

SLA CONNECTION

Surplus Lines News from the Golden State

The Surplus Line Association of California

Spring 2021

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Shoring Up The Ship

SLA setting strong foundation for future by paying off major debts

By Cliston Brown Editor-In Chief, SLA Connection

The Surplus Line Association of California (SLA) has long made it a priority to shore up its finances and ensure the continued, long-term success of the association, and its efforts are nearing fruition.

With the early payoff of a \$1.7-million construction loan incurred when the SLA moved out of its former offices in San Francisco due to skyrocketing lease costs, and the anticipated wrapup of its pension fund in the coming months, the association is poised soon to be largely debt-free.

"We believe that retiring debt is the best way to ensure a sound, steady future for the SLA," said **Benjamin McKay**, the SLA's CEO and Executive Director. "By paying off the construction loan, and putting ourselves in a position to retire our frozen pension fund, we are ridding ourselves of a significant amount of debt servicing and enabling ourselves to build our reserves. It is our goal to have enough contingency funds to enable the SLA to get through a three-year recession without losing our ability to serve our members or retain our staff."

Under the guidance of the Board of Directors and several board chairs who articulated a vision of sound fiscal stewardship, the SLA has been working for a number of years to reach this point. Current chair **Terri Moran**, and former chairs **Robert Gilbert** and **Tom Ciardello**, have all been powerful advocates for wise budgetary



Ivan Morse

decisions and holding the line on expenses in order to retire debt and set the SLA on a path toward being debt-free.

"Our board and its leadership have been tremendously visionary and supportive," McKay said. "They have consistently advocated for wise spending, but while they always wanted us to trim fat, they never asked us to cut muscle or bone. In fact, they made it a priority to do everything we could

to retain all staff members in good standing. Our chair, Terri Moran, has adopted a maxim of 'People First,' and it is a great guiding principle. At the end of the day, any organization is only as good as its people, and we have some of the best."

One of the people who has had the most to do with the SLA's drive to retire debt has been the association's controller, Ivan Morse. Morse, hired in 2019, has spearheaded the drive to retire the SLA's pension fund and get that debt off the association's books.

The SLA board froze the pension in 2010, but a significant number of both past and current employees had earned benefits up to that moment. When Morse became controller, the SLA owed approximately \$6 million to current and future retirees who worked at the SLA prior to the pension being frozen--a huge liability to have on the books.

In addition to the large liability, the costs to service the pension fund had greatly increased in

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Shoring Up The Ship

recent years due to decreasing interest rates. The increase was such that they were becoming a significant and material expense on an annual basis.

Although the SLA has been planning to retire the pension debt for some time, whenever conditions were favorable to do so, the vast increase in annual servicing costs provided an extra incentive to move as quickly as practicable.

Morse proceeded to track down eligible pensioners, including those who were no longer at the addresses on the SLA's books, and painstakingly set about contacting these individuals to see if they would be willing to take

lump-sum payouts in lieu of continuing to receive benefits for an extended period of time. Reducing the number of long-term beneficiaries was crucial to reduce the price of getting an outside firm to take over the pension, in the event that not all pensioners elect to take a lump-sum buyout. The less liability on the books, the less money the SLA would need to pay a financial administrator to take on the debt.

By the end of 2020, 43 of the 87 eligible pensioners had taken lump-sum buyouts. In 2021, the SLA intends to reach out to the last group of participants and see how many of them will take a lump-sum buyout.

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If any of the eligible class do not take the buyout, the SLA will look to a financial company to take over and pay out the remaining benefits.

At this time, the outlook is good for the SLA to have the pension liability entirely off its books by the end of 2021.

"By paying off our debts, we are putting the SLA on a strong financial footing that will have a positive impact for many years to come," Moran said. "I am proud of the great work the SLA has done to pay off its liabilities, and I am also proud of the Board of Directors and the chairs who came before me for their work toward this goal."

Live Continuing Education Seminars A Hit

Born of necessity, streaming CE courses are packing in record attendance

In 2020, in the midst of the COVID-19 pandemic, the SLA safely presented its first ever livestream continuing education (CE) course.

This cross-functional project joined two SLA departments in the production of live webinars and on-demand courses, continuing one of the most vital services the SLA provides for its members. With large group meetings shut down due to the potential for spreading the virus, getting those courses out via high-quality webinars and on-demand videos took center stage.

The Education and Compliance and Digital Communications departments had been collaborating on adding live stream course options to the SLA's Learning Center, but the onset of the pandemic kicked those efforts into high gear. With in-person meetings on hold, live webinars and on-demand course options became the only vehicle for ensuring that members could continue getting their CE credits through the SLA.

The live webinars have been a hit with the membership. The online presence allowed them to continue taking CE courses, but it was the added convenience and relevant course options that caused attendance to skyrocket. For many years, members living outside San Francisco and Los Angeles

had noted the difficulties of taking time off to go downtown for classes, which could amount to an entire day's missed work.

The SLA had begun experimenting with holding classes outside of San Francisco and Los Angeles, and these had their successes. But the SLA's online CE webinars are attracting up to 500 attendees—more than twice the high-water mark for its in-person courses.

In all, the SLA streamed seven live webinars in four months and added two on-demand courses to the Learning Center, providing credit to more than 2,000 California licensees in 2020. The SLA provides CE

courses and credits to the membership free of charge.

"We could not be more pleased with how our membership has responded to our live CE events," said Jo Ann Del Gatto, vice president for Education and Compliance. "We are finding new ways to serve our membership during this incredibly unusual time and we will continue to grow and expand our learning options even after the pandemic is over."

For more information about the SLA's online CE courses, members can go to: learningcenter.slacal.com.

SLA | LEARNING CENTER

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With the option of both live and on-demand courses, you can register for courses and earn continuing education credits based on your busy work schedule.

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2 CREDITS

Resources

Top 50 Brokers by Group¹

Based on Premium Processed by the SLA January Through March 2021

RANK	BROKER GROUP	PREMIUM REGISTERED	% OF TOTAL	TOTAL ITEM COUNT
1	R-T SPECIALTY, LLC	368,110,064	14.09%	15,072
2	AMWINS GROUP INC.	349,809,127	13.39%	24,501
3	CRC	256,295,206	9.81%	11,860
4	ARTHUR J. GALLAGHER & CO.	203,413,581	7.79%	6,407
5	AON P.L.C.	168,161,286	6.44%	831
6	MARSH & MCLENNAN COS. INC.	104,347,731	3.99%	443
7	WORLDWIDE FACILITIES, LLC	101,355,556	3.88%	5,568
8	BROWN & RIDING INSURANCE SERVICES, INC.	94,788,234	3.63%	4,982
9	WOODRUFF-SAWYER & CO.	90,599,232	3.47%	849
10	BURNS & WILCOX	52,873,574	2.02%	11,427
11	LOCKTON INC.	48,195,026	1.84%	2,348
12	NATIONAL TRANSPORTATION ASSOCIATES, INC.	44,165,547	1.69%	4,581
13	WILLIS TOWERS WATSON P.L.C.	36,974,615	1.42%	419
14	SOCIUS INSURANCE SERVICES, INC.	34,755,861	1.33%	2,176
15	ALLIANT INSURANCE SERVICES INC.	29,644,907	1.13%	489
16	SPECIALTY PROGRAM GROUP	20,092,576	0.77%	7,220
17	HUB INTERNATIONAL LTD.	19,212,186	0.74%	517
18	COOPER & MCCLOSKEY, INC. INSURANCE BROKERS	18,687,124	0.72%	1,671
19	HULL & COMPANY, INC.	16,890,671	0.65%	3,947
20	TRACKSURE INSURANCE AGENCY, INC.	15,451,717	0.59%	157
21	GORST & COMPASS INSURANCE	14,993,040	0.57%	4,640
22	BROWN & BROWN INC.	14,208,698	0.54%	1,212
23	EDGEWOOD PARTNERS INSURANCE CENTER, DBA EPIC INSURANCE	12,896,751	0.49%	224
24	THE IMA FINANCIAL GROUP INC.	12,861,490	0.49%	84
25	R.E. CHAIX & ASSOCIATES INSURANCE BROKERS, INC.	12,793,773	0.49%	2,825
26	USI INSURANCE SERVICES L.L.C.	12,290,889	0.47%	178
27	BASS UNDERWRITERS	9,512,718	0.36%	3,642
28	VALE INSURANCE AGENCY LLC	9,343,197	0.36%	2,300
29	RISK SPECIALISTS COMPANIES INSURANCE AGENCY, INC.	9,279,956	0.36%	294
30	WESTERN SECURITY SURPLUS INSURANCE BROKERS, INC.	9,158,886	0.35%	2,336
31	GORE LIESKE & ASSOCIATES INSURANCE BROKERS, L.P.	8,803,376	0.34%	10
32	M.J. HALL & CO., INC.	8,428,886	0.32%	2,614
33	AMERICAN TEAM MANAGERS, INC.	7,354,024	0.28%	921
34	CIBA INSURANCE SERVICES	7,246,834	0.28%	241
35	RSI INSURANCE BROKERS, INC	7,086,552	0.27%	514
36	COASTAL BROKERS INSURANCE SERVICES INC.	6,743,876	0.26%	1,908
37	USG INSURANCE SERVICES, INC.	6,504,752	0.25%	1,737
38	WORLDWIDE INSURANCE SERVICES OF DE, INC.	6,419,651	0.25%	1,395
39	ALLIED PROFESSIONALS' INSURANCE SERVICES	6,414,671	0.25%	40
40	CHIVAROLI & ASSOCIATES, INC.	6,258,470	0.24%	31
41	PROCTOR FINANCIAL, INC.	6,174,739	0.24%	246
42	EVOLUTION INSURANCE BROKERS, LC	6,039,057	0.23%	804
43	SCOTTISH AMERICAN INSURANCE	5,948,499	0.23%	988
44	CANNGEN INSURANCE SERVICES, LLC	5,676,342	0.22%	649
45	ABD INSURANCE & FINANCIAL SERVICES INC.	5,578,825	0.21%	44
46	COCHRANE AND COMPANY	5,327,274	0.20%	1,127
47	NEITCLEM WHOLESALE INSURANCE BROKERAGE, INC.	5,286,044	0.20%	694
48	TOKIO MARINE HOLDINGS, INC.	5,051,887	0.19%	943
49	WHOLESALE TRADING INSURANCE SVCS (JENCAP HOLDINGS)	4,956,079	0.19%	110
50	SOUTHWEST BUSINESS CORPORATION	4,877,823	0.19%	350
	Subtotal Top 50	2,317,340,878	88.71%	138,566
	All Other Brokers	294,888,806	11.29%	60,000
	Grand Total	2,612,229,684	100.00%	198,566

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 March 2021

ULTIMATE PARENT ¹	COMPANY	PREMIUM REGISTERED	% OF TOTAL
LLOYD'S	LLOYD'S OF LONDON ²	481,102,032	18.42%
LLOYD'S Total		481,102,032	18.42%
MARKEL CORPORATION	UNITED SPECIALTY INSURANCE COMPANY	91,931,947	3.52%
	EVANSTON INSURANCE COMPANY	64,926,279	2.49%
	MARKEL INTERNATIONAL INSURANCE COMPANY LIMITED	3,548,279	0.14%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	727,378	0.03%
MARKEL CORPORATION Total		161,133,882	6.17%
NATIONWIDE MUTUAL INSURANCE COMPANY	SCOTTSDALE INSURANCE COMPANY	132,899,560	5.09%
NATIONWIDE MUTUAL INSURANCE COMPANY Total		132,899,560	5.09%
FAIRFAX FINANCIAL HOLDINGS LIMITED	CRUM & FORSTER SPECIALTY INSURANCE COMPANY	28,114,050	1.08%
	HUDSON EXCESS INSURANCE COMPANY	21,931,298	0.84%
	ALLIED WORLD SURPLUS LINES INSURANCE COMPANY	21,560,103	0.83%
	ALLIED WORLD NATIONAL ASSURANCE COMPANY	19,145,877	0.73%
	HILLTOP SPECIALTY INSURANCE COMPANY	8,281,378	0.32%
	FIRST MERCURY INSURANCE COMPANY	5,076,232	0.19%
	SENECA SPECIALTY INSURANCE COMPANY	3,567,659	0.14%
FAIRFAX FINANCIAL HOLDINGS LIMITED Total		107,676,597	4.12%
AMERICAN INTERNATIONAL GROUP, INC.	LEXINGTON INSURANCE COMPANY	67,220,796	2.57%
	AIG SPECIALTY INSURANCE COMPANY	18,979,091	0.73%
	WESTERN WORLD INSURANCE COMPANY	16,264,346	0.62%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	1,423,610	0.05%
AMERICAN INTERNATIONAL GROUP, INC. Total		103,887,842	3.98%
W. R. BERKLEY CORPORATION	ADMIRAL INSURANCE COMPANY	33,767,344	1.29%
	GEMINI INSURANCE COMPANY	25,987,375	0.99%
	NAUTILUS INSURANCE COMPANY	19,207,212	0.74%
	BERKLEY ASSURANCE COMPANY	8,583,021	0.33%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	1,839,729	0.07%
W. R. BERKLEY CORPORATION Total		89,384,680	3.42%
CHUBB LIMITED	WESTCHESTER SURPLUS LINES INSURANCE COMPANY	39,613,020	1.52%
	ILLINOIS UNION INSURANCE COMPANY	27,280,344	1.04%
	CHUBB CUSTOM INSURANCE COMPANY	8,626,331	0.33%
	CHUBB EUROPEAN GROUP SE	4,303,213	0.16%
CHUBB LIMITED Total		79,822,909	3.06%
BERKSHIRE HATHAWAY INC.	NATIONAL FIRE & MARINE INSURANCE COMPANY	43,360,070	1.66%
	GENERAL STAR INDEMNITY COMPANY	15,149,164	0.58%
	MOUNT VERNON FIRE INSURANCE COMPANY	5,299,584	0.20%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	3,882,202	0.15%
BERKSHIRE HATHAWAY INC. Total		67,691,020	2.59%
AXA SA	INDIAN HARBOR INSURANCE COMPANY	62,589,122	2.40%
	XL CATLIN INSURANCE COMPANY UK LIMITED	3,672,387	0.14%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	46,776	0.00%
AXA SA Total		66,308,286	2.54%

Top Carriers by Ultimate Parent Continued

ULTIMATE PARENT ¹	COMPANY	PREMIUM REGISTERED	% OF TOTAL
ALLEGHANY CORPORATION	LANDMARK AMERICAN INSURANCE COMPANY	44,773,880	1.71%
	CAPITOL SPECIALTY INSURANCE CORPORATION	10,833,440	0.41%
	FAIR AMERICAN SELECT INSURANCE COMPANY	4,435,135	0.17%
	COVINGTON SPECIALTY INSURANCE COMPANY	2,562,606	0.10%
ALLEGHANY CORPORATION Total		62,605,061	2.40%
SOMPO HOLDINGS, INC.	ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY	57,553,108	2.20%
	ENDURANCE WORLDWIDE INSURANCE LIMITED	4,814,569	0.18%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	162	0.00%
SOMPO HOLDINGS, INC. Total		62,367,839	2.39%
LIBERTY MUTUAL HOLDING COMPANY INC.	IRONSHORE SPECIALTY INSURANCE COMPANY	32,307,478	1.24%
	LIBERTY SURPLUS INSURANCE CORPORATION	19,990,498	0.77%
	LIBERTY MUTUAL INSURANCE EUROPE SE	5,316,999	0.20%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	187,490	0.01%
LIBERTY MUTUAL HOLDING COMPANY INC. Total		57,802,465	2.21%
ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	57,390,483	2.20%
ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED Total		57,390,483	2.20%
TOKIO MARINE HOLDINGS, INC.	HOUSTON CASUALTY COMPANY	40,918,213	1.57%
	TOKIO MARINE SPECIALTY INSURANCE COMPANY	9,242,871	0.35%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	1,870,196	0.07%
TOKIO MARINE HOLDINGS, INC. Total		52,031,280	1.99%
MUNCHENER RUCKVERSICHERUNG AG	GREAT LAKES INSURANCE SE	26,471,635	1.01%
	PRINCETON EXCESS AND SURPLUS LINES INSURANCE COMPANY	21,282,184	0.81%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	2,339,325	0.09%
MUNCHENER RUCKVERSICHERUNG AG Total		50,093,145	1.92%
THE HARTFORD FINANCIAL SERVICES GROUP, INC.	NAVIGATORS SPECIALTY INSURANCE COMPANY	43,258,998	1.66%
	MAXUM INDEMNITY COMPANY	3,787,272	0.14%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	1,700,522	0.07%
THE HARTFORD FINANCIAL SERVICES GROUP, INC. Total		48,746,791	1.87%
ARGO GROUP INTERNATIONAL HOLDINGS, LTD.	COLONY INSURANCE COMPANY	32,404,594	1.24%
	PELEUS INSURANCE COMPANY	13,022,151	0.50%
	OTHER AFFILIATES WITH PREMIUM PROCESSED <\$2.5M	175,534	0.01%
ARGO GROUP INTERNATIONAL HOLDINGS, LTD. Total		45,602,278	1.75%
JAMES RIVER GROUP HOLDINGS, LTD.	JAMES RIVER INSURANCE COMPANY	30,221,231	1.16%
	FALLS LAKE NATIONAL INSURANCE COMPANY	10,056,606	0.38%
JAMES RIVER GROUP HOLDINGS, LTD. Total		40,277,837	1.54%
All Other Groups with Premium Registered <\$40.0M		830,495,892	31.79%
Taxable Fees		14,909,806	0.57%
Grand Total Premium and Fees Registered		2,612,229,684	100.00%

¹ Ultimate parent as of 4/1/2021; All Lloyd's Syndicates combined under Lloyd's

² Refer to the following page for a breakdown of Lloyd's Syndicates with premium registered >=\$2.5M

Top Lloyd's Syndicates In California With Managing Agent¹

Based on Premium Processed by the SLA January Through March 2021

LLOYD'S	PREMIUM REGISTERED	% OF TOTAL
Lloyd's Syndicate 2623 (Beazley Furlonge Limited)	78,826,300	16.38%
Lloyd's Syndicate 33 (Hiscox Syndicates Limited)	26,009,771	5.41%
Lloyd's Syndicate 2987 (Brit Syndicates Limited)	25,264,245	5.25%
Lloyd's Syndicate 3624 (Hiscox Syndicates Limited)	23,632,297	4.91%
Lloyd's Syndicate 510 (Tokio Marine Kiln Syndicates Limited)	22,625,403	4.70%
Lloyd's Syndicate 623 (Beazley Furlonge Limited)	17,591,045	3.66%
Lloyd's Syndicate 1969 (Apollo Syndicate Management Limited)	16,743,227	3.48%
Lloyd's Syndicate 1458 (RenaissanceRe Syndicate Management Limited)	16,618,717	3.45%
Lloyd's Syndicate 2121 (Argenta Syndicate Management Limited)	11,846,982	2.46%
Lloyd's Syndicate 1880 (Tokio Marine Kiln Syndicates Limited)	11,059,757	2.30%
Lloyd's Syndicate 1084 (Chaucer Syndicates Limited)	11,017,848	2.29%
Lloyd's Syndicate 1686 (AXIS Managing Agency Ltd.)	10,216,350	2.12%
Lloyd's Syndicate 1861 (Canopus Managing Agents Limited)	9,901,073	2.06%
Lloyd's Syndicate 4444 (Canopus Managing Agents Limited)	9,850,759	2.05%
Lloyd's Syndicate 2001 (MS Amlin Underwriting Limited)	9,739,475	2.02%
Lloyd's Syndicate 2003 (Catlin Underwriting Agencies Limited)	9,468,203	1.97%
Lloyd's Syndicate 1414 (Ascot Underwriting Limited)	9,241,334	1.92%
Lloyd's Syndicate 457 (Munich Re Syndicate Limited)	8,681,668	1.80%
Lloyd's Syndicate 609 (Atrium Underwriters Limited)	8,500,543	1.77%
Lloyd's Syndicate 2488 (Chubb Underwriting Agencies Limited)	7,988,105	1.66%
Lloyd's Syndicate 1225 (AEGIS Managing Agency Limited)	7,452,676	1.55%
Lloyd's Syndicate 1886 (Incidental to 2999 (QBE Underwriting Limited))	6,196,082	1.29%
Lloyd's Syndicate 1183 (Talbot Underwriting Ltd)	5,801,449	1.21%
Lloyd's Syndicate 1200 (Argo Managing Agency Limited)	5,738,803	1.19%
Lloyd's Syndicate 4472 (Liberty Managing Agency Limited)	5,345,825	1.11%
Lloyd's Syndicate 5000 (Travelers Syndicate Management Limited)	5,328,355	1.11%
Lloyd's Syndicate 435 (Faraday Underwriting Limited)	4,395,556	0.91%
Lloyd's Syndicate 4711 (Aspen Managing Agency Limited)	4,003,880	0.83%
Lloyd's Syndicate 4000 (Hamilton Managing Agency Limited)	3,993,472	0.83%
Lloyd's Syndicate 1274 (Antares Managing Agency Limited)	3,682,782	0.77%
Lloyd's Syndicate 1991 (Coverys Managing Agency Limited)	3,574,630	0.74%
Lloyd's Syndicate 1036 (Incidental to 2999 (QBE Underwriting Limited))	3,450,322	0.72%
Lloyd's Syndicate 1919 (Starr Managing Agents Limited)	3,308,976	0.69%
Lloyd's Syndicate 4020 (Ark Syndicate Management Limited)	3,298,576	0.69%
Lloyd's Syndicate 1729 (Asta Managing Agency Ltd)	3,232,450	0.67%
Lloyd's Syndicate 2791 (Managing Agency Partners Limited)	2,959,154	0.62%
Lloyd's Syndicate 4242 (Asta Managing Agency Ltd)	2,938,688	0.61%
Lloyd's Syndicate 318 (Cincinnati Global Underwriting Agency Limited)	2,875,671	0.60%
Lloyd's Syndicate 1967 (W. R. Berkley Syndicate Management Limited)	2,862,342	0.59%
Lloyds Syndicate 2988 (Brit Syndicates Limited)	2,713,041	0.56%
Lloyd's Syndicate 2015 (The Channel Managing Agency Limited)	2,692,655	0.56%
Lloyd's Syndicate 3000 (Markel Syndicate Management Limited)	2,678,505	0.56%
All Other Lloyd's Syndicates with Premium Registered <\$2.5M & Other ²	47,755,042	9.93%
Lloyd's Total	481,102,032	100.00%

¹ Source: AM Best as of 4/1/2021 and Lloyd's List of Active Syndicates & Managing Agents for 2021 Year of Account

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

SLA Continues To Have A Seat At The Table As Legislators Consider Momentous Issues



By Benjamin J. McKay
SLA CEO and Executive Director

When Cliston Brown, our vice president of Public Affairs, testified in March before the State Senate Insurance Committee, it was not just an opportunity to educate our elected leaders, but an indicator of how far the SLA has come.

Cliston appeared before the committee at the request of staff, who have come to rely on the SLA's expertise, and briefed lawmakers on the surplus lines homeowners and commercial markets. He and I have had the opportunity to brief lawmakers and staff on many occasions in recent years, positioning the SLA as a valued source on our industry.

When I first came to the SLA, nearly nine years ago, the association had a lot of work to do to become visible to our state's and nation's elected leaders and regulators. The organization's previous posture had been relatively anonymous, and that was not necessarily a bad thing. At the time, it was a much smaller organization, with roughly half as many employees as it has today, handling about half as much volume of business as today. Perhaps a lower profile was an appropriate posture for an organization whose scope was much narrower in 2012 than it is in 2021.

However, it quickly became clear that there were downsides to not having a higher profile in the halls of power. First and foremost, on a fairly regular basis, new

laws or regulations would be proposed that would, if unaddressed, bring about unintended consequences for the industry and also for insurance consumers. Second, it was clear that very few people in Sacramento or Washington, D.C., really knew very much about surplus lines, and to the degree they did, they tended to be suspicious of what they viewed (incorrectly) as a

We quickly learned that just taking the time to go to Sacramento and meet committee chairs and staff gained us positive attention. Many companies simply rely on their hired lobbyists to do this outreach, and an organization that sends two high-level staff to introduce themselves makes a good impression.

The result of our outreach has been

"If you're not at the table, you're on the menu."

wholly unregulated industry. And third, if we ever needed a change in the law to meet evolving circumstances in the marketplace, our relatively anonymous posture would be something of an obstacle for us.

When I became head of the SLA in 2012, I started making moves to introduce us to key leaders at the federal and state level. As a longtime Washington lobbyist and former legislative staffer at both the federal and state levels, such duties came naturally to me. But a CEO has many responsibilities, especially when reengineering a rapidly growing association, and outreach to the U.S. Congress and the California legislature was not a job I could do on a full-time basis. And while we have long been ably represented by our very capable contract lobbyist in Sacramento, there is no substitute for direct outreach by an organization.

In 2013, I made one of my first key hires when I brought Cliston in to oversee our communications efforts, a position that the SLA never previously had. Like me, Cliston had extensive experience in government and politics in Washington, D.C., and it quickly became clear he could be an asset and a partner in our outreach and education efforts. He and I worked as a team to meet with the relevant committee chairs and staff, building relationships and also educating these movers and shakers about our industry and its role in fostering a healthy, fair and competitive surplus lines marketplace in California.

significant positive legislation or legislative amendments, most notably **AB 1641** in 2017, which gave the California Department of Insurance (CDI) explicit authority to put new, innovative products on the Export List. The results have been clear. Export List hearings now consider upwards of a dozen new coverages each year, as compared to two or fewer in most years before the change.

A former colleague from my D.C. days once said: "If you're not at the table, you're on the menu." I am pleased to tell you that our efforts, over a period of years, have gotten us a seat at the table. And that is exactly where a growing association representing a booming industry needs to be.



SLA Board of Directors 2021

Terri Moran—Chair
Paul Hanson Partners

Janet Beaver—Vice Chair
Tokio Marine-HCC Casualty Services

Rich Gobler—Secretary-Treasurer
Burns & Wilcox

Robert Gilbert—Past Chair
Markel West Insurance Services

Tim Chaix
R.E. Chaix and Associates

James Faley
Vela Insurance Services

Hank Haldeman
Worldwide Facilities, LLC

Jason Howard
CRC Group

Pam Quilici
Crouse & Associates Insurance
Services of Northern California, Inc.

Charlie Rosson
R-T Specialty

Kathy Schroeder
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Inc.

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Benjamin J. McKay, J.D., M.P.A.
SLA CEO and Executive Director
Cliston Brown, Editor-in-Chief
SLA Vice President, Public Affairs

Phone: (415) 434-4900
Toll-Free (CA): (800) 334-0491

Website: www.slacal.com
Twitter: @SLACALNews

Chair's Corner

Board Chair Terri Moran Discusses the Surplus Line Industry's Role During Unusual Times in the Market

By Terri Moran

Chair, SLA Board of Directors

The time of COVID has turned our world, and the insurance industry, upside down, but over the past year, the surplus line industry has stepped in when other markets found the need to retract. I wanted to share this information as a testament to what and who we are even in very trying times. The intent is for the wider market we serve to gain a better understanding and have a place to go when our brokers' are struggling to meet their customer's needs. Insurance is here to protect both those who purchase policies and the broader public.

As the impacts of the pandemic devastated some segments served by the admitted market, most of the segments served by the surplus lines industry stood strong and continued to grow. In California, surplus lines premiums grew an astonishing 23% in 2020--a total that seems astronomical, but which had been predicted by the superb modeling done by SLA Executive Vice President Mike Caturegli. (For more information on industry reports, go to www.slacal.com and find "Industry Reports" under the main menu.)

In 2020, admitted insurers saw notable drops in many lines traditionally underwritten by the admitted market. According to a report by Deloitte, auto insurers took on significant premium losses, often mandated by the states to reflect decreases in driving. Offset somewhat by a decline in accident frequency, workers' compensation sales were undermined by massive job losses, and life premiums and annuity sales also took big hits. While these types of policies do not end up in the surplus lines market, they are key indicators of how the admitted sector fared during the time of COVID. Small business premiums in the admitted market are also expected to be slow to recover.

While the surplus lines market did very well during the pandemic, it was not across the board. It is probably not surprising that entertainment, services, ridesharing and retail were among the surplus lines coverages that were



down in terms of premium in 2020. Others that fell were technology, construction and coverage for religious institutions.

But the lines that declined in premium were a small part of the overall surplus lines market in comparison with the lines that increased, some quite dramatically. Communications spiked considerably, not surprising in an environment in which work and meetings shifted to an almost entirely remote environment. Food prep, food delivery and transit also saw premiums increase considerably, not a surprise given the increase in services such as DoorDash and other meal delivery services during a time when eating out was impossible or severely restricted.

Other lines in our market that saw notable premium increases during the pandemic included insurance, municipalities, utilities, financial, medical, manufacturing, property management, legal services, trucking and education. In part this was a result in shifts in business from COVID, but there were also some market restrictions and, as we know, the surplus lines market is always there to respond.

The growth in our industry during the pandemic reinforces the fact that surplus lines can be a counter-cyclical sector. As the economy was dropping in the first few months of COVID, surplus lines continued to grow by a significant amount.

I am proud to work in an industry which is flexible, adaptable, and available to shore up the insurance sector during trying or unusual times. Our industry has weathered the storm and served the public very well.