



Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas

SLSOT BOARD OF DIRECTORS



Left to right: Frigo, Haverlah, Michell, Meyer, Kirk, Bancroft, Bulla, Conner, Brown

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The nine members of the Stamping Office Board of Directors are appointed by the Texas Commissioner of Insurance. Each director serves on the Board for a term of three years. Five directors are appointed from the surplus lines insurance industry and four represent the general public. Public members must have three years of experience in purchasing commercial insurance. (Article 1.14-2, Subsection 6A(c), Texas Insurance Code)

James Brown, Chairman
Neil Haverlah, Vice-Chair
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Lower Colorado River Authority
Texas General Agency, Inc.
Swett & Crawford of Texas, Inc.
City of Fort Worth
Crump Insurance Services of Texas, Inc.
City of Amarillo
City of Bryan
Admiral Insurance Company

As a result of the Gramm-Leach-Bliley (GLB) Act passed by Congress at the end of 1999, we can expect significant changes in many areas of state insurance regulation. GLB tore down regulatory walls that have existed between commercial banking, insurance, and investment banking since the Great Depression. One change we can anticipate with certainty involves the licensing of insurance agents. Licensing was once solely under the domain of the individual states, with a resulting total lack of uniformity in how licenses were issued. GLB mandates the creation of a federal licensing body ("NARAB") if at least 29 states cannot agree to establish uniform or reciprocal licensing arrangements before November of 2002. To avoid NARAB's preemption of their licensing authority, the various states are



moving with some speed to revise their laws, under the guidance of the National Association of Insurance Commissioners. GLB also provides that the states must issue a license to a non-resident applicant if he meets very minimal criteria. The non-resident agent could then operate on the same basis as a resident licensee. Since Texas has always prohibited non-residents from doing the business of insurance directly in the state (whether admitted or surplus lines), this will be a fundamental change to our law.

It is clear non-resident licensing of SL agents will be in TDI's legislative proposals when the Texas Legislature convenes in January of 2001. We understand that TDI will require non-resident SL agents to report policies involving Texas insureds and Texas risks to the Stamping Office, just as it requires of resident agents. We don't

really know what the volume of this non-resident business might be. We just know it's coming.

One school of thought suggests the big players desiring to operate in Texas have already established a market presence here, meaning the impact of non-resident licensing will be minimal. On the other hand, we know from tax audits by the Comptroller that out-of-state agents write a significant volume of business for Texas insureds through SL insurers without the involvement of a resident SL agent, with the taxes often paid to the agents' resident states. (It may be "unauthorized", but it occurs frequently.) If these agents were to obtain non-resident SL licenses, there should be significant amounts of new Texas SL business (and concomitant premium taxes) reported. H

*Phil Ballinger, CPCU, ASLI
General Manager*

Surplus Lines Filing Fundamentals

A Stamping Office Policy Filing Workshop

Have all your filing questions answered at the Surplus Lines Stamping Office of Texas free educational filing workshops. These seminars are designed for agency staff responsible for filing surplus lines policies with the Stamping Office. We especially encourage any staff new to the filing process and all agencies that receive numerous "tags" from our office to attend one of these sessions. A broad range of topics will be covered, from the basic fundamentals of how to file to more advanced, complex problem resolutions. These workshops have been filed with the Texas Department of Insurance for 2 hours of continuing education credit.

What will be covered?

- Submission Requirements
- Avoiding "tags"
- Resolving ineligible securities
- Correcting errors

Who should attend?

- Staff responsible for filing policies
- Staff new to the filing process
- Agencies receiving numerous "tags"

San Antonio, TX

Wednesday, September 6, 2000
San Antonio Convention Center
Seminar: 1:30 p.m. - 4:00 p.m.

Arlington, TX

Wednesday, September 20, 2000
Arlington Convention Center
Seminar: 9:30 a.m. - 12 noon

Houston, TX

Thursday, September 28, 2000
Westin Galleria - Galleria Tower
Seminar: 9:30 a.m. - 12 noon

Registration:

Registration brochures were mailed to all *SLSOT Procedures Manual* holders in June. To request a brochure, please call the Stamping Office at (512) 346-3274 x 226 or 219.

For additional information or to register on-line, visit us at www.slsot.org

Limited Seating Register Now!

- Who
- What
- When
- Where
- Why

How to File Surplus Lines Policies With the Stamping Office

TWIA

Texas Windstorm Insurance Association

The Texas Windstorm Insurance Association (formerly Texas Catastrophe Property Insurance Association, or Catpool) was created by the Texas Legislature in 1971 to provide a source of windstorm and hail insurance for residents of the coastal areas of the state when such coverage is not available through the voluntary market.

Companies who are licensed to write allied lines property coverage in the state of Texas are, by law, members of the Texas Windstorm Insurance Association (TWIA). These insurers are required to report net direct premiums to TWIA.

Beginning in 1987, all non-admitted insurers affiliated with a licensed insurer were likewise required to make reports. Affiliated insurers, whether admitted or surplus lines, are defined as a group for TWIA assessment allocation purposes.

Premium information for surplus lines insurers is provided to TWIA by the Stamping Office, in accordance with our Plan of Operation, since these insurers are not regulated by the state. We compile premiums for property coverage (where extended coverage is included) written on Texas exposures during the previous calendar year. Surplus lines premium information is

combined with data from affiliated licensed companies to determine a group's annual participation in the wind pool.

Incorporating EC and allied lines/property surplus lines premium reported by the Stamping Office, TWIA calculates a company group's percentage of participation. If windstorm coverage is voluntarily written in the area located along the Gulf coast (designated as the "catastrophe area" or "first tier" counties by the TWIA Plan of Operation), the company group is entitled to receive a reduction in its participation in that year's assessment computation.

Thus, surplus lines property policies reported to the Stamping Office should include the extended coverage rating territory (location) to ensure premiums can be allocated correctly between first tier counties and the remainder of the state.

TWIA furnishes premium data to the company groups, who then have 30 days to contest the information. After this deadline, TWIA will provide each group its calculated percentage of participation. Groups have another 30 days in which to protest. The final percentages would be used to determine the assessments for each member company group. Assessments are necessary only in the event TWIA loss reserves prove insufficient to pay covered claims arising from a hurricane. To date, the only assessment ever made occurred in 1983, following Hurricane Alicia. H



Reminder on Tax Trust Accounts

As of January 1st, surplus lines agents are no longer required to maintain special bank accounts for their premium taxes. These taxes can now be paid out of agency operating accounts. However, many agents are electing to retain their tax trust accounts, believing this makes it easier to monitor premium taxes owed to the state. The Comptroller advises us that agents choosing to keep their old tax accounts should remove "Texas Department of Insurance" from the account title and discontinue using TDI's federal employer identification number on the account. H



Batchman's Helpful Hints

Be sure the Surplus Lines Agent name you show on the Transmittal and Verification Slip is either the name just as it's shown on the license or else the approved trade name.

When providing the securities on policies, you must use the complete name of the company, just as it's shown on the TDI's insurer list. Do not omit any of the words. H

Who's New?

The Stamping Office welcomes Veronica Valdez, who joins us as Assistant Processing Supervisor. H





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Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 6/00	Premium through 6/99	Percent Change
1 Fire (incl. allied lines)	\$112,955,161	\$110,202,940	2.5%
2 Allied lines	\$4,703,253	\$3,758,005	25.2%
3 Farmowners multiple peril	\$913,888	\$1,183,538	-22.8%
4 Homeowners multiple peril	\$20,305,868	\$20,071,315	1.2%
5 Commercial multiple peril	\$13,931,004	\$11,187,108	24.5%
6 Mortgage guaranty	\$0	\$0	0.0%
8 Ocean marine	\$4,663,293	\$5,021,973	-7.1%
9 Inland marine	\$12,495,954	\$9,752,756	28.1%
10 Financial guaranty	\$0	\$0	0.0%
11 Medical malpractice	\$7,925,228	\$5,967,993	32.8%
12 Earthquake	\$0	\$176,834	-100.0%
13 Group accident & health	\$28,589,018	\$33,209,280	-13.9%
14 Credit A&H (group & indiv)	\$0	\$0	0.0%
15 All other A&H	\$16,762	\$9,338	79.5%
16 Workers' compensation	\$0	\$0	0.0%
17 Other liability	\$247,001,935	\$225,812,398	9.4%
18 Products liability	\$8,847,609	\$10,542,311	-16.1%
19.1 Priv pass auto no fault	\$0	\$0	0.0%
19.2 Other priv pass auto lia	\$37,196	\$31,142	19.4%
19.3 Comm. auto no fault PIP	\$0	\$0	0.0%
19.4 Other comm. auto liab	\$16,076,933	\$14,863,227	8.2%
21.1 Priv pass auto physical	\$479,536	\$472,023	1.6%
21.2 Comm auto phys.damage	\$21,846,493	\$16,780,114	30.2%
22 Aircraft (all perils)	\$1,012,884	\$2,116,666	-52.2%
23 Fidelity	\$227,602	\$220,264	3.3%
24 Surety	\$109,443	\$552,835	-80.2%
26 Burglary & theft	\$946,461	\$755,893	25.2%
27 Boiler & machinery	\$108,257	\$125,956	-14.1%
28 Credit	\$18,451,574	\$16,347,977	12.9%
31 Aggregate/other business	\$57,366	\$102,675	-44.1%
TOTAL	\$521,702,718	\$489,264,561	6.6%

Note: Due to rounding figures may not total

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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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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>

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