

# Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas



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## Bits & Pieces for 2008

### Agency Licensing Guidelines

Please review carefully the bulletin on Agent Compliance Guidelines distributed in mid-January 2008 ([www.slsot.org/Bulletins/Jan16-2008-02.pdf](http://www.slsot.org/Bulletins/Jan16-2008-02.pdf)). If at all possible, an agency should not file policies with SLSOT nor report premium taxes to the Comptroller using the individual license of an employee. The employer agency should hold the surplus lines license and report all business under it. Also, Stamping Office filings and tax payments should be done under the same license name and number. This prevents confusion and minimizes concerns from state officials regarding compliance with regulatory and tax requirements.

### Independently Procured Insurance

IP procurements remain one of the most misunderstood types of nonadmitted insurance. An unlicensed, ineligible insurer that writes business directly in Texas, then declares it to be "independently procured insurance" and has the taxes paid by the insured, should not assume it is a legal transaction. An insurer cannot undertake any of the acts defined as the "business of insurance" in Texas unless it is licensed or an eligible surplus lines insurer. These insurance activities include negotiating coverage, taking or receiving an application, receiving or collecting premium, and issuing or delivering a policy to a resident of Texas.

If any of these are committed within the state by an unlicensed, ineligible insurer, the transaction may be deemed unauthorized insurance, which is a third degree felony. Penalties are severe. Be extremely cautious of the enticement "we can do it as a direct procurement." When in doubt, consult legal counsel.

### SLIMPACT

At its Annual Meeting in mid-November, the National Conference of Insurance Legislators (NCOIL) approved a resolution expressing support for the adoption of the Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT) by all states and calling upon the NAIC and state insurance regulators to advocate for the enactment of the compact in their respective states. SLIMPACT has been in development over the past 18 months by a working group (the "Group of 60") as one possible solution to the regulatory and tax compliance problems that agents face when procuring surplus lines policies insuring risks located in multiple states.

### Proposed TDI Regs Re: Termination of Coverage for USTs

The Texas Department of Insurance has proposed regulations (28 TAC §§5.9101-5.9107) concerning required notice of termination of insurance for underground storage tanks, as mandated by HB 1956, passed in the 80<sup>th</sup> Texas Legislature last year. The required notice must be sent by the



Hine



Huckaby



Reynolds

## Geeslin Appoints New Directors

Commissioner Mike Geeslin has named James Huckaby, ARM-P, Director of Risk Management, Mesquite Independent School District, and Bill Reynolds, President, Atlantic Casualty Insurance Company to the Surplus Lines Stamping Office of Texas Board of Directors. The Commissioner also reappointed Gil Hine, CPCU, President, McClelland & Hine, Inc., who was previously serving the unexpired term of a former Board member. Each director will serve 3-year terms. Congratulations to the new appointees...we look forward to their participation on our Board!

Other members of the SLSOT Board of Directors include Banos Georgiou, Burnett & Co. Inc; David Kester, Harris County; Bart Koch, Tejas American General Agency, LLC; Tom Mace, Nabors Industries; Martha Rider, Retired; and Carl Roeder, Western Surplus Lines Agency, Inc. ★

## Premium Taxes Due March 1st

Premium taxes for all 2007 surplus lines business are due to the Texas Comptroller of Public Accounts by March 1, 2008. If you held a surplus lines agent's license at any point during 2007, you are required to file a tax report, even if no tax is due. Tax forms were mailed to each surplus lines agent at the end of January. If you did not receive a form, please call (800) 252-1387.

Remember – each agency must pay premium taxes based on its own internal accounting records, not on SLSOT's Agent's Annual Report. This report is a summary of policies processed by the Stamping Office during 2007 and could differ significantly from tax liability based upon agency records. Agents in certain states file taxes directly from the report received from the stamping office. That is not the case in Texas. ★

### Bits & Pieces, cont. from page 1

insurer to the Texas Commission on Environmental Quality within 30 days after cancellation or non-renewal of insurance coverage. Surplus lines insurers are included under the definition of "insurer." The proposed regulations include information regarding the content of the notice and would apply only to notices issued on or after April 1, 2008. See link below for detailed information: <http://www.tdi.state.tx.us/rules/2007/1220E-059.html>

### Agency Branch Offices

Systems enhancements at the Stamping Office soon will permit branch offices to make individual paper filings. What this means to

you is that a branch office could report policies directly with SLSOT; we would in turn provide batch edits and other important reports back to the filing office, rather than solely to the primary license office address. (This is already a feature of the Electronic Filing System.) Once enhancements are finished, agencies wishing to authorize filing by their branch offices can do so. At that time, we will require that you provide us various identifying information, including the name(s) of the individual surplus lines licensee(s) for each office. Each branch office must be registered with TDI and also have an individual surplus lines license holder registered

under the corporate license. (To register a branch office with TDI, use Form LHL203, Registration of Assumed Name and/or Office Location or Official Name Change of Corporation or Partnership.) This change by SLSOT would not affect the correct practice of an agency filing a single tax report with the Comptroller under its surplus lines license for all business written by the primary and all branch offices. Please refer all tax questions to the Comptroller at (512) 463-4074 and questions on branch office registration to TDI at either Agent License (512) 322-3503 or Company Registration (512) 322-3535. ★

# Surplus Lines Company Filing Requirements Released

The Texas Department of Insurance (TDI) has released the annual Evidence Filing Requirements Letter for surplus lines insurers in 2008. The Stamping Office distributed the letter in a bulletin published January 17, 2008. These filing requirements are in accordance with the Texas Insurance Code (Code) and related provisions of the Texas Administrative Code (Rules). The Code and Rules require TDI to maintain a "Surplus Lines

Insurers List" compiled from the information submitted by insurers that meet the eligibility provisions. The minimum capital and surplus requirement remains at \$15 million. All surplus lines insurers wishing to retain or gain Texas surplus lines eligibility must file complete and legible evidence by the due dates contained in the TDI letter. The evidence filed must clearly identify the insurer. The first filing deadline for foreign (U.S.)

insurers is March 31, 2008. Please note that certain evidence can be transmitted electronically. Insurers failing to file required evidence in a timely manner may be subject to removal from the insurers list and have "Restricted Eligibility" imposed until the requirement deficiency is corrected. Restricted eligibility allows an insurer to remain on the Insurers List to service existing policyholders, but prohibit any new business. ★

*You can locate a copy of these requirements at [www.slsot.org](http://www.slsot.org).*

## TDI Policy Count Data Call

For the third year, a Texas Department of Insurance Commissioner's Bulletin (#B-0001-08) has required that all insurers, including surplus lines insurers, provide to the agency the number of Texas policies in force as of December 31, 2007. The Stamping Office is responding to this data call again this year on behalf of those surplus lines carriers not wishing to directly provide the information themselves. SLSOT's involvement has been at the request of both NAPSLO and PCI. The Stamping Office provided preliminary data to each insurer in mid-January and will update the information in March. Please refer questions regarding this matter to Elaine White, Director of Data Services, at (512) 225-1853. ★

## SLSOT Employee News



In January, the Stamping Office welcomed Diane Hopingardner as the newest member to our staff. Diane is employed as a Records Prep Clerk in the Data Services Department. ★

## EFS Quick Tips

- Each EFS user MUST have his or her own unique User ID and password. Sharing of User IDs and/or passwords is a violation of our security procedures. Violation of this procedure may result in suspension of your agency's EFS access.
- A written request, signed by an agency principal, is required to reset an EFS password. The Help Desk cannot simply reset your password from an e-mail or telephone request.
- When entering a zip code, enter the zip code of the risk, not the zip code from the mailing address. Also, if the policy contains a windstorm/hurricane exclusion endorsement, select YES for Windstorm Exclusion.

## Helpful Hints - Paper Filing of Policies

- Have you moved or are you moving soon? If so, you must notify the Texas Department of Insurance of the address change and please copy us as well.
- Be sure to include the syndicate list with all policies when any of the coverage is written through Underwriters at Lloyd's.
- Whenever possible, submit a full batch of 20 items rather than 20 batches containing only one item each.

## Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 1/31/2008	Premium through 1/31/2007	Percent Change
1 Fire (incl. allied lines)	\$46,170,106	\$70,779,392	-34.77%
2 Allied lines	\$3,766,985	\$3,779,109	-0.32%
3 Farmowners multiple peril	\$72,604	\$110,849	-34.50%
4 Homeowners multiple peril	\$5,586,699	\$5,432,796	2.83%
5 Commercial multiple peril	\$7,371,866	\$5,605,862	31.50%
8 Ocean marine	\$589,965	\$504,741	16.88%
9 Inland marine	\$5,413,964	\$5,101,423	6.13%
11 Medical malpractice	\$3,197,782	\$3,706,508	-13.73%
13 Group accident & health	\$10,782,693	\$7,358,840	46.53%
15 All other A&H	\$185,304	(\$9,629)	2024.37%
17 Other liability	\$127,014,125	\$134,915,615	-5.86%
18 Products liability	\$2,590,003	\$3,121,090	-17.02%
19.2 Other priv pass auto lia	\$0	\$2,002	-100.00%
19.4 Other comm. auto liab	\$10,525,600	\$9,115,616	15.47%
21.1 Priv pass auto physical	\$114,950	\$95,792	20.00%
21.2 Comm auto phys.damage	\$4,372,942	\$4,528,529	-3.44%
22 Aircraft (all perils)	\$203,728	\$2,011,497	-89.87%
23 Fidelity	\$258,350	\$22,325	1057.22%
24 Surety	\$4,715	\$5,200	-9.33%
26 Burglary & theft	\$32,986	\$220,916	-85.07%
27 Boiler & machinery	\$0	\$211,572	-100.00%
28 Credit	\$39,407,137	\$29,027,649	35.76%
31 Aggregate/other business	\$45,052	\$4,662	866.46%
TOTAL	\$267,707,556	\$285,652,356	-6.28%

Note: Due to rounding figures may not total



### Lone Star Lines

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The "Lone Star Lines" newsletter is published quarterly by the Surplus Lines Stamping Office of Texas for surplus lines agents, companies, and others involved in the surplus lines industry.

The Lone Star Lines staff includes Phil Ballinger, CPCU, ASLI; Dalén Keith; Elaine White, ASLI; and Brian Wilds, CPA, ASLI.

We invite readers to suggest topics for articles that may be of interest to others.

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