



Florida Surplus Lines Service Office
2007 ANNUAL REPORT



The BROADWAY BRIDGE, Daytona Beach

A BRIDGE CAN BE DESCRIBED AS A STRUCTURE, built to span over an obstacle for the purpose of providing passage. Designs of bridges vary depending on the function that they serve and the terrain in which they pass over. But bridges are far more than just physical.

At the Service Office, we too are a bridge. We work as the definitive link for Florida's surplus lines insurance marketplace, connecting people to information. For agents, insurers, regulators and consumers, we are a means to valuable resources geared to protect and serve their interests.

While the surplus lines marketplace fills the gap by providing coverage unavailable by the admitted market, the Service Office bridges the gap by serving as a conduit for assistance and information within Florida's insurance community.

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The HATHAWAY BRIDGE, Panama City

Annually, the Service Office works with the Department of Financial Services (DFS) to update and produce a consumer brochure to relay information regarding the placement of a risk in the surplus lines market. This brochure is provided to all of the Consumer Services' offices around the state, as well as to the Service Office for dissemination to its customers. This partnership between the Service Office and DFS provides just one more way in which the information gap between consumers and the surplus lines industry can be bridged.





Determined to be universally recognized as the definitive resource to Florida's surplus lines insurance marketplace, the Service Office had another banner year in 2007. The Service Office accepted the task of enhancing its many services while responsibly meeting its normal obligations to serve Florida's surplus lines insurance industry.

As the incoming Chairman, I would like to take this opportunity to extend my sincere appreciation to our past Chairman, Dan O'Leary, for guiding the Service Office during his tenure. Dan O'Leary's commitment and leadership shows his great devotion to this organization, its mission and vision, and the surplus lines insurance community.

As we progress and increase our visibility in the surplus lines industry, monumental tasks no longer seem impossible. We have undertaken an enormous responsibility of providing leadership and service to our customers. These responsibilities offer the Service Office the opportunity to pursue new methods of disseminating information, providing assistance, delivering quality education programs, and maintaining a high level of customer service excellence. In this regard, we are so very proud of how our staff's initiative and action lead to problem-solving ideas. Many of these are evident in our everyday operations.

The focus to provide better services through the use

of technology, general access to information, and enhancements to internal operations is always a top priority of the Service Office. As an industry, we are able to take full advantage of these innovations and should always challenge ourselves to do so.

I ask that you take the time to peruse our 2007 Annual Report, as you will realize that we are fulfilling our obligations to the surplus lines industry of Florida with a smaller workforce than other state stamping offices. With this perspective, you can fully understand the tenacity in which our staff and Board of Governors give to every demand and project.

The dedicated FLSO team inspires positive change in the surplus lines industry and is affiliated with the many programs instituted this past year. My sincere gratitude is extended to Gary Pullen, Executive Director, and his staff for their continued efforts to create viable and efficient solutions to better help their customers. I wish to congratulate and thank last year's Board of Governors whose time and effort were instrumental in the many successes upheld by the Service Office in 2007.

I look forward to the wonderful opportunity and privilege of serving this organization and Florida's surplus lines industry in the coming year.

Sincerely,

A handwritten signature in black ink, appearing to read "R.C. Chaffin". The signature is fluid and cursive, written over a light-colored background.

R.C. Chaffin, *Chairman*



Bridging the gap – that is how we, at the Service Office, recognize our organization and its role within Florida’s surplus lines industry.

Our mission statement serves as our platform for the delivery of quality customer service, service

that includes assisting consumers to make a connection with an available member agent, synching up agents with the information that they need to know, and aligning ourselves as the premiere resource for surplus lines information.

We continue to challenge ourselves, working to improve our services and create innovative solutions to better serve our customers. Automating the services of the Service Office has proven successful, creating efficiencies in our processes, providing access to more information and improving the validity of the surplus lines marketplace as a viable resource for the insurance buying public.

The FSLSO staff has expended a great deal of time and effort in the enhancement of many of our services including the Insurer Financial Data Reports. These reports now provide a more thorough company

composite page in a thumbnail sketch format that will make identifying a company’s basic financial information quick and easy.

Staff worked in conjunction with members of the Florida Department of Financial Services and the Florida Outdoor Advertising Association to build a public service billboard campaign encouraging homeowners to protect themselves through hurricane mitigation of their homes.

Additionally, staff utilized their resources to provide a comprehensive learning program to member agents, retail agents, agency support staff, and regulators in an effort to bridge their educational requirements with useful, reliable and accurate information.

Taking a proactive approach for the purposes of process and service improvement, staff worked diligently to create a meaningful three-year strategic plan to help FSLSO anticipate future threats and opportunities that may arise from industry, regulatory, or other environmental changes.

I take this opportunity to thank Dan O’Leary, our 2007 Chairman, and all of the members of the Board of

OUR MISSION: *To serve and protect our customers’ interests by facilitating compliance and providing assistance and information regarding the Florida surplus lines marketplace.*

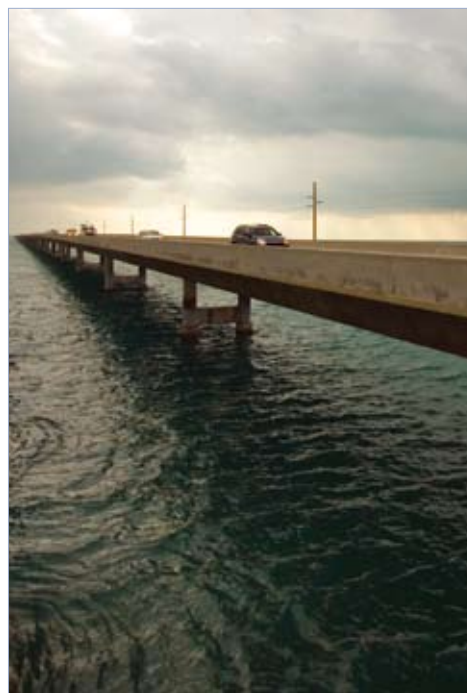
Governors for the leadership and guidance they so willingly provided for the betterment of this organization. I look forward to this new year working under the guidance of our Chairman, R.C. Chaffin, whose professionalism, sense of fairness and experience will serve our organization well.

The success of this organization is dependent on innovative solutions developed by the Service Office staff. I thank our staff for their diligence to provide quality customer service and their devotion to serving this industry. Together, we can succeed in the face of challenge and remain strong in our commitment to Florida's surplus lines industry.

Sincerely,



Gary D. Pullen, *Director*



The SEVEN MILE BRIDGE, Florida Keys

In 2007, the Service Office partnered with the Florida Department of Financial Services (DFS) and the Florida Outdoor Advertising Association (FOAA) to develop and implement a public service billboard campaign to encourage Florida homeowners to mitigate their homes against hurricane damage. This effort was made in order to connect Florida homeowners to a viable information source, the My Safe Florida Home Program, to learn more about methods that may be used to harden homes against windstorm damage. The "When Mother Nature Threatens Shutter Up" theme was conceptualized through the collaboration of the Service Office and a local Tallahassee design firm, Design Farm.

Building credibility within and for the surplus lines industry remains a top priority for the Service Office. The Service Office monitors the surplus lines marketplace through analysis of the agent, insurer and independently procured coverage (IPC) data submissions to facilitate compliance with the laws and rules governing Florida's surplus lines community.

To ensure fairness and conformity with the law, the Service Office utilizes the Variance Analysis and the Compliance Review Programs to monitor and evaluate data submissions in order to maintain the credibility of the surplus line marketplace. 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.

The Service Office maintains its position as the sole surplus lines stamping office with the ability to perform this type of technological analysis using transaction level information. The perceptive attention to detail by the variance staff in their search for discrepancies helped to uncover 261 policies representing \$98,320,389 in unreported premium. This resulted in the collection of \$4,113,067 in taxes, fees and penalties in 2007.

The Variance Analysis Program enhances regulatory performance and ensures taxes and service fees are paid to the correct source.

Another way the Service Office monitors the marketplace and verifies data is through the Compliance Review Program. This program 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 the Service Office.

Generally, any inconsistencies found through the review process are reflective of improper training and a lack of quality controls by the agent in the submission of transactions. There were 250 reviews conducted in 2007. The reviews uncovered 321 unfiled policies by 62 different agents which represented more than \$4.7 million in premium. Consequently, the review process has increased the credibility and data integrity, not only of the submissions filed with FSLSO, but of the documentation surplus lines agents are required to maintain by law.

Similar to the Compliance Review Program in the nature of education, the Agent Report Card serves



The HUBERT HUMPHRIES BRIDGE, Daytona Beach

When an insurance professional called the Service Office for assistance relative to surplus lines requirements in other states, FLSO's Insurer Services section was able to connect her with the law firm Edwards, Angell, Palmer and Dodge, and provided her with a link to the firm's excess and surplus lines law manual which covers laws and requirements for all of the United States.

as an additional means to educate industry members with regards to their compliance with the laws. The report cards provide letter grades on four factors including percentage of transactions with no outstanding transactions-in-question (TIQ), percentage of submissions accepted versus total number of submissions, percentage of affidavits filed timely, and percentage of transactions submitted timely. The overall industry grade for 2007 on the Agent Report Card was a "B" with an average of 3.25. The Agent Report Card serves as a mechanism to help aid in the improvement of an agent's filing procedures through their awareness of potential weaknesses and key strengths.

These three programs work together to establish and uphold the credibility of Florida's surplus lines community. Through teamwork by both Florida's surplus lines community and the Service Office's staff, the industry's compliance level will remain a successful constant.

As evidence by the 106,554 visits to the Service Office's website in 2007 and the countless phone calls received by staff, assistance was recognized by the Service Office as a major aspect of quality customer service. The interlinking of various technologies and conventional methods of communication supported a year of success attributed to the assistance the Service Office provided.

In 2007, the Service Office released an insurer version of its web-based filing portal, SLIP, or Surplus Lines Information Portal. Insurer SLIP was developed through the collaborative efforts of the Service Office and Infinity Software Development, Inc. Like the insurer software, Insurer SLIP provides a mechanism for surplus lines insurers to electronically submit data. In addition, Insurer SLIP provides for the ability to make corrections to submitted data, access to various types of reports, and provides links to the Insurer Financial Data Reports for user-selected surplus lines insurers operating in Florida. Insurer SLIP also provides a listing of current events affecting the surplus lines insurance market which links to the Service Office's homepage.

The Service Office also provided assistance to a variety of groups and organizations in 2007, including the Department of Financial Services and Mississippi's stamping office.

During the fourth quarter, the Service Office prepared a briefing packet that contained statistical data concerning Lloyd's of London's market share in Florida and the United States, a breakdown of top coverage codes for commercial property coverage written by Lloyd's in 2006, and other various statistical information. This briefing packet was provided to the State's Chief Financial Officer, Alex Sink, in preparation for a meeting at Lloyd's of London concerning its presence in Florida's surplus lines industry.

During 2007, the Mississippi Surplus Lines Stamping Office contracted with Infinity Software Development, Inc. to retrofit components of the Service Office's filing platform, in an effort to provide Mississippi agents with an electronic means to file policy information. The Service Office assisted members of the Mississippi



The SOUTH BRIDGE, Fort Pierce

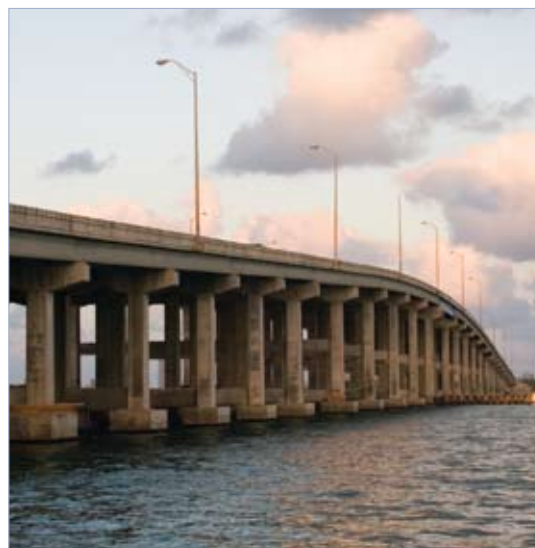
At the request of the Insurance Consumer Advocate, Service Office staff met with regional poultry farmers in an effort to find affordable coverage for their poultry operation. Staff was able to connect the poultry farmers with a viable option for coverage.

stamping office by providing their expertise on SLIP, filing procedures, mass communication and information dissemination. Staff member Felicia Meredith designed and developed a basic SLIP tutorial for the Mississippi office and its customers in order to assist its agents in understanding the new filing system.

As Florida's surplus lines community continued to grow in 2007, the Service Office welcomed 63 resident and 89 nonresident surplus lines agents, providing each with a New Agent Packet. Each New Agent Packet contained useful informational guides, including copies of the most current Annual Report, *The Advisor* newsletter, Agents' Procedures Manual, Agent Reporting Software, SLIP username and password, and various brochures and teaser cards.

All surplus lines insurers who seek eligibility to market their products in Florida must submit their application to the Service Office for review. In 2007, six insurers sent applications to the Service Office, of which seven were reviewed and sent to the Department of Financial Services/Office of Insurance Regulation; this includes one application that was sent to the Service Office in the latter part of 2006. As of December 31, 2007, nine applications were approved by DFS/OIR; this includes two applications submitted in 2006.

Assistance is a major component of the Service Office and providing aid to customers is a daily function of the staff. The staff's commitment to putting their customers first provides one of the many benchmarks of FLSO achievements.



The JULIA TUTTLE CAUSEWAY, Miami Beach

While teaching a continuing education class in Miami, Service Office staff had the opportunity to meet with representatives of the Dade County Insurance Consumer Services Office. This visit provided the Service Office staff with a chance to assist members of the consumer helpline with specific surplus lines insurance questions, link them to resources available through FLSO, and create a channel of communication and assistance.

All surplus lines agents in Florida are members of the Service Office as a condition of holding a surplus lines agent's license. For this reason, the Service Office has, and will continue, to serve as a source of advice and information for our member agents, as well as our industry and state government by exercising these duties at tradeshows, conferences, meetings, and government correspondence.

The Service Office staff attended a variety of industry tradeshows and conferences in 2007, which gave them the opportunity to interact with customers, provide educational materials to interested parties, and promote Florida's surplus lines industry. A sampling of associations' tradeshows and conferences staff attended included the National Association of Professional Surplus Lines Offices (NAPSLO), the Florida Association of Independent Agents (FAIA), the Florida Surplus Lines Association (FSLA), the American Association of Managing General Agents (AAMGA), the Governors Florida Sterling Conference, and the Annual Association of Insurance Compliance Professionals (AAICP).

Additionally, the Service Office attended industry conferences, meetings and roundtable discussions to stay abreast of the latest developments in the surplus lines marketplace on both state and national levels. These conferences allowed staff to maintain a constant foundation of counsel for Florida's surplus lines

community. During 2007, the Service Office staff took an active approach in representing the interests of Florida in discussions relative to HR 1065 at various meetings including Surplus Lines Interstate Compact Workshops, Surplus Lines Law Group meetings, and the National Association of Insurance Commissioners' (NAIC) quarterly meetings.

A position paper, approved by the FSLSO Board of Governors has stood as the backbone for the Service Office's stance regarding the federal regulation of the placement and taxation of multi-state surplus lines policies. As an alternative to the proposed legislation, the Board supports a voluntary, state-based solution for providing one set of rules governing taxation of multi-state placements, a uniform tax allocation formula for apportioning taxes, and a single reporting platform or system for submitting tax filings.

Service Office staff also served as a guest speaker at several industry conferences, delivering information relative to the FSLSO, its programs, services and means of assistance. At both the annual Florida Surplus Lines Association (FSLA) conference and the 2007 State of the Florida Insurance Market Summit, staff provided presentations on industry trends relative to Florida's surplus lines insurance market, current legislation, and an overview of FSLSO's services.

Representation of Florida's surplus lines insurance market occurs on various levels, and at many times, these levels intertwine several of FLSO's services including education and information. The Service Office continues to support its role as a representative of Florida's surplus lines community by promoting the market, actively participating in industry matters, and serving as a resource for its member agents, consumers, industry members and state government.



The MANATEE BRIDGE, Bradenton

Consumers looking for coverage often call upon the Service Office for assistance and staff do all they can to help find possible coverage options. When a consumer called FLSO's Agent Service's section looking for liability coverage for her daycare, staff was able to connect her to agents currently writing that type of coverage in her area. The Service Office also encourages consumers, retail agents, and member agents to utilize its "Looking for Coverage" Report as a means to find agents writing particular lines of coverage. This report can be found by visiting: www.fslso.com/market/reports/LookUpCoverage.aspx

The service of information plays an important role with the Service Office, and equally important, is the distribution of that information. The Service Office is always cognizant of the fact that its customer groups are extremely diverse, and therefore must find new ways to make information accessible while maintaining its reliability and accuracy.

When it came to the Service Office finding new methods to disseminate information, the staff hit the streets looking for new opportunities. The Service Office took a proactive approach in support of Florida homeowners to better protect themselves against hurricane loss. Through partnerships with the Florida Department of Financial Services (DFS) and the Florida Outdoor Advertising Association (FOAA), the Service Office launched a public service billboard campaign that encourages homeowners to “Shutter Up!” and promoted the My Safe Florida Home Program. Billboards were posted around the state of Florida including Miami, Orlando, Ft. Myers, Jacksonville, Sarasota and Daytona Beach.

Passing motorists were also encouraged to visit www.shutterupflorida.com as included on the billboard, which would lead them to an accompanying website that delivered facts about hurricane mitigation before redirecting them to My Safe Florida Home site. During 2007, more than 400 individuals visited the Shutter-Up Florida site.

The FSLSO website, www.fslso.com, served as a major conduit to a variety of informational resources including online data reports, exportable submission file formats, Florida Statutes, news releases, manuals, forms and online-accessible publications. During 2007, the Service Office posted 66 news items to its main page, supplying visitors with updates on industry issues and marketplace information.

In addition to posting items on the main page, the Service Office also sent informational news items to industry members via electronic news bulletins. The Service Office’s eNews service sent information to subscribers, while the eAlert Service relayed important news items to all surplus lines agents regardless of subscription. During the year, the Service Office sent out 25 electronic bulletins, delivering information relative to legislation, insurer updates, Citizen’s Property Insurance Corporation, education offerings, and more.

On paper, the quarterly printed *The Advisor* newsletter served as a mechanism to provide information to its customers. *The Advisor* served as an informational and educational pipeline to members and other subscribers as a means to keep them up-to-date with issues affecting the industry. Key points in the quarterly distributions noted legislative initiatives, market trends, agent responsibilities, insurer filing requirements, staff member profiles, and insurer updates.

Likewise, the Service Office continued to explore the use of its teaser card program as an efficient and effective means to promote its products and services. Teaser cards were developed, printed and included in each quarterly invoice mailing, and delivered information relative to electronic invoicing, the Insurer Financial Data Reports, the Market Data Reports, and the 2007 continuing education schedule.

The Market Data Reports program, found on the FLSO website, continued to serve as a research tool for users searching for information on Florida's surplus lines industry. The reports provided aggregated data reports based on the submissions of Florida surplus lines agents, Independently Procured Coverage (IPC) filers, and eligible surplus lines insurers. Users sought the business volume of surplus lines insurers, current market trends, competitor analysis, and other information concerning Florida's surplus lines market.

Coupled with the Market Data Reports, the Insurer Financial Data site provided annual financial information for all eligible surplus lines insurers approved to transact business in Florida. These reports underwent a major overhaul in 2007, in an effort to provide additional information in a more efficient means. The initial composite page of the Insurer Financials was completely

redesigned to give the user a more accurate "at a glance" report of each eligible insurer. Information was added to the composite page to include the A.M. Best rating, surplus, net income, and premiums written in Florida and nationwide with an indicator as to the positive or negative direction of these data items from one year to the next.

Graphs were also added to each insurer's financial page, displaying trending items such as national direct premium, Florida direct premium and Capital and Surplus. Lastly, a help guide was developed to answer questions regarding the terms and phrases found in the Financial Data pages for the purposes of providing assistance in understanding surplus lines insurance and the financial reporting associated with a surplus lines insurer.

The Service Office has built a solid reputation on finding new ways to synch up industry information and its customers. Through advancements in information dissemination, the Service Office can continue on its quest to serve as the definitive resource to Florida's surplus lines marketplace.

The Service Office offered a wide variety of educational opportunities, programs and materials in 2007. The intertwining of traditional classroom methodology with available technologies lent itself to another year of education opportunities through several formats.

In 2007, the Service Office created and delivered a new four-hour classroom-based education course entitled “Do You Know the Code: Florida’s Surplus Lines Law and Mitigation Options.” This course was created in an effort to provide students with an opportunity to satisfy a new continuing education requirement calling for one-hour on the subject matter of mitigation options and premium discounts as mandated by the Department of Financial Services. Along with the one-hour of mitigation techniques and premium discounts, this course also incorporated three-hours of Florida’s surplus lines law; the programs, services and resources of the FSLSO; and an interactive student retention game. This course was taught in three locations around the state including Sarasota, Altamonte Springs and Miami to more than 150 students.

Alongside “Do You Know the Code,” FSLSO also delivered education offerings at the annual conferences of both the Florida Association of Independent Agents (FAIA) and Florida Surplus Lines Association (FSLA). During FAIA’s 103rd Annual Conference and Education Symposium, FSLSO delivered two course offerings entitled “Understanding Florida’s E&S Market.”

This course provided an overview of Florida’s surplus lines market through the exploration of the distribution system, the role of the producing agent, the Surplus Lines Law, and the five core services of the Service Office.

Additionally, the Service Office staff delivered a two-hour course entitled, “Navigating Florida’s Unfair Trade Practices and Mitigation” at the Florida Surplus Lines Association’s (FSLA) Annual Conference. This course provided students with information on the Unfair Trade Practices statutes, premium discounts relative to mitigation techniques, and resources and programs provided by the Service Office.

The Service Office also provided speakers through its Speakers Bureau to participate in classrooms and training seminars for organizations including the Florida Insurance School, Florida State University (FSU), and the Department of Financial Services. Staff member, Matt Wester, delivered presentations to the students taking a 60-hour Surplus Lines Pre-Licensing Qualification Course at the Florida Insurance School, giving them information relative to the roles and responsibilities of the FSLSO. Staff members also provided an overview of the surplus lines insurance market to risk management students at Florida State University.

Lastly, Service Office staff participated in a statewide training seminar provided by the Department of Financial Services for its Consumer Services staff and presented information regarding the surplus lines distribution system, the responsibilities of surplus lines agents, and resources and programs by the FLSO. Several staff and Board Members also participated on the Surplus Lines Examination Committee, serving as subject matter experts relative to the review of the questions on the surplus lines licensing exam.

Outside of the classroom, the Service Office also provided learning opportunities to its customers via its online education program. During 2007, the Service Office supported a variety of online education and training courses including Florida's only online option for surplus lines pre-licensing qualification credit. The Surplus Lines 60-Hour Pre-Licensing Qualification Course was accessed by more than 50 students seeking their qualification credit.

Other online opportunities offered included three continuing education courses: "Florida's Surplus Lines Rules and Regulations," a three-hour course covering the Surplus Lines Law; "Illegal Insurance Entities; Knowing the Difference," a two-hour course exploring the differences between the terms unauthorized insurers and illegal insurance entities; and "The Retail Agents Role in the Surplus Lines Marketplace," a two-hour course on the responsibilities of the producing agent in

the placement of risks within the surplus lines market. In addition to these continuing education courses, the Service Office also supported its Certification of Online Agent Software Training (COAST) program, which served as a training resource on the use of the Agent Submission Software.

The Service Office provided classroom and online opportunities in 2007 to surplus lines agents, retail agents, agency support staff, DFS employees and students in an effort to strengthen their knowledge of Florida's surplus lines industry. Staff reported more than 800 continuing education credits to the Department of Financial Services stemming from its online and classroom-taught students. Throughout the year, the Service Office staff taught in a variety of classroom settings in efforts to bridge information and learning while keeping its students connected to the right resources.

Responsibility for the integrity and objectivity of the financial information presented in this Annual Report rests with the FSLSO 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, 2007 and December 31, 2006. Effective strategic planning, prudent budgeting and spending are definite reasons for this success.

In 2007, the Service Office reported an increase in premium of more than \$141 million. As Florida experienced a softening of the market in 2007, in both the admitted and non-admitted markets, Florida's surplus lines industry experienced premium growths of only 3.14% in 2007 compared to 38.6% in 2006. The Service Office billed on the premium subject to taxes and fees, as submitted by agents and IPC filers, in the amounts of \$211,200,469 and \$6,249,781 respectively. These billed amounts represent a \$4,586,042 increase in surplus lines taxes to the state of Florida and a decrease of \$2,853,606 in charges for services.

During the year ending December 31, 2007, the Service Office generated \$6,330,262 in revenues, a decrease of \$2,804,600 from the previous year. With respect to the operating expenses, the Service Office spent \$4,598,089 during the year ending December 31, 2007, an increase of \$800,253 from year 2006.

Revenues and expenditures created an increase in total net assets of \$30,944,796 from \$27,894,313 representing an increase of \$3,050,483 over the prior year. The decrease in the service fee rate from .20% to .10% effective April 1, 2007 and a decrease in the surplus lines premiums in the second half of 2007 fiscal year resulted in a significant decrease in the operating revenues, however maintaining the operating expenditures below the operating revenues resulted in an increase in the net assets of the Service Office.

The Statement of Financial Position is in conformity with generally accepted accounting principles (GAAP) used in the United States. FSLSO 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 FSLSO's books and records are available upon request for members to review.

AS OF DECEMBER 31, 2007

STATEMENT OF NET ASSETS

Assets**Current assets:**

Cash and cash equivalents	\$16,696,345
Accounts receivable	43,246
Accrued Interest.....	81,792
Investments.....	2,187,094
Total current assets	19,008,477
Long-term investments	7,021,500
Property and equipment, net	5,042,670
Deposits	11,810
Total assets	31,084,457

Liabilities and Net Assets**Current liabilities:**

Accounts payable and accrued expenses	93,472
Amounts held for the account of others	46,189
Total current liabilities	139,661
Net assets:	
Invested in capital assets, net of related debt	5,042,670
Unrestricted	25,902,126
Total net assets	30,944,796
Total liabilities and net assets...	31,084,457

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**Operating revenues:**

Charges for services.....	\$6,249,781
Other income	26,308
Interest and finance charges on service fees.....	54,173
Total operating revenues.....	6,330,262

Operating expenses:

Administrations and support.....	1,812,454
Education and outreach	808,855
Agent and insurer relations.....	1,470,132
Depreciation and amortization	506,648
Total operating expenses.....	4,598,089
Operating income	1,732,173

Non-operating (expenses) revenues:

Investment interest.....	1,214,881
Loss on sale of assets	0
Rental income.....	180,705
Rental expenses.....	(77,276)
Total non-operating (expenses) revenues	1,318,310

Increase in net assets.....3,050,483

Net assets at beginning of year.....	27,894,313
Net assets at end of year	30,944,796

STATEMENT OF CASH FLOWS

Operating activities

Operating income	1,732,173
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	506,648
Changes in operating assets and liabilities:	
Accounts receivable	38,792
Accounts payable and accrued expenses	(265,209)
Amounts held for the account of others	(902,682)
Net cash provided by operating activities	\$1,109,722

Financing activities

Purchase of property and equipment	(266,092)
Other receipts (payments)	101,707
Net cash used in capital and related financing activities	(164,385)

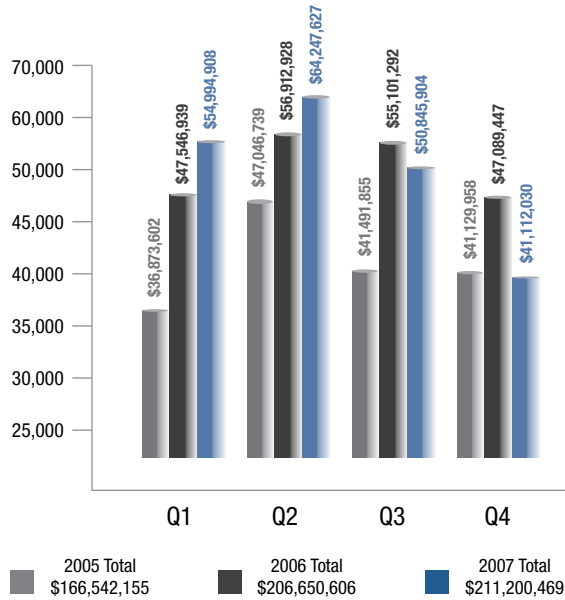
Investing activities

Interest income	1,256,951
Purchase of investments	(7,290,473)
Sales of investments.....	6,860,356
Net cash provided by investing activities	826,834

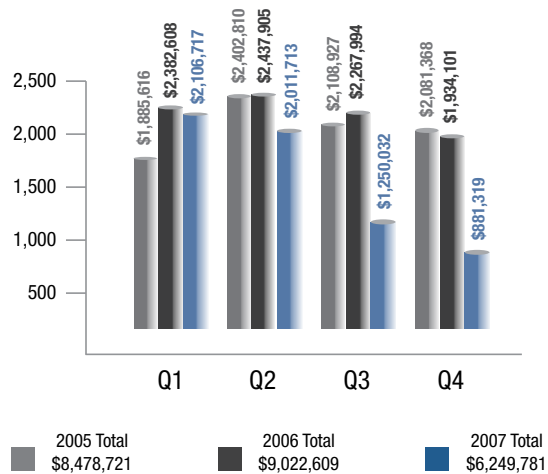
Net increase in cash and cash equivalents	1,772,171
Cash and cash equivalents at beginning of year	14,924,174
Cash and cash equivalents at end of year	16,696,345

GENERATED TAXES

PREMIUM COMPARISONS



GENERATED FEES



2007

	AGENT PREMIUM	IPC PREMIUM	TOTAL PREMIUM
Q1	\$1,007,207,299	\$183,158,440	\$1,190,365,739
Q2	\$1,305,470,332	\$209,793,897	\$1,515,264,229
Q3	\$893,112,059	\$204,100,383	\$1,097,212,442
Q4	\$757,576,870	\$154,717,631	\$912,294,501
YT	\$3,963,366,560	\$751,770,351	\$4,715,136,912

2006

	AGENT PREMIUM	IPC PREMIUM	TOTAL PREMIUM
Q1	\$841,977,094	\$98,129,157	\$940,106,251
Q2	\$1,213,809,775	\$147,708,097	\$1,361,517,872
Q3	\$1,031,878,943	\$201,436,059	\$1,233,315,002
Q4	\$862,564,858	\$176,088,314	\$1,038,653,172
YT	\$3,950,230,670	\$623,361,627	\$4,573,592,297

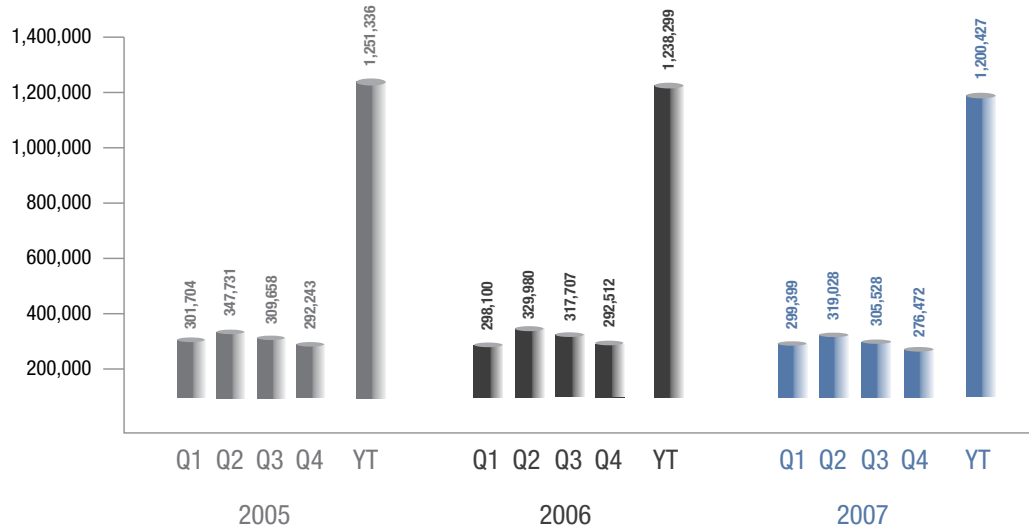
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	AGENT PREMIUM	IPC PREMIUM	TOTAL PREMIUM
Q1	\$656,066,907	\$116,834,266	\$772,901,172
Q2	\$899,858,190	\$125,264,889	\$1,025,123,079
Q3	\$752,521,118	\$153,367,626	\$905,888,744
Q4	\$738,705,891	\$156,368,088	\$895,073,978
YT	\$3,047,152,105	\$551,834,868	\$3,598,986,973

For all submission comparisons, the transaction information in this annual report is extracted from data submissions received by surplus lines agents and independently procured coverage (IPC) filers. The transaction information is based upon the effective date of policy transactions submitted as of 4/17/08.

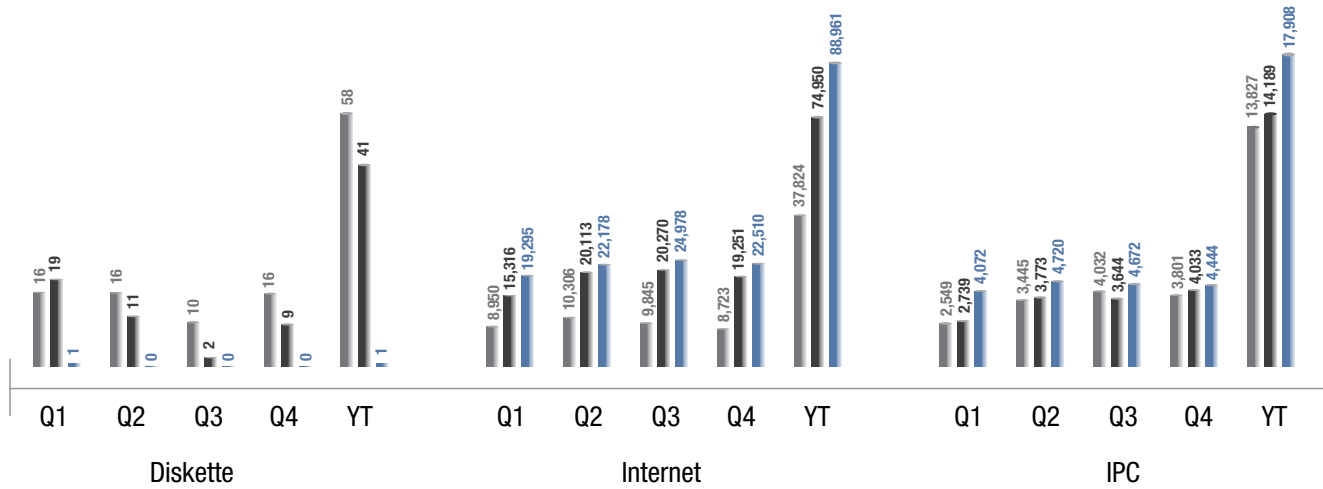
AGENT TRANSACTIONS AS SUBMITTED

NON - IPC



DISKETTE, INTERNET & IPC SUBMISSIONS

2005 2006 2007



COMPLIANCE REVIEWS-UNFILED POLICIES

2007

	NO. OF AGENTS	NO. OF POLICIES COLLECTED ON	TOTAL PREMIUMS	TAXES	TAX PENALTIES	SERVICE FEES	SERVICE FEE PENALTIES
Q1	12	38	\$249,488	\$12,424	\$2,037	\$617	\$116
Q2	11	39	\$1,271,077	\$41,499	\$4,038	\$2,992	\$441
Q3	23	67	\$1,911,065	\$54,084	\$9,439	\$2,759	\$559
Q4	16	177	\$1,288,035	\$45,323	\$6,328	\$2,760	\$417
YT	62	321	\$4,719,665	\$153,330	\$21,842	\$9,128	\$1,533

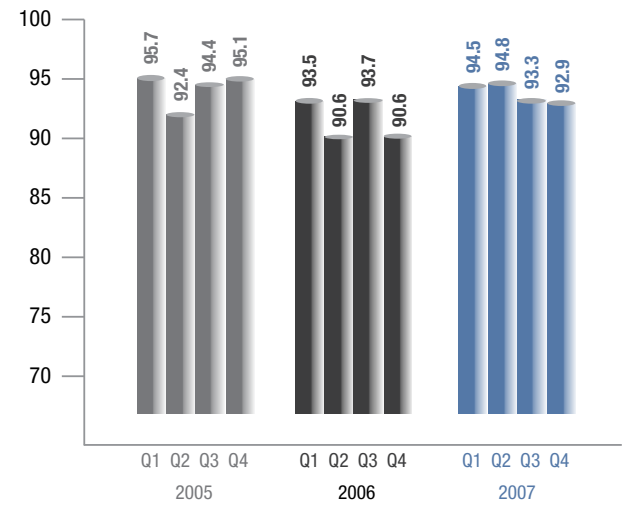
COMPLIANCE REVIEWS

COMPLIANCE REVIEWS

AVERAGE SCORE BY QUARTER

2007

	REVIEWS DONE	NO. OF POLICIES REVIEWED	NO. OF TRANSACTIONS REVIEWED
Q1	65	1,708	1,949
Q2	68	2,683	3,066
Q3	60	2,115	2,306
Q4	57	1,374	1,530
YT	250	7,880	8,851



VARIANCE STATISTICS

BROKEN DOWN BY QUARTER

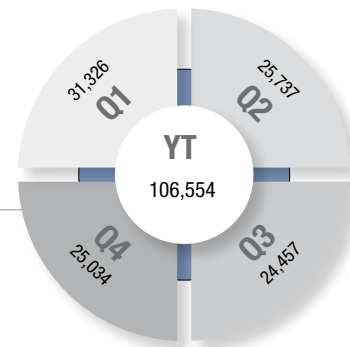
2007

	NO. OF POLICIES COLLECTED	PREMIUM AMOUNT	TAX	TAX PENALTIES	SERVICE FEES	SERVICE FEE PENALTIES
Q1	68	\$31,365,833	\$686,214	\$93,416	\$80,676	\$18,899
Q2	60	\$20,725,603	\$670,926	\$52,080	\$49,505	\$11,876
Q3	46	\$13,537,901	\$660,034	\$65,713	\$28,469	\$4,658
Q4	87	\$32,691,052	\$1,546,968	\$88,891	\$49,682	\$5,058
YT	261	\$98,320,389	\$3,564,142	\$300,100	\$208,333	\$40,492

	POLICY COUNT	PREMIUM	FEES/TAXES/PENALTIES
2005	102	\$33,589,094	\$2,049,639
2006	71	\$16,901,141	\$748,775
2007	261	\$98,320,389	\$4,113,084

2007

WEBSITE VISITOR SESSIONS

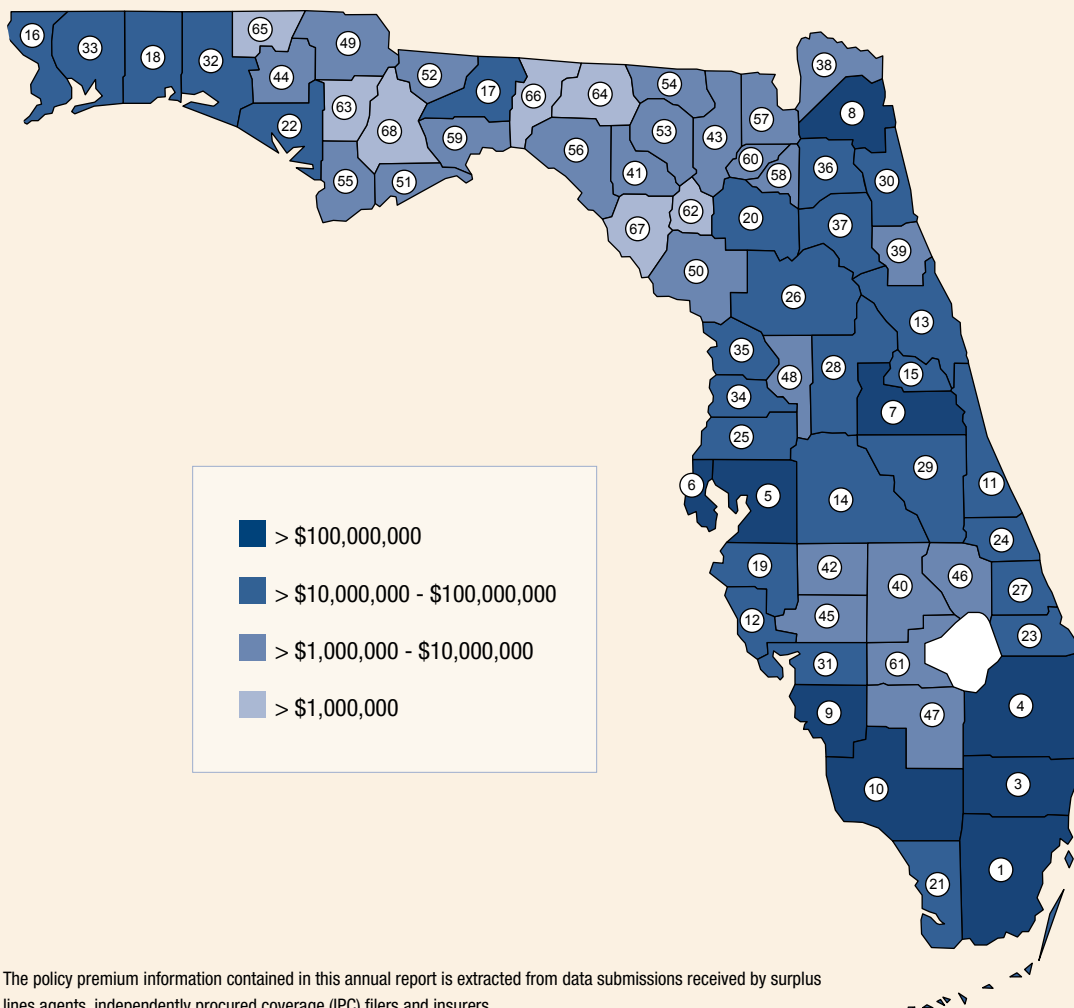


2007 PREMIUMS BY COUNTY

The FSLSO has 1,064 licensed member agents, of which 625 submitted business in 2007.

COUNTY	PREMIUM	COUNTY	PREMIUM
1. Miami-Dade	\$808,832,150	35. Citrus	\$12,654,880
2. Multiple Co.	\$620,891,831	36. Clay	\$10,804,543
3. Broward	\$483,246,338	37. Putnam	\$10,139,184
4. Palm Beach	\$365,725,339	38. Nassau	\$8,580,529
5. Hillsborough	\$275,462,928	39. Flagler	\$8,028,051
6. Pinellas	\$258,187,090	40. Highlands	\$7,902,717
7. Orange	\$257,203,003	41. Lafayette	\$7,650,703
8. Duval	\$178,017,945	42. Hardee	\$4,419,478
9. Lee	\$141,141,574	43. Columbia	\$4,419,226
10. Collier	\$118,334,335	44. Washington	\$4,340,542
11. Brevard	\$88,814,980	45. DeSoto	\$4,209,051
12. Sarasota	\$77,415,895	46. Okeechobee	\$4,135,394
13. Volusia	\$72,616,247	47. Hendry	\$3,924,719
14. Polk	\$70,409,621	48. Sumter	\$3,844,281
15. Seminole	\$60,982,077	49. Jackson	\$3,391,910
16. Escambia	\$58,338,024	50. Levy	\$3,047,172
17. Leon	\$52,054,584	51. Franklin	\$3,032,540
18. Okaloosa	\$50,480,638	52. Gadsden	\$2,729,265
19. Manatee	\$50,090,068	53. Suwannee	\$2,644,145
20. Alachua	\$48,865,130	54. Hamilton	\$2,416,165
21. Monroe	\$47,591,711	55. Gulf	\$2,413,057
22. Bay	\$47,485,542	56. Taylor	\$2,299,395
23. Martin	\$44,635,518	57. Baker	\$1,973,193
24. Indian River	\$44,631,232	58. Bradford	\$1,828,630
25. Pasco	\$42,716,727	59. Wakulla	\$1,666,690
26. Marion	\$36,047,782	60. Union	\$1,590,062
27. St. Lucie	\$35,415,708	61. Glades	\$1,348,850
28. Lake	\$28,179,310	62. Gilchrist	\$959,247
29. Osceola	\$24,964,851	63. Calhoun	\$896,168
30. St. Johns	\$23,839,971	64. Madison	\$865,124
31. Charlotte	\$21,528,312	65. Holmes	\$864,774
32. Walton	\$18,341,128	66. Jefferson	\$800,415
33. Santa Rosa	\$16,000,179	67. Dixie	\$723,980
34. Hernando	\$15,538,796	68. Liberty	\$566,267
		TOTAL	\$4,715,136,912

* This includes multiple county risks 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 effective date of policy transactions submitted. This information was current as of 4/17/08. 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 COVERAGES

BY PREMIUM REPORTED

COVERAGE	PREMIUM
1000-Commercial Property	\$2,130,184,181
5000-Commercial General Liability	\$703,243,351
1005-Commercial Package (Property & Casualty)	\$257,901,941
2002-Homeowners - HO-3	\$206,551,574
1001-Builders Risk	\$134,086,988
5001-Commercial Umbrella Liability	\$82,776,013
5006-Excess Commercial General Liability (Not Umbrella)	\$80,876,303
1013-Windstorm &/Or Hail	\$79,153,467
7003-Miscellaneous E&O Liability	\$73,251,364
6001-Miscellaneous Medical Professionals	\$72,576,172
6000-Hospital Professional Liability	\$47,098,456
2009-Dwelling Property	\$39,844,034
6003-Physician/Surgeon	\$36,772,639
3006-Personal & Pleasure Boats & Yachts.....	\$32,394,842
5012-Pollution & Environmental Liability	\$31,156,342
7002-Lawyers Professional Liability	\$27,661,642
4000-Inland Marine (Commercial)	\$27,197,939
1008-Difference in Conditions	\$27,070,870
2008-Dwelling Flood	\$25,161,271
4001-Inland Marine (Personal)	\$24,180,851
6002-Nursing Home Professional Liability	\$23,866,903
2005-Condo Unit-Owners HO-6	\$23,864,379
1006-Condominium Package (Commercial)	\$21,093,474
7000-Architects & Engineers Liability	\$20,151,668
2015-Excess Flood (Residential)	\$20,053,176
TOTAL	\$4,248,169,839

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 \$466,967,073. This information was current as of 4/17/08. 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
Lloyd's Underwriters At, London	\$981,271,544
Lexington Insurance Company	\$717,396,861
Scottsdale Insurance Company	\$192,640,451
Landmark American Insurance Company	\$173,793,186
Westchester Surplus Lines Insurance Company	\$130,086,927
Axis Surplus Insurance Company	\$114,070,928
Empire Indemnity Insurance Company	\$110,129,355
National Fire & Marine Insurance Company	\$92,982,233
Geovera Specialty Insurance Company F/K/A USF&G	\$90,302,650
Columbia Casualty Company	\$85,419,108
Arch Specialty Ins. Company	\$79,795,857
Colony Insurance Company	\$73,671,497
Steadfast Insurance Company	\$68,416,113
American International Specialty Lines Insurance Company	\$66,294,649
Mt. Hawley Insurance Company	\$64,901,499
Essex Insurance Company	\$63,067,928
Evanston Insurance Company	\$62,031,073
Century Surety Company	\$49,953,266
Chubb Custom Insurance Company	\$47,170,217
Nautilus Insurance Company	\$46,630,503
Safeco Surplus Lines Insurance Company	\$45,860,049
General Star Indemnity Company	\$45,770,349
The Burlington Insurance Company	\$45,057,199
Lantana Insurance Ltd.	\$42,520,224
Pacific Insurance Company Ltd.	\$42,319,005
TOTAL	\$3,531,552,671

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 \$1,183,584,241. This information was current as of 4/17/08. 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.

- In 2007, there were 158 eligible insurers in Florida: 31 were alien and 127 were foreign insurers. Four insurers were removed from the eligibility list by consent order and nine surplus lines insurers were added.
- Has 1,064 licensed member agents and 625 submitting agents.
- There were 152 newly licensed surplus lines agents and FLSO members in 2007.
- Total reported premium by member agents: \$3,963,366,560.
- Total reported taxes by member agents: \$173,606,262.
- Permanent office location in Tallahassee, Florida.
- 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.
- Offered six continuing education classes in the state.
- FLSO has 22 employees with more than 266 combined years of insurance experience.
- The FLSO participated in five community service events during 2007, which included the Dale Pullen Scholarship Fund Golf Tournament, the Susan G. Komen Passionately Pink Campaign, Second Harvest of the Big Bend, the Ronald McDonald House, and the Big Bend Hospice Adopt-A-Family Program.
- The FLSO newsletter is called *The Advisor*.

Website Features:

- 106,554 visitor sessions to FLSO website
- Offers free online resources (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
- Online Agent Software Tutorial

Variance Analysis:

- **2005:** Collected on 102 policies with more than \$33.5 million in unreported premium and more than \$2 million in taxes, fees, and penalties.
- **2006:** Collected on 71 policies with more than \$16.9 million in unreported premium and nearly \$750,000 in taxes, fees, and penalties.
- **2007:** Collected on 261 policies with more than \$98.3 million in unreported premium and more than \$4.1 million in taxes, fees, and penalties.

Compliance Review Program:

- **2005:** Collected on 200 policies with more than \$3.2 million in unreported premium and \$176,248 in taxes, fees, and penalties.
- **2006:** Collected on 149 policies with more than \$1.9 million in unreported premium and \$95,652 in taxes, fees, and penalties.
- **2007:** Collected on 321 policies with more than \$4.7 million in unreported premium and \$185,833 million in taxes, fees, and penalties.

IPC Data:

- Total reported premium: \$751,770,351
- Total reported taxes: \$37,594,207
- Total number of policies processed: 17,539

Recognition

- Received a First Place AAMGA Marketing and Advertising Award on the Service Office’s 2007 teaser card campaign.
- The 2006 diamond-themed FLSO Annual Report was recognized with a 2007 Silver Addy Award by the Tallahassee chapter of the American Advertising Federation.

R.C. Chaffin

Chairman 2007-2008
SeaCoast Underwriters, Inc.
Coral Gables
(Vice Chairman - 2007)

David Holcombe

Vice Chairman 2007-2008
International Speedway Corporation
Daytona Beach
(Secretary/Treasurer - 2007)

Daniel C. O’Leary III

Secretary/Treasurer
Shelly, Middlebrooks & O’Leary
Jacksonville
(Chairman - 2007)

Roy V. Fabry

Kahn Carlin & Co., Inc.
Miami

Lorna W. Palmer

John Handel & Associates, Inc.
St. Petersburg

Terry Butler

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

Steven Finver

Continental Agency of Florida
Boca Raton

Ronald Gabor

Gabor Insurance Services, Inc.
Miami

Michael J. Riordan

Hull & Company Inc.
St. Petersburg



The background of the page is a photograph of the Sunshine Skyway Bridge in Tampa, Florida, taken at sunset. The bridge's concrete piers and deck are silhouetted against a warm, orange and pink sky. The water in the foreground is dark blue with gentle ripples. On the left, the bridge's cable-stayed tower and its numerous stay cables are visible. The overall mood is serene and professional.

The SUNSHINE SKYWAY BRIDGE, Tampa

The Service Office participated in a statewide seminar hosted by the Department of Financial Services (DFS) in an effort to provide information relative to Florida's surplus lines market and the resources of the Service Office to seminar attendees. The seminar provided the Service Office with the opportunity to connect with Consumer Services' staff and associate the Service Office as a valuable tool and resource for information and assistance. Partnership opportunities such as this give the Service Office the chance to channel helpful information to others in an effort to help them better serve their customers.



"Serving Florida's Surplus Lines Insurance Community"

For more information, **visit www.fslso.com or call toll-free 800.562.4496**. Use this valuable resource to expand your knowledge and awareness of Florida's surplus lines insurance marketplace.

Florida Surplus Lines Service Office

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Toll Free: 1.800.562.4496

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Sean Fisher

Assistant Director, Education
& Information Services

Jim Godfrey

Chief Financial Officer

Georgie Barrett

Executive Assistant

Kristen Bertagnolli

Compliance Review Administrator

Jim Day

Database/Network Administrator

Cathy Durrance

Variance Program Coordinator

James Farmer

Senior Information Architect

Lisa French

Insurance Analyst

Holly Grissom

IPC Collections Specialist

Bobbi Harter

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Variance Specialist

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Insurer Services Administrator

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Information Systems Analyst

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Sheila Pearson

Accounting Supervisor

Brian Sadler

Information Systems Support/
Developer

Tiffany Varn

IPC Collections Coordinator

Ashlee Weber

Public Information Specialist

Matt Wester

Agent Services Administrator

Bryan Young

Insurance Analyst

The DAMES POINT BRIDGE, Jacksonville



