



The Surplus Line
Association of
California
Annual Meeting 2009

Roll Call and Opening Remarks

Warren Stanley
Chairman

The Surplus Line Association of
California

Head Table

- Warren Stanley- Wholesale Connection Ins. Svc.
Executive Committee Chairman
- Les Ross – Crump Insurance Services, inc.
Secretary/Treasurer
- Jim Woods– Dewey & LeBoeuf
- Ted Pierce – The SLA Executive Director
- Joy Erven -The SLA Director, Stamping Office

Reading of the Resolution

Antitrust Admonition

Les Ross

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

- (1) fixing or stabilizing premiums or producer compensation,**
- (2) engaging in "bid-rigging" or false quotes for insurance,**
- (3) engaging in potential anti-competitive conduct or activities that could adversely affect the cost, quality, or availability of insurance products or services, or**
- (4) 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.**

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Minutes Agenda From Previous Annual Meeting

1. Registration 10:00 a.m. to 10:30 a.m.
2. Roll Call 10:30 a.m.
3. Minutes of previous meeting
4. Report from the Chairman
5. Report from the Secretary-Treasurer
6. Report from the Executive Director
7. Report from the Director of the Stamping Office
8. Election of Officers and Executive Committee
9. Report of the General Counsel

Report of the Chairman

Warren Stanley

Secretary- Treasurer's Report
Fiscal Year Ending November 30,
2008

Les Ross

SLA Secretary/Treasurer

**SECRETARY-TREASURER'S REPORT
FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2008**

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, 2008 was \$ 7,546,854. Interest income was \$ 399,318 for the year. The total income including unrealized gains/losses on investments was \$ 7,946,172. Expenses totaled \$8,826,092 for the year.

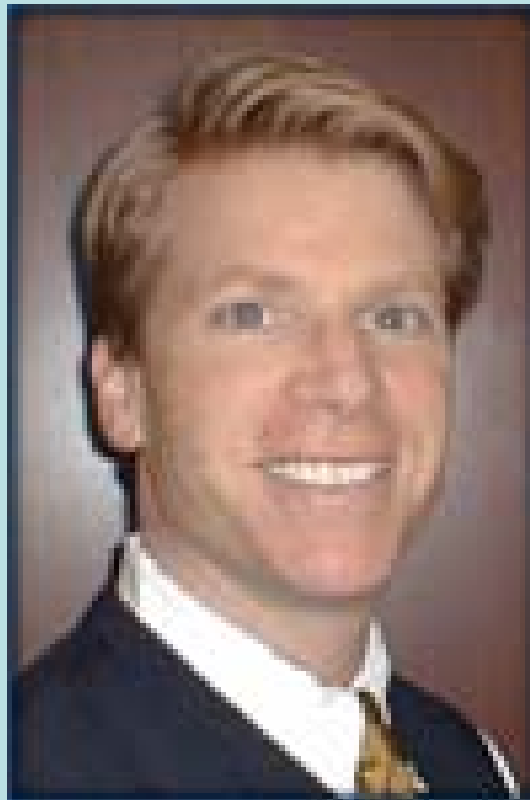
As of November 30, 2008 the net asset balance is \$12,309,800. On July 8th, 2004 the Executive Committee authorized the SLA to maintain three months worth of average expenditures as an operating fund – plus \$500,000 for a litigation fund and six months average expenditures as a contingency fund. The 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.

The stamping fee was .125% for the 2008 fiscal year. The stamping fee has been raised to .225%, effective January 1, 2009.

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 Executive Director

Ted Pierce



SLA Internal Operations

SLA Information Technology Department working on Electronic Filing

Broker Extranet accessed through www.slacal.org

- Reply/print tag with attachment
- View/print Invoices
- View/print Filing History
- Upload/file XML data batches
- Upload/file Image batches

7 hard working individuals in SLA IT and 33 Indian programmers
current rewriting SLA systems

Visit: support@slacal.org to start e-filing

- **Data Processing**

- Getting ready to test new screens- Data Processing has 30 hard working data analysts who analyze your SL-1 and SL-2s and your declaration page, certificate, cover note, or binder.

- **Financial**

- Readyng a plan to go electronic. The SLA Financial Department has 16 financial analysts who assist the California Department of Insurance (CDI) in evaluating and monitoring the financial condition of insurers who are eligible to operate in California on a surplus lines basis.

- **Education**

- In the area of education, the SLA has continued to provide substantive, well attended seminars for continuing education credits.

- In 2008, we issued 24 bulletins. The 5 most important of which were (briefly) as follows;
 - Bulletin 1157 – the Revised Export List – Reissued 1/22/09 with Bulletin. 1174
 - Bulletin 1159 to announced in the SLB licensing fee changes and who must be licensed
 - Bulletin 1163, to change the stamping fee from .125% to .225% effective 1/1/09.
 - Bulletin 1164, distinction between agent and broker-- and new broker fee disclosure rules
 - Bulletin 1165, waiver of penalty for non-timely payments of SL premium taxes

SLIMPACT

- Please know, the SLA is seeking a state-based solution to one of the issues being addressed by Congress the last four years—which is the multi-state surplus line premium tax allocation issue. The federal legislation actually called for the establishment of a Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT). The compact has been drafted by industry representatives with the intention of facilitating the payment, collection, and distribution of the multi-state surplus line insurance premium taxes among the states.

- The 2008 A.M. Best Special Report on Surplus Lines (sponsored by the NAPSLO Foundation) was released on August 25, 2008. The report notes that in the last four years (2004 – 2007) surplus lines recorded no financial impairments, compared to four impairments in the admitted market. The top three surplus line groups remain the same: AIG, Lloyd's, Zurich. In 2007, surplus lines out performed the admitted market in underwriting and operating performance but the soft market is expected to bring loss of market share. In 2006, after tax profitability from underwriting and investment went from a prior 15.05% to 12.4%. Net premiums decreased by 8.7% in 2007. The report also notes that merger and acquisition activity among both carriers and brokerages have been high through mid 2008 and will continue.

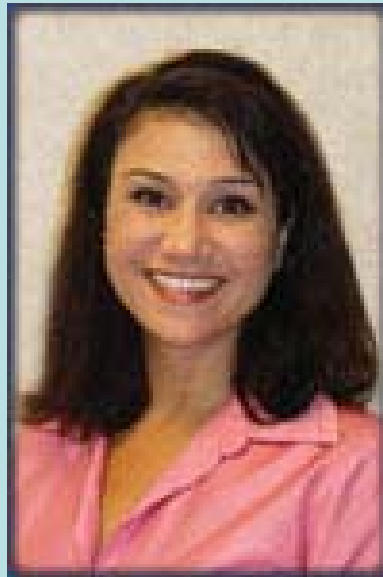
The Future

- The CDI announced last week that beginning July 1, 2009, all licenses issued by the department's Producer Licensing Bureau will no longer be printed or mailed. License renewals will be sent by email only. Brokers will download their license to a PDF document via CDI email notice. The CDI warns that it is essential that the CDI has accurate email addresses for every licensee. Brokers can update their email address for the CDI at:

<https://interactive.web.insurance.ca.gov/flrs/addressChange/Welcome.jsp>

Report of the
Director, Stamping Office

Joy Erven



The Surplus Line Association

Commitment to Excellence

- Fiscally Responsible
- Oversight by Committee and Accountants
- Transparency

2008 End of Year Statistics

- Filed Premium- \$ 5,863,959,000
- Item count- 466,397

Members of the Association

CA Corporate:	619
CA Individual:	2003
Non Resident Corporate:	342
Non Resident Individual:	<u>988</u>
Total CA	2,622
Total Non Resident	<u>1,330</u>
Total in Membership:	3,952

The states with the largest number of non resident California Surplus Line Brokers are as follows:

Texas: 191 non resident brokers

Illinois: 138 non resident brokers

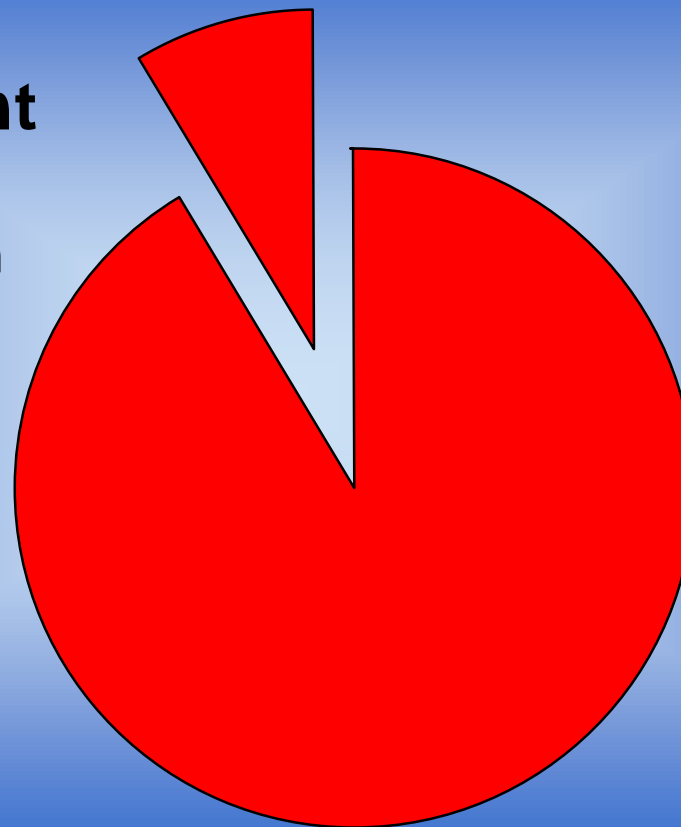
New York: 122 non resident brokers

Georgia: 85 non resident brokers

New Jersey: 75 non resident brokers

Percentage of Business Written Resident vs. Non resident

**Non
Resident
Filed
Premium
8%**



**Resident
Filed
Premium
92%**

Top 10 Surplus Line Insurers in California

Based on Premium Processed by the SLA for 2008

RANK	Insurer	Premium Processed
1	LEXINGTON INSURANCE COMPANY	\$1,019,247,520
2	LLOYD'S UNDERWRITERS	847,358,040
3	AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY	304,283,982
4	STEADFAST INSURANCE COMPANY	252,300,833
5	SCOTTSDALE INSURANCE COMPANY	144,650,674
6	LANDMARK AMERICAN INSURANCE COMPANY	123,734,737
7	ADMIRAL INSURANCE COMPANY	122,582,964
8	ILLINOIS UNION INSURANCE COMPANY	118,804,018
9	EMPIRE INDEMNITY INSURANCE COMPANY	118,133,603
10	EVANSTON INSURANCE COMPANY	107,565,280

Largest Writers of Surplus Lines Coverage by Company Type

COMPANY TYPE	(\$ in thousands)		%	% of TOTAL
	12/31/2008	12/31/2007	GROWTH	12/31/2008
LESLI LISTED COMPANIES				
Foreign Insurers	\$4,499,154	\$4,766,407	-5.61%	78.61%
Lloyd's Syndicates	847,358	856,754	-1.10%	14.80%
Alien Insurers	232,401	191,250	21.52%	4.06%
SUBTOTAL	\$5,578,914	\$5,814,412	-4.05%	97.47%

Top Coverage's for 2008

- General Liability
- Errors and Omissions
- Commercial DIC/Stand Alone Earthquake
- All Risk Commercial Property
- Special Multi-Peril Package

Largest Filing Brokers

- Aon Risk Services of So. California
- Western Risk Specialists, Inc.
- Marsh USA
- Swett & Crawford
- Amwins Insurance Brokerage of California, LLC
- Aon Risk Insurance Services West, Inc.
- Bliss and Glennon Inc.
- Lockton Companies, LLC
- Risk Placement Services Insurance Brokers
- Anthony Joseph Hart

State Taxes

- State Taxes are due March 1, 2009
- Forms are available on the CDI or SLA website
- There is a new form for zero premium filers.

Western States 2009

Hosted by Surplus Line Association of Idaho

Location: Sun Valley, Idaho

Dates: July 19-21, 2009



Legal Update

Jim Woods

Dewey & LeBoeuf LLP

Nominating Committee Slate

Warren Stanley

Chairman

**The Surplus Line Association of
California**

Election of Officers 2009



Mr. John Edack- Arch Specialty
SLA Chairman



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



Mr. Patrick Hanley- Socius Insurance
SLA Secretary/Treasurer

Executive Committee Slate 2009

Mr. Gerald J. Sullivan

Gerald J. Sullivan & Associates,
Inc.

Mr. Davis Moore

Worldwide Facilities, Inc.

Mr. Chris Brown

Brown & Riding Insurance Brokers

Mr. Frank Cravens

M. J. Hall & Company, Inc.

Ms. Pam Quilici

Crouse & Associates

Mr. Kris Bauer

AmWINS Insurance

Mr. Phil Mazur

Swett & Crawford

Mr. Patrick Hanley

Socius Insurance Services,
Inc.

Ms. Doris Barnett

Colemont Insurance Brokers

Ms. Anne McNally

ABD Insurance and Financial
Services

Appointment of Judge Harry Low As Mediator



The executive committee approved the re appointment of Judge Harry Low as Mediator. In accordance with the Constitution, this nomination is now submitted for the membership's approval.

Lutine Bell Presentation



Warren Stanley receives
Lutine Bell in recognition
of his tenure as
The Surplus Line Association
Chairman

Adjournment

Please proceed to foyer
for
Refreshments
and
Rodeo Ballroom for lunch