

2021 ANNUAL REPORT



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THE SURPLUS LINE ASSOCIATION OF CALIFORNIA 2021 ANNUAL REPORT

SLA Headquarters
San Ramon, CA

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The SLA serves as the statutory advisory organization to the California Department of Insurance (CDI) and facilitates the state's capacity to monitor and direct surplus line brokers' placements.



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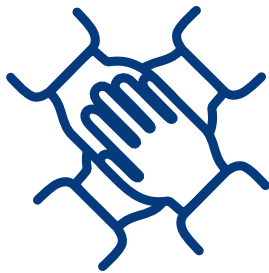
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OUR CORE VALUES

The Senior Staff took a comprehensive look at what the SLA wanted to represent, as an advisory organization and on an individual basis. We narrowed it down to three core values, all of which we hope will improve not just the SLA, but the entire industry.



COLLABORATIVE

All the services we provide rely on our employees working together. That's why the SLA has built a culture and environment that fosters collaboration for the benefit of our entire industry.



KNOWLEDGE-ABLE

The SLA sets aside time and resources to ensure that we never stop learning. The pursuit of knowledge is just one of the ways we serve an industry that never stops evolving.



MOTIVATED

We are an organization that proactively serves our members, innovates for the betterment of the industry, and helps out in our community. Whatever comes next, the SLA is ready to take action.



The SLA implemented free training via LearnIt to improve its member value and maintain a healthy, fair, and competitive marketplace.

791,668 2021 Total Number of Processed Transactions

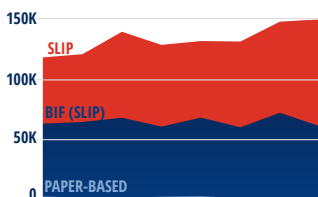


TERRI MORAN
Board Chair



PHOTO: Chair Terri Moran celebrates the payoff of the pension at the fall board meeting with Controller Ivan Morse.

“It has been my privilege and honor to serve as chair during this time, and I am grateful to have been a part of our endeavors.”



Filings by Submission Type

Two-year snapshot clearly demonstrates the upward adoption-rate of SLIP filing over any other form of submission.

RESILIENCE & CREATIVITY

Our guiding principle during these unusual times has been “Employees First.” In order to ensure a healthy, fair and competitive marketplace, a healthy, happy workforce was essential.

MESSAGE FROM THE CHAIR

It has been one of the great honors of my career to serve as the chair of the SLA Board of Directors. It is mind-boggling how quickly these two years have passed! It is also amazing how much of this time has been consumed by the realities of a global pandemic.

The resilience and creativity shown by the SLA, its senior leadership, and the Board of Directors during this challenging time have been wonderful. We had already anticipated the potential for an economic downturn and had made moves to pay off long-term debts, such as our pension fund and a construction loan. While there was a brief economic retrenchment, the surplus lines marketplace continued to grow rapidly. We leveraged that growth to pay off those debts and build our contingency funds to be ready for a “rainy day.”

Our guiding principle during these unusual times has been “Employees First.” In order to ensure a healthy, fair and competitive marketplace, a healthy, happy workforce was essential. In 2021, we launched successful initiatives for employee wellness and engagement.

We also thought deeply about how to serve members during these unusual times. We had already been planning to make our CE courses available online, and the pandemic prompted us to move forward with our live webinars and on-demand courses.

Additionally, we continued to focus on moving in tandem with our broader society. That is why we have embarked on a Diversity, Equity and Inclusion (DEI) initiative. One of the important items on our list is to ensure that

our board more closely mirrors our membership and community at large and to create opportunities for all.

Although the pandemic created conditions that were less than ideal, we developed initiatives and resources that will serve us well into the future. I want to give well-deserved credit to Ben McKay and his entire SLA team for showing us all how to persevere and get through a crisis.



Created health and wellness programs for staff during pandemic



Leveraged growth to pay off long-term debts and bolster contingency funds



Expanded Learning Center to include training for filers and compliance professionals

HUNTING CARIBOU

Already prepared for remote work, in 2021 we focused on the health and wellness of our staff. The SLA created employee assistance programs, outreach initiatives, and expanded avenues for education.



MESSAGE FROM THE CEO

This year, I will have the privilege of marking 10 years as the CEO and Executive Director of the SLA. Each year over this decade has been a year of changes for the SLA, and 2021 was no exception.

In 2021, the SLA embarked in earnest on a set of guideposts that my Senior Staff and I call our “three caribou.” We coined the term because, as each year has passed, we have embraced bigger and bigger goals, and these three are lofty. We like to say that we are now hunting caribou instead of rabbits. These “three caribou” include:

- Employee Health and Wellness
- 100% compliance
- Member Value Program

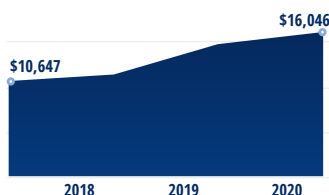
As our chair, Terri Moran, has noted in her report, our guiding principle during the pandemic has been “Employees

First.” Without a healthy, happy workforce, we cannot successfully hunt either of our other two caribou. Therefore, we made employee health and wellness a top priority in 2021. We have addressed this during the pandemic by communicating with employees regularly, reaching out to individuals to check in on them, and creating virtual events to maintain a sense of community and caring.

With a healthy, happy workforce, we can address the other two top priorities. We recognize that 100% compliance is an aspirational goal—like the “zero defects” program that achieved popularity in the industrial sector half a century ago. By setting this goal, we ensure the need for constant improvement—finding new and better ways to help our members achieve compliance with all relevant laws and regulations.

We have also embarked on our “Member Value Program,” by which we seek for staff to build relationships with specific, assigned members, and serve them with consistency and thoroughness. We also intend to embark on other forms of outreach, going forward, to members to ensure that we are meeting their needs.

I am very proud of what our team achieved last year as we continued to work remotely during a global pandemic. I look forward to seeing what we can do as we return to a more normal environment.



Market Index Trend by Year Premium

The California Surplus Lines Market Index is a high-level measure of the relative health of the California Surplus Lines market over time. The Index is the average premium amount per transaction for various periods based on the registered date of the policy/endorsement.

\$12.7b

2021 Surplus Line Processed Premium



PHOTO: Kevin Chuc, Assistant Vice President, Data Analysis, explains the SL-2 form during a live stream of Compliance Connections.

OUR CARIBOU



- 1 Employee Health & Wellness
- 2 100% Compliance
- 3 Member Value Program

**BENJAMIN MCKAY,
J.D., M.P.A.**

CEO & Executive Director



Reorganized structure to adopt customer service model



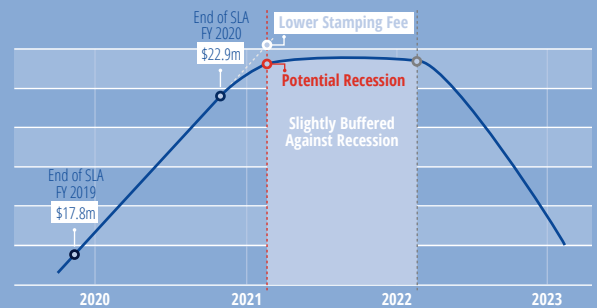
Kept our promises, paid off pension, saved association \$3m



Implemented continuous and ongoing Diversity, Equity, and Inclusion programs

PREPARED FOR THE FUTURE

Potential Impact of Yield Curve Inverted



Today, the Surplus Line Association of California (SLA) stands financially secure amidst a global pandemic, skyrocketing inflation, and economic uncertainty. It continues to extend its industry-leading resources, educational offerings, and customer service to its thriving membership because of the financial stewardship of its Board of Directors and senior leadership.

In March 2019, the U.S. Treasury yield curve inverted. The last inversion, in 2007, occurred a year prior to the Great Recession. Faced with this economic warning, the association took prudent measures and raised its stamping fee, eliminated its debts, and prepared for a potential recession.

The stamping fee increase allowed the SLA to fulfill all its promises to employees on its previous pension plan, and its diligent outreach to eligible pensioners saved the association \$3,000,000 in the process. It also allowed the SLA to pay off its San Ramon construction loan and bolster its contingency funds to prepare for as many as three

years of recession. These decisions made in 2019 allowed the SLA to not only remain financially afloat, but facilitated its growth and flexibility in response to the industry's unprecedented expansion.

Just this past year, the California surplus line industry surpassed \$12 billion in total premium, and the SLA analyzed nearly 800,000 transactions. More capital is entering the market than ever before, and new technologies and coverages are constantly becoming available. As much of the world stood still in 2021, the industry continued to grow.

In response, the SLA has restructured to focus on customer service and to educate members rather than penalize them. The Education and Compliance and Digital Communications departments are focused on creating content that benefit the membership. Additionally, the entire Data Analysis Department has received customer service training, and the Financial Analysis Department is expanding its analysis to better understand the entire market.

Thanks to its Technology Department, the SLA has also recently begun implementing Salesforce customer relationship management (CRM) software. The SLA hopes to increase its efficiency and cooperation between departments, and to also expand on its member relationships. Ultimately, this is vital to bringing the industry closer to 100% compliance.

But these major transitions were only possible because of the efforts of the SLA's staff, whose health and happiness has always been one of the association's top priorities. With free educational opportunities, professional training, and wellness packages, the SLA continues to provide career advancement avenues for all of its employees.

As a result of the SLA's careful assessment of its financial and personal well-being, the SLA is able to provide industry leading service to its members and the entire California surplus lines community.

1 Yield Curve Inversion

In March 2019, the U.S. Treasury Yield Curve inverted, typically seen as the first indicator of an upcoming recession.

2 Construction Loan

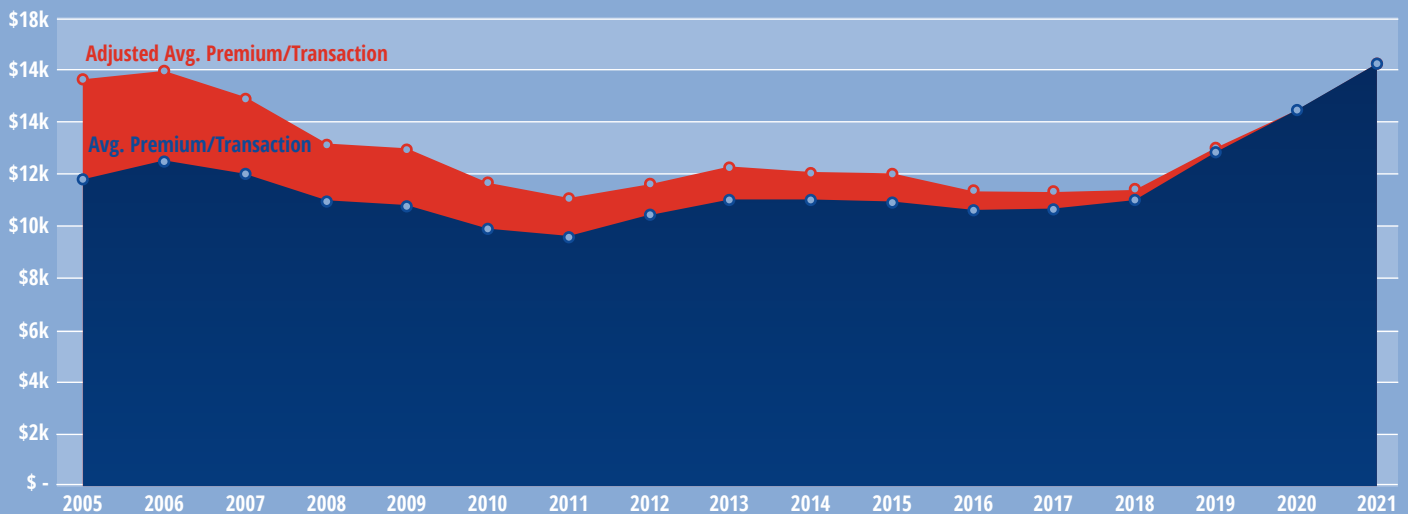
With reduced travel and in-person events, the SLA was able to pay off its entire San Ramon office construction ahead of schedule amidst the pandemic.

+14% 2021 Surplus Line Premium Increase Over 2020



2021 FALL BOARD MEETING

Average Premium Per Transaction (2005-2021)
Adjusted vs. Non-Adjusted for Inflation



3

Pension

By reducing participants in the plan by 90%, through distributions, the SLA erased its pension liability and saved \$3 million.

4

Contingency Funds

In preparation for any future economic downturns, the SLA secured its contingency funds in line with other associations.

7,440 Total SLA Membership throughout the United States



Photo: Rachel Reagan, Insurance Analyst Manager, and **Eric Walcott,** Receptionist, undergoing Salesforce and customer service training

To provide assistance is expected. The SLA's goal is to build meaningful relationships.

Why? Because the SLA firmly believes the quality of its member relationships is one of the greatest contributors to the health, efficiency, and success of the surplus line industry.

In 2019 and 2020, the SLA conducted an extensive field study to understand how it could best serve its membership, and concluded that it must shift from its transaction-based model of service. While focused on efficiently catching and correcting member mistakes, this system led to very one-sided member relationships.

With the guidance of its senior staff, it began to apply a customer-based model of service. This required a complete review and reimagining of some of the association's core functions. But by establishing relationships, educating members, and simplifying surplus line processes, the SLA plans to improve the entire surplus line industry through a collaborative approach with members.

In 2021, the SLA redesigned its broker outreach system, assigning specific data analyst teams to support individual

broker groups. Previously, communication could be sporadic and inconsistent; with this new system, regardless of where members are in the filing process, they will always have the same analyst team available whenever their assistance is called upon. These open communications will cut down on redundancies and foster member feedback for continual improvement and troubleshooting.

With the help of its Technology Department, the association has also enhanced its Surplus Line Information



Surplus Line Information Portal

Significant upgrades to SLIP were completed in 2021, allowing connectivity with members' Agency Management System (AMS). The automated process also allows for filing submission statuses in real time.

THE VALUE OF RELATIONSHIPS

“It is far easier to get people to work with you when they know you, especially in an industry where relationships are the coin of the realm.”

Benjamin McKay, CEO

Portal (SLIP), so brokers can submit policy information directly via their internal Agency Management System (AMS). This process can now be automated, and filing submission statuses can be checked in real time. It’s also the most accurate way to file, with an average broker error rate of just 3%.

The integration of Salesforce’s Customer Relationship Management (CRM) software into the SLA’s enterprise system is the driver behind it all. Not only will this streamline SLA’s internal communications, allowing every department to track interactions, projects, and issues, but it will also vastly improve the member experience.

The association will be able to regularly answer customer questions and concerns, as well as file documents more efficiently and effectively than ever before. As its

error-free filing rate has improved 9% since 2020, the SLA expects this number to increase with its new system and bring the industry closer to 100% compliance.

This refocus on member value was possible due to the association’s prudent financial decisions over a period of years. Because of its sound fiscal condition, the SLA was able to pursue this ambitious transition without disrupting the industry or its membership, and remains a modern, credible leader as a result.

Ultimately, the SLA’s motivation to be a world-class advisory organization is driven by the people it serves. As the surplus line industry continues to break records, the SLA’s priorities are shifting to reflect the unique needs of its members.



Relationship-Building Technology

The SLA has developed and deployed enterprise relationship-management systems to further our engagement goals.



Amazon Web Services
Reduced IT hosting costs by 40%



Salesforce
Customer relationship manager to better assist members



Learning Center
Member hub for CE courses and training

DIVERSITY EQUITY & INCLUSION

Empowering staff to pursue their ambitions by providing avenues for professional development

The SLA is extremely proud to be a diverse company, which is by design, not happenstance. The association has had a long-standing focus on diversity, equity, and inclusion (DEI), which it formalized in 2020 when Chief Operating Officer Joy Erven took on the additional role of Chief Cultural Officer. She took a comprehensive DEI course from Cornell University and has implemented those lessons and tools at the SLA.

Under Erven's leadership on this issue, the SLA has ramped up its DEI efforts, installing

the initiative as one of the primary functions of its Health and Wellness Committee. This committee has since been responsible for numerous programs embracing the SLA's diverse staff, with ethnic holiday celebrations, cultural gift boxes, and lifestyle cohorts. The SLA has also focused on improving employee educational resources and opportunities. It empowers its entire staff to pursue their ambitions by providing avenues for professional development and success. At an SLA board meeting on March 23, 2021, board member John Washington—now the



JOY ERVEN
COO/CCO & Director



JOHN WASHINGTON
Board Secretary/Treasurer



Ethnicity of SLA Staff

49.6% Asian 10.3% Black 2.6% Hispanic 25.6% White
11.1% Two or More Ethnicities 0.9% Not Stated

“Diversity is being invited to the party; inclusion is being asked to dance.” –Verna Myers

secretary/treasurer of the board—raised the topic of Diversity, Equity and Inclusion (DEI). Washington applauded the SLA’s internal diversity, but urged the association to use its resources to help promote change throughout the entire industry.

The SLA Special Advisory Committee chair, Jon Larson, created a subcommittee to handle DEI questions and concerns full time, which included Washington and Admitted Market Liaison Committee chair Susan Atkins. Larson said that when he first entered the insurance industry, “I thought I had made a mistake—I couldn’t relate to any of my coworkers (due to age or ethnicity). I wished DEI had existed back then.”

Following its creation, the board subcommittee sent out surveys to membership, asking about DEI and if companies had, or were interested in setting up, their own initiatives. Throughout the year, the SLA maintained DEI training across the board and senior staff level.

The 2021 SLA board and senior management retreat featured an interactive virtual reality program that demonstrated the effects of unconscious bias, an outside speaker who

discussed the more nuanced issues of DEI, and discussions on how to build, develop, and push out DEI initiatives into the industry.

Taking guidance from Washington’s words, the SLA also allocated time and resources to partner with diverse speakers for industry events, such as the Wholesale and Specialty Insurance Association conference, and with public universities to educate younger and more diverse crowds about the industry. For members, the SLA continues to post DEI resources and stories on its website and is arranging a future DEI and Ethics continuing education course.

In the end, the SLA engages in these efforts to build awareness and include as many voices in its discussions as possible. As Atkins aptly put it: “The importance of DEI is to increase awareness of our biases. Being aware of how we share ideas with each other and keeping an open mind can enlighten us to be more helpful and successful together.”

As the industry continues to evolve, we at the SLA desire all perspectives to help fulfill our mission. In doing so, we hope to provide a roadmap for other companies to follow as they embrace the importance of DEI.



JON LARSON
Chair, Special Advisory Committee



SUSAN ATKINS
Chair, Admitted Market Liaison Committee



Board of Directors and senior management participated in DEI training



Sponsored DEI speakers at industry events



Created Board-level and association-level committees to implement continuous and ongoing DEI programs



1,000 Letters Written to Members of the Armed Services and Veterans



Helped Prepare over 20,000 Meals for Alameda County Community Food Bank



Provided Backpacks and School Supplies for Children of SLA Staff



PHOTO: Joy Erven



PHOTO: Alice Do



PHOTO: Glenn Leung



PHOTO: Samantha Benitez and Claudia Benitez



PHOTO: Jody Black and Kevin Chuc



PHOTO: Bryan Dang and Calvin Thach



PHOTO: Burhan Mehmood and Joshua Patten



**Insurance Industry
Charitable Foundation**



CULTURE & COMMUNITY

The SLA's commitment to service reaches not only its national membership, but its local communities as well.

In 2021, the SLA took part in three events sponsored by the Insurance Industry Charitable Foundation (IICF): the cleanup of the Oakland Gateway Emergency Preparedness Exhibit Center & Garden; preparing baby bags for the Child Abuse Prevention Council of Contra Costa County; and writing letters to first responders and veterans for Operation Gratitude and A Million Thanks, respectively.

Its relationship with the IICF has been extremely close due in large part to CEO Ben McKay serving as a member on the IICF board. When the foundation found itself with hours of Zoom interview footage amid the pandemic but was unable to do anything with it, SLA Board member Charlie Rosson stepped in and offered the SLA's services. The SLA used those interviews to create a promotional video for the IICF, capturing the gratitude of their nonprofit partners and the need for continued industry support.

Outside the IICF, this past year the SLA also volunteered at the Alameda County Community Food Bank. In just one day, its staff helped prepare over 20,000 meals and 25,000 pounds of produce.

The organization values the team building and camaraderie all these events provide. The SLA incentivizes employees to take part in these out-of-office activities with hours paid, and nearly the entire staff answers these calls to action.

The SLA is proud to be an ally to the public during these uncertain times. Whether it is answering member questions, protecting the interests of California consumers, or donating time, effort, and resources to charitable causes, the SLA's staff is, and will always be, ready to serve.



MELISSA-ANNE DUNCAN

Executive Director
Western Division, Insurance Industry
Charitable Foundation

“Thank you, Charlie Rosson (IICF and SLA Board Member), and the SLA's Digital Communications Team for helping us with our IICF Gala Video Project. Even when we couldn't meet in person due to COVID-19, the video really meant a lot and brought us together.”

DAVID KODAMA, JR., EVP

Live-streaming to the risk management program at our partner school Cal State Fullerton as part of SLA's next-gen outreach. Cal State Fullerton was ranked the sixth-best school for risk management and insurance out of 48 programs by Best's Review.





HEALTHY, HAPPY WORKFORCE

Due to the innovative thinking of its senior staff and Human Resources Department, the SLA maintained staff cohesion in a time of disruption.

One of the major bright spots of 2021 was the SLA's Health and Wellness Committee, which was created by its senior staff, and this initiative flourished in response to the pandemic. The committee created specific programs and incentives for the mental, physical, and emotional well-being of SLA employees. Surveys, raffles, and gift boxes became a regular occurrence thanks to the Administration team; the committee created employee cohorts to bond over shared interests like cooking or film; and the SLA held employee events safely online.

Despite its difficulties, the ongoing pandemic has given the SLA valuable time to self-reflect. And with that time, its HR department was able to review staff programs that were extremely beneficial but largely underutilized. In 2021, the SLA doubled its efforts and budget to highlight programs like LearnIt - an online learning









portal where employees can take courses to receive certificates and learn professional skills, and IncentFit - a program where employees receive monthly bonuses for their workouts, exercise equipment, and gym memberships.

Continued industry growth also meant the HR team continued to hire and on-board new staff, all through the prism of a computer screen, adding 25 new employees in 2021. And with the important implementation of Paylocity, a human resources information system that includes payroll and benefits into one platform, the SLA kept anticipated growing pains to a minimum.

With unexpected change being the only constant, the one certainty that will always remain for the SLA is the importance of its employees.

Health and Wellness

Created employee cohorts to bond over shared interests

-  **Fitness, Health, Nutrition**
Isabel Archer
-  **Baking & Cooking**
Colton Wright, Erin Reagan
-  **Relaxation & Mindfulness**
Isabel Archer
-  **Social Fun**
Aireen De Leon, Alice Do
-  **Culture & the Arts**
Alex VanEss, Ed Derentz
-  **Sports**
Phaedra Jackson
-  **Family (Child & Elderly Care)**
Annie McFate
-  **Financial Management**
Josh Patten

93%

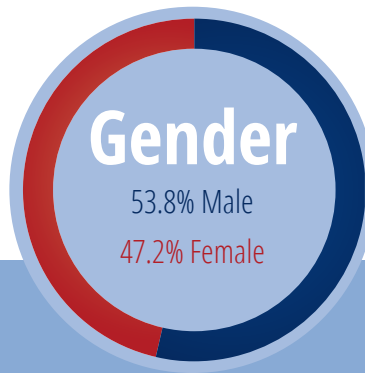


Employee satisfaction rate with the SLA's efforts during the pandemic.

69
Data
Analysts

1
Public
Affairs

5
HR/Ops



5
Execs

Ethnicity

49.6% Asian 10.3% Black
 2.6% Hispanic 25.6% White
 11.1% Two or More Ethnicities
 0.9% Not Stated

115 Employees

As of November 2021

5
Education &
Compliance

1
Accounting

15% Employee Growth

As of November 2021

Generation

6.8% Baby Boomers
 27.4% Gen X
 44.4% Millennials
 21.4% Gen Z

5.7 yrs

Average Tenure

9
Employee Promotions

9
Technology

5
Digital
Communications

15
Financial
Analysis



IncentFit — a program where employees receive monthly bonuses for their workouts, exercise equipment, and gym memberships.

2,857

Total Number of CE Certificates Issued in 2021



Streaming CE Course: The CA Cannabis Insurance Marketplace

Panel Members [left to right] **Ian Stewart, Sumner Jenkins, James E. Jackson**

Education and Compliance is meeting the industry's need for relevant, on-demand courses.

The primary goal of continuing education (CE) courses has always been to keep members licensed. But in 2021, the SLA's Education and Compliance (E&C) Department focused on fulfilling another goal: relevance. The SLA expanded its on-demand library and retooled its courses to highlight current and emerging insurance trends. As a result, more brokers took SLA California CE courses in 2021 than ever before.

Additionally, the E&C team launched

Compliance Connections, training that assists members and their staff with the filing of broker documents. This process is extremely vital to the efficiency of the entire industry; the more the SLA can properly educate filers, the fewer inaccuracies and delays will ultimately occur.

E&C is also the primary SLA department that members or their staff contact when they have questions, and the department takes these interactions very seriously. With positive member relationships, the

SLA can receive the information it needs to improve member education and experience. Without these ongoing relationships and feedback, the surplus line industry threatens to stagnate.

Education and Compliance is working proactively to ensure the SLA always remains connected to its membership, and that the SLA continues to produce meaningful and modern content for the industry's benefit.



Kyle Coverdale, Insurance Analyst Manager, and **Jessie Ding**, Data Analyst, preparing for a Compliance Connections webinar

DEMAND FOR ON-DEMAND

The difficulties of the pandemic have presented the SLA with new opportunities to reach and educate its membership.

With the help of the Digital Communications Department and its brand new, in-house broadcasting studio, the SLA was able to stream its first virtual annual meeting in February 2021. Attendance skyrocketed from the previous year's meeting, resulting in more members becoming familiar with the association.

The SLA is prepared to use this broader viewer base to better inform and educate the California surplus lines industry. Rather than focusing on calling out filing errors, E&C is focusing on facilitating member successes as a better means of helping the industry achieve 100% compliance.



Candace Zaleski, Insurance Analyst Manager, presents on the SL-2 for a Compliance Connections show



Edward Derentz, Technical Producer, broadcasts a live-stream CE Course



LEARNING
CENTER

Member hub for CE courses and training

2021 Live CE Course

Ethics: Can & Should are Two Different Things

The Fallout of COVID-19 as an Emerging Risk in the Insurance Industry

Business Interruption Insurance: Emerging Coverage Issues and Impacts on the Surplus Line Market

The CA Cannabis Insurance Marketplace

A Primer, Summary & General Overview of D&O Liability

Risk Transfer Contract Requirements for Indemnity and Insurance

Underwriting Data Breaches in the 21st Century

Commercial Auto and Motor Carrier Considerations

Earth, Wind & Fire

Workplace Violence - Crisis Management

Human Trafficking: The Silent Risk

Ethical Questions for Surplus Lines Brokers: You Be the Judge

5

Compliance Connections
Streamed via Zoom to 947 industry professionals

8

Streaming CE Courses
Streamed via Zoom to 2,642 member brokers

34

CE Credit Hours
Total credit hours offered to member brokers in 2021

FINANCIAL ANALYSIS

The SLA provides the CDI and its board members with vital information to confidently assess the health of the entire marketplace.

In line with the entire association's shift to customer service, the SLA is also focusing on how it can improve the experience for carriers. One of the main ways the SLA provides value and leads all other stamping offices is with its LASLI (List of Approved Surplus Line Insurers).

With two companies added in 2021, the list currently stands at 130 total, with nine pending companies. As the LASLI continues to grow, the SLA plans to provide these carriers with personalized analytics in 2022, in addition to the association's market-wide industry reports. Member-specific analysis will allow insurers to better address their unique situations.

The increase in LASLI companies indicates new markets entering the industry and more coverage options becoming available to California consumers. The SLA's Financial Analysis (FA) Department will monitor these companies diligently for financial strength and stability. And for interested brokers, the department has also begun

monitoring their foreign investments.

The SLA's goal is to keep establishing relationships with its LASLI companies in order to provide exceptional service. For instance, if any of these companies are in danger of falling out of compliance, the FA team will reach out and educate them on what actions need to be taken.

The SLA also understands that not every broker will conduct business with LASLI companies; that is why it has expanded its knowledge base of non-LASLI carriers. By analyzing these specific carriers with publicly available and subscription-based resources, as well as monthly transaction inquiries, the SLA provides the CDI and its board members with vital information to confidently assess the health of the entire marketplace.

Additionally, mergers and acquisitions of surplus line companies increased by 30% in 2021, and with every M&A transaction, the entire industry has the potential to shift. Thus, the SLA monitors these

transactions extremely closely, and with its new Salesforce CRM software, it can better track these industry developments and ensure those affected are up-to-date and remain compliant with CDI guidelines.

Private, equity-backed companies were behind a majority of these M&A transactions. The surplus line industry has seen an increase of private equity in recent years, due in part to the industry's steady premium growth. The SLA will monitor this activity, as well as any other factors that could alter the surplus line markets, such as the ongoing pandemic.

In addition to the CRM software, the department has continued to use a data analytics system powered by Tableau software to record the overall impact COVID-19 is having on the industry.

No matter how much the industry shifts, the SLA will adapt alongside it to provide valuable analysis and ensure a healthy, fair, and competitive marketplace.

1 LASLI (List of Approved Surplus Line Insurers)

With 130 approved companies and 12 pending, the list and its services continue to grow each year

2 Changing Landscape

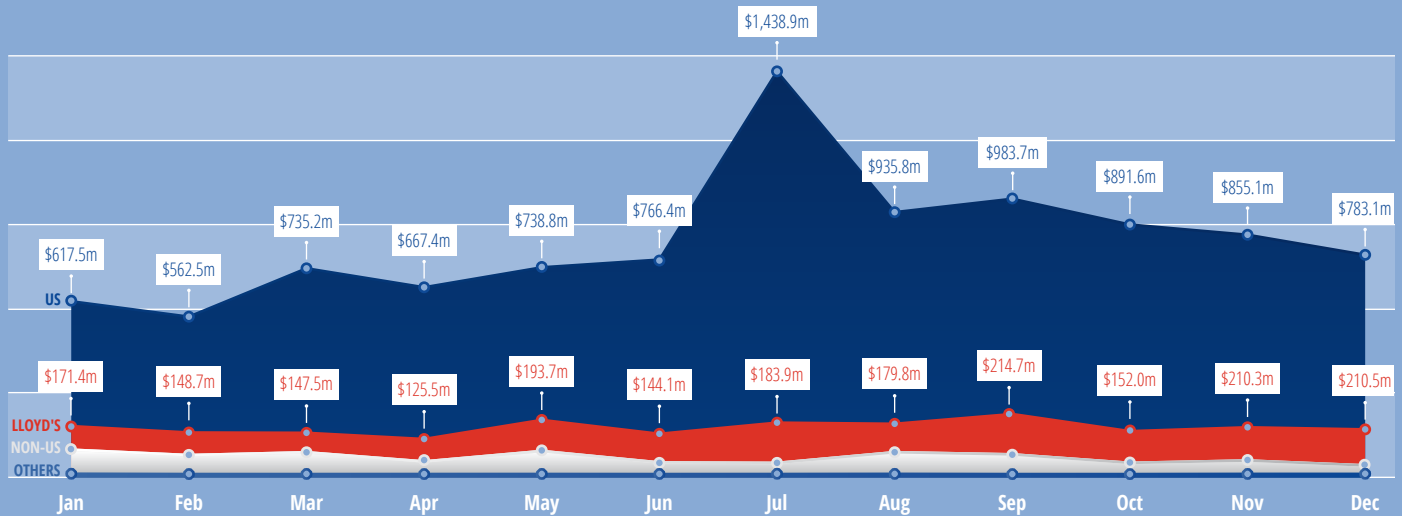
Market growth has motivated the SLA to increase its analysis of non-LASLI companies for the benefit of the market and its consumers

+2 New Insurers added to the LASLI in 2021



Photo: Chair **Terri Moran** and CEO **Benjamin McKay** present at the 2021 Annual Meeting: Fulfilling Our Mission for the New Economy

California Premium By Insurer
January through December 2021



3

Mergers and Acquisitions (M&A)

With M&A's up 30% this past year, the SLA remains dedicated to ensuring its members remain up to date and compliant

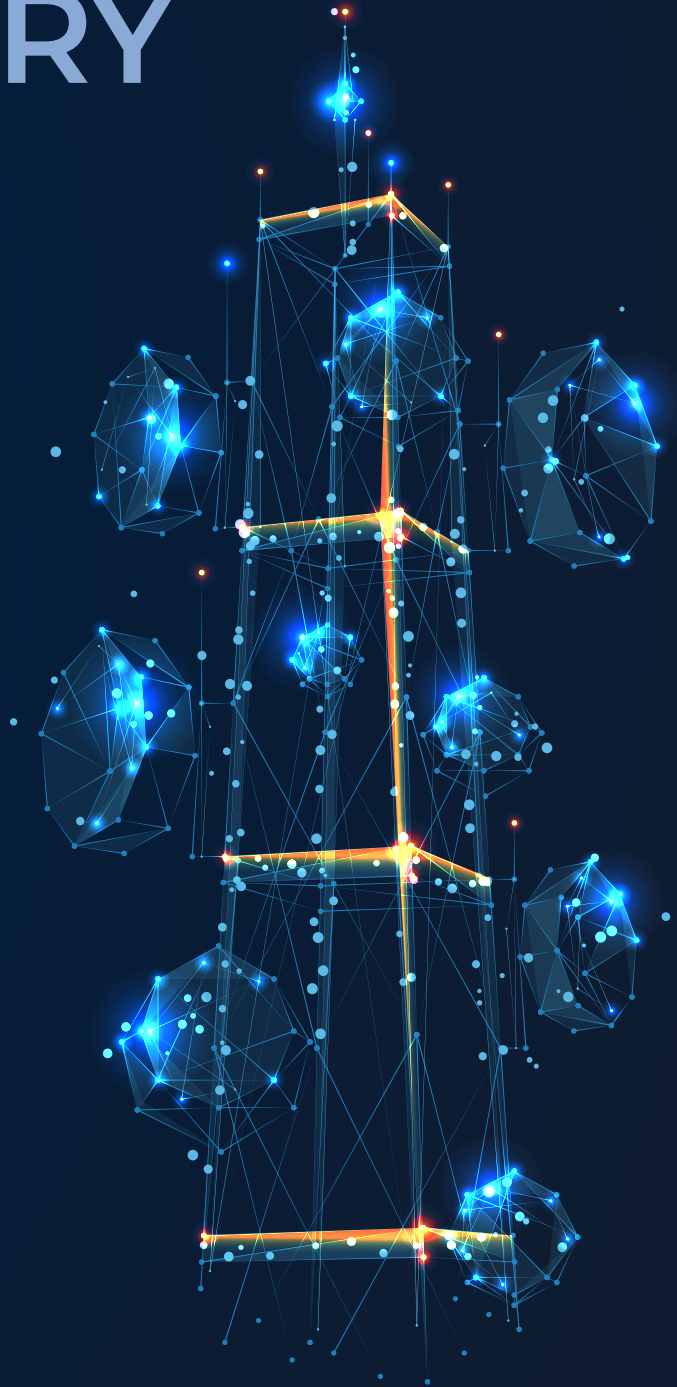
4

Private Equity (P.E.)

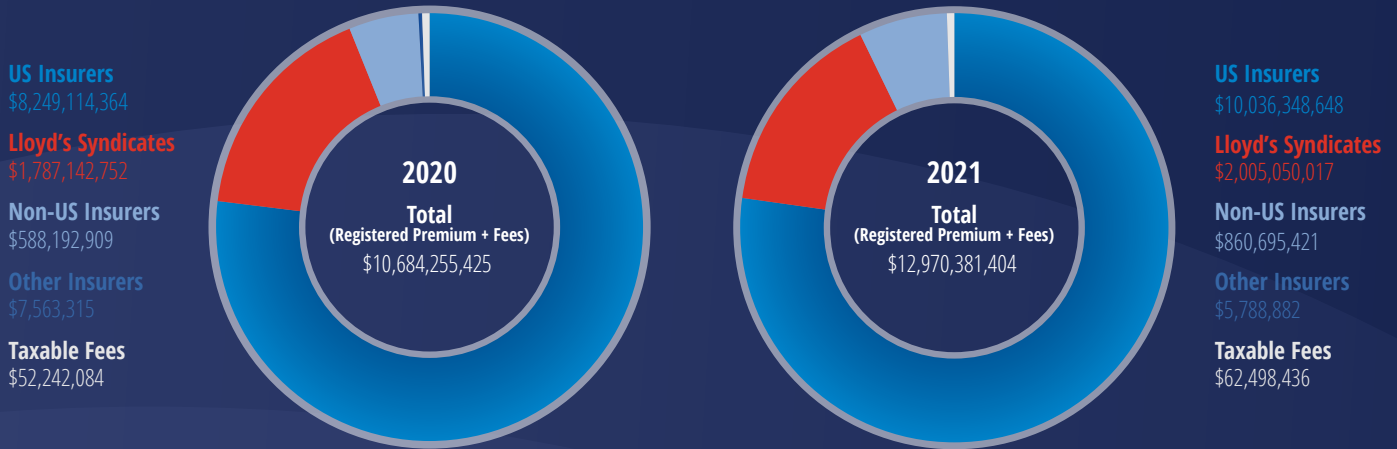
P.E. money is the latest surplus line market trend that the SLA monitors to ensure a healthy, fair, and competitive marketplace

FISCAL YEAR SUMMARY

December 1, 2020 to November 30, 2021



Processed Premium Total Year Over Year



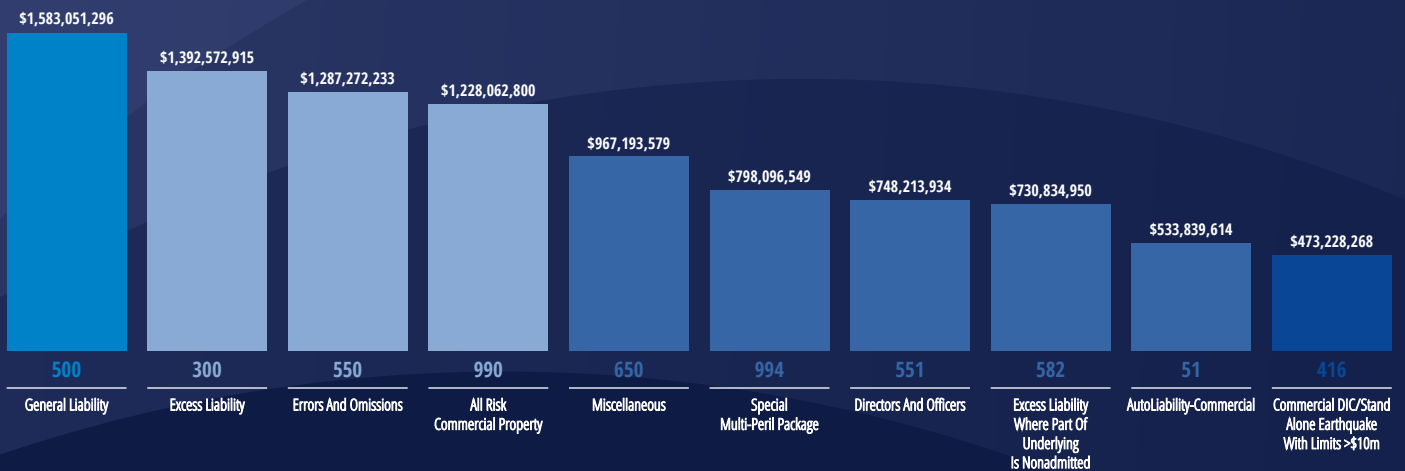
% Growth 2020-2021



% of Total 2021



Top 10 Coverages of Fiscal Year 2021

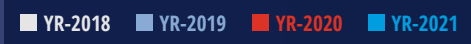
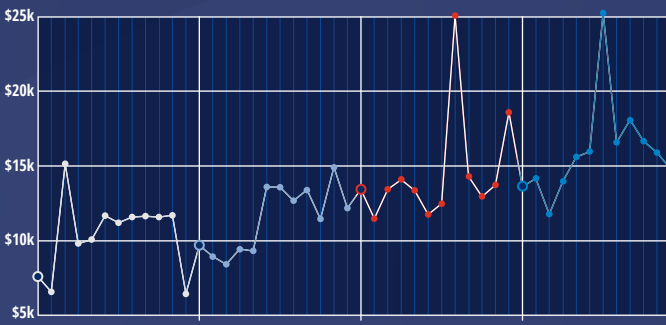


The SLA is continuously working to improve the services, products, and support we provide to our members. Visit www.slacal.com/industry-reports for more detailed reporting in nearly real-time.

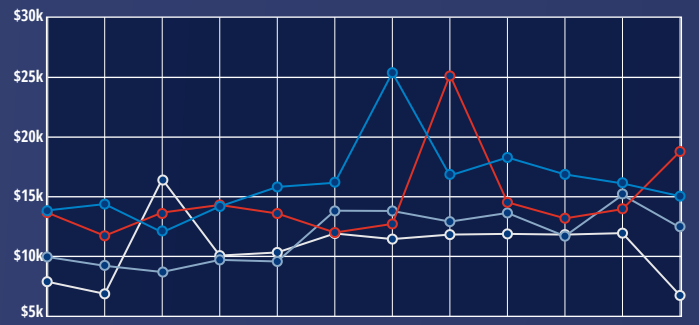
INDUSTRY REPORTS

The California Surplus Lines Market Index is a high-level measure of the relative health of the California Surplus Lines market over time. The Index is the average premium amount per transaction for various periods based on the registered date of the policy/endorsement.

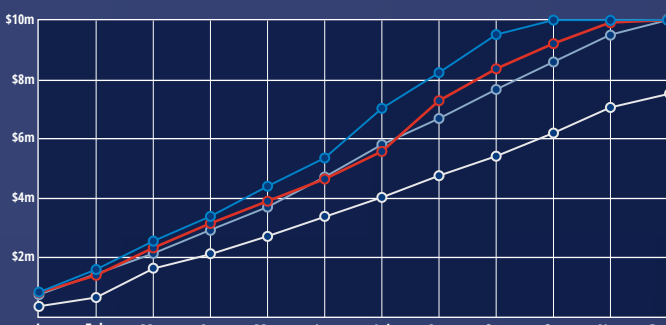
Market Index: Trend by Month



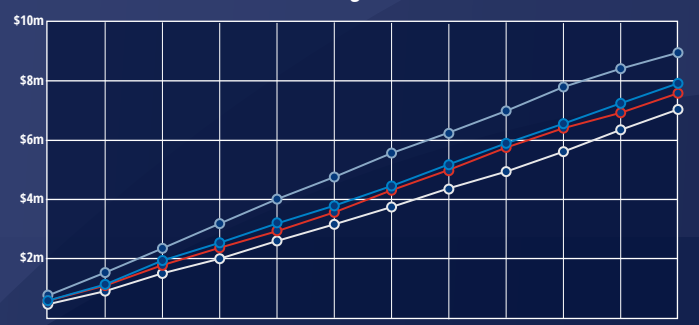
Market Index: Monthly Comparison



Market Index: Running Sum of Premium

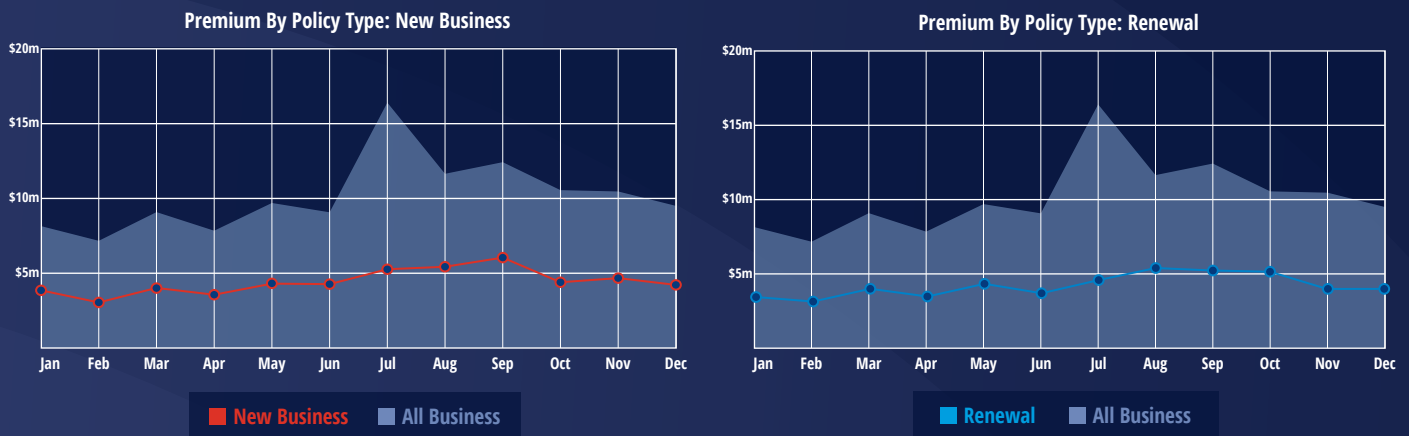


Market Index: Running Sum of Transactions



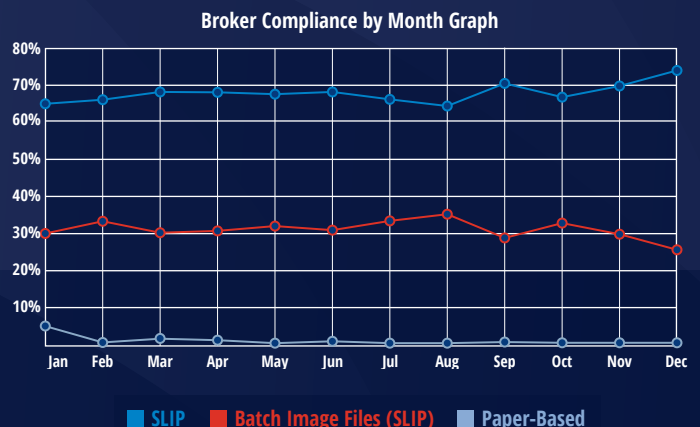
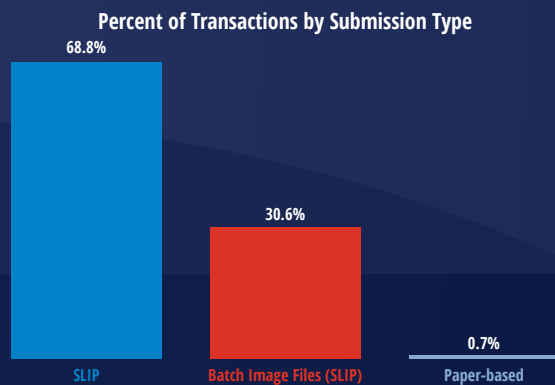
Premium by Policy Type

Reports show the total California premium (including taxable fees), transaction and the % change year-over-year for surplus lines policies registered by the SLA, broken down by new business (left) and renewal (right).



Percent of Transactions by Submission Type and % of Tags Issued for Filing Non-Compliance

Reports show the percentage of transactions per SLIP, batch image files, or paper-based submission format (left), and the percentage of tags issued for filing non-compliance by month per total volume of policies (right).



FY 2021 FINANCIAL

UNAUDITED STATEMENTS OF FINANCIAL POSITION

<i>November 30,</i>	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,140,676	\$ 3,158,935
Stamping fees receivable	4,151,487	2,601,370
Prepaid expenses	330,542	378,165
Total current assets	8,622,705	6,138,470
Investments at fair value	17,037,009	9,234,512
Property and equipment, net	2,173,384	2,404,883
Intangible asset, net (software)	2,865,115	3,139,405
Other assets	228,214	203,804
Total assets	\$ 30,926,427	\$ 21,121,074
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 639,855	\$ 323,201
Accrued liabilities	1,645,747	1,413,324
Total current liabilities	2,285,602	1,736,525
Long-term liabilities:		
Deferred rent	388,933	418,906
Accrued pension benefit liability	-	1,131,048
Accrued post retirement benefit liability	1,336,226	1,336,226
Total liabilities	4,010,760	4,622,705
Commitments		
Net Assets:		
Unrestricted:		
Undesignated	9,878,658	7,263,857
Board designated	17,037,009	9,234,512
Total net assets	26,915,667	16,498,369
Total liabilities and net assets	\$ 30,926,427	\$ 21,121,074



UNAUDITED STATEMENTS OF CASH FLOWS

<i>Fiscal Years Ended November 30,</i>	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 10,417,300	\$ 5,819,926
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,459,694	1,468,088
Gain on disposal of equipment	-	(646)
Unrealized gain on investments	(428,579)	(125,256)
Unrealized gain on pension and post retirement benefits	-	(404,613)
Realized pension termination	(1,131,048)	-
Changes in operating assets and liabilities:		
Stamping fees and other receivable	(1,550,718)	(383,721)
Prepaid expenses and other assets	23,813	(82,462)
Accounts payable and accrued liabilities	519,103	(129,349)
Net cash provided by operating activities	9,309,566	6,161,967
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	11,802,595	3,585,396
Purchase of investments	(19,176,514)	(6,702,140)
Proceeds from sale of property, equipment and software	-	1,695
Purchase of property, equipment and software	(953,906)	(1,166,222)
Net cash used in investing activities	(8,327,825)	(4,281,271)
Cash Flows from Financing Activities:		
Draw on line of credit	900,000	-
Payment on line of credit	(900,000)	-
Payment on note payable to bank	-	(750,000)
Net cash used in financing activities	-	(750,000)
Net Increase in Cash and Cash Equivalents	981,741	1,130,696
Cash and Cash Equivalents, beginning of fiscal year	3,158,935	2,028,239
Cash and Cash Equivalents, end of fiscal year	\$ 4,140,676	\$ 3,158,935
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Property and equipment additions:		
Included in current liabilities	\$ 337,453	\$ 57,531
Interest paid	\$ 1,849	\$ 11,086

TOP 50 BROKERS BY GROUP* Based on processed premium by the SLA

January 2021 through December 2021

RANK	BROKER GROUP	PREMIUM REGISTERED	% TOTAL PREMIUM	TOTAL TRANSACTIONS
1	AON P.L.C.	\$1,786,769,824	14.00%	4,295
2	AMWINS GROUP INC.	\$1,566,402,569	12.27%	84,927
3	R-T SPECIALTY, LLC	\$1,562,277,772	12.24%	66,112
4	CRC	\$1,145,871,645	8.98%	48,559
5	ARTHUR J. GALLAGHER & CO.	\$642,675,999	5.03%	22,559
6	WOODRUFF-SAWYER & CO.	\$375,547,184	2.94%	2,525
7	BROWN & RIDING INSURANCE SERVICES, INC.	\$332,428,891	2.60%	12,977
8	WORLDWIDE FACILITIES, LLC	\$278,821,839	2.18%	16,900
9	ALLIANT INSURANCE SERVICES INC.	\$278,320,753	2.18%	1,943
10	LOCKTON INC.	\$268,395,856	2.10%	9,423
11	WILLIS TOWERS WATSON P.L.C.	\$263,049,661	2.06%	1,758
12	MARSH & MCLENNAN COS. INC.	\$248,742,019	1.95%	1,792
13	NATIONAL TRANSPORTATION ASSOCIATES, INC.	\$235,115,659	1.84%	24,410
14	BURNS & WILCOX	\$227,630,614	1.78%	45,231
15	CROUSE & ASSOCIATES INSURANCE SERVICES	\$210,489,143	1.65%	15,229
16	SOCIUS INSURANCE SERVICES, INC.	\$119,041,183	0.93%	7,590
17	HUB INTERNATIONAL LTD.	\$109,645,810	0.86%	2,075
18	EDGEWOOD PARTNERS INSURANCE CENTER, DBA EPIC INSUR	\$106,423,075	0.83%	1,790
19	WHOLESALE TRADING INSURANCE SVCS (JENCAP HOLDINGS)	\$96,540,077	0.76%	2,037
20	SPECIALTY PROGRAM GROUP	\$84,369,607	0.66%	24,088
21	BROWN & BROWN INC.	\$84,330,059	0.66%	5,534
22	TRACKSURE INSURANCE AGENCY, INC.	\$81,883,985	0.64%	760
23	HULL & COMPANY, INC.	\$80,079,808	0.63%	15,738
24	GORST & COMPASS INSURANCE	\$71,778,800	0.56%	19,339
25	USI INSURANCE SERVICES L.L.C.	\$58,196,444	0.46%	677
26	BASS UNDERWRITERS	\$55,873,598	0.44%	20,205
27	R.E. CHAIX & ASSOCIATES INSURANCE BROKERS, INC.	\$54,888,628	0.43%	14,320
28	RISK SPECIALISTS COMPANIES INSURANCE AGENCY, INC.	\$53,304,589	0.42%	1,406
29	CRC INSURANCE SERVICES, INC.	\$51,480,491	0.40%	14,491
30	COBBS ALLEN CAPITAL, LLC	\$45,451,465	0.36%	180
31	BB&T INSURANCE HOLDINGS INC.	\$42,392,251	0.33%	204
32	ABD INSURANCE & FINANCIAL SERVICES INC.	\$41,259,347	0.32%	256
33	M.J. HALL & CO., INC.	\$39,670,806	0.31%	9,554
34	RSI INSURANCE BROKERS, INC	\$37,768,032	0.30%	2,063
35	EVOLUTION INSURANCE BROKERS, LC	\$37,259,484	0.29%	3,498
36	COASTAL BROKERS INSURANCE SERVICES INC.	\$36,904,115	0.29%	9,020
37	COOPER & MCCLOSKEY, INC. INSURANCE BROKERS	\$34,027,106	0.27%	2,994
38	CSU PRODUCER RESOURCES, INC.	\$33,283,979	0.26%	810
39	NFP	\$30,505,525	0.24%	646
40	USG INSURANCE SERVICES, INC.	\$30,452,564	0.24%	7,166
41	RISK STRATEGIES CO. INC.	\$30,168,087	0.24%	601
42	WESTERN SECURITY SURPLUS INSURANCE BROKERS, INC.	\$29,835,090	0.23%	7,486
43	MCGRIFF, SEIBELS & WILLIAMS, INC.	\$28,572,189	0.22%	206
44	CANON INSURANCE SERVICE	\$27,802,255	0.22%	808
45	CANNGEN INSURANCE SERVICES, LLC	\$27,119,331	0.21%	3,156
46	CIBA INSURANCE SERVICES	\$27,080,152	0.21%	851
47	TOKIO MARINE HOLDINGS, INC.	\$26,321,706	0.21%	4,479
48	PETERSEN INTERNATIONAL UNDERWRITERS	\$26,190,005	0.21%	2,956
49	SCOTTISH AMERICAN INSURANCE	\$25,846,819	0.20%	5,026
50	VENBROOK GROUP LLC	\$24,386,468	0.19%	1,312
Subtotal Top 50		\$11,212,672,357	87.83%	551,962
All Other Brokers		\$1,556,846,922	12.17%	241,663
Grand Total		\$12,769,519,279	100.00%	793,625

* Premium Registered represents the total premium registered (premium and taxable fees) by the SLA for each group member for the entire time period specified. Transactions include zero and non-zero transactions.

TOP CARRIERS BY ULTIMATE PARENT*

Based on processed premium by the SLA
January 2021 through December 2021

ULTIMATE PARENT *	COMPANY	PREMIUM REGISTERED	% OF TOTAL
LLOYD'S	LLOYD'S OF LONDON	\$1,999,208,785	15.72%
LLOYD'S Total		\$1,999,208,785	15.72%
BERKSHIRE HATHAWAY INC.	MOUNT VERNON FIRE INSURANCE COMPANY	\$19,656,913	0.15%
	GENERAL STAR INDEMNITY COMPANY	\$57,180,125	0.45%
	NATIONAL FIRE & MARINE INSURANCE COMPANY	\$846,337,062	6.65%
	OTHER AFFILIATES WITH PREMIUM <\$12M	\$17,294,773	0.14%
BERKSHIRE HATHAWAY INC. Total		\$940,468,873	7.39%
MARKEL CORPORATION	MARKEL INTERNATIONAL INSURANCE COMPANY LIMITED	\$14,416,299	0.11%
	EVANSTON INSURANCE COMPANY	\$282,839,992	2.22%
	UNITED SPECIALTY INSURANCE COMPANY	\$404,658,353	3.18%
	OTHER AFFILIATES WITH PREMIUM <\$12M	\$12,225,016	0.10%
MARKEL CORPORATION Total		\$714,139,660	5.61%
AMERICAN INTERNATIONAL GROUP, INC.	AMERICAN INTERNATIONAL GROUP UK LIMITED	\$13,156,650	0.10%
	WESTERN WORLD INSURANCE COMPANY	\$42,039,948	0.33%
	AIG SPECIALTY INSURANCE COMPANY	\$153,831,123	1.21%
	LEXINGTON INSURANCE COMPANY	\$399,781,222	3.14%
	OTHER AFFILIATES WITH PREMIUM <\$12M	\$257,203	0.00%
AMERICAN INTERNATIONAL GROUP, INC. Total		\$609,066,147	4.79%
NATIONWIDE MUTUAL INSURANCE COMPANY	SCOTTSDALE INSURANCE COMPANY	\$547,975,554	4.31%
	OTHER AFFILIATES WITH PREMIUM <\$12M	\$21,167	0.00%
NATIONWIDE MUTUAL INSURANCE COMPANY Total		\$547,996,721	4.31%
FAIRFAX FINANCIAL HOLDINGS LIMITED	SENECA SPECIALTY INSURANCE COMPANY	\$15,624,321	0.12%
	HILLTOP SPECIALTY INSURANCE COMPANY	\$20,990,996	0.17%
	HUDSON EXCESS INSURANCE COMPANY	\$95,170,657	0.75%
	ALLIED WORLD NATIONAL ASSURANCE COMPANY	\$105,570,230	0.83%
	ALLIED WORLD SURPLUS LINES INSURANCE COMPANY	\$116,062,534	0.91%
	CRUM & FORSTER SPECIALTY INSURANCE COMPANY	\$129,639,267	1.02%
	OTHER AFFILIATES WITH PREMIUM <\$12M	\$9,273,945	0.07%
FAIRFAX FINANCIAL HOLDINGS LIMITED Total		\$492,331,951	3.87%
W. R. BERKLEY CORPORATION	BERKLEY SPECIALTY INSURANCE COMPANY	\$12,005,950	0.09%
	BERKLEY ASSURANCE COMPANY	\$38,086,465	0.30%
	NAUTILUS INSURANCE COMPANY	\$76,643,119	0.60%
	GEMINI INSURANCE COMPANY	\$124,789,529	0.98%
	ADMIRAL INSURANCE COMPANY	\$154,970,636	1.22%
	OTHER AFFILIATES WITH PREMIUM <\$12M	\$27,833	0.00%
W. R. BERKLEY CORPORATION Total		\$406,523,532	3.20%
CHUBB LIMITED	CHUBB EUROPEAN GROUP SE	\$15,970,787	0.13%
	CHUBB CUSTOM INSURANCE COMPANY	\$51,973,594	0.41%
	ILLINOIS UNION INSURANCE COMPANY	\$100,136,287	0.79%
	WESTCHESTER SURPLUS LINES INSURANCE COMPANY	\$181,100,800	1.42%
	OTHER AFFILIATES WITH PREMIUM <\$12M	\$10,913	0.00%
CHUBB LIMITED Total		\$349,192,382	2.75%
PROGRESSIVE CORPORATION	BLUE HILL SPECIALTY INSURANCE COMPANY INC.	\$313,108,438	2.83%
	OTHER AFFILIATES WITH PREMIUM <\$12M	\$110,649	0.00%
PROGRESSIVE CORPORATION Total		\$313,219,087	2.83%
AXA SA	XL CATLIN INSURANCE COMPANY UK LIMITED	\$22,429,710	0.18%
	INDIAN HARBOR INSURANCE COMPANY	\$264,926,431	2.08%
	OTHER AFFILIATES WITH PREMIUM <\$12M	\$1,413,833	0.01%
AXA SA Total		\$288,769,974	2.27%
Ultimate Parents with Premiums <\$250M Grouping		\$6,660,917,110	52.74%
All Other Groups with Premium Processed <\$250M		\$6,042,902,436	46.77%
Premium and Taxable Fees Grand Total		\$12,703,819,546	99.51%
Taxable Fees		\$62,699,733	0.49%
Grand Total		\$12,766,519,279	100.00%

* Premium Registered represents the total premium registered (premium only) by the SLA for each group member for the entire time period specified. Unknown insurers are not included in the premium total. All Lloyd's Syndicates combined under Lloyd's.

SLA LEADERSHIP



BENJAMIN J. MCKAY
CEO &
Executive Director



JOY ERVEN
COO/CCO
& Director



DAVID KODAMA, JR.
Executive Vice President



MICHAEL CATUREGLI
Executive Vice President

IN MEMORIAM

JUDGE HARRY LOW

The SLA was tremendously honored to have Justice Low's counsel for 15 years.

—CEO Benjamin McKay



BARBARA TRUMBLY
VP, Human
Resources



CLISTON BROWN
VP, Public Affairs



GLENN LEUNG
VP, Financial Analysis



JAMES GREENE
VP, Digital
Communications



JO ANN DEL GATTO
VP, Education
& Compliance



JODY BLACK
VP, Data Analysis



VANI GANTI
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TERRI MORAN
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Crouse & Associates
Insurance Services of
Northern California, Inc.



TERRENCE VILLAR
Awmins Insurance
Brokerage of California



TIMOTHY CHAIX
R.E. Chaix
& Associates



GERALD SULLIVAN
GJS Re
EMERITUS



Mission Statement

Our mission is to ensure that a responsive and lawful surplus line insurance market is maintained in California. Our measures of success in this respect are that the consumer is protected, the needs of the regulators are well-served, and unlawful activities are curtailed. Through a professional and committed organization, utilizing state of the art technology and a challenging work environment, we respond to the needs of the California consumer, our membership, and appropriate public agencies. We provide education, processing, evaluation, and dissemination of surplus line data and information to help ensure the financial integrity and stability of the surplus line market.

Vision Statement

The SLA's vision is to be a modern, credible leader in the surplus lines industry. This vision will be achieved through continuous focus on competence, expertise, service, and innovation. In keeping with its prescribed purposes and powers, the SLA will function as an ally to the public, a resource to the industry, an asset to its members, and a great place to work for its employees.



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