

SLA CONNECTION

Surplus Lines News from the Golden State

The Surplus Line Association of California

Spring 2014

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The Right Fitt

Western Re CEO Ian Fitt Takes The Reins As SLA's Board Chair

By **Cliston Brown**

Editor-in-Chief

Ian Fitt, the new chairman of SLA's Board of Directors, has taken the reins with an ambitious agenda and a clear vision of where he wants the association to go on his watch in 2014.

Fitt, CEO and chairman of Western Re/Managers Insurance Services, Inc., and vice chairman of Catalytic Holdings LLC, officially became chairman after an affirmative vote of California resident members finalized in February. He succeeded **Pam Quilici**, executive vice president of Crouse & Associates Insurance Services of Northern California, Inc., who completed her term at the Annual Meeting in Los Angeles in January. Fitt thanked his predecessor for her numerous contributions at all levels, and he intends to continue her effort to use technology for the betterment of California brokers.

"Pam's contributions to the SLA are far too reaching to be confined to her time as chair and continue to this very day," Fitt said. "Pam has committed over 10 years to the SLA, and her fingerprints are all over the various committees. She has been an integral part of the growth of the SLA for the past decade with, in my estimation, her greatest impact being on the Information Technology Committee from the very beginning. Pam has helped usher in the SLA's commitment to utilization of tech-



Ian Fitt

nology for internal efficiencies and operational benefits to our members. This is something that will continue through my term as we look to reach out to our membership to simplify the filing process, to educate, train and empower with a variety of tools supplied by SLA."

Fitt enters his chairmanship with several key goals, which can be broken down into internal and external. Internally, Fitt's formula is to **evaluate, anti-**

pate and automate. To that end, he has three goals:

1. **Review all internal processes.**
2. **Continue moving toward a mostly paperless association.**
3. **Evaluate current disaster recovery plan with an eye on cloud-based solutions.**

Externally, Fitt's bywords are **educate, empower and engage**, and he has four goals by which he hopes to achieve these results. In addition to going paperless, which is both an internal and external goal, he looks for success in the following areas:

1. **Enhance SLA educational services.**
2. **Create business tools for brokers.**
3. **Relieve brokers of the training burden.**

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One area where Fitt believes SLA can make great progress with a manageable level of effort is in the paperless initiative. While only 30 percent of filings are being done electronically at this point, there is also a real opportunity to improve expeditiously.

“Our top 50 brokers do approximately 80 percent of all filings,” Fitt said. “There is great potential to

convert a large share of filings to paperless by reaching a small universe of filers.”

Fitt came to the chairmanship after four years on the Board of Directors and eight years with SLA. His path toward SLA leadership began as a member of the Admitted Market Liaison Committee, which engages

in meaningful conversations with admitted insurers on industry topics. He credited former board member **Pat Hanley** with stoking his interest in the opportunities that board membership presented.

“It requires me to take off the blinders of my everyday job to look at the greater picture, which is the surplus lines market,” Fitt said.

In setting the agenda for his term, Fitt laid out a guiding principle of taking what his predecessors have done and adding another layer of accomplishments.

“I think the goal for every chair should be to leave the post in a better position than you found it,” Fitt said. “To be honest, that is

a difficult task in this instance, as Pam and those who came before her have done such an exemplary job that it makes that goal a real challenge.”

Fitt said the three keys by which his tenure should be judged are:

1. **Take the appropriate steps to provide SLA members with better training and resources to make their jobs easier.**
2. **Continue to move SLA to more efficient processes to allow the association to better serve the membership.**
3. **Increase the awareness and visibility of the SLA board and increase the participation and interaction with the larger membership.**

“If I can attain these three things, I feel I can walk away with my head held high,” Fitt said.

“Our top 50 brokers do approximately 80 percent of all filings. There is great potential to convert a large share of filings to paperless by reaching a small universe of filers.”

SLA Resident Members Elect 2014 Board

Brady, Houska Become Vice Chairman, Secretary-Treasurer; Three New Members Join

In addition to electing **Ian Fitt** the new chairman of the Board of Directors for 2014, resident members of the Surplus Line Association of California (SLA) also elected the vice chairman, secretary-treasurer and 10 more board members for the year.

Denis Brady, president of Burns & Wilcox Brokerage in San Francisco, is the new vice chairman of the board, and **Chris Houska**, the California managing director of R-T Specialty, LLC, in Burbank, is the board's new secretary-treasurer.

Brady served as secretary-treasurer in 2013, and Houska served as a board member last year.

Additionally, SLA resident members elected three new members to the board this year. They include:



Denis Brady

- **Janet Beaver**, Scottish American
- **Tom Ciardello**, Worldwide Facilities, Inc.
- **Chris Kiley**, AMWINS

Finally, voters confirmed **Pam Quilici** of Crouse & Associates Insurance Services of Northern California, Inc., the 2013 chairman, as a board member for 2014, and retained six other members from the 2013 board in their positions:

- **Dean Andrighetto**, ACE Westchester Specialty Group
- **Rupert Hall**, M.J. Hall & Company, Inc.
- **Phil Mazur**, Swett & Crawford
- **Davis Moore**, Worldwide Facilities, Inc.
- **Les Ross**, Wholesale Trading Co-Op Insurance Services, Inc.
- **Jerry Sullivan**, The Sullivan Group

All members of the board serve until the 2015 Annual Meeting, at which time



Chris Houska

a new election for the board and officers will take place.

SLA urges all resident members of the association to attend next year's **Annual Meeting** in February 2015, either in San

Francisco or Los Angeles, so that they can vote on the new board and officers at that time. The SLA constitution requires one-third of all resident members who filed an SL-1 or SL-2 form in the preceding 12 months to vote in order to constitute a quorum.

If a quorum is not reached during the regular meeting, SLA must solicit the necessary votes online or by telephone, a process which can take several weeks to conclude. Please make plans to attend next year's meeting.

All About Tags: The Problem, and How Some High-Performing Members Avoid It

By Clifton Brown

Editor-in-Chief

In the 12-month period starting March 1, 2013, and ending February 28, 2014, the Surplus Line Association of California (SLA) issued 152,081 tags on 495,280 member filings. That figure represented 30.7 tags for every 100 filings.

Tags are issued for any part of the filing that is not compliant with California surplus lines laws or for lateness, and in fact, late filings are by far the largest culprit. Approximately 71 percent of all tags issued for the first three-quarters of 2013 were due to late filings. The impact of tags is widespread, as **Pat McAuley**, SLA's data analysis manager, explained.

"Tags impact almost everyone involved in the surplus line transaction, from the brokerage's compliance officer who reviews the form, to the retail agent who corrects the form, to the insurer who provides the syndicate list to the SLA analyst who determines the adequacy of the response, to the California Department of Insurance, which receives the report when the tag is not sufficiently answered," McAuley said.

If we consider that the average tag for a filing error takes anywhere from a few minutes to a few days to fix, and we also consider the nearly 30 percent of tags typically assigned for reasons other than lateness, SLA and its members spend thousands of worker hours per year finding and fixing tags. That is a lot of time—and money—that could be saved if tags could be significantly reduced.

Given the amount of worker hours, and the general undesirability of tags, it is clear why significantly reducing tags is a top priority for SLA. Fortunately, a number of SLA members are already demonstrating their aptitude for keeping tags to a minimum.

In an internal study of the tags issued between March 1, 2013, and February 28, 2014, SLA broke down all tags by all registered brokers, and then determined how

many tags per filed item each broker had accrued. For purposes of statistical significance, SLA then screened out any brokers with less than 800 filings over the course of the year.

In all, SLA identified 10 brokerages which made 800 or more filings and also had a tag-per-item ratio of less than 3 percent. Five of those brokerages, which made up the first tier, had a tag-per-item ratio of less than 1.5 percent. The second tier, also containing five brokerages, had a tag-per-item ratio of between 1.5 percent and 3 percent.

TOP TIER (in alphabetical order)

- Beach & O'Neill Insurance Associates, Inc.
- Brown & Brown of Missouri, Inc.
- Gerald J. Sullivan and Associates
- LIPCA, Inc.
- Owner Operator Services, Inc.

SECOND TIER (in alphabetical order)

- King Insurance Support Systems
- M.J. Hall & Company, Inc.
- Neitclem Wholesale Insurance Brokerage, Inc.
- Seattle Specialty Insurance Services
- Southwest Business Corporation

Jerry Sullivan, chairman of Gerald J. Sullivan and Associates, said his group has a formula for producing minimal tags: diligence and accountability. He employs a compliance officer who oversees the group's various brokerages, works with filers and makes sure they are trained and up to date. At that point, it is a matter of staying on top of how those filers are doing, a task which Sullivan says has been helped by SLA sending detailed quarterly tag listings to member company CEOs.

"The information we get helps us go back to the people who actually do the filings and make sure they understand what is necessary to do the filings correctly," Sul-

livan said. "If they need further training, we get that done ... if forms aren't completed correctly, we have to educate our brokers."

Sullivan emphasized that educating employees about tag avoidance is an ongoing process. "Sometimes," Sullivan said with a chuckle, "they get to be reeducated."

Sullivan noted that while there are clerical errors, the bulk of tags are issued for late filings. Here, too, education and persistence pay off.

"Late filings often come from our producers," Sullivan said. "They oft times allow the retailer to kind of drag and be slow on getting things done, which is not the way it should be done. When we find one of our producers who is the source of many late filings, we sit down and talk about what the problem is and how they've got to push their retailers."

Sullivan says his brokerages' success in producing low numbers of tags is simply a matter of staying diligent and constantly working toward a goal of zero tags.

"It's not foolproof, but it helps keep the count down," Sullivan said. "It's a game of accountability, and accountability works."

Additionally, **Michael Caturegli**, SLA's information technology manager, has noted another notable driver of tag reduction: electronic filing. Recently, Caturegli ran the numbers and discovered that paper filings had a tag rate of more than 30 percent, but electronic filings were tagged at a rate of less than 3 percent.

"Clearly, we are seeing a significant decrease in tags when members file their forms electronically," Caturegli said. "This is one of the key reasons why we are encouraging members to use electronic filing, and we will gladly help any who are not currently set up to file electronically get all the capabilities and training they need to move to paperless filing."

Any SLA member wishing to move toward electronic filing should contact Caturegli at (415) 434-4900 or mcaturegli@slacal.org.

Top 50 Brokers by Premium, 2013 vs. 2012

Rank	BROKER	% Change	Premium Processed (\$million)		% of Total		
			2013	2012	2013	2012	
2013	2012	2013 - 2012	2013	2012	2013	2012	
1	6	R-T SPECIALTY, LLC	197.08%	\$531.4	\$178.9	10.24%	3.69%
2	1	MARSH USA INC.	-43.29%	411.9	726.3	7.94%	15.00%
3	4	AON RISK INSURANCE SERVICES WEST, INC.	58.24%	375.2	237.1	7.23%	4.90%
4	2	SWETT & CRAWFORD	-6.76%	352.2	377.8	6.79%	7.80%
5	3	AMWINS INSURANCE BROKERAGE OF CALIFORNIA, LLC	-17.58%	256.2	310.8	4.94%	6.42%
6	5	RISK SPECIALISTS COMPANIES INSURANCE AGENCY, INC.	12.88%	212.1	187.9	4.09%	3.88%
7	7	WORLDWIDE FACILITIES, INC.	19.45%	174.5	146.1	3.36%	3.02%
8	12	RISK PLACEMENT SERVICES, INC.	75.76%	160.6	91.4	3.10%	1.89%
9	9	BLISS AND GLENNON INC.	20.39%	136.6	113.4	2.63%	2.34%
10	13	BROWN & RIDING INSURANCE SERVICES, INC.	34.79%	119.6	88.8	2.31%	1.83%
11	10	LOCKTON COMPANIES, LLC	0.18%	105.1	104.9	2.03%	2.17%
12	17	CRC INSURANCE SERVICES, INC.	40.51%	86.8	61.8	1.67%	1.28%
13	14	BURNS & WILCOX INSURANCE SERVICES, INC.	15.20%	81.4	70.7	1.57%	1.46%
14	11	ARTHUR J. GALLAGHER & CO. INSURANCE BROKERS OF CALIFORNIA, INC.	-19.63%	73.7	91.7	1.42%	1.89%
15	15	WILLIS INSURANCE SERVICES OF CALIFORNIA, INC.	-4.21%	65.5	68.4	1.26%	1.41%
16	20	MIDWESTERN GENERAL BROKERAGE, INC.	38.41%	65.5	47.3	1.26%	0.98%
17	23	ALLIANT INSURANCE SERVICES, INC.	48.83%	59.0	39.7	1.14%	0.82%
18	19	CHARTIS INSURANCE AGENCY, INC.	-3.20%	51.9	53.7	1.00%	1.11%
19	18	CROUSE & ASSOCIATES INSURANCE SERVICES OF NORTHERN CALIFORNIA, INC.	-11.25%	50.6	57.1	0.98%	1.18%
20	16	PARTNERS SPECIALTY GROUP, LLC	-19.91%	50.2	62.7	0.97%	1.29%
21	25	HULL & COMPANY, INC.	37.44%	48.8	35.5	0.94%	0.73%
22	21	WELLS FARGO INSURANCE SERVICES USA, INC.	5.29%	48.3	45.8	0.93%	0.95%
23	28	ALL RISKS, LTD.	51.19%	45.4	30.1	0.88%	0.62%
24	27	WOODRUFF-SAWYER & COMPANY	37.73%	44.2	32.1	0.85%	0.66%
25	24	SOCIUS INSURANCE SERVICES, INC.	4.62%	39.4	37.7	0.76%	0.78%
26	8	CRUMP INSURANCE SERVICES, INC.	-68.42%	35.9	113.7	0.69%	2.35%
27	30	WHOLESALE TRADING CO-OP INSURANCE SERVICES LLC	27.15%	35.7	28.1	0.69%	0.58%
28	38	BEECHER CARLSON INSURANCE SERVICES, LLC	54.05%	31.2	20.2	0.60%	0.42%
29	33	HARRY W. GORST COMPANY, INC.	20.09%	30.6	25.5	0.59%	0.53%
30	22	BORISOFF INSURANCE SERVICES, INC.	-33.74%	30.4	45.8	0.59%	0.95%
31	45	DILLON, THOMAS FREDERICK	74.33%	30.2	17.3	0.58%	0.36%
32	29	AMWINS BROKERAGE OF GEORGIA, LLC	-2.33%	28.9	29.5	0.56%	0.61%
33	31	INTEGRO USA INC.	7.22%	28.7	26.8	0.55%	0.55%
34	34	COASTAL BROKERS INSURANCE SERVICES INC.	12.41%	28.6	25.5	0.55%	0.53%
35	26	BASS UNDERWRITERS, INC.	-19.88%	26.3	32.9	0.51%	0.68%
36	36	W. BROWN & ASSOCIATES PROPERTY & CASUALTY INSURANCE SERVICES	12.58%	25.4	22.6	0.49%	0.47%
37	37	WILLIS OF NEW YORK INC.	1.62%	22.9	22.5	0.44%	0.46%
38	47	NAS INSURANCE SERVICES, INC.	32.59%	22.1	16.6	0.43%	0.34%
39	55	YATES & ASSOCIATES INSURANCE SERVICES, INC.	53.25%	21.1	13.7	0.41%	0.28%
40	40	LAE INSURANCE SERVICES, INC.	7.83%	20.5	19.0	0.39%	0.39%
41	598	AMWINS BROKERAGE OF THE MID-ATLANTIC, LLC	27256.03%	19.5	0.1	0.38%	0.00%
42	52	PATERSON, DONALD THOMAS	34.15%	19.2	14.3	0.37%	0.30%
43	66	SOUTHWEST BUSINESS CORPORATION	120.12%	19.0	8.6	0.37%	0.18%
44	32	PETERSEN INTERNATIONAL UNDERWRITERS	-28.79%	18.7	26.2	0.36%	0.54%
45	115	COVE PROGRAMS INSURANCE SERVICES LLC	350.63%	17.6	3.9	0.34%	0.08%
46	49	M.J. HALL & CO., INC.	9.87%	16.4	14.9	0.32%	0.31%
47	54	COOPER & MCCLOSKEY, INC. INSURANCE BROKERS	15.51%	16.2	14.0	0.31%	0.29%
48	35	ARTHUR J. GALLAGHER RISK MANAGEMENT SERVICES, INC.	-33.84%	15.2	23.0	0.29%	0.47%
49	50	NEITCLEM WHOLESALE INSURANCE BROKERAGE, INC.	1.95%	15.0	14.8	0.29%	0.30%
50	58	EXCEPTIONAL RISK ADVISORS, LLC	27.30%	14.9	11.7	0.29%	0.24%
SUBTOTAL			8.94%	\$4,236.5	\$3,888.8	81.67%	80.37%
All Other Brokers			0.15%	951.1	949.7	18.33%	19.63%
TOTAL			7.22%	\$5,187.6	\$4,838.5	100.00%	100.00%

Top 50 Carriers by Premium, 2013 vs. 2012

RANK	CARRIER	% CHANGE	PREMIUM PROCESSED (\$ in millions)		MARKET SHARE (%)		
			2013	2012	2013	2012	
2013	2012	2013 - 2012					
1	1	LEXINGTON INSURANCE COMPANY	-9.73%	\$458.1	\$507.5	8.83%	10.49%
2	2	SCOTTSDALE INSURANCE COMPANY	16.45%	224.1	192.5	4.32%	3.98%
3	4	LLOYD'S OF LONDON SYNDICATE #2623	2.49%	147.3	143.7	2.84%	2.97%
4	11	IRONSHORE SPECIALTY INSURANCE COMPANY	48.17%	125.6	84.8	2.42%	1.75%
5	7	QBE SPECIALTY INSURANCE COMPANY	16.63%	124.6	106.8	2.40%	2.21%
6	3	AIG SPECIALTY INSURANCE COMPANY	-21.53%	114.9	146.4	2.21%	3.03%
7	22	GREAT LAKES REINSURANCE (UK) PLC	80.90%	109.0	60.3	2.10%	1.25%
8	5	STEADFAST INSURANCE COMPANY	-15.04%	106.7	125.5	2.06%	2.59%
9	12	COLONY INSURANCE COMPANY	23.40%	102.2	82.8	1.97%	1.71%
10	6	COLUMBIA CASUALTY COMPANY	-17.79%	91.9	111.8	1.77%	2.31%
11	13	WESTCHESTER SURPLUS LINES INSURANCE COMPANY	10.38%	91.0	82.4	1.75%	1.70%
12	10	LANDMARK AMERICAN INSURANCE COMPANY	-6.32%	80.7	86.1	1.56%	1.78%
13	21	ADMIRAL INSURANCE COMPANY	27.67%	80.0	62.6	1.54%	1.29%
14	9	EMPIRE INDEMNITY INSURANCE COMPANY	-7.70%	79.5	86.2	1.53%	1.78%
15	14	AXIS SURPLUS INSURANCE COMPANY	-2.88%	79.0	81.4	1.52%	1.68%
16	23	NAVIGATORS SPECIALTY INSURANCE COMPANY	31.96%	79.0	59.9	1.52%	1.24%
17	8	ILLINOIS UNION INSURANCE COMPANY	-18.69%	77.0	94.7	1.49%	1.96%
18	17	INDIAN HARBOR INSURANCE COMPANY	8.21%	76.9	71.1	1.48%	1.47%
19	19	MT. HAWLEY INSURANCE COMPANY	5.78%	71.4	67.5	1.38%	1.39%
20	15	HOUSTON CASUALTY COMPANY	-7.06%	71.2	76.6	1.37%	1.58%
21	24	LIBERTY SURPLUS INSURANCE CORPORATION	18.70%	70.1	59.1	1.35%	1.22%
22	18	ARCH SPECIALTY INSURANCE COMPANY	-1.54%	68.8	69.9	1.33%	1.44%
23	16	ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	-5.93%	67.0	71.2	1.29%	1.47%
24	44	GEMINI INSURANCE COMPANY	69.05%	61.9	36.6	1.19%	0.76%
25	32	CATLIN SPECIALTY INSURANCE COMPANY	21.28%	56.0	46.2	1.08%	0.95%
26	89	UNITED SPECIALTY INSURANCE COMPANY	391.81%	55.7	11.3	1.07%	0.23%
27	34	GREAT AMERICAN E&S INSURANCE COMPANY	25.73%	55.5	44.2	1.07%	0.91%
28	20	ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY	-15.30%	55.3	65.3	1.07%	1.35%
29	25	SWISS RE INTERNATIONAL SE	2.64%	54.3	52.9	1.05%	1.09%
30	30	EVANSTON INSURANCE COMPANY	14.48%	54.2	47.4	1.04%	0.98%
31	29	ESSEX INSURANCE COMPANY	9.51%	53.7	49.0	1.03%	1.01%
32	36	JAMES RIVER INSURANCE COMPANY	24.27%	52.7	42.4	1.02%	0.88%
33	31	LLOYD'S OF LONDON SYNDICATE #2003	7.83%	49.9	46.3	0.96%	0.96%
34	41	INTERNATIONAL INSURANCE COMPANY OF HANNOVER PLC	22.24%	48.8	39.9	0.94%	0.82%
35	40	EVEREST INDEMNITY INSURANCE COMPANY	18.40%	47.8	40.4	0.92%	0.83%
36	37	ASPEN SPECIALTY INSURANCE COMPANY	13.10%	47.1	41.6	0.91%	0.86%
37	26	PRINCETON EXCESS AND SURPLUS LINES INSURANCE COMPANY	-9.93%	47.0	52.2	0.91%	1.08%
38	39	LLOYD'S OF LONDON SYNDICATE #0510	13.21%	46.5	41.1	0.90%	0.85%
39	43	LLOYD'S OF LONDON SYNDICATE #2987	18.07%	45.9	38.9	0.89%	0.80%
40	46	FIRST MERCURY INSURANCE COMPANY	23.60%	44.4	35.9	0.86%	0.74%
41	35	AMERICAN SAFETY INDEMNITY COMPANY	-0.61%	42.9	43.2	0.83%	0.89%
42	42	ALTERRA EXCESS & SURPLUS INSURANCE COMPANY	4.62%	41.5	39.7	0.80%	0.82%
43	28	INTERSTATE FIRE & CASUALTY COMPANY	-21.26%	39.8	50.5	0.77%	1.04%
44	38	CHUBB CUSTOM INSURANCE COMPANY	-7.00%	38.6	41.6	0.75%	0.86%
45	33	NAUTILUS INSURANCE COMPANY	-15.94%	37.3	44.4	0.72%	0.92%
46	49	ALLIED WORLD NATIONAL ASSURANCE COMPANY	8.72%	35.1	32.3	0.68%	0.67%
47	56	HOMELAND INSURANCE COMPANY OF NEW YORK	36.89%	33.0	24.1	0.64%	0.50%
48	47	LLOYD'S OF LONDON SYNDICATE #0623	-4.56%	33.0	34.6	0.64%	0.72%
49	48	LLOYD'S OF LONDON SYNDICATE #0033	-3.98%	31.1	32.4	0.60%	0.67%
50	52	ASSOCIATED INDUSTRIES INSURANCE COMPANY, INC.	16.18%	30.7	26.4	0.59%	0.55%
		SUBTOTAL	5.63%	\$3,835.6	\$3,631.2	73.94%	75.05%
		All Other Companies	11.99%	1,352.0	1,207.3	26.06%	24.95%
		TOTAL	7.22%	\$5,187.6	\$4,838.5	100.00%	100.00%

SLA Works to Defend Members' Interests



By Benjamin J. McKay
SLA Executive Director

The Surplus Line Association of California (SLA) will go to great lengths to defend its members. This includes partnering with other associations, both in the admitted and nonadmitted markets, to protect our members' ability to do business, both in California and in other jurisdictions.

Early in 2014, it came to our attention that **Hawaii House Bill 2048** would impose onerous regulatory burdens on California surplus line brokers trying to insure interests in Hawaii. The proposed legislation would have imposed new procedural requirements on surplus line placements that would make it virtually impossible to

“SLA will continue to build alliances with organizations ... that will help us build our presence at the Capitol and also keep us in the loop about legislative and regulatory events that may affect our members. Keeping you informed is one of our top responsibilities at SLA.”

write certain types of nonadmitted business in the state. Specifically, the proposed legislation would have applied approximately 50 statutory provisions to surplus line policies, which previously have not been applied in recognition of the fundamental difference between admitted and surplus line policies.

While SLA has no direct stake in the legislative process in Honolulu, we are aware that a number of our brokers do service in-

surance for risks in the state. Therefore, we provided advisory support to the National Association of Professional Surplus Line Offices (NAPSLO) and the Property Casualty Insurers Association of America (PCI), both of which testified against the legislation on Jan. 27th, in order to help look out for our members' interests.

SLA will continue to monitor this legislation and will be ready to lend all necessary support to its industry allies in the event that Hawaii legislators decide to take it up again.

As you can see, it is crucial for SLA to build and maintain relationships with key industry partners, as well as regulators and legislators, and that is why I attended the annual Legislative Action Day for the **Association of California Insurance Companies (ACIC)** on March 11th. **Commissioner Dave Jones** and key members of the legislature's insurance committees members attended, providing an opportunity for SLA to build bridges and ensure California's surplus

lines brokers a voice in the conversation in Sacramento. It also afforded us the opportunity to be privy to several key developments either in process or on the horizon that will impact your business.

At the ACIC event, **State Senator Bill Monning**, chair of the Senate Insurance Committee, discussed **Assembly Bill 2064**,

which would require a mandatory offer of commercial earthquake coverage. Chairman Monning expressed his serious concern about the low take-up rates, which stand at 8.5 percent for commercial policies and less than 13 percent for residential coverage under the **California Earthquake Authority (CEA)**. Chairman Monning noted that the occurrence of a major earthquake is not a matter of if, but when, and that when it occurs,

the property damage and loss of life could easily surpass what New Orleans faced from Hurricane Katrina in 2005. The chairman made clear that he considered the low take-up rates a “clear and present danger” and that he intended to hold hearings and find ways to increase the number of California businesses and homeowners covered.

Also during the ACIC event, there was much discussion of the case of an Uber ride-share provider whose car struck and killed a child in San Francisco on Dec. 31, 2013. Both the commercial and private insurers refused to pay, with the commercial insurer saying the driver was not conveying a customer at the time, but the private insurer noting that his Uber application was on and that he was open for business. The question of how such claims will be addressed in the future will face serious scrutiny by the commissioner and the Department of Insurance, which has already held an initial hearing on the issue.

SLA will continue to build alliances with organizations such as ACIC that will help us build our presence at the Capitol and also keep us in the loop about legislative and regulatory events that may affect our members. Keeping you informed is one of our top responsibilities at SLA.



Western States Meeting Slated For June

By Cliston Brown

Editor-in-Chief

The Surplus Line Association of California (SLA) urges its members to attend the **Western States Surplus Lines Conference**, taking place June 11-13, 2014, in Scottsdale, Ariz.

Western States is one of the leading surplus lines gatherings in the country, and California typically has a very large contingent at this meeting. It is a great opportunity to network and exchange news, information and ideas with some of the leaders in surplus lines insurance from California and all over the western United States.

This year's meeting is themed "Insurance and Technology 2014 Outlook" and according to the Surplus Line Association of Arizona, it will include top industry speakers, a technology and social media panel, and a keynote speech by former United Nations Ambassador **John Bolton**. Bolton, according to an article published in **National Review** magazine, is reportedly considering a



campaign for the 2016 Republican presidential nomination.

The annual meeting rotates between the various western states' surplus line associations. This year is Arizona's turn to host, and it has reserved the Westin Kierland Resort & Spa for the conference. The Westin Kierland bills itself as a AAA-Four Diamond resort with accommodations ranging "from a full-service spa and championship golf to award-winning dining and upscale shopping."

The SLA of Arizona, as part of the event, is offering conference-goers opportunities to golf, take a cooking class or a Bondurant high-performance driving adventure, as well as an excursion to Old Town Scottsdale for shopping. The event also includes numerous networking opportunities.

To sign up for the 2014 Western States Surplus Lines Conference, please go to the SLA of Arizona's website at <http://www.sla-az.org/>.

The Rating Game

Financial Strength Ratings of A- or Better Do Not Necessarily Indicate A Carrier Is Eligible For Placement of Business Under California Law

By Cliston Brown

Editor-in-Chief

The fact that a company carries a rating of A- or better does not necessarily mean it is eligible for placement of policies under California law.

Benjamin McKay, executive director of the Surplus Line Association of California (SLA), urges brokers to be careful not to place business with insurers who do not meet the state's legal requirements. If this occurs, SLA is required to notify brokers placing business with ineligible carriers that they are in violation of state law and must take corrective action.

"We really want to emphasize to our members that they are legally required to do more than just check a company's A.M. Best rating when deciding where to place

their business," McKay said. "Brokers need to be sure that the carrier with which they are placing business conforms to the requirements of state law. While it is a good business practice to check a company's rating, and might be required under an E&O policy or by the insured, this factor by itself is no guarantee of legal eligibility."

Although companies are not required to be on the List of Approved Surplus Line Insurers (LASLI) to be eligible, they do face other requirements. After the federal Nonadmitted and Reinsurance Reform Act (NRRRA) went into effect in 2011, California enacted Assembly Bill (AB) 315 to establish eligibility criteria for companies not on LASLI.

A **foreign** company (a U.S. company domiciled in another state) must maintain

a minimum capital and surplus level of \$45 million and be authorized to transact in its state of domicile.

An **alien** company (a non-U.S. insurer) must be included on the National Association of Insurance Commissioners (NAIC) **Quarterly List of Alien Insurers**. Because this list is published by NAIC's International Insurers Department (IID), it is often called the **IID List**.

"Above all, our advice to brokers is simply for them to do their own research and not to assume that a company must be eligible because it has a rating of A- or better," McKay said. "SLA also can be a resource to help brokers answer any questions they might have about eligibility while they are in the process of determining where to place business."

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SLA Adopts New “Bridge” Logo

Modern Emblem Emphasizes Association’s Role In Bridging CDI and Members, Admitted and Nonadmitted Markets

By Cliston Brown

Editor-In-Chief

The Surplus Line Association of California’s Board of Directors has approved a new SLA logo, and SLA is in the process of implementing it.

The new design, pictured here, incorporates the theme of a bridge, which reflects SLA’s role as a bridge between the broker community and the California Department of Insurance (CDI) and, secondarily, its role as a bridge between the admitted and nonadmitted markets.

“We wanted to adopt a modern, vibrant logo that would better reflect our role in the insurance marketplace and work better in the current multimedia world in which we operate,” said **Benjamin McKay**, SLA’s executive director. “This new emblem captures our unique role as a bridge between brokers and CDI, and also as a connection between the admitted and nonadmitted insurance markets. The new logo also puts a more modern

face on our association and presents the image of a forward-looking organization on the cutting edge of our industry.”

A branding strategy session with members of the SLA management team produced three different concepts for consideration, which SLA management then presented to the Board of Directors for its decision at its meeting in January.

SLA will begin using the logo immediately on all new published products and at its events, and phase it in on its stationery, business cards and on numerous other paper products when they need to be replaced.

“We are going to be fiscally responsible and not just throw out what we have already bought, but find ways to use the materials we still have on hand while we implement the new logo,” McKay said.

A newly redesigned SLA website, currently in production and expected to be launched in the coming months, will feature the new logo prominently as well.



SLA Connection

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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.

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Wednesday, April 23rd, PG&E Conference Center

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Specialty Line Claims

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Tuesday, May 20th, Omni Los Angeles Hotel

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Wednesday, May 21st, PG&E Conference Center

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