



Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas

On the Horizon ~ 2003 Points of Interest

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A SLSOT
Special Report

*The following comments are by
Phil Ballinger, CPCU, ASLI, General
Manager of the Surplus Lines
Stamping Office of Texas.*

Commissioner Re-Appointed

Governor Perry has appointed Jose Montemayor for a third term as Commissioner of Insurance. He must still undergo confirmation hearings in the Senate. In my view, Commissioner Montemayor has shown an understanding of the surplus lines market surpassing that of any Texas commissioner in recent history...

Texas Legislature

The convening of the 78th Texas Legislature on January 14th marked the beginning of what will prove a difficult session. Comptroller Strayhorn (fka Rylander) has issued notice of a \$9.9 billion shortfall under the state's \$117 billion biennial budget, making fiscal concerns paramount. For the first time since Reconstruction, the Republican Party holds a majority in both the House and Senate. (Republicans already occupy every statewide office.) Lt. Governor Dewhurst and Speaker Craddick indicate the first priority will be cuts in outlays, rather than revenue enhancements through tax/fee increases. However, a special session may well be necessary to address budgetary matters. In response to the homeowners insurance market crisis, Governor Perry has officially declared the need for rate oversight of unregulated personal lines writers as an emergency matter requiring immediate legislative consideration. Bills have been filed that would bring policies issued by Texas Lloyd's and county mutuals under rate regulation. To date, none of these proposals have dragged in surplus lines. You can read the text and monitor the progress of proposed legislation that would affect the surplus lines market on the SLSOT website at www.slsot.org...

SLSOT Premium Reportings

Total Texas surplus lines premium processed by the Stamping Office exceeded \$2.506 billion in 2002, a 66% increase over the prior year. Similar increases are being reported by the managers of other stamping offices...

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premium processed by the
Stamping Office exceeded
\$2.506 billion in 2002, a 66%
increase over the prior year.

Last year agents began reporting allocation of "multi-state" (non-Texas) and "exempt" premiums on policies filed with the Stamping Office. For 2002, multi-state premium totaled \$232.2 million and exempt premium totaled \$109.4 million...

Terrorism Risk Insurance Act

The federal Terrorism Risk Insurance Act of 2002 has created many questions for the surplus lines market regarding reporting and taxation of premiums charged for terrorism coverage. This is particularly the case when a policyholder pays premium directly to the insurer, based upon the mandatory notice sent by the carrier. The Comptroller is presently evaluating this problem. For Stamping Office purposes, only report an endorsement to an existing

surplus lines policy that provides or excludes terrorism coverage if it reflects a change in premium...

Processing Cost Per Policy

The Stamping Office's average cost to process a surplus lines policy in 2002 was \$5.81 on a "total expense" basis, reflecting an increase of 2.5% over 2001. When measured using only direct labor costs (i.e., total office salaries & benefits), which eliminates the impact of non-cash expenses such as depreciation and amortization, average cost per policy in 2002 was \$3.26, a decrease of more than 7% over the prior year...

Texas Insurance Code

Article 1.14-2 of the Texas Insurance Code (the surplus lines insurance statute) was recodified as Title 6, Chapter 981 during the last legislative session. The recodification project was intended to simplify and clarify statutory language, without making any substantive change in meaning or application of existing law. However, the effective date for Chapter 981 was made June 1, 2003 in case any "fixes" are necessary during the current session. **H**

SLSOT Employee News

Elaine White, Director of Data Services, recently recognized Veronica Valdez and JoAnn Rodriguez for their performance in the management of the Data Services Department by naming Ms. Valdez Document Processing Supervisor and Ms. Rodriguez Data Entry Supervisor. **H**

We are pleased to announce our relocation to Las Cimas Office Park. Please make note of these changes to avoid correspondence and filing delays.



**805 Las Cimas Parkway
Suite 150
Austin, TX 78746**

Send policy filings to:

**P.O. Box 160170
Austin, TX 78716-0170**

The following information will remain the same.

**Phone: (512) 346-3274 Fax: (512) 346-3422
General E-mail: info@slsot.org
SLSOT Website: www.slsot.org**

2003 Evidence Filing Requirements Set for Texas Surplus Lines Insurers

The annual "Evidence Filing Requirements for 2003" letter has been released by the Texas Department of Insurance (TDI) and distributed via bulletin #SO-2003-01 by the Stamping Office. These filing requirements are in accordance with the Texas Insurance Code, Article 1.14-2 and related provisions of the Texas Administrative Code (28 TAC Section 15.8). Subsection 15.8 (j) requires the Texas Department of Insurance to maintain the "Surplus Lines Insurers List" compiled from the information submitted to meet the

eligibility requirements. 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 first filing deadline for foreign (US) insurers is March 31, 2003.

You can locate a full copy of the filing requirements on our web site at www.slsot.org or request a copy by mail, or by calling the Financial Analysis Department, (512) 346-3274, ext. 220. **H**

Commissioner Appoints New Directors for SLSOT

In January, Commissioner Montemayor announced three appointments to SLSOT's Board of Directors. As an industry member - Daniel E. Whitt, Executive Vice President, Rigg Insurance Managers, Inc., Dallas. As public members - Alan W. Smith, CPCU, Risk Manager, Garland Independent School District, Garland and Colleen E. Cummings, ARM, Risk Manager,

The Hanover Company, Houston. They will serve three year terms, until December 31, 2005. The new directors will replace Simon Bancroft of Dallas, Dean Frigo of Amarillo, and Cynthia Kirk of Bryan, whose terms expired at the end of 2002. The Stamping Office extends its appreciation to Simon, Dean, and Cindy for their dedication and commitment while serving on the

Board.

As required by the Insurance Code, the Board of Directors consists of nine members appointed by the Commissioner of Insurance to three year staggered terms. There are five industry and four public members. Public members are required to have at least three years of experience in the purchase of commercial insurance. **H**

Surplus Lines Premium Tax Filing Deadline Approaching

All surplus lines premium taxes from 2002 business are due to the Texas Comptroller of Public Accounts by March 1, 2003. If you held a surplus lines agent's license at any point during 2002, you are required to file a tax report, even if no tax is due. Tax forms will be mailed to each surplus lines agent by the Comptroller's Office during the month of January. If you do not receive a form, please call the Comptroller at (512) 463-4074. Also, please remember you are now required to file taxes electronically if your tax liability last year exceeded \$100,000. (Refer to SLSOT Bulletin 2001-13.)

By now, you should have received a summary of all business processed for your agency by the Stamping Office during 2002. If you have not received your Agents Annual Report, please call SLSOT at (512)346-3274 x 228. **H**

Note: Additional information and links to tax forms can be located on our website at www.slsot.org. Click on Agent Information.

E-Filing System Update



Development of the electronic filing system continues to move forward. A presentation of the functionality of the system was made to the

Texas Surplus Lines Association at their annual meeting in November. Unit testing of individual

components is being conducted, prior to integral system testing. We are also preparing for agent testing. Technical information, including specifications for file format, data elements, coverage and classification tables and transaction type codes will be available in the near future to those agents who will participate in the testing process. **H**

Helpful Hints

n Policies replacing binders should be submitted on a non-premium Transmittal. Reporting the premium again results in duplication of the premium, tax and stamping fee.

n When responding to a tag memo, an explanation should be given if the tag is to be removed with no other action. If an item is submitted for processing as the result of a tag, it must be submitted along with a new Transmittal and Verification Slip.

n When preparing your Transmittal and Verification Slip for submission, please be sure your license number is correct, just as it's shown on your license. Also verify that each item listed on the Transmittal is actually included in the batch.

n When submitting Renewal Certificates for processing, be sure to include the expiring policy number if the number has changed in any way, such as adding -1 or R2, etc. **H**



Kantor Honored as 2002 Employee of the Year

Janet Kantor was recently honored as the 2002 SLSOT Employee of the Year. This award recognizes the drive and dependability she demonstrates daily that makes her such a valued employee. Ms. Kantor began her employment with the Stamping Office in 1990 as a Microfilm Clerk. In 1994 she made the move from Document Processing to the Data Entry Department as a Data Entry Examiner I. After two promotions, Janet now holds the position of Data Entry Examiner III. We appreciate the level of commitment Janet has shown throughout the years and congratulate her on this award. **H**



Lone Star Lines
 Surplus Lines Stamping Office of Texas
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 Austin, Texas 78716-0170

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Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 12/02	Premium through 12/01	Percent Change
1 Fire (incl. allied lines)	\$725,013,513	\$391,448,609	85.2%
2 Allied lines	\$42,654,781	\$21,559,773	97.8%
3 Farmowners multiple peril	\$1,225,199	\$1,510,535	-18.9%
4 Homeowners multiple peril	\$94,666,493	\$46,121,332	105.3%
5 Commercial multiple peril	\$43,115,934	\$21,200,406	103.4%
8 Ocean marine	\$12,131,234	\$6,616,414	83.4%
9 Inland marine	\$54,549,413	\$39,804,385	37.0%
11 Medical malpractice	\$58,083,094	\$28,364,313	104.8%
12 Earthquake	\$54,588	\$183,215	-70.2%
13 Group accident & health	\$109,396,625	\$85,575,670	27.8%
15 All other A&H	\$100,788	\$82,096	22.8%
17 Other liability	\$1,106,635,320	\$681,083,754	62.5%
18 Products liability	\$37,770,302	\$21,112,970	78.9%
19.2 Other priv pass auto lia	\$13,411	\$19,688	-31.9%
19.4 Other comm. auto liab	\$82,206,092	\$47,227,050	74.1%
21.1 Priv pass auto physical	\$1,203,816	\$1,029,092	17.0%
21.2 Comm auto phys.damage	\$69,101,823	\$56,593,738	22.1%
22 Aircraft (all perils)	\$3,807,978	\$2,098,677	81.5%
23 Fidelity	\$1,095,888	\$1,116,301	-1.8%
24 Surety	\$619,202	\$571,903	8.3%
26 Burglary & theft	\$3,434,957	\$2,251,757	52.6%
27 Boiler & machinery	\$67,415	\$29,982	124.9%
28 Credit	\$57,844,715	\$51,491,862	12.3%
31 Aggregate/other business	\$1,404,567	\$1,285,776	9.2%
TOTAL	\$2,506,197,148	\$1,508,379,298	66.2%

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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