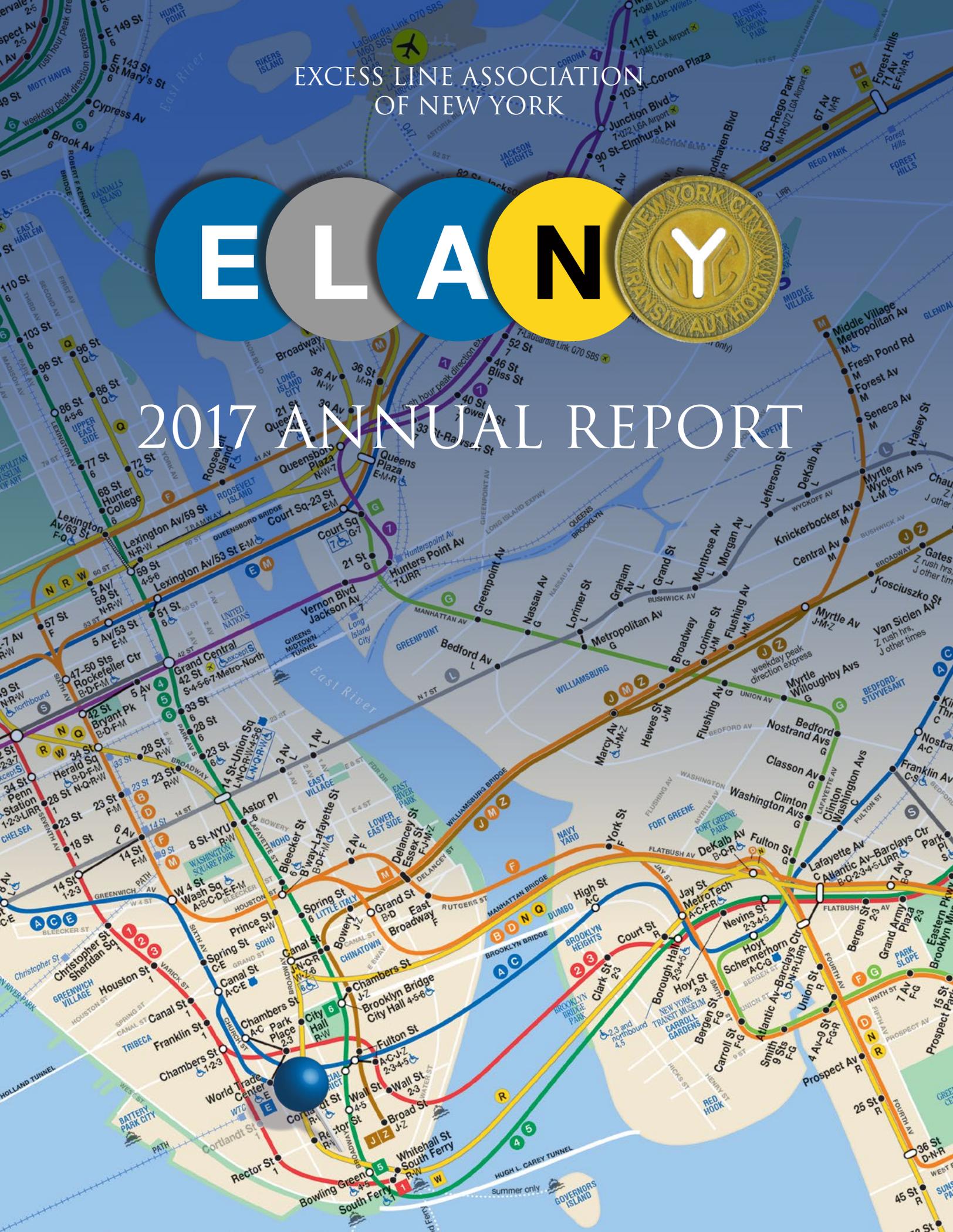


EXCESS LINE ASSOCIATION
OF NEW YORK



2017 ANNUAL REPORT



ELANY PUBLICATIONS



COMPLIANCE ADVISOR

NEW YORK CYBERSECURITY REGULATION COMPLIANCE GUIDE

A PUBLICATION BY
 THE EXCESS LINE ASSOCIATION OF NEW YORK
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January 2018



December, 2017
 Issue 17-2

ELANY conducts ongoing financial review and oversight of the non-admitted market as part of its support of the excess line community. We produce concise two-page financial analyses of all the foreign insurers on the ELANY eligibility list providing a brief thumbnail summary of each insurer's important financial numbers.

These thumbnails zero in on the following major features:

- Balance Sheet:** The amount of assets controlled by an insurer is an indicator of the risk of its financial collapse. The larger the balance sheet, the more resources available to pay policyholders' claims and to withstand any unexpected shocks or vagaries in the marketplace. Policyholder surplus is the capital cushion available to the insurer to withstand these shocks and unexpected losses.
- Quality of Invested Assets and Liquidity:** An insurer's assets are the lion's share of an insurer's investment portfolio. What percentage of total assets is represented by invested assets? The greater the percentage of invested assets to total assets, the stronger the balance sheet. Are insurance receivables a large percentage of admitted assets? How much represents soft assets (deferred acquisition costs, deferred tax assets, goodwill, intangible assets, etc.) in relation to policyholder surplus? Soft assets cannot pay claims, are not readily convertible into cash and in all likelihood end up being written down for a company that ceases to be going concern.
- Loss & LAE Reserve Leverage:** How much are reserves in relation to surplus, i.e. a ratio of 1.00 to 1.00 or 4.00 to 1.00? A ratio of 1.00 to 1.00 is conservative and represents a strong balance sheet. For example, at a leverage ratio of 1.00 to 1.00, a 25% adverse development of loss reserves results in a commensurate 25% reduction in policyholder surplus. However, at a leverage ratio of 4.00 to 1.00, which represents a stressed balance sheet, that same 25% adverse development in loss reserves equates to a 100% reduction in policyholder surplus, effectively rendering the insurer insolvent.
- Premium Leverage:** What is the gross written premium to surplus compared to the net written premiums written to surplus? How much business is the insurer writing in relation to its policyholder surplus, i.e. how fast is the insurer going, 30 mph or 80 mph? 30 mph represents a conservative business model.

The greater the percentage of invested assets to total assets, the stronger the balance sheet.

Excess Line Association of New York, One Exchange Plaza/55 Broadway, 28th Floor, New York, NY 10008-3728, (646) 292-5500, elany@elany.org, www.elany.org

February 2018

The E&S Empire Express

One Exchange Plaza, 55 Broadway, New York, NY 10008-3728
 E-mail: elany@elany.org Web site: www.elany.org

Record-Setting 2017

ELANY experienced a banner year in 2017. We processed more than 325,000 transactions representing \$5.93 Billion in premium. We ended the year with 858 active member brokers that filed transactions with ELANY. These numbers are records, indicating the dynamic quality and growth of the New York excess line marketplace. Underwriter placed 87% of all transactions representing 83% of the total excess line premium, a strong indication that the market remains down by complex risks for which retail brokers cannot locate adequate admitted market coverage. The excess line market continues to represent only a small, but vital, portion of the total property-casualty insurance transactions placed in New York.



Congrats!

We wish all the best to **Marion "Mae" Murgenthaus**, Deputy Bureau Chief of the Department of Financial Services, Property Bureau, on his retirement. Mae's deep knowledge and experience will be missed, as will his sense of humor.

Congratulations to ELANY Board Chair **Amel Patel** on being named Head of Global Services and Solutions by Willis Towers Watson P.L.C., and congratulations to Willis Towers Watson as a proud client!

Many thanks to **David Levinger**, who stepped down from the ELANY Board of Directors after years of valuable service. Dave has been a strong guiding voice from ELANY's days and is always there in its development. He has been replaced on the Board by **Eric Kuller** of Flatbush in R. Kuller & Co., Inc. Welcome to the Board!

Nancy Green has been named Chief Administrative Officer for ELANY. Nancy has served the organization with distinction for many years and this position is a testament to the enormous value she continues to bring to the organization.

Howard Greene has joined ELANY as Director of Strategic Initiatives, adding depth to ELANY's vetorial management team. He has been handling broker cybersecurity regulation compliance issues and a variety of other matters for the organization. Welcome Howard!

Cybersecurity Training

ELANY's free cybersecurity awareness training offer for active members has been well received. As of the end of January, we have an average of 6,000 individuals at our 125 member brokerages. The training fulfills the training requirements of the Department of Financial Services' cybersecurity regulation and provides our members with an invaluable tool to help protect their clients and business. For those brokers who are subject to the regulator's training requirement, all time personnel must be trained by March 1st.

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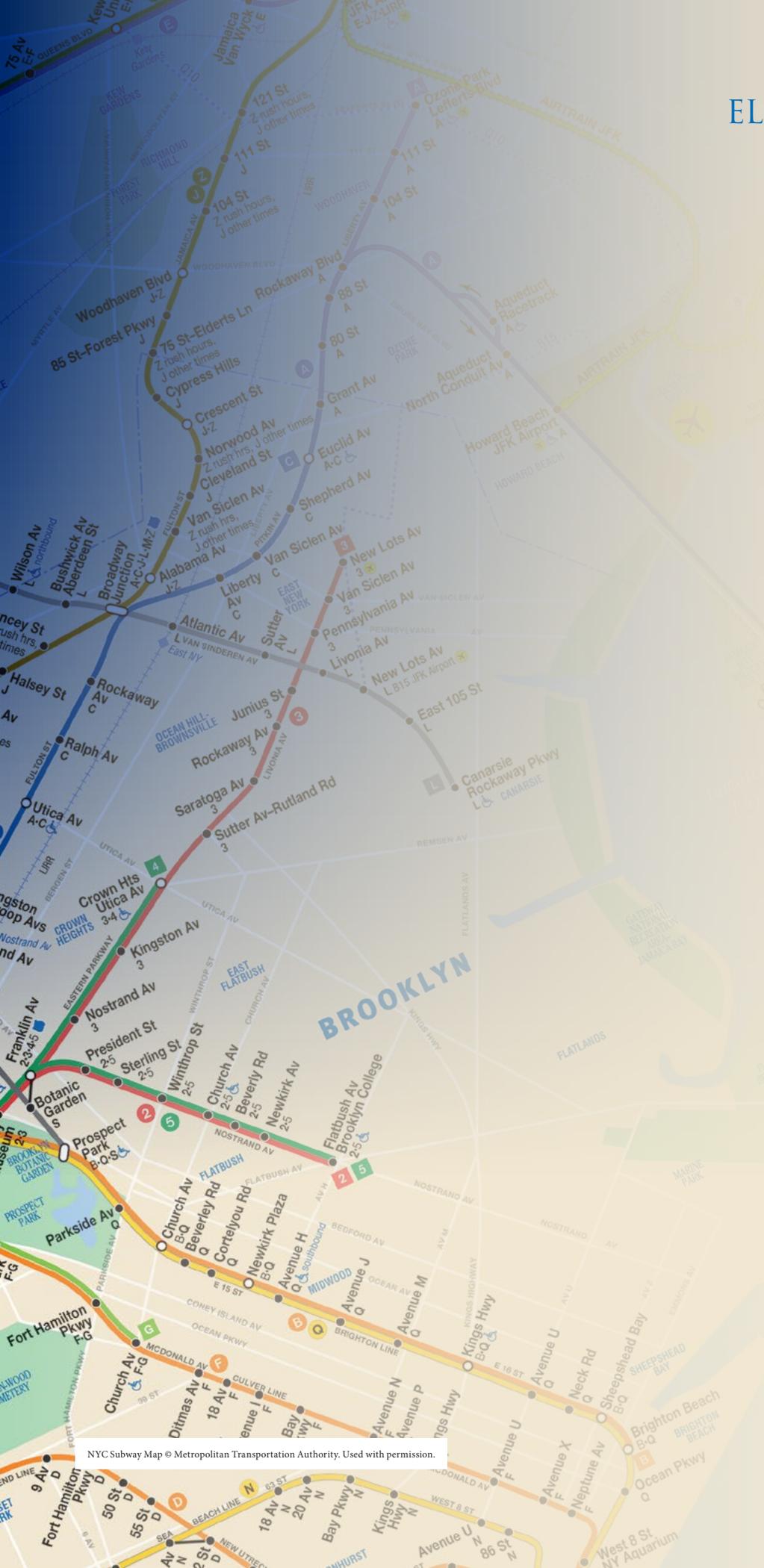
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NYC Subway Map © Metropolitan Transportation Authority. Used with permission.

Daniel F. Maher



NAVIGATING THE NEW York City subway system is a daunting task to the uninitiated. The subway map offers guidance for some and is a New York City survival kit for others. ELANY's role in the excess line market is similar. We offer assistance or guidance to broker members and others with complex issues. For the industry newcomers, we teach, train and explain the history that gave birth to the E&S insurance market and the hows and whys of compliance obligations, while offering some observations about where the industry is headed.

2017 saw another record year of transactions and premium processed. Since 2012, the transaction count is up nearly 50% to 325,000 transactions, and premium volume has doubled to nearly \$4 billion.

Insurtech platforms became more mainstream in 2017 with a number of rollouts. The parties with whom ELANY met were finding it difficult to meet various admitted market laws and regulations so they turned to the E&S market to see whether this was a better avenue for sale and distribution. Many of the Insurtech companies shared certain characteristics. These entities want to offer on-demand products with use-based pricing from a web-based platform. In some cases, these new companies have been able to modify their approach to conform to the requirements of the New York excess line law. The showstopper, which prevents certain sales, is offering E&S products directly to consumers. New York law simply prohibits this with rare exceptions. Last year, California passed a bill to authorize the Insurance Commissioner to add new or emerging risks to the state's export list. While this is not a cure-all, it certainly was a step towards allowing insureds to buy, and brokers and insurers to sell, new and desirable insurance coverages.

The Governor's Budget Bill in 2017 included authorization for transportation network companies (TNCs), such as Uber and Lyft, to conduct ride-sharing operations. Until this bill passed, these cars operated as "black cars," which are subject to numerous separate legal requirements. The E&S market was included in the

Governor's legislation giving it permission to insure TNCs subject to a diligent effort and other E&S requirements. The regulation for TNC insurance, adopted by the Department of Financial Services shortly after

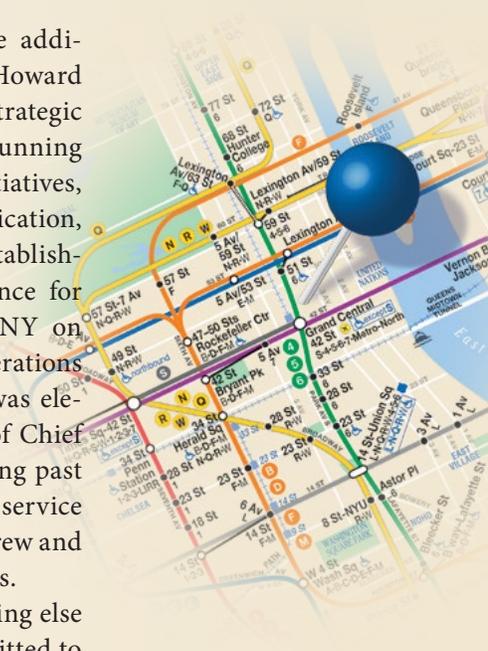
the legislation passed, contains provisions that are hostile to the E&S marketplace. The regulation is unlikely to impede TNC placements for the time being, since most of the substantial TNCs are headquartered in California, which means California's surplus lines law regulates the placements of these risks.

Another significant change in 2017 was the adoption of a first in the nation Cybersecurity Regulation by New York State, which applies to all brokers (unless exempt). ELANY's efforts to assist brokers with the many requirements of the new regulation included bearing our members' costs for certain cybersecurity employee training. This resulted in over 6,700 employees at 140+ member firms being trained. ELANY also produced a televised webinar on the subject in partnership with A.M. Best, as well as releasing a "Compliance Advisor" on the subject.

New to ELANY in 2017 was the addition of insurance industry veteran, Howard Greene, as the Director of Strategic Initiatives. Howard hit the ground running taking the lead on Cybersecurity initiatives, developing ELANY's newest publication, "ELANY Elaborates," as well as establishing a more significant online presence for ELANY on LinkedIn. (Follow ELANY on LinkedIn). Our Director of Operations for the past 20 years, Nancy Born, was elevated to and accepted the new title of Chief Administrative Officer. This was a long past due recognition of her 20 years of service running stride for stride as ELANY grew and developed new, advanced technologies.

ELANY remains more than anything else a service-oriented Association committed to

2017 SAW ANOTHER RECORD YEAR OF TRANSACTIONS AND PREMIUM PROCESSED. SINCE 2012, THE TRANSACTION COUNT IS UP NEARLY 50% TO 325,000 TRANSACTIONS, AND PREMIUM VOLUME HAS DOUBLED TO NEARLY \$4 BILLION.





CHAIRWOMAN'S REPORT

Janet Pane



OUR MEMBERS ARE THE DIRECT BENEFICIARIES OF THE MANY YEARS OF INDUSTRY KNOWLEDGE AND EXPERTISE THE ELANY STAFF PROVIDES.

“THE MEASURE OF INTELLIGENCE is the ability to change.” This is one of my favorite quotes by Albert Einstein, and I wholeheartedly agree with this theory. All of us can attest to the increasingly rapid pace of change we are experiencing in today’s business environment. ELANY’S commitment to its members is to anticipate those changes, analyze the potential impacts and position ourselves to serve the evolving needs of our partners across the industry.

This year we have faced and embraced a number of changes at ELANY. The first change is related to a personal passion of mine. When I took over the role as Chair on the Board of Directors, there was an awkward question as to how I should be addressed since Chairman obviously would not work. I suggested goddess, but unfortunately, that did not stick. In the end, the title of Chairwoman won out.

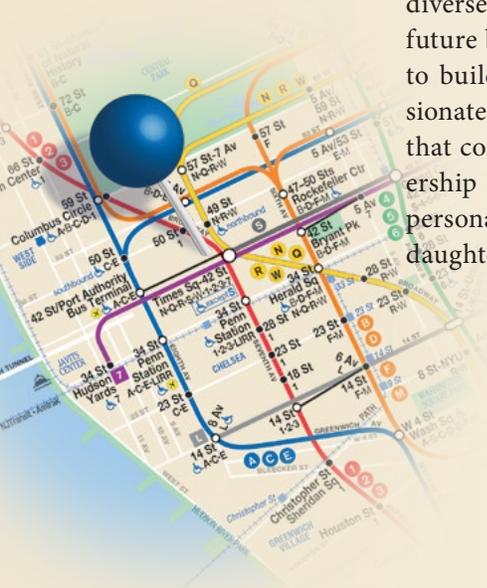
The discussion around this with the Board was lighthearted but did result in a very honest conversation at our annual Board meeting last summer on the topic of Inclusion and Diversity. ELANY is now seriously looking at this important issue facing the insurance industry as a whole: the lack of women on boards and in executive roles. The Nominations Committee immediately agreed that work was needed to ensure that a diverse slate of candidates be considered for future board seats and that we needed a way to build a broader pipeline. I am very passionate on this topic, as it has been proven that companies that have more diverse leadership outperform those that do not. More personally, as the mother of two teenage daughters, I encourage more leaders to take

time to sponsor young women and candidates from other underrepresented groups entering the workforce. Not only is it good for business, but it is the right thing to do.

I could not be prouder of the way the ELANY leadership and Board responded to this topic, but I was not surprised. ELANY has been called on many times over the years to lead change for its members and the marketplace. This year was no different. Members are being called upon to provide secure market solutions that address a rapidly changing risk landscape and new questions are always being raised. ELANY assists members, who are seeking solutions to address barriers for entry into the excess line market and to fully participate in meeting insurance needs arising out of emerging risk and high technology issues.

Looking ahead, we see the laws and regulations will have to change along with a rapidly evolving marketplace. The number of questions that have crossed the desks of ELANY staff members and Dan Maher, ELANY’s Executive Director, increased this year. As discussed in his Executive Director’s report, a number of Insurtech startups visited ELANY to determine whether they could, or how they might, utilize the E&S market for the products they seek to sell.

Our members are the direct beneficiaries of the many years of industry knowledge and expertise the ELANY staff provides. The most successful companies understand they must evolve. It has been my honor to serve as the Board’s Chairwoman for ELANY these past two years, and I look forward to the future. I can’t wait to see what is coming next. 🇺🇸



AS 2017 YEAR END RESULTS are reviewed, it should be noted that the companies on ELANY's List of Foreign E&S Insurers remain financially sound. The New York minimum policyholders' surplus requirements as of January 1, 2017 remained unchanged at \$46 million, and all companies on ELANY's List of E&S Insurers have met the minimum surplus requirement. In addition, 94.3% of all New York excess lines premiums are written by carriers with an "A" rating or better from A.M. Best. Since 2004, a total of 223 admitted U.S. property/casualty insurance carriers have gone insolvent, while no insurer writing New York excess lines business became insolvent.



Throughout 2017, ELANY noticed an increase in the number of companies interested in eligibility. Many carriers looking to enter the excess and surplus lines insurance market are doing so to augment the insurance products offered via their related admitted companies. Also, the excess and surplus lines insurance market continues to be affected by consolidations in the insurance industry, notably Sampo Holdings, Inc.'s acquisition of Endurance Specialty Holdings Limited; Liberty Mutual's acquisition of Ironshore; Fairfax Financial Holdings' acquisition of Allied World Assurance; Intact Financial Corporation's acquisition of the One Beacon Insurance Group; Markel's acquisition of the State National Group; and AIG's announced acquisition of Validus Holdings Ltd.

Regulation 41 places the responsibility of monitoring the solvency of eligible insurance companies a broker places business with on the excess line licensee. This is known as the "due care" standard. The passage of the Nonadmitted Reinsurance Reform Act (NRRA) in 2010 diminished the ability of individual states to establish state specific solvency requirements by preempting many of those standards. ELANY directs its efforts in assisting excess line brokers, who must meet their statutory "due care" obligation

within the framework permitted by the NRRA.

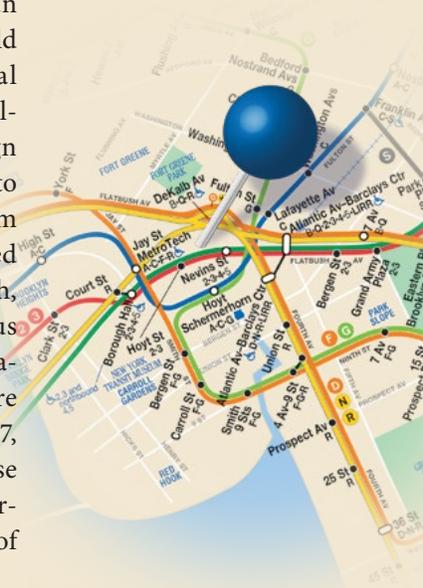
Unauthorized insurers on ELANY's List of Foreign E&S Insurers undergo a thorough financial analysis by ELANY. This analysis goes beyond verifying that the insurers meet the minimum standards of eligibility imposed by the NRRA. In addition, ELANY gathers, reviews and/or verifies the insurer information referenced in Section 27.13 of Regulation 41. Excess line brokers are relieved from maintaining listed insurer financial records, where such records are maintained by ELANY. While other insurers may meet the NRRA minimum requirements and are therefore eligible in New York, ELANY only lists those insurers where sufficient information was provided to determine satisfactory financial stability, the proper mitigation of operating risk and ability to support current and future obligations.

ELANY reviews the financials of all foreign excess line insurance companies writing business in New York. When evidence of financial deterioration is determined, the company is contacted, and ELANY obtains information about the causes of financial stress and the insurer's responsive plan to address the issues in question. Should ELANY determine that serious financial issues remain, the insurer is asked to voluntarily withdraw. During 2017, five foreign excess line insurance companies' surplus to policyholders dipped below the minimum amount of \$46 million. ELANY advised those companies of this surplus breach, and all five companies increased surplus back above \$46 million. Financial summaries for all foreign excess line insurers are maintained on the ELANY website. In 2017, additional information was added to these summaries. They now show statistical information for the Top 5 Geographies, Lines of

ELANY
**INFORMATION
 RESOURCES
 AND SECURITY
 COMMITTEE
 REPORT**

Margaret Beirne, Chairwoman

SINCE 2004, A TOTAL OF 223 ADMITTED U.S. PROPERTY/CASUALTY INSURANCE CARRIERS HAVE GONE INSOLVENT, WHILE NO INSURER WRITING NEW YORK EXCESS LINES BUSINESS BECAME INSOLVENT.



continued on page 10

2017 STATISTICAL FACTS

PROCESSING COST PER TRANSACTION

The processing cost per transaction for the year 2017 was **\$18.94**.

This is the third lowest cost in the history of ELANY.

PURCHASING GROUP BUSINESS

In 2017, **21,036** PG transactions were processed, representing **6.5%** of the total transactions processed and **\$35,345,558** of taxable premium, representing **.9%** of total New York taxable premium.

Purchasing Group volume has fallen significantly since its high point in 2005.

EXEMPT COMMERCIAL PURCHASER (ECP) & EXPORT LIST TRANSACTIONS (NEW/RENEWAL/ENDORSEMENTS)

2,272 ECP transactions and **19,174** Export List transactions were processed in 2017.

ECP and Export List transactions combined represent 7% of the total transactions processed for 2017.

MULTISTATE TRANSACTIONS

In 2017, a total of **4,498** transactions was reported as multistate transactions with a gross written premium of **\$568,935,035**. Of the total transactions, **2,781** were U.S. only, multistate with no tax allocation, and **1,717** were international where **\$77,953,122** of **\$266,448,593** was allocated to non-U.S. exposures.

ELANY ACTIVE MEMBERS

There were **830** active members for the year 2017.

TAXABLE PREMIUM PER STAMPED DOCUMENT

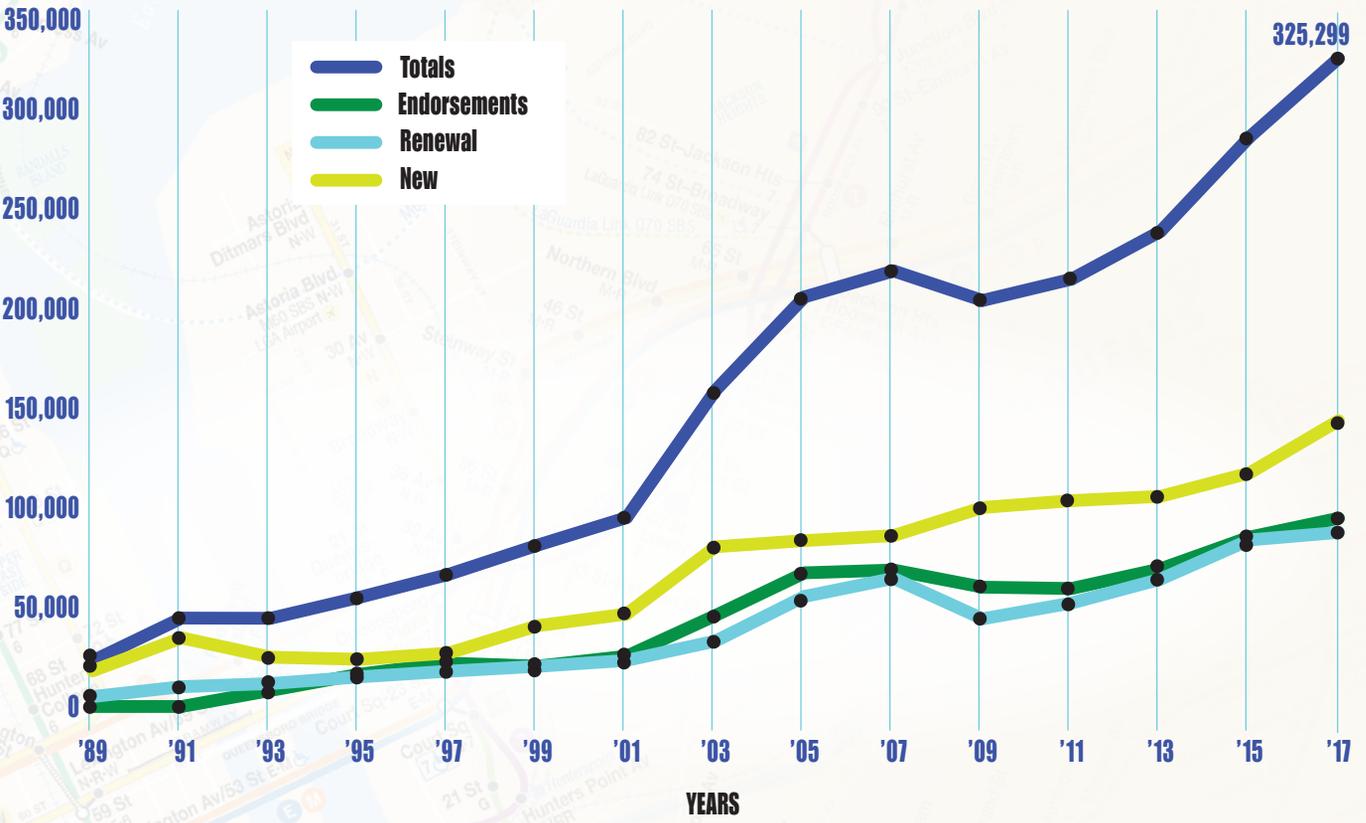
In 2017, **\$12,053** was the average taxable premium per stamped document.

This was the ninth highest in ELANY's history.

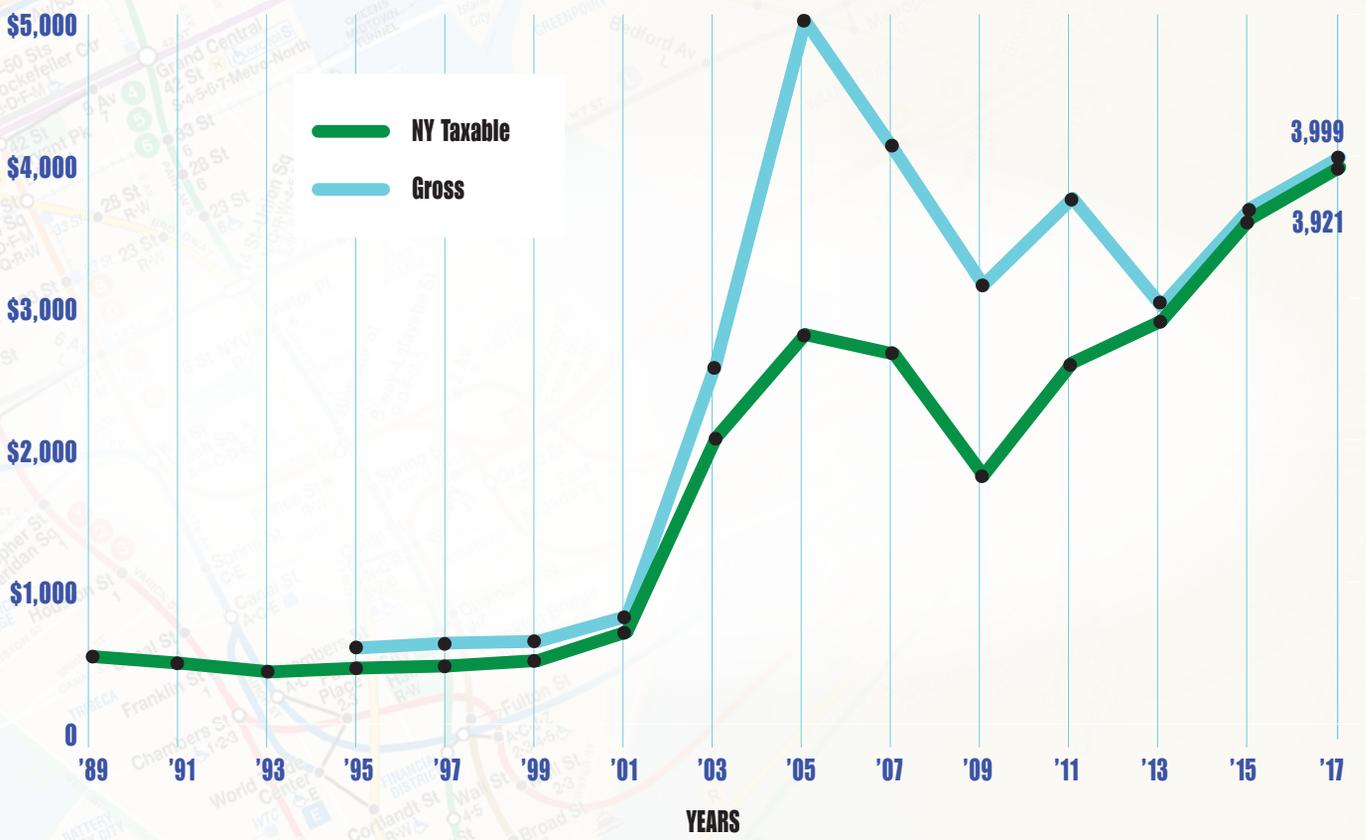
ELECTRONIC AFFIDAVIT SUBMISSIONS

In 2017, **99%** of all transactions processed were submitted electronically, of which **11%** were submitted programmatically. **94%** of active excess line brokers file electronically. ➡

NEW YORK EXCESS LINE TRANSACTION COUNT



NEW YORK EXCESS LINE PREMIUM (IN MILLIONS)*

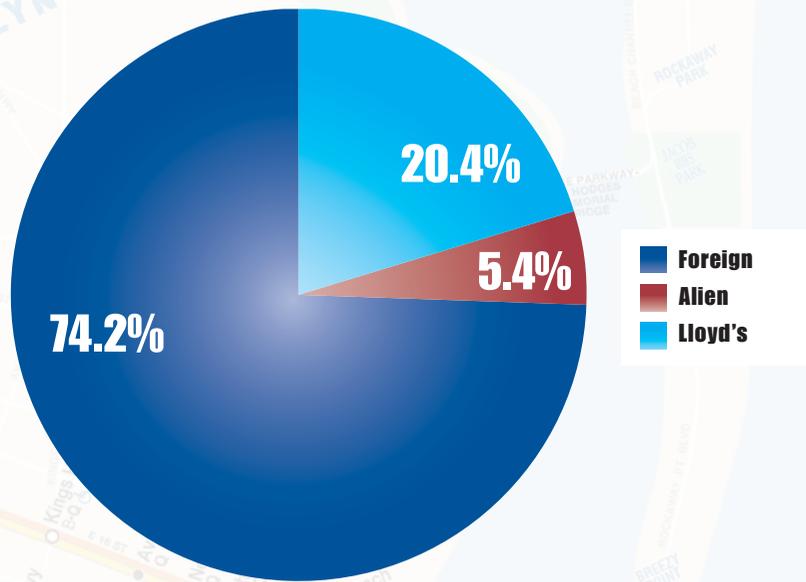


*Tax allocation began in 1994.

2017 NEW YORK TAXABLE PREMIUM BY INSURANCE GROUP

Group Name	Number of Companies	New York Premium	Percentage
Lloyds of London		\$ 799,876,333	• 20%
American International Group, Inc.	3	\$ 292,353,606	• 7%
Nationwide Mutual Insurance Company	2	\$ 183,415,795	• 5%
Chubb Limited	5	\$ 155,419,292	• 4%
Markel Corporation	6	\$ 155,077,424	• 4%
Travelers Companies, Inc.	3	\$ 144,495,205	• 4%
W.R. Berkley Corp	6	\$ 141,393,610	• 4%
Argo Group International Holdings, Ltd.	2	\$ 131,246,079	• 3%
Fairfax Financial Holdings Limited	7	\$ 127,571,335	• 3%
Liberty Mutual Holding Company Inc.	5	\$ 120,910,800	• 3%
Berkshire Hathaway	6	\$ 111,859,343	• 3%
American Financial Group, Inc.	3	\$ 101,890,778	• 3%
XL Group Ltd	4	\$ 95,559,000	• 2%
Zurich Insurance Group Ltd.	2	\$ 92,406,886	• 2%
Axis Capital Holdings Ltd.	2	\$ 91,484,914	• 2%
Arch Capital Group Ltd.	3	\$ 80,023,631	• 2%
Sompo Holdings	4	\$ 77,697,295	• 2%
RLI Corp	1	\$ 70,093,570	• 2%
Swiss Re Limited	3	\$ 61,369,356	• 2%
Prosight Global Holdings Limited	1	\$ 57,524,917	• 1%
Tokio Marine Holdings Inc.	4	\$ 56,084,882	• 1%
QBE Insurance Group Limited	2	\$ 55,592,384	• 1%
Alleghany Corporation	4	\$ 50,596,511	• 1%
James River Group Holdings, Ltd.	1	\$ 46,939,039	• 1%
Lowes Corporation	2	\$ 39,966,646	• 1%
Subtotal Top 25 Groups		\$ 3,340,848,631	
All Other	77	\$ 580,067,723	• 15%
Total NY Taxable Premium		\$ 3,920,916,354	

PERCENTAGE OF YEAR 2017 NY TAXABLE PREMIUM DISTRIBUTION BY E&S INSURERS



All figures and statistics are based on New York taxable calendar year premium.

TOP 10 INSURERS

Insurer	New York Taxable Premium	%
1 Lloyds Underwriters	\$ 799,876,333	20%
2 Lexington Insurance Company	\$ 203,736,037	5%
3 Scottsdale Insurance Company	\$ 182,140,259	5%
4 Colony Insurance Company	\$ 129,098,650	3%
5 Travelers Excess & Surplus Lines Company	\$ 122,312,598	3%
6 Steadfast Insurance Company	\$ 92,144,127	2%
7 Indian Harbor Insurance Company	\$ 87,855,760	2%
8 Axis Surplus Insurance Company	\$ 87,025,761	2%
9 Arch Specialty Insurance Company	\$ 79,184,915	2%
10 Evanston Insurance Company	\$ 76,573,065	2%
SUBTOTAL	\$ 1,859,947,505	47%
All Others	\$ 2,060,968,849	53%
TOTAL	\$ 3,920,916,354	100%

The top 10 insurers accounted for 47.4 % of total premiums written in 2017, compared to 52.5% in 2016 and 53.2% in 2015.

NEW YORK TAXABLE PREMIUM BY COVERAGE CATEGORY

Coverage Category	New York Taxable Premium	2016 Ranking
1 Primary GL & Other BI/PD	\$ 1,404,063,350	1
2 Primary Property Coverages	\$ 719,604,718	2
3 Excess Liability & Umbrella & Medical Malpractice Excess	\$ 590,404,696	3
4 E&O, D&O	\$ 404,595,575	4
5 Commercial Multiperil	\$ 175,744,370	5
6 Excess of Loss Property Coverages	\$ 151,815,869	6
7 Medical Malpractice & Miscellaneous Professional	\$ 114,393,103	7
8 Auto	\$ 82,055,804	10
9 Marine	\$ 81,157,785	8
10 Homeowners/Dwelling Coverage	\$ 62,148,200	9
11 Fidelity & Surety	\$ 60,899,674	11
12 Credit	\$ 31,968,455	12
13 Salary Protection	\$ 28,511,732	13
14 Miscellaneous/Not Otherwise Classified	\$ 13,553,023	14
TOTAL	\$ 3,920,916,354	



INDUSTRY LIAISON, LEGISLATION & REGULATION COMMITTEE REPORT

Joseph Caligiuri, Chairman



2017 PROVED TO BE another trying year for the insurance industry in Albany. Many bills are introduced each year, which would directly affect the industry if passed. Some bills are clearly pro-industry to reform and modernize statutes. Others are viewed as anti-industry, some of which often impose additional data reporting, disclosures and requirements that the industry contends will unnecessarily increase expenses, and therefore, premium. In the end, few bills, favorable or unfavorable, are passed

by both houses and signed into law by the governor. It is difficult to convince legislators from both ends of the political spectrum to agree on legislation and impossible to get bills passed when the insurance industry is often at odds with itself.

The most significant legislation to pass in 2017, which will impact the E&S marketplace, was the Transportation Network Company (TNC) legislation. This is certainly an important victory, since the E&S industry is permitted to write

TNC coverage. Yet, as later discussed, this is not a complete victory. Another bill that passed both houses and was enacted is worthwhile of mention. Insurance brokers now have authority to “service” in New York multinational accounts placed with unauthorized alien insurers in another country. This is contingent on the placement being in full compliance with the laws of the country where the risk was placed. At its best, this bill will help brokers and insurers avoid fines in the future for conduct, which was historically prohibited prior to this legislation. At worst, it opens the door to circumventing the excess line laws of New

York, particularly as it pertains to the Bermuda market.

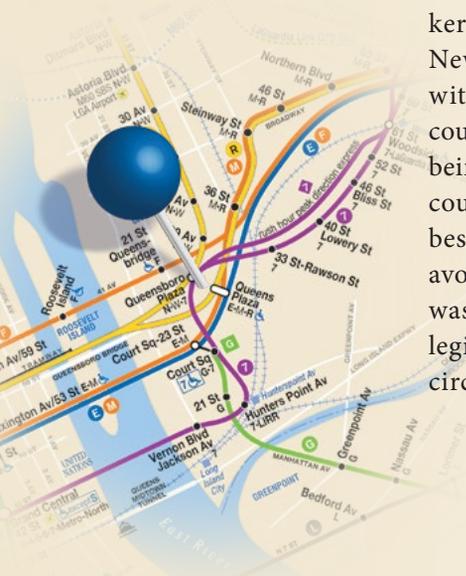
ELANY’s priority legislation in 2017 was to authorize, but not require, insurers to sell coverage for punitive damages in New York. A second priority bill was to amend the insurance law to permit the sale

of primary medical malpractice insurance in the excess line market. Such sales are prohibited as a practical matter because of the requirement to seek coverage or obtain a declination from the Medical Malpractice Insurance Pool (MMIP). Those bills remain ELANY 2018 priorities.

Two significant new regulations were promulgated in New York in 2017. The first regulation relates to cybersecurity obligations and is addressed in detail elsewhere in this report. The second regulation was promulgated to address how the new TNC legislation will be implemented.

The TNC regulation is hostile to the excess line market. It subjects TNC excess line transactions to statutes, which numerous opinions issued by the old Department of Insurance concluded, do not apply to excess lines. The Department of Financial Services made the decision to ignore the history of contrary opinions and reversed its position without seeking a legislative change. Similarly, the TNC regulation applies certain other regulations to excess line transactions for TNC risks that do not apply to all other excess line transactions. ELANY sought changes to the regulation, of course, but was unable to prevail upon the Department of Financial Services to address its concerns. ELANY, with its strong team of professional advocates, remains dedicated to promoting constructive and favorable legislation for all our members. We will continue to be genuine to our core values preserving freedom of rate and form regulation to aid the New York State excess and surplus lines consumer. 🗣️

THE MOST SIGNIFICANT LEGISLATION TO PASS IN 2017, WHICH WILL IMPACT THE E&S MARKETPLACE, WAS THE TRANSPORTATION NETWORK COMPANY (TNC) LEGISLATION.



IN 2017, NEW YORK STATE took the lead in regulating cybersecurity for financial services institutions including insurance brokers. The regulation is sweeping in scope and reach. Throughout the year, ELANY kept its members informed with numerous bulletins identifying the various compliance requirements, separate implementation deadlines and educating members regarding compliance. ELANY implemented an employee training and monitoring program for its members as one method to assist members with the Cybersecurity Regulation's requirements. The program was fully funded by ELANY and resulted in training over 6,700 employees at over 140 ELANY member firms. The program remains available to members should they choose to renew the service for a second year or for new members to join by the deadline, December 31, 2018.



C affidavit among their customers, since faulty Part C affidavits are among the most significant filing disrupters. Another addition to our Video Library is a video for assistance in training all employees using

ELANY's e-filing system.

Programmatic filing remained a priority in 2017, as ELANY continued to work with agency management software vendors to create computer-to-computer software to allow brokers the ability to file transactions directly to the ELANY system without keying each transaction in separately. ELANY has added a new publication "ELANY Elaborates" to its other publications, "Newsletters" and "Compliance Advisors" issued throughout the years with information pertaining to the New York excess line market.

Follow us on LinkedIn to stay up to date on legislation, regulations, and news impacting the E&S community. Also, visit the ELANY website and see the "Hot News" and "Statistics" sections for details you will not find anywhere else. ELANY remains focused on keeping our broker membership well informed on all matters that impact them in the New York E&S market. We welcome any feedback you may have as we update our website with new tools and resources for your benefit. 📌

IN 2017, NEW YORK STATE TOOK THE LEAD IN
 REGULATING CYBERSECURITY FOR FINANCIAL SERVICES
 INSTITUTIONS INCLUDING INSURANCE BROKERS.





AUDIT AND FINANCE COMMITTEE REPORT

John Buckley, Chairman

THE NEW YORK EXCESS & Surplus Lines marketplace continued to grow in 2017, with written premium increasing 8.2% over 2016 figures to \$3.9 billion and filed transactions increasing over 7.3% to 325,000.

For the year 2017, stamping fee revenue was \$7 million, a \$99,000 increase over 2016, despite a stamping fee reduction for policies incepting on or after January 1, 2017 to .17% from the previous reduction to .18%.

2017 REVENUES

Stamping Fees.....	\$ 7,034,615
Investment & Miscellaneous Income.....	192,104
TOTAL	\$ 7,226,719

2017 EXPENSES

Payroll.....	\$ 2,992,725
Depreciation.....	173,430
Computer Charges.....	459,289
Rent & Utilities.....	396,801
Professional Fees.....	251,914
Charitable Contributions.....	89,750
Communications/Education....	185,607
All Other.....	1,611,955
TOTAL	\$ 6,161,471
FUND BALANCE.....	\$ 27,764,955

The annual independent audit of the Association's books and records has been completed and copies are available at the ELANY offices for members to review.



Total expenses for 2017 were \$6,161,471, a 9% increase over 2016. The Audit and Finance Committee continues to work closely with ELANY management and staff to monitor and manage the Association's expenses. ELANY worked with the Department of Financial Services to increase our annual charitable contributions cap to \$100,000 to assist victims of the multiple natural catastrophes in 2017. See the chart adjacent for the breakdown of key expenses.

The ELANY staff continues to meet its turnaround commitment time of 48 hours for properly filed transactions. Despite the increased number of filed transactions, the average cost per transaction for 2017 remained on par with prior years at \$18.94 per transaction, among the lowest average in ELANY's history.

ELANY's fund balance at December 31, 2017 increased by \$1,065,248 to \$27,764,955.

Copies of the annual independent audit of the Association's operations are available at the ELANY offices for members to review.



DESPITE THE INCREASED NUMBER OF FILED TRANSACTIONS, THE AVERAGE COST PER TRANSACTION

FOR 2017 REMAINED ON PAR WITH PRIOR YEARS AT \$18.94 PER TRANSACTION, AMONG THE LOWEST AVERAGE IN ELANY'S HISTORY.

EXECUTIVE DIRECTOR'S REPORT continued from page 1

providing its members first class service. I am proud to say the team, from the Board to our Managers and entire staff, reflects a dedication and desire to steer you in the right direction.

INFORMATION RESOURCES AND SECURITY COMMITTEE REPORT continued from page 3

Business and Unaffiliated Reinsurers. We encourage all brokers to visit the website and the financial summaries frequently and to contact us if you have any questions, comments or concerns.

In 2017, eight foreign insurance companies were added to ELANY's List of E&S Insurers, and one was removed. Of the total 2017 premium written in New York, 74% was written by foreign insurers and 26% written by alien insurers, 20% of which was written by Lloyds. Overall, there are 118 companies on ELANY's List of Foreign E&S Insurers writing surplus lines business in New York. Under the provisions of the NRRRA, all alien companies listed on the NAIC Quarterly Listing of Alien Insurers are automatically eligible to write business in New York. ELANY lists alien insurers based on a review of available financial information that demonstrates the insurer's financial solvency.



EXCESS LINE ASSOCIATION STAFF

Daniel F. Maher, *Executive Director*

Nancy Born, *Chief Administrative Officer*
& *Director of Operations*

Theresa Hetherington, *Stamping Office Manager*

Eugene Nunziata, *Education/Communications Director*

Brian Persaud, *Director of Information Technology*

James Davis, *Financial Director*

Howard Greene, *Director of Strategic Initiatives*

Jason Alvarez, *Examiner*

Fazeda Ahamad-Raghunandan, *Examiner*

Mischelle Balkissoon, *Examiner*

Benedict Bardeguez, *PC Analyst/Helpdesk*

Christian Carbajal, *Examiner*

Lorraine Chin, *Examiner*

Cheryl Coleman, *Examiner*

Angela Creed, *Examiner*

Eusebio Del Valle, *Examiner*

Melissa Downey, *Stamping Officer Supervisor*

Nathalie Dube, *Executive Assistant*

Regina Graham, *Examiner*

Jenny Kyi, *Examiner*

Donald Lipkins, *Examiner*

Felicita Lopez, *Examiner*

Emily Maldonado, *Examiner*

Traci Martin, *Examiner*

Darlene Moreta, *Administrative Assistant*

Deanna Olah, *Stamping Office Supervisor*

Beth Pfluger-Torres, *Stamping Office Supervisor*

Ivan Rodriguez, *PC Analyst/Helpdesk*

Sharon Shapiro, *Examiner*

Kimberly Velez, *Examiner*

Damien Vittore, *Scanning Technician*

Keith Vittore, *Examiner*

Branan Whitehead, *Stamping Office Supervisor*



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Russell Bond & Co., Inc.

JOHN McPARLAND, CPA
Independent Accountant
RSM US LLP

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