



Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas

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EFS Data Validation

One main function of the Surplus Lines Stamping Office of Texas is the gathering and dissemination of data regarding surplus lines insurance that is written on risks within the state of Texas. Because the Stamping Office provides this statistical data to various entities throughout the country, the accuracy of data is essential – including data from our Electronic Filing System (EFS) submissions.

As we were receiving our first electronic submissions in 2003, we were also planning for the next and equally crucial phase of the EFS - the validation of the reported policy information. In 2004, we initiated our EFS Data Validation program to ensure the accuracy of the data and to verify policy level compliance with surplus lines laws and regulations.

Initially, the EFS Help Desk staff validated the policies by hand, meaning that a copy of each requested policy was reviewed and visually compared to the EFS entry. With this method, we were not able to validate a large number of agencies. We learned that validating and documenting by hand was inefficient -- it took too long to complete the entire validation process and advise each agency of its results.



As the number of Electronic Filing agents grew, our procedures for data validation evolved. In 2006, we graduated from our elementary 'by hand' method to a more advanced and automated process. Our current data validation system allows for policy review and blind entry by our Quality Assurance (QA) analysts. This blind entry prevents an analyst from viewing the EFS entry prior to determining the 'correct' or accurate information. Our QA analysts now simply perform data entry of all of the roughly 21 data elements. The validation system then evaluates the data entered and generates a report of only the differences or 'errors' between our analysts and the EFS user.

Our goal is to evaluate each agency filing electronically once per year. Our accuracy standard is for each EFS agency to have an error rate of less than 6%. To achieve this goal, we employ a three-level validation approach. Each month, we select an initial group of approximately twenty to thirty agencies and

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request 10 random policies per agency. Once all of the errors are identified, the error rate for each agency is calculated, based on number of policies validated, number of data elements entered per policy, and number of each type of error. Different data elements are categorized as either critical, medium, or low – not all elements are weighted equally. For example, a typo in the Named Insured is not counted as heavily as an incorrect Coverage Code. After the error rates are calculated, form letters are prepared. These letters include the agency's current EFS error rate, the specific errors identified for each policy validated, and the date by which the required corrections must be completed. We also advise the overall average EFS error rate so that the agency can see where they stand in relation to everyone else.

Agencies with an error rate under the benchmark error rate are evaluated again in one year. If the agency's error rate exceeds the benchmark of 6%, we request additional policies at this time. Once the additionally requested policies are received, we begin our evaluation process again. With the results of the second validation, if the agency is under our benchmark error rate, they will be evaluated again in one year. If they are above, we make a third request. And, the evaluation process begins again. For agencies that have completed the third and 'final' validation with an error rate near or exceeding the benchmark rate, we may require additional training, additional follow-up within six months, or suspension of the agency's EFS access, depending on the specific circumstances. For example, if an agency has shown vast improvement from initial validation through the third iteration, we will continue with additional one-on-one training and follow-up again in six months.

Fortunately, to date we have not suspended any agency's EFS access due to an unacceptable data validation error rate. In fact, most agencies are under our current average error rate of 6.09%. This average error rate is based on ALL of our validations dating back to 2006. Our primary concern with agents filing electronically is to ensure the accuracy of the reported policy information. We want to assist our EFS users in understanding the complex regulations that govern

surplus lines insurance and how our office utilizes the EFS system to encourage compliance with those rules. We provide coverage and class code training, as well as individual policy-level entry training to agencies. We also provide a data validation checklist to assist agency staff in entering EFS data and in preparing for data validation submissions. The checklist includes reminders such as confirming that required notices and Lloyds syndicate lists are included, dates are entered correctly, etc. With the advent of this checklist, we have seen a reduction in the average data validation error rate.

There is a significant difference between the error rates of programmatic filers and web entry filers. The overall average for programmatically filing agents from 2006 to current is 2.83%, but the overall average for web entry agents is 6.68%. This large discrepancy can be attributed to the fact that the programmatic filing agency has automated a process that otherwise would require additional staff training and execution.

Also, prior to going live, we "mapped" agency product / line of business codes to SLSOT coverage & class codes for most programmatic filers.

Beginning in the second quarter of 2010, with each new data validation policy request we have begun tracking two separate error rates per agency: a compliance error rate and a data error rate. This bifurcated error rate will give us a more realistic idea of where exactly the agency's

errors are occurring. For example, if the policy is missing the surplus lines tax, the Complaint Notice, or the Guaranty Fund Notice, that would be a compliance error. If the policy shows a different policy number or different insurer from what was entered through the EFS, that would be a data error.

The tangible verification of EFS entries and confirming the presence of required notices underlines the significant importance of our data validation program. This verification not only ensures the accuracy of the data being entered through the EFS, it in turn ensures the accuracy of the information that the Stamping Office provides to interested third parties throughout the United States. ★

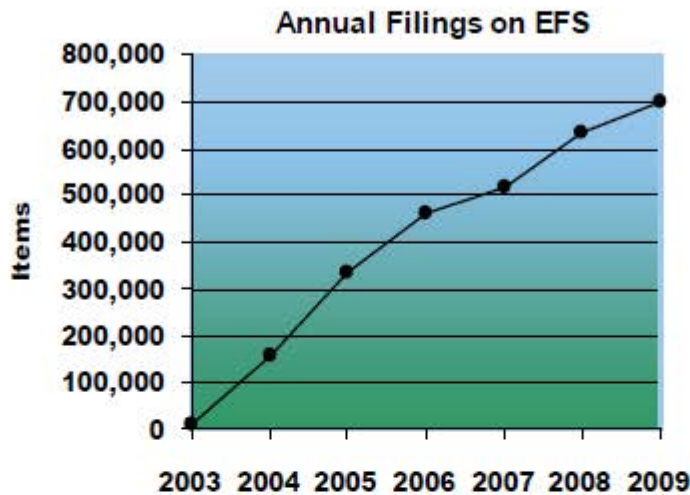


EFS Filing Continues to Grow

More than 85% of surplus lines policies are now reported through SLSOT's Electronic Filing System. The EFS, launched in August 2003, permits the filing and processing of hundreds of items in literally seconds, the ability to correct errors on-line, and electronic access to monthly reports and stamping fee invoices on the first day of the month. Filings can be made using web entry or through a programmatic method to upload

data directly from the agency's information management system. Agents converting to the EFS consistently report significantly savings in labor and material costs. As of

April 30, there were 947 agents registered on the EFS, with 639 in the "live" environment. SLSOT offers a Help Desk with trained staff to assist you with all questions related to the EFS. Visit the SLSOT website or call (800) 681-5848 for information on how to register your agency to begin experiencing the advantages of the EFS. ★



SLSOT Board Elects Officers

The SLSOT Board of Directors elected William G. (Bill) Reynolds, Atlantic Casualty Insurance Company as Chairman for 2010 at the Annual Meeting held at the Stamping Office in March. James Huckaby, ARM-P, Mesquite Independent School District, will serve as Vice-Chairman, and Phillip B. Dendy, The University of Texas System, will serve as Secretary. ★

EFS Quick Tips Electronic Policy Filing

- 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. While it is not necessary that all of the errors generated within the month are corrected within that same month, many agencies utilize our monthly reports for monthly reconciliation purposes.
- "Preliminary Edit Errors" means that the information in the EFS Batch Header does not match the actual transaction totals in the EFS batch. Once a preliminary edit error is identified, the posting process has stopped and the batch is still open for data to be adjusted. You will receive an e-mail indicating which specific information in the Batch Header is incorrect. To resolve this "error", review your entries from the EFS Batch Transaction Listing screen and then update the EFS Batch Header to reflect the correct item count and total gross amount. It will then be necessary to "Post" this batch again. ★

Helpful Hints Paper Policy Filing

- We strongly recommend including the issue date on the policy. If there is no issue date shown, the effective date will be the measure used to determine timely filing. However, if you have a date stamp showing when the policy was received in your office, this will suffice as the issue date.
- Please review your batch edits and monthly reports when they are received. Advise us of any errors as soon as possible. ★

Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 4/30/2010	Premium through 4/30/2009	Percent Change
1 Fire (including allied lines)	\$261,203,100	\$253,003,478	3.24%
2 Allied lines	\$6,272,797	\$19,182,906	-67.30%
3 Farmowners multiple peril	\$297,249	\$284,628	4.43%
4 Homeowners multiple peril	\$28,687,731	\$23,673,412	21.18%
5 Commercial multiple peril	\$30,307,257	\$59,346,133	-48.93%
8 Ocean marine	\$4,431,160	\$1,590,518	178.60%
9 Inland marine	\$16,478,941	\$25,062,588	-34.25%
11 Medical malpractice	\$17,039,027	\$12,298,731	38.54%
12 Earthquake	(\$86,919)	\$163,961	-153.01%
13 Group accident & health	\$30,879,840	\$32,396,541	-4.68%
15 All other A&H	\$1,450,998	\$1,375,474	5.49%
17 Other liability	\$405,223,919	\$454,830,561	-10.91%
18 Products liability	\$6,265,647	\$8,396,010	-25.37%
19.2 Other private passenger auto liability	\$919	\$281	227.05%
19.4 Other commercial auto liability	\$21,938,343	\$23,414,535	-6.30%
21.1 Private passenger auto physical	\$656,091	\$606,088	8.25%
21.2 Commercial auto physical damage	\$21,156,919	\$31,783,501	-33.43%
22 Aircraft (all perils)	\$1,339,729	\$1,061,500	26.21%
23 Fidelity	\$974,241	\$205,394	374.33%
24 Surety	\$359,555	\$852,417	-57.82%
26 Burglary & theft	\$736,810	\$897,401	-17.90%
27 Boiler & machinery	(\$2,133,467)	(\$451,398)	-372.64%
28 Credit	\$85,812,969	\$142,938,610	-39.97%
31 Aggregate/other business	\$239,231	\$122,906	94.65%
TOTAL	\$939,532,087	\$1,093,036,176	-14.04%

Note: Due to rounding figures may not total



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

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