

# Lone Star Lines

Volume 4, Winter Issue 1998 ~ Surplus Lines Stamping Office of Texas

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## Texas Insurer Composite Financial Information

As of January 1, 1998, there were 181 insurers eligible to write surplus lines business in Texas. Of these, 124 were U.S. carriers and 57 were domiciled outside the U.S. Information recently aggregated from 1996 financial statements by Brian Wilds, Senior Financial Analyst at the Stamping Office, yields some impressive numbers for Texas' eligible surplus lines insurers.

Year-end 1996 total capital and surplus (C&S) was nearly \$41.7 billion. (See table below) (Note: all financial data excludes Underwriters at Lloyd's, whose three-year method of accounting presents problems in comparing results to those of other insurers. As one measure of comparison, however, Lloyd's own capacity was estimated at \$17.7 billion for the 1997 underwriting year.) The average C&S of the insurers currently eligible was more than \$231 million in 1996, with a median C&S of nearly \$39 million.

In 1996, Texas surplus lines insurers had a total underwriting loss of approximately \$1.5 billion and a combined ratio of 104% (statutory basis), an improvement of \$525 million over 1995 results. However, investment income was sufficiently large to push total after-tax net income for 1996 to \$3.9 billion,

an increase of more than 47% over the previous year. Average net income for 1996 was \$21.8 million; median net income was \$3.5 million. Return on equity was 12.5% in 1996.

Surplus lines insurers eligible in Texas wrote total gross premium in 1996 of more than \$40.6 billion, with net premiums written exceeding \$27.2 billion. Average net premiums written totaled \$151.1 million; median net premium was \$26 million.


These figures all serve to underscore the extremely soft market we see today. Over the past five years, the C&S of Texas' 180 surplus lines insurers has more than doubled, while their net premiums written has only increased by 25%. As a result, underwriting leverage for these insurers (net premiums / C&S) has decreased from 1.04 to 0.65 over this period. Clearly, the capital base of surplus lines insurers (supply) is increasing at a rate far in excess of the insurers' ability to apply these funds (demand). Classic economic theory predicts the inevitable result -- lower prices. Competition from licensed insurers for the risks formerly of interest solely to surplus lines insurers only serves to increase this pressure on prices. ★

	1996	1995	1994	1993	1992
Capital & Surplus	41,697,982,057	38,240,524,191	28,544,643,104	25,862,897,606	20,836,728,781
Average	231,655,456	214,834,406	160,363,164	146,118,066	118,390,504
Median	38,742,694	35,638,767	29,439,875	29,348,021	24,284,937
Underwriting Gain (loss)	(1,522,273,150)	(2,047,520,699)	(1,504,700,858)	(2,450,047,253)	(2,093,463,969)
Average	(8,457,073)	(11,502,925)	(8,453,376)	(13,842,075)	(11,894,682)
Median	(92,543)	0	(61,364)	(408,071)	(306,016)
Net Income After Tax	3,918,555,313	2,653,610,143	1,511,166,441	2,079,246,698	692,778,233
Average	21,769,752	14,907,922	8,537,664	11,813,902	5,586,921
Median	3,461,701	3,214,509	2,043,200	1,983,641	1,408,186
Return on Policyholder Surplus	12.5%	11.8%	5.6%	9.5%	10.7%
Gross Premium	40,654,247,818	40,667,365,819	38,103,061,797	33,867,746,204	31,969,138,004
Net Premium	27,203,892,210	27,453,465,896	25,013,061,797	22,731,926,070	21,638,369,311
Gross Premium to Surplus Ratio	97%	106%	133%	131%	153%
Net Premium to Surplus Ratio	65%	72%	88%	88%	104%
Combined Ratio	104%	110%	103%	102%	110%

# You Asked For It...You Got It!

We're On-Line!  
Check out our  
new website @  
<http://www.slsot.org>

Welcome to



News &  
Information  
for the Surplus  
Lines Insurance  
Industry

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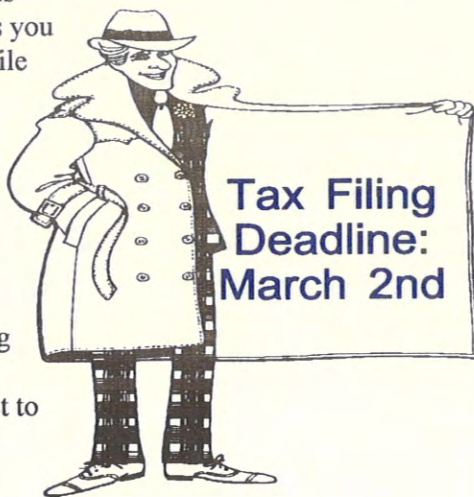
## Surplus Lines Stamping Office of Texas

- ★ [History & Purpose](#)
- ★ [Employee Directory/E-Mail](#)
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- ★ [SLSOT Procedures Manual](#)
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We want to hear from you. For questions or comments on the website, please E-Mail us at: [Info@slsot.org](mailto:Info@slsot.org)

## The Tax Man Cometh!

Don't forget -- you are legally required to pay surplus lines taxes for all premiums collected during 1997 to the Comptroller on or before March 1st. Since this date falls on a Sunday this year, the state grants you until March 2nd to file those taxes. If you held a surplus license at any time during 1997, you must file a tax report even if you wrote no surplus lines business during the year. Late tax payments are subject to both penalty and interest. ★



## 1998 Surplus Lines Insurer Filing Requirements Announced

The annual "Evidence Filing Requirements for 1998" letter was released by TDI in January and was distributed by the Stamping Office. These filing requirements are similar to those in 1997, although this year TDI will require more specific information from insurers about their business plans. In order to retain or gain eligibility and be included on the *Surplus Lines Insurer List* please timely file complete and legible evidence by the due dates contained in the TDI letter. If you did not receive this mailing or have questions about the requirements, please call the Technical Services Department, (512)346-3274, Extension 26. A copy of these requirements can also be found on our website. ★

# Bulletin Update

If you are a surplus lines agent or company that has a Surplus Lines Stamping Office of Texas Procedures Manual, here is a listing of bulletins issued prior to 1988 we suggest you retain in your manual. All other bulletins are outdated or have been addressed in the current version of the "How to File" section of the manual and can be purged. If you are missing any of these listed bulletins, you may call the Stamping Office at (512) 346-3274, ext.14 or you can copy them off our website under the heading SLSOT Procedures Manual. (see page 2)

- 92-06 Coverage by Admitted & Surplus Lines Insurers on Same Policy, Certificate or Cover Note
- 94-03 Comptroller Surplus Lines Insurance Tax Bulletin
- 94-05 (pg 2) Agent Name and Address on Surplus Lines Policies
- 95-03 SLSOT Specimen Forms Library
- 97-03.2 Lloyd's Syndicate Participation
- 97-06 Underwriters at Lloyd's Policies, Individual Syndicate Listings

*Note: Some agencies may desire to keep historical information regarding the month an insurer went on or came off the Surplus Lines Insurers List. If so, you can purge the cover page of the old bulletin and retain the old Insurers List. ★*



## Batchman's Helpful Hints

- Date extensions written through Underwriters at Lloyd's or a portion thereof, must also include a list of syndicates and their percentages of participation.
- On renewal certificates, please give us the prior year's policy number if different from the renewal number. ★

**"Thank you for calling the  
Surplus Lines Stamping Office of Texas"...**

In early November, the Stamping Office installed a new telephone software system. The system, called *Partner Mail*, provides menu-driven telephone assistance for our customers and voice mail for all staff. Customers phoning the Stamping Office are given the option of entering the extension number of a staff member, or listening to a menu which guides them in selecting the staff member who can best serve their particular needs. A Bulletin outlining these changes, including the names and extension numbers of many Stamping Office employees, was mailed to all agents in November. Employees and their extensions and E-Mail addresses are also listed on our website. We hope the new system improves customer service and efficiency. If you have any questions or comments about the telephone system, we'd like to hear from you. Please call Melinda Figeley, Director of Administration at (512)346-3274, ext.11 or E-Mail her at [mfigeley@slsot.org](mailto:mfigeley@slsot.org). ★

**SLSOT(512)346-3274**

## Data Processing Closing Dates 1998

JANUARY	January 30, 1998
FEBRUARY	February 27, 1998
MARCH	April 3, 1998
APRIL	May 1, 1998
MAY	May 29, 1998
JUNE	July 3, 1998
JULY	July 31, 1998
AUGUST	August 28, 1998
SEPTEMBER	October 2, 1998
OCTOBER	October 30, 1998
NOVEMBER	November 25, 1998
DECEMBER	December 31, 1998

*"The brain is a wonderful organ. It starts the moment you get up and doesn't stop until you get into the office."*

-author unknown



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For Your Info

### Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 12/97	Premium through 12/96	Percent Change
1 Fire(incl. allied lines)	\$218,878,745	\$224,218,268	-2.38%
2 Allied lines	\$8,295,415	\$11,088,776	-25.19%
3 Farmowners multiple peril	\$2,180,957	\$2,660,426	-18.02%
4 Homeowners multiple peril	\$39,057,547	\$29,807,156	31.03%
5 Commercial multiple peril	\$33,140,240	\$26,804,076	23.64%
6 Mortgage guaranty	\$0	\$0	0.00%
8 Ocean marine	\$16,468,595	\$15,018,958	9.65%
9 Inland marine	\$12,858,943	\$11,159,013	15.23%
10 Financial guaranty	\$0	\$0	0.00%
11 Medical malpractice	\$27,097,123	\$28,381,195	-4.52%
12 Earthquake	\$80,060	\$406,780	-80.32%
13 Group accident & health	\$61,934,934	\$60,240,503	2.81%
14 Credit A&H(group & indiv)	\$0	(\$25)	0.00%
15 All other A&H	\$1,123,333	\$2,041,317	-44.97%
16 Workers' compensation	\$0	\$0	0.00%
17 Other liability	\$503,627,344	\$543,930,378	-7.41%
18 Products liability	\$27,639,992	\$29,595,529	-6.61%
19.1 Priv.pass auto no fault	\$0	\$0	0.00%
19.2 Other privpass auto lia	\$50,239	\$46,735	7.50%
19.3 Comm. auto no fault PIP	\$0	\$0	0.00%
19.4 Other comm. auto liab	\$39,108,958	\$42,767,172	-8.55%
21.1 Priv.pass auto physical	\$1,056,632	\$449,773	134.93%
21.2 Comm auto phys.damage	\$34,511,077	\$35,808,033	-3.62%
22 Aircraft (all perils)	\$5,962,936	\$7,651,428	-22.07%
23 Fidelity	\$1,241,265	\$2,993,734	-58.54%
24 Surety	\$602,819	\$708,143	-14.87%
25 Glass	\$31,823	\$29,689	7.19%
26 Burglary & theft	\$2,467,719	\$1,936,579	27.43%
27 Boiler & machinery	\$345,739	\$32,740	956.01%
28 Credit	\$30,861,680	\$16,471,246	87.37%
31 Aggregate/other business	\$233,172	\$31,575	638.46%
<b>TOTAL</b>	<b>\$1,068,857,287</b>	<b>\$1,094,279,197</b>	<b>-2.32%</b>



### Volume 4, Winter 1998

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.

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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:

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<http://www.slsot.org>  
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