

Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas

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Changes In Average Premium Per Policy Added Evidence of Market Slowdown

by Phil Ballinger, CPCU, ASLI, General Manager

Average premium charged on surplus lines policies reported to the Stamping Office during 2003 strongly supports the notion that the hard market has flattened. As seen in the table, overall average premium per policy increased a meager 1.4% in 2003, after increases of more than 30% in both 2001 and 2002. However, last year's slowdown is variable by line of business, with some lines actually showing drops in average premium per policy from 2002, while others still reflect double-digit increases.

Relative Change in Average Premium Per Policy, 1999-2003

	1999		2000		2001		2002		2003	
	1999	% Chg	2000	% Chg	2001	% Chg	2002	% Chg	2003	% Chg
Medical Malpractice	\$23,009	20.9%	\$24,031	4.4%	\$43,693	81.8%	\$57,679	32.0%	\$39,546	-31.4%
Other Liability	\$ 3,541	-2.6%	\$ 3,716	4.9%	\$ 4,775	28.5%	\$ 6,973	46.0%	\$ 7,672	10.0%
Fire	\$ 2,037	3.4%	\$ 2,122	4.2%	\$ 3,583	68.9%	\$ 6,096	70.1%	\$ 5,857	-3.9%
Comm Auto Liability	\$ 2,137	-6.4%	\$ 2,359	10.4%	\$ 3,308	40.2%	\$ 4,449	34.5%	\$ 5,094	14.5%
Inland Marine	\$ 1,994	-10.4%	\$ 2,158	8.2%	\$ 2,884	33.6%	\$ 3,401	17.9%	\$ 3,368	-1.0%
Credit	\$ 1,382	-77.3%	\$ 1,872	35.5%	\$ 2,006	7.2%	\$ 1,325	-33.9%	\$ 1,563	18.0%
Homeowners	\$ 660	-3.2%	\$ 633	-4.1%	\$ 668	5.5%	\$ 934	39.8%	\$ 1,100	17.8%
Product Liability	\$ 359	-24.9%	\$ 368	2.5%	\$ 411	11.7%	\$ 551	34.1%	\$ 604	9.6%
Overall Percent Change		-4.7%		6.3%		32.5%		35.5%		1.4%

Medical Mal surplus lines coverage showed the largest drop in average premium per policy, decreasing more than 31% in 2003 from the prior year. Tort reform measures introduced by HB 4 may be largely responsible. Also, average premium on Fire and on Inland Marine policies showed declines. Of note, for the lines where increases in average premium per policy occurred, those increases were also well below the escalation of the prior two years. For instance, the change in average premium per policy for Other Liability (which includes excess & umbrella, general liability, D&O, and professional liability coverages) was 10% in 2003, down from the 26% rise of 2002 and the 46% increase of 2003. Also of interest is the trend seen in surplus lines Homeowners coverage. While increasing nearly 18% in 2003, the average premium still indicated a slowdown from the nearly 40% increase of 2002, when the "mold crisis" was at its peak. ★

EFS Training Workshop Scheduled for Central and South Texas Agents

The Stamping Office is offering free Electronic Filing System (EFS) training for agents in the Central and South Texas area with an additional workshop that will be held in San Antonio. There will be a detailed demonstration of the EFS during which you will view live data input and correction of errors, observe reports that are available to your agency, learn about coverage mapping, and have your questions answered regarding EFS specifics for your agency.

Although filing on the EFS is voluntary, using it could save you and your staff hours of additional work and mailing cost normally associated with paper submissions of policies. If interested, please join us for the free 2-hour workshop.

San Antonio, Texas

Tuesday, March 30, 2004

**Omni San Antonio Hotel
9821 Colonnade Boulevard
San Antonio, Texas 78230**

Workshop Hours: 2 p.m. to 4 p.m.

On-line registration is available for these workshops through the SLSOT website at:

www.slsot.org

In November, 2003 all original project specifications for the EFS were completed. Pictured at the "acceptance ceremony" are Cheyenne Norment, EFS Help Desk; Elaine White, Director of Data Services; Phil Ballinger, General Manager, SLSOT; John Jackson, President, Renaissance Systems, Inc.; David McAlister Project Manager, Renaissance Systems, Inc.



Commissioner Appoints New SLSOT Directors

Commissioner Montemayor recently made several appointments to SLSOT's Board of Directors. New directors are Gregory S. Baker, Crump Insurance Services, Inc.; Norma C. Essary, CPCU, ARM, Dallas/Fort Worth International Airport; and Robert W. Grace, CPCU, CIC, Russell Grace, Inc. Bill Fink was also reappointed for a 3-year term after completing the unexpired term of a previous member.

Mr. Baker and Ms. Essary will serve 3-year terms replacing George Adkins, John L. Worth & Son, L.L.P. and Jimmy Garcia, City Public Service of San Antonio, whose terms expired at the

end of 2003. Mr. Grace will serve the unexpired term of a previous member until the end of 2004. The Stamping Office extends its appreciation to Mr. Adkins and Mr. Garcia for their dedication and commitment while serving on the Board.

As required by the Insurance Code, the Board of Directors consists of nine members appointed by the Commissioner of Insurance to three-year staggered terms. There are five industry and four public members. Public members are required to have at least three years of experience in the purchase of commercial insurance. ★

Surplus Lines Company Filing Requirements - 2004

The annual evidence filing requirements letter for surplus lines companies for 2004 should soon be released by the Texas Department of Insurance (TDI). When received, the Stamping Office will distribute it via SLSOT bulletin. These filing requirements are in accordance with the Texas Insurance Code and related provisions of the Texas Administrative Code. These require the Texas Department of Insurance to maintain the "Surplus Lines Insurers List" compiled from the information submitted to meet the eligibility requirements. 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 first filing deadline for foreign (US) insurers is March 31, 2004.

When available, we will place a copy of these requirements on our web site at www.slsot.org. You can also request a copy by calling the Financial Analysis Department, (512) 346-3274, ext. 220. ★

Employee of the Year



"I enjoy taking on tasks that challenge me to think in new ways, develop new skills, and learn about technology. I also enjoy interacting with people -- including the ones that guide my developmental efforts, and the ones that I teach."

- Cheyenne Norment

Cheyenne Norment was announced as SLSOT Employee of the Year during the annual holiday luncheon held in December. This is the second time she has received this honor since she began employment with the Stamping Office in 1998. Ms. Norment was originally hired as a Data Entry Clerk, where she was soon promoted to Data Entry Examiner. With the creation of the Electronic Filing System Help Desk in 2003, Cheyenne was promoted to EFS Help Desk Specialist. She now provides surplus lines agents with application support and technical assistance as needed. During 2003, she assisted Elaine White, Director of Data Services, with various demonstrations of the EFS system at our annual SLSOT agent seminars and EFS training workshops. Congratulations to Cheyenne - a "star" at the Stamping Office. ★

Surplus Lines Taxes Due March 1, 2004

Premium taxes for all 2003 surplus lines business are due to the Texas Comptroller of Public Accounts by March 1, 2004. If you held a surplus lines agent's license at any point during 2003, you are required to file a tax report, even if no tax is due. Tax forms were mailed to each surplus lines agent by the Comptroller's Office during the month of January. If you did not receive a form, please call their office at (512) 463-4074. If your tax liability last year exceeded \$100,000 you are now required to file taxes electronically.

By now, you should have received a summary of all business processed for your agency by the Stamping Office during 2003. If you have not received your Agents Annual Report, please call SLSOT at (800)449-6394 x 228. ★

Note: Additional information and links to tax forms can be located on our website at www.slsot.org. Follow link to Agent Information.

SLSOT Address Change

December 13, 2003 marked the 11-year anniversary at our new location. Make note that our forwarding order with the U.S. Post Office has expired and mail will be returned to your office if improperly addressed. Please forward this information to any person in your office that files policies, submits stamping fee payments, or other correspondence. Make sure any SLSOT records are updated to reflect the following information:

P.O. Box 160170
Austin, TX. 78716-0170
805 Las Cimas Parkway Suite 150
Austin, TX 78746-5493

(800) 449-6394 General Info
(512) 346-3274 Local in Austin
(512) 346-3422 Fax

EFS Help Desk Only
Toll Free (800) 681-5848
Local in Austin (512) 346-0685

Have You Missed Any SLSOT Bulletins...

...via U.S. Postal Service?



With the various forms of delivery of information these days, we sometimes tend to forget we do still receive mail by the U.S. Postal Service. If you have had a recent change of address please notify the Stamping Office as well as the Texas Department of Insurance. This will allow us to keep your information current so we can make sure you receive the information you need to comply with the Texas surplus lines laws. We wouldn't want you to miss a change in stamping fee rate or a year-end statement for the business you have processed through our office.

...electronically to your e-mail address?

We have been receiving several returned bulletins via our e-mail delivery service. If you are subscribed to this service and have not been receiving bulletins from us over the last few months, there are a few things you can do in your office that may resolve the problem. First, if you have had a change in your e-mail address or you would like us to re-verify your information, please forward the new or existing e-mail address to us. Second, if you are using spam filters on your servers, please contact your IT department and have our address reclassified as regular and not "spam" mail.

If you have any questions regarding your bulletin and/or newsletter deliveries, please contact us at (800) 443-6394 or through our general e-mail at info@slsot.org. Please send changes to SLSOT, P.O. Box 160170, Austin, Texas 78716-0170.



Locate missing bulletins/newsletters through our website at www.slsot.org/slsotpub.htm.

Helpful Hints

- Please verify that the name of the agency and the license number shown on your Transmittal and Verification Slip are the same as shown on your Surplus Lines license.
- If you are registered to use the Electronic Filing System, please be sure your password stays current. You will be notified to change it for 14 days prior to expiration, but only when you sign in to the system. We recommend that you set your own reminder through your calendar system as an additional backup. ★

SLSOT Employee News

The Stamping Office welcomes Michelle Benites (top) and Kelly Nine (bottom) to the Stamping Office. Both are employed as Data Entry Clerks with the Data Services Department. ★





**Lone Star Lines
Surplus Lines Stamping Office of Texas
P.O. Box 160170
Austin, Texas 78716-0160**

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Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 12/03	Premium through 12/02	Percent Change
1 Fire (incl. allied lines)	\$773,747,894	\$724,663,867	6.8%
2 Allied lines	\$47,539,118	\$42,655,488	11.5%
3 Farmowners multiple peril	\$1,559,732	\$1,227,132	27.1%
4 Homeowners multiple peril	\$152,023,156	\$94,637,727	60.6%
5 Commercial multiple peril	\$65,640,046	\$43,114,921	52.2%
8 Ocean marine	\$9,031,000	\$12,131,234	-25.6%
9 Inland marine	\$52,381,333	\$54,557,670	-4.0%
11 Medical malpractice	\$63,274,038	\$58,083,094	8.9%
12 Earthquake	\$513,067	\$420,473	22.0%
13 Group accident & health	\$97,912,024	\$109,402,397	-10.5%
15 All other A&H	\$305,243	\$100,788	202.9%
17 Other liability	\$1,377,832,913	\$1,108,373,708	24.3%
18 Products liability	\$45,247,885	\$37,772,079	19.8%
19.2 Other priv pass auto lia	\$22,870	\$13,664	67.4%
19.4 Other comm. auto liab	\$106,120,182	\$82,239,872	29.0%
21.1 Priv pass auto physical	\$1,331,230	\$1,203,563	10.6%
21.2 Comm auto phys.damage	\$65,753,739	\$69,102,373	-4.9%
22 Aircraft (all perils)	\$4,642,104	\$3,807,978	21.9%
23 Fidelity	\$1,499,612	\$1,095,887	36.8%
24 Surety	\$0	\$603,335	-100.0%
26 Burglary & theft	\$1,380,084	\$3,434,957	-59.8%
27 Boiler & machinery	\$125,855	\$67,415	86.7%
28 Credit	\$77,268,367	\$56,089,715	37.8%
31 Aggregate/other business	\$323,445	\$1,397,810	-76.9%
TOTAL	\$2,945,474,937	\$2,506,197,147	17.5%

Note: Due to rounding figures may not total

Volume 10, 2004 January - March

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

Lone Star Lines Staff:
Phil Ballinger, CPCU, ASLI
Dalén Chisholm
Elaine White, ASLI
Brian Wilds, CPA, ASLI

We invite readers to suggest topics for articles that may be of interest to others. Any submissions or inquiries should be sent to the following address:

Lone Star Lines
SLSOT
P.O. Box 160170
Austin, Texas 78716-0170
phone (512) 346-3274 Austin
Toll Free (800) 449-6394
fax (512) 346-3422

SLSOT web site:
www.slsot.org
General e-mail address:
info@slsot.org

You can locate a text copy of this and previous issues of this newsletter on our web site at:
<http://www.slsot.org/slsotpub.htm>

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