The Surplus Line Association of California

Annual Meeting 2010
Roll Call and Opening Remarks

John Edack, Chairman
The Surplus Line Association of California
Head Table

- John Edack- Arch Specialty Insurance Agency Inc.  
  SLA Chairman

- Les Ross – Crump Insurance Services, Inc.  
  SLA Vice Chairman

- Patrick Hanley- Socius Insurance Services, Inc.  
  SLA Secretary/Treasurer

- James Woods- Dewey & LeBoeuf, LLP  
  SLA General Counsel

- Ted Pierce – The Surplus Line Association  
  Executive Director

- Joy Erven - The Surplus Line Association  
  Director, Stamping Office
Reading of the Resolution
Antitrust Admonition

Patrick Hanley
SLA Secretary/Treasurer
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.
Reading of the Minutes From Previous Annual Meeting
Report of the Chairman

John Edack

- Welcome Attendees
- Thank You 2009 Officers and Committee Chairs
- Stamping Fee Increase
- Strategic Plan Objectives
- Completion of Computer Software Contract
- Conclusion
Secretary- Treasurer’s Report
Fiscal Year Ending November 30, 2009

Patrick Hanley
SLA Secretary/Treasurer
SECRETARY-TREASURER’S REPORT
FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2009

- We are pleased to report that our Association continues to be in good financial condition.

- Our revenue from stamping fees for the past fiscal year ending November 30, 2009 was $8,993,180. Interest income was $128,555 for the year.

- The total income, including unrealized loss of $7,706 on investments, was $9,114,029.

- Expenses totaled $11,664,981 for the year.
As of November 30, 2009 the net asset balance was $9,758,848. On July 8th, 2003 the Executive Committee authorized the SLA to maintain three months worth of average expenditures as an operating fund – plus $500,000 for a litigation fund and six months average expenditures as a contingency fund. The objective is to maintain our reserves plus or minus 25% of those three funds as calculated. The size of the three funds is to be reassessed annually by the Stamping Committee.

2 changes were made by the Executive Committee this year to the way our funds are calculated. They are as follows:

A motion was approved by the Executive Committee to establish a reserve fund for IT Capital Expenditures in the amount of $1 million per year for the next three years.

A motion was also passed that the reserve fund methodology reflected in the minutes from the July 8, 2003 Executive Committee Meeting will be amended as follows: Clarification of cash, investments and accounts receivable as liquid assets.
The stamping fee was .225% for the 2009 fiscal year. The stamping fee will be raised to .250%, effective February 1, 2010.

The financial results referred to are unaudited and the audit is being finalized. A copy of the Annual Report concerning our financials by our independent accountants – Hood & Strong LLP - will be available to any member by written request to the SLA office to the attention of the Secretary-Treasurer.
Report of the
Surplus Line Association
Executive Director

Ted Pierce
John Edack Year as Chairman

Export List

CDI Bulletin 2009-3
- Electronic SL-2
- Acquisition of Mike Caturegli as Interim Manager of IT
- Changes within the CA Dept. of Insurance.
- Two-Hour On-Line Training Video, AB 1699, Sec. 1765(f)
- CA AB 800
- Independent Procurement Figures from BOE
- Multi-State Insurance Regulatory Compliance Proposals
- Washington’s Effort to Regulate Insurance
- AM Best Special Report on Surplus Lines
- Voting Procedures -- SLA Constitution
- Thank you to SLA Staff
Report of the Surplus Line Association
Director, Stamping Office

Joy Erven
The Surplus Line Association
Commitment to Excellence

- The Role of the SLA
- Changes in the Industry
2009 End of Year Statistics

- **Filed Premium**: $4,634,007,388 
  - 19.04% decline from 2008

- **Stamping Fees Invoiced**: $9,193,400

- **Item /Policy Count**: 424,135 
  - 9.06% decline from 2008
Members of the Association

CA Corporate: 619
CA Individual: 2143
Non Resident Corporate: 393
Non Resident Individual: 1187
Total CA 2762
Total Non Resident 1580
Total in Membership: 4342
Education Department

- 34 Seminars
- 105 CE credits given
- 3348 Certificates issued
## Largest Writers of Surplus Lines Coverage by Company Type

<table>
<thead>
<tr>
<th>COMPANY TYPE</th>
<th>12/31/2009</th>
<th>12/31/2008</th>
<th>GROWTH</th>
<th>12/31/09</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LESLI LISTED COMPANIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Insurers</td>
<td>$3,592,664</td>
<td>$4,499,154</td>
<td>-20.15%</td>
<td>77.53%</td>
</tr>
<tr>
<td>Lloyd's Syndicates</td>
<td>798,562</td>
<td>847,358</td>
<td>-5.76%</td>
<td>17.23%</td>
</tr>
<tr>
<td>Alien Insurers</td>
<td>195,586</td>
<td>232,401</td>
<td>-15.84%</td>
<td>4.22%</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>$4,586,811</td>
<td>$5,578,914</td>
<td>-17.78%</td>
<td>98.98%</td>
</tr>
</tbody>
</table>
Top 10 Surplus Line Carriers in California Based on Premium Processed by the SLA During 2009

<table>
<thead>
<tr>
<th>INSURER</th>
<th>PREMIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEXINGTON INSURANCE COMPANY</td>
<td>$809,199,064</td>
</tr>
<tr>
<td>LLOYD's UNDERWRITERS</td>
<td>$798,561,637</td>
</tr>
<tr>
<td>CHARTIS SPECIALTY INS. CO.</td>
<td>$174,712,108</td>
</tr>
<tr>
<td>SCOTTSDALE INSURANCE COMPANY</td>
<td>$153,911,179</td>
</tr>
<tr>
<td>LLOYD'S OF LONDON SYNDICATE #2623</td>
<td>$117,580,230</td>
</tr>
<tr>
<td>EMPIRE INDEMNITY INSURANCE COMPANY</td>
<td>$113,182,552</td>
</tr>
<tr>
<td>EVANSTON INSURANCE COMPANY</td>
<td>$100,773,356</td>
</tr>
<tr>
<td>STEADFAST INSURANCE COMPANY</td>
<td>$95,769,555</td>
</tr>
<tr>
<td>LANDMARK AMERICAN INSURANCE COMPANY</td>
<td>$94,312,861</td>
</tr>
<tr>
<td>QBE SPECIALTY INSURANCE COMPANY</td>
<td>$84,011,583</td>
</tr>
</tbody>
</table>
Top Coverages for 2009

- General Liability
- Commercial DIC/Stand Alone Earthquake
- Errors and Omissions
- All Risk Commercial Property
- Special Multi-Peril Package
Top 15 Largest Filing Brokers

MARSH USA INC.
SWETT & CRAWFORD
AON RISK INSURANCE SERVICES WEST, INC.
AMWINS INSURANCE BROKERAGE OF CALIFORNIA, LLC
WESTERN RISK SPECIALISTS, INC.
HART, ANTHONY JOSEPH
RISK SPECIALISTS COMPANIES INSURANCE AGENCY, INC.
BLISS AND GLENNON INC
LOCKTON COMPANIES, LLC
RISK PLACEMENT SERVICES INSURANCE BROKERS
CRUMP INSURANCE SERVICES, INC.
WORLDWIDE FACILITIES, INC.
CRC INSURANCE SERVICES, INC.
AMERICAN E & S INSURANCE BROKERS OF CALIFORNIA,
WILLIS INSURANCE SERVICES OF CALIFORNIA, INC.
BURNS & WILCOX INSURANCE SERVICES, INC.
State Taxes

- State Taxes are due March 1, 2010
- Forms are available on the CDI or SLA website
- There is a form for zero premium filers.
Western States 2010

Hosted by Surplus Line Association of Washington

Location: Whistler, Canada

Dates: July 21 – 24, 2010

Remember you will need a passport!
Nominating Committee Slate

John Edack
Chairman
The Surplus Line Association of California
Election of Officers 2010

**Mr. Les Ross** - Crump Insurance Services, Inc.
SLA Chairman

**Mr. Pat Hanley** - Socius Insurance Services, Inc.
SLA Vice Chairman

**Mr. Davis Moore** - Worldwide Facilities, Inc.
SLA Secretary/Treasurer
Executive Committee Slate 2010

Mr. Gerald J. Sullivan

Mr. Chris Brown
  Brown & Riding Insurance Services

Mr. Frank Cravens
  M. J. Hall & Company, Inc.

Ms. Pam Quilici
  Crouse & Associates Insurance Services

Mr. John Edack
  ARCH Specialty Insurance

Mr. Dean Andrighetto
  Westchester Specialty

Mr. Phil Mazur
  Swett & Crawford

Mr. Ian Fitt
  Western Re Management

Ms. Doris Barnett
  Colemont Insurance Brokers

Ms. Anne McNally
  Wells Fargo Insurance Services, Inc.
The executive committee approved the reappointment of Judge Harry Low as Mediator. In accordance with the Constitution, this nomination is now submitted for the membership's approval.
Legal Update

James Woods
SLA General Counsel
Dewey & LeBoeuf LLP
Legal Update

- Emergency Response Initiative
- LESLI Minimum Capital and Surplus
- PADIC
- Broker Fees Initiative
- New York Exchange
- Caution regarding Internet Portals and Other Market Practices
Recognition of Service to Outgoing Executive Committee Members

Kristopher Bauer
AmWINS Insurance Brokerage of California, LLC

Warren Stanley
Wholesale Connection
Insurance Services Inc. LLC
Lutine Bell Presentation

John Edack receives Lutine Bell in recognition of his tenure as The Surplus Line Association Chairman.
Adjournment

Please proceed to foyer for refreshments followed by lunch