



**SLTX** SURPLUS<sup>SM</sup>  
LINES  
STAMPING OFFICE OF TEXAS

# ANNUAL REPORT

2020

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# 2020 SLTX BOARD OF DIRECTORS



Rosemarie Marshall  
Chairwoman



Penni Chambers  
Vice Chair



Teri Brinson  
Secretary



Peter Harrison



Kori Johanson



Randall Myers



Leslie Milvo



Charles Gillenwater



Lorrie Cheshier

## CORE PRINCIPLES

Integrity. Ethical and Accountable  
Communication. Clear, Consistent, and Collaborative  
Compliance. Responsive and Results Oriented  
Culture of Excellence. Specialty Focused and Value Driven

## MISSION

To provide our business partners with meaningful data, analysis, and educational resources to empower their decisions

## VISION

Lead with innovative solutions that enrich the Texas insurance and specialty marketplace

# CHAIRWOMAN'S REPORT

Rosemarie Marshall



Chair Report – 2020 Annual Report

2020 – The year that was, well, weird. The COVID-19 pandemic that forced the entire world to pivot last March made its impact known across all socio-economic classes. Companies made decisions on the fly to outfit employees to work from home and still maintain efficiencies and productivity. We learned that “Zoom” is both a noun and a verb and “you’re on mute” became the new worldwide motto.

The Surplus Lines Stamping Office of Texas certainly rose to the challenge. We welcomed our new Executive Director, Greg Brandon on March 9, 2020; in less than a week, Greg guided a work-from-home migration for an organization that was in no way prepared for such a radical operating change. The entire staff rose to the challenge and I join the Board of Directors in applauding everyone for a seamless transition.

The market is healthy and strong with record-breaking reported premiums of \$7.92 billion. This represents a 14% increase over 2019 and an unprecedented 10-year growth rate of 139% since 2010. Since its creation by the Texas Legislature in 1987, the Surplus Lines Stamping Office of Texas has facilitated a strong specialty market in the state, and 2020 further reflected that responsibility to the insurance industry.

The Board of Directors recommended and received approval from the Texas Department of Insurance (TDI) for a decrease in the stamping fee to .075%. A new Plan of Operation was posted by the TDI in July; the Board has worked hand in hand with the senior staff to implement operational changes required by the Plan. New legal counsel and financial advisors were vetted and hired. Standing committees dedicated to Board orientation and Plan of Operation review were approved, along with a working committee to develop a new procurement policy for the Stamping Office.

Significant progress was made on the implementation of SMART. Many internal policies and procedures were reviewed and updated. The Board also approved a project to migrate Stamping Office data to a cloud-based system in 2021, an improvement that truly brings Stamping Office operations into the digital world.

I am immensely proud and honored to have served the surplus lines industry as Chair of the Stamping Office in 2020. I sincerely thank the Board of Directors, SLTX Leadership team, and the staff for their hard work and dedication.

# EXECUTIVE SUMMARY

Greg Brandon



Executive Director Report – 2020 Annual Report

What. A. Year.

The stamping office (SLTX) made quite a few changes in 2020 that were without any recent historical precedent. Four of five on the leadership team were new to the role (and two of us are new to the company!); we received a new Plan of Operation; and conducted RFPs that resulted in the hiring of a new Financial Auditor and new General Counsel. Any one of those changes would count as a significant accomplishment when measured against the amount of effort required to execute them. Add in that we accomplished all in less than one year while weathering a global pandemic and shifting entirely from an office-only environment to a work-from-home environment and... Wow! What a year and what an amazing team here at SLTX.

An abundance of change required an abundance of trust and we are extremely grateful to our business partners for that trust and support. From the boardroom to the lunchroom, to the closet we tried working in at home, the year was spent learning, adapting, changing, failing, succeeding, and supporting each other and the industry. The office handled over one million filings. While not a record-setting annual number, it was well within the five-year average and all handled seamlessly while adapting to an entirely new work environment that included laptops, home offices, facemasks, and hand sanitizer. SMART, had various core functionality released to the production environment during 2020, and additional development will be pushed throughout 2021 and expect to completely transition to production in 2022.

Our board members worked very hard throughout the year, making key decisions that enhanced our ability to operate and communicate both internally and externally. We are thankful for their fantastic support and leadership as we adapted to the many challenges that 2020 presented. Their ability to analyze the needs of our business throughout the year that ultimately resulted in recommending a reduced stamping fee to the Commissioner was also very beneficial to the entire industry.

Of course, responding to the pandemic was the primary focus of the surplus lines industry itself, but behind all of that was another impressive year of premium growth. Eleven of our twelve months were records! You will see throughout this report the results of an impressive year for both the industry and the company.

We look forward to 2021 and continuing to provide the high level of service the industry has come to expect from us.

# LINES OF BUSINESS

2020 Premium, Aggregated by Coverage

Liability



\$4.0B

Property



\$3.3B

Commercial  
Multi-Peril



\$346M

Homeowners



\$222M

Accident &  
Health



\$87M

Auto



\$529M

Aviation



\$8M

Credit



\$104M

Crime



\$5M

Inland Marine



\$108M

Medical  
Malpractice



\$116M

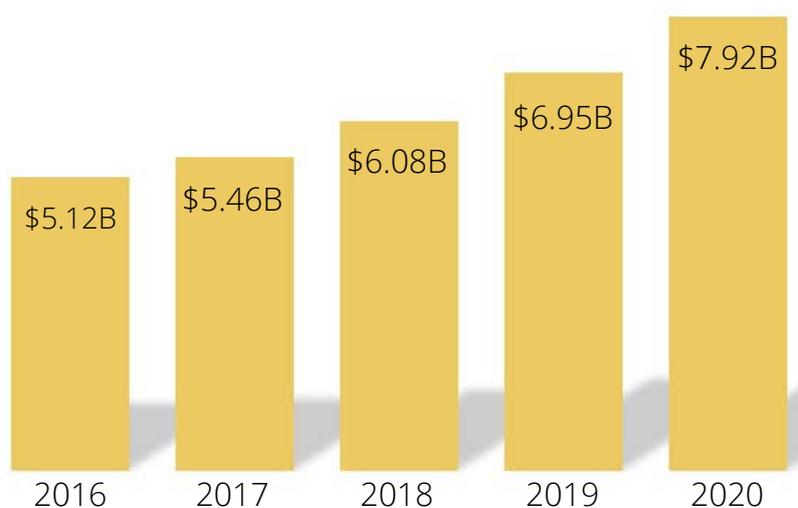
Ocean Marine



\$27M

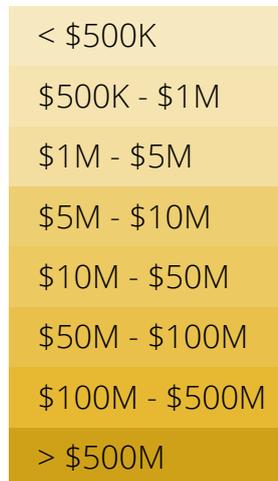
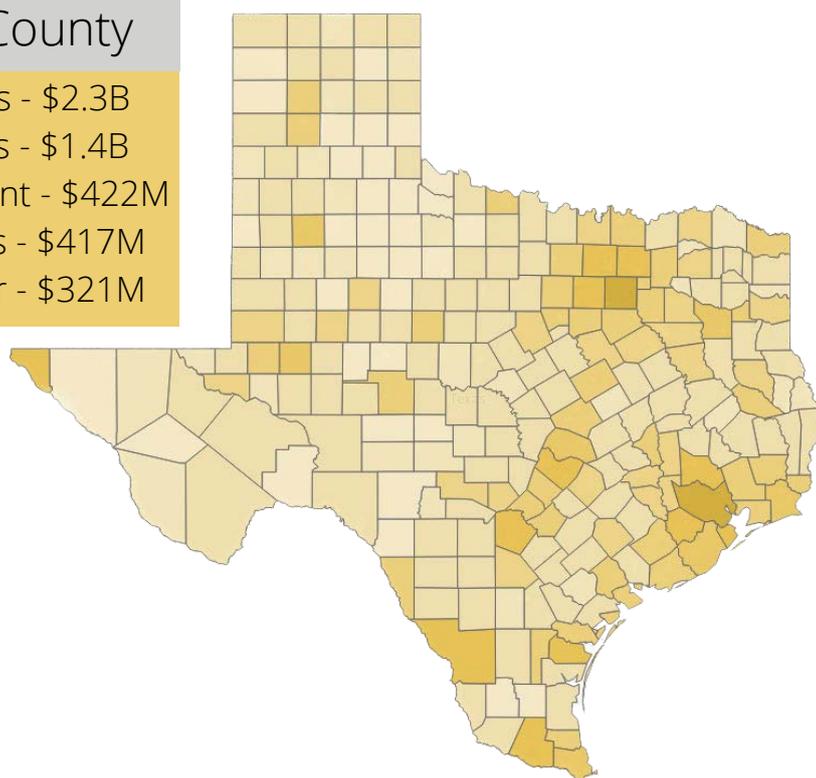
# PREMIUM HISTORY

5 Year Growth

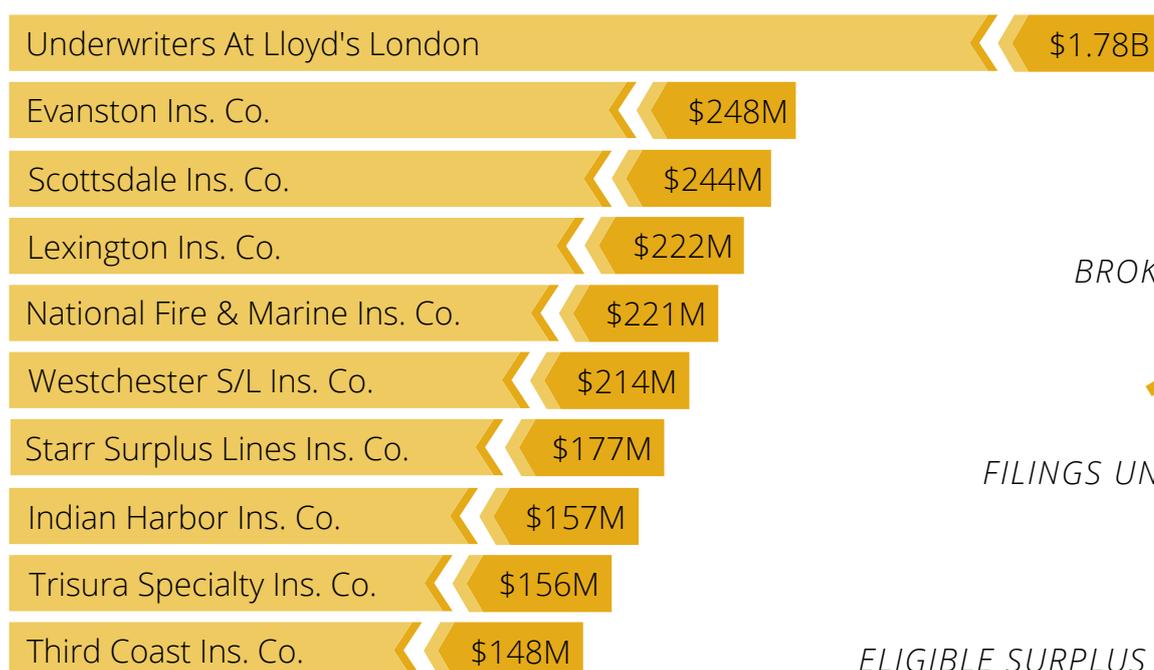


## Premium by County

Harris - \$2.3B  
 Dallas - \$1.4B  
 Tarrant - \$422M  
 Travis - \$417M  
 Bexar - \$321M



# TOP 10 INSURERS



## 961

BROKERS REPORTED

## 1.06M

FILINGS UNDERWRITTEN BY

## 252

ELIGIBLE SURPLUS LINES INSURERS

LINE OF BUSINESS	PREMIUM	%
Allied Lines	\$69.8M	56%
Difference in Condition	\$33.1M	72%
Earthquake	\$4.7M	91%
Farm/Ranch Owners	\$1.2M	78%
Fire & Allied Lines	\$1.88B	71%
Flood	\$28.5M	51%
Glass	\$6.7K	45%
Homeowners	\$153.9M	69%
Oil & Gas Package	\$14.3M	19%
Oil & Gas Property	\$10.5M	38%
Property Package	\$204.7M	76%
Special Events	\$38.6K	9%
Terrorism	\$6.5M	25%

# FINANCIALS

## ★ Investments

Company finances remained strong throughout 2020 due to stable operating costs and major capital investments primarily devoted to SMART project development. The reserve balance ended the year with approximately \$20M; a significant portion of that being the former real estate fund that was dissolved and reallocated to the undesignated fund balance in late 2019. SLTX has assets held in the form of CDs and corporate bonds at rates ranging from 0.05% to 7.00% and maturities ranging from 19 days to seven years. CDs and fixed income securities are reported at fair value based upon a matrix or model pricing method.

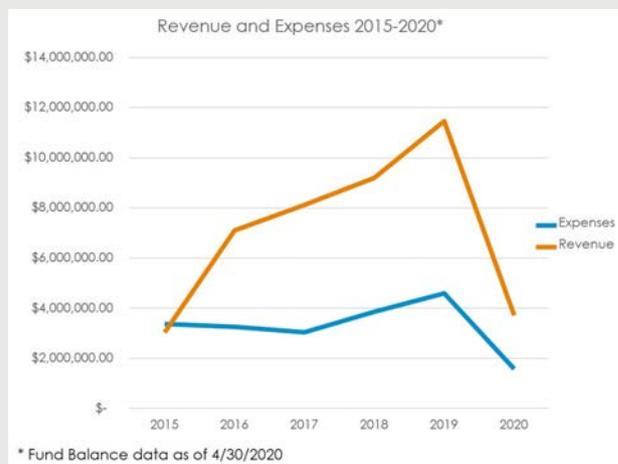
## ★ Stamping Fee Reduction

In spring of 2020, the SLTX Board of Directors recommended decreasing the stamping fee from 0.15% of gross premium to 0.075%. During the fall of 2020, Texas Department of Insurance Commissioner, Kent Sullivan signed the order which became effective January 1, 2021.

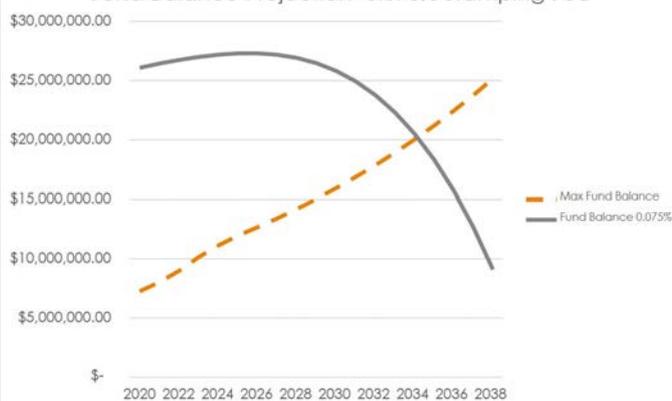
### Background

In July 2016, the stamping fee was raised from 0.06% to .15% to fund the SMART system technology project. Additionally, in 2017 and 2018, \$10.5M was allocated for Real Estate purchase. In 2019 the board decided against the purchase, and \$10M was reallocated to Undesignated funds.

The Undesignated fund balance exceeded the statutory maximum, requiring a fee reduction.



### Fund Balance Projection- 0.075% Stamping Fee



### Recommendation

Projections were created in mid-2020 to demonstrate the effect of the fee reduction.

The projection shows the Fund Balance will return to levels required by the Plan of Operation by 2034.



## 2020 SLTX TEAM

### LEADERSHIP

**Donna Aug**  
Director of Finance

**Greg Brandon**  
Executive Director

**Cheyenne Herrera**  
Director of Operations

**Denisse Orellana**  
Director of HR

**Toby Pick**  
Operations Manager

**Sholonda Stone**  
Director of ITS

### SLTX STAFF

**Rodolfo Camarena**  
IT Support Specialist

**Marcelina Gutierrez**  
Communication  
and Education  
Coordinator

**Devin Helle**  
Policy Analyst I

**Cathy Hull**  
Lead Policy Analyst

**Shantell Jackson**  
Lead Policy Analyst

**Seror Jasim**  
Junior Developer

**Dalton Moore**  
Developer

**Vanesa Moreno**  
Administrative Assistant

**Nathan Onks**  
Senior Policy Analyst

**Tyler Prideaux**  
Policy Analyst I

**Christian Robinson**  
Data Analyst I

**Sharmila Subedi**  
Business Analyst

**Isaiah White**  
Senior Developer

**Lourdes Wong**  
Policy Analyst

**Ming Zhou**  
Accountant