WSIA is the non-profit association of insurance professionals and specialty market leaders dedicated to the wholesale distribution system. WSIA represents the interests of its members and the valuable role they play in the insurance market through networking, education, talent recruitment and development, regulatory and legislative advocacy for surplus lines, and by promoting the value of the wholesale distribution channel.
WSIA Demographics

**Member Firms**

- U.S. Wholesale Members: 330
- U.S. Insurance Market Members: 127
- Associate Members: 90
- Service Members: 188
- Total Member Firms: 735

**Networking**

**NAPSLO ANNUAL CONVENTION**

<table>
<thead>
<tr>
<th>Year</th>
<th>Location</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>San Diego</td>
<td>3,844</td>
</tr>
<tr>
<td>2014</td>
<td>Atlanta</td>
<td>3,970</td>
</tr>
<tr>
<td>2015</td>
<td>San Diego</td>
<td>4,179</td>
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<tr>
<td>2017</td>
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<tr>
<td>2019</td>
<td>San Diego</td>
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**WSIA ANNUAL MARKETPLACE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Location</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>San Diego</td>
<td>201</td>
</tr>
<tr>
<td>2014</td>
<td>Atlanta</td>
<td>166</td>
</tr>
<tr>
<td>2015</td>
<td>San Diego</td>
<td>184</td>
</tr>
<tr>
<td>2016</td>
<td>Atlanta</td>
<td>205</td>
</tr>
<tr>
<td>2017</td>
<td>Atlanta</td>
<td>165</td>
</tr>
<tr>
<td>2018</td>
<td>Atlanta</td>
<td>200</td>
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</tbody>
</table>

**UNDERWRITING SUMMIT**

<table>
<thead>
<tr>
<th>Year</th>
<th>Location</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Phoenix</td>
<td>1,362</td>
</tr>
<tr>
<td>2019</td>
<td>Nat’l Harbor</td>
<td>1,194</td>
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**AUTOMATION CONFERENCE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Location</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Seattle</td>
<td>304</td>
</tr>
<tr>
<td>2016</td>
<td>Dallas</td>
<td>330</td>
</tr>
<tr>
<td>2017</td>
<td>Atlanta</td>
<td>291</td>
</tr>
<tr>
<td>2018</td>
<td>Las Vegas</td>
<td>351</td>
</tr>
<tr>
<td>2019</td>
<td>Orlando</td>
<td>323</td>
</tr>
</tbody>
</table>

**U40 ANNUAL MEETING**

<table>
<thead>
<tr>
<th>Year</th>
<th>Location</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>San Diego</td>
<td>166</td>
</tr>
<tr>
<td>2016</td>
<td>Portland</td>
<td>205</td>
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<tr>
<td>2017</td>
<td>Toronto</td>
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<tr>
<td>2018</td>
<td>Lake Tahoe</td>
<td>165</td>
</tr>
<tr>
<td>2019</td>
<td>Nashville</td>
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</tr>
</tbody>
</table>
2019 AM Best Report

- $49.9 billion market in 2018
- 11.2% increase in 2018 surplus lines direct written premium over prior year
- AM Best noted that despite economic, regulatory, legislative and market-related challenges, surplus lines market more than doubled in size over the last 20 years, from 3.3% of total property/casualty direct premiums written in 1998 to 7.4% at the end of 2018.

BEST’S RATING DISTRIBUTION BY RATING CATEGORY

- Domestic Professional Surplus Lines
- Total Property/Casualty

Surplus Lines DWP as % of Total Property/Casualty DWP

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Professional Surplus Lines %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>3.3%</td>
</tr>
<tr>
<td>2008</td>
<td>7.0%</td>
</tr>
<tr>
<td>2018</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

Surplus Lines DWP as % of Commercial Lines DWP

<table>
<thead>
<tr>
<th>Year</th>
<th>Commercial Lines %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>6.7%</td>
</tr>
<tr>
<td>2008</td>
<td>13.2%</td>
</tr>
<tr>
<td>2018</td>
<td>15.7%</td>
</tr>
</tbody>
</table>

*U.S. Surplus Lines DWP 1988 to 2018 USD in Billions*

Recruiting & Developing Talent

- Foundation scholarship program awarding $1,132,000 to 283 students since 1991.
-Reached more than 2,700 college students in 2018 with WSIA presentations at 40 universities, three symposiums and three Gamma Iota Sigma events; increase of 6.2% students reached over prior year.
- WSIA U40 membership of approximately 1,300, with Annual Meeting attendance of approximately 200.
WSIA strongly supported the definition of private flood insurance developed in the Flood Insurance Market Parity and Modernization Act of 2017 (H.R. 1422/S. 563). Revisions will bring clarifications and technical corrections to ensure surplus lines policies are accepted by lenders to fulfill a consumer’s mandatory purchase requirement. In January, banking regulators issued a final rule to lenders on accepting private flood insurance policies. The full impact of the rule continues to develop with stakeholders and regulators, though we assume that there is a continuing need for private flood legislation since this bill did not pass last Congress.

A top priority for the U.S. Congress is reform and reauthorization of the National Flood Insurance Program, NFIP. WSIA advocates for the inclusion of private flood legislation similar to H.R 1422/S. 563, from the previous Congressional session, to be made a part of these reforms. Our annual trip to Congress with our WSIA leaders and Legislative Committee members focused on this issue. An overview is available at www.wsia.org on the Legislative Advocacy and Compliance page.

When Congress passed the Nonadmitted and Reinsurance Reform Act, NRRA, in 2010, it brought much needed nationwide changes to the surplus lines industry. Adopted as a provision of the Dodd Frank Act, the NRRA established that one state, the home state of the insured, is responsible for the regulation and taxation of the surplus lines transaction. This change has brought efficiency, clarity and uniformity to the regulation of our market. WSIA is thankful to the U.S. Congress for implementing this much needed legislation and asks that no actions are taken to revise the underlying law.

The National Association of Registered Agents and Brokers, NARAB, was adopted on January 12, 2015 but is not yet operational. NARAB is a critical regulatory efficiency reform that will implement national standards and uniformity for nonresident producer licensing while maintaining state-based regulation and home state authority. WSIA is working with all other national trade associatios to promote the immediate implementation and operation of the NARAB Board.

Preparation for renewal of the Terrorism Risk Insurance Act in 2020, including WSIA’s position on the reformation of TRIA and preparedness of the insurance market to provide capital for certain terrorism exposures.

In December 2018, the IRS issued a final rule eliminating an unnecessary and burdensome reporting requirement under FATCA. The rule clarifies that the P&C market does not need to report non-cash-value premiums under the act. FATCA is directed at foreign financial institutions and financial intermediaries and aims to prevent tax evasion by U.S. citizens, U.S. residents and corporations through the use of offshore accounts, thus is inapplicable to non-cash value P&C transactions. We applaud the reduction of this unnecessary regulatory burden but believe a simple technical correction to the underlying law would provide finality.
• Assistance to WSIA members who may be experiencing any impacts from the London Market’s interpretation of the Financial Conduct Authority’s approach to conduct risk supervision in an effort to facilitate more uniform interpretations of the FCA’s supervisory principles and advocating for clear guidance to be provided to U.S. members regarding what, if any, responsibility they have regarding the General Data Protection Regulation (GDPR) when they do not conduct business in the EU.

• Continue to distribute education alerts with the CIAB, Corporation of Lloyd’s, LMA and LIIBA about U.S. surplus lines licensing requirements for Non-U.S. Brokers.

• In partnership with Florida Surplus Lines Association (FSLA), advocated for passage of Florida HB 301, which eliminated the prescriptive $35 fee cap on surplus lines policy fees and modernized surplus lines regulation.

• Coordinating efforts to improve and educate industry members on use of state export lists and creating education tools and resources to improve uniformity and modernization of existing and new risks for state export lists.

• All states, except Florida, now fully comply with NRRA home state taxation and WSIA continues to advocate for implementation in Florida, the only state still requiring multistate tax allocations and payments.

• Advocacy of the state-based system of insurance regulation in the U.S. and WSIA’s guiding principles for uniformity in all areas of state surplus lines regulation.

• Providing comprehensive legislative, regulatory and compliance updates and materials to our WSIA members through regular updates (see July 2019 update) and Compliance Resources webpage. See Legislative Advocacy, Compliance and PAC section of www.wsia.org.
I. Freedom from Regulation of Surplus Lines Rates and Forms
Freedom from regulation of rates and forms distinguishes the surplus lines market from the admitted market and is the essential feature that allows the surplus lines industry to serve the consumer and function as a market for hard to place risks. It should be defended at all times in all states, even for seemingly minor infringements.

II. The Principle of Export
The principle of export means that surplus lines transactions involve state regulated surplus lines brokers, exporting business to nonadmitted companies not licensed by the state. This principle forms the regulatory framework of the surplus lines market and defines the role of the surplus lines broker in the transaction as the regulated entity. It separates the company from direct, 50 state regulation – including rates and forms – and establishes context of the taxation of the transaction.

III. Primacy of Surplus Lines
State based residual market mechanisms should not be given risk placement preference before surplus lines. The sequence of risk placement should be as follows: admitted market > surplus lines market > state based residual market.

IV. Nonadmitted and Reinsurance Reform Act (NRRA)
WSIA continues to strongly support the NRRA and encourages and expects all states to maintain the federal law in a uniform manner as contemplated by Congress in its implementation. Properly implemented as consistent with the letter of the law and Congressional intent, the NRRA has significantly improved the surplus lines market.

V. Uniform and Reciprocal Licensing of Surplus Lines Brokers Between the States
WSIA’s goal is a uniform and reciprocal 50 state system. To achieve such a system, the implementation of the National Association of Registered Agents and Brokers (NARAB) is critical.

VI. Standardization of Taxation of Multistate Surplus Lines Risks
WSIA’s goal is a simple and conflict free single payment system for remitting surplus lines taxes on multistate risks. With the elimination of surplus lines tax sharing compacts and agreements, the most effective means of producing that system is uniformly following the “home state” approach contemplated by the Nonadmitted and Reinsurance Reform Act of 2010 (NRRA), where one state, the home state of the insured, is the regulatory authority for the transaction, including taxing the entire multistate risk at the home state’s rate and rules, and retaining the entire tax for the home state.

VII. Commercial Lines Deregulation – Automatic Export
Transactions involving commercial policyholders under state commercial lines deregulation, and the NRRA exempt commercial purchaser laws, should automatically qualify for export to the surplus lines market without conducting a diligent search.

VIII. State Regulation
The surplus lines marketplace is an essential part of the national insurance market. It operates successfully in the state-based regulatory system where business is exported from one state to another. WSIA favors the continuation of a state-based regulatory system for insurance over a federal system. However, the current state-based system must become more uniform and efficient. Uniformity and reciprocity among the states in areas of producer licensing and taxation is critical. The adoption of truly national standards will improve the efficiency and effectiveness of the state regulatory system and no federal standard should be enacted that curtails, hinders or otherwise prevents the surplus lines market from performing its vital role as a supplemental market for insurance consumers.

IX. Federal Regulation
WSIA does not believe that a federally-based system of regulation can be effective in the oversight of an industry established to address a state-based system of reparations.

Proponents of creating a system of optional federal charters (OFC) believe that regulation of rates and forms will be eliminated by securing such charters. If a system of OFCs is created, it will be an unproven regulatory system. Under a system of federal charters, it would be essential for surplus lines underwriters that the regulatory structure permit a holding company to simultaneously hold federal and state charters so that the insurance can be placed under the regulatory system that offers rates, terms and conditions most consistent with the policyholder’s needs. WSIA is committed to maintaining the state-based system of insurance regulation because it is the most favorable system for the wholesale, specialty and surplus lines market.

WSIA supports the role of the Federal Insurance Office (FIO) in studying and overseeing the efficiency and modernization of the system of insurance regulation in the United States and believes any federal policy regarding insurance regulation continue a course aimed at strengthening state insurance regulation and coordinating the efforts of federal agencies with state regulatory systems. WSIA supports the elimination of federal subpoena authority as it relates to insurance data and believes that a federal entity should secure such data through the appropriate state insurance regulator. Protecting our industry from such subpoena authority prevents insurance companies from unnecessary and costly reporting requirements that would ultimately add little value while increasing the costs of doing business. As in any business, these costs would ultimately be felt by consumers.

X. Guaranty Funds
WSIA is opposed to surplus lines guaranty funds for the following reasons:

- They promote a false security because the coverage is typically inadequate for commercial lines;
- They promote the use of financially weak companies;
- Potential premium assessments are an unfair burden on surplus lines consumers; and
- The surplus lines marketplace is financially secure and dominated by companies with average ratings significantly higher than the overall market.
WSIA members...where complex risk meets innovative solutions

- Since September 2013, $958,737 in earned editorial with an estimated 21.2 million impressions, and $865,784 in paid advertising in trade publications and related media outlets, generating an estimated 13.02 million impressions.
WSIA is actively communicating the value of the wholesale distribution system to the retail industry for many years. During 2016, the Board worked with Conning, Inc. on a distribution cost analysis, which concluded that wholesale distribution does not increase the cost of the transaction to the insured.

The Board believed a possible misconception in the industry that the wholesale distribution channel is substantially more expensive than the retail channel in placing specialty risks deserved additional study. An analysis of the cost of distributing commercial insurance policies through wholesale and retail brokerage channels was conducted by Conning, Inc.’s Insurance Research Division and concluded that wholesale distribution does not increase the cost of the transaction to the insured.

WSIA and Conning developed a detailed and thorough process to identify two composite groups of insurance companies as a proxy for each mode of insurance distribution for selected commercial lines. Insurers that use predominantly wholesale brokers for distribution were included in the “Wholesale Composite,” and insurers that use predominantly retail brokers were included in the “Retail Composite.” The Wholesale Composite included 83 individual companies with $19 billion in premium and the Retail Composite included 266 individual companies with $61 billion in premium.
Conning Analysis

Conning measured all non-loss costs relative to direct written premium from 2010 to 2015 for these companies and, upon comparing the composites, found:

- The total non-loss cost ratio for the wholesale composite was lower than the retail composite by 1.0%.
- Retail non-loss cost ratios were lower than wholesale in 2010 and 2011. However, wholesale ratios were lower for 2012 through 2015.
- The wholesale composite’s commission ratio is consistently three to four points higher than the retail composite, but is offset by the wholesale composite’s non-commission cost ratios which average nearly four points lower than the retail composite.

The findings from the Conning analysis have allowed the Association to enhance its Wholesale Value messaging and arm WSIA members with tools and specific findings to leverage in their own communications. The Conning analysis and accompanying FAQs are available on the website.
EXCESS & SURPLUS LINES
June 7-10, 2020 • St. Louis, MO
For all insurance professionals who are relatively new to the surplus lines industry or who have recently transitioned into E&S

Attendees gain solid understanding of the surplus lines marketplace, current issues and trends, and the roles of brokers, underwriters, program administrators, managing general agents and other players in the industry. At the end of the program, participants will be more knowledgeable about the surplus lines market.

UNDERWRITING BOOT CAMP
July 2020 • Atlanta, GA
For insurance professionals new to or with limited surplus lines underwriting exposure or experience

Designed for underwriters, brokers and those with binding authority to establish an underwriting foundation to enhance participants’ abilities to more quickly and effectively accomplish their work. With classroom facilitation, discussion and thorough case studies, participants will be more effective technicians at the end of the program.

CONSULTATIVE SELLING & NEGOTIATIONS
Nov. 12-13, 2019 • Scottsdale, AZ | March 10-11, 2020 • Hunt Valley, MD | July 7-8, 2020 • Rolling Meadows, IL
For all brokers, managing general agents and underwriters who transact business and have relationships with clients

This customized surplus lines training produced by Richardson, a global sales training company, strengthens selling and negotiation skills. A small group setting allows an individualized experience focused on developing relationship skills. Participants will leave the program with stronger sales and negotiation skills, leading to greater success.

MARCUS PAYNE ADVANCED E&S
November 3-6, 2019 | November 8-11, 2020 • St. Louis, MO
For E&S professionals with multiple years of surplus lines industry experience

Attendees learn about wholesale distribution and best practices, regulatory issues, marketing, the claims process and the reinsurance impact upon the wholesale, specialty and surplus lines industry from veteran professionals. Participants gain comprehensive knowledge and leave armed with information that can be applied immediately.

EFFECTIVE COACHING
November 11, 2019 • Scottsdale, AZ
For any surplus lines manager who leads a team of professionals responsible for revenue or premium production

During this one-day program, participants receive customized training produced by Richardson geared towards leading teams and enhancing performance in the wholesale, specialty and surplus lines industry and return to their office with knowledge and techniques designed to bring out the best in teams.

SURPLUS LINES MANAGEMENT
February 3-6, 2020 • Atlanta, GA
For any broker, managing general agent or underwriter who manages a team and book of business or is transitioning into a leadership role

Taught by Emory University Goizueta School of Business faculty, WSIA leaders and industry CEOs, this program combines industry experience and world-class management training. The curriculum prepares participants for current and future leadership roles by examining the foundation of good management. Participants learn to harness their leadership style to motivate teams, manage conflict, build a book of business and increase company value.
Education Programs

WSIA UNIVERSITY
August 16-18, 2020 • Scottsdale, AZ
For E&S professionals at all career levels and job responsibilities to grow their industry expertise

Attendees at this two-day program choose from a variety of technical training sessions and workshops to customize their learning experience. Some courses are case study-based, some are panel discussions, and others are presentations with class engagement to enhance technical skill sets.

EXECUTIVE LEADERSHIP SUMMIT
April 28 - May 1, 2020 • Washington, D.C.
For senior-level executives with considerable experience and direct responsibility for obtaining superior and sustainable results

Senior-level E&S industry members participate in this capstone course at the University of Virginia’s Darden School of Business in Washington, D.C. The curriculum emphasizes transitioning from a tactical leadership approach to a strategic leadership focus. This program will challenge the way participants think, lead and manage in today’s complex environment, enabling them to lead more successfully.

WSIA TECHNICAL & CAREER DEVELOPMENT

ONLINE PROGRAMS

SURPLUS LINES FUNDAMENTALS
For insurance professionals seeking an introduction to E&S

Online participants understand why the surplus lines market is needed, how its distribution system works, how surplus lines transactions are regulated and how the surplus lines market is able to successfully underwrite risks that the standard market has declined.

SURPLUS LINES REGULATORY COMPLIANCE
For insurance professionals seeking an introduction to regulatory compliance

This online course covers a variety of subject material including an overview of the surplus lines industry, licensing, record keeping, insurer eligibility, diligent search, tax remittance, policy disclosure and delivery and independent procurement and industrial exemption.
Upcoming WSIA Events

WSIA ANNUAL MARKETPLACE

September 13-16, 2020
2020 Annual Marketplace
San Diego, CA
Manchester Grand Hyatt | Marriott Marquis San Diego

September 19-22, 2021
2021 Annual Marketplace
San Diego, CA
Manchester Grand Hyatt | Marriott Marquis San Diego

UNDERWRITING SUMMIT

March 1-4, 2020
2020 Underwriting Summit
Palm Desert, CA
JW Marriott Desert Springs Resort & Spa

Feb. 23-March 3, 2021
2021 Underwriting Summit
Phoenix, AZ
JW Marriott Desert Ridge Resort & Spa

AUTOMATION CONFERENCE

March 15-18, 2020
2020 Automation Conference
New Orleans, LA
Sheraton New Orleans

U40 ANNUAL MEETING

October 2020
TBD