

Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas



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Bits and Pieces in 2013...

TDI's Report to Legislature Includes Surplus Lines Items

The Texas Department of Insurance biennial report to the Legislature includes the following suggested changes to Texas surplus lines laws:

- Eliminate the requirement that a licensed surplus lines agent also hold a property and casualty license.
- In recognition of the provisions of the federal Nonadmitted and Reinsurance Reform Act (NRRRA), amend Chapter 981 of the Insurance Code.



- Limit the applicability of the section to insurance that is issued to an insured whose home state is Texas.
- Remove the diligent effort requirements for "exempt commercial purchasers."
- Revise statutory eligibility requirements for US and for alien insurers.

The 83rd session of the Texas Legislature convened January 8, 2013 and is scheduled to close 140 days later, on May 27.

Texas Surplus Lines Premium Exceeded \$4 Billion in 2012

Premium on policies reported to SLSOT in 2012 totaled more than \$4 billion, a record volume. This represented an increase of \$767 million over 2011, a rise of nearly 24%. Premium insuring non-Texas exposures on multi-state policies where Texas was the "home state" was \$311 million. Under the NRRRA, the "home state" has the option of taxing premium on exposures located in other states on a multi-state surplus lines transaction. Like most other large-market states (including California, New York, Illinois, and Pennsylvania), Texas has elected to follow that approach.

More detailed Texas premium information on coverages and individual insurer totals is available on the Stamping Office website (www.slsot.org) under "TX Market Data." Total filings submitted by surplus lines agents for the year were 824,798, a decrease

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of 1.2% from the prior year. Since large increases in both premium and filings typically accompany a true “hard” insurance cycle, the Texas surplus lines market did not appear to meet that description in 2012.

TDI Policy Count Data Call

As in recent years, a Texas Commissioner’s Bulletin (#B-0001-13) requires that all insurers, including surplus lines carriers, provide the number of Texas policies in force as of December 31, 2012. For surplus lines policies, this is applicable to transactions where Texas is the home state of the insured. The Stamping Office is responding to this data call again in 2013 on behalf of those surplus lines insurers not wishing or able to directly provide the information themselves. SLSOT provided preliminary data to each insurer in 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.

Training of Agency Staff

SLSOT sometimes encounters an agency having problems with policy reporting and finds the cause to be staff with inadequate knowledge and training. This can be due to either poor understanding of insurance basics or little familiarity with SLSOT policy filing procedures. Our staff is available to assist with training for accurate reporting and prevention of late filings. We have several training videos and other learning resources available on our website at www.slsot.org under the Publications & Education menu. We also strongly recommend that even members of agency staff filing policies with the Stamping Office be provided some minimal understanding of the operation of the surplus lines market.

Insurance Premium Tax - Electronic Reporting & Payment

An Update from the Texas Comptroller of Public Accounts

The Comptroller’s electronic reporting and payment system (Webfile - www.window.state.tx.us/webfile/) provides cost savings and convenience when filing your insurance reports. Reporting and paying options are available electronically 24 hours a day, seven days a week, so we encourage you to use these services to save time, money and paper.



The WebFile system allows taxpayers to submit payment by credit card, electronic check or, if enrolled, via TEXNET. The TEXNET system is the state’s electronic funds transfer system. If you owe more than \$100,000 in tax, you must use the TEXNET system.

Reporting Premium Taxes - The electronic reporting system is available to all taxpayers submitting premium tax data. Taxpayers who paid \$50,000 or more in premium taxes for the previous tax year are required to electronically file their reports. Taxpayers required to file electronically do not receive paper forms from the Comptroller’s office, whether the taxpayer actually filed electronically or not. Voluntary electronic filers who report twice using the WebFile system no longer receive paper forms. Instead, we send an email to the address registered with the WebFile system to remind taxpayers of upcoming tax filing deadlines, so keep that address current!



How to Login to WebFile - To log in to WebFile, you will need your 11-digit taxpayer number and the WebFile or RT number. Your RT number is unique and is pre-printed on the blank tax report that is mailed to you. You will create a User ID and password and can use that information to file multiple reports.

Paying Premium Taxes - Taxpayers who paid \$10,000 or more in the preceding state fiscal year must transmit payments electronically by Electronic Funds Transfer (EFT) via WebFile or pay by credit card.

Taxpayers who paid \$100,000 or more in the preceding fiscal year are required to pay via the TEXNET system. You must enroll in the TEXNET system prior to use, so contact us early to ensure you don’t miss your deadline. Taxpayers who are subject to mandatory electronic filing and payment of insurance premium tax who fail to do so are subject to a 5 percent penalty.

TEXNET payments must be submitted by 6:00 p.m. CDT the day before the deadline (this year, by February 28, 2013). Failure to submit TEXNET payments by the 6:00 p.m. deadline or failure to report or pay electronically, if required, will result in the assessment of a 5 percent penalty for each violation: 5 percent penalty for failure to electronically file and 5 percent penalty for failure to electronically pay.

Nonadmitted & Reinsurance Reform Act (NRRA) - The Comptroller’s Publication 94-431 contains detailed information regarding changes that affect the placement of surplus lines insurance policies. The instructions to Surplus Lines Tax Form 25-104 have been updated to reflect these changes.

As long as an agent or agency holds an active surplus lines license in Texas, an annual tax report must be filed for each tax year in which the license is active in order to avoid collection actions, including the estimation of non-filed reports by our Enforcement Division.

Inform the Texas Department of Insurance of any address changes so that we may also update our records.



Due March 1

Commissioner Appoints New Directors

Commissioner Eleanor Kitzman has appointed Peter Harrison, Assistant Director of System & Incident Management, North Texas Tollway Authority, and Monte Stringer, Executive Vice President, U.S. Risk Insurance Group, Inc., to the SLSOT Board of Directors. In addition, the Commissioner has reappointed Shannon Dahlke, Vice President / Branch Manager, McClelland & Hine, Inc. Each will serve a 3-year term. We congratulate them on their appointments and look forward to their participation on our Board!



Harrison



Stringer



Dahlke

Insurer Evidence Filing Requirements Delayed

The Texas Department of Insurance (TDI) is proposing changes to Chapter 981 of the Texas Insurance Code to conform state laws to the federal Non-admitted and Reinsurance Reform Act (NRRRA). Because several provisions of Chapter 981 are in conflict with and preempted by the NRRRA, TDI has not determined what evidence will be required from insurers currently eligible or that wish to become eligible. When the TDI releases the 'Evidence Filing Requirements Letter' the Stamping Office will issue a bulletin and publish the letter on our website (www.slsot.org). The letter will also be available on the TDI website at www.tdi.texas.gov.

Taxes on all 2012 surplus lines business are due to the Texas Comptroller of Public Accounts by March 1, 2013. If you held a surplus lines agent's license at any point in 2012, 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/>

EFS Quick Tips

Electronic Policy Filing
EFS Help Desk (800) 681-5848

- Please call or email the EFS Help Desk if you were instructed by our office to use a certain coverage and/or class code and the system will not allow you to use that code. Please do not substitute or replace it with a code that is close or similar to the number that you were given.
- Keep in mind that all new EFS users are required to complete testing in our test environment, prior to being given access to the live environment. This will help users have a better understanding of EFS functionality, coverage/class selection, and resolving any outstanding issues prior to going to the live environment.
- When submitting a password reset request, please be sure to provide the User ID to be reset, the agency name, the surplus lines license number, and the signature of an agency principal. Because we do not e-mail the new password information, it is also necessary to provide the user's name and telephone number. Do not reuse a previously submitted password reset request.
- When entering an EFS transaction, the "zip code" entered should reflect the zip code of the risk, not the insured's mailing address. In the event that you have multiple locations, you should enter the single zip code that reflects the highest limit or risk. This is especially true with risk locations on the seacoast.



Helpful Hints

Paper Policy Filing

- Texas law requires a surplus lines agent must file a new or renewal policy with the SLSOT within 60 days of the effective or issue date, whichever is later. The issue date is essential if it becomes necessary to show compliance with the 60 day filing requirement. An issue date can be:
 - The date shown on the policy or binder.
 - The date the policy or binder was received by your office via email, mail, or other electronic transmission. It must be a "provable date" the policy or binder was issued/received by your office, not the report date.
- If an item is returned to you unprocessed, it is not deemed as filed with the Stamping Office. Sec. 15.13 states, "No report required to be filed under the TIC or these sections relating to surplus lines insurance shall be deemed filed with the department or the Stamping Office unless the documents submitted are correctly completed."

Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 1/31/2013	Premium through 1/31/2012	Percent Change
1 Fire (including allied lines)	\$59,119,508	\$56,206,544	5.18%
2 Allied lines	\$3,252,926	\$2,962,566	9.80%
3 Farmowners multiple peril	\$65,963	\$82,008	-19.56%
4 Homeowners multiple peril	\$9,440,687	\$7,142,657	32.17%
5 Commercial multiple peril	\$18,188,248	\$14,600,214	24.58%
8 Ocean marine	\$1,518,299	\$1,904,637	-20.28%
9 Inland marine	\$6,299,773	\$6,519,281	-3.37%
11 Medical malpractice	\$5,538,776	\$3,217,641	72.14%
12 Earthquake	\$15,131	(\$10,001)	251.29%
13 Group accident & health	\$9,224,555	\$8,116,180	13.66%
15 All other A&H	\$348,960	\$292,569	19.27%
17 Other liability	\$118,923,830	\$117,933,321	0.84%
18 Products liability	\$1,119,244	\$2,068,517	-45.89%
19.2 Other private passenger auto liability	\$0	\$545	-100.00%
19.4 Other commercial auto liability	\$9,949,746	\$7,145,479	39.25%
21.1 Private passenger auto physical	\$262,912	\$228,399	15.11%
21.2 Commercial auto physical damage	\$6,063,850	\$4,157,359	45.86%
22 Aircraft (all perils)	\$117,353	(\$429,448)	127.33%
23 Fidelity	\$1,429,937	\$37,461	3717.14%
24 Surety	\$1,144,891	\$3,761	30341.12%
26 Burglary & theft	\$294,027	\$430,696	-31.73%
27 Boiler & machinery	\$4,227	(\$602,578)	100.70%
28 Credit	\$51,932,560	\$8,849,544	486.84%
31 Aggregate/other business	\$115,873	\$0	0.00%
TOTAL	\$304,371,276	\$240,857,352	26.37%

Note: Totals subject to rounding

Texas market data reports are updated monthly and available to view and print on our website at www.slsot.org under the link Texas Market Data.



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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.

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

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