



**FLORIDA SURPLUS LINES SERVICE OFFICE**  
*2002 ANNUAL REPORT*

# Board

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## BOARD OF GOVERNORS:

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**MICHAEL J. RIORDAN**

Chairman – 2003  
Hull & Company Inc., St. Petersburg  
(Vice Chairman – 2002)

**LARRY B. STOWE**

Vice Chairman – 2003  
Elliott, Mckiever & Stowe, Ltd., Coral Gables  
(Treasurer/Secretary – 2002)

**EDWARD J. WOJCHICK**

Treasurer/Secretary - 2003  
Franzese & Associates, Orlando

**DAVID HOLCOMBE**

International Speedway Corporation, Daytona Beach  
(Chairman – 2002)

**ELSIE B. CROWELL**

Florida's Insurance Consumer Advocate,  
Florida Department of Financial Services, Tallahassee

**TOM ENRIGHT**

Enright & Wilson, Inc., Hollywood (2003)

**RONALD GABOR**

Gabor Insurance Services, Inc., Miami

**DANIEL C. O'LEARY III**

Shelly, Middlebrooks & O'Leary, Inc., Jacksonville

**KEVIN C. SCHUCK**

Agency Marketing Services, Inc., St. Petersburg

**ROBERT W. WINTERS**

Burns & Wilcox, Ltd., Daytona Beach (2002)

**W.L. (BILL) RAMBO**

Chairman Emeritus  
Daytona Beach

# Staff

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## FSLSO STAFF

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**GARY PULLEN**

Executive Director

**CAROLYN DANIELS**

Assistant Director, Agent & Insurer Relations

**SEAN FISHER**

Assistant Director, Outreach & Education

**MARK SHEALY**

Chief Financial Officer/Chief Information Officer

**GEORGIE BARRETT**

Executive Assistant

**KRISTEN BERTAGNOLLI**

Compliance Review Administrator

**JIM DAY**

Database/Network Administrator

**AMY BOGNER**

Public Information Specialist

**CATHY DURRANCE**

Variance Analyst

**JAMES FARMER**

Senior Information Architect

**LISA FRENCH**

Insurance Analyst

**JASON HAYNIE**

Accounting Systems Specialist

**TERI LITTLEFIELD**

Senior Variance Analyst/Supervisor

**TIFFANY MARUNIAK**

IPC Collections Coordinator

**FELICIA MEREDITH**

Review Analyst

**MATT WESTER**

Senior Insurance Analyst

**MATHU SPIRES**

Information Systems Support/Developer

# Mission

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**MISSION:**

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The Florida Surplus Lines Service Office will protect consumers and state revenues by facilitating industry compliance and serving as a source of information and advice concerning the surplus lines insurance marketplace in the state of Florida.

# Goals

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**GOALS:**

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- ❖ Protect consumers seeking insurance in this state.
- ❖ Permit surplus lines insurance to be placed with approved surplus lines insurers.
- ❖ Maintain 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.
- ❖ Protect the revenues of the state.

The Florida Surplus Lines Service Office (FSLSO) excelled in 2002 with its mission of promoting a stable and efficient surplus lines industry. By offering new or enhanced services to its customers, FSLSO is helping to sustain the credibility in the surplus lines market.

As your new Chairman of the Board, I would like to take this opportunity to extend my sincere appreciation to past Chairman, David Holcombe, for his insight and effectiveness in leading FSLSO. David Holcombe played an integral role in the advancement of this organization and his efforts are evident by the quality of the programs and services offered. I would also like to say many thanks to Robert (Bill) Winters, who completed his tenure with the FSLSO Board of Governors, as his efforts contributed to the creation of the Service Office and its success.

My sincerest gratitude and accolades are extended to Gary Pullen, FSLSO's Executive Director, and the staff at FSLSO for continuing their proven track record of implementing technology that sets the tone for the rest of the surplus lines industry. Economizing the reporting process has led to greater cost efficiencies and benefits for our members.

FSLSO's customers are the driving force behind the many decisions instituted by this office. With their feedback and suggestions, we are able to develop and implement key services that reduce time and resources expended by our member's own staff. New educational opportunities, software features, and improved access to services only increase the level of satisfaction for all our customers.

As you examine our 2002 Annual Report, it becomes apparent that we are fulfilling our responsibility to the Florida surplus lines industry. Our staff members diligently follow the direction of the three-year strategic plan created last year and modify it annually to incorporate the needs of our marketplace and customers. With a tangible plan for the future, FSLSO can measure its success and accomplishments more readily.

Thank you to FSLSO's Board of Governors, who give freely of their time to continually assess and address issues important to the surplus lines industry. Their steadfast direction and valuable contributions truly embody the spirit of this organization.

As your new Chairman, I enthusiastically look forward to working with the FSLSO and professionals within Florida's surplus lines industry in the coming year. Working together will ensure our industry remains stable and productive. Serving Florida's surplus lines community is a privilege and I thank you for the opportunity.



## *Chairman's Message*

A handwritten signature in black ink, appearing to read "Mike Riordan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mike Riordan  
Chairman

Change is inevitable to most organizations in today's world and our office is no exception to the rule. Among many of the changes in 2002, the Florida Surplus Lines Service Office (FSLSO) said good-bye to David Holcombe, whose tenure as Chairman of the Board ended, but who will remain a valuable resource and Board member. David's leadership and expertise led to many of FSLSO's accomplishments and we thank him for his service. We also bid farewell to Bill Winters, a longtime supporter of FSLSO and devoted member of the Board. He worked hard to help secure the future of FSLSO through his many contributions and efforts. Additionally, we welcomed a new Board member, Tom Enright, who will provide fresh insight and new ideas to the Board. Moreover, we greeted a new Chairman of the Board, Mike Riordan, a Board member since FSLSO's inception in 1998 and whose trusted judgment and many achievements in the insurance industry illustrate just how valuable he is to our office. We look forward to working with him.

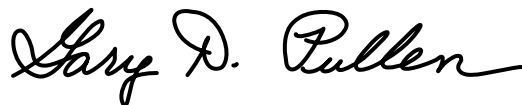
Furthermore, the true dedication and tenacity our Board of Governors and office staff exhibits in its quest to serve Florida's surplus lines community is evident in the accomplishments of this office. Their efforts are truly appreciated.

Of course, change means new opportunities to increase awareness and services, while maintaining the integrity and quality of the programs and services you are currently offering. With that in mind, the FSLSO experienced its share of exciting changes in 2002. These included a new look to our website, ground breaking on our new office building, a new employee intranet, new search directory for users of our website and so much more. As always, efficiency in the area of technology is a key component in how FSLSO operates and performs its many functions.

We continued our trend of analyzing the services and programs offered to our customers in Florida, yet our view also expanded to a national level. FSLSO collaborated with other state's stamping offices and ACORD in creating a uniform filing standard using extensible markup language (XML) for the distinct purpose of increasing the validity of surplus lines data being reported by the entire country. FSLSO recognizes the value of this effort and is helping to lead the way for XML to become the definitive reporting standard of the future.

The strength of our financial position allowed FSLSO to allocate funds for the purchase of a new office location in Tallahassee, FL. In April, the construction equipment was in place and ready to begin its work as the FSLSO staff and board members excitedly attended the ground breaking ceremony on the site of the new office building. A completion date has been set for May 2003.

In 2003, FSLSO is prepared and ready to meet the challenges of a fluctuating insurance cycle and to help its customers in handling their responsibility in complying with Florida's surplus lines law. We appreciate the professionalism of our members, regulators and consumers and value their support as we all move forward together for another successful year!



Gary D. Pullen  
Executive Director



## *Director's Message*

## INFORMATION

Information plays an integral role at the FLSO and is an essential facet of our every day operations. Therefore, we feel it is with the utmost care that our office handles the flow of information into and out of our office. FLSO is keenly aware that information is a key resource that our customers need to do their jobs better. For this reason, we derive programs based on accurate and factual information to perform this important service.

Mentioned in last year's annual report was the creation of the "Insurer Financials" program, which offers annual financial and basic company information on our website for all eligible surplus lines insurers who are approved to transact business in the state of Florida. In 2002, this comprehensive program continued to improve with the addition of quarterly information on each of these insurers. Moreover, a better view of each individual insurer's financial stability and progress within the industry can be detected with this added information. The "Insurer Financials" program has many useful purposes and it is a wonderful resource for agency personnel, regulators, etc.

Maintaining our industry leadership position in the area of technology and the electronic collection of policy data has always been an important source of pride for FLSO. To assist our customers and continue this trend, we

listen closely to their requests and suggestions on how to improve our technological services. For those members who use the agent software program, FLSO released a revised version offering new features and improved functionality. This new version included such items as the ability to open the application window to maximum size, improved keyboard (Tab/Alt-Tab) functionality, the addition of a phone extension field in the Surplus Lines Agent and Contact sections, plus the much-anticipated Binder Replacement button.

Many times, agents create a binder number for a policy and provide it to their insured, but then they must wait several weeks to receive the actual policy number from the insurer. Of course, this process takes time and surplus lines agents are required to file all premium-bearing transactions within 21 days of the effective date of coverage, so time is of the essence. Before the creation of this new Binder Replacement button, surplus lines agents would enter the binder number and use the Backout button to back out the transaction and then resubmit it with the actual policy number. To save time and eliminate data entry error, the new Binder Replacement button allows the agent to modify the binder number to the actual policy number without having to reenter the entire policy's information.

Another software enhancement to the agent submission software included the addition of new coverage codes that more closely resemble the risks being written in the current surplus lines marketplace.

### NEW COVERAGE CODES

#### Commercial Property

- 1014 Mold Coverage - Commercial
- 1015 Sinkhole Coverage - Commercial

#### Homeowners and Other

#### Residential Property

- 2013 Mold Coverage - Residential
- 2014 Sinkhole Coverage - Residential

#### Ocean Marine

- 3008 Longshoremen and Harbor Workers' Compensation Act (Always non-taxable - tax status 3)

#### Inland Marine

- 4005 Contractors Equipment
- 4006 Electronic Data Processing

#### Liability

- 5018 Asbestos Removal & Abatement
- 5019 Guard Service Liability
- 5020 Special Events Liability

#### Errors & Omissions

- 7005 Software Design Computer E & S

#### Crime

- 1103 Identity Theft
- 1104 Deposit Forgery

#### Miscellaneous

- 1210 Travel Accident
- 1211 Terrorism

The end of the 2002 legislative session brought about a significant change that will impact Florida's surplus lines marketplace in the years to come. This change came in the form of the newly established Citizens Property Insurance Corporation (*Citizens*) which has the ability to assess surplus lines policyholders on pre-determined coverage codes. *Citizens* will initiate an assessment when they are operating at a deficit, i.e. such as after a major disaster in Florida, and will determine both the duration and amount of the assessment. FLSLO has implemented changes in the management system that will be activated and ready to handle the responsibility of collecting assessment fees from surplus lines agents when *Citizens* requires it.

Additionally, FLSLO assumed the responsibility to make the request for eligibility on behalf of surplus lines insurers to the Office of Insurance Regulation (OIR), instead of surplus lines agents making the request. This change was made in the 2001 legislative session, but the FLSLO did not start receiving applications until September 2001. During 2001, five applications were received, but none approved. In 2002, the FLSLO received 12 surplus lines

insurer applications and five were approved. Of the five approved, three were submitted in 2001 and two in 2002. Outstanding applications have not been approved because of insufficient or incorrect information in the application that requires the insurer to correct and resubmit or the application is in the approval process as prescribed by the OIR.

Information also came in the form of enhancements to the revised FLSLO website. A completely new look to the website was unveiled in the latter part of 2002 that provided users with better search options, more timely information and easier access to specific features. One of these revisions included a helpful additional menu button entitled "Market Data." Under "Market Data," the Florida Eligible Surplus Lines Insurer Financial Data and Market Data Reports (formerly Public Data Reports) can be found.

Market Data Reports generate current market trend data, which are for information purposes only and do not constitute an endorsement for any service, company or person offering any product or service. With the changes to the website, these reports gained enhanced search

directory features under the main heading of "General Information Reports," such as Agency Search by Location/Coverage and the Agent Search by Coverage.



The FLSLO website still offers a variety of informational tools, such as exportable submission file formats, news releases, frequently asked questions, Florida Statutes, an Agent's Software User's Manual, Independently Procured Coverage (IPC) filers reporting application, Agent's Procedures Manual, forms and much more. ❖

# Representation

## REPRESENTATION

Representing the surplus lines market in Florida is an enormous responsibility. Our customers deserve the best representation from the FLSLO, as well as from our members. Recognized for their expertise and knowledge about surplus lines insurance, members of FLSLO are licensed Florida surplus lines agents. Their reporting responsibilities and duties are performed with professionalism and diligence, as evidenced by their submissions and compliance with the Surplus Lines Law.

Setting the example for others to follow has proven both cost-effective and successful for FLSLO. Representing Florida's interests, our office worked diligently in a joint effort with other state stamping offices and the Association for Cooperative Operations, Research and Development (ACORD) to help create a uniform filing standard for surplus lines insurance. The lead role for developing the initial data dictionary was undertaken by our office. This data dictionary was the starting point for verification by all states participating and is composed of a reporting matrix of all required data elements from all states and jurisdictions. It assists in identifying any commonalities or disparities in the data being

reported by the individual states. In September, the members involved in this effort met, worked on the data dictionary and set the stage for the surplus lines reporting standard to be defined. Understandably, this effort takes time and its future success relies on its movement through various committees for a final vote. We hope to report on the results in next year's annual report.

Our office represents the surplus lines industry through association with renowned insurance organizations, such as the National Association of Professional Surplus Lines Offices (NAPSLO), National Association of Insurance Commissioners (NAIC), American Association of Managing General Agents (AAMGA), and the Florida Surplus Lines Association (FSLA). All of these organizations are devoted to making a notable contribution for the stability and integrity of the insurance industry as a whole.

FLSLO regularly attends both national and statewide events to stay involved and aware of what is happening in the industry. Talking with other industry professionals helps us to gauge what is needed from our office and how we can be a valuable resource to all our customers.

In 2002, we participated in educational training and conferences hosted by NAPSLO, NAIC, FSLA, AAMGA, Florida Association of Insurance Agents (FAIA), Latin American Association of Insurance Agencies (LAAIA), Florida Council of the National Association of Insurance Women (NAIW) and the Specialty Insurance Agents Association. ❖





# Education

## EDUCATION

Undeniably, one of FLSLO's primary goals is to educate and advise our members, consumers and regulatory agencies about the surplus lines industry. Our educational offerings are a direct resource for this purpose and FLSLO is constantly challenged to better these offerings. One of the ways our educational programs are assessed is through the feedback received from evaluation forms in both the classroom and online training courses. As a result, every effort is placed on integrating these ideas and suggestions into our educational programs and services.

For the second year in a row, more than 250 attendees participated in the three-hour classroom training course entitled "Surplus Lines Law & Procedures." A number of issues were discussed in this class pertaining to the agent software, frequent submission filing errors and the Surplus Lines Law. This class was offered free of charge to our members.

Additionally, FLSLO created two new educational courses: "FLSLO Services Update and Commercial Marine Liabilities Reviewed" and "An Introduction to Surplus Lines Insurance." These courses provided two credit hours of continuing education to attendees and were both well-received. The "FLSLO Services Update and Commercial Marine Liabilities Reviewed" presentation was delivered by

FLSLO's own staff and Ian Greenway, LIG Marine Managers at the FSLA's annual convention in July. The second course, "An Introduction to Surplus Lines Insurance," was offered in conjunction with the LAAIA's annual convention in July and presented by FLSLO's staff members. We are proud to partner with insurance organizations in Florida.

Furthermore, FLSLO was given a unique opportunity to provide two training seminars to the employees of the Florida Department of Financial Services (DFS). In September, FLSLO staff members provided both a morning and afternoon two-hour presentation to approximately 200 DFS employees. These employees represented various sections of DFS, including Agent & Agency Investigations, Consumer Services, Insurer Services, and Legal Services, and it also included the 10 field offices around the state who listened by teleconference. The presentations focused on a basic overview of surplus lines insurance, including a historical perspective, the distribution process, types of coverages, insurer regulation and an overview of the services provided by FLSLO.

The presentations spurred many good questions and helped to foster a better relationship with DFS in attaining our mutual goal - assisting Florida's insurance customers.

To assist consumers and other industry personnel in learning more about surplus lines insurance, FLSLO has a speaker's bureau program designed for insurance organizations, insurance schools, consumer groups, civic organizations, etc. Our speaker's bureau program delivered six presentations to the various above-mentioned groups in 2002. It is a free service and we anticipate more opportunities and requests for these types of presentations in 2003.

FLSLO offers many different types of publications to reach our audience and provide essential information about the surplus lines industry. The quarterly *Advisor* newsletter is one of these educational tools. Acting on our reader's preferences, the *Advisor* was redesigned and made its debut in the 2<sup>nd</sup> Quarter edition of 2002. The front page accentuated the main stories of interest within the publication and now consists of "The Quick Notes" and "And Important Dates." With a quick snapshot of



the contents inside, readers are now better able to quickly locate articles of interest and importance. A link to the *Advisor* was included in our office's eNews bulletins to alert readers when a new issue is available online.

Our publications also consist of brochures and flyers targeting specific information. These include our agent's compliance guide discussing the surplus lines insurance rules, brochures providing an overview of our office and one for consumers to explain the basics of surplus lines insurance.

We are always trying to determine if certain information warrants the creation of a brochure/flyer and realizing the value of the "Insurer Financials" program, FLSO wanted to find a way to describe its purpose and many uses to our customers. This effort resulted in the new "Florida Surplus Lines Insurer Financial Data" flyer, which defines an insurer financial, its benefits, description of financial terms and plans for enhancing the current

offering of data. A real example of how the information appears on our website is also provided.



FLSLO's two online software education programs, the Agent Software Tutorial and Certification of Online Agent Software Training (COAST), were revised and continued to afford users quick access to training on our submission software. The Agent Software Tutorial is a quick reference guide complementing the Agent Software's own Help Menu and can be navigated at the user's discretion.

However, the COAST program is more comprehensive and requires the user to successfully complete modules of information and interactive sessions. The final component is the completion of a course exam with a score of 75 or higher. FLSLO is proud of the 27 participants who worked hard to receive their COAST certification in 2002.

The FLSLO provided information related to the surplus lines industry by issuing press releases and news articles to the Florida Underwriter, Insurance News, Unite, Agents Confidential, Professional Agent Magazine, Professional Insurance Agent's newsletter and the Agent Intercom.

The Agent Compliance Review program continued to educate and inform members of the laws pertaining to the surplus lines industry. Contracted analysts visited member agents and reviewed a sampling of policies facilitating compliance with the law. More than 220 compliance reviews were conducted in 2002 and those agents who have been reviewed regarded the program as a positive and rewarding experience.



Our office recognizes how effective education and learning is to those who rely on FLSLO for information about Florida's surplus lines industry. Our strategic goals are focused intently on this purpose and we look forward to increasing our services and programs in 2003. ❖

## MARKETPLACE MONITORING

As FLSO's priorities remain fixed on the credibility and integrity of the surplus lines marketplace, our office has continued to monitor and help both our members and other customers with the challenges that come with it. FLSO monitors the surplus lines marketplace with the analysis of the agent, insurer and Independently Procured Coverage (IPC) data submissions to facilitate compliance with Florida's Surplus Lines Law.

FLSO acquired the responsibility for collecting the policy information, premium receipts tax and service fee on all Florida IPC filings after the 2001 legislative session. This is accomplished by having filers complete an online application via our website. To assist these customers in understanding the nature of the IPC transaction and filing process, FLSO developed a frequently asked questions (FAQ) list and placed it with the instructions for the IPC application; thereby, eliminating any confusion about the process itself and allowing the IPC filer to proceed with the application process in a timely manner.

The IPC's efficient website application process dramatically increased the number of IPC filers reporting valid information to the FLSO. Last year, 4,370 IPC filers used the online application process to file with FLSO. Furthermore,

\$233,372,751 was the reported 2002 IPC premium and \$12,368,758 was paid in fees and taxes.

The inclusion of the IPC policy information into FLSO's variance analysis program helps to ensure the fair and equitable treatment of all surplus lines policyholders.

The variance analysis program compares the premium amount, policy number and effective date of every Florida surplus lines policy submitted by agents and IPC filers against policies submitted by surplus lines insurers. Any discrepancy in this data is analyzed further to detect whether a true variance exists or if another factor is the cause.

FLSO maintains its position as the sole surplus lines stamping office in the nation with the ability to perform this type of technological analysis using policy information. The perceptive attention to detail by the variance staff in their search for discrepancies helped to uncover 20 policies representing \$8,125,620 in unreported premium. This resulted in the collection of more than \$488,927 in taxes, fees and penalties in 2002. The variance analysis program enhances regulatory performance and ensures taxes and service fees are paid to the correct source.

Another way FLSO monitors the marketplace and verifies data is through the compliance review program. FLSO facilitates compliance by the surplus lines agent relative to the sales and reporting of surplus lines insurance contracts, provides educational assistance when needed and has enhanced the quality of service provided in the marketplace. The review compares a sampling of surplus lines agents' policy information to the transaction data submitted to FLSO. Generally, any inconsistencies found through the review process are reflective of improper training and a lack of quality controls in the submission of transactions. The reviews have also discovered unfiled transactions, which amounted to \$6,686,107 in unfiled premium for 2002. Consequently, the review process has increased the credibility and data integrity, not only of the submissions filed with FLSO, but of the documentation surplus lines agents are required to maintain by law.

As a self-regulating entity, FLSO is always mindful of its duties to satisfy the objectives established by the legislature. Tracking the fluctuations and developing trends in the marketplace is only one of these primary objectives, but one that represents the health and stability of Florida's surplus lines industry. ❖

## ASSISTANCE

A benchmark of success to any organization is the ability to retain a qualified and experienced staff. Proudly, FLSLO is only five years old and retains 100 percent of its staff members hired into full-time positions in 2002. As with any new organization, our office has expanded and now includes the services of 17 knowledgeable staff members. These staff members are the backbone of the organization and field the many requests for service and assistance desired by our customers.

Due to our financial strength, FLSLO was able to purchase land and embark on the construction phase of a new building in 2002. Our ground breaking ceremony was held in April 2002 and attended by the FLSLO Board of Governors, staff members and contractors involved in the process. It was an enjoyable event and we look forward to the relocation in May 2003.

Helping consumers locate coverage during this hard market became another way FLSLO offered assistance in 2002. Due to the discontinuation of the Market Assistance Program (MAP), our office received numerous calls from consumers searching for market referrals for their hard-to-place coverage needs. FLSLO happily assisted these consumers and

referred them to a list of members who offered a suitable market. When applicable, our office provided directions on how to obtain this accessible information via the Market Data Reports on our website.



FLSLO offers assistance in many different ways. Our customers are encouraged to interact with FLSLO staff members via our toll-free phone service, electronic mail, and fax or in person, when we attend trade conferences and training. The FLSLO website is an exceptional resource and provides accessible

information databases, search directories and downloadable materials and forms all at the click of the mouse. Its usefulness can be seen by the 46,289 visits in 2002 by our customers and other interested parties.

Internally, FLSLO developed an employee Intranet to strengthen the communication channels available to our staff members and provide a common area for resources to be accessed and reviewed. This has reduced the paperwork requests of our Human Resource Unit and increased the ability of all FLSLO's employees to perform their individual job duties more effectively. In addition, an employee training program was developed as an online tool available within the new employee Intranet. Initially, it focused on five full-time employee positions which are primary to our office's operation and provided their individual job descriptions, as well as, a detailed listing of their responsibilities.

These five full-time employees worked diligently in this effort to capture the exclusive functions of their own positions.

Our friendly staff works hard at providing information and viable solutions to those who depend on FLSLO for assistance. We are committed to serving the surplus lines community in Florida. ❖

# FINANCE *Finance*

Since 1998, the FLSO has witnessed great financial strides in its short existence, leveraging itself against an uncertain future in order to begin operations. In the subsequent years we have managed to build a solid financial position. We accomplished this by first retiring our start-up debt, then by reserving funds for future contingencies. Prudent budgeting and spending coupled with a significant upturn of premium in the surplus lines marketplace are definite reasons for this success, as experienced by 2002's market conditions.

The Service Office received and reported total premium of \$1,920,934,412 for the year ending December 31, 2002. The Service Office billed on the premium subject to taxes and fees, as submitted by agents and IPC filers, in the amounts of \$93,126,263 and \$5,908,527 respectively. These billed amounts represent a \$34,353,306 increase in surplus lines taxes to the state of Florida and an increase of \$2,033,177 to the Service Office.

The graph on page 15 provides a quarterly comparison between years 2000-2002 of the billed amounts with respect to the taxes and fees collected on a quarterly basis during 2000-2002.

During the year ending December 31, 2002, the FLSO generated \$5,949,368 in revenues, an increase of \$2,017,741 from the previous year. With respect to the operating expenses, the Service Office spent \$2,431,968 during the year ending December 31, 2002, an increase of \$174,011 from year 2001.

Revenues and expenditures created an increase in net assets of \$3,517,400. This increase compares favorably against the increase in net assets reported in 2001 of \$1,673,670. Total net assets represent a drastic change from the financial position as of January 1, 2002 of \$3,266,986, to the year-end 2002 financial position of \$6,784,386.

This 2002 year allowed FLSO to continue to reserve contingency funds to offset any downswing in the marketplace effecting operating budgets and to begin construction on a permanent office building in Tallahassee to house all of FLSO's operations.

Responsibility for the integrity and objectivity of the financial information presented in this Annual Report rests with the FLSO management. The Statement of Financial

Position is in conformity with generally accepted accounting principles (GAAP) used in the United States. FLSO retains independent accountants to audit its financial statements. The independent auditors provided a clean and unqualified opinion with regards to these financial statements. The annual independent audit of the FLSO's books and records are available upon request for members to review. ❖



**STATEMENT OF FINANCIAL POSITION**

<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$5,037,728
Accounts receivable	89,090
Prepaid expenses	17,381
Total current assets	5,144,199
Property and equipment, net	3,399,388
Deposits	9,225
<b>Total assets</b>	<b>\$8,552,812</b>

**Liabilities and unrestricted net assets**

<b>Current liabilities:</b>	
Accounts payable and accrued expenses	287,711
Constructions costs payable	290,264
DOI taxes payable	280,252
Notes payable	910,199
Total current liabilities	1,768,426

**Unrestricted net assets:**

Undesignated	5,817,719
Board designated	966,667
Total unrestricted net assets	6,784,386

<b>Total liabilities and unrestricted net assets</b>	<b>\$8,552,812</b>
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**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS****Changes in unrestricted net assets**

<b>Revenues:</b>	
Service fees	\$5,908,527
Interest and other income	40,841
Total revenues	5,949,368
<b>Expenses:</b>	
Administration and support	958,938
Education and outreach	595,890
Agent and insurer relations	738,083
Depreciation and amortization	139,057
Total expenses	2,431,968
<b>Increase in unrestricted net assets</b>	<b>3,517,400</b>
Net assets at beginning of year	3,266,986
<b>Net assets at end of year</b>	<b>\$6,784,386</b>

# FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2002

**STATEMENT OF CASH FLOWS****Operating activities**

Increase in unrestricted net assets	\$3,517,400
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Depreciation and amortization	139,057
Changes in operating assets and liabilities:	
Accounts receivable	(2,754)
Prepaid expenses	2,902
Deposits	100,000
Accounts payable and accrued expenses	188,817
Constructions costs payable	290,264
DOI taxes payable	280,252
Net cash provided by operating activities	4,515,938

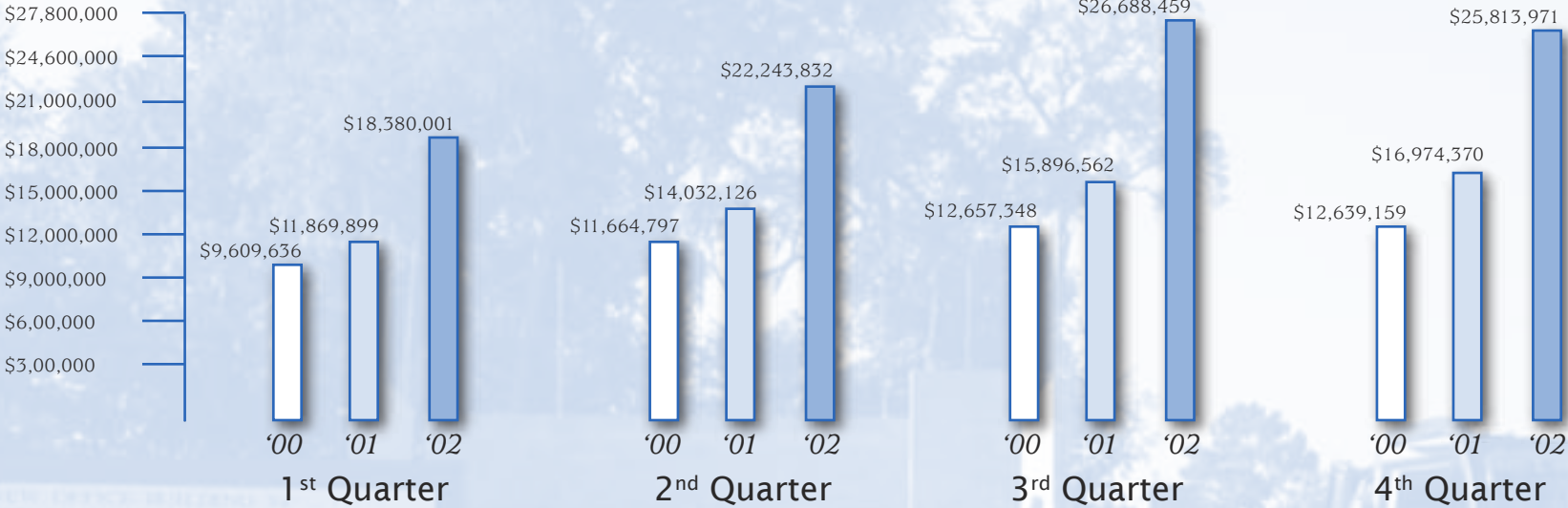
**Investing activities**

Purchases of property and equipment	(2,941,743)
Net cash used in investing activities	(2,941,743)

**Financing Activities**

Proceeds from note payable	910,199
Net cash used in financing activities	910,199
Net increase in cash and cash equivalents	2,484,394
Cash and cash equivalents at beginning of year	2,553,334
<b>Cash and cash equivalents at end of year</b>	<b>\$5,037,728</b>

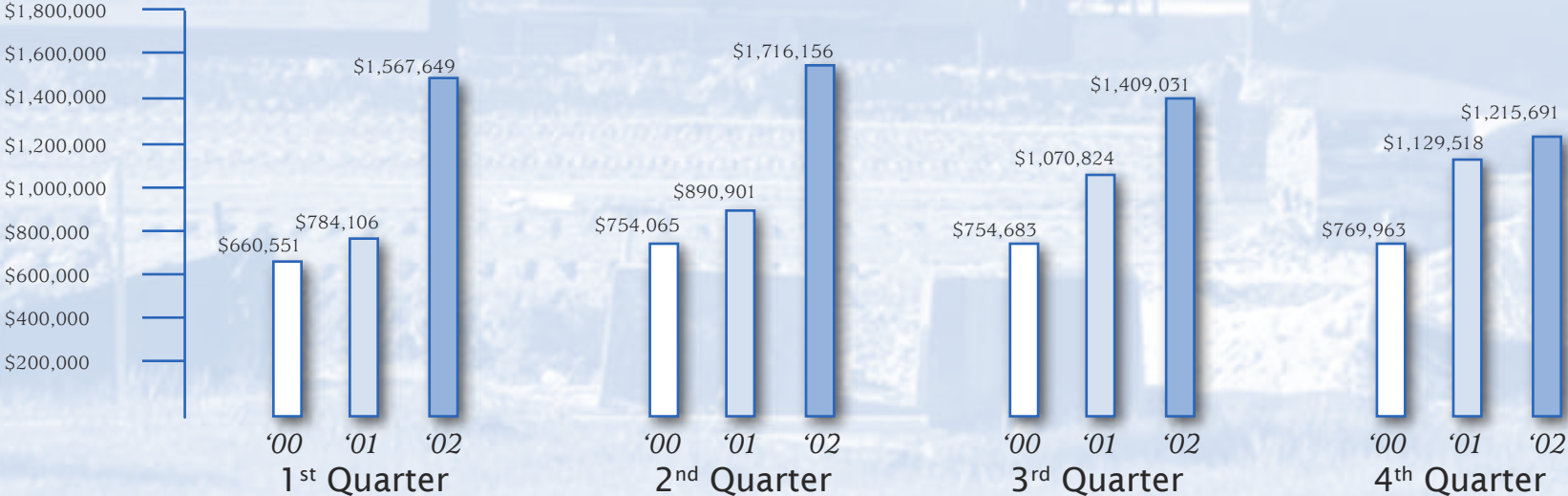
## 2000-2002 GENERATED TAXES



\*The 2001 and 2002 figures include IPC revenue amounts.



## 2000-2002 GENERATED FEES



\*The 2001 and 2002 figures include IPC revenue amounts.

## TOP 25 INSURERS BY PREMIUM REPORTED

INSURER	PREMIUM
Lloyd's Underwriters At, London	\$356,902,465
Lexington Insurance Company	\$296,183,610
Royal Surplus Lines Insurance Company Corporate Support Office	\$122,734,364
Westchester Surplus Lines Insurance	\$103,230,162
Scottsdale Insurance Company	\$98,759,797
Essex Insurance Company	\$72,896,717
Empire Indemnity Insurance Company	\$66,255,684
United National Insurance Co.	\$62,646,890
USF&G Specialty Insurance Company	\$59,857,270
Evanston Insurance Company	\$57,355,817
Steadfast Insurance Company	\$49,061,671
General Star Indemnity Company	\$44,747,436
Pacific Insurance Company, Limited	\$41,823,590
Colony Insurance Company	\$29,803,757
American International Specialty Lines Insurance Company	\$29,674,116
Mt. Hawley Insurance Company	\$27,268,148
First Specialty Insurance Company	\$23,944,520
The Burlington Insurance Company	\$23,419,555
Nautilus Insurance Group	\$21,867,143
Columbia Casualty Company	\$21,844,181
Commonwealth Insurance Company	\$21,719,857
Century Surety Company	\$20,230,202
Voyager Indemnity Insurance Company	\$17,638,893
Pacific Insurance Company	\$17,143,789
Clarendon America	\$16,656,254
<b>TOTAL</b>	<b>\$1,703,665,888</b>

*The policy premium information contained in this annual report is extracted from data submissions received by surplus lines agents and independently procured coverage (IPC) filers. The policy premium information is based upon the effective date of policy transactions submitted. All other policy premium amounted to \$444,553,860. This information was current as of 3/11/2003. The Florida Surplus Lines Service Office provides this data for informational purposes only; it does not constitute an endorsement for any service, company or person offering any product or service.*



### TIDBITS:

Permanent office location in Tallahassee, FL

FLSO was established by the Florida Legislature in 1997, under the "Dana Roehrig Act".

Toll-free assistance: 1-800-562-4496

Our Internet address is: [www.fslso.com](http://www.fslso.com)

Offered six continuing education classes in the state with more than 250 attendees participating.

Offered six speaker's bureau presentations to a variety of professional organizations.

The FLSO newsletter is called "*The Advisor*."

FLSO has 17 employees with more than 182 combined years of insurance experience.

Florida ranks third nationally in the volume of total surplus lines premiums written.





## TIDBITS:

First state to implement electronic collection of policy data from surplus lines agents, surplus lines insurers and IPC filers.

Has 727 licensed member agents and 436 submitting agents. Of the 436 submitting agents, 140 made error-free submissions via the Agent Software Program.

There were 42 newly licensed surplus lines agents and FLSO members in 2002.

In 2002, FLSO processed 1,265,566 policies.

Total reported premium by member agents: \$1,920,934,412.

Total reported taxes by member agents: \$86,489,426.

### IPC DATA:

Total reported premium: \$233,996,261

Total reported taxes and fees: \$12,401,804

Total number of policies processed: 4,759

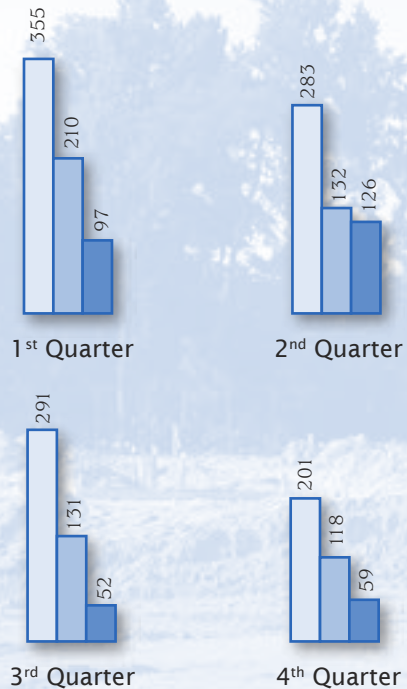
## TOP 25 COVERAGES BY PREMIUM REPORTED

COVERAGE CODE		PREMIUM
1000	Commercial Property	\$815,808,910
5000	Commercial General Liability	\$347,569,951
1005	Commercial Package (Property & Casualty)	\$168,797,372
2002	Homeowners-HO-3	\$124,159,550
5001	Commercial Umbrella Liability	\$91,911,363
7003	Miscellaneous E&O Liability	\$46,425,789
5006	Excess Commercial General Liability (Not Umbrella)	\$39,972,121
6001	Miscellaneous Medical Professionals	\$35,021,183
6000	Hospital Professional Liability	\$29,109,509
1013	Windstorm &/or Hail	\$26,986,935
4001	Inland Marine (Personal)	\$25,713,058
6003	Physician/Surgeon	\$23,226,804
2009	Dwelling Property	\$21,514,866
6002	Nursing Home Professional Liability	\$20,291,369
1010	Flood	\$19,212,997
5012	Pollution & Environment Liability	\$18,663,583
8002	Commercial Auto Physical Damage	\$17,731,771
1001	Builders Risk	\$17,154,351
5002	Directors & Officers Liability (Profit)	\$15,932,108
4000	Inland Marine (Commercial)	\$13,877,621
2005	Condo Unit-Owners HO-6	\$13,696,626
2006	Homeowners-HO-8	\$13,639,781
1204	Worker's Compensation-Excess Only	\$13,597,472
5005	Employment Practices Liability	\$13,393,426
1003	Apartments (Commercial)	\$12,350,564
2008	Dwelling Flood	\$12,243,176
<b>TOTAL</b>		<b>\$1,998,002,256</b>

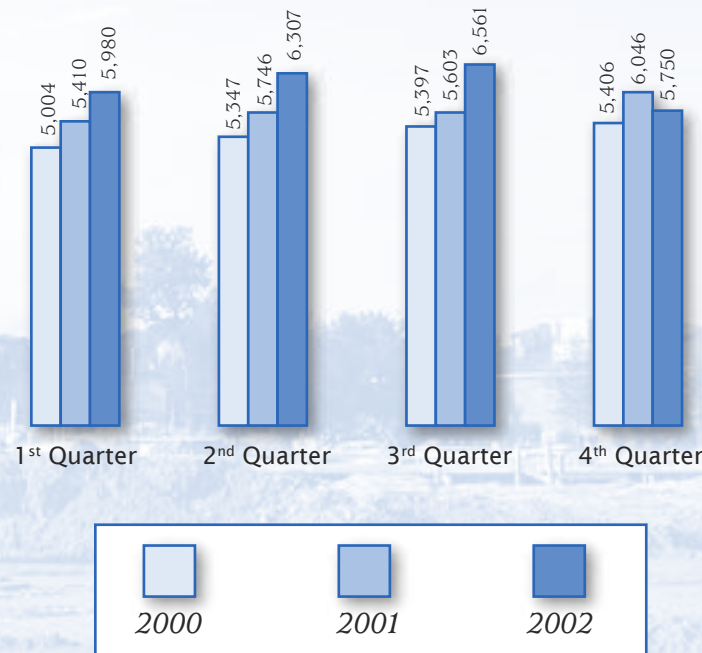
*The policy premium information contained in this annual report is extracted from data submissions received by surplus lines agents and independently procured coverage (IPC) filers. The policy premium information is based upon the effective date of policy transactions submitted. All other policy premium amounted to \$150,017,722. This information was current as of 3/11/2005. The Florida Surplus Lines Service Office provides this data for informational purposes only; it does not constitute an endorsement for any service, company or person offering any product or service.*

# INTERNET VS. DISKETTE SUBMISSION COMPARISON 2000/2001/2002

## DISKETTE SUBMISSION COMPARISON



## INTERNET SUBMISSION COMPARISON



## TIDBITS:

In 2002, there were 144 eligible insurers in Florida: 30 alien and 114 foreign insurers.

### VARIANCE ANALYSIS:

2002: Collected on 20 policies with a total of \$8,125,620 in unreported premium for a total of \$488,927 in taxes, fees and penalties.

2001: Collected on 13 policies with a total of \$4,358,520 in unreported premium for a total of \$270,852 in taxes, fees and penalties.

2000\*: Collected on one policy with a total of \$5,892,732 in unreported premium for a total of \$312,315 in taxes, fees and penalties.

\* The variance program was in the initial stages of development during this year.

### WEBSITE FEATURES:

46,289 visitor sessions to FLSO website

Offers free downloadable files (news releases, bulletins, forms, market and trend reports, Florida Statutes, etc.)

“Frequently Asked Questions” section

Market Data Reports

Florida Eligible Surplus Lines Insurer Financial Data

Agent Software Tutorial

Certification of Online Agent Software Training (COAST) Program:  
59 participants accessed the program.  
27 received their certification.

IPC Filing Process

## SUBMISSIONS IN QUESTION (SIQ) BY QUARTER

	Q1	Q2	Q3	Q4
2000	17,925	18,197	35,172	44,981
2001	53,075	46,592	77,718	79,921
2002	30,095	18,835	29,267	10,993

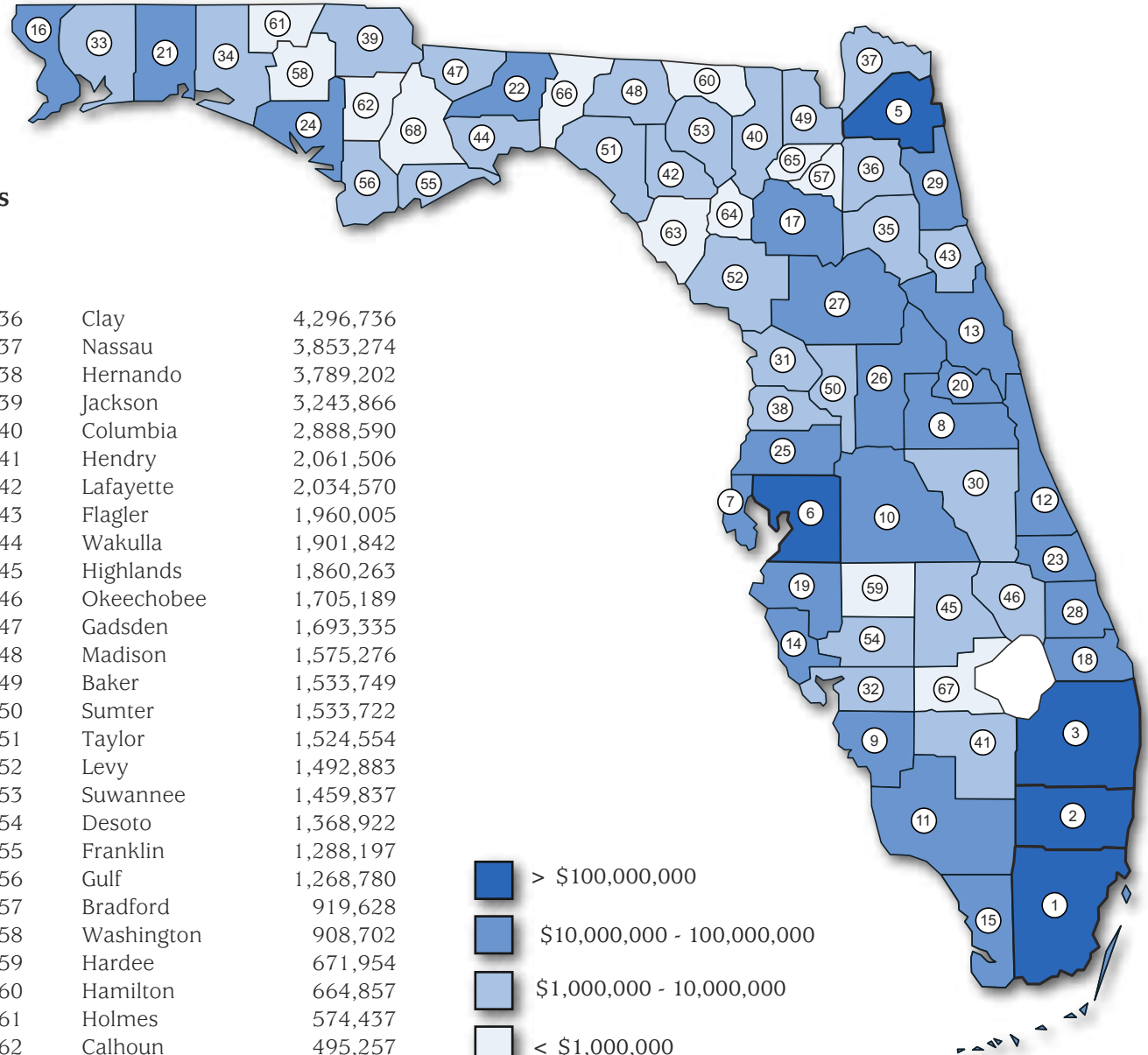
Source: FLSO Management System

## TRANSACTIONS PROCESSED PER MONTH

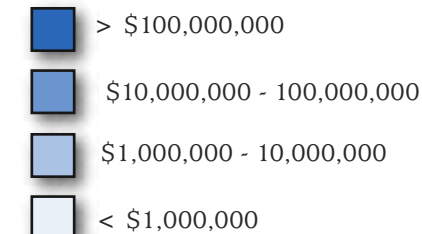
	2000	2001	2002
January	79,858	70,582	112,117
February	56,284	71,633	349,693
March	94,989	95,539	80,035
April	60,943	69,160	59,333
May	82,748	95,466	76,390
June	81,146	69,329	57,237
July	69,100	96,372	141,975
August	97,494	97,554	68,552
September	108,706	80,200	104,154
October	63,078	78,482	84,010
November	98,985	127,266	59,311
December	82,785	94,112	72,759
<b>TOTAL</b>	<b>976,116</b>	<b>1,045,695</b>	<b>1,265,566</b>

# 2002 PREMIUMS BY COUNTY

The FLSO has 727 licensed member agents, of which 436 submitted business in 2002.



COUNTY	PREMIUM
1 Miami-Dade	\$473,298,119
2 Broward	229,172,180
3 Palm Beach	205,126,001
4 Mult. Cos.*	194,575,692
5 Duval	119,384,037
6 Hillsborough	109,133,326
7 Pinellas	99,621,606
8 Orange	89,265,981
9 Lee	57,756,348
10 Polk	47,674,571
11 Collier	44,820,161
12 Brevard	37,853,179
13 Volusia	34,511,547
14 Sarasota	33,419,493
15 Monroe	32,826,991
16 Escambia	26,949,716
17 Alachua	26,914,768
18 Martin	25,073,296
19 Manatee	21,828,516
20 Seminole	21,400,462
21 Okaloosa	18,817,957
22 Leon	18,389,999
23 Indian River	15,308,810
24 Bay	14,906,559
25 Pasco	14,654,639
26 Lake	13,812,784
27 Marion	10,755,946
28 St. Lucie	10,578,911
29 St. Johns	10,180,185
30 Osceola	7,867,439
31 Citrus	7,702,576
32 Charlotte	6,816,768
33 Santa Rosa	6,491,481
34 Walton	5,176,695
35 Putnam	4,869,297
36 Clay	4,296,736
37 Nassau	3,853,274
38 Hernando	3,789,202
39 Jackson	3,243,866
40 Columbia	2,888,590
41 Hendry	2,061,506
42 Lafayette	2,034,570
43 Flagler	1,960,005
44 Wakulla	1,901,842
45 Highlands	1,860,263
46 Okeechobee	1,705,189
47 Gadsden	1,693,335
48 Madison	1,575,276
49 Baker	1,533,749
50 Sumter	1,533,722
51 Taylor	1,524,554
52 Levy	1,492,883
53 Suwannee	1,459,837
54 Desoto	1,368,922
55 Franklin	1,288,197
56 Gulf	1,268,780
57 Bradford	919,628
58 Washington	908,702
59 Hardee	671,954
60 Hamilton	664,857
61 Holmes	574,437
62 Calhoun	495,257
63 Dixie	489,959
64 Gilchrist	484,287
65 Union	446,193
66 Jefferson	422,191
67 Glades	392,022
68 Liberty	280,158
<b>TOTAL</b>	<b>\$2,148,019,978</b>



\* This includes one or more counties as reported

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**FLORIDA SURPLUS LINES SERVICE OFFICE**

1441 Maclay Commerce Drive, Suite 200  
Tallahassee, FL 32312

Toll-free number: 800.562.4496

Local number: 850.224.7676

Fax number: 850.513.9624

[www.fslso.com](http://www.fslso.com)