



Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas

INSIDE :

Introductory Meetings Scheduled for E-Filing System page 2

Ballinger Elected CPCU Central Texas Chapter President page 2

New Directors Appointed; Board Elects Officers page 2

Current SL License Number Required for Policy Filings page 3

Do We Have Your New Address? page 3

Employee News page 3

Stamping Office Agent Workshops 2002 page 3

Helpful Hints page 3

Premium Comparison page 4

Stamping Office Board Requests Stamping Fee Rate Decrease to .15%

During its meeting of March 7, 2002 the Board of Directors of the Surplus Lines Stamping Office approved a motion requesting Commissioner of Insurance Montemayor to decrease the stamping fee rate from .25% (.0025) to .15% (.0015). Notice of the request appeared in the April 19 *Texas Register*, indicating a proposed effective date for the decrease of July 1, 2002. Thanks goes to Senior Associate Commissioner Betty Patterson and Kathy Wilcox at TDI for their assistance throughout the regulatory approval process.



We recognize that agents need adequate notice of a rate change so they can reprogram their business systems. The Stamping Office has worked diligently to expedite the Board's motion. You received a Stamping Office bulletin dated April 4, 2002 initially informing you of this potential change.

Our goal at the Stamping Office is to maintain a stable stamping fee rate for as long as practicable. As a nonprofit organization, the Stamping Office is intended to operate on a "break-even" basis. Thus, stamping fee revenue each year should be just adequate to meet annual expenses - given the normal vacillations in the surplus lines market, a difficult proposition. In actuality, in years when revenues exceed expenses, the excess is transferred to a reserve

fund. In years when expenses exceed revenues, however, the Stamping Office relies on funds from its reserves to make up the difference. The Stamping Office Plan of Operation limits the permissible size of the reserve fund to one times the office's annual expenses. Over the past months, this fund has grown because of stamping fee revenues associated with unpredictable increases in surplus lines premiums - the hard market has brought both higher rates and more policies. (Total Texas surplus lines premium increased more than 34% in 2001 and is up another 71% through the first quarter of 2002.)

These two factors - unanticipated premium increases and a regulatory ceiling on the size of the Stamping Office reserve fund - dictate that we lower the stamping fee rate.

If regulatory approval proceeds as we expect, the lower rate will apply to each new or renewal surplus lines policy with an effective date on or after July 1, 2002. Policies effective on or before June 30, 2002 will run to expiration, cancellation, or next annual anniversary date (for multi-year policies) at the old rate of .25%. This includes any subsequent endorsements, audits, cancellations, reinstatements, installments, and monthly or quarterly reports. However, the new rate will apply to policy date extensions effective on or after July 1, 2002. H

Introductory Meetings Scheduled to Discuss E-Filing System

Meet us in Houston or Dallas...



The Stamping Office has awarded a contract to Renaissance Systems, Inc. and work has begun on a project of great interest to many Texas surplus lines agents - development of a system

permitting the reporting of surplus lines policy data to the Stamping Office electronically. To provide agents input into this important project, we have scheduled a series of four short presentations in both Houston (May 14) and in Dallas (May 16). These sessions will give agents and their technology staff an opportunity to hear our initial thoughts on system design concepts and features, provide us feedback, and ask questions of our developers. (Note: meeting rooms will only accommodate

up to 35 attendees, so please register early.) Much of our current thinking regarding operation of an e-filing system is based upon valuable discussions held last year with an Electronic Filing Advisory Committee, which consisted of several agents, technology professionals, and state regulators. We pledge to make every effort to maximize industry involvement in the development of this system. Our hope is to take ideas arising from the meetings to refine system design and operation.

You can register to attend one of the Electronic Filing System meetings on-line at www.slsot.org. Also, registration forms for the meetings were mailed to every surplus lines agent in mid-April. Included with this mailing was an Electronic Filing Questionnaire, which solicited information regarding agency systems and current data interchange practices. We ask you to complete and return this survey, even if you do not plan to attend one of the e-filing meetings. H

Session times are for both locations

Morning

9:00 am - 10:15 am
10:30 am - 11:45 am

Afternoon

1:00 pm - 2:15 pm
2:30 pm - 3:45 pm

Houston Tuesday, May 14

Adam's Mark Hotel
Richmond Room 3
2900 Briarpark Drive
Houston, Texas 77042

Dallas Thursday, May 16

Hyatt Regency
Cumberland Room G
300 Reunion Blvd.
Dallas, Texas 75207



Ballinger Elected CPCU Central Texas Chapter President

The Central Texas Chapter of CPCU recently elected Phil Ballinger, SLSOT General Manager, to serve as chapter president for the 2002-2003 year. The Central Texas Chapter was recognized last year as one of only 14 chapters in the nation to receive the CPCU Society's Gold Circle of Excellence Award. It is presented to chapters achieving certain standards of performance in professional development, education, membership, community works, and public relations.

Ballinger also currently serves on the National Advisory Committee for the Associate in Surplus Lines Insurance (ASLI) professional designation. H

New Directors Appointed; Board Elects 2002 Officers

Commissioner of Insurance Jose Montemayor has appointed Ted Hosterman, Heath Insurance Brokers, Dallas as an industry member and Terry McGarrity, El Paso Electric Company, El Paso as a public member to serve on the Stamping Office Board of Directors. They replace W. Stephen Conner, Crump Insurance Services of Texas and Susan Bulla, City of Fort Worth, whose terms expired December 31, 2001. Mr. Hosterman and Mr. McGarrity will both serve 3-year terms.

During its March meeting the Board of Directors elected its officers for 2002. They are: Chairman - Simon Bancroft, Swett & Crawford; Vice-chair - Dean Frigo, City of Amarillo; and Secretary - George Adkins, John L. Wortham and Son, LLP. H

Current SL License Number Now Required for All Policy Filings

As a result of system changes at TDI over the past few years, the format of license numbers issued to surplus lines agents has changed substantially. To simplify filing with our office, we have continued to accept batches submitted that indicated any one of the previously issued license or ID numbers. For instance, some agents have used the recent seven or eight character number, or even the "really" old number that TDI used to issue that began with an "S". Some of you are using the last three or four digits from the "S" number on your batches, since that was your surplus lines license

number for so many years. Unfortunately, our desire to accommodate all these previous license number formats has now become a problem for us. If every agent is not consistently using the same license numbering system, we have learned that there is a real potential for duplication of numbers between agents. Therefore, we must request that you only submit batches using your current (newest) surplus lines license number. This is the number indicated on your most recent license renewal. (It is the number shown when you access your agency name through Texas On-Line.) H

Do we have your current address?

The Insurance Code requires every surplus lines agent to notify TDI of any change of address. Also, please remember to include the Stamping Office in this notification. We find that our volume of return mail is growing, meaning our address information for some agents is incorrect. Even if you receive your bulletins and newsletters by e-mail, please inform us of any change in your location. This will ensure you continue to receive other important information from us, such as invoices or monthly and year-end statements. You can e-mail address changes to info@slsot.org or send them to SLSOT, P.O. Box 9906, Austin, TX 78766-0906. We appreciate your cooperation. H



Left to Right: May Sanders, Kina Zuniga, & Cristina Abascal.

Employee News

We welcome the following new employees to the Stamping Office this quarter:

May Sanders joined the Administration Department as Mail Clerk. Cristina Abascal and Kina Zuniga were hired as Data Entry Clerks in Data Services. H

Stamping Office Agent Workshops for 2002

Stamping Office seminars for 2002 will focus on policy filing procedures and will also include a discussion of the e-filing system currently under development. The workshops are scheduled for San Antonio, Houston, and Arlington in September. As always, attendance will be free. The seminars will be filed with both TDI and TSBPA for continuing education credit approval. Further details will be forthcoming by bulletin in the coming weeks. Also, you will be able to register on-line through the SLSOT web site by July.

San Antonio

September 5, 2002
San Antonio Convention Ctr.
1:30 p.m. to 3:30 p.m.

Houston

September 11, 2002
Adam's Mark Hotel
8:30 a.m. to 10:30 a.m.

Arlington

September 26, 2002
Arlington Convention Center
8:30 a.m. to 10:30 a.m.

Helpful Hints

Ⓜ Please combine your one and two item submissions into a larger batch of up to 20 items. Because of the increased volume of transactions we are receiving, this is more important than ever.

Ⓜ When responding to a tag memo, please do not submit another copy of the policy. This creates confusion and can lead to duplication of premium, which creates even more problems for you. Read the entire tag for instructions on what is needed. H



Lone Star Lines
 Surplus Lines Stamping Office of Texas
 P.O. Box 9906
 Austin, Texas 78766-0906

Return Service Requested

Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 3/02	Premium through 3/01	Percent Change
1 Fire (incl. allied lines)	\$122,490,090	\$58,386,731	109.8%
2 Allied lines	\$5,483,978	\$2,788,283	96.7%
3 Farmowners multiple peril	\$229,979	\$438,948	-47.6%
4 Homeowners multiple peril	\$14,558,206	\$8,414,528	73.0%
5 Commercial multiple peril	\$3,319,433	\$4,100,449	-19.1%
8 Ocean marine	\$1,048,502	\$738,854	41.9%
9 Inland marine	\$10,290,584	\$7,642,174	34.7%
11 Medical malpractice	\$11,509,191	\$6,845,226	68.1%
12 Earthquake	\$37,176	\$55,389	-32.9%
13 Group accident & health	\$34,450,072	\$16,811,234	104.9%
15 All other A&H	\$4,550	\$53,230	-91.5%
17 Other liability	\$229,468,109	\$138,421,626	65.8%
18 Products liability	\$8,083,668	\$4,879,915	65.7%
19.2 Other priv pass auto lia	\$791	\$5,161	-84.7%
19.4 Other comm. auto liab	\$16,915,133	\$8,784,841	92.6%
21.1 Priv pass auto physical	\$230,077	\$210,552	9.3%
21.2 Comm auto phys.damage	\$17,339,919	\$13,168,155	31.7%
22 Aircraft (all perils)	\$113,898	\$677,251	-83.2%
23 Fidelity	(\$5,128)	\$199,902	-102.6%
24 Surety	\$15,750	\$17,662	-10.8%
26 Burglary & theft	\$431,612	\$890,110	-51.5%
27 Boiler & machinery	\$45,884	\$2,596	1667.7%
28 Credit	\$13,399,045	\$12,683,494	5.6%
31 Aggregate/other business	\$512,414	\$16,318	3040.1%
TOTAL	\$489,972,933	\$286,232,629	71.2%

Note: Due to rounding figures may not total

Volume 8, 2002
 April - June

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 9906
 Austin, Texas 78766-0906
 phone (512) 346-3274
 fax (512) 346-3422

SLSOT web site:
<http://www.slsot.org>
 Internet 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>

Copyright 8 2002
 Surplus Lines Stamping Office
 of Texas.
 All rights reserved.