.65%
Lloyd's Syndicate 1225 (AEGIS Managing Agency Limited)	25,105,269	1.60%
Lloyd's Syndicate 1414 (Ascot Underwriting Limited)	24,628,593	1.57%
Lloyd's Syndicate 1183 (Talbot Underwriting Ltd)	22,616,567	1.44%
Lloyd's Syndicate 1969 (Apollo Syndicate Management Limited)	22,148,224	1.41%
Lloyd's Syndicate 435 (Faraday Underwriting Limited)	20,047,328	1.28%
Lloyd's Syndicate 4000 (Pembroke Managing Agency Limited)	19,321,640	1.23%
Lloyd's Syndicate 1200 (Argo Managing Agency Limited)	17,916,623	1.14%
Lloyd's Syndicate 4020 (Ark Syndicate Management Limited)	16,745,139	1.07%
Lloyd's Syndicate 1274 (Antares Managing Agency Limited)	16,550,902	1.06%
Lloyds Syndicate 1980 (Asta Managing Agency Limited)	16,281,717	1.04%
Lloyd's Syndicate 4242 (Asta Managing Agency Limited)	16,232,504	1.04%
Lloyd's Syndicate 2015 (The Channel Managing Agency Limited)	14,558,717	0.93%
Lloyd's Syndicate 4711 (Aspen Managing Agency Limited)	14,557,465	0.93%
Lloyd's Syndicate 1686 (Axis Managing Agency Limited)	13,874,168	0.89%
Lloyd's Syndicate 1991 (Coverys Managing Agency Limited)	13,571,559	0.87%
Lloyd's Syndicate 5151 (Endurance at Lloyd's Limited)	13,276,979	0.85%
Lloyd's Syndicate 1955 (Barbican Managing Agency Limited)	13,134,234	0.84%
Lloyd's Syndicate 3000 (Markel Syndicate Management Limited)	12,615,451	0.81%
Lloyd's Syndicate 2468 (Neon Underwriting Limited)	11,250,844	0.72%
Lloyd's Syndicate 2791 (Managing Agency Partners Limited)	10,924,821	0.70%
Lloyd's Syndicate 1919 (Starr Managing Agents Limited)	10,725,208	0.69%
Lloyd's Syndicate 457 (Munich Re Syndicate Limited)	10,297,422	0.66%
Lloyd's Syndicate 5000 (Travelers Syndicate Management Limited)	9,415,200	0.60%
Lloyds Syndicate 1036 (QBE Underwriting Limited)	9,263,365	0.59%
Lloyd's Syndicate 1967 (W. R. Berkley Syndicate Management Limited)	8,975,284	0.57%
Lloyd's Syndicate 3334 (Hamilton Underwriting Limited)	8,886,177	0.57%
Lloyd's Syndicate 318 (Cincinnati Global Underwriting Agency Limited)	8,197,419	0.52%
Lloyd's Syndicate 1221 (Navigators Underwriting Agency Limited)	7,667,129	0.49%
Lloyd's Syndicate 1729 (Asta Managing Agency Limited)	7,600,191	0.49%
All Other Lloyd's Syndicates with Premium Processed <\$7M & Other ²	139,384,740	8.90%
Lloyd's Total	1,565,386,673	100.00%

¹ Source: AM Best as of 10/2/2019 and Lloyd's List of Active Syndicates & Managing Agents for 2019 Year of Account

² Other includes Lloyd's premium processed with a missing or invalid syndicate number

SLA Members Offer Advice on How and Why to Get Started in the Surplus Lines Industry

The Surplus Line Association of California (SLA) receives numerous inquiries from surplus lines license applicants and newly licensed surplus lines brokers seeking advice on how to get started in this industry.

*In the following section, we have captured the most frequently asked questions with responses garnered from members of our **Education and Compliance Committee** and **Special Advisory Committee**.*

The SLA thanks these responders for providing us with such valuable insight and to the members of these two committees for taking the time to survey their contacts and share the responses with our membership.

Q. Several of my friends tell me I should become a surplus line broker. What are the benefits?

A1. Being a surplus lines broker allows you to focus solely on the coverage, pricing and value of the accounts you work. You can also focus on your smaller group of retailer relationships, versus a much larger pool of insured relationships.

A2. You have an opportunity to build your own business within a business. At a certain level, the more insurance cover you place, the more money you make.

Q. I just received my surplus line license. How do I get started?

A1. Focus on seeing available position openings at the larger, more established wholesale brokerages. They most likely have a plethora of unique niche opportunities and offer competitive salaries and benefits.

A2. It begins with self-motivation. If you lack this trait, find another line of work. Otherwise, identify a reputable firm and start learning from the ground up: policy forms, market relationship building, etc.

Q. How do I decide what surplus lines coverage(s) I want to get into?

A1. Once you have your license, you should follow a line of business that interests you. There are so many different avenues an

individual can go within the wholesale market: cybersecurity, construction, cannabis, hospitality (nightclubs and hotels). The possibilities are endless. It is just a matter of knowing the different market segments. You might already have some previous experience in a certain segment. For example, some of the best hospitality brokers had previous experience working in nightclubs. Focus on what you enjoy. In the health care space, for example, you can really immerse yourself in the operations, risk management and claim difficulties facing our long-term care facilities.

A2. Start with a specific line of business/coverage. Give it some time, and if you are not in love with it, explore other options. In order to be successful, no matter what anyone says, you will need to live and breathe insurance, so make sure you enjoy the game.

Q. What advice would you give me on how to gain the expertise in a particular type of coverage?

A1. Start by taking a coverage that intrigues you—for example, general liability—and master it. Learn the different carrier policy forms, the nuances in the limits offered, etc., and be ready to create the best possible offering to your client in this coverage space.

A2. Policy forms, policy forms, policy forms, in addition to spending as much time as possible with savvy underwriters who have a sense of urgency and realizing how important it is that their clients understand the business just as much as they do.

Q. How do I develop contacts with surplus lines insurers?

A1. Typically, a surplus lines insurer employs a marketing representative, who knows all of the coverages offered by his/her carrier, as well as his/her underwriting contacts. Befriend the marketing representative, and it'll cut down drastically on your time wasting.

A2. Many will likely already have relationships your firm, but there are always additional resources in the market. On occasion, you must sell yourself and your firm to markets/

underwriters just as much as you do to clients. In short, simply make a phone call and introduce yourself.

Q. How do I start a new program with the right surplus lines insurer?

A1. A program begins with a product that needs a program. Take the time to scour the marketplace and confirm the “need.” Secondly, you must have data. A surplus lines insurer won't take your call if you don't have the information outlining rates, price points and profitability outlook. This is very time-consuming, but meetings with program administrators are tough to produce. You may only have one shot to impress. If the need has been identified and the data is secured, the “right” surplus lines insurer is typically identified by their footprint in the space you wish to enter. It's much easier to start a program (for example) for physicians with surplus lines insurer “ABC,” if “ABC” already has a history of insuring hospitals, etc. Do your research!

A2. There is no easy answer to this question. However, it requires a substantial amount of information prior to even engaging markets for discussions.

Q. How do I start a relationship with a surplus lines insurer?

A1. The surplus lines wholesale market is a very tight knit community. Relationships and networking are a vitally important part of this industry. Attend conferences with organizations such as the Surplus Line Association of California (SLA), the Wholesale and Specialty Insurance Association (WSIA) and the California Insurance Wholesale Association (CIWA). Also consider attending the Western States Surplus Lines Conference (WSSLC). And bind orders help. If a company has a long-time profitable relationship with your firm, it is much more open to taking your call.

A2. Assuming the insurer is already approved to do business with you, have a conversation with the firm and find out if there is a mutual benefit to working together—i.e. does your business fit with their capabilities?

SLA Public Affairs Continues To Seek More Advocates To Sign Up For Grassroots

The Surplus Line Association of California (SLA) is asking the California surplus lines community to help the association and the industry by joining the **SLA Grassroots Program**.

The purpose of the program is to identify which of our members live in the districts of key state and federal legislators so that when we have important issues we need to bring to their attention, we can work with you to ensure those messages are coming from their constituents.

Whether you are a broker, underwriter, filer, or you work in any other capacity in the industry, your voice is important and can make a big difference when elected leaders are making decisions about laws that will affect our industry and your livelihood.

Numerous studies demonstrate that legislators are very receptive to the outreach efforts of citizens who live and vote in the areas they represent. A call, letter, e-mail or visit, or even a social media post, to your elected leaders can be invaluable.

You don't need to be a political junkie or a legislative expert to participate in the program or make an impact. And importantly, you don't have to go it alone. The Public Affairs Department at the SLA is happy to provide advice and assistance for grassroots advocates who want to reach out to their elected leaders on an im-

portant issue.

From how to call your legislators, to how to write an effective constituent letter, all the way up to how to prepare for a face-to-face meeting with an elected official, the SLA's legislative team, with many years of experience in outreach to Congress and to state legislatures, can be your guide.

Now more than ever, it is vitally important for SLA members to get involved as key issues arise. With the increased impact of climate change on wildfires in California, and the impacts of these wildfires on the insurance industry, legislators are increasingly being drawn into the insurance marketplace. As more of this business goes into surplus lines, it becomes likelier that they will take a much greater interest in our industry. In 2019, the SLA's CEO, **Benjamin McKay**, and its vice president for Public Affairs, **Cliston Brown**, have been called to testify before the California State Senate and State Assembly Insurance Committees regarding what is happening in the marketplace.

Additionally, important issues are developing in Washington, D.C., as Congress grapples with the role of surplus lines in private flood insurance and also begins the process of reauthorizing the Terrorism Risk Insurance Act (TRIA), which is set to expire on December 31, 2020.

Hearings are under way on both issues, and both will impact the surplus lines marketplace in California and across the nation.

In short, with so many issues before federal and state lawmakers that could impact our industry, we may very well need assistance, and soon, from our members in helping us to get access to their elected leaders. Therefore, it is absolutely crucial for us to identify who we can count on in key districts across California.

Please go to <http://www.slacal.org/resources/grassroots> to join the SLA grassroots program.

It is crucial that when you sign up, you provide your HOME address. We absolutely will keep that information private, but it is vital in identifying which legislative districts you live in. Elected officials primarily want to hear from residents of their constituencies and often do not respond to individuals who do not live, or vote, in those constituencies.

You may contact Cliston Brown, who oversees the grassroots program, at (415) 434-4900, extension 139, or at cbrown@slacal.org, if you have any questions or would like to discuss how else you can get involved. He can answer any questions you might have about it and what it means to get involved.

Export List Hearing (Continued From Page 1)

Other coverages being considered for addition to the Export List on November 19 include: parametric earthquake, certain pollution package policies, scaffold operation, and terrorism/sabotage committed for political, religious or ideological purpose. Other items being considered for deletion are the bridge plan and high-limits disability.

Companies or individuals wishing to advocate for an addition to the Export List need to submit written testimony in triplicate verifying that the coverage is generally unavailable in the admitted market. Declinations from admitted carriers is a useful form of evidence in making this case. The evidence must demonstrate to the CDI that the person providing the testimony

has surveyed the entire spectrum of California admitted carriers known to insure the risk.

Individuals seeking additions to the Export List may also appear and speak in support of the addition during the public comments segment of the hearing. It is generally recommended to sign up in advance.

Individuals seeking deletions from the list must generally follow the same procedures.

Typically, the CDI rules on the evidence submitted during the Export List hearing within a few weeks of the hearing's conclusion. Interested parties should not expect a ruling on the day of the hearing, as CDI regulators need time to review the evidence and make determinations based on what is presented before and in

conjunction with the hearing.

Once the CDI reaches its conclusions, it informs the SLA of its decisions, and the SLA then informs the surplus lines community.

In order to submit information for the hearing, send all written testimony and supporting materials to the CDI's Libio Latimer at 45 Fremont Street, 24th Floor, San Francisco, CA 94105. Questions can also be directed to Latimer at (415) 538-4420.

For additional information regarding the hearing, please go to: http://www.slacal.org/docs/default-source/bulletins/bulletin_1377.pdf?sfvrsn=50f3606c_12.

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SLA Offers Full Lineup of Continuing Education Courses

The Realities of Political Risk For a Commercial Entity

Tuesday, October 22
8:30-11:30 a.m.
Hilton Universal City
555 Universal Hollywood Drive
Universal City

Wednesday, October 23
8:30-11:30 a.m.
The City Club
155 Sansome Street
San Francisco

Cannabis-Related Topic (Title TBD)

Tuesday, November 19
8:30-11:30 a.m.
The Jonathan Club
545 S. Figueroa Street
Los Angeles

Wednesday, November 20
8:30-11:30 a.m.
Hyatt Regency
5 Embarcadero Center
San Francisco

Ethics Course (Title TBD)

Tuesday, January 14
8:30-11:30 a.m.
The Jonathan Club
545 S. Figueroa Street
Los Angeles

Wednesday, January 15
8:30-11:30 a.m.
Hyatt Regency
5 Embarcadero Center
San Francisco

Wednesday, February 26
8:30-11:30 a.m.
The Falls Event Conference Center
240 Conference Drive
Roseville

Thursday, February 27
8:30-11:30 a.m.
Doubletree Hotel Anaheim/Orange County
100 The City Drive
Orange

Call the SLA Education and Compliance
Department at (415) 434-4900 or register at:

<https://learningcenter.slacal.com/>

Calendar of Events

To see all the important upcoming events that are relevant
to the California surplus lines industry, please go to:
<http://www.slacal.com/general-information/industry-calendar>

SLA Connection

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WE WANT YOU

TO SEND US YOUR WAR STORIES

Do you have a great story about a challenging claims situation, a difficult account you were able to service, or another potential issue or sticking point that you were able to resolve to a client's satisfaction? The **SLA Connection** wants your "war stories." The surplus lines industry is often misunderstood, which makes it vital for us to tell our stories and remind people of the value our industry's professionals provide to their insureds and to their communities. That is why we would like to publish your stories in upcoming newsletters. Our stories will not publish names or identify companies or insureds in any way.

To submit your war stories for publication in a future SLA Connection, please e-mail James Greene at jgreene@slacal.org.