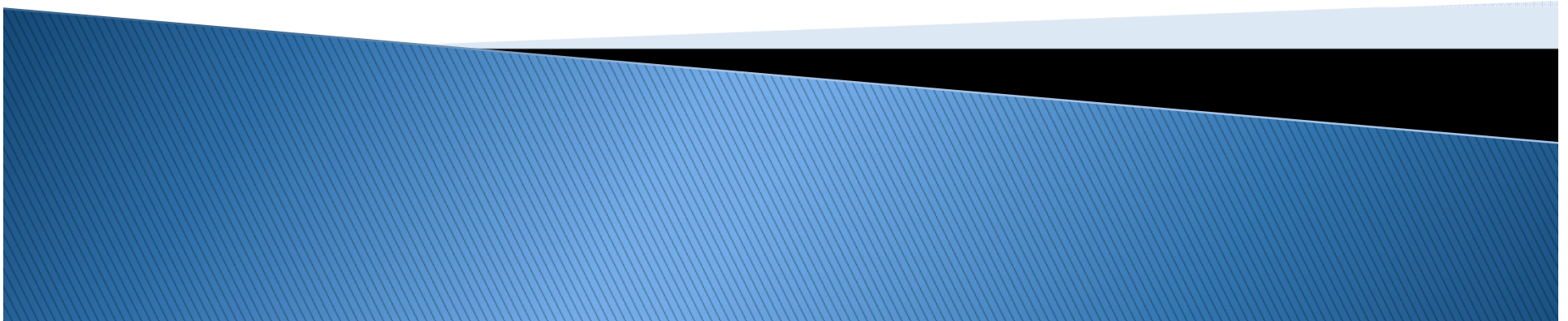


*Welcome to the*



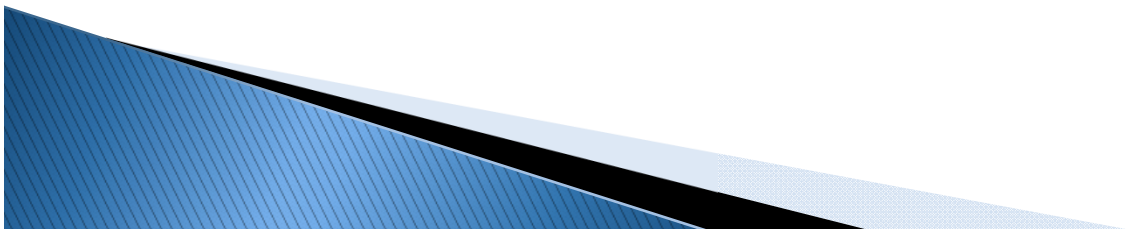
THE SURPLUS LINE  
ASSOCIATION OF | CALIFORNIA

*2015 Annual Meeting*





Please click on the image above to view the video 'SLA - Who We Are'.  
After watching the video, please click your browser's 'back' button to  
return to this presentation.

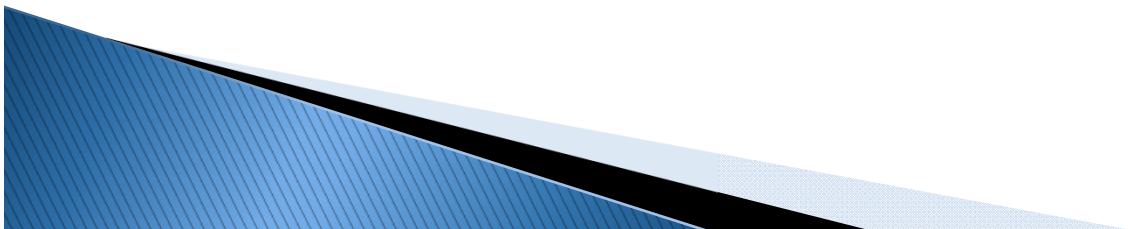


Welcome

**Ian Fitt**

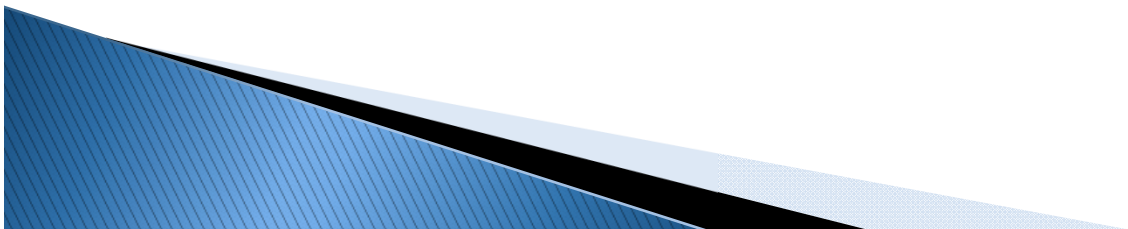
*Chair*

*Board of Directors*



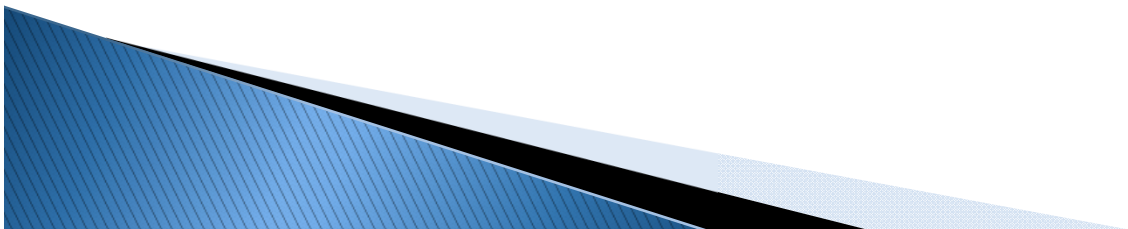
# Head Table

- **Benjamin McKay**—SLA of California  
*Executive Director*
- **Joy Erven**—SLA of California  
*COO and Director*
- **Nicole Zayac**—Mayer Brown LLP  
*General Counsel*

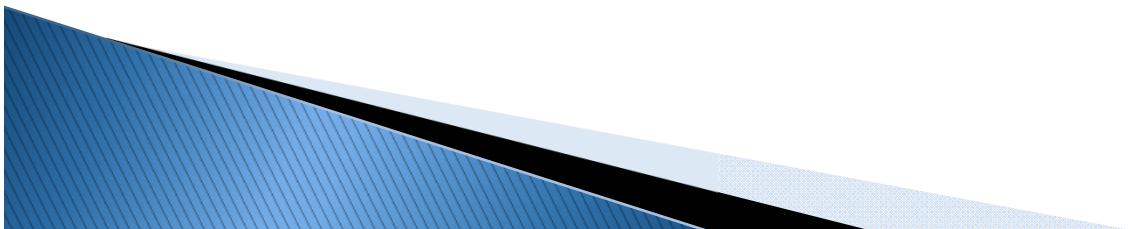


# Antitrust Resolution

When involved in meetings or other activities of the Association, members of the Association should be mindful of the antitrust laws and not engage in discussions or conduct with the purpose or effect, directly or indirectly, of fixing or stabilizing premiums or producer compensation, engaging in “bid-rigging” or false quotes for insurance, engaging in potential anti-competitive conduct or activities that could adversely affect the cost, quality or availability of insurance products or services, or engaging in any other anti-competitive conduct or activities affecting their businesses or the business of insurance. Members are advised that violations of state or federal antitrust laws may result in civil and/or criminal penalties, and that any member acting contrary to the intent of this resolution shall be subject to disciplinary action under the Association’s Constitution.



# Previous Annual Meeting Minutes





# Report of the Chair

**Ian Fitt**

*Chair*

*Board of Directors*



# Report of the Chair

- **2014 Achievements and Big Picture Context**
  - Reassessment Phase
  - Business Tools Phase

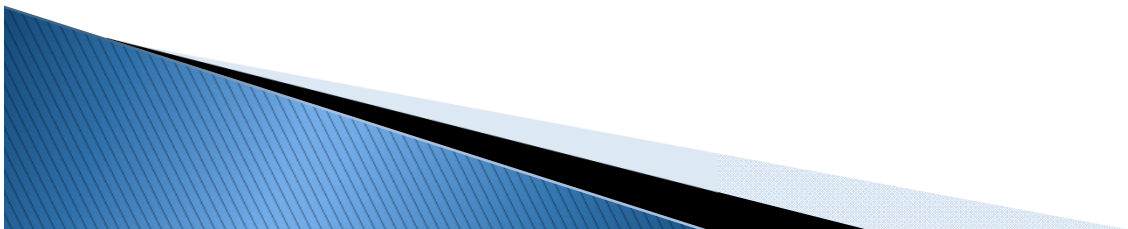




# Report of the Chair

## ➤ Internal Growth

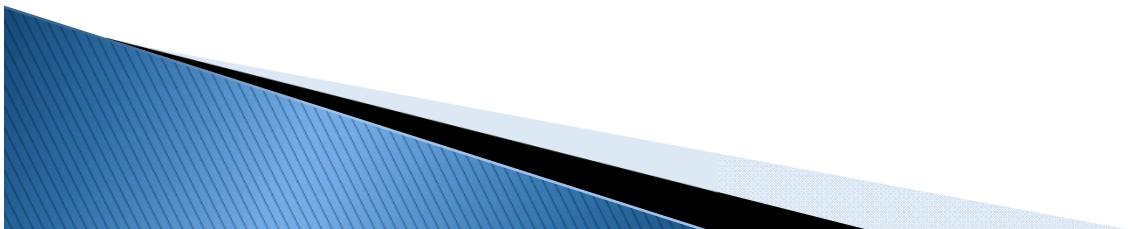
- **Formula: Evaluate, Anticipate, Automate**
- Goals
  - Review all internal processes
  - Continue moving toward a mostly paperless SLA
  - Evaluate current disaster recovery plan
- Achievements
  - Reduced time lapse for processing filings
  - Implemented online payments
  - SLIP take-up at 50 percent
  - 80% of SLA critical systems now in the cloud



# Report of the Chair

## ➤ External Growth

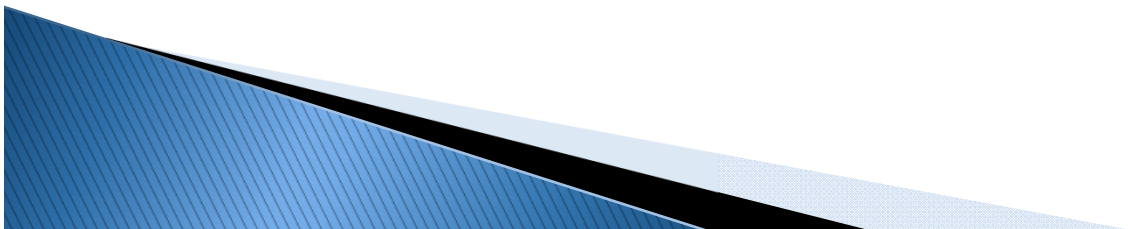
- **Formula: Educate, Empower, Engage**
- Goals
  - Enhance SLA educational services
  - Create business tools for brokers
  - Relieve brokers of the training burden
- Achievements
  - On-site visits to members for tag reduction assistance
  - Tutorial guide to help brokers utilize SLIP
  - Online request for help, educational support



# Report of the Chair

## ➤ **Creating Business Efficiencies**

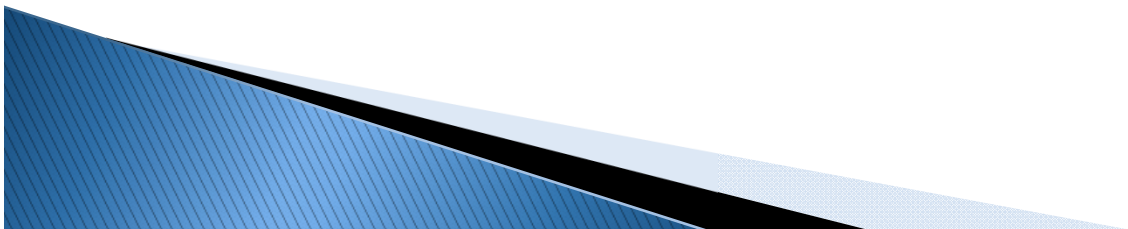
- Working to help eliminate tags, reduce time and cost for brokerages
- Easier filing through SLIP
- Easier payments through online pay



# Report of the Chair

## ➤ **Benefits of Modernization**

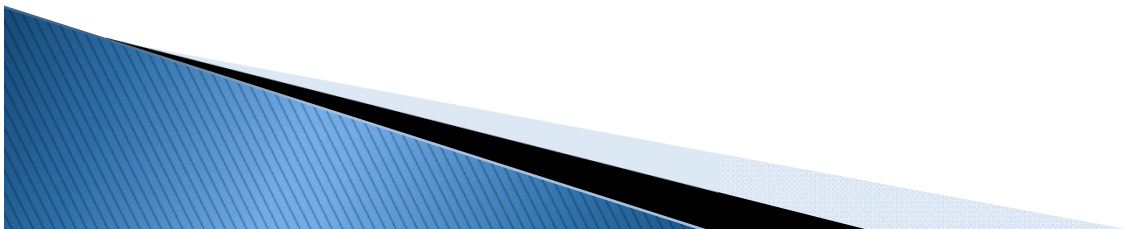
- Keeping pace with the business world
- Providing tools now viewed as standard
- Securing the industry's future by helping attract millennials



# Report of the COO/Director

**Joy Erven**

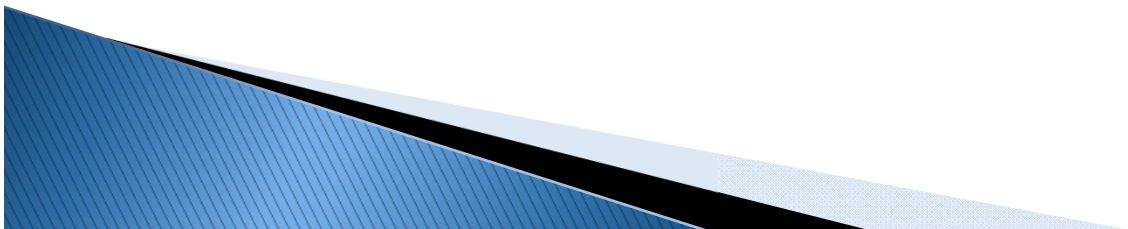
***Chief Operating Officer  
and Director***



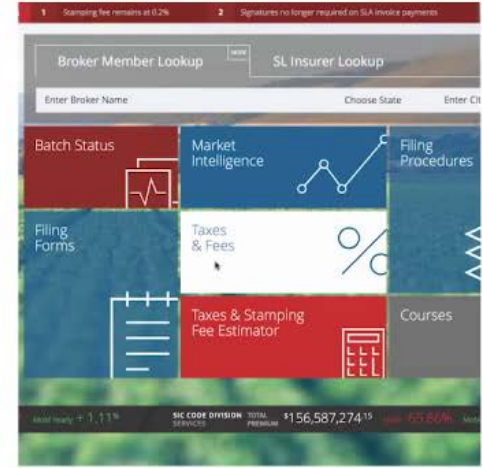
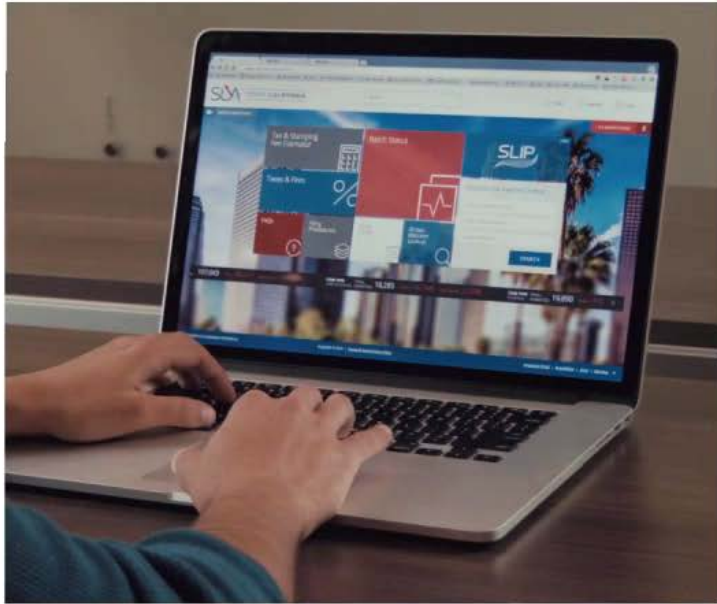
# Report of the COO/Director

## ➤ **New SLA Website Goes Live**

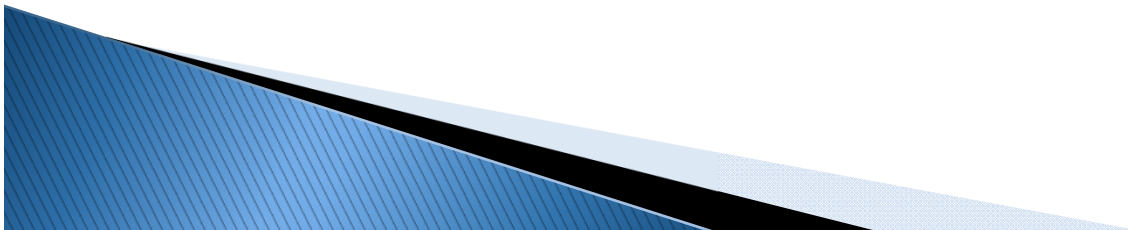
- More than just a static repository of information
- Targeted, interactive experience
- Tailors viewers' interaction based on their jobs and needs
- Bold, colorful, easily identifiable links to needed tools and forms







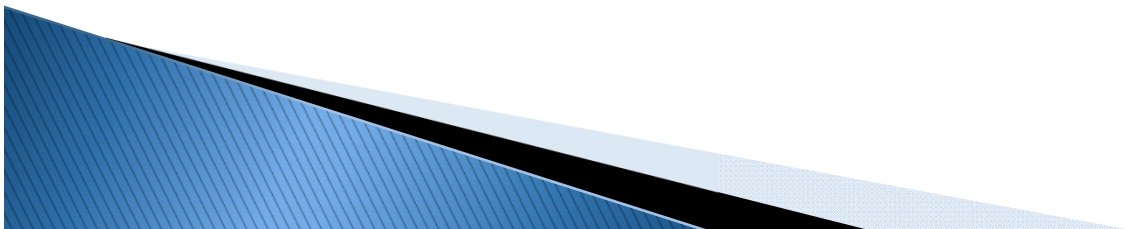
Please click on the image above to view the video about the SLA's website. After watching the video, please click your browser's 'back' button to return to this presentation.



# Report of the COO/Director

- **New SLA Website Now Live at:**

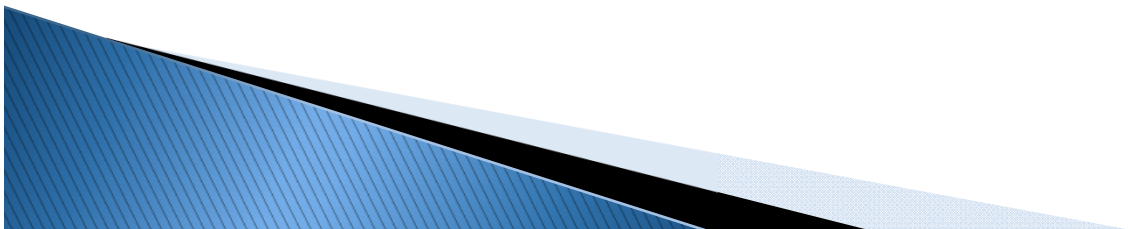
**[www.slacal.org](http://www.slacal.org)**



# Report of the COO/Director

## ➤ **State of the SLA**

- SLA under budget by \$1 million in FY 2014
  - Excess to be used to reduce pension liability
- Tight budgetary controls
- Long-term planning process
  - Keeping the stamping fee constant
  - Avoiding disruption to brokers, filers

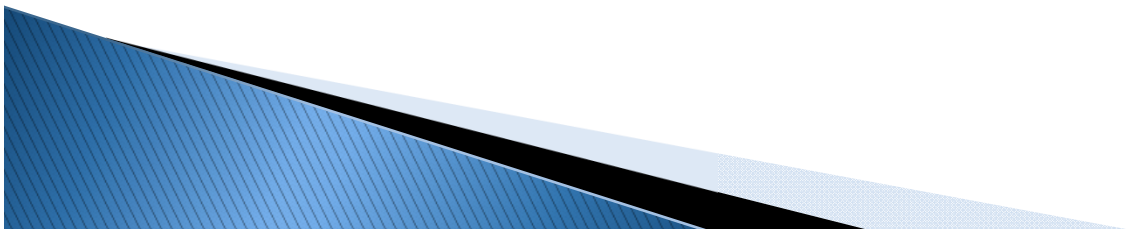


# Report of the COO/Director

## ➤ **Staff Reorganization in 2014**

### • **Data Analysis Department**

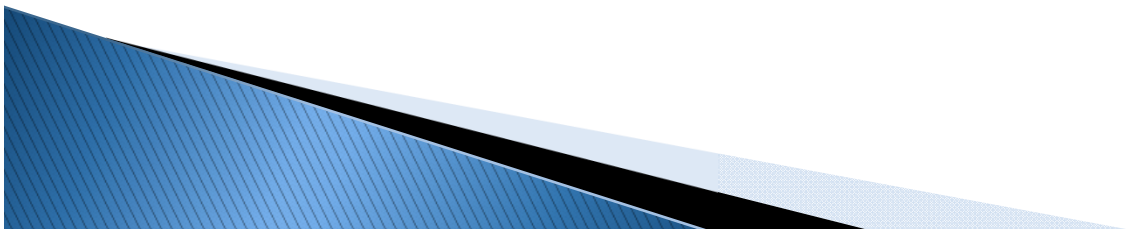
- New Vice President, **Rose Tocchini**
  - Succeeded Pat McAuley
  - Has served more than a decade at SLA
- Right-sizing of the department
  - Much-needed new hires
  - Greater efficiencies
  - Department processed 15.5 percent more in premiums and 13.5 percent more items while reducing backlog by 40 percent



# Report of the COO/Director

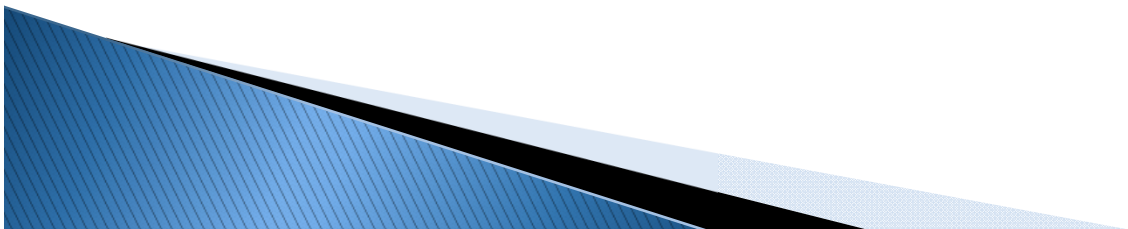
## Comparative Statistics

- CA SLA premium increase **(15.5%)** exceeds all other stamping offices but Utah in 2014
- CA SLA item count increase **(13.5%)** exceeds all other U.S. stamping offices in 2014
- Most surplus line offices make gains in premium, item counts in 2014
- Admitted market has tough third quarter
  - Small gains **(3.6%)** in net written premium
  - Large losses **(36.8%)** in net income
  - Trends blamed on deteriorating underwriting results



# Report of the COO/Director

- **Staff Reorganization in 2014**
  - **Education & Compliance Department**
    - New SVP, **Pat McAuley**
      - Previously led Data Analysis Department
      - More than 20 years' service at SLA
    - New compliance officer to be hired
    - Greater educational opportunities
      - Webinars
      - Seminars
      - In-Office Visits

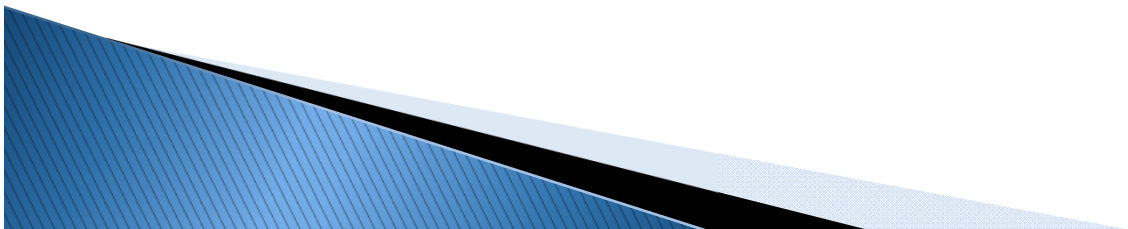




# Report of the COO/Director

## ➤ **Audit Process**

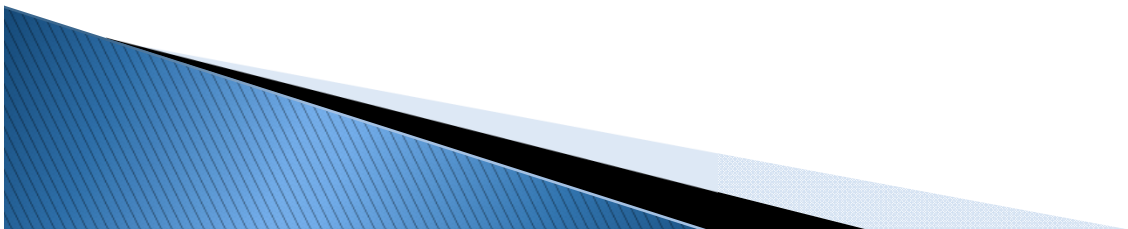
- Clean 2013 Audit (Completed in 2014)
- Clean 2014 Audit Expected
- Triennial Audit
  - Minor suggestions for improvements
  - No material issues of concern



# Report of the COO/Director

## ➤ **Technology Update**

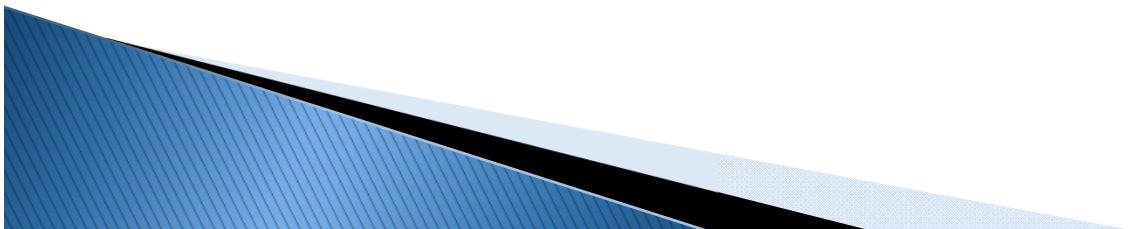
- Taking Feedback on SLIP 2.0
- SLAS Project In Progress
  - Soon to be completed
  - Expected to be finished in half the time, and at half the cost, of the EAS system it is replacing



# Report of the COO/Director

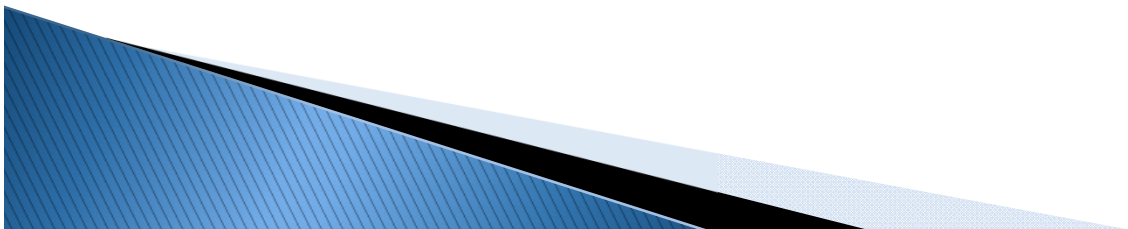
## ➤ ***SLA Connection* Newsletter**

- Fall/Winter 2014-15 edition available at your seats
- Includes insert with key statistics from 2014
- Redesigned and overhauled in 2014
  - New focus on useful information
    - Market trends
    - Legislation
    - Regulation
  - Published three times per year
    - Available at [www.slacal.org](http://www.slacal.org)
    - Next issue expected in early spring 2015



# State Taxes

- **Due March 1, 2015**
- **Forms Available on  
CDI or SLA websites**



# Western States 2015

## Western States Surplus Lines Conference

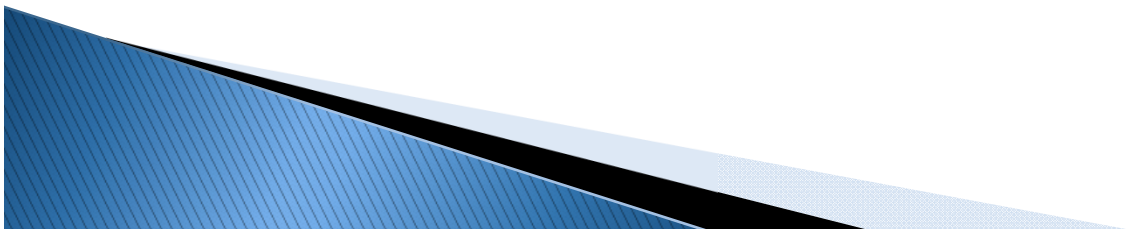
*June 20-23, 2015*

*Sun Valley, Idaho*



# Executive Director's Report

**Benjamin McKay,**  
**J.D., M.P.A.**  
*Executive Director*

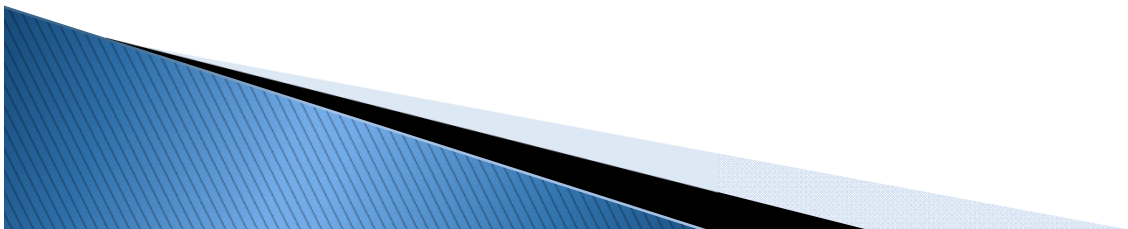




# Executive Director's Report

## ➤ **Three Phases**

- **Reassessment:** Modernize, integrate SLA systems
- **Business Tools:** How can systems help brokers?
- **Business Analytics:** Making data useful to brokers





Please click on the image above to view the video about SLIP mobile. After watching the video, please click your browser's 'back' button to return to this presentation.

# Executive Director's Report

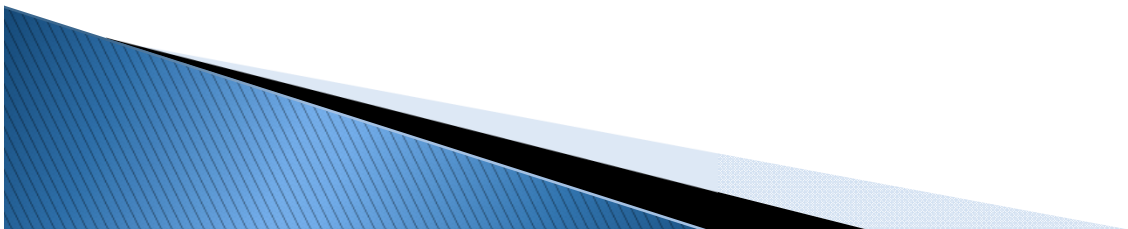
## ➤ **Business Analytics**

- **SLIP Mobile**

- Helping you stay on top of business on the go
- Leveraging current technology
- Data at your fingertips

- **SLIP Portal**

- Determining filing rates, reasons for delays
- Reviewing and communicating data



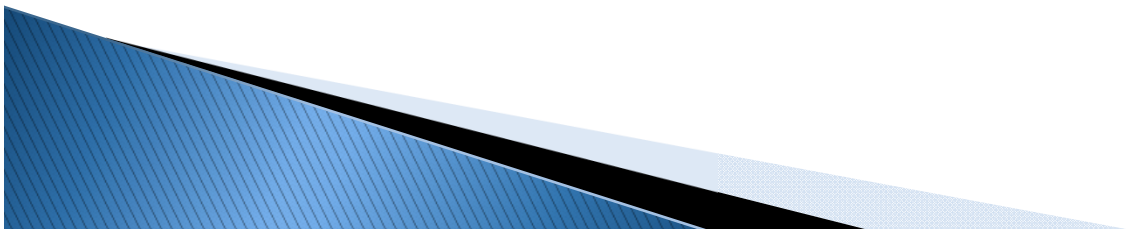
# Executive Director's Report

## ➤ **Enhanced Educational Offerings**

- Webinars, seminars
- Live video chat
- 1-800 support line
- Online video of classes; download at your convenience
- On-site training

## ➤ **Enhanced Business Tools**

- Auto-pay
- E-invoicing
- SLA Educator within SLIP



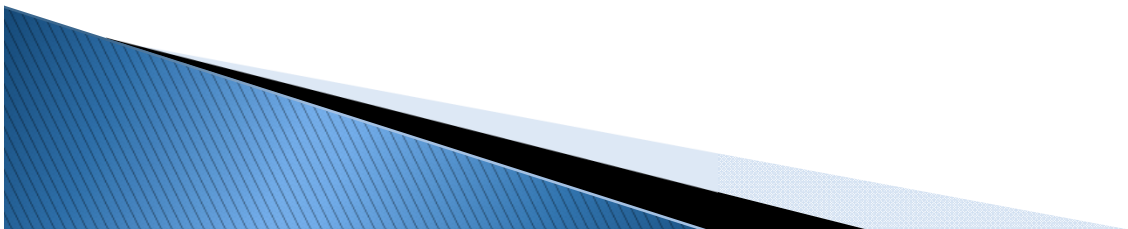
# Executive Director's Report

## ➤ **Leading In Technology**

- One login for filing in multiple states
- Point-of-sale systems, dynamic process
- Developing innovations to meet actual needs

## ➤ **Recognizing Opportunities**

- Innovation in Silicon Valley creates new product needs
- Matching up new insurance needs with new products
- Mining data to identify opportunities



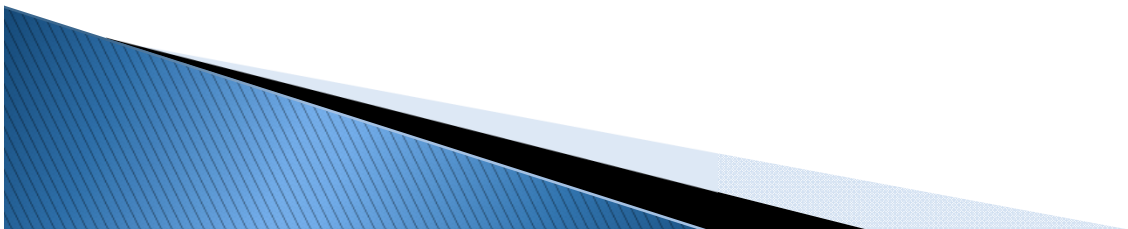
# Executive Director's Report

## ➤ **SLA: An Evolving Association**

- Being at the front end
- Knowing the realities of the marketplace
- Creating feedback loop with broker community
- Innovating in the right direction

## ➤ **How You Can Help Us Help You**

- Talk to SLA staff directly
- Send an e-mail or letter
- Share your ideas for how to meet the needs of and improve the marketplace



# Executive Director's Report

## Insurance Industry Charitable Foundation (IICF)

- **Has contributed more than \$23.5 million**
  - **Child abuse prevention**
  - **Disaster preparedness**
  - **Education**
  - **Health & human services**
- **\$750,000 recent grant to Early Literacy Initiative**



HELPING COMMUNITIES  
ENRICHING LIVES. TOGETHER.  
*Insurance Industry Charitable Foundation*





# Executive Director's Report

- **Thank You, Linda Cheng!**
  - **25 Years of Service to SLA and the broker community**
  - **Best wishes on your impending retirement!**

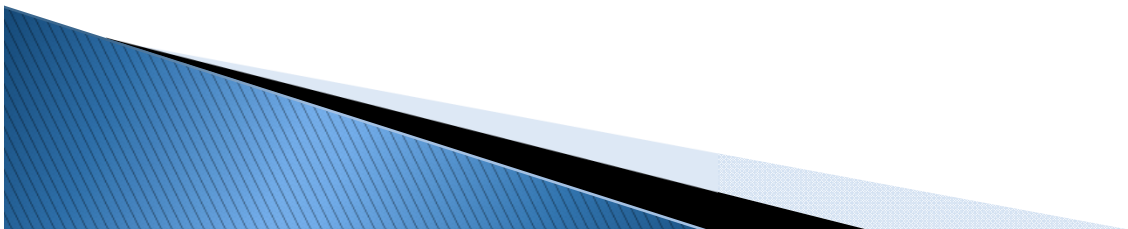


# Nominating Committee Slate

**Ian Fitt**

*Chair*

*Board of Directors*



# Slate: 2015 Board of Directors

**Mr. Denis Brady**—Burns & Wilcox  
Brokerage

*SLA Chair*

**Mr. Chris Houska**—R-T Specialty

*SLA Vice Chair*

**Mr. Tom Ciardello**—Worldwide  
Facilities, Inc.

*SLA Secretary/Treasurer*

**Mr. Ian Fitt**—Catalytic Holdings, LLC

*SLA Past Chair*

**Ms. Janet Beaver**—Scottish  
American

**Mr. Bob Gilbert**—Markel West  
Insurance Services

**Mr. Rupert Hall**—M.J. Hall and  
Company

**Mr. Chris Kiley**—AMWINS

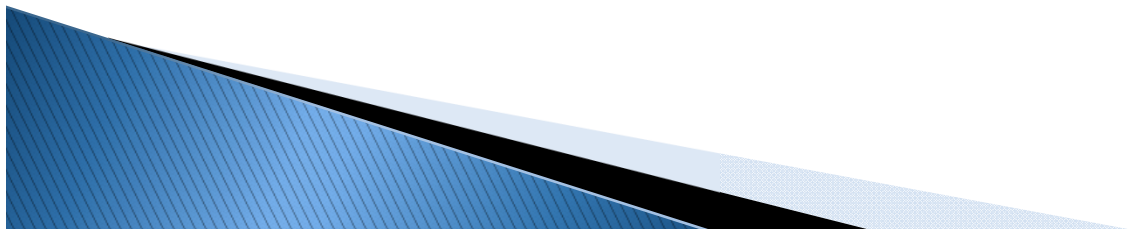
**Mr. Davis Moore**—Worldwide  
Facilities, Inc.

**Ms. Terri Moran**—Vela Insurance  
Services

**Ms. Pam Quilici**—Crouse and  
Associates Insurance Services of  
Northern California, Inc.

**Mr. Les Ross**—Wholesale Trading  
Co-Op Insurance Services, LLC

**Mr. Gerald Sullivan**—The Sullivan  
Group

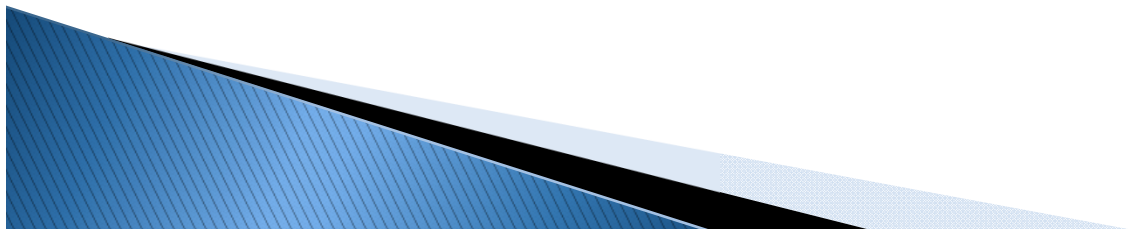


# Appointment of Mediator

The SLA  
Nominating Committee  
Recommends  
Reappointing

**Judge Harry Low**

*as SLA Mediator for 2015*



# Legal Update

**Nicole Zayac**

***SLA General***

***Counsel***

***Mayer Brown LLP***





MAYER • BROWN

# General Counsel Presentation

## 2015 Annual Meeting of The Surplus Line Association of California

Nicole M. Zayac  
*Counsel*

(650) 331-2066  
nzayac@mayerbrown.com

February 3 & 5, 2015

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# Federal



# Terrorism Risk Insurance Program Reauthorization Act of 2015 - TRIA

- Extends the federal program providing reinsurance coverage to insurers following a declared terrorism event.
- Although supported by a large number of businesses and organizations, the bill was held up in Congress due to disagreements on certain unrelated provisions that were added to the bill, and TRIA was allowed to expire.
- Finally signed into law on January 12, 2015 (expires in 2020).
- Certain changes made from the prior Act includes:
  - Program trigger to increase from \$100 million to \$200 million to be phased in over the next 6 years (2020)
  - Federal reinsurance quota share: phased in decrease from 85% to 80% by 2020
  - Increases the current mandatory recoupment amount of \$27.5 billion by \$2 billion each calendar year until the mandatory recoupment amount reaches \$37.5 billion

# Exempt Commercial Purchaser

- The exempt commercial purchaser provision in the NRRRA provides that the following minimum qualifying amounts for the 3 categories of exempt commercial purchaser are to increase on January 1, 2015:
  - The person possesses a net worth in excess of \$20,000,000;
  - The person generates annual revenues in excess of \$50,000,000;
  - The person is a not-for-profit organization or public entity generating annual budgeted expenditures of at least \$30,000,000
- The increased amount is required “to reflect the percentage change for such 5-year period in the Consumer Price Index for All Urban Consumers...”
- The NAIC’s Surplus Lines (C) Task Force, using the 5-year period as beginning in September 2009 and ending September 2014, calculated the adjusted minimum amounts for the 3 categories as follows:
  - Net worth: \$22,040,000
  - Annual revenues: \$55,100,000
  - Annual budgeted expenditures: \$33,060,000

# California

# Transportation Network Company (AB 2293)

- Signed into law on September 17, 2014 and becomes operative on July 1, 2015 .
- Amends Passenger Charter-party Carriers' Act to require liability insurance coverage for transportation network companies ("TNC"), such as Lyft and Uber, and their participating drivers.
- Provides that a participating driver's personal auto insurance policy does not provide coverage to that driver or any 3<sup>rd</sup> party from the moment the driver logs onto a TNC app unless the policy so provides.

# Transportation Network Company (AB 2293)

- Requires a TNC and any participating driver to maintain TNC insurance in the following amounts :
  - From the moment a participating driver accepts a ride request on the TNC app until the driver completes the transaction on the app or until the ride is complete, whichever is later: \$1 million for death, personal injury, and property damage.
  - From the moment a passenger enters a participating driver's vehicle until the passenger exits the vehicle: \$1 million in uninsured motorist coverage and underinsured motorist coverage.
  - From the moment a participating driver logs onto the TNC's app until the driver accepts a ride request, and from the moment the driver completes the transaction on the app or the ride is complete, whichever is later, until the driver either accepts another ride request on the app or logs off the app:
    - (i) \$50,000 for death and personal injury per person; (ii) \$100,000 for death and personal injury per incident; and (iii) \$30,000 for property damage; and
    - at least \$200,000 per occurrence in excess coverage.

# Pet Insurance (AB 2056)

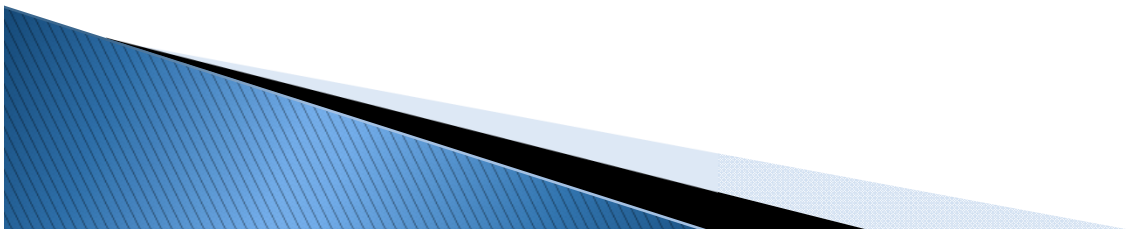
- Signed into law on September 30, 2014 and took effect on January 1, 2015.
- Applies to pet insurance policies that are marketed, issued, amended, renewed, or delivered, whether or not in California, to a California resident, on or after July 1, 2015, regardless of the situs of the contract or master group policyholder, or the jurisdiction in which the contract was issued or delivered.
- Requires insurers transacting pet insurance in California to make certain disclosures to consumers.
- Mandates a 30-day free look period during which the insured may cancel the policy for a full refund.
- Violation of any provisions of the pet insurance law is subject to a civil penalty.

## Q&A for the CDI

- We have been working with the SLA to formulate a surplus line related FAQ to address and clarify common issues relating to.
  - Surplus line broker license requirements;
  - Surplus line broker compliance requirements;
  - Surplus line broker filing requirements; and
  - Broker fee disclosure requirements.
- Once the FAQ has been approved internally, we will share it with the CDI for comment before publication.



# Recognition of Service Awards



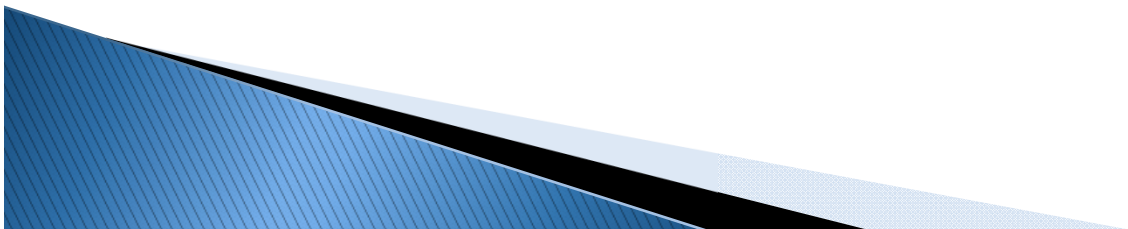
# Recognition of Service Awards

## ➤ **Phil Mazur**

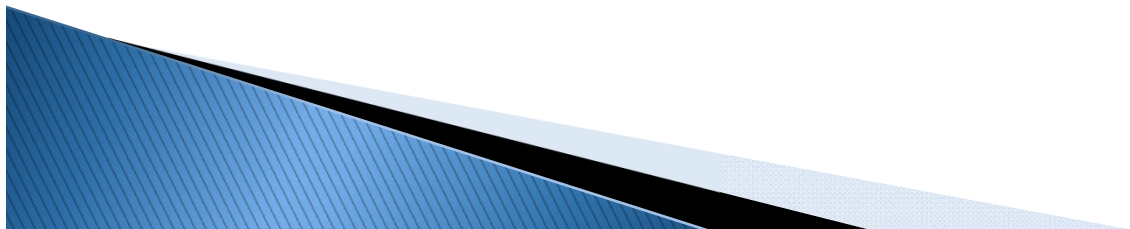
- Member of SLA Board of Directors for 12 years
  - 2000-04
  - 2007-15
- Member of Automation Committee, 2002

## ➤ **Dean Andrighetto**

- Member of SLA Board of Directors, 2010-15
- Member of Stamping Committee, 2008-10



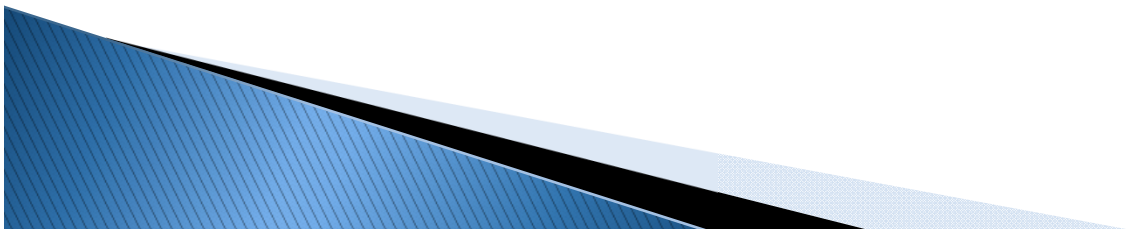
# Best Tag-Per-Item Ratio 2014



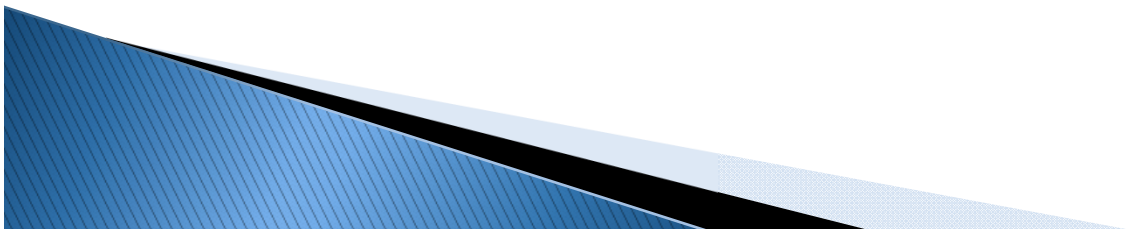
# Best Tag-Per-Item Ratio 2014

## **Brown & Brown of Missouri (#6890)**

Best Tag-Per-Item Ratio in 2014 among brokerages with more than 1,000 items filed



# New Business



# Lutine Bell Presentation

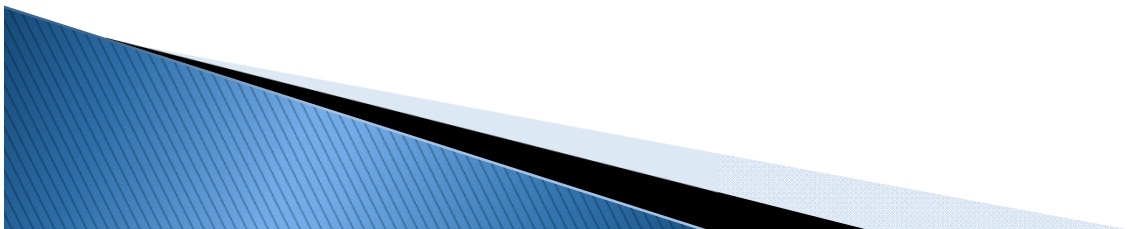
## Mr. Ian Fitt

receives the Lutine Bell in recognition of his tenure as chair of the SLA Board of Directors and his years of service to the California broker community.



# Ian Fitt's Service to the SLA

- **Board of Directors Member, 2010-present**
  - Chair, 2014
  - Vice Chair, 2013
  - Secretary-Treasurer, 2012
- **Admitted Market Liaison Committee Member, 2007-12**
- **Stamping Committee Member, 2009-13**
  - Chair, 2013
- **Audit Committee Member, 2012-14**
  - Chair, 2014





# Adjournment

**Thank you for attending.**

**Please proceed to the foyer for refreshments.**

