The Surplus Line Association of California is now an organization of some 475 surplus line brokerage offices either operating under an individual or corporate surplus line license. The Association maintains a strategic direction through a written three-year plan. Moreover, the California insurance code and a written Plan of Operation direct the functions performed by the Association’s Stamping Office for the Department of Insurance (DOI).

Currently, the List of Eligible Surplus Line Insurers (LESLI) consists of 143 foreign insurers, 42 alien, and 159 Lloyd’s syndicates. Surplus line brokers are welcome to sponsor other eligible non-admitted insurers for addition to the LESLI.

Licensed brokers are also welcome to attend the Association’s educational seminars that provide continuing education credits. Over the past few years the Association has developed an increasing number of educational credits. We try to offer a wide variety of subjects and these seminars are held in a number of geographic locations statewide for maximum accessibility to our members. These programs are provided as a free service to all licensed members and their staffs.

In the first quarter of 2000, the Association has recorded surplus line premium of $372,084,814 which is on par with 1999 filing levels. In the next several months, the SLA will be making improvements intended to ease the surplus line filing requirements for brokers. The SLA will develop a new database to further automate SLA filing procedures and draft streamlined SLA forms for review and approval by the DOI. The high level of surplus line broker compliance with SLA filing procedures is a testament to the successful public-private partnership formed by the SLA’s joint arrangement with the DOI as their advisory organization.

Application Procedure for LESLI Listing, Page 5

Assembly Bill 2251, Dave Cox (R-Fair Oaks)
Internet Sales and Disclosure
This bill was approved by the Assembly Insurance Committee on April 12 and was referred to the Assembly Information Technology Committee. The bill would require any person who is licensed as an insurance agent or broker or who maintains a certificate of authority to transact insurance in this state, and who advertises for the sale of insurance on the Internet, to provide on the internet website specified identifying information, including an insurance license number and address. The bill would also limit internet advertising by nonadmitted carrier web sites by requiring them to be consistent with their limitations in advertising in print and other media as prescribed by Section 703.1.

Assembly Bill 2112, John A. Dutra (D-Fremont)
Limiting Hard Market for Home Builders
This bill was referred to the Assembly House and Community Development Committee and
Continued on Page 4

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Continued on Page 4
Report of the Director of the Stamping Office

Deanna M. Zanoni

The total processed premium for the 1st quarter of 2000 was $372,084,814. This is down .91% from the 1st quarter of 1999. The item count for the 1st quarter is 61,382 premium-bearing items, down .32% from 1999.

We would like to congratulate Mark Uyeda on his new position, Manager of Data Services. The Surplus Line Association has employed Mark since May of 1995. He has his job cut out for him.

We also welcome our new employees: Betty Carey, Financial Dept.; Jeffrey Laughlin, Data Services; Vienna Murray, Receptionist; Arica Roquemore, Data Processing; and Lourdes Tolibas, Data Processing.


The registration forms for the Western States Surplus Line Conference will be in the mail shortly. The conference is July 30th through August 2nd, hosted by Idaho at the Coeur d’Alene Resort... Mark your 2001 calendars, the SLA Annual Meeting will be held January 16, 2001 in San Francisco and January 18, 2001 in Los Angeles.
It's called “dogged determination” once Data Analyst Joanna Short makes up her mind to get a job done. Whether it's getting up at 5 a.m. every weekday morning to walk her two dogs or setting a personal goal for surpassing the job's required minimum quota, the challenge is always met.

Persistence and hard work are Joanna’s trademarks, as exemplified by her quick rise in the ranks in past and present employment. She was promoted from dishwasher to chef at a restaurant, and entry-level clerk to paralegal aide to legal librarian at a S.F. law firm.

Joanna began her employment at the SLA in 1992 as a general office clerk. Within a month, she was transferred to the Data Processing file room to organize the incoming mail and policy records. Joanna quickly implemented changes. She organized a new record keeping system filing batches by broker name, and reduced the two-month backlog for incoming mail to two days. Joanna helped create the Association’s current batch and tag boxing system in the AS400 database, and the batch tracking system in Microsoft Access. As a result, three staff members now achieve the end of month balancing in two days that used to take the entire D.P. staff several days to accomplish.

In 1996, Joanna was promoted to her current position of Data Analyst, where she continues to exceed in the goals set forth by herself and the Association. She has consistently exceeded the minimum daily quotas set by the D.P. Department in productivity and quality review. Joanna views the Department as a team; her philosophy is if each player performs at his/her potential, the job becomes easier and the team works better and more efficiently.

Joanna is a native Californian, with past residencies in New York and Arizona. She moved to the City to attend San Francisco State University and instantly fell in love with San Francisco. Joanna enjoys the atmosphere at the SLA; she likes to work independently and she feels the Association has allowed her to achieve her career goals.

A Guide to Scheduled Educational Events 2000

May
Wednesday, May 24, 2000
Liability Insurance Developments
Donald S. Malecki
3 CE Credits #80084
Hilton Universal City & Towers
555 Universal Terrace Parkway
Universal City, CA 91608

Thursday, May 25, 2000
Liability Insurance Developments
Donald S. Malecki
3 CE Credits #80084
The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

July
Western States Surplus Line Conference
Coeur d' Alene, Idaho
July 31, 2000

September
Tuesday, Sept. 26, 2000
Financial Fraud
2 CE Credits
Los Angeles Marriott Downtown
33 South Figueroa Street
Los Angeles, CA 90071

Wednesday, Sept. 27, 2000
Financial Fraud
2 CE Credits
The Fairmont Hotel
950 Mason Street
San Francisco, CA 94108

Continued on next page
the Judiciary Committee. The bill would express the Legislature’s findings and declarations relating to a lack of construction of multifamily housing, including condominiums and townhouses, due to defect litigation, and that there is a substantial need for a highly effective state-sanctioned 10-year new home warranty program to provide both a process for resolving claims and a mechanism to ensure quality design and construction.

**Senate Constitutional Amendment No. 19, Jackie Speier (D-Hillsborough)**

Constitutional Amendment to Create an Appointed Insurance Commissioner

This constitutional amendment would allow the Insurance Commissioner to be appointed by the Governor with consent of the Senate, and then hold office for a term of four years, coexistent with the term of office of the Governor. The measure would prohibit an Insurance Commissioner from serving in that office for more than 2 terms. The measure requires a 2/3-majority vote of the Senate.
APPLICATION FOR LESLI LISTING
(List of Eligible Surplus Line Insurers)

Company

Application
Company sends letter of intent along with the CIC § 1765.1 required documents and $4,500 fee to the California DOI* through a California-licensed surplus line broker (a.k.a. company’s contact broker)

California DOI
Determines if new applicant’s filing is substantially in compliance with CIC § 1765.1 requirements*

Does information filed meet the minimum requirements under CIC CIC § 1765.1?

NO

The California DOI and the SLA* review, analyze, and evaluate the information filed by the company to determine its suitability to become an eligible surplus line insurer in California (LESLI-listed)

YES

The California DOI notifies the original sender, in writing, of the reasons the filing was rejected

LESLI Status Approval
Company is granted LESLI status if it meets, among other things, the asset quality standards and the capital & surplus requirement of CIC § 1765.1

Maintaining LESLI Status
Company must be in full compliance with CIC § 1765.1 requirements at all times, and submit annual renewal and update filings of required documents and fees

Filing & Eligibility Requirements

- $15 million in capital & surplus and in acceptable assets
- $5.4 million U.S. trust account (required for alien insurers only)
- Operational history of at least 3 years (or request an exemption)
- An established financial stability, reputation, and integrity for the classes of business it intends to write
- A license to issue insurance to residents of the jurisdiction that granted the license
- Information filed must be complete, clear, comprehensible, unambiguous, accurate, consistent, and in English
- Financial documents must be certified and certain other documents must be verified
- Filing must be submitted in quadruplicate to the California DOI

* California Department of Insurance
° Surplus Line Association of California

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On August 5, 1999, California Insurance Commissioner Chuck Quackenbush issued an initial Notice of Proposed Action and Notice of Public Hearing advising that he would be considering the adoption of broker fee regulations in Title 10 of the California Code of Regulations. The public hearing was held on October 26, 1999, and written comments from the public were received.

Based on the oral and written comments received by the Commissioner following the initial Notice of Proposed Action, the Commissioner made amendments to the proposed regulations. Consequently, the Commissioner has determined that he will hold another public hearing and public comment period. The new hearing will occur on June 6, 2000 in San Francisco at 45 Fremont Street.

The proposed regulations define “broker fee,” and list the requirements that a fire & casualty broker-agent will have to satisfy before charging a broker fee on personal automobile and homeowners insurance. The regulations also identify unfair and deceptive acts in the charging of a broker fee, and recite the discipline that may be imposed for a violation of the regulations.

Proposed section 2189.1(b) exempts wholesale intermediaries from several subdivisions of the regulations when, in a particular transaction, the wholesale intermediary did not negotiate directly with the consumer, provided that the wholesale intermediary discloses its fees in writing to the retail broker-agent. Proposed section 2189.2(d) defines “wholesale intermediary” to mean a broker-agent that negotiates an insurance contract with a retail broker-agent, but not with a consumer. Proposed section 2189.5(a) provides that it shall be deemed unfair or deceptive for a broker who has charged or will charge a broker fee to fail to provide the consumer with the standard broker fee disclosure established by this regulation in section 2189.3(d).