



**In this issue:**

**Former SLSOT  
Chairman Elected to  
NAPSLO Board**  
page 1

**Applegate Receives  
Leadership Award**  
page 1

**Texas Stamping Fee  
Rate Increase to .15%**  
page 1

**“Texas” Stamping Office  
Telephone Numbers  
Have Changed**  
page 2

**Proposed TWIA  
Depopulation Plan  
Excludes S/L Insurers**  
page 2

**Advancements &  
Acquisitions**  
page 2

**Texas Surplus Lines  
Insurer Financial Update**  
page 3

**Premium Comparison**  
page 4

# Lone Star Lines

A digital publication of the Surplus Lines Stamping Office of Texas

## Former SLSOT Chairman Elected to NAPSLO Board



**Gilbert C. Hine, Jr., CPCU, CFP  
McClelland & Hine, Inc.**

Photo credit: NAPSLO

During the annual business meeting at the NAPSLO Convention, members elected Gilbert C. Hine, Jr., CPCU, CFP, McClelland & Hine, Inc., San Antonio, to serve as NAPSLO President for the 2015-2016 term.

Of equal distinction, Gil was appointed by the Commissioner to serve on the Surplus Lines Stamping Office of Texas (SLSOT) Board of Directors in 2005 and was elected Chairman in 2008. On behalf of the SLSOT, we congratulate Gil on this prestigious appointment with NAPSLO and his continued contributions to our industry.

The NAPSLO conference provides opportunities for networking of surplus lines professionals, leadership workshops, and panel discussions on industry topics.

Interestingly, Texas was well-represented at the Annual Convention in September, with 8.1% of the 4,000+ attendees registered from the Lone Star State.

## Applegate Receives Leadership Award

Congratulations to Shannon Dahlke Applegate, current SLSOT Board member, as the recipient of the Leadership Award. This was awarded to her during the 71st Annual Convention of the Federation of Insurance Women of Texas, Inc. (FIWT) held in Corpus Christi in October.

Shannon has held all officer positions with FIWT including President in 2002-2003. Shannon has also held positions with TSLA and is currently Chairman of Membership Services for the AAMGA. Congratulations to Shannon on this well-deserved award!



**Shannon  
Dahlke Applegate**  
Photo credit: FIWT

## Texas Stamping Fee Rate Increase to .15%

On September 8, 2015 the Texas Commissioner of Insurance issued an official order approving the increase of the stamping fee rate to 0.15%.

**The increased stamping fee rate will apply to the gross premium amount of each new or renewal surplus lines policy with an effective date on or after January 1, 2016.** New rate will also apply to policy date extensions, if effective on or after this date. Policies effective on or before December 31,

2015 will run to expiration, cancellation, or next annual anniversary date (for multi-year policies) at the old rate of .06%. This includes any subsequent endorsements, audits, cancellations, reinstatements, installments, and monthly or quarterly reports.

Norma Essary, Executive Director, has reported that the increase will support planning requirements for a new technology reinvestment strategy over the next few years.

## “Texas” Surplus Lines Stamping Office Telephone Numbers Have Changed



To better serve and manage communications from across the state (and beyond), the Surplus Lines Stamping Office of Texas will be simplifying with new business phone number listings and an upgraded telecommunication system.

To prevent any loss of contact, all current and prior numbers, to include toll-free, will remain operational through the end of the year (December 31, 2015).

The telephone system conversion will help streamline communication and better serve our customers by routing calls more efficiently, as well as providing direct measures for customers who need immediate assistance or information with SLSOT staff employees. A complete listing of direct telephone numbers is available on our website at [www.slsot.org](http://www.slsot.org).

**New SLSOT Main Number (512) 531-1880**  
(Replaces 512-346-3274)

**Toll-Free Number (800) 681-5848**  
(Replaces 1-800-449-6394)

We apologize for any inconvenience, but rest assured we remain committed to serving our customers and the surplus lines industry through excellent customer service measures.

## Proposed TWIA Depopulation Plan Excludes Surplus Lines Insurers

On October 12, 2015, the Texas Department of Insurance (TDI) proposed 28 Texas Administrative Code, Sections 5.4301 – 5.4309 implementing a depopulation program administered by the Texas Windstorm Insurance Association (TWIA) that encourages the transfer of association policies to authorized insurers through voluntary market or assumption reinsurance.

The proposal is set for hearing at 10:00 am on November 16, 2015. Written comments on the proposed plan will be accepted through 5:00 pm CST on November 23, 2015.

The full proposed plan, including requirements for submitting written comments, can be viewed at <http://www.tdi.texas.gov/rules/2015/documents/depop.pdf>.

## Advancements & Acquisitions

### TDI Announces Deputies for Finance, Agency Affairs

Texas Insurance Commissioner David Mattax recently announced two key executive positions; Doug Slape became Deputy Commissioner for Financial Regulation, and Kevin Brady was named Deputy Commissioner for Agency Affairs at the Texas Department of Insurance.

### Mitchell Joins SLSOT as Director of IT Services

Tara Mitchell has joined the Stamping Office as Director of Information & Technology Services.



Tara Mitchell

Prior to SLSOT, Tara has worked in financial regulation at the Texas Department of Insurance (TDI), recently serving as the Registrations Officer for Company Licensing & Registration. Tara has also served as subject matter expert for the information technology enhancements groups with goals of automation and streamlining efficient practices.

Tara holds a Bachelor of Science from The University of Texas at Austin. Additional accredited designations include an Accredited Financial Examiner (AFE) and a Project Management Professional (PMP).

### Onks Promoted

Nathan Onks was promoted to Data Quality Assurance Analyst.

Nathan holds a Bachelor of Liberal Arts in Public Administration from Texas State University at San Marcos. Congratulations Nathan!



Nathan Onks

## 15th Annual Salsa / Queso / Guacamole Contest



Pick, Zhou, Wilds

To celebrate everyone's culinary talent, the Stamping Office held its 15th annual salsa & queso contest in October. This year we welcomed guacamole to the mix, and the 2015 winners are:

**Best Queso: Toby Pick**  
**Best Guacamole: Ming Zhou**  
**Best Salsa: Brian Wilds**

# Texas Surplus Lines Insurer Financial Update

by Brian D. Wilds, ASLI, CPCU, Director of Financial Analysis & Accounting

The year 2014 was a more profitable year both for underwriting results and net income compared to 2013 which was significantly better than 2012. Aggregate net income after tax was \$6.885 billion, 20% higher, with 87% of insurers recording net income compared to 85% in 2013. The return on policyholder's surplus increased to 5.6% from 4.3%. Underwriting reflected what some indicate was a year of unusually low natural catastrophe activity resulting in an aggregate gain of \$2.834 billion compared to a gain of \$2.162 billion in 2013. In 2014, 64% of eligible insurers recorded underwriting gains, down from 71% in 2013. The composite combined ratio in 2014 for these surplus lines insurers was 97%.

Gross premium increased 5% in 2013 and increased 17% in 2014 and aggregate net premium increased 27%. Aggregate gross premium for the 214 eligible insurers was \$88.0 billion, with net premium \$37.1 billion. The gross premium to surplus ratio was 93% in 2014 compared to 116% in 2013 and net premium to surplus ratio was 39% compared to 45% in 2013. These two ratios are indicators of leverage and signified that capital was less well utilized in 2014 compared to 2013.

There are three distinct risk-bearing entities in the Texas surplus lines market. As of October 1, 2015 foreign (U.S.) insurers make up 72% of eligible insurers [154], alien (non-U.S.) insurers are 28% of eligible insurers [60] plus Underwriters at Lloyd's, London [83 Syndicates]. Premium produced by licensed surplus lines agents and processed by the Stamping Office for these entities in 2014 was as follows: foreign insurers \$3.551 billion, 70%; alien insurers \$390 million, 8% and Lloyd's \$1.102 billion, 22%. As of September 30, 2015 the total processed premium of \$3.890 billion was up 2% compared to the same period in 2014 and there was no shift in market share. The ease of entry into the market due to the NRRRA has allowed alien insurers that are IID-listed to begin writing in Texas. Nineteen of the thirty-four newly eligible insurers over the last four years have been IID-listed aliens.

Capital and surplus (C&S) in aggregate for 2014 was \$95.0 billion, increasing 1% from 2013. Average C&S declined to \$450 million in 2014 compared to \$456 million in the prior year. Currently 83% of eligible surplus lines insurers have C&S above \$45 million.

## Composite Financial Information of Eligible Insurers - Five Year Summary

	2014	2013	2012	2011	2010
<b>Capital &amp; Surplus</b>	95,015,473,028	93,928,941,059	76,445,292,339	69,830,804,591	93,768,544,643
<b>Average</b>	450,310,299	455,965,733	382,226,462	349,154,023	483,343,014
<b>Underwriting Gain (Loss)</b>	2,834,168,396	2,161,897,493	145,422,086	(310,227,745)	607,753,468
<b>Average</b>	14,100,340	11,030,089	799,022	(1,607,398)	3,181,955
<b>Net Income After Tax</b>	6,885,148,257	5,757,977,155	4,019,111,095	3,541,968,223	5,754,866,769
<b>Average</b>	32,631,034	29,377,434	21,962,356	18,352,167	30,288,772
<b>Return on Policyholder Surplus</b>	5.6%	4.3%	5.5%	4.3%	7.9%
<b>Gross Premium</b>	88,024,354,299	75,528,698,221	71,935,800,164	70,869,757,970	73,155,036,957
<b>Average</b>	437,932,111	389,323,187	388,842,163	367,200,818	381,015,817
<b>Net Premium</b>	37,069,346,038	29,143,943,937	30,859,977,929	32,512,889,879	35,138,452,035
<b>Average</b>	184,424,607	150,226,515	166,810,692	167,592,216	183,012,771
<b>Gross Premium to Surplus Ratio</b>	93%	116%	94%	101%	78%
<b>Net Premium to Surplus Ratio</b>	39%	45%	40%	47%	37%
<b>SLSOT Premium Processed**</b>	5,042,853,414	4,693,452,805	4,015,885,951	3,248,590,309	3,310,188,843
<b>Average</b>	23,564,736	22,349,775	20,807,699	18,457,899	16,930,927
<b>Combined Ratio</b>	97%	89%	95%	98%	94%

Data in this exhibit reflect the number of insurers included in the composite, the breakdown of insurer types, new submissions for eligibility and movement in priority rankings. This section also reports the number and percent of surplus lines insurers that had increases in C&S, underwriting gains and net income. C&S increased for 74% (72% in 2013) of insurers, underwriting gains were recorded by 65% (71% in 2013) of insurers and net income was earned by 87% (85% in 2013) of insurers.

Insurers Included	214	210	209	204	194
<b>Foreign (US) / Alien (non-US)</b>	154 / 60	153 / 57	150 / 59	145 / 59	146 / 48
<b>Underwriters at Lloyd's (Syndicates)</b>	83	78	77	76	75
<b>New Submissions for Eligibility</b>	7	3	9	15	4
<b>Priority Rating Upgrades</b>	25 / 12%	38 / 18%	22 / 11%	28 / 14%	28 / 14%
<b>Priority Rating Downgrades</b>	3 / 1%	7 / 3%	2 / 1%	10 / 5%	6 / 3%
<b>Increased capital &amp; surplus</b>	153 / 74%	151 / 72%	103 / 50%	134 / 69%	149 / 77%
<b>Underwriting gains</b>	165 / 65%	150 / 71%	125 / 62%	105 / 53%	119 / 61%
<b>Net income</b>	184 / 87%	178 / 85%	175 / 86%	158 / 79%	175 / 89%

## Texas Surplus Lines Premium - By Line of Business

Annual Statement Line of Business	Premium through 10/31/2015	Premium through 10/31/2014	Percent Change
Fire (including allied lines)	\$1,241,594,233	\$1,287,265,410	-3.55
Allied lines	99,616,456	82,086,040	21.36
Farmowners multiple peril	1,454,463	1,222,873	18.94
Homeowners multiple peril	138,371,773	132,091,403	4.75
Commercial multiple peril	236,749,220	277,938,008	-14.82
Ocean marine	20,609,407	18,638,006	10.58
Inland marine	85,565,238	74,994,262	14.10
Medical malpractice	50,777,876	41,730,741	21.68
Earthquake	901,930	584,478	54.31
Group accident & health	59,341,669	65,737,955	-9.73
All other A&H	8,410,662	7,253,096	15.96
Other liability	1,941,218,669	1,837,680,990	5.63
Products liability	23,619,372	27,627,491	-14.51
Other private passenger auto liability	2,697	1,085	148.57
Other commercial auto liability	84,985,335	53,714,257	58.22
Private passenger auto physical	450,805	2,612,488	-82.74
Commercial auto physical damage	113,284,610	135,227,775	-16.23
Aircraft (all perils)	7,904,029	6,030,009	31.08
Fidelity	3,204,517	2,885,334	11.06
Surety	13,324,355	10,652,391	25.08
Burglary & theft	3,548,749	2,027,830	75.00
Boiler & machinery	(817,368)	932,113	-187.69
Credit	143,410,365	192,842,519	-25.63
Aggregate/other business	5,623,287	2,146,943	161.92
<b>TOTAL</b>	<b>\$4,283,152,349</b>	<b>\$4,263,923,497</b>	<b>.45</b>

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](http://www.slsot.org) under the link Texas Market Data.



### Texas Lone Star Lines Volume 21

**Surplus Lines Stamping Office of Texas**  
805 Las Cimas Parkway, Suite 150  
Austin, Texas 78746

This digital newsletter is published quarterly by the Surplus Lines Stamping Office of Texas for our stakeholders and others involved in the surplus lines industry. We invite readers to suggest topics that may be of interest to others.

Copyright © 2015 Surplus Lines Stamping Office of Texas  
All rights reserved.

Main 512.531.1880  
Toll-Free 800.681.5848  
[www.slsot.org](http://www.slsot.org)  
General email: [info@slsot.org](mailto:info@slsot.org)

