



Florida Surplus Lines Service Office

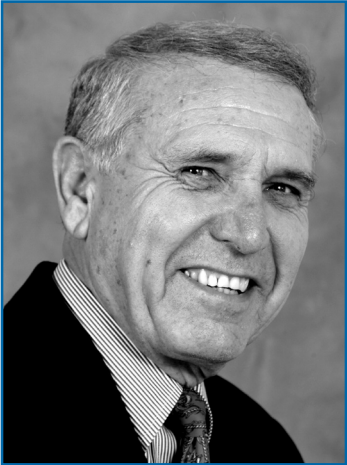


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Chairman's Message



The past year provided great change and the opportunity for growth within our industry. In light of the many challenges marking last year, I must commend the Florida Surplus Lines Service Office for their consistent delivery of quality services and improvements made to key processes.

The rise of significant issues within the marketplace also set a backdrop for the development and enrichment of existing resources. Both the emergence of the nonresident licensing legislation and the bearing of four major storms had substantial impacts on our industry. But the FLSO remained available as a steadfast resource of information distribution and assistance.

As you begin to look through the 2004 annual report, you will see the drive behind many of the key services and products provided by the FLSO is customer-based. New educational opportunities, software features and improved access to services and products increase the level of satisfaction for our customers. Customer responses and suggestions are integrated into the strategic planning process FLSO undertakes each year to better existing processes and set new standards.

As a long-standing board member, I would like to thank the FLSO Board of Governors for the opportunity to once again take on a leadership position as elected chairman. I would also like to take this opportunity to recognize the board for their steadfast dedication, leadership and invaluable contributions that have paved the way for another year of success.

My sincerest gratitude is extended to Gary Pullen, FLSO's executive director, and the staff at FLSO for proving relentless in their quest to supply quick and quality resources to customers.

I am once again honored to have the opportunity to work with the FLSO and the professional industry members of Florida's surplus lines community. Thank you for allowing me the privilege to serve a second term as chairman for *your* Florida Surplus Lines Service Office.

Sincerely,

A handwritten signature in black ink that reads "Larry B. Stowe". The signature is written in a cursive, flowing style.

Larry B. Stowe
Chairman



Director's Message



During the course of 2004, the Florida Surplus Lines Service Office invested great effort into strengthening our customer relationships. The push for quality products and superior service drove the need for enhancement to many of our key services. This feat was accomplished through the hard work and dedication of several groups, which included the FLSLO Board of Governors, FLSLO staff, and most importantly, our customers.

One of the consequential changes that engulfed the surplus lines industry was the U.S. District Court ruling regarding nonresident surplus lines licensure. At the forefront of communication, the FLSLO staff worked to keep you informed in a number of ways of sub-sequential changes as they occurred. In working closely with the Florida Surplus Lines Association, the Department of Financial Services and the Office of Insurance Regulation, the FLSLO staff offered advice and counsel while representing Florida's surplus lines community and its customers.

Additionally, we must also take into account the impact four major hurricanes had on the Florida. In an effort to provide immediate assistance and support to our member agents and their customers, FLSLO dispatched disaster assistance teams to be paired alongside the Department of Financial Services. The lessons learned from this type of hands-on field work have led the way for improvement in services and processes, which was reflected in planning for 2005.

In a concentrated effort to seek out customers' input relative to the products and services we provide, FLSLO hosted three focus group forums and administered electronic surveys. This information provided a clear direction for service improvement from our customers and was used in our strategic planning process, driving several self-improvement projects that will develop in 2005. I sincerely thank you for your time and consideration given to these various forums, as we continually strive to improve our programs.

I would like to take this opportunity to thank our 2004 chairman, Larry Stowe, for his unfaltering leadership role as head of our board of governors. I also thank the board for their continued support of FLSLO and commitment to sustain a healthy and honest marketplace.

Finally, I must recognize the persistent dedication and tireless drive of the FLSLO staff to deliver the degree of quality service so deserved by our members. It is through the combined efforts of our board of governors, FLSLO staff and you, the customer, that we may evolve and improve our processes to meet a new standard of excellence.

Sincerely,

A handwritten signature in cursive script that reads "Gary D. Pullen". The ink is dark and the signature is fluid and legible.

Gary D. Pullen
Executive Director

Board of Governors



A. Larry B. Stowe

Chairman – 2005
Elliott, McKiever & Stowe, Ltd., Coral Gables
(Chairman – 2004)

B. Kevin C. Schuck

Vice Chairman – 2005
Agency Marketing Services, Inc., St. Petersburg
(Secretary/Treasurer – 2004)

C. Daniel C. O’Leary III

Secretary/Treasurer – 2005
Shelly, Middlebrooks & O’Leary, Inc., Jacksonville

D. Edward J. Wojchick

Franzese & Associates, Orlando
(Vice Chairman – 2004)

E. Steve Burgess

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

F. Michael J. Riordan

Hull & Company, Inc., St. Petersburg

G. David Holcombe

International Speedway Corporation, Daytona Beach

H. Tom Enright

Enright & Wilson, Inc., Hollywood

I. Ronald Gabor

Gabor Insurance Services, Inc., Miami

F S L S O S t a f f



- A. Gary Pullen**, Executive Director
- B. Carolyn Daniels**, Assistant Director, Agent & Insurer Relations
- C. Sean Fisher**, Assistant Director, Outreach & Education
- D. Mark Shealy**, Chief Financial Officer/Chief Information Officer
- E. Georgie Barrett**, Executive Assistant
- F. Kristen Bertagnolli**, Compliance Review Administrator
- G. Jim Day**, Database/Network Administrator
- H. Ashlee Broome**, Public Information Specialist
- I. Cathy Durrance**, Variance Analyst
- J. James Farmer**, Senior Information Architect
- K. Lisa French**, Insurance Analyst
- L. Jason Haynie**, Accounting Systems Analyst
- M. Teri Littlefield**, Senior Variance Analyst/Supervisor
- N. Tiffany Maruniak**, IPC Collections Coordinator
- O. Felicia Meredith**, Insurance Analyst
- P. Matt Wester**, Senior Insurance Analyst
- Q. Mathu Spires**, Information Systems Support/Developer

Mission

The Florida Surplus Lines Service Office (FSLSO) will facilitate industry compliance and serve as a source of information and advice concerning the Florida surplus lines insurance marketplace.



Carolyn Daniels, Jason Haynie, and Felicia Meredith

Goals:

- || 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.

V a l u e s

- || Harness Technology
- || Every person, every idea counts
- || Learn to welcome change
- || Passion for our customers

Doing our best to **HELP** others do their best.

I n t r o d u c t i o n

MARIE

More than just a name, it's a methodology.

MARIE is the Florida Surplus Lines Service Office acronym for its five core services: Marketplace Monitoring, Assistance, Representation, Information and Education. It represents the various teams, programs, products and services that the FLSO provides to its customers. MARIE is upheld by two entities...the FLSO and you.

Marketplace

Monitoring

The relationships that exist between the FLSO staff and its customer groups are extremely multi-faceted and encompass a variety of roles including advising, educating and consulting—all with a focus on maintaining a credible marketplace. As the marketplace continuously changes, the FLSO staff employs their creative efforts to work with one another and each customer.

Variance analysis

With the inception of the variance analysis and the compliance review programs, the FLSO staff combines both the services of technology and human resources to monitor the marketplace.

FLSO staff member Cathy Durrance is one member of the variance analysis team who analyzes discrepancies between the data submitted by surplus lines agents and IPC filers with the data submitted by the insurers. Technology allows for the ability to examine large numbers of data in order to correctly link submitted data. Throughout 2004, this team identified a total of 114 policies representing more than \$22.2 million in unreported premium. Once filed, approximately \$1.3 million in taxes, fees and penalties was paid.



Cathy Durrance and Teri Littlefield

Complying with industry standards

The compliance review program also plays the role of the consultant through contracted analysts who provide independent audits of agents' records every three years. This program was built on the basis of educational opportunities for the FLSO staff to inform agents of their opportunities for improvement and recognition of strengths. Of the 209 agents reviewed in 2004, the FLSO assessed interest penalties on 35 agents for 382 unfiled policies, representing \$7.6 million in premium.

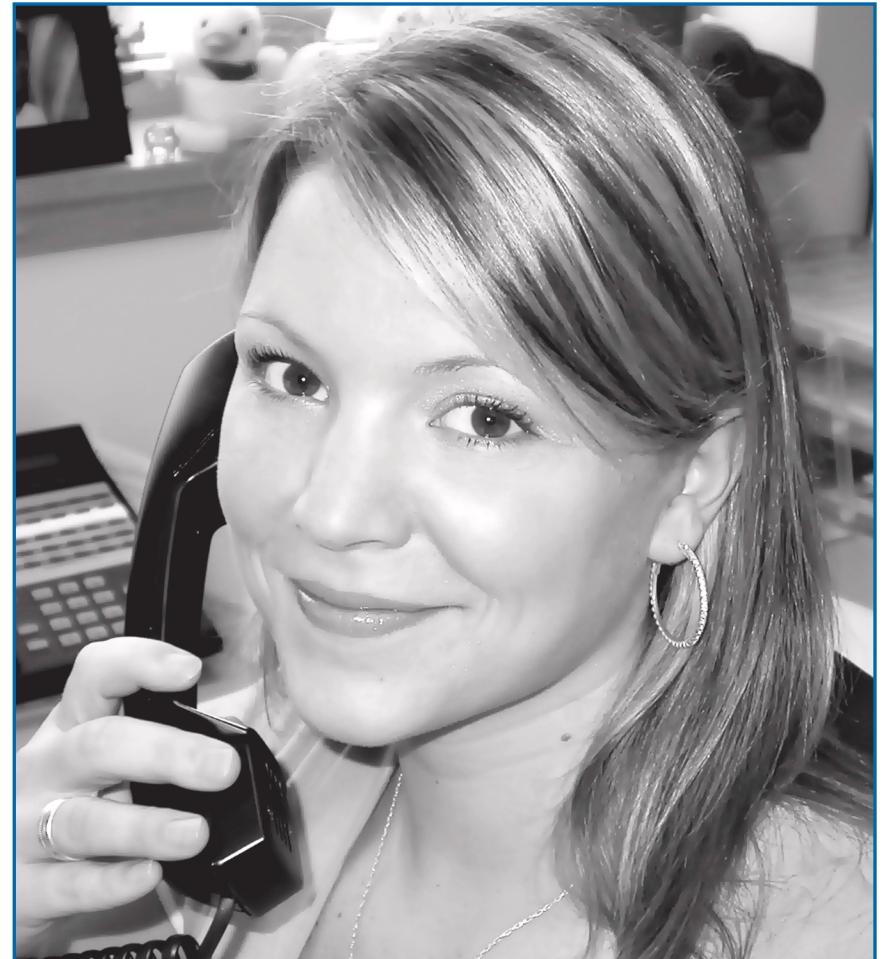
The compliance review program achieved much success in 2004. An aggregate score resulted in 93.8 percent compliance, the highest annual score achieved since the inception of the program. The score served as a basic indicator of increased compliance and quality among the agents reviewed during the year. Kristen Bertagnolli, FLSO's compliance review administrator, attributes the success of the program to many factors—most importantly, the hard work achieved by Florida's surplus agents as they strive to comply and make the industry a fair and honest marketplace.

Making the grade

Another new educational opportunity implemented in 2004 was the agent report card program. With a focus on highlighting strengths and opportunities, agents received reports cards grading them on four key data elements, including the percentage of outstanding Transactions in Question (TIQ); the percentage of submissions accepted versus the number of submissions; the percentage of timely filed quarterly affidavits, and the percentage of timely submitted transactions.

The agent report card informs agents of how they rank within the compliance of the marketplace and where they might seek opportunities for improvement.

The 21-day reporting requirement also saw a slight change from the previous year as the filing violation penalty threshold was shortened from 90 days to 60 days past due. This change came into effect on April 1, 2004.



Tiffany Maruniak

The combination of efforts of both FLSO staff and its member agents reaped many successes throughout 2004. The FLSO congratulates and thanks the many efforts by members of Florida's surplus lines community for promoting a healthy and growing marketplace.

A s s i s t a n c e

While advancements are often made by way of technology, development and deployment is possible only through the aspirations of people. The daily interactions between one individual and another are the very backbone of why change occurs. And simply put, the delivery of quality customer service is driven by daily exchanges with customers.

Hurricane season

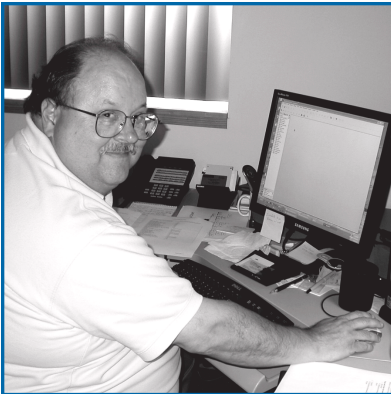
In retrospect, you cannot define customer service without acknowledging the collaboration of people during the 2004 hurricane season. The impact from four major storms vastly affected Florida. For weeks, Floridians were glued to television sets, radios and computers, watching as storm after storm drifted toward the peninsula and wondering if each storm would hit or miss the sandy coastline.

Within a 45-day period beginning August 13, Florida was hit by four hurricanes: Charley, Frances, Ivan and Jeanne, respectively. The procession of destructive storms left thousands of Floridians homeless, caused 116 deaths and more than \$21 billion in gross property loss (including residential, commercial business and automobile).



Felicia Meredith (center) with FDFS Staff Linda Rugless (left) and Bobby Long (right)

Teamwork



Jim Day

Through a combination of efforts of staff members and the board of governors, FLSO deployed mobile emergency insurance assistance centers in several affected areas throughout the state. In conjunction with the Florida Department of Financial Services, FLSO staff members were dispatched in teams to Fort Pierce and Pensacola following three of the four storms. Staff member Georgie Barrett coordinated disaster assistance teams and ensured they were supplied with all necessary equipment and goods. Teams involved many of FLSO's staff members from varying departments such as Lisa French and Jim Day, who work within the agent relations and information technology teams, respectively. Staff members who participated assisted with emergency claims contact information, provided advice for general insurance and claims related questions, and supplied contact information to begin the claims process.



Lisa French

Becoming a new agent

Preparing customers for their start in the marketplace is another key facet of the FLSO customer-driven qualities. As new agents enter the industry, staff member Felicia Meredith sends them a "New Surplus Lines Agent" packet, which includes a copy of

the FLSO Agent Software, *Agent's Procedures Manual* and a variety of industry brochures. The FLSO welcomed 65 new surplus lines agents during 2004, eight of which hailed from out-of-state agencies.

All surplus lines insurers who seek eligibility to market products in Florida must submit their applications to the FLSO. During 2004, eight surplus lines insurers sought to provide a variety of coverages in Florida. By year's end, the FLSO insurer contact, Teri Littlefield, completed reviews of eight insurers' applications, which were then forwarded to the Department of Financial Services/Office of Insurance Regulation (DFS/OIR) with a letter requesting eligibility. As of December 31, 2004, DFS/OIR approved seven and three were returned to the applicants.



Georgie Barrett

Survey says

In an appraisal of customer satisfaction rates, FLSO began a yearlong drive to evaluate and enhance its core services. As part of this journey, FLSO contracted with Beacon Research, Inc., of Tallahassee to conduct three focus group forums and three electronic surveys throughout the state during the summer. The surveys evaluated FLSO's core services: Marketplace Monitoring, Assistance, Representation, Information and Education. The participants responded with the level they agreed or disagreed to statements and commented about the services. The overall satisfaction rating was more than 98% for staff professionalism, response times, helpfulness of staff and staff knowledge. Participants' comments provided customer insight into opportunities for improvements which found their way into FLSO's three-year strategic planning process.

R e p r e s e n t a t i o n

While serving as a source of advice and counsel for member agents, industry members and state government, the FLSO continues to fuel awareness, stimulate compliance and facilitate the voice of customers' needs. Through a variety of outlets and resources, FLSO continues to redefine its services based on the needs of its customers to include how the FLSO represents Florida's surplus lines marketplace.

Nonresident licensing

Florida's surplus lines industry was abound with change in 2004, giving way for FLSO to evolve and evaluate several of its current programs most highly associated with its representation service.

The FLSO assisted the Department of Financial Services/Office of Insurance Regulation (DFS/OIR) in response to the U.S. District Court ruling regarding the licensure of nonresident surplus lines agents by relaying information to members regarding developments, working with regulators to help protect Florida's surplus line industry, and communicating in conjunction with the Florida Surplus Lines Association to apply equal governing to both resident and nonresident licensed Florida surplus lines agents. Effective July 1, 2004, nonresident agents were allowed to obtain Florida surplus lines licenses based on the same experience and educational requirements of resident agents.

Tradeshow attendance

The FLSLO also participated in several industry tradeshows and conferences including Florida Association of Insurance Agents (FAIA), Florida Surplus Lines Association (FSLA), National Association of Insurance Women (NAIW), and Latin American Association of Insurance Agencies (LAAIA). During industry tradeshows, FLSLO participated with a display booth and passed out industry information. This type of open forum allowed for one-on-one interaction between FLSLO staff and industry members and afforded FLSLO staff members, such as Jason Haynie, the opportunity to meet customers, discuss industry developments and gather information.

In addition to participating in key tradeshows, FLSLO also participated in several pertinent industry conferences. FLSLO representatives, Gary Pullen, Carolyn Daniels, Mark Shealy and Jim Day attended national meetings, such as the National Association of Professional Surplus Lines Offices (NAPSLO) and the National Association of Insurance Commissioners (NAIC). At the NAIC, FLSLO made presentations on the use of the FLSLO agent software and management system in a roundtable discussion.

The whirlwind of change that swept over the industry provided an open invitation for the FLSLO to proudly represent its industry. The FLSLO has and will continue to practice the service of representation as it embodies the roles of both advisor and counselor for Florida's surplus lines community.



Cathy Durrance
and Tiffany Maruniak



Jason Haynie, Kristen Bertagnolli and Matt Wester



I n f o r m a t i o n

The distribution of key information is a significant factor in every organization. The projection of the “mobile culture” is based on the ability to extract information anytime, anywhere. The reinvention of the information distribution process is key to providing satisfactory customer service. As technology advances, we are forced to redefine how we disseminate information to best utilize the resources readily available to key customer groups.

Keep customers “in the know”

Perhaps the most-used resource empowered by FLSO is its multi-faceted website. The FLSO website serves as a complex infrastructure that houses many of its day-to-day customer contact resources. Visitors to the website find access to a variety of programs and information outlets including updated industry information; manuals, brochures, newsletters and “eNews” archives; update versions of the agent software program, and continuing education opportunities. Mathu Spires and James Farmer, two members of FLSO’s Information Technology team, work together to disseminate electronic information to customers via web postings and “eNews” distribution.

Not to be underscored was the FLSO’s continued partnership with Infinity Software Development, Inc. as one of its external vendors responsible for the success and development of the Regulatory Administrative Platform of Insurance Data (RAPID) system. The successful upkeep and maintenance of the RAPID system affords for the aggregate information as provided in the market data reports and the insurer financial data reports programs. Through a collaborative relationship with Infinity, FLSO continues to stand at the forefront of data collection and presentation.

The market data report program received a brisk overhaul with the addition of two new report formats and additional functionality for several other reports. Glossary updates, changes to the report default settings, and new search criteria were added to improve its overall functionality.

The insurer financial data reports provide financial data and company information for all eligible surplus lines insurers approved to transact business. This allows customers to check

the financial soundness of a company before doing business with them. Both the insurer financial data reports program and the market data reports are maintained to provide customers with quality information.

The website also provides access for Independently Procured Coverage (IPC) filers to download a newly created IPC procedures manual, developed by staff member Tiffany Maruniak. The new procedures manual includes an overview of IPC procedures, statutory references,

and tax and service fee remittance. This manual is provided at no cost and can be accessed via download from the FLSO website.

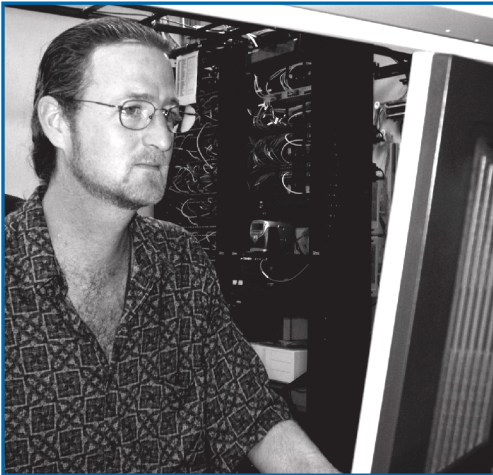
Get the word out

As facets of technology continue to advance, so must the thinking behind methods of information marketing. Through such concourses as telephone, telefax, postal mail, email and the Internet, FLSO utilized various mediums to effectively disseminate information to customers. In conjunction with various key customer requirements, FLSO strives to deliver quick and quality information. *The Advisor*, FLSO's newsletter, was distributed to interested subscribers on a quarterly basis and served as an outlet for FLSO staff to communicate service updates, product creation and improvement, prevailing issues, and industry changes.

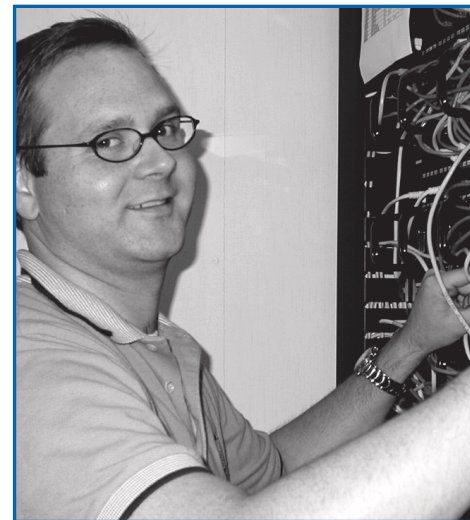
The Advisor included articles relative to FLSO events, statute reviews, continuing education scheduling, hurricane assistance, market data report updates, software updates and legislative issues. Guest articles were also contributed from Florida Surplus Lines Association president, Tom Enright, and surplus lines agent, Guy Waters, in regards to industry updates and excess flood insurance, respectively.

For information on the go, FLSO utilized the speed and wide-use of email through the deployment of its "eNews" bulletin service. Throughout 2004, FLSO distributed a total of 35 "eNews" bulletins regarding the Office of Insurance Regulation's approval of a reduction in the FLSO service fee from 0.3 to 0.25 percent, continuing education updates, quarterly affidavit reminders, insurer actions, legislative changes relative to the licensing of nonresident surplus lines agents and updates to the Department of Financial Services' Emergency Orders following the 2004 hurricane season.

As learned during the 2004 hurricane season, it pays to have the most accurate and up-to-date information available, whether in the eye of a prevailing industry change or within the daily needs of the customer.



James Farmer



Mathu Spires

E d u c a t i o n

One of the very basic facets of human aspiration is the sharing of knowledge. The foundation of educational excellence at FLSO lies in the overwhelming body of knowledge encompassed by the FLSO staff. With more than 210 years of industry experience, FLSO staff members use their compounded industry knowledge to fuel quality educational programs.

Online educational expansion

Coupled with available technologies, FLSO continued its expansion of the digital classroom experience with the addition of a new online continuing education course. FLSO staff member Ashlee Broome completed development of a new online education course titled “Illegal Insurance Entities: Knowing the Difference,” which was approved by the Department of Financial Services for two hours of property and casualty credit and was released to the public during the second quarter.

This new course was designed to provide students with an understanding of the differences between an unauthorized insurer and an illegal insurance entity; the intricacies of how specific insurance entities are regulated and how illegal insurance entities operate; how to protect oneself from becoming a target



Sean Fisher

for these types of fraudulent operations, and how the Florida Surplus Lines Service Office provides information regarding eligible surplus lines insurers.

Participants were allotted 30 days to complete the course, which was divided into five chapters, each followed by a “mini-quiz” as a measurement guide to test participants’ knowledge. “Illegal Insurance Entities” was provided free-of-charge to all member agents while all other interested individuals paid a nominal fee. FLSO also maintained its remaining education course through content updates relative to statutory and industry changes. The pre-licensing qualification course remained the only surplus lines qualification course available online in Florida and found much success in user participation. The program was purchased by a total of 47 participants with 74 percent of students completing the course with a passing score.

The Certification of Online Agent Software Training (COAST) program remained a key educational resource for agent support staff who wanted to learn more about correctly using the agent software program. Twenty-eight participants successfully completed the COAST program during 2004, earning a certificate of achievement and a coupon for a free continuing education class valid for two years.

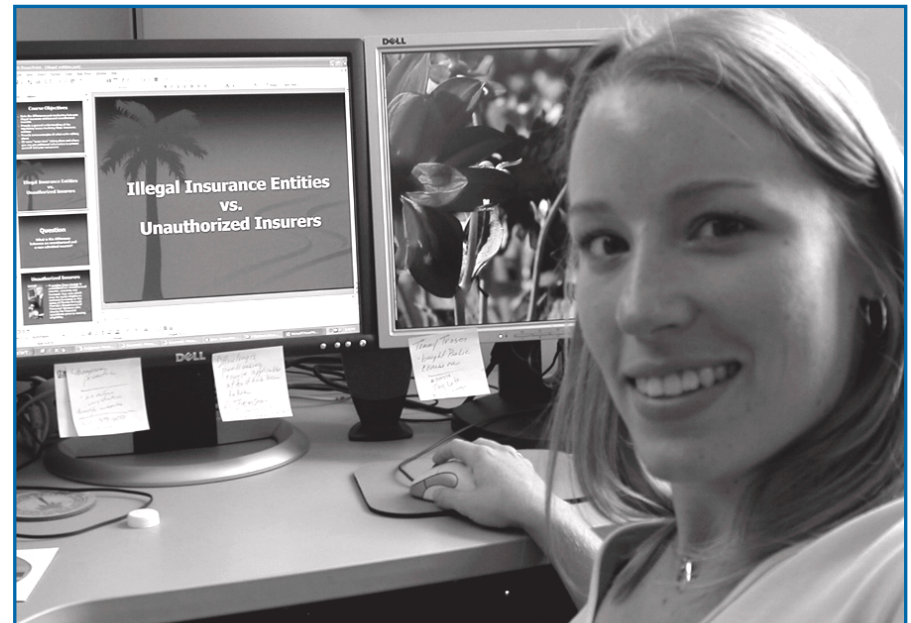
The collaborative classroom

FLSO’s continuing education program also brought the expertise of Ian Greenway of LIG Marine Managers and Tom Abell of T.W. Abell and Associates to the classroom for six different engagements on the topics of “Navigating Maine Workers Compensation” and “A Review of Insurance Fraud Affecting the Marketplace.” Surplus lines agents, general lines agents and regulators participated in the courses, which provided four hours of continuing education credit for each participant. The in-class version of “Illegal Insurance Entities: Knowing the Difference” was also provided by Sean Fisher, during the Latin American Association of Insurance Agencies (LAAIA) annual industry convention.

Speak out

A final component of FLSO’s education program is found within its speakers’ bureau program, which supplies speakers to lecture on specified topics at the request of customers. FLSO staff member Matt Wester delivered two programs during the year, one discussing the rules and regulations of Florida’s surplus lines industry to students at Andy Beverly Insurance School in Jacksonville, and another addressing catastrophe preparation at the “After the 2004 Hurricane Season” conference in Tampa.

The combination of e-commerce, widespread capabilities of available technologies and expertise of highly skilled teachers are just a few reasons why FLSO’s educational program saw much success in 2004. The use of online opportunities supported by industry needs and capable staff will allow the education department to further provide educational opportunities as dictated by customers’ needs.



Ashlee Broome

F i n a n c e

Responsibility for the integrity and objectivity of the financial information presented in this annual report rests with the FLSO management. This was reiterated within the satisfactory audit opinion received on the Florida Surplus Lines Service Office's financial statements for the fiscal years ended December 31, 2004 and December 31, 2003. Prudent budgeting and spending coupled with a continued upturn of premium in the surplus lines marketplace are definite reasons for this success.



Mark Shealy

In 2004, the FLSO reported an increase in premium of more than \$147 million. While availability remained to be an issue in both the admitted and non-admitted markets, surplus lines insurers commanded a higher premium to meet market demands. Riding this hard market for several years, Florida experienced premium growths of 5.4 percent in 2004 and 24.8 percent in 2003. FLSO billed taxes and fees on premium submitted by agents and IPC filers in the amounts of \$130,381,594 and \$7,286,300 respectively. These billed amounts represent a \$9,994,407 increase in surplus lines taxes to the state of Florida and a decrease of \$147,701 to the Service Office.

In the year ending 2004, FLSO generated \$7,318,518 in revenues, a decrease of \$155,936 from the previous year. With respect to the operating expenses, the Service Office spent \$2,917,284 during the year ending December 31, 2004, an increase of \$397,931 from year 2003.

Revenues and expenditures created an increase in total net assets of \$16,164,732 from \$11,718,087 representing an increase of \$4,446,645 over the prior year. The general upturn in the surplus lines industry during the prior fiscal year resulted in a significant positive increase to the operating revenues and net assets of FLSO.

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.



Financial Statements

as of December 31, 2004

Statement of Net Assets

Assets

Current assets:

Cash and cash equivalents	.....\$11,425,378
Accounts receivable	.....65,113
Total current assets	.....11,490,491
Property and equipment, net	.....4,938,849
Deposits	.....11,810
Total assets	.....16,441,150

Liabilities and net assets

Current liabilities:

Accounts payable and accrued expenses	.....170,450
Amounts held for the account of others	.....105,968
Total current liabilities	.....276,418

Net assets:

Invested in capital assets, net of related debt	.....4,938,849
Unrestricted	.....11,225,883
Total net assets	.....16,164,732
Total liabilities and net assets	.....16,441,150

Statement of Revenues, Expenses, and Changes in Net Assets

Operating revenues:

Charges for services	.....\$7,286,300
Interest and finance charges on service fees	.....32,218
Total operating revenues	.....7,318,518

Operating expenses:

Administrations and support	.....1,006,574
Education and outreach	.....674,642
Agent and insurer relations	.....808,774
Depreciation and amortization	.....427,295
Total operating expenses	.....2,917,285
Operating income	.....4,401,233

Nonoperating (expenses) revenues:

Investment interest	.....24,187
Loss on sale of assets	.....(9,375)
Rental income	.....107,095
Rental expenses	.....(76,495)
Total nonoperating (expenses) revenues	.....45,412

Increase in net assets.....**4,446,645**

Net assets at beginning of year ...11,718,087

Net assets at end of year.....**16,164,732**

Statement of Cash Flows

Financing activities

Purchase of property and equipment	.....(479,486)
Other receipts (payments)	.....30,600
Net cash used in capital and related financing activities	.....(448,886)

Investing activities

Interest income	.....24,187
Net cash provided by investing activities	.....24,187

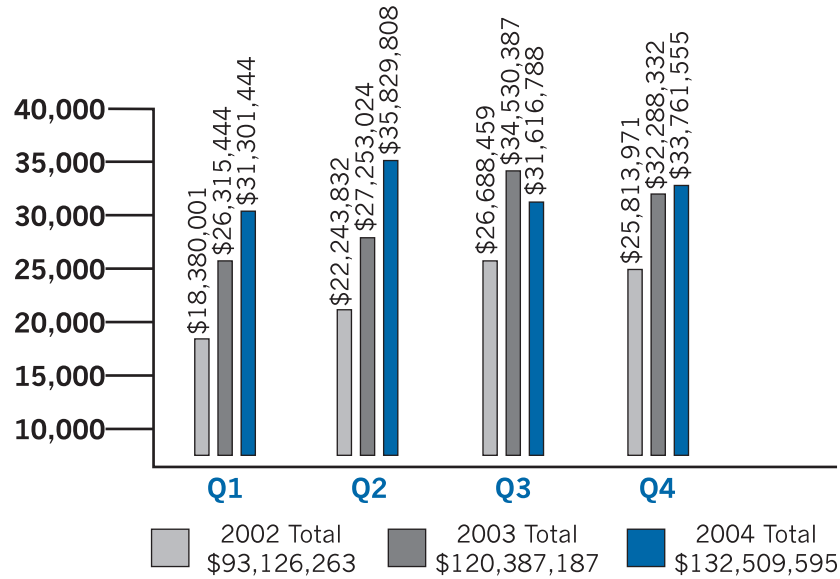
Operating activities

Operating income	.....4,401,233
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	.....427,295
Changes in operating assets and liabilities:	
Accounts receivable	.....27,618
Accounts payable and accrued expenses	.....(18,614)
Amounts held for the account of others	.....102,714
Net cash provided by operating activities	.....4,940,246

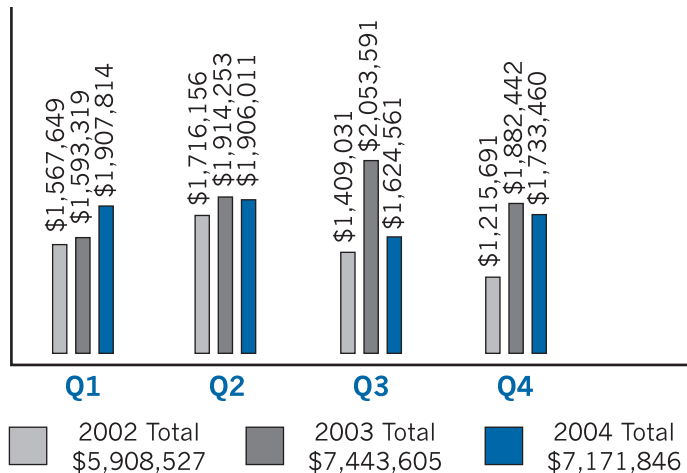
Net increase in cash and cash equivalents	.....4,515,547
Cash and cash equivalents at beginning of year	.....6,909,831

**Cash and cash equivalents
at end of year**.....**11,425,378**

2002 - 2004 Generated Taxes



2002 - 2004 Generated Fees



Premium Comparisons

	Agent Premium	IPC Premium	Total Premium	
2002	Q1	\$426,160,669	\$44,087,617	\$470,248,286
	Q2	\$504,518,715	\$48,621,673	\$553,140,388
	Q3	\$521,557,611	\$80,453,875	\$602,011,486
	Q4	\$499,169,430	\$59,313,592	\$558,483,022
	YT	\$1,951,406,425	\$232,476,757	\$2,183,883,182

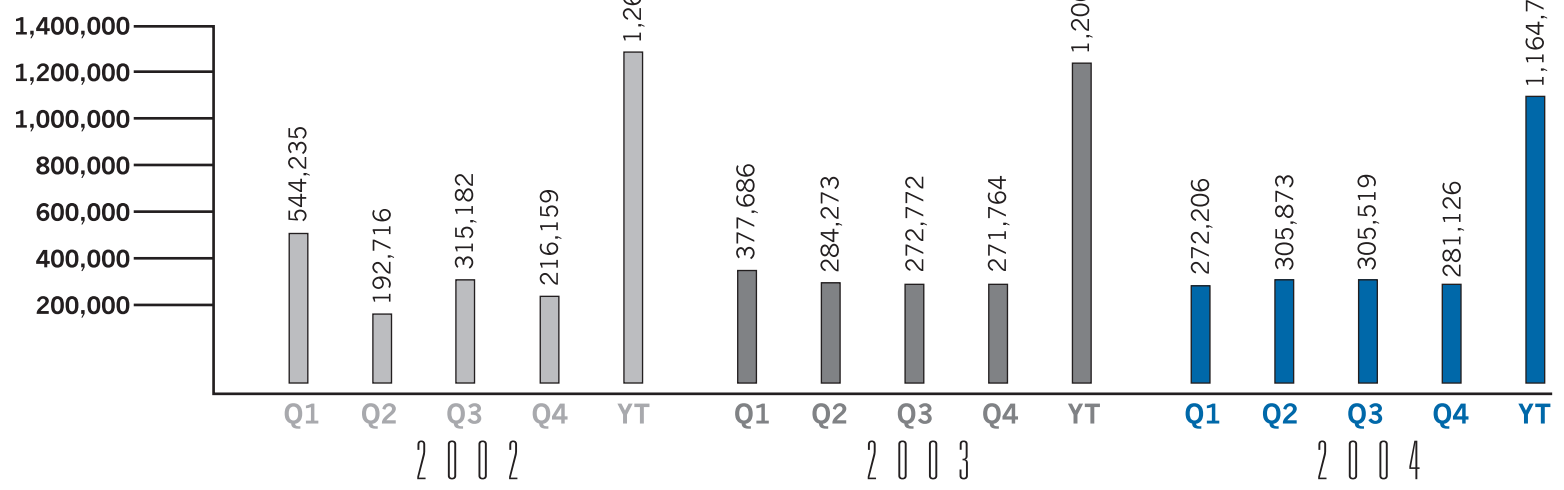
	Agent Premium	IPC Premium	Total Premium	
2003	Q1	\$495,333,069	\$102,746,621	\$598,079,690
	Q2	\$642,393,759	\$81,079,646	\$723,473,405
	Q3	\$601,272,940	\$111,839,825	\$713,112,765
	Q4	\$571,033,563	\$121,464,850	\$692,498,413
	YT	\$2,310,033,331	\$417,130,942	\$2,727,164,273

	Agent Premium	IPC Premium	Total Premium	
2004	Q1	\$578,093,669	\$87,885,129	\$665,978,798
	Q2	\$665,406,177	\$112,847,894	\$778,254,071
	Q3	\$590,895,018	\$103,385,124	\$694,280,142
	Q4	\$623,035,445	\$113,446,041	\$736,481,485
	YT	\$2,457,430,309	\$417,564,187	\$2,874,994,497

For all submission comparisons, the transaction information in this annual report is extracted from data submissions received by surplus lines agents, independently procured coverage (IPC) filers and insurers. The transaction information is based upon the submission date of policy transactions submitted as of 5/17/05.

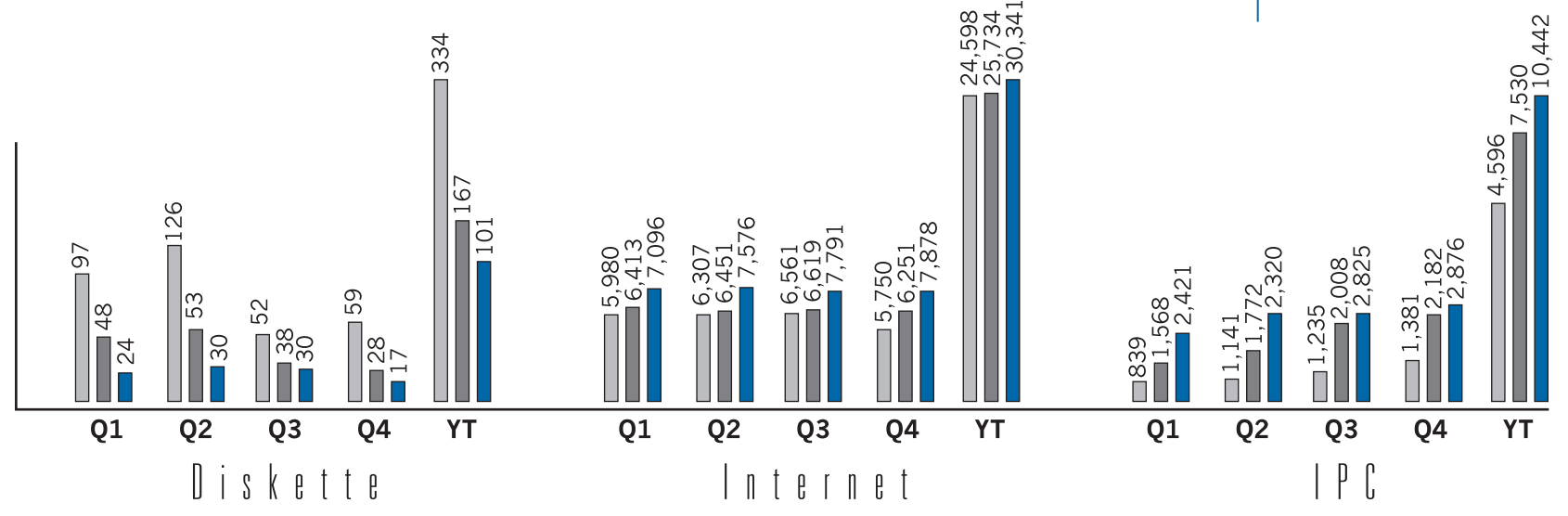
Agent Transactions Submissions

Non-IPC



Diskette, Internet and IPC Submissions

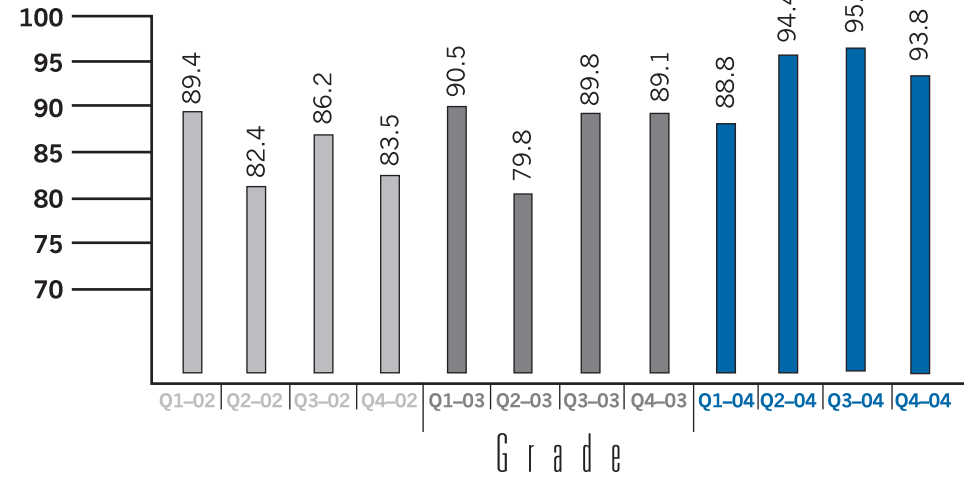
2002 2003 2004



Compliance Reviews

	Reviews Done	No. of Policies Reviewed	No. of Transactions Reviewed
2004 Q1	37	1,059	1,274
Q2	61	2,107	2,351
Q3	54	2,139	2,258
Q4	57	1,805	1,900
YT	209	7,110	7,783

Compliance Reviews' Average Score by Quarter



Compliance Reviews Unfiled Policies

	No. of Agents	No. of Policies Collected on	Total Premium	Taxes	Tax Penalties	Service Fees	Service Fee Penalties
2004 Q1	6	155	\$3,734,437	\$174,995	\$19,731	\$11,203	\$1,240
Q2	7	146	\$2,547,939	\$127,397	\$26,410	\$7,644	\$1,578
Q3	11	48	\$837,366	\$41,043	\$9,925	\$2,512	\$585
Q4	11	33	\$455,828	\$21,502	\$1,762	\$1,236	\$116
YT	35	382	\$7,575,570	\$364,937	\$57,828	\$22,595	\$3,519

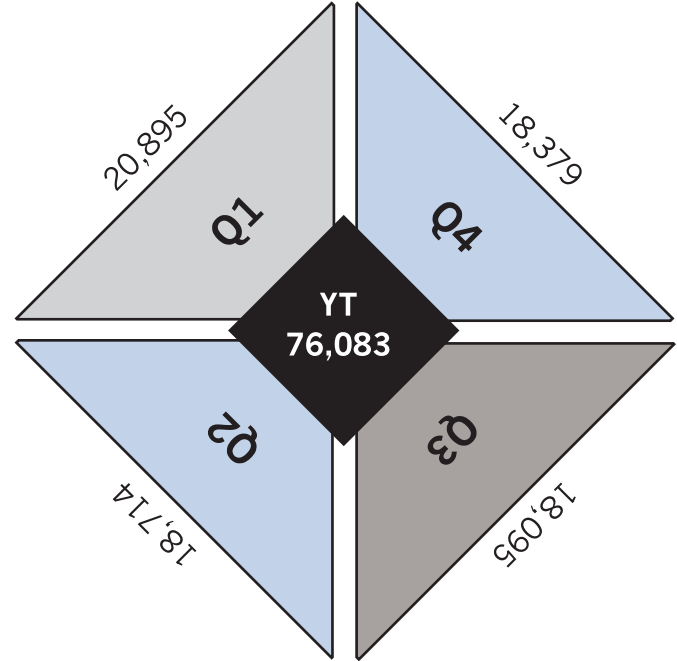
Variance Statistics

2004

	No. of Policies Collected on	Premium Amount	Tax	Tax Penalties	Service Fees	Service Fee Penalties
Q1	15	\$3,412,078	\$170,603	\$20,556	\$10,236	\$1,580
Q2	36	\$9,722,873	\$486,143	\$37,231	\$29,168	\$3,124
Q3	5	\$2,436,299	\$121,814	\$10,917	\$7,308	\$982
Q4	58	\$6,619,905	\$330,997	\$18,936	\$18,767	\$1,505
YT	114	\$22,191,155	\$1,109,557	\$87,640	\$65,479	\$7,191

	Policy Count	Premium	Fees/Taxes/Penalties
2002	21	\$8,125,620	\$488,927
2003	137	\$55,494,617	\$3,140,439
2004	114	\$22,191,155	\$1,269,867

2004 Website Visitor Sessions



Top 25 Coverages by Premium Reported

1000–Commercial Property	\$878,230,418
5000–Commercial General Liability	\$614,636,075
1005–Commercial Package (Property & Casualty) ..	\$185,736,817
2002–Homeowners-HO-3.....	\$162,538,212
5001–Commercial Umbrella Liability.....	\$129,227,217
7003–Miscellaneous E&O Liability.....	\$70,273,438
5006–Excess Commercial General Liability (Not Umbrella)	\$65,353,148
6001–Miscellaneous Medical Professionals.....	\$58,714,154
1001–Builders Risk.....	\$47,441,680
1013–Windstorm &/or Hail	\$41,770,714
6000–Hospital Professional Liability.....	\$41,416,982
5002–Directors & Officers Liability (Profit)	\$36,597,385
2009–Dwelling Property.....	\$34,521,509
7002–Lawyers Professional Liability	\$33,369,420
6003–Physician/Surgeon	\$27,794,640
5012–Pollution & Environment Liability	\$27,382,895
4001–Inland Marine (Personal).....	\$25,800,733
1204–Worker’s Compensation-Excess Only	\$24,405,537
8002–Commercial Auto Physical Damage.....	\$23,639,111
1006–Condominium Package (Commercial).....	\$22,716,876
4000–Inland Marine (Commercial)	\$20,390,281
5005–Employment Practices Liability.....	\$19,183,445
2005–Condo Unit-Owners HO-6	\$18,499,793
1003–Apartments (Commercial).....	\$17,052,354
7000–Architects & Engineers Liability.....	\$16,271,342
TOTAL.....	\$2,642,964,176

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 the policy transaction submitted. All other policy premium amounted to \$232,030,320. This information was current as of 5/17/2005. 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.

Top 25 Insurers by Premium Reported

Insurer	Premium
1 Lloyd’s Underwriters at London.....	\$485,138,664
2 Lexington Insurance Company	\$379,776,853
3 Scottsdale Insurance Company	\$138,313,550
4 Landmark American Insurance Company	\$123,280,518
5 Westchester Surplus Lines Insurance Company	\$85,665,045
6 Empire Indemnity Insurance Company	\$82,779,216
7 USF&G Specialty Insurance Company	\$80,532,316
8 Axis Surplus Insurance Company	\$76,148,671
9 Essex Insurance Company.....	\$73,776,489
10 American International Specialty Lines Insurance Company	\$69,186,032
11 Evanston Insurance Company	\$65,148,586
12 Columbia Casualty Company	\$60,946,053
13 Colony Insurance Company.....	\$57,440,985
14 Arch Specialty Insurance Company	\$55,957,166
15 Steadfast Insurance Company.....	\$53,601,234
16 Mt. Hawley Insurance Company	\$43,916,158
17 The Burlington Insurance Company.....	\$40,804,488
18 Indian Harbor Insurance Company	\$40,300,718
19 Century Surety Company	\$39,364,759
20 Pacific Insurance Company	\$38,702,989
21 First Specialty Insurance Company	\$36,899,880
22 Nautilus Insurance Group	\$32,139,114
23 Admiral Insurance Company	\$26,299,908
24 General Star Indemnity Company.....	\$25,977,249
25 Illinois Union Insurance Company	\$24,554,130
TOTAL.....	\$2,237,650,771

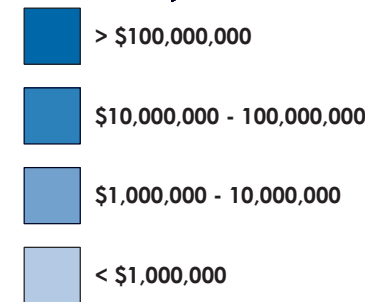
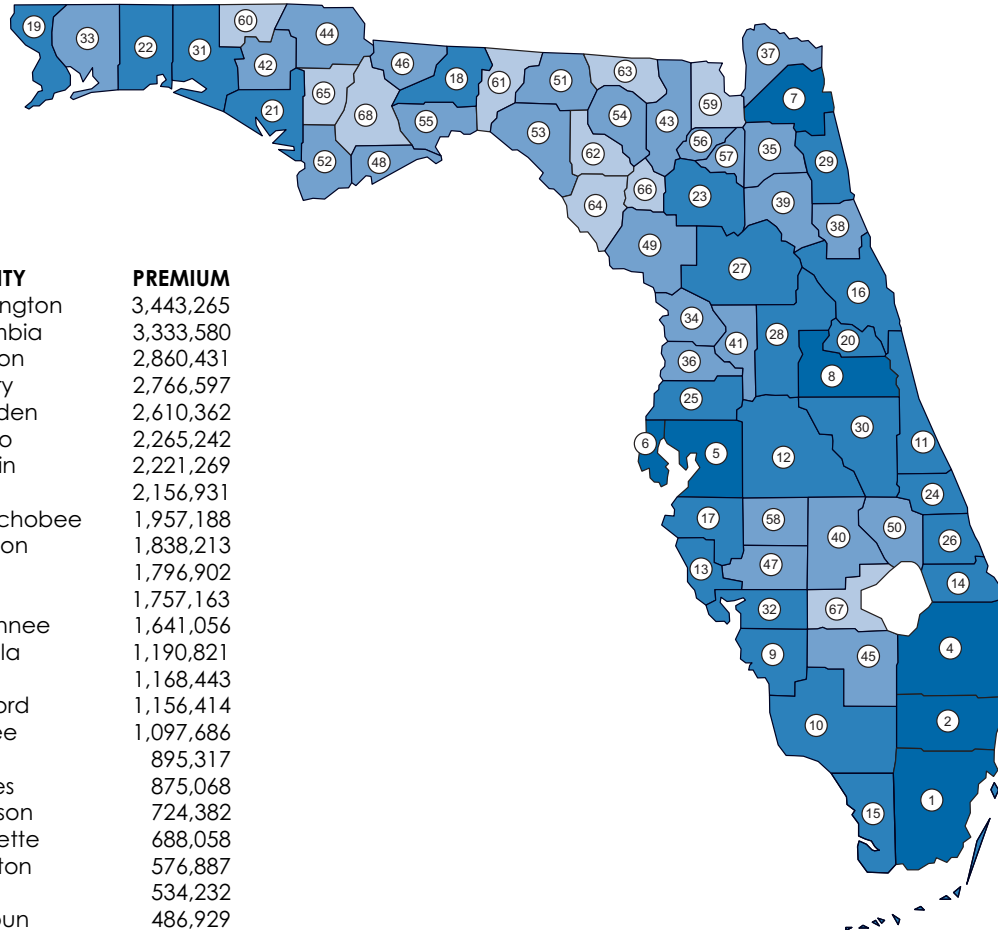
The policy premium information contained in this annual report is extracted from data submissions received by surplus lines agents and independently procured coverage (IPC) filers. The policy premium information is based on effective date of policy transaction submitted. All other policy premium amounted to \$638,343,728. This information was current as of 5/17/2005. 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.

2004 Premiums by County

The FLSO has 780 licensed member agents, of which 465 submitted business in 2004.

COUNTY	PREMIUM
1 Miami-Dade	562,342,441
2 Broward	302,435,887
3 Multiple Cos.*	285,154,701
4 Palm Beach	239,782,876
5 Hillsborough	189,045,733
6 Pinellas	144,835,538
7 Duval	139,551,132
8 Orange	134,049,910
9 Lee	77,588,280
10 Collier	67,899,397
11 Brevard	55,928,315
12 Polk	55,263,631
13 Sarasota	51,152,248
14 Martin	37,857,938
15 Monroe	36,776,405
16 Volusia	36,121,364
17 Manatee	33,907,914
18 Leon	32,309,728
19 Escambia	31,133,313
20 Seminole	30,437,429
21 Bay	29,004,964
22 Okaloosa	28,850,743
23 Alachua	28,517,362
24 Indian River	25,800,425
25 Pasco	23,088,225
26 St. Lucie	19,453,598
27 Marion	17,867,472
28 Lake	17,638,967
29 St. Johns	12,757,475
30 Osceola	11,578,390
31 Walton	10,115,358
32 Charlotte	10,024,579
33 Santa Rosa	9,113,277
34 Citrus	9,079,175
35 Clay	7,552,092
36 Hernando	7,284,375
37 Nassau	5,782,552
38 Flagler	5,068,415
39 Putnam	4,371,882
40 Highlands	3,624,580
41 Sumter	3,520,699

COUNTY	PREMIUM
42 Washington	3,443,265
43 Columbia	3,333,580
44 Jackson	2,860,431
45 Hendry	2,766,597
46 Gadsden	2,610,362
47 Desoto	2,265,242
48 Franklin	2,221,269
49 Levy	2,156,931
50 Okeechobee	1,957,188
51 Madison	1,838,213
52 Gulf	1,796,902
53 Taylor	1,757,163
54 Suwannee	1,641,056
55 Wakulla	1,190,821
56 Union	1,168,443
57 Bradford	1,156,414
58 Hardee	1,097,686
59 Baker	895,317
60 Holmes	875,068
61 Jefferson	724,382
62 Lafayette	688,058
63 Hamilton	576,887
64 Dixie	534,232
65 Calhoun	486,929
66 Gilchrist	449,550
67 Glades	421,019
68 Liberty	412,709
TOTAL	\$2,874,994,497



* This includes one or more counties as reported

The policy premium information contained in this annual report is extracted from data submissions received by surplus lines agents, independently procured coverage (IPC) filers and insurers. The policy premium information is based upon the import date of policy transactions submitted. This information was current as of 05/17/2005. 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.

T i d — B i t s

- || In 2004, there were 153 eligible insurers in Florida: 32 were alien and 121 were foreign insurers. Five insurers were removed from the eligibility list by consent order and seven surplus lines insurers were added.
- || FLSO has 780 licensed member agents and 465 submitting agents.
- || There were 65 newly licensed surplus lines agents and FLSO members in 2004.

- || Total reported premium by member agents: \$ 2,457,430,309.
- || Total reported taxes by member agents: \$111,631,386.
- || Florida ranks third nationally in the volume of total surplus lines premium reported.

- || FLSO offered seven continuing education classes in Florida during 2004.

- || Website Features:
 - 76,083 visitor sessions to FLSO website
 - Offers free online resources (news releases, bulletins, forms, manuals, Florida Statutes, etc.)
 - Frequently Asked Questions section
 - Market Data Reports
 - Florida Eligible Surplus Lines Insurer Financial Data
 - Online Education (Pre-licensing qualification course, continuing education course, and Agent Software tutorials)

- || Variance Analysis:
 - 2002: Collected on 21 policies with more than \$8.1 million in unreported premium and nearly \$500,000 in taxes, fees and penalties.

- 2003: Collected on 137 policies with more than \$55.1 million in unreported premium and more than \$3.1 million in taxes, fees and penalties.
- 2004: Collected on 114 policies with more than \$22.2 million in unreported premium and more than \$1.3 million in taxes, fees, and penalties.

|| IPC Data:

- Total reported premium: \$417,564,187
- Total reported taxes: \$20,878,209
- Total number of policies processed: 8,797

About the FLSO:

- || FLSO's permanent office location is in Tallahassee, Florida.
- || Toll-free assistance: 1-800-562-4496.
- || Website address: www.fslso.com
- || The FLSO newsletter is called *The Advisor*.
- || FLSO was established by the Florida Legislature in 1997, under the "Dana Roehrig Act."

About the Staff:

- || FLSO has 17 employees with more than 210 combined years of insurance experience.
- || The FLSO participated in four community service events during 2004, which included the Dale Pullen Scholarship Fund Golf Tournament, the American Cancer Society's annual Relay for Life, Walk American's Heart Walk, and Catholic Charities Christmas Connection.

F S L S O C o n t a c t I n f o r m a t i o n :

FLORIDA SURPLUS LINES

● SERVICE OFFICE ●

"Serving Florida's Surplus Lines Community"

FSLSO

1441 Maclay Commerce Drive, Suite 200
Tallahassee, FL 32312

Toll-free number: (800) 562-4496

Office number: (850) 224-7676

Fax number: (850) 513-9624

www.fslso.com



FSLSO Staff

FLORIDA SURPLUS LINES
● SERVICE OFFICE ●