

SLA CONNECTION

Surplus Lines News from the Golden State

The Surplus Line Association of California

Summer 2014

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Brokers Assess Market

Despite Challenges in Surplus Lines Space, Opportunities Exist

By Clifton Brown
Editor-in-Chief

Although it is true that optimal rates remain elusive in the state's surplus line market, at least one leading California broker says some positive signs are beginning to appear on the horizon.

Paul Laufer, senior vice president, brokerage, at Gorst & Compass Insurance in Chatsworth, says he sees at least some initial signs of stabilization in the market.

"I believe that the market is showing some early signs of price firming," said Laufer, who in July became president of the California Insurance Wholesalers Association (CIWA). "We are not seeing significant rate increases from our E&S carriers, but we are seeing rate stabilization and an increase in submission flow."

Laufer says that trends in the admitted markets are beginning to work to the benefit of the surplus line industry, but a combination of internal and external pressures are still impacting rates.

"The admitted/standard markets have started to re-evaluate their risk appetite and this has resulted in them becoming a bit more strict with their risk selection," Laufer said. "However, the increased competition between a growing number of E&S markets along with the amount of capital available in the reinsurance market place has kept rates in check."

Tim Chaix, president and chief executive officer of R.E. Chaix and Associates in Irvine, sees what he refers to as an "indifferent" marketplace, with a mostly soft market and some products for which it is difficult to find cover-

age. Like Laufer, who Chaix preceded as CIWA president, he notes the infusion of capital into the surplus lines space, and he cites this phenomenon as the chief cause of the current conditions in the surplus line market.

"After 9/11, a major phenomenon occurred in the industry that we probably have never seen," Chaix said. "Tons of capital investment poured into the industry. After the brief hard market, capital monies have helped soften the marketplace for several years (thus far) and probably several more years (to come)."

Chaix said that even though standard markets have pulled back on some products, general liability premiums remain steady, with more competition coming to the marketplace every month. He also said that the recent lack of a major catastrophe in California on par with others, such as Superstorm Sandy and major tornadoes, has allowed carriers to make an underwriting profit and continue to keep the marketplace very competitive.

"However, personal lines property has been a different story," Chaix said. "Wildfires and droughts have caused an unstable marketplace. Rates have stayed relatively stable with homes in major urban areas, but have dramatically changed for those in brush areas. Professional liability has the same ups and downs in the marketplace. EPL is a tough class of business to write in California. Labor laws and the legal environment extremely favor the unions and employees. However, cyber liability and miscellaneous PL have remained relatively competitive."

Story continues on Page 2



SLA Urges Members: Plan to Attend 2015 Annual Meeting

Format Modified for San Francisco Segment; Los Angeles Format Unchanged

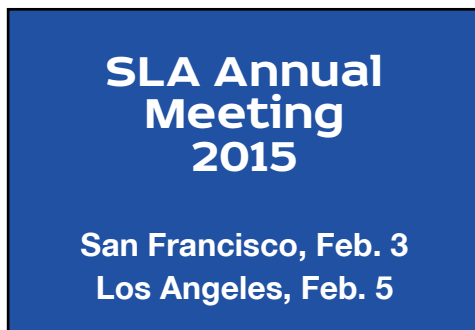
By Cliston Brown

Editor-in-Chief

The Surplus Line Association of California (SLA) plans to make some changes to the San Francisco portion of its annual meeting in 2015 to encourage more northern California members to attend.

While attendance at the Los Angeles 2014 segment was robust, the San Francisco event had a notable number of no-shows. SLA plans to modify the San Francisco portion of the meeting to have it later in the day, followed by a networking reception, rather than a morning meeting followed by lunch. The Los Angeles part of the meeting, with the morning meeting and lunch, will remain the same as in the past.

"We have noticed that attendance in San Francisco in recent years has lagged significantly behind our Los Angeles numbers, and we decided to tweak the format and see if we could draw more attendees to this part of our event," said **Benjamin McKay**, SLA's executive director. "We had heard from some members in the San Francisco area that the current structure was disruptive to their work day and that they would prefer a format that offered them greater opportunities to network with



their industry peers. We did not receive indications of similar concerns about the schedule in Los Angeles, so we decided to keep the format the same as in the past for that part of the meeting."

Attendance at the annual meeting is crucial for many reasons. First and foremost, it is the meeting where SLA members formally elect their board and officers for the year, and if there are not enough licensed brokers in attendance to create a quorum, then SLA is obligated to solicit ballots, through hundreds of e-mails and telephone calls after the fact, to achieve the required votes. This year, it took more than a month after the conclusion of the annual meeting for SLA members to formally elect their board and officers.

Additionally, the annual meeting provides

a chance for members to hear an account of what SLA has been doing for them over the past year and what it plans to do in the coming year. It is also a great opportunity to network and exchange market intelligence with hundreds of other surplus lines professionals and service providers, not just from California but other states as well.

"This is the most important SLA meeting of the year, because we get so many of our members and service providers together at one time," McKay said. "It is a convenient way to learn a lot in a short amount of time about what is happening in the market and the impact it has on your business and livelihood. It is also a great place to form and build relationships, both with brokers and with SLA management. I highly recommend attending."

The San Francisco portion of the event will take place on Tuesday, February 3, 2015, at the Julia Morgan Ballroom, 465 California Street, with the Los Angeles portion scheduled for Thursday, February 5, 2015, at the Jonathan Club, 545 South Figueroa Street.

SLA will begin sending formal solicitations for the 2015 annual meeting to members this fall.

Brokers Assess Market

Statistics compiled by the Surplus Line Association of California (SLA) do indicate some rate stabilization in spring 2014 after a volatile spring and summer 2013 and some less dramatic, but still notable, ups and downs in winter 2013-14.

In the three-month period from March to May, 2014, the most current statistics compiled by SLA, the average premiums (by effective date) for new policies and renewals stayed relatively steady as compared to some of the dramatic month-to-month changes over the previous year. For new policies, the average premiums ranged from \$12,859 in March to \$11,449 in April and back up slightly to \$11,591 in May. For renewals, the averages ranged from \$12,214 in March to \$11,934 in April and \$10,997 in May. These variances are far less dramatic than the dropoff from July to August 2013,

when the average premiums for new policies plunged from \$18,231 to \$11,647, and the average premiums for renewals dropped from \$20,955 to \$12,717. There was also a period of volatility from December 2013 to February 2014 before the recent leveling-off beginning in March.

In recounting discussions with industry colleagues, Laufer says there are a number of key issues surrounding efficiency and technology that will be key in helping surplus line brokers meet the challenges of the market as it evolves.

"Ease of use and efficiency are topics discussed regularly," Laufer said. "Rate, quote, bind and policy issuance technologies are in a constant state of flux. Retail agents and carriers are demanding a high level of technological capability from their wholesaler partners. The challenge for wholesalers is

how to effectively integrate a variety of different E&S carrier technologies within their own agency management systems while offering flexible online quoting systems to retailers and maintaining sound underwriting standards. Investing in the right technologies is a must to stay competitive."

Chaix says the key to success is simply a matter of opportunities and relationships, a point with which Laufer concurs.

"Opportunities to grow in this industry are out there," Chaix said. "One just has to find them. A potential area of concern is the amount of consolidation of wholesalers these past several years. It is putting a lot of pressure on independent wholesalers to stay significant in the marketplace. I would advise that this is still a relationship business and one must continue to nurture those relationships—with both clients and carriers."

Continued from Page 1

SLA Examines The Causes, Costs of Tags

Filer Survey Shows Late Tags Often Due to Paperwork Delays, Internal Filing Issues; Tags Issued For Filing Errors Can Create Significant Costs For High-Volume Brokerages

By Cliston Brown
Editor-in-Chief

Over a two-week period in May, the Surplus Line Association of California (SLA) surveyed filers to determine the causes of late tags and the costs of tags for filing errors.

SLA developed the survey in response to direction from the SLA Board of Directors to begin significantly reducing the amount of violations resulting in tags from SLA.

The board's direction on this issue is due to the fact that SLA is issuing approximately 150,000 tags a year, more than 30 tags for every 100 filings. Of those tags, SLA statistics consistently demonstrate that approximately 70 percent are issued for late filings; the remaining tags are issued for filing errors. The survey's intent was to help identify ways to get those tag numbers down.

The survey asked three questions:

- 1. What is the most prevalent reason for late filings?**
- 2. What is the average amount of time spent remediating tags for filing errors?**
- 3. Does SLA issue too many tags?**

SLA asked the first two questions simply for their results. The third question's purpose was to determine if there was a bias among filers who reported needing higher-than-average amounts of time to resolve tags.

SLA received 255 responses to the survey, which was the largest response it has had to one of its online surveys.

On the first question, a large plurality of filers, approximately 44 percent, explained late tags by indicating they were waiting on some form of paperwork from an agent or insurer (SL-2 forms, Lloyd's lists, etc.).

Other leading reasons for late tags included backlogs (17 percent); issues with new, inexperienced filers (13 percent); and staff shortages (12 percent). No other issues received more than 4 percent of responses.

On the second question, the largest number of filers (46 percent) reported that it took them less than 15 minutes to remediate

tags issued for filing errors. Another 34 percent reported needing 15-30 minutes, with slightly more than 20 percent reporting various gradations of more than 30 minutes.

From those responses, the median remediation time is 16 minutes, but breaking it down by the upper and lower ranges of each category, the average would be 19 to 35 minutes per tag.

Extrapolating on a per-tag basis, and using the range of 16 to 35 minutes per tag, SLA members must invest an estimated 14,000 to 26,000 hours per year just to remediate tags issued for filing errors.

Calculating on a per-brokerage basis is dependent on how many tags each brokerage receives. For low-volume brokerages receiving a handful of tags, the bottom-line impact may not be significant. However, at the high end, some high-volume SLA member brokerages receive upwards of 8,500 tags per year, with about 2,500 of those issued for filing errors. That kind of tag volume could mean anywhere from 83 to 182 eight-hour workdays are spent just to remediate tags for filing errors, which represents anywhere from 30 to 70 percent of a single full-time employee's year.

"When hundreds of hours are spent doing nothing but remediating tags, this can mean a significant financial impact for many of our high-volume brokerages," said Benjamin McKay, SLA's executive director. "Taking a few more minutes on the front end to avoid filing errors can save many hours of remediation on the back end. Time is money."

On the third question, nearly 72 percent of respondents said SLA issues tags when necessary, with 28 percent saying SLA issues too many tags. The survey did find that filers who needed longer to resolve tags were somewhat more likely to say SLA issues too many tags. However, considering that only 11 percent of respondents needed long periods of time to resolve tags and responded SLA issued too many tags, the impact on the remainder of the survey was not considered likely to be significant.

After analyzing the results, an SLA "Tag Team" composed of key staff decided to implement the following solutions in an attempt to help reduce tags:

- Publicize the survey results in order to get the attention of brokers, particularly those who have large numbers of tags and face significant remediation costs.

- Encourage brokers to invite or compel their agents to take a special course or seminar on the need for timely filing. The SLA can provide the course or seminar in the brokers' office if requested. **E-mail the Education Department at education@slacal.org for more information.**

- Continue publicizing SLA's New Filer Program, in which SLA will help new filers learn what they need to know during a grace period in which new filers are not penalized for filing errors. **Contact Pat McAuley in the Data Analysis Department at pmcauley@slacal.org.**

- Because electronic filing through SLIP significantly reduces filing errors, from about 30 percent of all filings to less than 3 percent, SLA will continue to urge filers to use SLIP. **To sign up, contact Michael Caturegli in the Information Technology Department at mcaturegli@slacal.org.**

TOP TAG PERFORMERS

2nd Quarter, 2014

Brokerages with the lowest ratio of tags per item (among brokerages with at least 300 items filed)

TOP TIER

(Tag Ratio Less Than 1%)

Brown & Brown of Missouri, Inc.
Sullivan Ins. Brokers Wholesale Solutions
Poulton Associates, Inc.
Beach & O'Neill Ins. Associates, Inc.
Seattle Specialties Ins. Services, Inc.

SECOND TIER

(Tag Ratio Between 1% and 2%)

Southwest Business Corp.
Arrowhead General Agency, Inc.
G.J. Sullivan Co. E&S Line Brokers
Petersen International Underwriters

Top 50 Brokers by Premium Through June 30th, 2014

Rank	BROKER	PREMIUM PROCESSED	% OF TOTAL
1	SWETT & CRAWFORD	\$292,223,076	11.36%
2	MARSH USA INC.	214,304,115	8.33%
3	AMWINS INSURANCE BROKERAGE OF CALIFORNIA, LLC	199,581,034	7.76%
4	R-T SPECIALTY, LLC	163,423,806	6.35%
5	AON RISK INSURANCE SERVICES WEST, INC.	134,371,462	5.23%
6	WORLDWIDE FACILITIES, INC.	86,921,392	3.38%
7	RISK SPECIALISTS COMPANIES INSURANCE AGENCY, INC.	77,387,380	3.01%
8	BLISS AND GLENNON INC.	72,422,925	2.82%
9	BURNS & WILCOX INSURANCE SERVICES, INC.	58,545,788	2.28%
10	RISK PLACEMENT SERVICES, INC.	57,417,783	2.23%
11	CRC INSURANCE SERVICES, INC.	57,119,685	2.22%
12	LOCKTON COMPANIES, LLC	41,941,528	1.63%
13	PARTNERS SPECIALTY GROUP, LLC	35,765,754	1.39%
14	ARTHUR J. GALLAGHER & CO. INSURANCE BROKERS OF CALIFORNIA, INC. (GLENDALE)	29,484,056	1.15%
15	BROWN & RIDING INSURANCE SERVICES, INC.	28,218,978	1.10%
16	PATERSON, DONALD THOMAS	26,525,313	1.03%
17	ALLIANT INSURANCE SERVICES, INC.	25,589,764	1.00%
18	CROUSE & ASSOCIATES INSURANCE SERVICES OF NORTHERN CALIFORNIA, INC	24,966,267	0.97%
19	ALL RISKS, LTD.	24,883,718	0.97%
20	WILLIS INSURANCE SERVICES OF CALIFORNIA, INC.	24,780,385	0.96%
21	WOODRUFF-SAWYER & COMPANY	24,559,910	0.96%
22	BEECHER CARLSON INSURANCE SERVICES, LLC	24,463,047	0.95%
23	BORISOFF INSURANCE SERVICES, INC. (DBA: MONARCH E & S INSURANCE SERVICES)	21,154,794	0.82%
24	HARRY W. GORST COMPANY, INC.	20,271,086	0.79%
25	INTEGRO USA INC.	19,853,214	0.77%
26	SOCIUS INSURANCE SERVICES, INC.	19,836,586	0.77%
27	WHOLESALE TRADING CO-OP INSURANCE SERVICES LLC	19,448,160	0.76%
28	AIG PROPERTY CASUALTY INSURANCE AGENCY, INC.	18,606,149	0.72%
29	HULL & COMPANY, INC.	17,507,329	0.68%
30	MIDWESTERN GENERAL BROKERAGE, INC.	17,480,260	0.68%
31	PETERSEN INTERNATIONAL UNDERWRITERS	17,424,704	0.68%
32	DILLON, THOMAS FREDERICK	17,395,801	0.68%
33	AMWINS BROKERAGE OF GEORGIA, LLC	14,843,648	0.58%
34	BASS UNDERWRITERS, INC.	13,456,174	0.52%
35	COASTAL BROKERS INSURANCE SERVICES INC.	13,382,670	0.52%
36	WELLS FARGO INSURANCE SERVICES USA, INC.	13,158,102	0.51%
37	NATIONAL TRANSPORTATION ASSOCIATES, INC.	12,988,800	0.51%
38	W. BROWN & ASSOCIATES PROPERTY & CASUALTY INSURANCE SERVICES	12,152,103	0.47%
39	USI OF SOUTHERN CALIFORNIA INSURANCE SERVICES, INC.	11,892,350	0.46%
40	R.I.C. INSURANCE GENERAL AGENCY, INC.	11,711,518	0.46%
41	AMWINS BROKERAGE OF NEW YORK, INC.	11,093,663	0.43%
42	NAS INSURANCE SERVICES, LLC	11,067,156	0.43%
43	LAE INSURANCE SERVICES, INC.	9,958,787	0.39%
44	WILLIS OF NEW YORK INC.	9,840,799	0.38%
45	M.J. HALL & CO., INC.	9,407,709	0.37%
46	GCUBE INSURANCE SERVICES, INC.	7,575,506	0.29%
47	COOPER & MCCLOSKEY, INC. INSURANCE BROKERS	7,306,584	0.28%
48	EXCEPTIONAL RISK ADVISORS, LLC	7,157,934	0.28%
49	IMA, INC.	7,139,452	0.28%
50	SULLIVAN BROKERS WHOLESALE INSURANCE SOLUTIONS, INC.	6,815,509	0.27%
	SUBTOTAL	\$2,104,823,712	81.85%
	ALL OTHER BROKERS	466,796,580	18.15%
	TOTAL	\$2,571,620,292	100.00%

Top 50 Carriers by Premium Through June 30th, 2014

RANK	COMPANY	PREMIUM PROCESSED	% OF TOTAL
1	LEXINGTON INSURANCE COMPANY	\$231,723,483	9.01%
2	SCOTTSDALE INSURANCE COMPANY	126,063,656	4.90%
3	QBE SPECIALTY INSURANCE COMPANY	66,203,597	2.57%
4	LLOYD'S OF LONDON SYNDICATE #2623	66,124,224	2.57%
5	STEADFAST INSURANCE COMPANY	52,617,933	2.05%
6	COLONY INSURANCE COMPANY	52,561,592	2.04%
7	AIG SPECIALTY INSURANCE COMPANY	50,242,386	1.95%
8	IRONSHORE SPECIALTY INSURANCE COMPANY	47,363,350	1.84%
9	ADMIRAL INSURANCE COMPANY	46,069,287	1.79%
10	WESTCHESTER SURPLUS LINES INSURANCE COMPANY	44,342,489	1.72%
11	COLUMBIA CASUALTY COMPANY	43,870,486	1.71%
12	UNITED SPECIALTY INSURANCE COMPANY	42,539,686	1.65%
13	MT. HAWLEY INSURANCE COMPANY	41,939,464	1.63%
14	HOUSTON CASUALTY COMPANY	40,522,825	1.58%
15	INDIAN HARBOR INSURANCE COMPANY	38,886,998	1.51%
16	AXIS SURPLUS INSURANCE COMPANY	38,321,232	1.49%
17	EMPIRE INDEMNITY INSURANCE COMPANY	38,276,344	1.49%
18	LANDMARK AMERICAN INSURANCE COMPANY	37,470,615	1.46%
19	NAVIGATORS SPECIALTY INSURANCE COMPANY	37,218,279	1.45%
20	CHUBB CUSTOM INSURANCE COMPANY	34,563,102	1.34%
21	JAMES RIVER INSURANCE COMPANY	33,962,472	1.32%
22	ARCH SPECIALTY INSURANCE COMPANY	33,621,604	1.31%
23	ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	31,810,568	1.24%
24	ILLINOIS UNION INSURANCE COMPANY	31,511,974	1.23%
25	LIBERTY SURPLUS INSURANCE CORPORATION	30,563,592	1.19%
26	GEMINI INSURANCE COMPANY	30,535,285	1.19%
27	GREAT LAKES REINSURANCE (UK) PLC	28,236,808	1.10%
28	EVANSTON INSURANCE COMPANY	27,827,010	1.08%
29	ESSEX INSURANCE COMPANY	27,413,434	1.07%
30	ASPEN SPECIALTY INSURANCE COMPANY	26,403,909	1.03%
31	GREAT AMERICAN E&S INSURANCE COMPANY	26,116,136	1.02%
32	LLOYD'S OF LONDON SYNDICATE #0510	25,408,874	0.99%
33	EVEREST INDEMNITY INSURANCE COMPANY	25,401,104	0.99%
34	LLOYD'S OF LONDON SYNDICATE #2003	24,648,168	0.96%
35	LLOYD'S OF LONDON SYNDICATE #2987	23,543,968	0.92%
36	ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY	23,112,415	0.90%
37	INTERNATIONAL INSURANCE COMPANY OF HANNOVER PLC	23,090,632	0.90%
38	INTERSTATE FIRE & CASUALTY COMPANY	23,074,769	0.90%
39	PRINCETON EXCESS AND SURPLUS LINES INSURANCE COMPANY	21,953,934	0.85%
40	FIRST MERCURY INSURANCE COMPANY	21,729,569	0.84%
41	NATIONAL FIRE & MARINE INSURANCE COMPANY	20,617,167	0.80%
42	CATLIN SPECIALTY INSURANCE COMPANY	19,613,934	0.76%
43	LLOYD'S OF LONDON SYNDICATE #3624	18,275,298	0.71%
44	NAUTILUS INSURANCE COMPANY	18,127,051	0.70%
45	STARR SURPLUS LINES INSURANCE COMPANY	18,090,256	0.70%
46	ALTERRA EXCESS & SURPLUS INSURANCE COMPANY	17,520,441	0.68%
47	ALLIED WORLD NATIONAL ASSURANCE COMPANY	17,511,677	0.68%
48	TOKIO MARINE SPECIALTY INSURANCE COMPANY	17,491,847	0.68%
49	AMTRUST INTERNATIONAL UNDERWRITERS LIMITED	17,194,580	0.67%
50	LLOYD'S OF LONDON SYNDICATE #0033	16,808,650	0.65%
	SUBTOTAL	\$1,898,138,155	73.81%
	All Other Companies	673,482,137	26.19%
	TOTAL	\$2,571,620,292	100.00%

SLIP 2.0, ACH/eCheck Debut Successfully



By Michael Caturegli
SLA Information Technology Manager

The newly redesigned SLIP Broker Portal (a.k.a. SLIP 2.0) for online batch filing, tag processing, and viewing account information shows continued growth in the areas of filed policies, premiums, and new users. Through SLIP, SLA is now processing 20,000 policies/items and over \$250,000 in premium per month.

Also, in May 2014, SLA added a new payment feature: the ability to pay stamping fees using ACH/eCheck with direct debit from your designated bank account.

Since this method of payment is preferred by many of our members over credit cards and paper checks, the acceptance of this feature was overwhelming. In the first month alone, SLA processed more than \$147,000 in stamping fees through the new ACH feature. This accounted for more than five times the amount of fees paid through the SLIP credit card feature in the previous nine months.

We encourage all of our members to use this method when paying stamping fees. It is inexpensive to use, convenient, and provides access to payment details that are not available for paper check payments.

In conjunction with the SLIP 2.0 Portal, SLA will provide more online training webinars and will conduct additional classroom

training across the state later this fall. The classroom training allows attendees to use SLIP 2.0 on a classroom PC as part of the instruction. This provides for hands-on, real-life training, and the ability to show attendees how they can log into their SLIP account, access their information, submit filings, answer tags, pay invoices, and more. Our training instructors consist of SLA managers from various departments and from Infinity Software, which assisted in the creation of our SLIP system. This format provides a collaborative forum for attendees to ask questions directly and make real-time suggestions for improvements. The positive response from previous sessions means that SLA will provide more of these hands-on SLIP training on a continual basis.

For those SLIP users whose schedule does not permit attending half-day training classes, SLA provides web-based SLIP training as well. Attendees can use WebEx through the internet and learn directly

from our instructors at the convenience of their own office, computer, and/or schedule. If these two methods of learning how to use SLIP aren't conducive to your needs, SLA may be able to send one of

our teaching staff to your office and provide hands-on training in a private session or to a group. Regardless of whichever type of learning works best for you, SLA encourages you to call or email our Education Department at 415.434.4900 or Education@slacal.org, and we will be happy to assist you.

One additional new feature that is also growing in popularity, especially with our larger filing members, is our XML system interface. This feature allows our members to download filing information (policies, endorsements, certificates, etc.) directly into our SLIP system. While some programming is required on the Agency Management System (AMS) side, it is straight forward, and SLA's IT department will provide guidance

and support during the effort. For those agencies that use Vertafore's AIM products, there will be a new release of AIM coming this Fall, that incorporates the automated XML download feature to SLA directly from AIM. This feature reduces or in some cases, eliminates manual interaction when filing with us, and saves internal costs by allowing compliance personnel to perform more value-added duties.

There are several other current projects at SLA that are designed to improve the overall quality of service and communication to the membership. Some of these projects include the redesign of the SLA website along with a mobile version, and a SLIP Mobile app for Apple and Droid devices. The new website will incorporate a more visitor friendly interface, easier navigation and retrieval of information, while preserving accurate search functions and historical documents. The experience that a user encounters with the new website will be customized based on the visitor's role and/or industry. In addition, it will provide added functions and tools for our Board of Directors and members, as well as enhanced industry charts and reports. The mobile version of the website will display the same information contained on the website, but in a format that is better suited to mobile devices. SLIP Mobile will entail the SLIP 2.0 software, but paired down to provide for basic account functions and broker-specific information for logged in users. The app will allow users to view their premium and policy information in graphical formats over various time periods, as well as view and respond to tags. We encourage our members to try these new tools when they are released, and we welcome feedback on any of the products we provide.

The SLA IT department is available to assist with any questions or concerns about our website and software. Please contact us at 415-434-4900 or email support@slacal.org. If we can't answer your questions immediately, we will find the right person for your answer and return your call as soon as possible.

"In the first month alone, SLA processed more than \$147,000 in stamping fees through the new ACH feature."

Ride Share Issues Take Center Stage



By Benjamin McKay
SLA Executive Director

With the issue of transportation network companies (TNCs) having passed the Assembly and come before the state Senate in Sacramento, it remains to be seen if the lobbying efforts of leading TNCs will bear any fruit.

AB 2293, a bill that would enact specified requirements for liability coverage for TNCs and their drivers, sailed through the Assembly, passing two committees and the chamber without a single no vote. It also has passed two Senate committees, by votes of 10-0 and 9-1, and is expected to go before the Appropriations Committee in August.

The legislation would require TNC drivers to have commercial coverage of \$750,000 prior to accepting a passenger and \$1 million upon match. The legislation would also clarify that the commercial insurance policy, not the driver's personal policy, is the primary coverage.

Leading TNCs such as **Uber** and **Lyft**, who oppose the proposed legislation, have enlisted numerous Sacramento lobbyists to advocate against the bill on their behalf. In addition to the legislative process, the **California Public Utilities Commission (CPUC)** has put forth its own proposed regulations on this issue. The CPUC held a public hearing on the issue on July 10 in San Francisco. The commission asked that I attend in case my testimony regarding surplus lines was needed.

At the CPUC hearing, it was clear that

Uber and Lyft, in particular, had done significant grassroots outreach and mobilized their supporters very effectively. More than a dozen speakers spoke in support of the TNCs. Conversely, about a half dozen taxicab drivers delivered remarks supporting stronger regulatory requirements for TNCs.

Very few of the public comments addressed the insurance issue, which was a central part of the proposed regulation. The TNC supporters tended to frame the argument as a question of whether listeners supported TNCs or the taxi industry, and quite a few of them used all or part of their time to lodge various criticisms against the quality of service provided by taxi drivers.

For their part, the taxi drivers complained that TNC drivers and companies were not being held to the same standards in terms of required insurance coverage and accused TNC drivers of disobeying laws regarding hailing or transportation to airports.

The CPUC took no vote at the hearing, but it appeared split on a proposal for a coverage level requirement that is proposed for the first phase of the solicitation sequence, in which a TNC driver's application is on, but he/she has not yet made a match with a customer.

The issues involved in ride-sharing also will take a leading role at the upcoming meeting of the **National Association of Insurance Commissioners (NAIC)** in Louisville, Ky. The **Center for Insurance Policy and Research (CIPR)** is holding a forum in conjunction with the NAIC meeting, on Saturday, August 16, which California Insurance Commissioner **Dave Jones** will moderate. The event will feature representatives of the ride-sharing industry, state regulators and consumer advocates. For those of you planning to attend the NAIC meeting, this event certainly will be worth your time. Separate registration is required at http://www.naic.org/cipr_events.htm.

Also in the California legislature, the Senate is considering **AB 2056**, a pet insurance bill which calls for increased policy transparency and allowing insurance regulators a greater ability to oversee the policies.

The Assembly passed the bill 78-0, and it is now before the Senate. Former Gov. **Arnold Schwarzenegger** vetoed similar legislation.

In the federal arena, the industry continues to await Congressional action on the renewal of the Terrorism Risk Insurance Act (TRIA). The U.S. Senate on July 17th overwhelmingly passed **S. 2244**, the Terrorism Risk Insurance Program Reauthorization Act of 2014, by a vote of 93-4. The bill calls for a seven-year extension of the federal terrorism backstop and an increase in the insurer co-pay from the current 15 percent to 20 percent.

On the House side, conservatives have proposed **H.R. 4871**, the TRIA Reform Act of 2014, which would extend the program for five years and ultimately phase out the federal backstop beyond nuclear, biological, chemical and radiological (NBCR) risks. Reports out of Washington indicate that some moderate Republicans from within or near urban areas, who want more robust protection, are balking at this proposal, so it remains uncertain what ultimately will emerge from the House.

Both the Senate and House bills contain language that would establish NARAB II, a multistate licensing body. Whatever the final form of the bill that passes the House, NARAB II supporters will need to remain vigilant to ensure that language is part of it.



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SLA Sets Continuing Education Courses For Fall 2014

By Laura Danoff
SLA Education Department

We have three excellent seminars to round out 2014. In September, we are offering a timely seminar on **Data Privacy and Security Coverages**. Hardly a day goes by without the news including a story about the sensitive information of thousands of customers being compromised by a hacker.

With so much information available at the click of a mouse, it is not surprising that the incidence of cyber-crime has increased so much in a relatively short period of time. Topics include: identity theft; federal legislation and state laws applicable to a data breach; payment card industry standards; methods used to compromise data; cyber security coverages, exposures, policy terms/conditions, exclusions; underwriting and claims considerations.

A producer who fails to help clients deal with this growing exposure could be subject to potential E&O claims, as well as loss of existing customers. Come and learn the latest trends in this critical area of insurance protection.

In October, SLA is offering two great topics on global risk. For today's corporate travelers,

the world is becoming a far more dangerous place – from the increased frequency of natural disasters, political unrest and terrorist incidents, to a bewildering array of liability issues by Duty of Care legislation. Now more than ever, risk managers are actively seeking strong and more effective solutions to protect the health, safety and security of their travelers. **Traveling Safely in Today's Global Environment** will provide attendees information about key issues surrounding travel safety including travel medical, security, insurance solutions and assistance services. **Political Risk – A Specialty Line for Foreign Exposures** will provide attendees with information to help their clients mitigate these risks worldwide via political risk insurance, which provides protection for equity investments, project finance loans, and trade transactions against arbitrary or discriminatory government actions.

In November, the **ABCs of A&E** includes a top-flight panel of experts who will assist attendees who represent architects & engineers in being able to know what to look for in a risk, what makes a good firm, and then what the various coverages are that are available.

See below for easy online registration for all three seminars. We hope to see you there.

SLA Continuing Education Courses

Registration and continental breakfast for all courses starts at 8 a.m., seminars run from 8:30-11:30 a.m. Call Education Department at (415) 434-4900 or register at http://www.slacal.org/education/ed_schedule.php.

Data Privacy and Security Coverages

Presenter:

Rebecca Swanson

Director, Miscellaneous Professional Lines,
Errors & Omissions, Technology and Cyber
Markel Corporation

Tuesday, September 9, PG&E Conference Center
Auditorium
245 Market Street, San Francisco, CA 94105

Wednesday, September 10, The Jonathan Club
545 South Figueroa Street, Los Angeles, CA 90071

Wednesday, October 15, Hyatt Regency San
Francisco
5 Embarcadero Center, San Francisco, CA 94111

The ABCs of A&E: Underwriting Architects and Engineering Firms

Presenters:

Lynda Colucci

Regional Underwriting Manager, Starr Companies

Andrew Cargino

AVP, Architects and Engineers Liability, Starr
Companies

Reed Milsaps

Attorney, President, DCS Global, Triton Global Risk
Management

Kathy Soloman

Attorney, DSC Global, Triton Global Risk Management

Tuesday, November 11, Hilton Universal City
555 Universal Hollywood Drive,
Universal City, CA 96108

Boom: Global Risk to Assets and Employees

Presenters:

Sean P. Dunphy

Vice President and Regional Underwriter
Manager, Political Risk
AIG

Stanley R. Self

Regional Accident Specialist
AIG

Tuesday, October 14, Hilton Universal City
555 Universal Hollywood Drive
Universal City, CA 96108

Wednesday, November 12, PG&E Conference
Center Auditorium
245 Market Street, San Francisco, CA 94105