



## **2011 Annual Report**



February 2012

When the Derek Hughes/NAPSLO Educational Foundation was established more than 20 years ago the initial focus was on providing additional educational opportunities for those in the industry and also about the industry.

During the past two decades the Foundation has made great strides on increasing the opportunities, but we always wish we could do more. Last year the Foundation awarded 14 scholarships of \$5,000 to students who have expressed an interest in working in the insurance industry.

Reviewing the scholarship applications we receive, one can see the need for additional scholarships, and increasing the amount of the scholarships to help meeting the continual rising costs of college. However, with the economy only beginning to rebound, and the resulting continued limited returns we receive on our investments, it is difficult to do either at this time without additional support.

Since the scholarships were first established in 1998, the Foundation has provided approximately 150 scholarships totaling more than \$525,000. From the original six \$2,000 scholarship awarded in 1998 the Foundation has been able to greatly expand the number, and amount, of scholarships awarded annually.

If you would like to help us with our existing scholarship programs or would like to find out how to create a named scholarship fund, please contact Board members Tom Stamm, Phillip Ballinger, Joan LaFrance, or the NAPSLO office.

In addition to our scholarship efforts, the Foundation reaches out to college students by sponsoring college symposiums at Troy University and Illinois State University. In 2011 the Foundation saw the management of the annual symposium in Chicago from Olivet to Illinois State University.

We were pleased to see the symposium continue in the high standards provided in the past and we are looking at ways to add additional value to the symposium for both the students and companies attending. The Foundation symposiums provide an opportunity to promote our industry and we are looking at ways to offer a third symposium, possibly in the western U.S.

While our college educational efforts have been a focus of our efforts in 2011 we continued our arrangements with the A.M. Best Co. to produce the annual report on the surplus lines industry and with the Institutes to continue the Associate in Surplus Lines Insurance (ASLI) designation. We are also working with the NAPSLO Education Committee and the Career Awareness Committee on potential other opportunities.

All of these efforts would not be possible without your support, whether through pledges and contributions, or participating in the annual golf invitational at the NAPSLO Mid-Year meeting. On behalf of the Foundation Board of Directors I would like to thank you and encourage you to read the enclosed pages to follow our efforts of the past year.

A handwritten signature in blue ink, appearing to read "Joseph D. Timmons".

Joseph D. Timmons, CPCU, ASLI  
President

# Foundation Recognizes Recent ASLI Graduates

The 2010-2011 class of 101 Associate in Surplus Lines Insurance (ASLI) completers represents 26 U.S. states as well as India and the United Kingdom. The designees were recognized during the ASLI Conferment Ceremony and Recognition Luncheon on Wednesday, October 12, 2011 at the NAPSLO Annual Convention in San Diego, California.

The distinguished graduate in the 2010-2011 class was John Curcio, iSurety Inc. Recognized for academic excellence were: Stephen D. Blaesing, Allstate Insurance Company; Steven D. Olseen, Cottingham & Butler Inc.; and Cynthia Zimmel, Risk Placement Services Inc.

To complete the ASLI designation, students must pass examinations for five courses. Two of these courses cover surplus lines coverage and operations; a third course is about professional ethics; and two additional courses are electives that allow students to choose from a number of courses covering claims, underwriting, risk management, and other insurance-related subjects.

The ASLI program was developed jointly by the Derek Hughes/NAPSLO Educational Foundation and The Institutes in 1996. Since the program's inception, more than 1,700 insurance professionals have earned the ASLI designation.

## 2011 ASLI Designees

Holly A. Brobst, CPCU, ARM, APA, ASLI	Ryan R. Domengeaux, ARM, ARM-P, AIC AIS, AAI, ASLI	Natasha Vane, ASLI
Sherry L. Califf, AAI, ASLI	Jeffrey A. Dunn, ASLI	Gregory D. Wren, API AIS, AINS, ASLI
Judi Carey, AU, AIS, ASLI	Steven F. Elchynski, CPCU, AIM, ASLI	Cynthia Zimmel, AIS, ASLI
John Curcio, AU, ARM, ASLI	Albert Flores, ARM, ASLI	Musheg Chtrkryan, AINS, ASLI
Christopher M Deveney, CPCU, AIS, ASLI, AU, AIM, ARe, AINS	Bernice Flowers, AU, ASLI	James J. Hemphill, AINS, ASLI, AU
Christopher Dunlavy, ASLI	Samuel B. Green II, CPCU, AIC, ASLI	James R. Jasko, AU, AIS, AINS, ASLI
Terry N Eddington, CPCU, AIC, AIM, AIT, AMIM, ARe, ASLI	Lindy Harlow, AIS, AU, ASLI	Karen Bernice Shaw, AINS, ASLI, AU
Dawn L. Eschenbach, CPCU, AU, APA, AIM, ARe, ASLI	Christopher Heckman, ARM, ASLI, AINS	Lauren Warner, ARM, ASLI
William Evans, ASLI, AU	Edythe S. Kelly, AIS, AU, ASLI, AINS	Tammy Lienberger, CPCU, AINS, ASLI
Teresa A. Fenton, CPCU, AU, ASLI	William A. Kenna, AIS, ASLI	Brett W. Bechaz, AIC, ASLI, AIS
Holly Lynn Foust, AU, AINS ASLI	John Kyle, CPCU, AIC, ARM, ASLI	John M. Bynum, AU, ASLI
Laurence Guyot, AU, ASLI	Jacqueline R. Lamar, AU, ASLI	Tyler Robben, CPCU, AINS, ASLI
Haynes Scott, ASLI	Valentina Lazirko, AU, ASLI, AINS	Kristy L. Tumbleson, AU, ASLI
Patricia Ellen Ivey, CPCU, ARe, AIAF ARC, ARM, AIT, API, AIC, ASLI, AIM, AINS	Amy L. Liebl, CPCU, AIC, ASLI	Matthew Ellis, AIS, ASLI
Edward Joseph Lishka, CPCU, AAI, ARM, AMIM, ARM-P ARe, AU, ASLI, AIS,	Michael C. Ludy, ASLI, AU	John G. Foster, CPCU, AINS, ASLI
Daniel Mas, AU, ASLI	Jason Robert Marshall, AU, ASLI	Juan Gonzalez-Maertens Norris, ARM, ASLI
Andrey Miterin, ASLI	Kelly Mitchell, AU, ASLI	Megan E. Kelley, ASLI
Jennifer M. O'Brien, AIS, AU, ASLI, AINS	Stephanie E. Mohn, AIS, ASLI, AINS	Daryl C. Lowrey, AU, ASLI
Robert E. Rochelle, ASLI, ANFI	Thomas J. Mullins, ASLI, ARM	Eric McAleer, AINS, ARM, ASLI
Daylinda Snyder, ASLI	Andy Mustin, AU, ASLI	Justin Noel, AINS AIS, AU, ASLI,
Lisa A. Stockinger, ARM, ASLI	Derek Michael Pace, ASLI	Steven D. Olseen, CPCU, AIC, ARM, AMIM, AFSB, AIS, API, AAI, ASLI
Katherine E. Watson, AIS, ASLI	Sandra S. Pohlman, CPCU, AIS, ARC, AIAF, AINS, ASLI	Michael Schliesmann, AINS, AIS, ASLI
Matthew V. Willis, ASLI, ARM	Marlese Sloan Polson, CPCU, ARM, AIS, AU, AINS, ASLI	David Stamatis, ASLI
David A. Winkelman, CPCU, ARe, ASLI, AINS, AIC	Jennifer Ray, AU, ASLI	Alicia Stanley- Eanes, ASLI
James Barrett, ASLI	Brooke Richardson, AIS, AU, ASLI	Susan J. Vanden Bosch, AU, AINS, ASLI
Megan Bartleson Olson, ASLI	Chris Rouleau, AIS, ASLI	Lisa M. Wink, CPCU, ARM, AIM, ASLI
Steven M. Berntsen, AIS, ASLI	David Andrew Sarnoski, AIS, ASLI	Matthew Leicht, CPCU, ASLI
Karen J. Bever, CPCU, AIM ASLI	Jean Thornton Senn, API, AIS, ASLI	Jeffrey R. McGrath, CPCU, AINS, ASLI
Stephen D. Blaesing, CPCU, ARe, ARC, AIAF, ARM, ASLI	Janice L. Shaffer, AINS, ASLI	Christopher Narron, ASLI
Nathan Cole, AU, ASLI	Maurice E. Southwell, CPCU, ARM, AMIM, AU, AIM, ALCM, ARe, AIS, ARM-P, ARC, AIAF, AIC, AFSB, ASLI	Debra A. Sloan, ASLI
Brian A. Cross, AU, AIS, ASLI, AINS	Carol Stevens, ASLI	Meredith Brasher, ASLI
	Regina Thomas-Marable, AU, AIS, ASLI,	Regina Corson, ASLI
	Ramona C. Vallandingham, CPCU, ARM AMIM, ASLI	Charles M. Heverly, CPCU, ARe, ASLI
		Joseph Anthony Laskowski, CPCU, ASLI
		Mitasha Navani, AINS, ASLI
		Jonathan Ray, ARM, ASLI
		Jeffrey White, ASLI

# Contributors to the Foundation

*From Inception to December 31, 2011*

## **Chairman's Level (\$100,000 & Over)**

ACE Westchester Specialty Group  
AmWINS Group, Inc.  
CRC Insurance Services, Inc.  
General Reinsurance Corporation  
General Star Indemnity Company  
Kemper Educational and Charitable Fund  
Lloyd's  
Markel Corporation  
NAPSLO  
RSUI Group, Inc.  
Scottsdale Insurance Company  
Surplus Line Association of Arizona  
Swiss Reinsurance Company  
United National Group  
Western World Insurance Group

## **Director's Level (\$50,000 - \$99,999)**

Admiral Insurance Company  
Burns & Wilcox Ltd.  
Colony Insurance Company  
Crumpp Insurance Services, Inc.  
Excess Line Association of New York  
Russell Bond & Co., Inc.  
Surplus Lines Stamping Office of Texas  
Swett & Crawford Group

## **President's Level (\$25,000 - \$49,999)**

Acceptance Insurance Company  
Aon Group, Inc.  
Bell & Clements, Inc.  
Brown & Brown Insurance  
E.W. Blanch Holdings, Inc.  
Employees of Partners Specialty Group, LLC  
Euclid Managers/PMI  
Fireman's Fund, Specialty Insurance  
Great American Custom Insurance Services, Inc.  
Guy Carpenter & Company, Inc.  
Harman Kemp North America Limited  
HSBC Insurance Brokers Limited  
IAT Specialty  
Lexington Insurance Company  
Market Finders Insurance Corporation  
Miller Insurance Services Limited  
National Underwriter  
Pacific Insurance Company  
Partners Specialty Group, LLC  
Penn-America Insurance Company  
Surplus Line Association of Washington  
United States Liability Insurance Group  
W.R. Berkley Corporation  
Westrope

## **Executive's Level (\$10,000 - \$24,999)**

All Risks, Ltd.  
Allianz Insurance Company  
American Reliable Insurance Company  
Cochrane & Company  
Continental/Marmorstein & Malone, Inc.  
CRC - New York  
Delaware Valley Underwriting Agency, Inc.  
Denis M. Clayton & Co. Ltd.  
Employees of Burns & Wilcox Ltd.  
First Capital Group  
Gresham & Associates, Inc.  
Insurance Journal  
International E&S Insurance Brokers, Inc.  
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Mr. Robert L. McGrew  
Mr. Michael J. Riordan  
Mr. William N. Simons  
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Nautilus Insurance Group  
North Island Facilities, Ltd.  
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Pennsylvania Surplus Lines Association  
Shelly, Middlebrooks & O'Leary, Inc.  
Southern Cross Underwriters  
St. Paul Surplus Lines Insurance Company  
Surplus Line Association of California  
Surplus Line Association of Oregon  
THB Group Ltd.  
The Jinks Family Private Foundation  
U.S. Risk, Inc.  
Zurich Reinsurance (North America), Inc.

## **Sponsor's Level (\$1,000 - \$9,999)**

All American Agency Facilities, Inc.  
American Empire Surplus Lines Insurance Company  
American Modern Insurance Group  
Anderson & Murison, Inc.  
Ballantyne, McKean & Sullivan  
Benchmark Management Group, Inc.  
Black/White & Associates  
Bliss & Glennon, Inc.  
Canal Insurance Company  
Chubb Custom Insurance Company  
CIWA  
Commercial Underwriters Insurance Co.  
Compliance & Audit Services  
Concorde General Agency  
Continental/Marmorstein Agencies  
Cravens & Company, Inc.  
Equity Insurance Managers, Inc.  
Erickson-Larsen, Inc.

Excel Insurance Services, Inc.  
FTP, Inc.  
G.J. Sullivan Company  
GAINSCO, Inc.  
GE Employers Reinsurance Corporation  
Golden Bear Insurance Services  
Guaranty National Companies  
Guilford Specialty Group/Burlington Insurance Group  
Houston Surplus Lines, Inc.  
Hull & Company, Inc.  
Insurance Innovators Incorporated  
Insurance Markets Agency, Inc.  
Insurance Resource Consultants  
International Excess & Treaty Managers, Inc.  
James River Insurance Company  
Jefferson Insurance Company of New York  
Johnson & Johnson, Inc.  
Kenneth I. Tobey, Inc.  
L.J. Dolloff & Associates, Inc.  
LeBoeuf, Lamb, Greene & MacRae  
Lemac & Associates  
Louis A. Williams & Associates, Inc.  
LoVullo Associates, Inc.  
LoVullo Associates, Inc.  
M.J. Hall & Company, Inc.  
M.J. Kelly Company  
Maclean, Oddy & Associates, Inc.  
MacNeill Group, Inc.  
Market Finders, Inc.  
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McFall General Agency, Inc.  
Metcom Excess  
Mississippi Surplus Lines Association  
Montgomery & Collins, Inc.  
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Mr. & Mrs. David E. Leonard  
Mr. & Mrs. Edwin Levine  
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Mr. & Mrs. Joseph Timmons  
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Ms. Maureen Caviston  
Ms. Sarah L. Corvin  
Mr. Francis F. Faulkner  
Mr. Dave Grafstein  
Mr. Derek Hughes  
Mr. E.G. Lassiter  
Ms. Deborah S. Lewis  
Mr. Nicholas Licato  
Mr. David M. Norris  
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Negley Associates, Inc.  
North American Reinsurance Corporation

Northern Ohio E&S Agency, Inc.  
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Rhode Island  
Oxbridge Insurance Associates  
PCB Consulting, Inc.  
PDP Group  
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Quaker Special Risk  
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Southern General Agency, Inc.  
Southern Insurance Underwriters, Inc.  
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Sphere Drake Insurance PLC  
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TAPCO Underwriters, Inc.  
The Gwinn Private Foundation  
The Insurance Marketplace, Inc.  
The Surplus Line Association of Idaho, Inc.  
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Travis-Pedersen & Associates, Inc.  
Union General Insurance Services, Inc.  
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Casualty Ins. Services  
Waite Hill Insurance Group  
Western Security Surplus Insurance  
Brokers, Inc.  
Westphalen Insurance Services  
XS Brokers Insurance Agency, Inc.  
Yates & Associates Insurance Services, Inc.

### **Contributors' Level (Under \$1,000)**

Abrams & Martin, P.C.  
Agency Management Corporation  
All American Agency Facilities, Inc.  
Allied World Assurance Company (U.S.)  
American Safety Insurance  
Arlington/Roe & Co., Inc.  
Atlas General Agency of the Southeast  
Bolton & Company  
Bostick & Associates, Inc.  
Boston Insurance Brokerage, Inc.  
Bradshaw Insurance/Transportation  
Insurers, Inc.  
Brown/Wright Risk Consultants, Inc.  
Buschbach Insurance Agency, Inc.  
Coleman & Wright  
Concord Insurance Brokerage, Inc.  
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tion, Inc.  
Connecticut Underwriters, Inc.  
Continental Agency of Connecticut, Inc.

Crump Insurance Services of Memphis, Inc.  
Darwin Professional Underwriters  
Delta General Agency Corporation  
Dimock and Associates Insurance  
Brokers, Inc.  
Donald Gaddis Company, Inc.  
Doran Excess Underwriters, Inc.  
Employees of Midwestern General  
Agency, Inc.  
First State Management Group  
First Western Insurance, Inc.  
Fleming & Hall, Ltd.  
Florida Surplus Lines Association  
Gabor Insurance Services, Inc.  
GAN North America  
Gary Markel Surplus Lines  
General Star Indemnity Company  
Harbin Adjustments Company  
Homand & Company, Inc.  
I. Arthur Yanoff & Company, Ltd.  
IIAAWNY  
Independent Surplus Underwriters, Inc.  
Insurance Market Place, Inc.  
James Klein Insurance Services, Inc.  
Jimcor Agencies  
JLS Associates, Inc.  
John Handel & Associates  
Leicht General Agency  
Lindsey Morden E&S/Specialty Lines Claim  
Services  
Louis T. Mastos & Associates, Inc.  
Louisiana Surplus Line Association  
M.J. Kelly Company Southeast  
M.J. Kelly of Arkansas  
Max Specialty Insurance Company  
McAlear Associates, Inc.  
McClelland & Hine, Inc.  
Metro Insurance Services, Inc.  
Midwest General Agency  
Midwestern General Agency, Inc.  
Moore Excess, Inc.  
Morstan General Agency, Ltd.  
Mr. & Mrs. David Bloom  
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Ms. Lori E. Ulbrich  
New Century Global of New York, Inc.  
NIF Services of New York  
Oklahoma General Agency, Inc.  
Professional Indemnity Agency, Inc.  
R.E. Chaix & Associates Insurance  
Brokers, Inc.  
R.E. Lee Intermediaries  
Ramsgate Managing Insurance  
RIC Insurance General Agency, Inc.  
Rose Eagle American, LLC  
Russell Miller, Inc.  
Shand Morahan & Company, Inc.  
Southern Underwriters, Inc.  
Surplus Services Insurance Agency, Inc.  
Surplus Underwriters Casualty  
Insurance Co.  
Swett & Crawford - IBS  
TAPCO Underwriters, Inc.  
TCL Brokers, Inc.  
TCO Insurance Services, Inc.  
Tejas American General Agency  
Texas Surplus Lines Association, Inc.  
The Robert Plan Corporation  
The Surplus Line Report  
Triad Insurance Agency, Inc.  
True Benchmark Insurance Services, LLC  
UCA General Insurance Services, Inc.  
Upstate New York Chapter of RIMS  
Vulcan E&S Insurance Service  
W.H. Greene & Associates, Inc.  
Western Heritage Insurance  
Willis Faber North America



# 16th Annual Foundation Golf Outing Set for March 2nd in Scottsdale

The Derek Hughes/NAPSLO Educational Foundation raised approximately \$104,000 in 2011 at the 15th Annual Foundation Golf Invitational.

The 16th annual golf outing is scheduled for March 2nd at the 2012 Mid-Year Leadership Forum in Scottsdale, Arizona at the Grayhawk Golf Club.

"The annual golf invitational is a great way for members to support the Foundation and the event has become an important annual fundraiser for us," said President Joseph Timmons.

Approximately 102 golfers took part in the 2012 golf invitational and 35 firms sponsored the event.

## 2011 Golf Invitational Sponsors:

Admiral Insurance Company  
All Risks, Ltd.  
American Reliable Insurance  
AmWINS Brokerage



Arch Insurance Group  
Arlington/Roe & Co., Inc.  
AXIS Insurance  
Burns & Wilcox Ltd.  
Colony Insurance Company  
CRC/Southern Cross  
Crump Insurance Services  
Euclid Managers  
General Star

Gen Re  
Great American Custom  
Guy Carpenter  
Harry W. Gorst  
Hull & Company  
Markel Corporation  
Maxum Indemnity Company  
Metro Insurance Services  
RLI  
RPS Itasca  
RSUI  
Scottsdale Insurance Company  
Specialty Risk Associates, Inc.  
St. James Insurance Group  
Swett & Crawford  
TAPCO Underwriters, Inc.  
The Sullivan Group  
U.S. Risk Insurance Group  
USLI  
Western Heritage Insurance Company  
Western World Insurance Group  
Westrope

## NAPSLO, Foundation Annual Lecture Series Renamed to Recognize E.G. Lassiter

The Derek Hughes/NAPSLO Educational Foundation Lecture Series at the NAPSLO Annual Convention has been renamed the *E.G. Lassiter Lecture Series, presented by the Derek Hughes/NAPSLO Educational Foundation*, Joseph Timmons, Foundation President, announced at the 2011 NAPSLO Annual Convention in San Diego.

Mr. Timmons said the change was made to recognize Mr. Lassiter's efforts to promote the lecture series presented at the convention.



President Joseph Timmons (left) presented an award to E.G. Lassiter in recognition of the renaming of the speaker series.

Mr. Lassiter, Chairman and CEO of RSUI Group, Inc., is retiring in 2012 and as part of supporting the lecture series, RSUI contributed \$100,000 to the Foundation in 2011. The Foundation anticipates more than \$300,000 will be contributed by other firms.

The contributions will allow the Foundation to assist NAPSLO with the cost of bringing a high profile speaker to the convention.

"I would like to thank E.G. for all of his help in promoting the annual lecture series," said Mr. Timmons. "In addition, the Foundation is grateful to RSUI, and others who have indicated that they will contribute to the lecture series speaker fund, for helping raise the profile of the event."

The Foundation Lecture Series was established by NAPSLO in 1998 to bring prominent business or political individuals to the annual convention to speak on relevant topics for the industry.

Michael Lewis, author of *The Blind Side*, *The Big Short*, *Liar's Poker* and *Boomerang*, was the 2011 lecture series speaker.

Past lecture series speakers have included former President George H.W. Bush, Sen. Robert Dole, Sen. Elizabeth Dole, Mike Wallace, Richard Holbrooke, and Doris Kearns Goodwin.

## Kelley, Thalmann Join Foundation Board

Brady R. Kelley, NAPSLO, and Coryn Thalmann, CIC, have joined the Derek Hughes/NAPSLO Educational Foundation Board of Directors. Mr. Kelley was named to the Board in February and Ms. Thalmann was elected to the Board in October.

Mr. Kelley joined NAPSLO in September 2011 as the Association's Executive Director.

Ms. Thalmann is the Co-CEO and COO at the Jimcor Agencies of Montvale, NJ and has been with the Managing General Agent/Wholesaler since 1990.

The Foundation Board is comprised of 15 individuals serving three-year terms. Four of the Board members also serve one-year terms as officers. Mr. Kelley was named to fill an open seat on the Board whose term completes in 2013.

Ms. Thalmann along with existing Board members Philip Ballinger, Surplus Lines Stamping Office of Texas; Kurt Bingeman, Russell Bond & Co., Inc.; Arthur Flitner, The Institutes; and Robert Sargent, Tennant Risk Services Insurance Agency, were elected to three-year terms on the Board at the Foundation's Annual Business Meeting in San Diego.

# Foundation Awards 14 Scholarships for 2011-12 Year

The Derek Hughes/NAPSLO Educational Foundation has selected 14 students to receive \$5,000 scholarships for the 2011-12 school year.

The scholarship program's goal is to further the study of insurance and encourage, support and reward students who have an interest in insurance.

The three students selected to receive a **Rolland L. Wieggers Education Scholarship** are:

- Brandon M. Dennis, University of Mississippi
- Stephanie L. Ross, Olivet College
- Elizabeth D. Tengler, Olivet College

The **Kevin A. McLaughlin Memorial Scholarship** recipient is Brandon A. Taylor, Olivet College.

The three students selected to receive a **Scott W. Polley Memorial Scholarship** are:

- Cameron N. Annas, Appalachian State University
- Megan P. Suchoff, Indiana University
- Justin T. Teal, University of Connecticut

The **Herbert W. Kaufman Memorial Scholarship** recipient is Timothy W. Puffer, II, Olivet College.

The **Derek Hughes/NAPSLO Educational Foundation Insurance Scholarship** recipient is Megan M. Ward, Olivet College.

The **Gary E. Frohn Memorial Scholarship** recipient is Morgan E. Godden, Indiana State University.

The **Richard Hull Educational Scholarship** recipient is Kelly R. Morgan, Olivet College.

The **Russell Bond Memorial Scholarship** recipient is Mason J. Novess, Olivet College.

The **NAPSLO Insurance Scholarship** recipient is Jin Na, University of North Texas.

The **Michael J. Snead Memorial Scholarship** recipient is Micah W. Todd, University of Connecticut.

The Rolland L. Wieggers Scholarship was made possible by a donation by the Scottsdale Insurance Co. and industry participants in honor of the founder of the company.

The Kevin A. McLaughlin Memorial Scholarship was added in 2000 and in memory of Mr. McLaughlin.

The Herbert W. Kaufman Memorial Scholarship was added in 2001 from proceeds donated in memory of Herbert W. Kaufman.

In 2003, the Scott W. Polley Memorial Scholarship was established with contributions in memory of Mr. Polley.

The Russell Bond Memorial Scholarship was added in 2007 and came from funds donated by Russell Bond & Co., Inc, to recognize the firm's founders.

The Richard Hull Educational Scholarship was established in the name of Hull & Company founder.

The Gary E. Frohn Memorial Scholarship was established in 2008 to recognize Mr. Frohn.

The Michael J. Snead Memorial Scholarship was established in 2009 to recognize Mr. Snead, a former NAPSLO Board member and an industry leader.

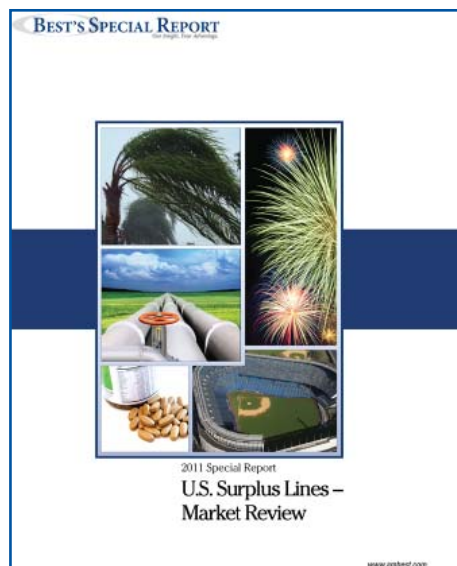
## Surplus Lines Market Endures Fourth Year of Declining Premiums

The surplus lines industry endured an unprecedented fourth year of declining premiums in 2010, according to the annual report on the surplus lines market published by the A.M. Best Co., which can be downloaded from NAPSLO's website

The report said the declining premiums are the result of the recession's impact on declining payrolls and competition from standard market insurers. In addition, the report said volatile financial markets and competition from Bermuda-based carriers also present challenges to the market.

Another key finding in the report is that for the seventh year in a row, the surplus lines industry recorded no financial impairments, compared with 11 financial impairments for the admitted property/casualty (P/C) industry.

The sustained, high level of market competition noticeably affected the performance of surplus lines insurers over the past two calendar years. To offset the effects of the soft market,



some surplus lines companies resorted, again, in 2010 to reserve releases from prior year's favorable loss development, the benefits from which A.M. Best Co. said it believes will not be as robust in 2011 because the reserve cushion was being depleted.

Best said that for surplus lines in-

surers, a major source of downward pressure on pricing and profit margins has been and remains the standard-market insurers that compete on risks traditionally insured in the surplus lines market.

Both the surplus lines composite and the overall P/C industry experienced a decline in total return on surplus (equity). The surplus lines composite still outpaced the total P/C industry by a small margin, producing a 10.9% return, down from 14.4%, compared with the P/C industry's 9.8%, down from 11.5%. The decreased total for the composite reflected the 16.2% decline in net income and a 21.0% drop in unrealized capital gains in 2010.

This followed a significant improvement in unrealized gains in 2009 due to the financial markets' recovery following the 2008 financial crisis. The P/C industry suffered a larger, 35.0% decline in unrealized gains in 2010, driving the decrease in its total return on equity.

# Foundation Nears \$5.8 million in Assets

Thanks to NAPSLO member contributions and a successful Golf Invitational event at the 2011 NAPSLO Mid-Year Leadership Forum, the Derek Hughes/NAPSLO Educational Foundation had nearly \$5.8 million in assets by the July 31, 2011 end of the Foundation's fiscal year.

"The Foundation appreciates the continued support provided by firms, individuals, and organizations in our industry," said President Joseph D. Timmons, CPCU, ASLI. "This support enables us to continue our efforts to improve the educational opportunities in the surplus lines industry."

A number of firms made significant pledges or contributions in 2011 including \$25,000 from the Surplus Lines Association of Arizona Foundation; \$15,000 from the Kemper Educational and Charitable Fund; and \$10,000 from the Surplus Lines Stamping Office of Texas. In addition, employees of Partners Specialty combined to contribute \$2,500 for the Gary E. Frohn and Kevin A. McLaughlin Memorial Scholarships.

The 15th Annual Foundation Golf Invitational in 2011 also raised approximately \$104,000 and the Golf Invitational scheduled for the 2012 NAPSLO Mid-Year Leadership Forum in Scottsdale, AZ, is expected to again raise a significant amount of money for Foundation projects.

Major expense areas for the Foundation during the past year included commissioning the A.M. Best *2011 Special Report: U.S. Surplus Lines - Market Review*; 14 \$5,000 scholarships for students; the annual golf tournament expenses; and sponsorship of college symposiums with Illinois State University and Troy University.

"Through our scholarships, symposiums at colleges, and the ASLI designation program, we continue to increase the knowledge about the surplus lines industry," said Mr. Timmons. "We will continue to look for ways to provide additional educational outlets to members of the industry."

## Foundation Balance Sheet

	<u>July 31, 2011</u>	<u>July 31, 2010</u>
<b>Assets</b>		
Cash & Cash Equivalents	\$ 3,096,872	\$ 3,052,907
Short Term Investments	2,667,862	2,559,542
Interest Receivable	10,428	15,055
Total Assets	<u>\$ 5,775,162</u>	<u>\$ 5,627,504</u>
<b>Liabilities and Fund Balances</b>		
Liabilities	\$ 2,058	\$ 1,488
<b>Net Assets</b>		
Unrestricted	4,134,096	3,976,630
Temporarily Restricted	144,400	156,936
Permanently Restricted	1,494,608	1,492,450
Total Net Assets	<u>5,773,104</u>	<u>5,626,016</u>
Total Liabilities & Net Assets	<u>\$ 5,775,162</u>	<u>\$ 5,627,504</u>

## Foundation Income Statement

	<b>For the Years Ended</b>	
	<u>July 31, 2011</u>	<u>July 31, 2010</u>
<b>Revenues</b>		
Contributions and Special Events	\$ 222,711	\$ 230,731
Investment Income	181,225	178,293
Total Revenue	<u>403,936</u>	<u>409,024</u>
<b>Expenses</b>		
Program Services	184,457	190,387
General & Administrative	21,545	21,688
Special Events	50,846	63,856
Total Expenses	<u>256,848</u>	<u>275,931</u>
Change in Net Assets	147,088	133,093
Net Assets, Beginning of Year	5,626,016	5,492,923
Net Assets, End of Year	<u>\$ 5,773,104</u>	<u>\$ 5,626,016</u>



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