

Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas



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Bits & Pieces

Phil Ballinger, Executive Director

NRRA...

Like all states, Texas is considering legislation in response to the requirements of the federal Nonadmitted & Reinsurance Reform Act (NRRA). Likely insurance code amendments include expressly restricting regulatory and taxing authority to policies where Texas is the home state of the insured, incorporating exempt commercial purchaser provisions into state diligent effort requirements, and recognizing the limitations on Texas in determining insurer eligibility. The NRRA becomes effective in July 2011.



NIMA/SLIMPACT...

Under the NRRA, Congress stated an intention for the states to adopt uniform requirements, forms, and procedures, such as an interstate compact, for the reporting, payment, collection, and allocation of nonadmitted insurance premium taxes. There are currently two interstate agreement proposals before the states responding to this intent. The NAIC has

endorsed the Nonadmitted Insurance Multi-State Agreement (NIMA), a tax-only arrangement that addresses the tax uniformity and allocation issues. However, NIMA is not a broad regulatory compact. Details regarding its governance and operation remain to be developed. SLIMPACT, the Surplus Lines Insurance Multi-State Compliance Compact, was amended in November and is now known as "SLIMPACT-LITE." It has been endorsed by the National Conference of Insurance Legislators (NCOIL), National Conference of State Legislatures (NCSL), and Council of State Governments (CSG). SLIMPACT-LITE focuses on the tax problems, but also gives authority to a compact commission to develop uniform insurer eligibility standards, thus restoring important consumer protections taken away by the NRRA.

Each state must choose whether to join one of the agreements. The tax system for states not joining an interstate agreement reverts in July to a de facto single situs model. Since under the NRRA only the home state of the insured can require a tax payment, the home state on a multi-state policy could collect and keep 100% of the taxes, provided it had amended its own laws to permit taxation of the entire premium and not just the portion allocated to risks within the state.

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TDI Policy Count Data Call...

TDI Commissioner's Bulletin (#B-0001-11) requires that all insurers, including surplus lines insurers, provide to the agency the number of Texas policies in force as of December 31, 2010. The Stamping Office is responding to this data



call again this year on behalf of those surplus lines carriers not wishing or able to directly provide the information themselves. In past years, SLSOT's involvement has been at the request of both NAPSLO and PCI. The Stamping Office provided preliminary data to each insurer in mid-January and will update the information in March, prior to reporting the data to TDI. Please refer questions regarding the data call to Elaine White, SLSOT's Director of Data Services, at 512-225-1853.

Late Filers Report...

Timely filing of surplus lines policies/policy data has assumed a



much higher priority in the operations of many agencies, following significant enforcement actions begun

by TDI in 2010 against "late filers." Texas law requires a policy to be reported within the later of 60 days of the policy's issue or effective date. As discussed in a bulletin dated January 19, the once-annual

Late Filers Report distributed by the Stamping Office becomes a monthly report beginning in February. Please review this bulletin (accessible at the Stamping Office website www.slsot.org) if you have not already done so, as it summarizes important issues related to policy reporting. For those agencies continuing to report policies through paper submissions, we remind you that use of the Electronic Filing System (EFS) can result in a dramatic reduction in the potential for late filings.

Texas Legislature...



The 82nd Session of the Texas Legislature began January 11. Important and

contentious issues it must address before its scheduled May 30 adjournment include a multi-billion dollar budget deficit, congressional redistricting, renewal of the Texas Department of Insurance following its sunset review, and necessary statutory revisions because of the NRRRA as noted above.

Premium Reporting/ Policy Surcharges to Fund TWIA Claims...

TDI has published for final adoption a series of regulations defining procedures necessary to meet the requirements of HB 4409 from the last legislative session in 2009. The bill provided for issuance of three classes of public securities to provide funding for claims payment by the Texas Windstorm Insurance Association

(TWIA) following a large hurricane. These rules require the reporting of all premium allocable to property or operations insured in coastal counties. The reporting requirement includes policies issued by the nonadmitted affiliates of licensed insurers. Reporting would permit the Commissioner to determine an appropriate premium surcharge rate to impose on coastal policies to service Class 2 securities, should their issuance become necessary. The regulations will require significant enhancements to computer systems and reporting practices of insurers and surplus lines agents. The Stamping Office is a probable participant in the collecting and reporting of surplus lines premium allocable to coastal counties.


New Director Appointed

Commissioner Mike Geeslin has named Evelyn Miller, Director of Insurance and Contract Services, Baylor University, to the SLSOT Board of Directors. She will serve a 3-year term. We congratulate Ms. Miller on her appointment and look forward to her participation on our Board!

Other members of the SLSOT Board of Directors include Phillip B. Dendy, Director, Risk Management, The University of Texas System; Nikolas G. Kapatos, Sr. Vice President, Sterling Bancshares, Inc.; Len Kaplan, CPA, CIC, Executive Vice President & Chief Financial Officer, Delta General Agency Corporation; Lana Parks, CPCU, President, The Parks Group; and Nancy Stucky, Risk Manager, The Mitchell Family Corp. ★

Surplus Lines Company Filing Requirements for 2011

Important Notice:



The federal NIRA will impose significant restrictions on a state's ability to determine insurer eligibility. Texas is still reviewing the impact of that legislation on its procedures. At this point, insurer evidence filing requirements and other matters related to eligibility remain as in past years, pending notice of change from the Texas Department of Insurance.

The Texas Department of Insurance (TDI) will release soon the 2011 annual Evidence Filing Requirements Letter for surplus lines insurers. The Stamping Office will distribute the letter in a bulletin as soon as it becomes available. These filing requirements are in accordance with the Texas Insurance Code (Code) and related provisions of the Texas Administrative Code (Rules). The Code and Rules require TDI to maintain a "Surplus Lines Insurers List" compiled from the information submitted by insurers that meet the eligibility provisions. 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 evidence filed must clearly identify the insurer. The first filing deadline for foreign (U.S.) insurers is March 31, 2011. Please note that certain evidence can be transmitted electronically. Insurers failing to file required evidence in a timely manner may be subject to removal from the insurers list and have "Restricted Eligibility" imposed until the requirement deficiency is corrected. Restricted eligibility allows an insurer to remain on the Insurers List to service existing policyholders, but prohibits any new business. ★

You can locate a copy of these requirements at www.slsot.org when they become available.

EFS Quick Tips

Electronic Policy Filing

- If a batch is duplicated on the last day of the month, we will not be able to notify you of the duplication. It will be necessary for you to reverse each item individually from the batch - as opposed to deleting the duplicated batch if it is found within the current month.
- We recommend that you do not wait until the last day of the month to post all of your EFS batches at one time. If there are any errors or tags, you may not be able to complete the appropriate research and make the necessary corrections before the month closes. If you wait until after hours or over the weekend, you will not have access to the EFS Help Desk staff for assistance. And, while it is not necessary that you correct all errors generated in the month within that same month, many agencies utilize our monthly reports for monthly reconciliation purposes. ★

Helpful Hints

Paper Policy Filing

- When submitting security corrections, please use the GREEN Security Correction Transmittal & Verification Slip for appropriate handling.
- By law, you must notify TDI directly when you have a change of address. It's not enough to call us or send us an email telling us of the change.
- Be certain your license number is correct when preparing the Transmittal & Verification Slip for submission. ★

Taxes Due March 1

Taxes on all 2010 surplus lines business are due to the Texas Comptroller of Public Accounts by March 1, 2011. If you held a surplus lines agent's license at any point in 2010, you are required to file a tax report, even if you wrote no business during the year. This applies to both individual and agency licensees. Remember that each agency must pay taxes based on its own internal accounting records, not on SLSOT's Annual Agent Report. Additional information can be found on the Comptroller's Window on State Government website at:

<http://window.state.tx.us/>. ★

Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 1/31/2011	Premium through 1/31/2010	Percent Change
1 Fire (incl. allied lines)	\$38,943,138	\$44,362,091	-12.22%
2 Allied lines	\$1,784,851	\$1,389,215	28.48%
3 Farmowners multiple peril	\$98,688	\$29,113	238.99%
4 Homeowners multiple peril	\$6,883,573	\$5,440,446	26.53%
5 Commercial multiple peril	\$11,378,434	\$5,087,193	123.67%
8 Ocean marine	\$1,503,266	\$210,464	614.26%
9 Inland marine	\$3,686,077	\$3,689,629	-0.10%
11 Medical malpractice	\$2,462,723	\$1,406,217	75.13%
12 Earthquake	(\$1,578)	\$124,727	-101.27%
13 Group accident & health	\$6,587,026	\$8,244,127	-20.10%
15 All other A&H	\$575,581	\$280,327	105.32%
17 Other liability	\$89,335,755	\$87,494,761	2.10%
18 Products liability	\$1,321,175	\$940,823	40.43%
19.2 Other private passenger auto liability	\$0	\$520	-100.00%
19.4 Other commercial auto liability	\$9,170,416	\$6,216,960	47.51%
21.1 Private passenger auto physical	\$237,549	\$144,727	64.14%
21.2 Commercial auto physical damage	\$3,203,830	\$3,877,907	-17.38%
22 Aircraft (all perils)	(\$1,315,981)	\$357,459	-468.15%
23 Fidelity	\$250,897	\$19,604	1179.83%
24 Surety	(\$1,604)	\$0	0.00%
26 Burglary & theft	\$260,014	\$461,635	-43.68%
27 Boiler & machinery	(\$15,500)	(\$260,010)	94.04%
28 Credit	\$23,623,346	\$30,054,332	-21.40%
31 Aggregate/other business	\$0	\$73,961	-100.00%
TOTAL	\$199,971,676	\$199,646,228	0.16%

Note: Due to rounding figures may not total



Lone Star Lines

Surplus Lines Stamping Office of Texas
805 Las Cimas Parkway, Suite 150
Austin, Texas 78746

Phone (800) 449-6394
Local in Austin (512) 346-3274
Fax (512) 346-3422

www.slsot.org
e-mail: info@slsot.org

The "Lone Star Lines" newsletter is published quarterly by the Surplus Lines Stamping Office of Texas for surplus lines agents, companies, and others involved in the surplus lines industry.

The Lone Star Lines staff includes Phil Ballinger, CPCU, ASLI; Dalén Keith, CIW; Elaine White, ASLI; and Brian Wilds, CPA, ASLI.

We invite readers to suggest topics for articles that may be of interest to others.

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