Presiding over the SLA Annual Meeting, January 18 and 20, 2000, the Association’s 1999 Chair, Katheryn A. Nelson, reported to the members, “The Surplus Line Association of California processed a record of over $1.5 billion in premiums during 1999.” This strength demonstrates the industry’s ability to respond to a consumer-driven demand for more innovation in products to bring difficult risk under control, she said.

Nelson also stated, “The membership of the Surplus Line Association of California should be proud of the public/private partnership forged with the California Department of Insurance. The SLA has achieved the appropriate balance between its role as an advisory organization to the Department of Insurance and as a member trade association.”

Other business at the Annual Meeting, held in San Francisco January 18 and in Los Angeles January 20, included election of the new Executive Committee. Serving as Chair during 2000 will be Marion A. Perkins of First State Insurance Services. Other officers are Stacey A. Beougher, Vice Chair (IIW Insurance Services of California) and Katie A. Freeman, Secretary/Treasurer (Katie Freeman Insurance Services). Completing the Executive Committee for 2000 are Robert J. Gilbert (General Star Management Company), Horst Lechler (Anderson & Murison), Phillip E. Mazur (Sherwood Insurance Services), Katheryn A. Nelson, 1999 chair (Nelson Gordon & James), Stephanie Reilly (Marsh Risk & Insurance Services), and R. Gray Scott (Trans Cal Associates).

Those present received one hour of continuing education credit for an “Update on Regulatory and Legislative Issues” presented by Dennis Ward, Chief of the Enforcement Division of the Department of Insurance, and SLA general counsel, Jim Woods, managing partner with LeBoeuf, Lamb, Greene & MacRae.
Happy New Year to all of you! We survived the Y2K crisis. No Y2K problems. Two of our employees gave up their New Year’s Day to make sure we were up and running on January 3rd. Thank you to David Koon and Juli Hara.

We closed out December business early due to Y2K testing. We still had an increase over last year. Premiums for the year were $1,524,697,215. This is 25% over 1998. The item count for the year was 234,828 up 16% from last year. The top 100 brokers and 25 insurers for 1999 are listed in the newsletter. Also included is a graph on the top coverages.

A reminder, your Annual Statement and Tax Return are due to the Department of Insurance on March 1st.

This year’s Western States Conference will be hosted by Idaho at the Coeur d’Alene Resort. The dates are July 30 through August 2, 2000.
Employee Profile

Janet Toy, SLA Financial Examiner, was born in the Chinese Year of the Sheep; it is believed that people born under this sign possess wisdom and gentleness. Although Janet is not a serious student of the Chinese horoscope, the consensus among her co-workers is that these traits aptly describe her. “Well grounded and mellow”, “a wealth of knowledge”, and “extremely competent with a wonderful sense of humor”, are some comments from her colleagues. Fellow examiner, Patrice Kwang, describes Janet as easy going, generous, and very helpful; “nothing upsets her; she has a very positive attitude.”

Upon entering her 8th year with the Association, Janet retains her enthusiasm for the job: the ability to work independently, brainstorming with fellow examiners, and the camaraderie of the people she works with. Janet enjoys the challenge of working as an examiner; drawing from her past experience in preparing the annual statutory statements for companies, she now examines them. She particularly relishes working on the alien insurers, learning about European legislation and its relationship to California law.

Janet’s professional career is rooted in the insurance industry. After graduation, Janet joined the Agency Accounting division of the Hartford Insurance Company. After 11 years, her department relocated from San Francisco to Walnut Creek, and being a “city gal” opted to stay in San Francisco and “live a life of leisure.” Her plans were spoiled when a former co-worker submitted Janet’s name for an available position in the accounting department of Rathbone, King and Seeley, Inc. For the next 12 years, Janet juggled responsibilities between the affiliates Rathbone, King and Seeley Insurance brokerage and American Star Insurance Company. Seeking more experience in analytical work, Janet joined the Association’s Financial Dept. after a referral from a former American Star employee.

Janet is a born and bred native of San Francisco. In January, she celebrates her 36th wedding anniversary with another native San Franciscan. She still resides in San Francisco with husband, Jim, and baby, Samantha (Sammi), her 7-year old border collie. Her daughter, Jimiann, lives in San Jose and shares a dental practice in Campbell with husband, Jeff.

Although Janet misses the days as a volunteer patient at her daughter’s dental school, she manages to occupy her spare time with ballroom dancing and attending trade shows, i.e. apparel, gourmet foods, etc. Fellow employees marvel at Janet’s resourcefulness when it comes to another favorite pastime: shopping. “If you’re looking for something, Janet will know where to get it.” Janet has a reputation for picking up gifts for family and friends for any or no reason. The “rumor” circulating around the office is that once a year Janet flies to the East Coast with empty suitcases to fill at her destination, whether it be New York, Boston, etc.

Happily for Janet, this May she will have an additional reason to shop. She is expecting her first grandchild in the upcoming Year of the Dragon.

A guide to scheduled Educational events 2000

FEBRUARY
Tuesday, February 29, 2000
SLA Filing Procedures
#11007 – 2CE Credits
DoubleTree Hotel
222 N. Vineyard Avenue
Ontario, CA 91764

MARCH
Wednesday, March 22, 2000
Environmental Liability
Pending – 2CE Credits
The Pan Pacific Hotel
500 Post Street
San Francisco, CA 94102

Thursday, March 23, 2000
Environmental Liability
Pending – 2CE Credits
Los Angeles Marriott Downtown
333 South Figueroa Street
Los Angeles, CA 90071

APRIL
Tuesday, April 4, 2000
Employers Practice Liability
Pending – 3CE Credits
The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

Thursday, April 6, 2000
Employers Practice Liability
Pending – 3CE Credits
Hilton Universal City & Towers
555 Universal Terrace Parkway
Universal City, CA 91608

MAY
Wednesday, May 24, 2000
Liability Insurance Developments
Donald S. Malecki
Pending – 3CE Credits
Hilton Universal City & Towers
555 Universal Terrace Parkway
Universal City, CA 91608

Thursday, May 25, 2000
Liability Insurance Developments
Donald S. Malecki
Pending – 3CE Credits
The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

Continued on next page
combined US states and territories have enacted, 1) laws with uniform provisions regarding the requirements for producer licensing and which do not limit the licensing of non-residents, or 2) reciprocal laws allowing non-resident agents to be licensed by paying the required fee and submitting proof of licensure from and the application filed with the producer’s state of residence. The National Association of Insurance Commissioners (NAIC) will determine whether or not a majority of the states have satisfied the requirements to avoid the implementation of NARAB but their decision is subject to judicial review.

The NAIC is working diligently to avoid the establishment of NARAB by adopting a model law called the Producer License Model Act. The NAIC model act will call for “reciprocal” licensing. The NAIC has a long-term goal of adopting “uniform” state licensing laws. The NAIC did not originally plan to include surplus line brokers in the Producer License Model Act but that was changed by S 900—which specifically includes surplus line brokers in the definition of “producer”. NARAB will only go into effect if a majority of the states do not adopt the NAIC model law by November 12, 2002.

If allowed to go into effect, NARAB would permit producers to become a member of the Association by showing proof of licensure in any state and by paying an annual membership fee. NARAB members would be automatically entitled to licensure in any state for which they are willing to pay the licensing fee. State agent licensing laws imposing any additional requirements upon NARAB members, except for counter-signature requirements, would be preempted. NARAB’s board of directors would be appointed by the NAIC, and NARAB would report to and be subject to the oversight of the NAIC. NARAB would be a nonprofit corporation organized under the laws of the District of Columbia and would not be an agent or instrumentality of the U.S. Government—much like the National Association of Securities Dealers.

If the NAIC model act is amended to meet California’s needs, the Department of Insurance will follow NAIC’s lead and, within the next three years, adopt a reciprocal licensing law that permits non-residents to do business in California in both the admitted and non-admitted market. Currently, California only allows non-resident surplus line broker licensure for risk purchasing groups.

In its sixth annual study of the U.S. excess and surplus lines industry, A.M. Best reported that the surplus lines industry maintains financial performance and insolvency rates that are on par with the admitted market. According to the report, despite negative perceptions in the past, surplus lines carriers are indeed a viable and successful market segment. The study found that during the five years ending in 1998, U.S. domiciled surplus lines insurers have a good solvency track record as evidenced by:

- The underwriting profitability of the surplus lines market outperformed the industry by 10 points.
- Investment income of surplus lines insurers increased 35% vs. 23% for the total industry.
- Surplus line insurers maintain a higher percentage of assets in fixed income securities, 71.9% vs. 57.1% for the total industry.
- The median A.M. Best’s Rating for surplus line insurers was “A” while the standard market’s median rating was “A-“.
- Surplus lines writers dominating the industry are well-capitalized, multiple-line writers with more disciplined and expertise in underwriting.
- Since 1992, insolvency rates for the total property and casualty industry, including the surplus lines market, have generally stabilized.
- Regulatory oversight has improved and many states (California was first) have increased their capital requirements.
- The number of surplus lines insolvencies in a given year has averaged 1.5 per year for the past 30 years.

The study also found that the surplus lines market continues to be exposed to the increasingly competitive pressures caused by the persistent soft pricing condition of the commercial lines market, commercial lines deregulation, and the alternative market.
**Pointers for Reducing Tags**

- All policies must be received at the SLA within 60 days of placement.

- There are 21 questions in Section 7(b) of the SL-2 form. All questions must be answered completely.

- It is helpful if the following information is included on endorsements: named insured and policy number as it is shown on the policy, policy term, coverage type and security company information.

- The information on the SL-1 should correspond to the information submitted on the policy. Also, the California premium shown (upper right corner) should be the same amount as listed on the coversheet or adding machine tape.

- The original signature SL-1 form should not be submitted to the SLA. The SLA should receive copies only.

- All Lloyd’s placements, effective 1/1/97, must have a syndicate list, which includes the syndicate number for each syndicate and percentage of participation of the risk.

- If filing a document that shows renewal and broker is aware there is no policy for prior year, advise the SLA of the reason: previous policy admitted carrier, not the Broker of Record, new account not a renewal, etc.

- The original signature SL-2 form should not be submitted to the SLA. The SLA should receive copies only.

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**Wyoming Non-Resident Filing of Taxes**

According to a letter received by the Surplus Line Association of Colorado from the Wyoming Department of Insurance (DOI), non-resident surplus line brokers can legitimately file taxes in Wyoming without utilizing a resident surplus line producer. This provision, however, is only applicable to multi-state risks and does not apply to those risks or exposures that are solely in the state of Wyoming. Accommodation filings will not be accepted if the risk is resident, located or to be performed solely in Wyoming. The acceptance of accommodation filings will continue until the end of the 2001 general session of the Wyoming Legislature. If the Wyoming insurance code remains unchanged after the conclusion of the 2001 general session of the Legislature, the Wyoming DOI will continue to enforce the law this way. For further information, call Ted Pierce at (800) 334-0491, Ext. 132.

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**Top Tags Incurred in 1999**

- SL1 with Original Signature: 4%
- No Specific Wording: 4%
- No Record Endorsements: 6%
- SL2 Form Tag: 28%
- SL2 with Original Signature: 2%
- Renewal Has No Other Tag Reason: 7%
- Late Filing: 39%
- Missing Security Info (Including Lloyd’s Synd): 3%
- SL1 Form Tag: 4%
- Renewal Has No Record of Prior Policy: 3%

Visit the SLA of California on the web: [www.sla-cal.org](http://www.sla-cal.org)
Top 100 Brokers by Premium Processed for 1999

| 1. | Western Risk Specialists, Inc | $192,981,320 |
| 2. | Sherwood Insurance | $117,467,985 |
| 3. | Marsh Risk & Insurance Services | $112,991,895 |
| 4. | Aon Risk Services, Inc. | $64,400,830 |
| 5. | Swett & Crawford | $58,106,118 |
| 6. | First State Management Group, Inc. | $45,583,694 |
| 7. | Tri-City Brokerage, Inc. | $39,054,245 |
| 8. | Worldwide Facilities, Inc. | $30,998,912 |
| 9. | Aon Risk Services, Inc. of | $28,683,271 |
| 10. | First State Management Group, Inc. | $25,583,694 |
| 11. | Tri-City Brokerage, Inc. | $20,672,630 |
| 12. | Worldwide Facilities, Inc. | $17,074,607 |
| 13. | Penniall & Associates, Inc. | $16,680,514 |
| 14. | Glendale Specialty Risks Insurance | $16,015,075 |
| 15. | ROKS America, Inc. Insurance | $15,953,633 |
| 16. | Vico Insurance Services, Inc. | $15,405,429 |
| 17. | Gray - Stone & Company | $14,355,950 |
| 18. | Petersen International | $13,414,154 |
| 19. | M.T.S. Insurance Services, LLC | $12,353,242 |
| 22. | Cambridge General Agency | $11,604,379 |
| 23. | Hanley - Marquez - Lefcourt Surplus | $10,944,675 |
| 25. | Canon Insurance Services | $10,902,935 |
| 26. | Crump E & S of San Francisco | $10,547,758 |
| 27. | Stewart Smith East, Inc. | $10,357,152 |
| 28. | SHG Insurance Services, LLC | $10,112,610 |
| 29. | South Carolina Insurance | $9,787,177 |
| 30. | Art Life Insurance, Inc. | $9,700,393 |
| 31. | W. Brown & Associates Property & Casualty | $9,571,562 |
| 32. | Crump E & S of California | $9,250,039 |
| 33. | Aris Insurance Services | $8,987,064 |
| 34. | Aon/Albert G. Ruben Insurance | $8,982,957 |
| 35. | A. J. Renner & Associates, Inc. | $8,672,848 |
| 36. | Crump E & S of California | $8,608,506 |
| 37. | W. K. Cooper & Co. International | $8,448,203 |
| 38. | American Special Risk Insurance | $8,421,550 |
| 39. | Costal Brokers Insurance | $8,129,263 |
| 40. | Professional Practice Insurance | $7,908,160 |
| 41. | Crawley Warren Insurance Services | $7,837,538 |
| 42. | Western Security Surplus Insurance | $7,765,280 |
| 43. | United Network of Insurance | $7,762,677 |
| 44. | Bliss & Glennon, Inc. | $7,632,887 |
| 45. | Sedgwick of California Inc. | $7,582,666 |
| 46. | Amtech Excess & Surplus Insurance | $7,511,035 |
| 47. | Western Re/Managers Insurance | $7,130,380 |
Top 25 Companies by Premium Processed for 1999

1. American Int’l Specialty Lines Ins $170,843,453
2. Lexington Ins. Co. $115,031,111
3. Scottsdale Ins. Co. $89,937,090
4. Pacific Ins. Co. Ltd $61,855,904
5. General Star Indemnity Co. $53,289,607
6. United Capitol Ins. Co. $41,944,639
7. Steadfast Ins. Co. $41,169,189
8. Admiral Ins. Co. $38,792,003
9. Reliance Ins. Co. of Illinois $38,701,959
10. Royal Surplus Lines Ins. Co. $28,308,474
11. Legion Indemnity Co. $27,158,630
12. Gulf Underwriters Ins. Co. $26,798,105
13. Evanston Ins. Co. $26,771,831
15. Clarendon America Ins. Co. $23,427,165
16. Essex Ins. Co. $22,970,661
17. Zurich Specialties (London) Ltd. $22,196,503
18. Lloyd’s of London Synd. #0435 $21,084,322
19. United Nat’l Ins. Co. $19,954,900
20. Columbia Casualty Co. $18,469,578
22. Tudor Ins. Co. $16,706,512
23. Commonwealth Ins. Co. (CAN) $15,943,529
24. Caliber One Indemnity Ins. Co. $14,765,500
25. Lloyd’s of London Synd. #0079 $14,348,652

How to Contact Us

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