ANNUAL REPORT
2006

EXCESS LINE ASSOCIATION OF NEW YORK

ELANY'S 2005 ANNUAL REPORT noted the developing interest of Congress and the potential for federal intervention in the insurance industry. In 2006, efforts to reform the regulation of the insurance industry picked up steam and took some surprising turns. Certainly, no one predicted that the draft SMART Act would be segmented with surplus lines and the reinsurance sections of SMART introduced as a separate piece of legislation. Moreover, who would have bet that this legislation, introduced as the Nonadmitted and Reinsurance Reform Act of 2006 (HR5637), would go from introduction in June to unanimous approval by the House, 417 to 0, by September? Though it died as a one-house bill, the bipartisan nature of the vote infers this bill, or a version of it, has a better than average chance of becoming law in 2007. This legislation has some very positive features; however, ELANY has also raised some concerns about some provisions contained in the bill.

ELANY's greatest concern relates to the elimination, as a practical matter, of solvency review and financial strength requirements imposed by states on eligible insurers. ELANY has called upon the New York State Superintendent of Insurance and others to seek changes to the bill so as not to eliminate these important consumer protections.

Daniel F. Maher, Executive Director

Notwithstanding these concerns, the bill offers some very important and necessary reforms, not the least of which is single state regulation and compliance in the home state of the insured regarding multistate E&S risks.

What is most apparent in the insurance marketplace is the universal acknowledgement that regulation of the insurance industry must change. The words "modernize, streamline, harmonize, uniformity and efficiency" are heard most often from proponents of reforming the state-based regulatory system. From the proponents who wish to create a federal regulator, you hear the additional terms "optional and alternative." The option or the alternative, of course, is to create a federal regulator and comply under the laws and regulations adopted by a federal regulator to bypass state-by-state insurance regulation.

While no fix or cure is necessarily the right fix or the exclusive cure, the alternatives largely appear to fall into two categories. If the state system is to be reformed, either the states pull themselves together and work as a team to create national or uniform standards or perhaps Congress will impose those standards through such legislation as HR5637.

The primary alternative to state-based reform is the creation of a parallel universe of regulation. In 2006, The National Insurance Act (S2509) was introduced in the U.S. Senate. This legislation purports to create a federal regulatory system, which will give an insurer the ability to operate under a federal regulatory scheme and avoid all state-by-state insurance regulatory vagaries.

Obviously, there are proponents and opponents of the Optional Federal Charter approach. In 2006, ELANY joined the opponents by participating in the Coalition in Opposition To a Federal Insurance Regulator (COFIR). Members of COFIR include the National Association of Mutual Insurance Companies (NAMIC), the Independent Insurance Agents and Brokers Association (IIABA), AFLAC and the National Association of Life Insurance Companies (NALIC). ELANY opposes the optional federal charter legislation because there are some predictable likelihoods if such legislation should come to pass.

Consistent with the goal of creating intelligent targeted reforms, ELANY worked in 2006 with a group of 60+ industry representatives. . .to craft an interstate compact to modernize surplus lines regulation.

Those likelihoods include the probability that the bill would not be enacted as proposed. Complete freedom of rate and form is proposed but is not a likely result.

Congressman Barney Frank has asked the question: "What are the proponents of such legislation willing to offer in compromise to see the enactment of this legislation?" He mentioned such things as community reinvestment mandates, which now apply to banks and the addition of various consumer protections. The concept of a mandatory all-risk property policy has also been floated to eliminate future controversies in the windstorm versus water damage debate.

If I were to predict what results to expect should optional federal charter legislation be enacted, you could be fairly sure that:

1. A new, large, expensive federal bureaucracy would be created and funded with money from the industry.
2. Insurance conglomerates will create newly chartered federal insurance companies but not give up state chartered

Continued on page 11.

AS CHAIRMAN OF THE ELANY Board, I look back over ELANY's 18-year history with pride and admiration for what ELANY has become and what it has accomplished.

In the mid 1980's, excess line brokers reported transactions to the insurance department directly. The excess lines community felt besieged by the insurance department's approach to the regulation of excess line transactions. The department could not provide adequate and timely responses or guidance needed to assist the brokers in meeting all regulatory requirements.

What the marketplace lacked in the early 1980's was a mechanism for proper training and education, a help desk approach and prompt review of transactions so that mistakes could be corrected and avoided. Instead, regulatory discipline and a fine were often the only options available for past mistakes.

We are grateful for the vision, hard work and dedication afforded by our founding Board members. Their efforts in creating the Association, structure and systems set the foundation for what the Association was to become.

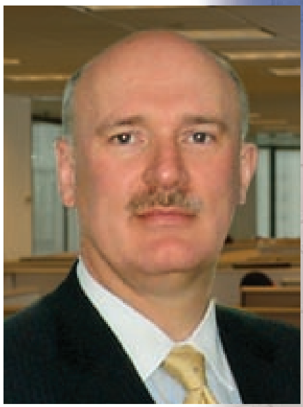
During our 18-year history, we have had many dedicated Board members, excellent management and many great employees. We have always had strong teams that have worked hard to keep ELANY focused on supplying the professional services required by our charter.

ELANY provides the following member-driven services:

- Financial review and oversight of non-admitted markets,
- Acts as an information resource for New York legislators. ELANY is highly regarded by our elected officials in Albany,
- Lobbies regulators and legislators on issues related to the excess and surplus lines business in New York,
- Reviews excess line insurance transactions for compliance,
- Protects members, consumers and insurance companies against fraud,
- Gathers and maintains data and helps protect New York State's significant excess lines tax revenues,
- Through education and publications, acts as an information resource and encourages compliance with all regulations related to the surplus lines industry,
- Provides information regarding New York State surplus lines regulations on a national and global basis by participating in many conventions, meeting with many organizations and fielding thousands of telephone calls.

ELANY eases the compliance burden and provides a level of assistance. . .that no other entity can, or will, fund and support.

During my years on the Board, I have seen how ELANY provides information to brokers and insurance companies, eliminating the potential for a misunderstanding about what can be placed or insured on a non-admitted basis in New York. ELANY's skill set as a great information resource eliminates situations where an insured's coverage may not be in compliance with New York state regulations. ELANY's proactive approach to education and the easy access to information ELANY provides through its website has resulted in an immeasurable number of correct and proper insurance placements.



Donald Privett, Chairman

ELANY's volume of transactions has grown substantially, at least quadrupling in the past five years, yet it continues to meet our service objectives. This was accomplished in 2006 with the lowest cost of processing per transaction since ELANY's inception. Several years ago we recognized that the IT systems, created close to 20 years ago, could not keep up with the technology demands of our industry. As mentioned in great detail in the Operations Committee Report, we have created an "online" affidavit system. We are in the final testing phase of a new database system. Our new database will help us continue to meet our service objectives.

ELANY's actions and efforts ultimately go far beyond what any state insurance department can provide and dedicate to the surplus lines industry, by dedicating its resources to providing services for brokers. From education to electronic filing, ELANY eases the compliance burden and provides a level of assistance to excess line brokers that no other entity can, or will, fund and support.

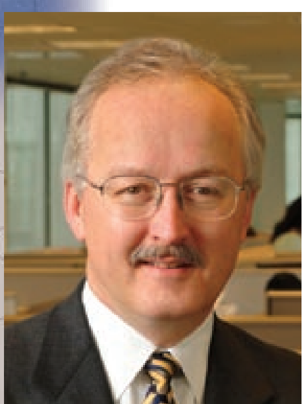
I am very proud of our current Board members and admire the vision and thoroughness of past Board members, especially when I consider how ELANY has evolved into the preeminent Surplus Lines stamping office in the nation.

Dan Maher is a dedicated manager of ELANY and is one of the major factors in our progress.

I am looking forward to my second year as Chairman because many of our works in progress will start to "hit their stride" by the end of 2007.

AS PART OF ITS mission to facilitate and encourage compliance with the law and regulations governing the New York State excess and surplus lines market, ELANY has always played an active role in educating public policy decision makers regarding the way the excess and surplus lines market operates and how our members help to solve the insurance needs of New York State consumers. 2006 was no exception, as ELANY was actively involved in a number of important issues at both the state and federal levels. (The Executive Director's Report will discuss ELANY's activities at the federal level.)

Following several years of efforts, in early 2006, the New York Board of Fire Underwriters finally voted to eliminate the Fire Patrol and to wind down its operations. Fire patrols were established in New York City and a number of other cities in the early 1800's in an effort by insurers to protect property in the aftermath of a fire. As insurers and municipal fire departments became better equipped to handle loss mitigation, fire patrols in other cities were eliminated as unnecessary. In New York City, however, the fire patrol continued as an entity in search of a mission for the 21st Century. Ironically, it was the aggressive tactics and threats by the Fire Patrol against some ELANY members that energized ELANY to get involved in this issue; and it was largely through ELANY's leadership efforts that the property/casualty industry became sufficiently energized to investigate, and ultimately vote to eliminate, this anachronistic entity.



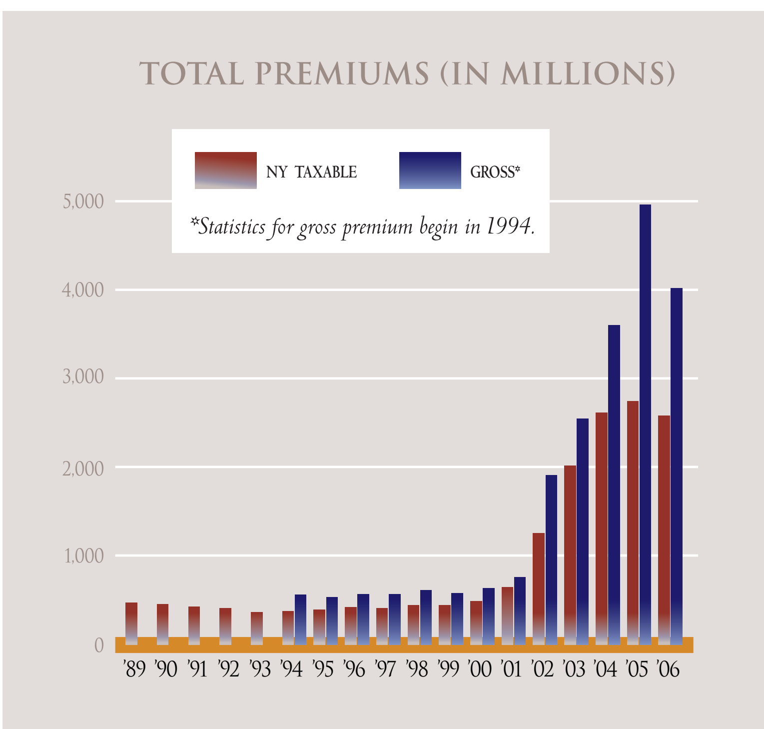
Kurt C. Bingeman, Chairman

The excess and surplus lines market has always been a consumer-driven market of innovation; a market where our entrepreneurial members work hard to solve the business needs of New York State consumers. Often, however, New York State law and/or regulations need to be updated to allow innovative insurance solutions to become available to consumers. Where such legislative or regulatory impediments are brought to ELANY's attention, ELANY works with our members and other interested parties to try to solve the problem. A good example occurred during 2006.

As most of you are aware, disability income insurance is not a "kind" of insurance that may be exported to the excess and surplus lines market under New York State Law. Licensed disability insurers, however, only write relatively low levels of maximum monthly benefits, typically no more than $15,000 per month, and they refuse to underwrite any coverage at all for certain classes of risks. In response, the excess and surplus lines market has developed products to provide insurance coverage both in addition to the coverage limits generally available in the licensed market, and to numerous classes of risks that do not meet the underwriting guidelines of licensed disability insurers. Unfortunately, New York State law did not allow the sale of this valuable and important product.

Working with our members and their markets, ELANY was successful in convincing licensed disability insurers, the State Legislature, the New York State Insurance Department and the Governor that legislation to authorize the sale of what is now referred to as "salary protection insurance" was in the public interest. As a result, legislation was enacted to allow the sale—and, importantly, the export—of salary protection insurance to the excess and surplus lines marketplace. This has enabled thousands of New York State consumers to better protect themselves and their families, and it has created a new product that ELANY members may now make available to their customers.

Because the excess and surplus lines market and its key role as a "safety valve" for the broader property/casualty market is often misunderstood, it is not infrequent that legislation or regulations are proposed that would directly or indirectly impede the proper functioning of the market. When this occurs, ELANY works very hard to identify such problems, and to the extent possible, to eliminate the potential obstacles to the proper operation of our market. One example of this situation occurred during 2006, when in response to the death of 20 elderly tourists in a boating accident on Lake George, then-Governor Pataki proposed comprehensive boat liability reform legislation. While much of this proposal was laudable, it also



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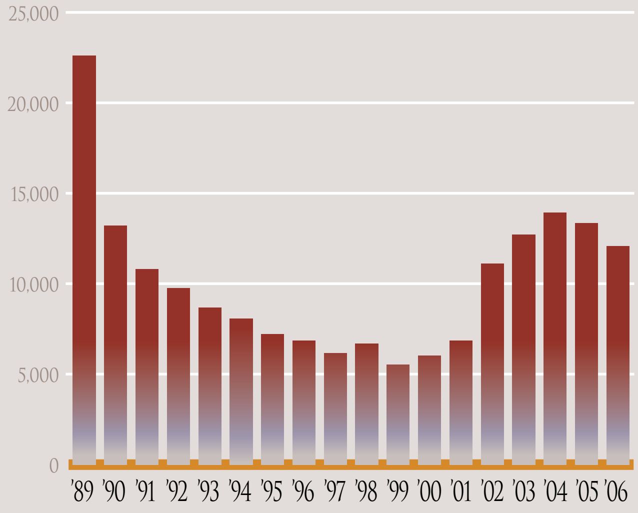
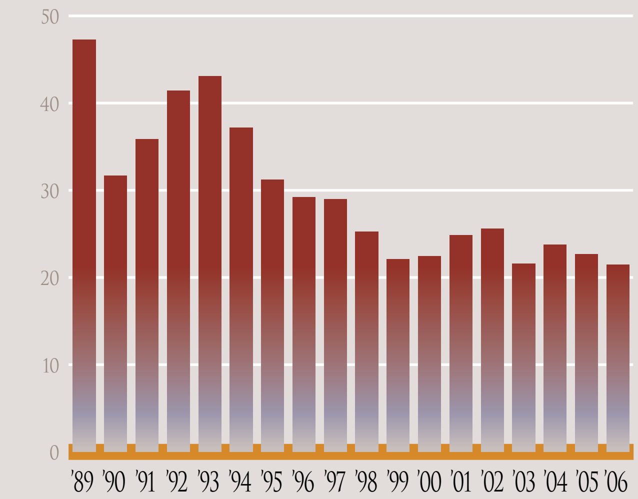
NEW YORK TAXABLE PREMIUMS PER STAMPED INSURANCE DOCUMENT



PROCESSING COST PER STAMPED ITEM



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included a number of provisions that would have had the unintended consequence of disrupting an already limited insurance market for recreational tour boats.

Despite huge political pressure to "do something" to prevent such tragedies from occurring in the future, ELANY worked diligently—and successfully—to educate our elected and appointed officials that legislation to impose mandatory policy provisions and unreasonable minimum limits of insurance coverage on tour boat operators would dramatically upset the tour boat liability marketplace, leaving many, if not most, legitimate tour operators without needed insurance coverage. In many cases, the lack of insurance would have put thousands of mainly small business owners out of business and left their employees without jobs. As a result of ELANY's efforts, boat safety legislation was adopted, but without any of the provisions that would have disrupted the excess and surplus lines marketplace.

On the regulatory front, during 2006, ELANY, in conjunction with other members of the producer community, began a major effort to secure the modernization and expansion of the Export List. As most of you are aware, the Export List identifies those classes of coverage where the Superintendent of Insurance has determined that there are not a sufficient number of licensed insurers writing the class or sub-class of business. The Superintendent is then empowered to exempt these identified classes or sub-classes from the requirement that a diligent search be made when placing such risks.

In March of this year, a letter jointly signed by ELANY and six other groups representing the vast majority of New York State insurance producers was sent to Acting Superintendent Dinallo requesting that he schedule a public hearing, which is a statutory precondition to the amendment of the Export List. Proposed revisions to the Export List were attached to this joint submission. ELANY is optimistic that such a hearing will be scheduled sometime during the first half of 2007 and that this, in turn, will lead to an expansion of the Export List before the year is out.

Finally, during 2006, ELANY continued its long-time cooperative efforts with New York producer organizations such as IBANY, PIWA, PIA, IIABA and CIBNY. ELANY hosted public educational classes, such as its CE certified class "Basics of Excess and Surplus Lines for New York Retail Brokers," as well as private classes for licensees seeking a better understanding of how to comply with ELANY's procedures and/or applicable regulations. And, as it has several times previously, ELANY hosted an excess and surplus lines educational session in Albany for state agency employees wishing to learn more about our marketplace.

2006 was a very active year for the Industry Liaison, Legislation and Regulation Committee and 2007 is already off to a fast start. As always, we welcome your feedback on our activities, and we solicit your thoughts on how the Committee might continue to be of service to the excess and surplus lines market.

Written by Jay B. Martin, Esq., Association Counsel, on behalf of the Committee.

WHAT A DIFFERENCE A year makes! The benign hurricane season, the steep rate increases and underwriting discipline have produced record profits for the industry in 2006. After the beating the industry took over the past two years, 2006 was a welcome relief. Underwriting results are expected to be the best they have been since the 1970's. The breathing spell is likely to be short-lived, considering the storm losses in the Midwest, freeze losses in California, tornadoes in the Southeast, Kyrill in Europe and the most recent earthquake in Indonesia—all of which occurred in the first quarter of 2007.

Following the 2005 hurricanes, rating agencies revised their capital models and have taken a more conservative approach to evaluating capitalization and risk exposures. The emphasis is now on "required" capital rather than "minimum" capital. Depending on operating performance and business profile, rating agencies have determined the amount of capital necessary that an insurer needs to conduct its business with an acceptable rating level.

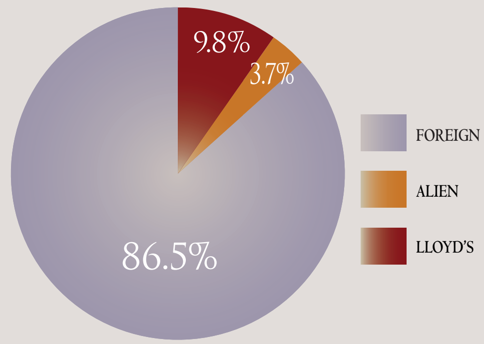
Margaret M. Beirne, Chairman

In a report issued in September 2006, A.M. Best reported that 98.8% of domestic professional surplus lines carriers had secure ratings (ranging from A++ to B+) compared with 88.5% of the total P&C industry. As of December 31, 2006, ELANY had 82 domestic insurers on its eligibility list. With one exception (B++), all companies are rated in the "A" category by A.M. Best. A.M. Best does not rate all the alien companies on the list. However, of the 26 companies rated, all are rated in the "A" category. Strong earnings, improved balance sheets and the lack of adverse loss development have contributed to a stable outlook for the industry. Both A.M. Best and S&P recently affirmed their outlook as stable, however, this could change if TRIA is not renewed in 2007.

For the first time in several years, there has been no widespread reserve strengthening. Companies are expected to record favorable development for the most recent years. However, 2002 and prior years continue to produce deficiencies for some companies. A.M. Best believes that reserves for the years 1997–2002 are deficient by $8 billion. A&E reserves were responsible for most of the strengthening over the last few years; and while there exists the possibility of further development, it is expected to be moderate. ELANY monitors loss reserves very carefully, as this is a primary cause of insurance carrier insolvencies. Insolvencies continued to decline in 2006 as a result of improved earnings, which lead to stronger balance sheets, the favorable loss reserve development and the lack of any major catastrophes.

ELANY is actively engaged in recommending revisions to HR 1065 (the successor to HR 5637), The Nonadmitted and Reinsurance Reform Act. The bill contains, among other items, a provision whereby a surplus line insurer would be regulated for eligibility only in the home state of the insured and the only eligibility standard would be stated net worth. While this provision would allow a greater number of carriers to write New York risks, it would also increase the likelihood of insolvencies. It would be analogous to the chain only being as strong as its weakest link. ELANY undertakes a rigorous review of all companies on the eligibility list on an annual basis and this provision raises major concern about the financial stability of some companies that would become eligible as New York excess line insurers.

PERCENTAGE OF YEAR 2006 NEW YORK TAXABLE PREMIUM DISTRIBUTION BY ELIGIBLE INSURERS*



**Figures are on a risk attaching basis.*

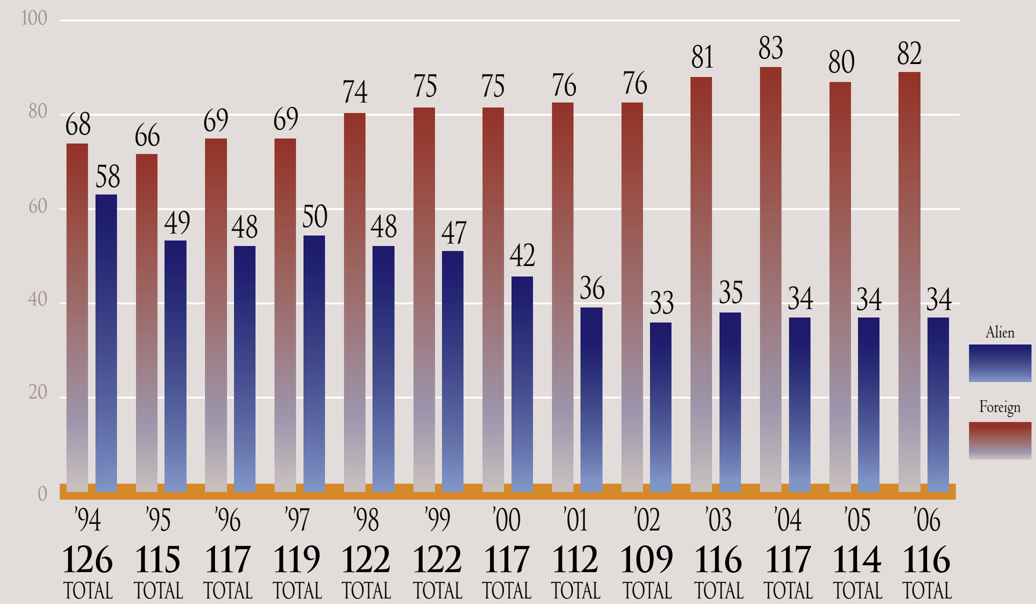
ELANY currently has 116 companies on the eligibility list compared with 114 companies at year end 2005. During the year, ELANY had one foreign and four alien companies removed and added three foreign and four alien companies to the eligibility list. Currently, there are 82 foreign and 34 alien companies eligible to write excess and surplus lines business in New York. The premium distribution for the calendar year 2006 was 85.2% for foreign insurers; alien insurers and Lloyd's represented the remaining 14.8%.

The Information Resource & Security Committee is responsible for screening all new applicants for eligibility in addition to monitoring the financial strength and viability of those companies currently on the Eligibility List. ELANY places great emphasis on this responsibility, as insureds covered under policies issued by surplus lines carriers do not have access to any guaranty fund protection. The Committee benefits from the expertise of ELANY's staff who coordinate their efforts with the New York State Insurance Department, and from feedback from the member brokers. While the work of the Committee continues to serve ELANY, its members and the State, it is important to note that this oversight process is intended as a complement, not a substitute, for the due diligence of each broker.

This year ELANY added 3 foreign companies and removed 1 foreign company and added 4 alien companies and removed 4 alien companies. Since 1994, eligible foreign companies increased by 14 while eligible alien companies decreased by 24.

All figures and statistics are based on calendar year premium except where otherwise noted.

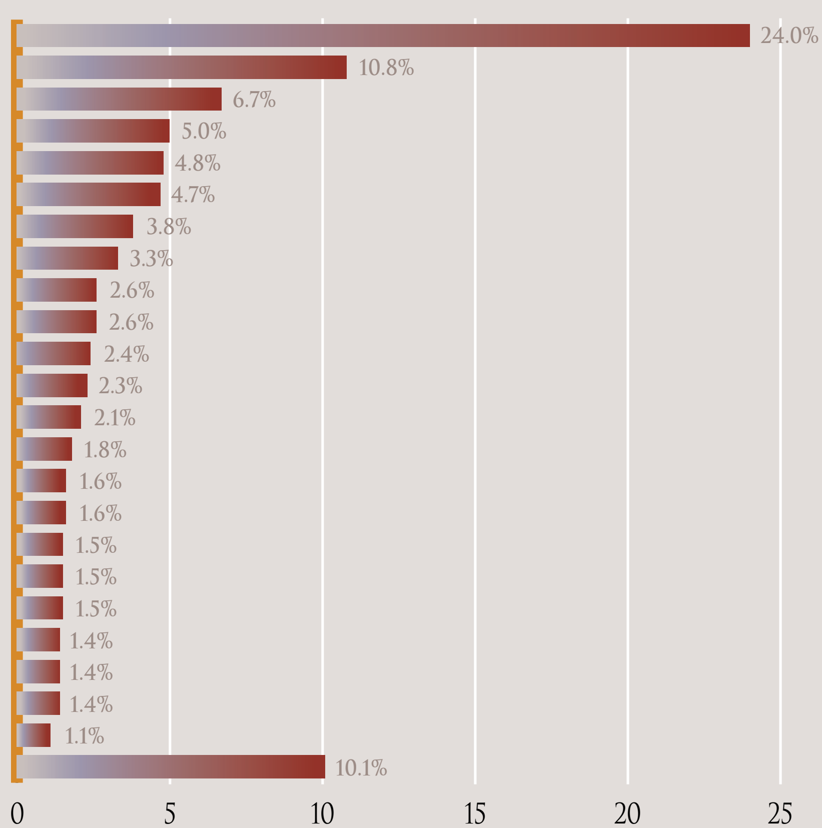
ACTIVE ELIGIBLE E&S INSURERS



The chart below includes 23 Insurance Groups that each wrote more than 1% of the 2006 New York calendar year taxable premiums. Last year (2005) 21 groups wrote more than 1% each for a total of 87.8% of NY calendar year taxable premium. The new groups on the list for 2006 are the Swiss Reinsurance Group, Alleghany Corporation and Argonaut Group. QBE Insurance Group is not on the list for 2006.

2006 NEW YORK TAXABLE PREMIUM BY INSURANCE GROUP

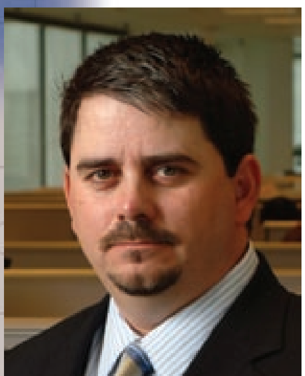
American International Group	(3 companies)	$ 616,783,310
Lloyd's of London		$ 277,261,950
Ace Group	(3 companies)	$ 172,470,055
Zurich Financial Services Group	(2 companies)	$ 128,041,720
Nationwide Group	(2 companies)	$ 122,859,846
Berkshire Hathaway Insurance Group	(6 companies)	$ 122,293,462
Markel Corporation Group	(4 companies)	$ 97,057,981
St. Paul Travelers Group	(5 companies)	$ 85,352,960
W.R. Berkley Group	(3 companies)	$ 66,642,895
Arch Group	(3 companies)	$ 65,676,735
CNA Insurance Companies	(1 company)	$ 63,052,405
AXIS Capital Group	(3 companies)	$ 58,692,231
RLI Insurance Group	(1 company)	$ 54,650,664
Great American P&C Group	(3 companies)	$ 45,105,640
Aspen Insurance Holding Ltd.	(2 companies)	$ 41,181,961
IFG Companies	(1 company)	$ 40,519,773
Argonaut Group	(1 company)	$ 37,931,767
Swiss Reinsurance Group	(4 companies)	$ 37,784,427
XL Capital Group	(2 companies)	$ 37,744,641
Allianz Insurance Group	(4 companies)	$ 36,719,685
Chubb Group	(2 companies)	$ 36,087,525
United America Indemnity Group	(2 companies)	$ 35,532,616
Alleghany Corporation	(2 companies)	$ 28,976,275
All others		$ 266,291,213
TOTAL		$ 2,574,711,737



IN THE YEAR 2006, taxable premium decreased for the E&S industry by 6.15% in New York. However, ELANY's processed transaction count increased from 205,585 in 2005 to 213,523 in 2006, which is a 3.9% increase. The graph shows the increase in transactions processed since the inception of ELANY in 1989.

ELANY's "Online Affidavit System" was well utilized in 2006. Approximately 56,707 affidavit transactions were documented using the system, which represents 39% of all 2006 affidavit transactions. The graph shows the increase in use over the past year. The continued increase in usage has allowed ELANY to minimize staff increases, while maintaining excellent levels of service.

From an operations standpoint, ELANY continues to invest a great deal of resources to improving its infrastructure. In 2006, the Board authorized a contract to replace the legacy database system and create a fully electronic filing system. The contract cost was approximately $3.7 million. ELANY has reached the testing phase of the new database system. ELANY's examiners and management have been actively engaged in both testing and implementing the new system designed by Renaissance Systems, Inc. The overall project is more than halfway complete.



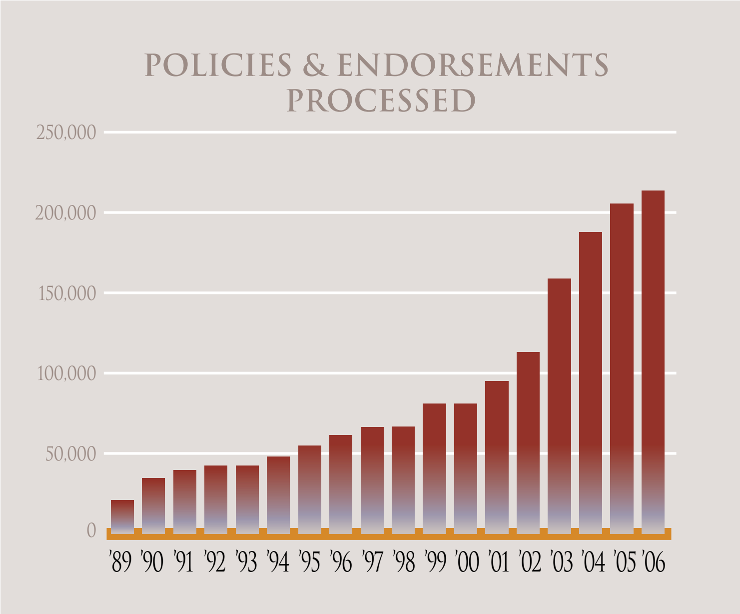
Thomas J. Derella, Chairman

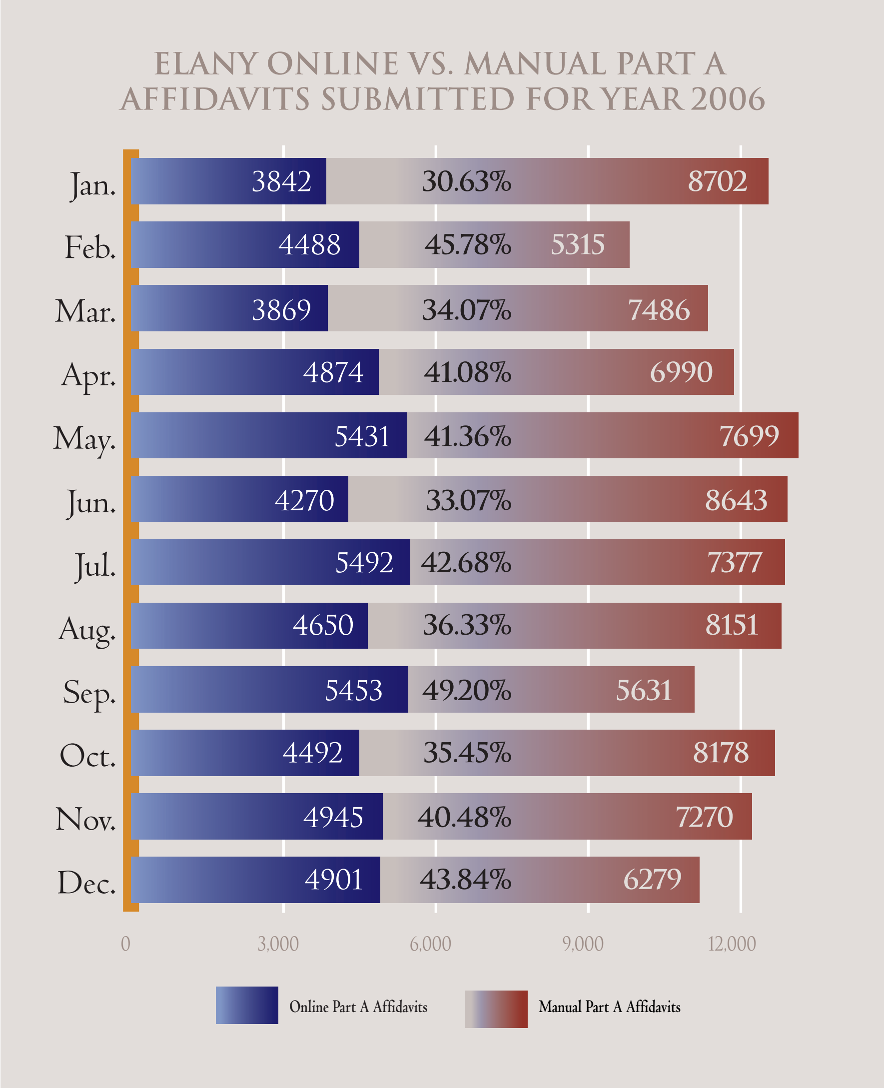
ELANY's online, fully electronic filing system should be ready for use in the 4th quarter of 2007. A separate initiative is also underway to allow programmatic filing, whereby transaction data and documents will transfer from agency management systems to the ELANY database via a bridge computer application. That application, once deployed, will eliminate the re-keying of a tremendous amount of data.

Disaster recovery planning has continued to be a priority issue for ELANY. Various options, from using outside vendors to having an alternate site, have been reviewed. A final decision on the development of a long-term disaster recovery plan, to replace or upgrade the existing plan, will be made during 2007.

The Board has also decided to create a non-board advisory committee. This will better enable ELANY to deal with operational and implementation issues with active users of the ELANY systems. Names have been submitted for potential participants, and this group will meet in 2007.

The efforts of the management and staff of the Association in implementing new technology creating great efficiencies are to be commended.





THE NEW YORK STATE Insurance Department approved stamping fee reductions effective July 1, 2004 and July 1, 2005, pursuant to the requests of the Board of Directors. The Board's intent was to slow the revenue growth of the Association. As noted in past reports, the Board seeks to maintain an overall fund balance that is consistent with the Association's charter and meets its operating needs.

Total taxable premium volume in 2006 was $2.575 billion. This amount reflected the first decrease in premium volume since the excess lines market upturn that commenced in 2001. While the figure equates to 94% of the 2005 total of $2.743 billion, the volume still evidences the strategic role of surplus lines in our industry. We remain the primary source of coverage for small contractors and play a vital role in providing capacity for catastrophic property exposures and terrorism.

As a result of the aforementioned stamping fee reductions and premium volume downturn, stamping fee revenues decreased $2,362,000 from the $7,687,000 2005 total, to $5,325,000 for the 2006 year. Annual revenues are down in excess of $4,000,000 when compared to the 2004 total of $9,540,000.

Notwithstanding the revenue volume decrease, the fund balance rose to $20,771,000 at the end of 2006. This represented an increase of $1,770,000 over the 2005 year-end total of $19,001,000. The percentage increase for 2006 was fifty percent ($1,770,000 vs. $3,549,000) of the 2005 year reflecting the Board's efforts to bring revenues more in line with expenses incurred.

2006 REVENUES

Stamping Fees	$5,325,103
Investment & Miscellaneous Income	1,026,882
TOTAL	**$6,351,985**

2006 EXPENSES

Payroll	1,882,153
Computer Charges	193,127
Rent & Utilities	315,732
Professional Fees	275,194
Postage/Printing/Stationery	88,131
All Other	1,827,330
TOTAL	**$4,581,667**
FUND BALANCE	**$20,771,182**

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.

The downward trend in premium volume is not reflected in document counts. Processed items in 2006 totaled 213,523. This represents an increase of roughly 7,900 documents over 2005's 205,585 count, or a 4% increase. Higher counts can be attributed to increased membership as non-resident licenses escalate. It is also noteworthy that 32% of the processed documents are endorsements, yet endorsements only account for 2.3% of the overall premium volume.

Expenses for 2006 were $4,581,667 as compared to $4,659,837 in 2005. The decrease of roughly $78,000 is attributable to lower than anticipated costs in the following areas: Salary and Benefits; Office Supplies; EDP; and Professional Fees.

ELANY'S Board of Directors continues to monitor the Association's overall finances. Given the size of the fund balance, the question exists as to the appropriateness of another stamping fee reduction. While we do not seek further growth of the fund balance, we need to remain cognizant of the potential impact of revenue reduction, which could result in significant operating deficits. The Association has earmarked substantial funding for the implementation of the electronic filing system that must be met.

Kevin McGill, Chairman

In line with the above, the Board has authorized an independent five-year financial projection study. The intent is to analyze the impact to the Association's balance sheet by a number of variables, such as premium volume, manpower and other fixed expenses. The report will be presented to the Board in May 2007. Any action on the stamping fee would only be decided following a thorough review of this analysis.

The Board continues to monitor all operations and processes to ensure that ELANY meets the standards of financial security and compliance as mandated by today's corporate governance best practices.

All figures and statistics are based on calendar year premium except where otherwise noted.

The following statistics are on a year 2006 risk attaching basis.

TOP 10 INSURERS

	Insurer	New York Premium	%
1.	Lexington Insurance Company	$ 415,894,186	16%
2.	Lloyd's Underwriters	$ 256,293,904	10%
3.	Illinois Union Insurance Company	$ 161,540,295	6%
4.	American International Specialty Lines Insurance Company	$ 136,236,160	5%
5.	Steadfast Insurance Company	$ 120,640,047	5%
6.	Scottsdale Insurance Company	$ 113,992,330	4%
7.	Arch Specialty Insurance Company	$ 65,885,347	3%
8.	U.S. Underwriters Insurance Company	$ 61,046,728	2%
9.	Travelers Excess & Surplus Lines Company	$ 59,278,215	2%
10.	Evanston Insurance Company	$ 55,152,377	2%
	SUBTOTAL	**$ 1,445,959,589**	**55%**
	All Others	$ 1,176,162,917	45%
	TOTAL	**$ 2,622,122,506**	**100%**

The top 10 insurers accounted for 55.1% of total premiums written in 2006, compared to 62.2% in 2005, 57.7% in 2004, and 55.6% in 2003.

PURCHASING GROUP ACTIVITY

Of the $2.622 billion in premiums written and reported to ELANY, $54 million of written premium was attributable to purchasing groups. Past years' premiums attributable to purchasing groups were as follows:

2006 .... $54,401,595
2005 .... $74,615,877
2004................. $67,233,313
2003........... $36,365,169
2002............ $27,301,283

ELANY ACTIVE MEMBERS

ELANY had 747 active licensees submit business in 2006.

TOP 10 PERILS

	Peril	New York Premium	2005 Ranking
1.	General Liability	$ 1,104,250,123	1
2.	All Risk	$ 325,778,024	3
3.	Errors and Omissions	$ 297,656,172	2
4.	Umbrella Liability	$ 194,610,097	4
5.	Multiple Peril	$ 133,991,654	5
6.	Fire	$ 84,043,532	8
7.	Miscellaneous Professional	$ 69,071,734	6
8.	Inland Marine	$ 60,678,899	7
9.	Environmental Impairment	$ 52,813,104	9
10.	Fidelity and Surety	$ 43,880,018	—
	SUBTOTAL	**$ 2,366,773,357**	
	All Others	$ 255,349,149	
	TOTAL	**$ 2,622,122,506**	

E&S TAX

Total excess line taxes (based on a 3.6% rate) paid to the State on business placed through licensed excess line brokers are itemized below:

2006 .... $94,396,410
2005 .... $99,670,251
2004................. $93,953,772
2003............ $75,495,604
2002............ $47,675,088
2001............ $24,674,333

Continued from page 2

insurers. The conglomerates will find that some product lines will be limited by regulations from the new federal regulator making those products better suited for issuance by state chartered insurers.

3. Assuming insurance and financial services holding companies retain state and federally chartered insurers, the industry will have 50 state regulators plus one giant new regulator, not an either/or proposition.

2006 and early 2007 saw additional insurance proposals landing on Capitol Hill. TRIA's extension has been widely discussed, as it will either be renewed or allowed to expire in 2007. Multiple natural disaster legislative proposals have been made in reaction to the devastation caused by the 2004 and 2005 hurricane seasons. The proposals include extensive changes to the National Flood Program.

Among the scarier propositions is the movement to repeal the McCarran Ferguson Act. Though the federal Antitrust Modernization Commission made no specific recommendation to repeal it, a number of legislators have nevertheless proposed the repeal. Should repeal occur, uniformity of policy forms, where they widely exist today, will be eliminated, making it more difficult for brokers to answer coverage questions asked by insureds. It will also make price comparisons very difficult since the policy form dissimilarities will not allow brokers to make an apples-to-apples comparison. The coup de grâce is that repeal will add two new regulators for the insurance industry, the Federal Trade Commission and the Justice Department.

Do not despair my friends, legislation is often introduced, much of which dies on the vine (remember the Asbestos Reform Act). The legislation that winds its way through Congress is subject to many edits. As an industry, the best hope for good legislation is working together with all stakeholders to craft intelligent targeted reforms.

ELANY's greatest concern relates to the elimination, as a practical matter, of solvency review and financial strength requirements imposed by states on eligible insurers.

Consistent with the goal of creating intelligent targeted reforms, ELANY worked in 2006 with a group of 60+ industry representatives, trade organizations, regulators, stamping offices and others to craft an interstate compact to modernize surplus lines regulation. This compact could be adopted by state legislatures or conceivably enacted as part of a federal piece of legislation.

ELANY, as you will see in the reports by our Chairman and Committee Chairs, was involved in numerous projects beyond legislative matters in Washington, DC. I urge you to read these reports to appreciate the actions taken on behalf of ELANY's members.

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