

Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas



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1988... the Surplus Lines Stamping Office of Texas opened for business on July 1. Bill Clements was governor of Texas and Ronald Reagan was president. It was the year of the National County Mutual insolvency, the largest in Texas history, leading to the resignation of Commissioner of Insurance Doyce Lee. Certain unsavory characters and poorly capitalized carriers were known to operate in the surplus lines arena. That year, SLSOT processed \$208 million in Texas surplus lines premium. By 2012, premium exceeded \$4 billion! Since 1988, the Stamping Office and the surplus lines market have grown together. Today, surplus lines insurance, comprising capable leaders and knowledgeable professionals, is an essential component of the U.S. commercial insurance marketplace. We are proud of our success at SLSOT and hope we have contributed to the remarkable rise of surplus lines – the “safety valve” for hard-to-place risks.

Employees Recognized for
10+ Years with SLSOT:



Elaine White, ASLI
Director of Data Services



Brian Wilds, CPA, ASLI
*Director of Financial Analysis
& Accounting*



Dalén Keith, CIW
Communication Coordinator



Phil Ballinger, CPCU, ASLI
Executive Director



Stephanie Laurich, SPHR
*Director of Human Resources
& Administration*



Ming Zhou
Accountant



Cheyenne Herrera
EFS Help Desk Supervisor



Isabel Bowie
Administrative Assistant



Veronica Bohannon
*Data Quality Assurance
Supervisor*



Angelica Perez
*EFS Help Desk
Specialist II*



Commissioner Appoints Director

Board Elects Officers

Commissioner Eleanor Kitzman has appointed Jennifer Hall, Deputy Director, Risk Management Services, Texas Association of Counties, to the SLSOT Board of Directors. We congratulate Ms. Hall on her appointment and welcome her to the Board.

At the Annual Meeting in March, the SLSOT Board of Directors elected Steve Franke, CPCU, ARe, Chairman for 2013. Timothy Martin, CPCU, AU, will serve as Vice-Chairman, and Evelyn Miller will serve as Secretary. In addition to those mentioned above, other members include Shannon Dahlke, McClelland & Hine, Inc.; Charles Gillenwater, City of Mesquite; Peter Harrison, North Texas Tollway Authority; Monte Stringer, U.S. Risk Insurance Group, Inc.; and Todd Teitell, AmWins Brokerage of Texas, Inc.



**Chairman
Steve Franke**
Scottsdale Insurance Company

The SLSOT nine-member Board consists of five industry and four public members, each serving three-year terms.



**Vice Chairman
Tim Martin**



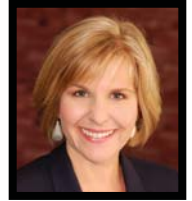
**Secretary
Evelyn Miller**
Baylor University



Shannon Dahlke
McClelland & Hine, Inc.



Charles Gillenwater
City of Mesquite



Jennifer Hall
Texas Association of Counties



Peter Harrison
North Texas Tollway Association



Monte Stringer
U.S. Risk Insurance Group



Todd Teitell
AmWINS Brokerage of Texas, Inc.

Past directors who have served as Chair of the Board:

1987-1989	Joe Howse, Cravens, Dargan & Co.	2000	James Brown, Harlan & Brown Insurance Agency, Inc.
1990	Bob Quirk, Quirk & Co.	2001	Donald Meyer, Texas General Agency, Inc.
1991	Fred Steves, Myron F. Steves & Co.	2002	Simon Bancroft, Swett & Crawford of Texas, Inc.
1992	Eugene Eisenmann, Heath Insurance Brokers, Inc.	2003	George Adkins, John L. Wortham & Son, LLP
1993	Armin Blumberg, Admiral Insurance Company	2004	Ted Hosterman, Heath Insurance Brokers, Inc.
1994	Donald Avera, Nations Bank	2005	Colleen Cummings, The Hanover Company
1995	Orville Jones, Crump Insurance Services, Inc.	2006	Greg Baker, Crump Insurance Services of Texas, Inc.
1996	Ron McElyea, Western Surplus Lines Agency, Inc.	2007	Milton Johnston, Milton O. Johnston & Co.
1997	Marty Michell, Admiral Insurance Company	2008	Gil Hine, Jr., McLelland & Hine, Inc.
1998	Charles Bailey, J.H. Blades & Co.	2009	Carl Roeder, Western Surplus Lines Agency, Inc.
1999	Brent Davis, Texas Specialty Underwriters, Inc.	2010	William (Bill) Reynolds, Atlantic Casualty Insurance Co.
		2011	Leonard Kaplan, Delta General Agency Corp.
		2012	Lana Parks, The Parks Group

Congratulations! - Our Compliments on a Job Well Done!

The 2012 Annual Late Filing Report was recently mailed to 501 surplus lines agents. However, there were many other agents who did not receive one of these dreaded reports this year, and to those of you who didn't, we say "great job". More than 800,000 transactions were filed with the Stamping Office in 2012, and over 450,000 of those were policies. Almost 1000 agents submitted items to our office in 2012 but just 20 agents accounted for 60% of all the transactions. Of those 20 agents, four had no late filings in 2012, and we feel they

deserve special recognition. They are Hall-Wright General Agency, Inc. of San Antonio, Griffin General Agency, Inc. of Houston, McClelland & Hine, Inc. of San Antonio, and Myron F. Steves & Co. of Houston. Myron F. Steves & Co. merits even further acknowledgement because of the very large volume of items submitted by their agency - 53,716 policies and over 122,000 items. What a tremendous accomplishment! And to all of you who worked so diligently to make sure your filings were on time, we congratulate and thank you.

Please refer to Bulletin SO-2013-06 for information pertaining to expected insurer number changes. The Stamping Office will not convert the insurer or syndicate numbers as previously stated. Instead, the existing insurer numbers will continue to be used. The Surplus Lines Insurers List shown on SLSOT's website will continue to reflect these numbers as well.

EFS Quick Tips

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

- Sharing, borrowing, or using another person's EFS User ID/password is a violation of our security requirements. If you will be utilizing the system, you are required to have your own unique User ID and password.
- All new users are required to complete testing before they are allowed to file in the EFS Live Environment. This helps users have a better understanding of EFS functionality and it provides a "safe" place to learn without compromising your agency's live filings.

Helpful Hints

Paper Policy Filing

- The surplus lines tax rate is 4.85% and the current stamping fee rate is .06%. Please do not add them together and insert the "combined rate" in the Guaranty Fund Notice.
- The current stamping fee rate as well as the table of all stamping fee rates and tax rates for prior years can be found on our website at www.slsot.org.



HB 880 - By Turner of Tarrant - Requires persons holding certain alcoholic beverage permits to maintain liability insurance with minimum limits of \$500,000 for each person and \$1 million per occurrence. The bill was amended to permit coverage to be issued by an eligible surplus lines insurer.

HB 1405 - By Smithee - Provides that if a surplus lines agent places insurance with a managing underwriter, the managing underwriter shall collect, report, and pay the tax. However, the surplus lines agent and managing underwriter may enter into an agreement to provide that the surplus lines agent shall be responsible for tax collection and payment. The agreement must be in writing, entered into at or before coverage is bound, and may apply to multiple policies or all policies between the agent and managing underwriter. A record of the agreement must be maintained by both the surplus lines agent and managing underwriter.

HB 2972 - By King of Hemphill - Provides a new tax exemption for premium on policies insuring stored or in-transit baled cotton for export. The exemption applies to surplus lines, unauthorized, and independently procured insurance premium taxes.

HB 3454 - By Eiland - Amends Chapter 171 of the Tax Code to exempt from the Texas franchise tax a nonadmitted insurance organization that is subject to an occupation tax or any other tax imposed for the privilege of doing business in another state or a foreign jurisdiction, including a tax on gross receipts.

SB 697 - By Carona; companion bill: HB 2165 - By Eiland - For nonresident individuals, removes the underlying general property and casualty agent license requirement before obtaining a Texas surplus lines license, provided that: the individual is licensed as a surplus lines agent in his state of residence; the individual is not required to hold a general P&C license in his state of residence to obtain a surplus lines license in that state; and the individual provides acceptable information to the Commissioner of that fact. Also, the state of residence must not require a surplus lines licensee to search for the availability of insurance (diligent effort) before coverage is placed through a surplus lines agent, and that state allows a general P&C agent to search for the availability of insurance. Finally, the individual must have a professional relationship with a person who is a general P&C agent and who searches for the availability of insurance in Texas before coverage is placed through a surplus lines agent.

SB 951 - By Carona; companion bill: HB 1909 - By Eiland - Amends Chapter 981 to conform with provisions of the federal Nonadmitted and Reinsurance Reform Act (NRRRA). Provides that the surplus lines laws only apply if Texas is the home state of the insured. Adds language defining an exempt commercial purchaser and providing an exemption from the diligent effort requirement for these buyers. Repeals several sections regulating the eligibility of surplus lines insurers, in response to preemptive measures of the NRRRA.

SB 1296 - By Taylor - Amends the regulation of real estate inspectors. Requires an inspector to maintain financial responsibility in the form of either a liability insurance policy or a bond. An insurance policy must have minimum limits of \$100,000 per occurrence and a \$100,000 annual aggregate. The E&O coverage can be issued by an eligible surplus lines insurer.

Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 4/30/2013	Premium through 4/30/2012	Percent Change
1 Fire (including allied lines)	\$400,410,416	\$355,012,841	12.79%
2 Allied lines	\$20,013,713	\$18,064,429	10.79%
3 Farmowners multiple peril	\$390,511	\$306,265	27.51%
4 Homeowners multiple peril	\$43,015,839	\$33,225,800	29.47%
5 Commercial multiple peril	\$75,260,185	\$55,556,392	35.47%
8 Ocean marine	\$7,797,410	\$7,123,842	9.46%
9 Inland marine	\$27,328,490	\$21,000,623	30.13%
11 Medical malpractice	\$15,645,273	\$15,388,153	1.67%
12 Earthquake	\$19,039	\$155,664	-87.77%
13 Group accident & health	\$27,927,868	\$23,394,465	19.38%
15 All other A&H	\$1,738,188	\$1,582,811	9.82%
17 Other liability	\$565,782,605	\$457,361,734	23.71%
18 Products liability	\$10,363,820	\$10,055,572	3.07%
19.2 Other private passenger auto liability	(\$450)	\$1,127	-139.93%
19.4 Other commercial auto liability	\$30,234,867	\$25,299,781	19.51%
21.1 Private passenger auto physical	\$957,017	\$896,809	6.71%
21.2 Commercial auto physical damage	\$19,817,300	\$15,879,497	24.80%
22 Aircraft (all perils)	\$5,696,672	\$17,719	32050.77%
23 Fidelity	\$1,006,570	\$303,192	231.99%
24 Surety	\$2,919,391	\$80,387	3531.68%
26 Burglary & theft	\$557,114	\$45,082	1135.77%
27 Boiler & machinery	\$26,725	\$329,345	-91.89%
28 Credit	\$113,031,191	\$45,051,760	150.89%
31 Aggregate/other business	\$257,845	\$20,853	1136.49%
TOTAL	\$1,370,197,599	\$1,086,154,143	26.15%

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.

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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