



## **2012 Annual Report**



February 2013

The past year was an important and significant time for us with the establishment and inauguration of the *E.G. Lassiter Speakers Series*, presented by the Derek Hughes/NAPSLO Educational Foundation.

The new speakers series format was announced at the 2011 NAPSLO Annual Convention in San Diego and we received a number of supporting contributions in 2012, which allowed the Foundation to take an important role in assisting NAPSLO in bringing former Florida Gov. Jeb Bush to the 2012 NAPSLO Annual Convention in Atlanta as its keynote speaker.

When the Foundation first began to assist NAPSLO with the annual speaker's series in 1998, our finances did not permit us to provide more than reimbursing the cost of travel for the speaker. For more than a decade, the *Derek Hughes/NAPSLO Educational Foundation Lecture Series* featured a number of important speakers at the annual convention, including former senators, a president, cabinet officials, business leaders, and media representatives.

The speaker's series was an important part of the annual convention and over the years former RSUI Group CEO E.G. Lassiter played an important role in helping promote the lecture series. When RSUI contacted the Foundation in 2011 to establish a speaker's fund, the Foundation and NAPSLO worked together to establish the new format.

The Foundation received a number of contributions and pledges, most notably from RSUI, Swett & Crawford, Westrope, All Risks, Ltd., Partners Specialty Group, Crump Insurance Services, and the David and Pamela Leonard Foundation.

Going forward we believe these contributions will help the Foundation increase its ability to assist NAPSLO in the future to continue to bring high profile speakers to the annual convention and we hope you enjoy hearing the speakers.

While the establishment of the speakers' series was a primary focus of the Foundation during the past year, we continued our work on our other important projects. Last year the Foundation again sponsored the A.M. Best Company's annual *U.S. Surplus Lines - Market Review*; awarded 14 scholarships of \$5,000 to students who have expressed an interest in working in the insurance industry; promoted the Foundation, NAPSLO's internship program, and NAPSLO's Next Generation group at the annual Gamma Iota Sigma convention; continued our outreach to college students by sponsoring college symposiums at Troy University and Illinois State University; and promoted the Associate in Surplus Lines Insurance (ASLI) designation.

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 Leadership Forum. On behalf of the Foundation Board of Directors, I would like to thank you and encourage you to review this report of our efforts over the past year.

Joseph D. Timmons, CPCU, ASLI  
President

# Foundation Recognizes Recent ASLI Graduates

The 2011-2012 class of 109 Associate in Surplus Lines Insurance (ASLI) completers represents 29 U.S. states as well as the United Kingdom. The designees were recognized during the ASLI Conferment Ceremony and Recognition Luncheon at the 2012 NAPSLO Annual Convention in Atlanta.

The distinguished graduate in the 2011-2012 class was Christopher D. Murphy, EMC Insurance. Recognized for academic excellence were: Corissa M. Pate; John S. Slaba, IntellectualPropertyInsurance US; and Julia L. Wilking, Cincinnati Financial Corporation.

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 1,800 insurance professionals have earned the ASLI designation.

## 2012 ASLI Designees

Henry Peck-Hien Ang, ARe, ARM, ASLI

Kasey Armstrong, AU, ASLI

Thomas J. Barrett Jr., AINS, ARM, ASLI

Brigit E. Barry, CPCU, AINS, AIS, AU, AIM, ASLI

Courtney B. Bass, CPCU, ARM, ASLI

Kimberly Beckman, ASLI

Philip Befumo, AAI, AIS, ASLI

Carol C. Boettcher, AINS, AIS, ASLI

Jeffrey Bogen, AIS, ASLI

John E. Bond, CPCU, AINS, AAM, AMIM, ARe, AU, ASLI

Josh Booth, AINS, AU, ASLI

Kenneth Walter Brooks, AIC, ASLI

Katrina Broughton, AU, ASLI

Emily Brown, CPCU, AMIM, AIC, ASLI

Greg Brubaker, AU, ASLI

Angela D. Bullock, AIC, ASLI

David Burgiel, ARM, ASLI

Jonathan Burton, ARe, ARM, API, ASLI

Timothy Byrne, CPCU, ARM, AAI, ARe, ASLI

Jennifer Cady, AINS, AIS, AU, ASLI

Christopher S. Campbell, CPCU, API, AIS, ASLI

Antonio Canas, CPCU, AINS, AIC, AU, ARM, AMIM, ARe, AIS, API, ASLI

Debra A. Carapella, AINS, AIS, ASLI

Matthew J. Carbonneau, AINS, AU, ASLI

Stephanie Carden, CPCU, AIC, ARM, ASLI

Gary Carter, CPCU, AINS, AIT, AU, APA, AIM, AAI, ARe, API, ASLI

Brian Cheyne, CPCU, AINS, AIS, API, AU, AIAF, ARC, AAI, ARM, ARe, ASLI

Michael Cotsenmoyer, AINS, ASLI

Donald A. Cunningham, AAI, ASLI

Adam Currier, AINS, AIS, ASLI

Tina Louise Dalton, AINS, AU, ASLI

Michael J. Dantone III, ASLI

Benjamin Davis, AAI, ARM, AU, ASLI

Janna Davis, ASLI

John Dehn, AAI, AIT, ARM, ASLI

Herry Eskridge, ASLI

Debbie L. Egbert, AINS, AU, ASLI

Linda H. Finstad, CPCU, AIC, AINS, AIS, AU, ASLI

Nir Gabay, CPCU, ASLI

Elaine M. George, CPCU, ARM, ASLI

John Gomez, AINS, AIS, ASLI

Gene Michael Gooding, CPCU, ARC, AIAF, ARe, ARM, AMIM, ASLI

Elizabeth Hannon, AIS, ASLI

Wesley Hartsoe, ASLI

Pat Hastings, AINS, AU, ASLI

Scott Haynes, ASLI

Stephanie Hilliard, CPCU, ARe, ASLI

Jaya Thirumala Balaji Jayakumar, CPCU, AINS, API, ASLI

Carol Johnson, ARM, ASLI

Ryan Johnson, AINS, AU, ASLI

Colleen Kennedy, AINS, AIS, ASLI

Terri Ketzner, ASLI

Jay Koepfle, CPCU, AINS, AIC, AMIM, AFSB, ARe, ARM, AU, ASLI

Eleni Kravaris, AIAF, ASLI

Jordan Kurkowski, ASLI

Stefania LaBarre, CPCU, AINS, AIS, AU, AIT, API, ARM, ASLI

Brent Lawson, AINS, AIS, AU, ASLI

Samantha Lee, AU, ASLI

Michael S. Leininger, CPCU, AINS, AU, ARM, AIS, APA, AFSM, ASLI

Stephanie M. Lewis, AINS, ASLI

Melody S. Logan, AIS, ASLI

Eric Lorenzi, AAI, AIS, ARM, AU, ARe, ASLI

Michie S. Mackintosh, AINS, AIS, AU, ASLI

Cynthia Magana, ASLI

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Damian Matthews, AIS, ASLI

Sara N. Mays, ASLI

Maureen C. McCall, AU, AINS, ASLI

Rebecca L. McNabb, CPCU, ASLI

Tyler McCallister, AAI, ARM, AU, ASLI

David Mello, ASLI

Lindsay A. Melton, ASLI

Daniel Mittelmark, AAI, ARM, AU, ASLI

Logan Moller, AAI, ARM, AU, ASLI

Brian J. Moran, AINS, AIS, ASLI

Catherine Moran, AINS, AU, ASLI

Lee Morris, AU, ASLI

Christopher David Murphy, CPCU, AINS, ARM, AU, AIM, ARe, AMIM, AAI, AIC, API, ASLI

Roger A. Nettie, CPCU, ARM, AFSB, AU, AIAF, ARC, ASLI

Corissa M. Pate, AINS, AIS, ASLI

Lori L. Paul, AINS, AIS, ASLI

Travis J. Pearson, ASLI

Yulia Petukhova, AAI, ARM, AU, ASLI

Raul E. Plasencia, ARM, RMPE, ASLI

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Kristen W. Pressman, CPCU, AIS, AINS, AU, ASLI

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J. Daniel Trolley, AAI, AIT, AIS, ARM, ASLI

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Lisa J. Tyree, AINS, AIS, AIT, ASLI

Carmel A. Vindivich, AU, AIS, ASLI

Petra C. Wallace, ASLI

David Walters, ARM, ASLI

Sarah Warner, CPCU, AINS, ASLI

Brendan Weakley, ASLI

Lorraine C. Westcott, AINS, AIS, AU, ASLI

Jeffrey White, ASLI

Julia L. Wilking, CPCU, AINS, APA, ASLI

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Kristina N. Wood, API, AIS, ASLI

Heather L. Wright, AINS, AU, ASLI

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*From Inception to December 31, 2012*

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AmWINS Group, Inc.  
CRC Insurance Services, Inc.  
General Reinsurance Corporation  
General Star Indemnity Company  
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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  
Westrope

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Crump

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Russell Miller, Inc.  
Shand Morahan & Company, Inc.  
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Swett & Crawford - IBS  
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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  
Western Heritage Insurance  
Willis Faber North America

# 17th Annual Foundation Golf Outing Set for Feb. 27th in Miami

The Derek Hughes/NAPSLO Educational Foundation raised near \$115,000 in 2012 at the 16th Annual Foundation Golf Invitational.

The 17th annual golf outing is scheduled for Feb. 27 at the Miami Beach Golf Club, as part of the 2013 NAPSLO Mid-Year Leadership Forum.

"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.

More than 100 golfers took part in the 2012 golf invitational and 41 firms sponsored the event.

## 2012 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.  
Century Surety Group  
Colony Insurance Company  
CRC/Southern Cross  
Crump Insurance Services  
Endurance Specialty Insurance  
Euclid Managers  
Gen Re  
General Star  
Great American E&S Insurance Co.  
Guilford Specialty/Burlington Ins.

Guy Carpenter  
Hartford Steam Boiler Inspection  
Hull & Company  
Liberty Surplus Insurance Corp.  
Markel Corporation  
Maxum Indemnity Company  
Metro Insurance Services  
Navigators Group  
RLI  
RPS Itasca  
RSUI  
RT Specialty, LLC  
Scottsdale Insurance Company  
Specialty Risk Associates, Inc.  
St. James Insurance Group  
Swett & Crawford - Atlanta  
TAPCO Underwriters, Inc.  
The Sullivan Group  
U.S. Risk Insurance Group  
USLI  
Western Heritage Insurance Company  
Western World Insurance Group  
Westrope

## Foundation Continues Outreach to Colleges Through Symposiums, GIS Attendance

The Derek Hughes/NAPSLO Educational Foundation sponsored symposiums presented by Illinois State University and Troy University, and attended the Gamma Iota Sigma annual convention in 2012.

More than 500 students attended the events, including approximately 100 at the Annual Extreme Risk Takers Symposium. The Alpha Kappa Chapter at the Katie School of Insurance at Illinois State hosted the Ninth Annual Symposium March 30-31, 2012 in Chicago.

The symposium is an educational program sponsored by the Foundation on the surplus lines insurance market that offers sessions and networking opportunities with students and industry professionals. The 2013 symposium will take place March 22-23 in Chicago.

Approximately 95 students, representing several universities, attended the Excess & Surplus Lines Symposium, presented by Troy University's Risk Management & Insurance Program, led by Dr. Ed Pappanastos, Chair of the Division of Information Services and QM and a professor of Risk Management and Insurance.

The Excess & Surplus Lines Insurance Symposium & Career Fair took place in October 2012. The symposium featured presentations on topics such as NAPSLO career development opportunities through NAPSLO's Next Generation and Internship Program, as well as the exploration of issues and challenges facing the overall insurance industry and surplus lines in particular.

Attendees heard the perspectives of representatives Marcus Payne, All Risks, Ltd.; Nick Abraham, Markel; Charles Angell, Alabama Department of Insurance; and Pat Talley, Lloyd's North America, among others.

The symposium also featured a career fair and networking opportunities to allow students to begin building relationships to aid in their transition to the professional world.

Foundation representatives also attended the Gamma Iota Sigma International Conference in Chicago in October. More than 315 students from 36 colleges were in attendance. The conference provided companies access to the next generation of industry professionals through a two-day career fair, interviews, educational sessions and networking opportunities.

## Jeb Bush Featured at E.G. Lassiter Lecture Series

The *E.G. Lassiter Lecture Series*, presented by the Derek Hughes/NAPSLO Educational Foundation featured former Florida Gov. Jeb Bush as NAPSLO's keynote speaker at the 2012 Annual Convention.

Mr. Bush spoke to approximately 850 NAPSLO Annual Convention attendees in Atlanta in early October.



Mr. Bush was elected the 43rd Governor of Florida in 1998, was re-elected in 2002 and concluded his service in January 2007.

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

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

# Foundation Awards 14 Scholarships for 2012-13 Year

The Derek Hughes/NAPSLO Educational Foundation has selected 14 students to receive \$5,000 scholarships for the 2012-13 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** were:

- Alisa Matos, Temple University
- Shannon McBride, Temple University
- Sabina Weislak, Ball State University

The **Kevin A. McLaughlin Memorial Scholarship** recipient was Patricia J. Groh, Olivet College.

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

- Cameron Annas, Appalachian State University
- Megan Suchoff, University of Indiana
- Justin Teal, University of Connecticut

The **Herbert W. Kaufman Memorial Scholarship** recipient was Melissa Riegel, Missouri State University.

The **Derek Hughes/NAPSLO Educational Foundation Insurance Scholarship** recipient was Rachel Scribner, Olivet College.

The **Gary E. Frohn Memorial Scholarship** recipient was Melissa Penick, University of North Texas.

The **Richard Hull Educational Scholarship** recipient was Katelin Robertson, University of Central Arkansas.

The **Russell Bond Memorial Scholarship** recipient was Regina M. Ross, Temple University.

The **NAPSLO Insurance Scholarship** recipient was Courtney B. Bass, Troy University.

The **Michael J. Snead Memorial Scholarship** recipient was 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 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 in memory of Mr. Polley.

The Russell Bond Memorial Scholarship was added in 2007 to recognize the founder of the Russell Bond & Co., Inc.

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.

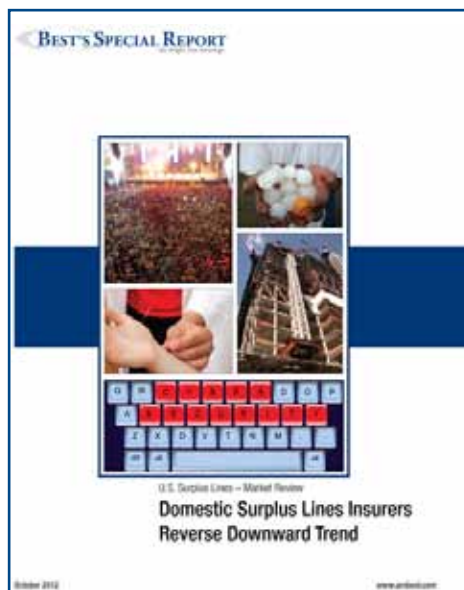
## Surplus Lines Writers See Small Increase in Direct Premiums Written

Domestic surplus lines writers saw a small increase in direct premiums written in 2011, breaking a four year decline, and the overall surplus lines industry reported a 1.8% decrease in direct written premiums, the fifth consecutive annual decline, according to A.M. Best's 2012 Special Report, *U.S. Surplus Lines – Market Review*.

The report, produced by the A.M. Best Company with a grant from the Derek Hughes/NAPSLO Educational Foundation, represents the 19th annual study of the surplus lines industry.

"We are pleased to continue our support to A.M. Best in producing the annual special report," said Joseph Timmons, President of the Derek Hughes/NAPSLO Educational Foundation. "The report has become the authoritative study of the industry, demonstrating the stability of the excess and surplus lines sector."

The report noted domestic professional writers saw a 3.2% increase to \$22.6 billion in direct premiums



written. Lloyd's remained virtually unchanged at \$5.8 billion, regulated aliens reported a 32.5% decrease to \$2.5 billion and domestic specialty companies saw a 19.5% decline, to \$231 million.

For the eighth year in a row, the surplus lines industry reported no fi-

nancially impaired companies noting a marked contrast to the admitted property/casualty industry's 34 disclosed financial impairments for the year.

The report indicates surplus lines insurers continue to demonstrate resiliency by remaining very well capitalized despite significant market challenges and unprecedented natural catastrophe events in 2011. The report continues to provide A.M. Best's perspective on the state of the market and the relative positions of carriers in the market, and it examines the surplus lines sector's financial condition and ratings distribution, market trends, regulatory and legislative developments, distribution issues, and impairment trends.

A copy of the report was emailed to NAPSLO members, and copies were released at NAPSLO's 2012 Annual Convention. Members can either download the report from NAPSLO website or request an electronic copy by emailing [info@napslo.org](mailto:info@napslo.org).

# Foundation Nears \$6.3 million in Assets

Thanks to NAPSLO member contributions and a successful Golf Invitational event at the 2012 NAPSLO Mid-Year Leadership Forum, the Derek Hughes/NAPSLO Educational Foundation had nearly \$6.3 million in assets by the July 31, 2012 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. "New this year, the lecture series contributions allow us to work with NAPSLO to bring high profile speakers to the annual convention."

A number of firms made significant pledges or contributions including the following to support the lecture series: \$100,000 from RSUI Group, Inc., Swett & Crawford, and Westrope; \$20,000 from AmWINS Brokerage; \$10,000 from All Risks, Ltd., Partners Specialty Group, and the David and Pamela Leonard Foundation; \$5,000 from Crump Insurance Services; and \$1,000 from Brown & Riding Insurance Services, Inc., Peachtree Special Risk Brokers, LLC, and Wholesale Trading Co-Op Ins. Services, LLC.

The Foundation also received \$50,000 from the Surplus Lines Association of Arizona Foundation; \$15,000 from the Kemper Educational and Charitable Fund; \$10,000 from the Surplus Lines Stamping Office of Texas; and \$5,000 from the Surplus Lines Stamping Office of Washington.

In addition to contributions, the 16th Annual Foundation Golf Invitational in 2012 raised near \$115,000.

Major expense during the past year included commissioning the A.M. Best 2012 *Special Report: U.S. Surplus Lines - Market Review*; 14 \$5,000 scholarships for students; 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 awareness and knowledge of the surplus lines industry," said Mr. Timmons.

## Balance Sheet

	<u>July 31, 2012</u>	<u>July 31, 2011</u>
<b>Assets</b>		
Cash & Cash Equivalents	\$ 641,097	\$ 1,225,406
Certificates of Deposit	2,730,000	1,897,000
Receivables	197,292	10,428
Investments	2,715,010	2,642,328
Total Assets	<u>\$ 6,283,399</u>	<u>\$ 5,775,162</u>
<b>Liabilities and Fund Balances</b>		
Liabilities	\$ 842	\$ 2,058
<b>Net Assets</b>		
Unrestricted	4,314,433	4,134,096
Temporarily Restricted	472,228	144,400
Permanently Restricted	1,495,896	1,494,608
Total Net Assets	<u>6,282,557</u>	<u>5,773,104</u>
Total Liabilities & Net Assets	<u>\$ 6,283,399</u>	<u>\$ 5,775,162</u>

## Income Statement

	<b>For the Years Ended</b>	
	<u>July 31, 2012</u>	<u>July 31, 2011</u>
<b>Revenues</b>		
Contributions and Special Events	\$ 568,067	\$ 222,711
Investment Income	200,706	181,226
Total Revenue	<u>768,773</u>	<u>403,937</u>
<b>Expenses</b>		
Program Services	189,999	184,458
General & Administrative	18,649	21,546
Special Events	50,672	50,846
Total Expenses	<u>259,320</u>	<u>256,850</u>
Change in Net Assets	509,453	147,087
Net Assets, Beginning of Year	5,773,104	5,626,017
Net Assets, End of Year	<u>\$ 6,282,557</u>	<u>\$ 5,773,104</u>

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