

Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas



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Surplus Lines Taxes

As explained further on page 3, premium taxes on all 2008 Texas surplus lines business are due to the Comptroller's Office by March 1. Certain agencies mistakenly believe that the Agents Annual Report mailed to agents from the Stamping Office in January is an "invoice" for taxes owed. This is **not** correct. The report is a summary of all business processed by the Stamping Office during 2008, to assist you in completing the tax form. Depending on timing of filing of policies to the Stamping Office and other factors, the total premium reflected on SLSOT's annual report may or may not be comparable to the total taxable premium filed with the Comptroller. Taxes are due based on gross premiums written or received during the calendar year, as determined by



the accounting systems of the agency. The surplus lines tax form (Form #25-104) has adjusting entries for reconciling agency recorded premium against Stamping Office processed premium.

A word to the wise -- if you pay taxes based solely on the report of premium sent to you by the Stamping Office, you risk rapid scrutiny from Comptroller auditors. ★

81st Texas Legislature

The 2009 session of the Texas Legislature convened January 13. Key insurance issues before lawmakers include developing viable funding sources for the Texas Windstorm Insurance Association (TWIA) and renewal of the Texas Department of Insurance following its review by the Texas Sunset Advisory Commission. Before adjournment on June 1, legislation for TWIA will be critical, since losses resulting from the 2008 storms (Dolly and Ike)

have essentially left TWIA with no remaining reserves. It is highly likely that surcharges on some or all Texas surplus lines policies will be included in any list of possible revenue sources for TWIA. ★

Federal Excise Tax

Generally, premiums received by non-US insurers and reinsurers for policies involving US risks are subject to a federal excise tax (FET), unless certain exemptions apply. Tax treaties

(cont. FET on page 2)

Geeslin Appoints Directors to SLSOT Board

Commissioner Mike Geeslin has named Phillip B. Dendy, Director, Risk Management, The University of Texas System; Jennifer Jones, Risk Manager, Omni Hotels; and Len Kaplan, CPA, CIC, Chief Financial Officer, Delta General Agency Corporation to the Surplus Lines Stamping Office of Texas Board of Directors. Each director will serve a 3-year term. Congratulations to the new appointees...we look forward to

their participation on our Board! Other members of the SLSOT Board of Directors include Gilbert C. Hine, Jr., CPCU, McClelland and Hine, Inc.; James Huckaby, ARM-P, Mesquite Independent School District; David Kester, Harris County; Bart Koch, Tejas American General Agency, LLC; William G. (Bill) Reynolds, Atlantic Casualty Insurance Company; and Carl Roeder, Western Surplus Lines Agency, Inc. ★



Dendy



Jones



Kaplan

(FET, cont. from page 1)

between the United States and many other nations provide exemptions for virtually all non-US insurers found on the Texas Surplus Lines Insurers List. However, there are a small number of Bermuda-domiciled insurers that may not be exempt from the FET. Through communications with the US representatives for those insurers, the Stamping Office

is developing a list of carriers that appear to be subject to the FET. When available, we will communicate this information through a bulletin to all agents.

The FET rate is 4% for direct marine, property, and liability premium paid to a non-US insurer and 1% for premium on reinsurance. ★

NAIC Multi-State Surplus Lines Premium Tax Working Group

The Surplus Lines Task Force of the NAIC has created a new working group to develop suggestions for payment of premium taxes on surplus lines policies insuring risks in multiple states. This committee, composed of regulators, industry interested parties, and certain stamping office

managers, will be a third track trying to solve these surplus lines tax issues, the other two being the federal Non-Admitted and Reinsurance Reform Act and the Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT), a proposed interstate compact offered by the Group of 60. ★

TDI Policy Count Data Call

For the fourth year, a Texas Department of Insurance Commissioner's Bulletin (#B-0001-09) has required that all insurers, including surplus lines insurers, provide to the agency the number of Texas policies in force as of December 31, 2008. 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 initial involvement was 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. ★

Surplus Lines Company Filing Requirements Announced for 2009

The Texas Department of Insurance (TDI) has released the annual Evidence Filing Requirements Letter for surplus lines insurers in 2009. The Stamping Office distributed the letter in a bulletin published January 15, 2009. 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, 2009. 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 prohibits any new business. ★

You can locate a copy of these requirements at www.slsot.org.

Premium Taxes Due March 1st

Premium taxes for all 2008 surplus lines business are due to the Texas Comptroller of Public Accounts by March 1, 2009. If you held a surplus lines agent's license at any point during 2008, you are required to file a tax report, even if no tax is due. Revised tax forms will be available soon from the Comptroller and also on SLSOT's web site.



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 2008 and could differ significantly from tax liability based upon agency records. Agents in some states file and pay taxes directly from a report received from the stamping office in that state. This is not the case in Texas. ★

EFS Quick Tips Electronic Policy Filing

- 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.
- For assistance with coverage and class code selection, please view one or both of our web seminars titled: EFS Coverage & Class Code Selection. These can be found under "Seminars" on our web site at www.slsot.org.
- There is context sensitive help on almost every EFS page. Simply click the blue HELP button at the bottom of the page.

Helpful Hints Paper Policy Filing

- Don't forget to submit security corrections on the GREEN Security Correction Transmittal for expedited processing.
- When filing corrections, return the tag memo along with the item you submit for processing. This will insure removal of the suspense and prevent further "Late Tags" being sent to you.
- Be sure to include a completed copy of our Other States/Exempt Premium Form if you are submitting a transaction that contains risks in Texas as well as locations outside of Texas. This form can be found under "Filing Forms" on our web site at www.slsot.org.

Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 1/31/2009	Premium through 1/31/2008	Percent Change
1 Fire (incl. allied lines)	\$43,903,580	\$45,823,842	-4.19%
2 Allied lines	\$3,070,278	\$3,770,690	-18.58%
3 Farmowners multiple peril	\$62,280	\$72,604	-14.22%
4 Homeowners multiple peril	\$4,433,784	\$5,585,449	-20.62%
5 Commercial multiple peril	\$6,271,666	\$7,375,622	-14.97%
8 Ocean marine	\$355,734	\$589,965	-39.70%
9 Inland marine	\$4,323,456	\$5,410,638	-20.09%
11 Medical malpractice	\$3,348,361	\$3,135,672	6.78%
13 Group accident & health	\$7,805,460	\$10,782,693	-27.61%
15 All other A&H	\$445,454	\$185,304	140.39%
17 Other liability	\$98,096,292	\$127,041,678	-22.78%
18 Products liability	\$1,619,342	\$2,611,142	-37.98%
19.2 Other private passenger auto liability	(\$1,000)	\$0	0.00%
19.4 Other commercial auto liability	\$5,084,378	\$10,537,079	-51.75%
21.1 Private passenger auto physical damage	\$129,805	\$114,950	12.92%
21.2 Commercial auto physical damage	\$2,506,344	\$4,377,463	-42.74%
22 Aircraft (all perils)	\$781,708	\$203,728	283.70%
23 Fidelity	\$25,885	\$258,350	-89.98%
24 Surety	\$651,988	\$4,715	13727.95%
26 Burglary & theft	\$36,126	\$32,986	9.52%
27 Boiler & machinery	(\$405,004)	\$0	0.00%
28 Credit	\$67,686,056	\$39,747,934	70.29%
31 Aggregate/other business	\$31,679	\$45,052	-29.68%
TOTAL	\$250,263,652	\$267,707,556	-6.52%

Note: Due to rounding figures may not total



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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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