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Board of Directors 1998-99

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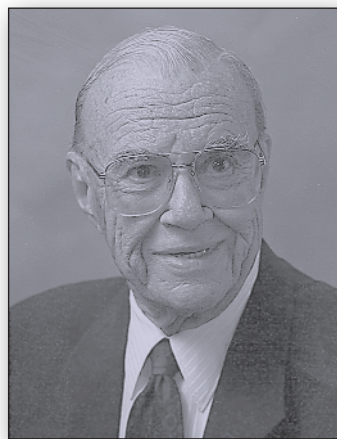
WILLIAM DANA ROEHRIG
Chairman Emeritus



**ANNUAL
REPORT**
1998



Chairman's Message



The idea of a surplus lines "stamping" office is not new. Florida is the 15th state to establish a self-regulating organization to promote access to the surplus lines market. However, this is only the first chapter in a wonderful story that will last far beyond 1998.

The industry and the legislature have begun a new book whose plot and characters are just now beginning to take shape. We have established a partnership between the industry and regulators which is a proven method of facilitating compliance, monitoring the marketplace, and protecting state revenues. Through this arrangement

consumers, regulators and agents receive a high degree of assurance that business is conducted in a manner consistent with established regulatory standards.

The Florida Surplus Lines Service Office (FSLSO) has created and will maintain a data base that provides a window for regulators and others to understand the classes and volume of business being placed. This information can be used to assure the market is provided the freedom needed to respond to the unmet needs of the insurance customer while promoting policyholder protection.

Unlike similar offices in other states, FSLSO will be performing a "paperless" review of all surplus lines placements. The costs and delays associated with printing, mailing, storing and inputting hundreds of thousands of policies are avoided by using state-of-the-art technology and a proprietary software program.

We are fortunate to have as our Executive Director, Gary Pullen. Gary has a focused and knowledgeable understanding of the short and long term goals of our organization. He has taken us from zero to a functioning operation in a matter of months. As our story becomes more widely known, I am confident that the valuable services we provide will enhance and promote the Surplus Lines insurance market in Florida.

As the millennium approaches, FSLSO is poised to begin the next century with one goal: that of remaining committed to serving its members and the greater good of the industry.

I look forward to a long and prosperous story for FSLSO.

W. Dana Roehrig, FSLSO's first Chairman, was honored by Florida Insurance Commissioner Bill Nelson as FSLSO Chairman Emeritus.

TOP TEN INSURERS

INSURER	PREMIUM VOLUME
LLOYD'S OF LONDON	\$25,157,480
LEXINGTON INSURANCE COMPANY	\$13,945,222
SCOTTSDALE INSURANCE COMPANY	\$10,417,222
GENERAL STAR INDEMNITY COMPANY	\$ 8,017,960
UNITED NATIONAL INSURANCE COMPANY	\$ 7,312,057
ACCEPTANCE INSURANCE COMPANY	\$ 7,131,503
USF&G SPECIALTY INSURANCE COMPANY	\$ 7,062,715
EMPIRE INDEMNITY INSURANCE COMPANY	\$ 5,801,557
ROYAL SURPLUS LINES INSURANCE COMPANY	\$ 4,931,458
PACIFIC INSURANCE COMPANY, LIMITED	\$ 4,700,315
Totals	\$94,477,489*

These ten insurers wrote 65.8% of the premium volume during the 1998 reporting period

TOP TEN COVERAGES

COVERAGE	PREMIUM VOLUME
COMMERCIAL PROPERTY	\$37,591,886
COMMERCIAL PACKAGE	\$29,879,030
COMMERCIAL GENERAL LIABILITY	\$24,507,248
HOMEOWNERS, HO-3	\$21,009,485
DWELLING PROPERTY	\$ 7,074,348
EXCESS COMMERCIAL LIABILITY	\$ 2,420,274
MISCELLANEOUS E&O LIABILITY	\$ 2,126,470
COMMERCIAL UMBRELLA	\$ 2,113,292
EMPLOYMENT PRACTICES LIABILITY	\$ 2,074,296
HOSPITAL PROFESSIONAL LIABILITY	\$ 1,968,971
TOTALS	\$130,765,300*

These coverages represent 91% of the total reported premium volume for the 1998 reporting period. All other coverages equaled \$12,914,293 for a grand total of \$143,679,593.

* Fourth Quarter '98 only.

An Introduction of Our Staff



GARY PULLEN
Executive Director

Gary supervises and oversees all functions of the service office and assists the FLSLO Board of Governors. He provides guidance and direction to the service office and its members. Contact Gary at ext 15 or E-Mail: gpullen@fslso.com.



CAROLYN DANIELS
Assistant Director

Carolyn oversees the Insurance Analysts and the Data Automation Specialists. She trains and educates agents on statutory, service office, and filing procedures and assists in developing the service office policies and procedures. Contact Carolyn at ext 13 or E-Mail: cdaniels@fslso.com.



MARK SHEALY
Chief Financial Officer

Mark keeps watch over the accounting and billing functions of the office and assists in the development of accounting and network/database procedures. He coordinates the development of the Surplus Lines Advisor, our website and network activities. Contact Mark at ext 14 or E-Mail: mshealy@fslso.com.



JIM DAY
Database/Network Administrator

Jim maintains the network components and oversees the backup procedures of the database and recommends and tests new hardware and software for FLSLO. Contact Jim at ext 18 or E-Mail: jday@fslso.com.



KRISTEN DEVITTO
Executive Assistant

Kristen handles human resource responsibilities. She also provides support to the executive and management staff and oversees facilities operations. Contact Kristen at ext 16 or E-Mail: kdevitto@fslso.com.



CATHY DURRANCE
Accounting Systems Specialist

Cathy generates invoices from the Management System and assists agents with billing questions. She also tracks payables in our accounting system. Contact Cathy at ext 17 or E-Mail: cdurrance@fslso.com.



JAMES FARMER
Software Specialist/Webmaster

James maintains the FLSLO website at www.fslso.com and assists agents and insurers by answering software support questions and electronic filing format inquiries. He also assists the network administrator with FLSLO's IS/IT maintenance. Contact James at ext 31 or E-Mail: jfarmer@fslso.com.



ERIC GIPSON
Office Automation Specialist

Eric downloads diskettes into the Management System; communicates with agents about incomplete submissions, invoices, and monthly transaction reports; and maintains the database on licensed surplus lines agents and eligible lines insurers. Eric generates the FLSLO Advisor newsletter. Contact Eric at ext 28 or E-Mail: egipson@fslso.com.



FELICIA HARRIS
Office Automation Specialist

Felicia downloads diskettes into the Management System; communicates with agents about incomplete submissions; handles invoices and monthly transaction reports; and maintains our database on licensed surplus lines agents and eligible lines insurers. Contact Felicia at ext 27 or E-Mail: fharris@fslso.com.



JASON HAYNIE
Production Clerk

Jason coordinates mailroom functions, assists with office operations and provides support to the database backup and electronic submission functions. Contact Jason at ext 30 or E-Mail: jhaynie@fslso.com.



MATT WESTER
Insurance Analyst

Matt assists agents, insurers and consumers with statutory compliance procedures. He assists surplus lines agents with filing and other procedural questions. Contact Matt at ext 25 or E-Mail: mwester@fslso.com.

Mailing Address: P.O. Box 10968 • Tallahassee FL 32302
Physical Address: 114 S. Duval Street • Tallahassee FL 32301
1-800-562-4496 • (850) 224-7676 • Fax (850) 513-9624

Executive Director's Message



What a year it's been! The Florida Surplus Lines Service Office (FSLSO) celebrated its first year of operation at the conclusion of 1998. During this first year, we saw great rewards and conquered many challenges.

When the Dana Roehrig Act became effective on October 1, 1997, a statutorily mandated FLSLO was created as a non-profit association of all Florida surplus lines agents. This meant that a complete start-up operation had to be put into place in a very short period of time to begin effectively serving Florida's agents and consumers.

We developed a business plan. Our plan of operation was finalized and submitted to the Department of Insurance for approval. Paperwork took on a life of its own as we negotiated a myriad of government forms: occupational license, tax exemptions, trademark registration and licenses. A temporary office was soon replaced with a permanent office location that had to be staffed, renovated, equipped, furnished, and wired for technological excellence. Everything from specialty software and website development to employee benefits and user security was on the drawing board.

A team effort pushed us forward as we held an Open House on December 2, 1998. Special guests, industry professionals, staff and the Board of Governors celebrated. That celebration honored only the beginning. There's much more to come for Florida's surplus lines agents and their customers. As we approach the millennium, FLSLO is committed to the marketplace we serve.

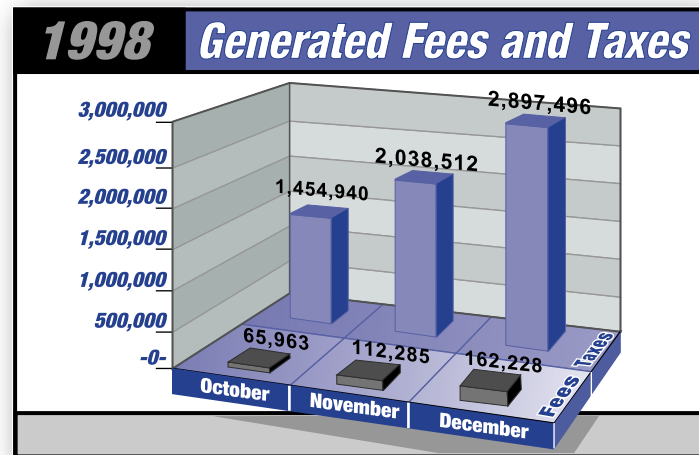
I see our role as the helping hand...to offer advice, protection, education, assistance and information. FLSLO will continue to help promote access to the surplus lines market, enhance the types of insurance products available, and increase overall tax collections.

FLSLO is about helping -- helping Florida's citizens and Surplus Lines community. Let's go forward in 1999 and continue construction on our already solid foundation. FLSLO stands ready for the challenge.

Gary D. Pullen

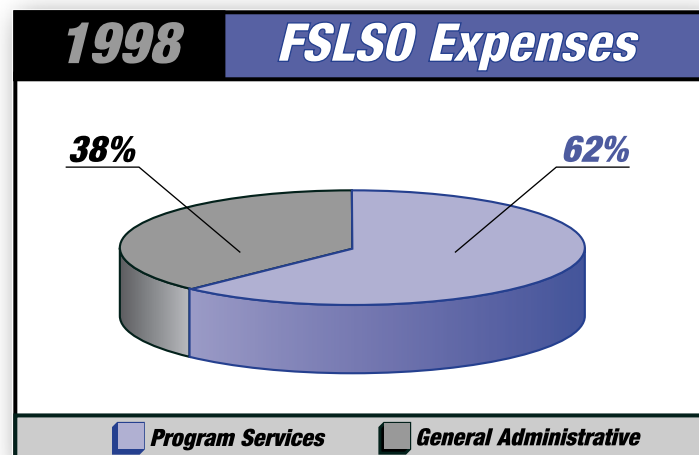
Finance

The 1998 year of operation saw FLSLO begin as a legislative act and become a living organization. As with any "start-up" operation there are many hurdles to overcome before operating income can be generated. The following represents what was accomplished with respect to fees and taxes during 1998.



FLSLO invoiced \$6,390,948 in taxes for the State of Florida in the last quarter of 1998.

Another hurdle for FLSLO is the ability to provide services from limited resources. During its first year of operation, FLSLO had program service costs, which benefited agents and consumers in the amount of \$358,617 or 62% of all expenses. Support service costs, i.e., staff, overhead and all other costs, amounted to \$215,575, or 38% of all expenses.



The annual independent audit of the FLSLO's books and records are available at the FLSLO office for members to review.



Elsie Crowell, Matt Sirmans, Bob Erickson, Bill Rambo, Mike Riordan, Dan O'Leary, Ed Wojchick



Roger Gobler, Tom Lynch, Gary Pullen, Dan O'Leary

Open House

FSLSO's open house honored more than just our new facility; it provided the opportunity to present a Distinguished Service Award to W. Dana Roehrig, our Chairman Emeritus. The prestigious award, presented by Dan Sumner, General Counsel for the Department of Insurance and Gary Pullen, FSLSO Executive Director, proved the evening's highlight.

An afternoon board meeting was followed by a reception and the official unveiling of our new offices for those in the Excess and Surplus Lines insurance community.

Festivities on December 2, 1998, also included a recap of FSLSO's accomplishments through year's end, an overview of future plans for the new organization and the introduction of staff to more than 100 attendees. Visitors represented agents, insurers, contractors, bankers, accountants, lawyers, salespersons and our own Board of Governors.



Dana Roehrig and Dan Sumner



Marty Roehrig, Dana Roehrig, Gary Pullen, Dan Sumner, Bill Rambo

Achievements

Our first year has proven to be an exciting and challenging period in the life of the Florida Surplus Lines Service Office. 1998 will be the year upon which all future years will be measured.

During this inaugural year the following things were accomplished:

- Secured start-up capital and opened permanent office in Tallahassee.
- Designed and developed, in partnership with Infinity Software Development, Inc., proprietary software for use by agents, insurers, and claims adjusters.
- Created FSLSO Web Site to provide information, publications, and software updates over the Internet.
- Completed design of the FSLSO logo and secured a trademark registration.
- Designed and implemented a state-of-the-art computer network and information management system to receive and process policy information.
- Established and implemented procedures for the payment and collection of service fees and taxes.
- Developed a staffing plan and recruited the personnel necessary to perform the business of the FSLSO.
- Conducted a televised training seminar for agents and agency personnel.
- Published an Agent's Procedure Manual explaining Florida's surplus lines law and the FSLSO reporting software and procedures.

These accomplishments are not the result of a single person, but are the combined efforts of FSLSO staff working with our Board and Committees.

The following were instrumental in our initial success through their leadership as Committee Chairs:

- Dan O'Leary - Automation Committee
- Ed Wojchick - Public Relations Committee
- Matt Sirmans - Compensation Committee
- David Holcombe - Audit Committee

In a nutshell, 1998 saw all the components of our start-up business plan come together to become FSLSO. We ended 1998 with a full head of steam driving us toward 1999. FSLSO arrives at an historic juncture of our time with nothing but a bright future before us. We can watch the arrival of the new millennium with the certain knowledge that our march through this new age will be a successful one.

FSLSO Mission

Protect consumers seeking insurance in this state,

Permit surplus lines insurance to be placed with approved surplus lines insurers,

Establish a self-regulating organization that will promote and permit orderly access to surplus lines insurance in Florida,

Enhance the number and types of insurance products available to consumers in Florida,

Provide a source of advice and counsel for the benefit of consumers, surplus lines agents, insurers and government agencies concerning the operation of the surplus lines insurance market, and

Protect the revenues of the state.

System Overview

SUBMISSION

Agents, claims adjusters, and insurers can submit their information to **FSLSO** in one of two ways:

Diskette



Through the Internet Data Transfer Protocol



RESPONSE

FSLSO's Management System responds to the submission in one of three ways, depending on the capability of the submitter:



E-mail



Fax

Response Printed and Mailed



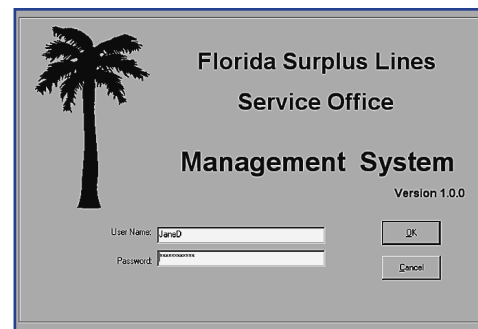
FLORIDA DEPARTMENT OF INSURANCE



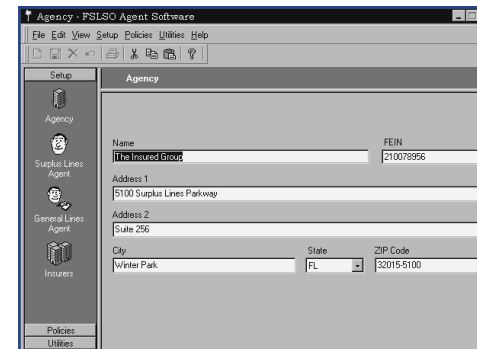
- Receives regulatory information from FSLSO.
- Receives management reports from the Management System.

MANAGEMENT SYSTEM

- Receives information submitted by agents, claims adjusters, and insurers.
- Analyzes this data, creates reports based on the data, and accepts or rejects the submission.
- Sends a response back to the submitting agent, claims adjuster, or insurer.
- Produces financial information for transfer to FSLSO accounting software for the production of invoices.



AGENT SOFTWARE



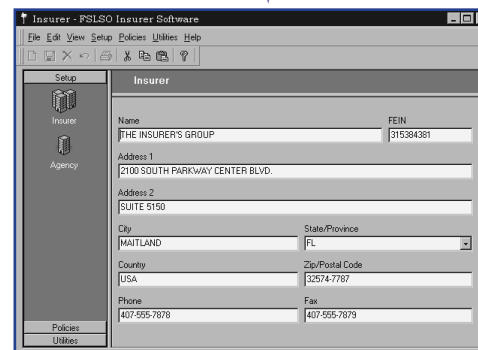
- Collects and submits policy transaction information to FSLSO.
- Acceptance or rejection of policy transactions transmitted back to agent.

FSLSO WEB SITE



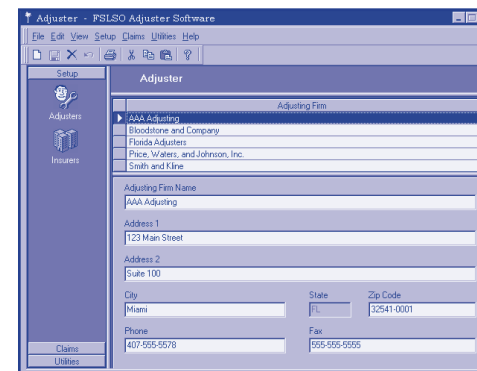
- Provides software and user manuals for download by agents, claims adjusters, and insurers.
- Allows easy access to updated surplus lines information, document/publication downloads, statutory information, and continuing education information.

INSURER SOFTWARE



- Insurers submit surplus lines policy information.
- Information is compared to policy information submitted by agents.

CLAIMS REPORTING SOFTWARE



- Claims adjusters submit surplus lines claims information.
- Information is compared to policy information submitted by agents.

FYI

FSLSO's Operation is Y2K ready

FSLSO's Internet address is www.fslso.com

FSLSO's quarterly newsletter is "The Surplus Lines Advisor"

FSLSO's staff has 70 years of insurance experience

Florida is number 3 nationally in total surplus lines premiums written

FSLSO began receiving policy information October 1, 1998

FSLSO was established by the Florida Legislature, October 1, 1997

FSLSO has 762 member agents

FSLSO had 282 member agents submit business in 1998

FSLSO received 3,201 submissions in the fourth quarter 1998

FSLSO processed 56,884 policies in the fourth quarter 1998

FSLSO received 86,483 transactions from member agents in the fourth quarter 1998

Florida has 162 eligible surplus lines insurers (42 Alien and 120 Foreign)

FSLSO received 2,910 FTP submissions in the fourth quarter 1998

FSLSO received 291 diskette submissions in the fourth quarter 1998

FSLSO averaged receipt of 35 submissions per day in the fourth quarter 1998

FSLSO had 497 visitors to its website with 2237 visits in the fourth quarter 1998

Florida is the first state to implement electronic collection of policy data from surplus lines agents and insurers