

Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas



Commissioner
Appoints New
Directors
Page 2

Board Elects
2012 Officers
Page 2

Do you need
to make an
address change?
Page 3

EFS Registration
page 3

EFS Quick Tips
Page 3

Helpful Hints
page 3

Premium
Comparison
page 4

Multi-State Policies - Where's the Beef?

With changes in policy reporting required by the Nonadmitted & Reinsurance Reform Act (NRRA) and also by the State of Texas, we are beginning to get a clearer understanding of the significance of multi-state placements. Through April 2012, there were only 939 policies reported to SLSOT insuring risks in states in addition to Texas. These represented only 0.7% of total policies filed during this period. Total non-Texas premium on multi-state placements was \$66.5 million. Because Texas has chosen at this point not to participate in one of the two existing interstate tax-sharing

agreements (NIMA and SLIMPACT), all premium on multi-state policies will be taxed as Texas premium when Texas is the home state, regardless of the location of the risks insured. Through April, Texas premium reported by surplus lines agents has increased more than \$166 million from January – April 2011. We can now see one positive effect of Texas deciding to tax 100% of the premium when it is the home state. Fully 40% of the increase in Texas premium in 2012 is the result of non-Texas premium being taxed as if it was attributable to in-state exposures.

SLSOT Year-End Close for Processing

Unlike some other states, the Stamping Office in Texas does not hold the year open for processing transactions. Our year-end close of business is 12/31 each year. If a transaction is not entered and posted by 12/31 of a calendar year, it will be processed in the following year. Once the year is closed, the premium,

surplus lines tax, and stamping fee amounts are not changed or adjusted. However, this does not excuse you from reporting and paying the applicable surplus lines tax on items not yet reported to the Stamping Office. Instructions are available on tax form 25-104. <http://window.state.tx.us/taxinfo/taxforms/25-104.pdf>.

Insurer Eligibility in Texas

The NRRA restricts state activity in granting insurer eligibility. For US-domiciled insurers, the NRRA limited eligibility requirements to a) licensure in the insurer's state of domicile and b) minimum capital and surplus of \$15 million (or the state minimum if higher than \$15 million). For non-US insurers, no state may prohibit an agent from writing surplus lines business with a carrier appearing on the NAIC IID Quarterly Listing of Alien Insurers. All but two non-US insurers (both P&I clubs) currently eligible in Texas are NAIC-listed.

The Stamping Office determined that, as of March 26, only one eligible insurer failed the NRRA criteria. For the future, SLSOT plans to continue its insurer evaluation process, as required under both current law and its Plan of Operation, including evaluating the eligibility evidence required by the Texas Department of Insurance (TDI) and making an eligibility recommendation. Also, as a service to surplus lines agents and the public, the Stamping Office will continue to publish on its website a five-year summary of selected financial information for each insurer.

Commissioner Appoints SLSOT Directors

Commissioner Eleanor Kitzman has appointed Shannon Dahlke, Branch Manager, McClelland & Hine, Inc.; Charles Gillenwater, Risk Manager, City of Mesquite; and Todd Teitell, President, AmWINS Brokerage of Texas, Inc., to the SLSOT Board of Directors. We congratulate Ms. Dahlke, Mr. Gillenwater, and Mr. Teitell on their appointments and welcome them to the Board!

Board Elects 2012 Officers



Lana Parks
The Parks Group

The SLSOT Board of Directors elected Lana Parks, CPCU, President, The Parks Group, as Chair for 2012 at the Annual Meeting held in March.

Nikolas Kapatos will serve as Vice-Chairman, and Nancy Stucky, Risk Manager, The Mitchell Family Corp., will serve as Secretary. In addition to those mentioned above, other members include Steve Franke, CPCU, ARe, Vice President - Marketing, Scottsdale Insurance Company; Timothy Martin, CPCU, AU, Vice President - Underwriting, The Burlington Insurance Company; and Evelyn Miller, Director of Insurance & Contract Services, Baylor University.

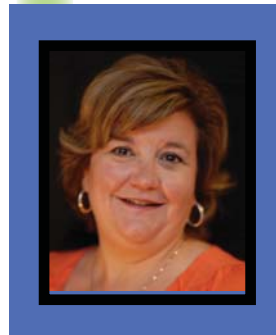
The SLSOT nine-member Board consists of five industry and four public members, each serving three-year terms.



Nikolas Kapatos



Nancy Stucky
The Mitchell Family Corp.



Shannon Dahlke
McClelland & Hine, Inc.



Steve Franke
Scottsdale Insurance Company



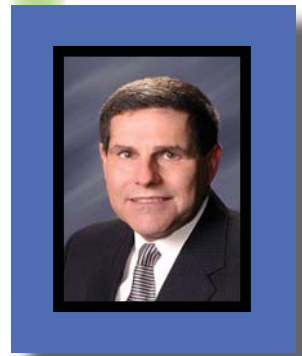
Tim Martin
The Burlington
Insurance Company.



Charles Gillenwater
City of Mesquite



Evelyn Miller
Baylor University



Todd Teitell
AmWINS Brokerage
of Texas, Inc.

Do you need to make an address change?

It is a quick and easy process to notify the Texas Department of Insurance of your change in address. Just copy and paste the following link into your web browser to access a variety of change forms. There is also a link to the National Insurance Producer Registry (NIPR) where you can locate an *Electronic Address Change Request for Agents and Adjusters* form.

Also, don't forget to notify the Stamping Office of any address change at the same time. You can make changes conveniently under the Publication/Education menu at www.slsot.org or by email at info@slsot.org.

TDI Link: <http://www.tdi.state.tx.us/forms/form11.html#informationupdate>



SLSOT Link: <http://www.slsot.org/SLSOT/PubEdInformation/enotifications.html>



EFS Registration

When submitting your agent/agency's EFS registration, you must include the correct surplus lines license for Texas, NOT the general lines license number or a license number from another state. Your agency's registration request must be signed by an officer/director. This officer/director of the agency must be on file with the Texas Department of Insurance (TDI). If the registration is for an individual license, then the individual license holder must sign the request. If any changes need to be made pertaining to the officers/directors on file with TDI, please contact TDI directly.

Need more info?
Call the EFS Help Desk at (800) 681-5848

EFS Quick Tips

Electronic Policy Filing

EFS Help Desk
(800) 681-5848
efshelp@slsot.org

When emailing the EFS Help Desk with coverage/class code questions, please attach a complete copy of policy and/or binder for our review.

When emailing the EFS Help Desk, please include your full name, the name of the surplus lines agent or agency, and your telephone number. It is sometimes necessary to call you regarding your email.



The Re-Entry Due to Correction option should be utilized when re-entering an item that has been reversed; this will assist in eliminating false positive late filings that are due to a reversal and re-entry on policy filings.

When submitting items for our EFS data validation, it is necessary to submit a full and complete copy of the binder and/or policy that was requested. You should include all forms, coverage parts, schedules, and the required notices to the insured (Complaint Notice and Non-Participation in the Guaranty Fund).

Helpful Hints

Paper Policy Filing

Policy extensions should be treated as a new/renewal policy. Apply the NRRRA changes to those effective on or after 07/21/11 and determine the home state of the insured. The filing will be made only in the home state.

Call the Stamping Office at (800) 449-6394 or notify us by email at info@slsot.org if there is a new contact person.

An individual who procures surplus lines business as an employee of an agency should not report the policies to the Stamping Office under the individual license name and number of the employee. Filing under the individual surplus lines license implies that the business belongs to that individual, not the employer agency. The filings should be made under the surplus lines license of the agency (whether a corporation, LLC, or partnership). For those states where the employer agency cannot hold a surplus lines license, filings must be made under the individual license name and number of the employee. The Transmittal and Verification Slip should show the name and license number of the agent/agency who procured the business.

Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 4/30/2012	Premium through 4/30/2011	Percent Change
1 Fire (including allied lines)	354,948,361	249,631,205	42.19%
2 Allied lines	18,128,770	11,584,697	56.49%
3 Farmowners multiple peril	306,265	295,045	3.80%
4 Homeowners multiple peril	33,225,800	33,325,577	0.30%
5 Commercial multiple peril	55,556,392	50,151,026	10.78%
8 Ocean marine	7,123,842	6,075,416	17.26%
9 Inland marine	21,000,623	12,633,813	66.23%
11 Medical malpractice	15,398,978	13,087,857	17.66%
12 Earthquake	155,664	3,286	4636.64%
13 Group accident & health	23,394,465	21,857,249	7.03%
15 All other A&H	1,582,811	1,788,903	-11.52%
17 Other liability	457,357,681	395,481,909	15.65%
18 Products liability	10,055,572	9,078,690	10.76%
19.2 Other private passenger auto liability	1,127	0	0.00%
19.4 Other commercial auto liability	25,300,016	26,948,315	-6.12%
21.1 Private passenger auto physical	896,809	858,347	4.48%
21.2 Commercial auto physical damage	15,879,497	13,498,490	17.64%
22 Aircraft (all perils)	17,719	53,716	-67.01%
23 Fidelity	303,192	765,476	-60.39%
24 Surety	80,387	(1,604)	5111.65%
26 Burglary & theft	45,083	1,741,432	-97.41%
27 Boiler & machinery	329,345	(15,500)	2224.80%
28 Credit	45,044,892	71,105,251	-36.65%
31 Aggregate/other business	20,853	11,673	78.64%
TOTAL	1,086,154,144	919,960,269	18.07%

Note: Totals subject to rounding

Texas market data reports are updated monthly and available to view and print on our website at www.slsot.org under the link Texas Market Data.



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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, CIW; 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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