The Surplus Line Association of California

Annual Meeting 2011
Roll Call and Opening Remarks

Les Ross, Chairman
The Surplus Line Association of California
Head Table

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

- Ted Pierce – The Surplus Line Association
  Executive Director

- Davis Moore – Worldwide Facilities
  Secretary/Treasurer

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

Davis Moore
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

Les Ross

- Welcome Attendees
- Thank You 2010 Officers and Committee Chairs
- Changes to SLA Internal Business Operation
- NRRA
- Minimum Capitalization Requirements
- Conclusion
Secretary- Treasurer’s Report
Fiscal Year Ending  November 30, 2010

Davis Moore
SLA Secretary/Treasurer
SECRETARY-TREASURER’S REPORT
FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2010

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, 2010 was $9,812,961. Interest income was $37,704 for the year. The total income, including unrealized gain or losses on investments, was $9,850,665.

Expenses totaled $8,638,025 for the year.

As of November 30, 2010 the net asset balance was $10,971,488.
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 size of the three funds is to be reassessed annually by the Stamping Committee.

A motion was approved by the Executive Committee in 2010 that the reserve fund methodology will be amended for an allowable variance of 50% instead of 25%.

The stamping fee was .250% for the 2010 fiscal year. The stamping fee will remain the same in 2011.

The financial results referred to above 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
- **Les Ross Year as Chairman**
- **Export List**
- **2010 Important Bulletins**
  
  #’s 1207, 1211, 1213, 1229, 1224, 1226
- Adoption of Infinity Software “SLIP” Product for Electronic Filing

- Changes within the CA Dept. of Insurance.

- Two-Hour On-Line Training Video, AB 1699, Sec. 1765(f)
- Three Year Exam – CIC 1780.58 (C)
- A.M. Best Report on Surplus Lines
- SLA Educational Seminars
- Effort to Regulate Insurance
- 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

- Thank you to our Members
- 2010 Statistic
- State Taxes
- Western States
2010 End of Year Statistics

- Filed Premium $ 4,189,790,188
  9.53 % decline from 2009

- Stamping Fees Invoiced $ 9,812,961

- Item /Policy Count 420,938
  .75% decline from 2009
# Members of the Association

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA Corporate</td>
<td>624</td>
</tr>
<tr>
<td>CA Individual</td>
<td>2217</td>
</tr>
<tr>
<td>Non Resident Corporate</td>
<td>439</td>
</tr>
<tr>
<td>Non Resident Individual</td>
<td>1296</td>
</tr>
<tr>
<td><strong>Total CA</strong></td>
<td><strong>2841</strong></td>
</tr>
<tr>
<td><strong>Total Non Resident</strong></td>
<td><strong>1735</strong></td>
</tr>
<tr>
<td><strong>Total in Membership</strong></td>
<td><strong>4576</strong></td>
</tr>
</tbody>
</table>
Education Department

- 22 Seminars
- 59 CE credits given
- 2670 Certificates issued
## Largest Writers of Surplus Lines Coverage by Company Type

<table>
<thead>
<tr>
<th>COMPANY TYPE</th>
<th>12/31/10</th>
<th>12/31/09</th>
<th>GROWTH</th>
<th>12/31/10</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>$3,151,025</td>
<td>$3,590,791</td>
<td>-12.25%</td>
<td>75.21%</td>
</tr>
<tr>
<td>LLOYD'S SYNDICATES</td>
<td>729,721</td>
<td>800,103</td>
<td>-8.80%</td>
<td>17.42%</td>
</tr>
<tr>
<td>ALIEN INSURERS</td>
<td>270,014</td>
<td>196,136</td>
<td>37.67%</td>
<td>6.44%</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>$4,150,761</td>
<td>$4,587,030</td>
<td>-9.51%</td>
<td>99.07%</td>
</tr>
<tr>
<td><strong>ALL OTHER</strong></td>
<td>39,027</td>
<td>44,346</td>
<td>-11.99%</td>
<td>0.93%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$4,189,788</td>
<td>$4,631,376</td>
<td>-9.53%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

*Note: Revised % of TOTAL includes foreign insurers, Lloyds, and alien insurers.*
# Top 10 Surplus Line Carriers in California Based on Premium Processed by the SLA During 2010

<table>
<thead>
<tr>
<th>INSURER</th>
<th>PREMIUM PROCESSED ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEXINGTON INSURANCE COMPANY</td>
<td>$684.5</td>
</tr>
<tr>
<td>SCOTTSDALE INSURANCE COMPANY</td>
<td>155.4</td>
</tr>
<tr>
<td>LLOYD'S OF LONDON SYNDICATE #2623</td>
<td>132.9</td>
</tr>
<tr>
<td>EMPIRE INDEMNITY INSURANCE COMPANY</td>
<td>101.6</td>
</tr>
<tr>
<td>STEADFAST INSURANCE COMPANY</td>
<td>92.4</td>
</tr>
<tr>
<td>ASSOCIATED ELECTRIC &amp; GAS INSURANCE SERVICES LIMITED</td>
<td>88.6</td>
</tr>
<tr>
<td>COLUMBIA CASUALTY COMPANY</td>
<td>83.9</td>
</tr>
<tr>
<td>AXIS SURPLUS INSURANCE COMPANY</td>
<td>79.4</td>
</tr>
<tr>
<td>QBE SPECIALTY INSURANCE COMPANY</td>
<td>78.9</td>
</tr>
<tr>
<td>CHARTIS SPECIALTY INSURANCE COMPANY</td>
<td>77.3</td>
</tr>
<tr>
<td>Coverage</td>
<td>Amount</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>General Liability</td>
<td>$754.1</td>
</tr>
<tr>
<td>Commercial DIC/Stand Alone Earthquake</td>
<td>$584.9</td>
</tr>
<tr>
<td>Errors and Omissions</td>
<td>$526.0</td>
</tr>
<tr>
<td>All Risk Commercial Property</td>
<td>$326.3</td>
</tr>
<tr>
<td>Individual Insureds with Large Schedules</td>
<td>$275.4</td>
</tr>
<tr>
<td>Where TIV (Total Insured Values) Are in Excess of $500 Million</td>
<td></td>
</tr>
<tr>
<td>Special Multi-Peril Package</td>
<td>$259.4</td>
</tr>
<tr>
<td>Excess Liability</td>
<td>$244.1</td>
</tr>
<tr>
<td>Excess Liability Where Part of Underlying is NonAdmitted</td>
<td>$185.0</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$139.0</td>
</tr>
<tr>
<td>Professional Liability</td>
<td>$126.4</td>
</tr>
<tr>
<td>Directors and Officers</td>
<td>$107.0</td>
</tr>
</tbody>
</table>
## Largest Filing Brokers

<table>
<thead>
<tr>
<th>Broker Name</th>
<th>Filing Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARSH USA INC.</td>
<td>$404.0</td>
</tr>
<tr>
<td>RISK SPECIALISTS COMPANIES INSURANCE AGENCY, INC.</td>
<td>284.0</td>
</tr>
<tr>
<td>AMWINNS INSURANCE BROKERAGE OF CALIFORNIA, LLC</td>
<td>262.6</td>
</tr>
<tr>
<td>SWETT &amp; CRAWFORD</td>
<td>218.2</td>
</tr>
<tr>
<td>AON RISK INSURANCE SERVICES WEST, INC.</td>
<td>193.2</td>
</tr>
<tr>
<td>WORLDWIDE FACILITIES, INC.</td>
<td>109.6</td>
</tr>
<tr>
<td>CRC INSURANCE SERVICES, INC.</td>
<td>106.4</td>
</tr>
<tr>
<td>BLISS AND GLENNON INC</td>
<td>102.0</td>
</tr>
<tr>
<td>LOCKTON COMPANIES, LLC</td>
<td>101.9</td>
</tr>
<tr>
<td>CRUMP INSURANCE SERVICES, INC.</td>
<td>95.3</td>
</tr>
</tbody>
</table>
State Taxes

- State Taxes are due March 1, 2011
- Forms are available on the CDI or SLA website
- There is a form for zero premium filers.
Western States 2011

Hosted by Surplus Line Association of Nevada
Location: Lake Tahoe  Dates: July 24 – 27, 2011
Nominating Committee Slate

Les Ross
Chairman
The Surplus Line Association of California
Election of Officers 2011

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

Mr. Davis Moore - Worldwide Facilities, Inc.
SLA Vice Chairman

Ms. Pam Quilici – Crouse & Associates
SLA Secretary/Treasurer
Executive Committee Slate 2011

Mr. Gerald J. Sullivan

Mr. Chris Brown
Brown & Riding Insurance Services

Mr. Rupert Hall
M. J. Hall & Company, Inc.

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

Mr. John Edack
ARCH Specialty Insurance

Mr. Dean Andrighetto
Westchester Specialty

Mr. Phil Mazur
Swett & Crawford

Mr. Ian Fitt
Western Re Managers Inc.

Mr. Denis Brady
American E & S

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

- Changes to California surplus line law
- Dodd-Frank (NRRA) provisions affecting surplus lines
- Implementation of federal law in California
Recognition of Service to Outgoing Executive Committee Members

Frank Cravens - M.J. Hall
Les Ross receives Lutine Bell in recognition of his tenure as The Surplus Line Association Chairman
Adjournment

Please proceed to foyer for refreshments followed by lunch