

Lone Star Lines

The Quarterly Publication of the Surplus Lines Stamping Office of Texas



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Nonadmitted & Reinsurance Reform Act Passes Congress

On July 21, President Obama signed the Wall Street Reform & Consumer Protection Act, which will forever be known as "Dodd-Frank." One component of this 2300-page legislation is Title V, which includes the Nonadmitted & Reinsurance Reform Act, or NRRA. Considered in Congress since 2006, the NRRA makes significant changes to the regulation and taxation of surplus lines insurance, in some cases ones sought by industry for more than two decades. The bill becomes effective 12 months after enactment.

The NRRA addresses the following major issues:

Reporting, Payment, and Allocation of Premium Taxes

- Only home state of insured may require premium tax payment
- States may enter into a compact or otherwise establish procedures to allocate among the states taxes paid to home state
- Congress intends for each state to adopt nationwide uniform requirements, forms, and procedures, such as an interstate compact, providing for the reporting, payment, collection, and allocation of taxes
- Insured's home state may require agents and insureds who have independently procured insurance to annually file tax allocation reports with the home state. Filing of tax allocation report and payment of tax may be made by an agent of the insured

Regulation of Nonadmitted Insurance by Insured's Home State

- Placement of nonadmitted insurance is subject to statutory and regulatory requirements solely of insured's home state
- Only insured's home state may require a surplus lines agent to be licensed in order to sell, solicit, or negotiate nonadmitted insurance
- Any law, regulation, provision, or action of any state applying to nonadmitted



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insurance sold to, solicited by, or negotiated with an insured whose home state is another state is preempted

- State laws restricting placement of workers' compensation insurance with a nonadmitted insurer are not preempted

Participation in National Producer Database

- Two years after enactment of NRRRA,

a state may not collect fees relating to licensing of surplus lines agents unless the state has laws or regulations providing for participation by the state in the national producer database of the NAIC, or other equivalent uniform national database, for the licensing of surplus lines agents

Uniform Standards for Surplus Lines Eligibility

- A state may not impose eligibility requirements on a US nonadmitted

insurer, except in conformance with the requirements of sections 5A(2) [insurer authorized to write the type of insurance in its domiciliary state] and 5C(2)(a) [capital & surplus the greater of minimum requirements in the state or \$15 million] of the NAIC Non-Admitted Insurance Model Act, unless the state has adopted nationwide uniform requirements, forms, and procedures that include alternative nationwide uniform eligibility requirements

(continued, NRRRA, next page)

U.S. Stamping Office & Service Office Production Statistics

STATE	Rates		Premium (millions)			Items		
	St. Fee	SL Tax	2010	2009	% Chg	2010	2009	% Chg
AZ	0.20%	3.00%	\$167.3	\$205.2	-18.5%	30,922	34,055	-9.2%
CA	0.25%	3.00%	\$1,905.2	\$2,252.9	-15.4%	209,545	217,842	-3.8%
	New stamping fee rate effective February 1, 2010							
FL	0.10%	5.00%	\$2,347.2	\$2,351.4	-0.2%	525,121	550,116	-4.5%
ID	0.25%	1.50%	\$30.6	\$29.2	4.8%	6,675	6,784	-1.6%
IL	0.10%	3.50%	\$503.4	\$526.5	-4.4%	72,495	57,816	25.4%
MN	0.25%	3.00%	\$147.9	\$114.0	29.7%	16,340	11,507	42.0%
	New stamping office operational January 1, 2009							
MS	0.25%	4.00%	\$179.0	\$171.2	4.6%	54,211	46,586	16.4%
MT	1.00%	2.75%	****	\$34.6	-100.0%	****	7,130	-100.0%
	Stamping office ceased operation effective July 1, 2009							
NV	0.40%	3.50%	\$99.5	\$116.5	-14.6%	13,296	13,212	0.6%
	Penalty of \$50 for late filing							
NY	0.20%	3.60%	\$1,356.9	\$1,811.3	-25.1%	101,317	102,059	-0.7%
	Additional fee of \$25 applies for late/erroneous filing							
OR	\$15.00	2.00%	\$120.3	\$104.7	14.9%	19,371	18,231	6.3%
	New flat stamping fee effective June 1, 2009 (no fee on endorsements) Additional 1% tax on "fire" premium							
PA	\$25.00	3.00%	\$386.0	\$453.5	-14.9%	82,316	86,231	-4.5%
	Additional fee of \$25 applies for late filing							
TX	0.06%	4.85%	\$1,590.7	\$1,770.9	-10.2%	417,130	420,852	-0.9%
UT	0.15%	4.25%	\$76.2	\$90.6	-15.9%	9,612	10,023	-4.1%
WA	0.25%	2.00%	\$245.6	\$267.1	-8.0%	41,239	42,710	-3.4%
TOTAL			\$9,155.8	\$10,299.6	-11.1%	1,599,590	1,625,154	-1.6%

NY data is gross premium; 2010 net premium = \$858.4 million.

FL data includes \$321.2 million / 6,507 policies in IP insurance.

TX data is net premium, excluding \$501.7 million in "other state" & \$102.9 million in "tax exempt" premium.

Stamping fee rates are at July 1, 2010.

Items include certain non-premium filings in IL, NV, & TX.

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- A state may not prohibit a surplus lines agent from procuring nonadmitted insurance from a non-US insurer listed on the Quarterly Listing of Alien Insurers maintained by the NAIC

Streamlined Application for Commercial Purchasers

- A surplus lines agent procuring nonadmitted insurance for an exempt commercial purchaser is not required to satisfy state diligent effort requirements if the agent has disclosed to the purchaser that the coverage may or may not be available from the admitted market and the purchaser requests in writing that the agent place the insurance with a nonadmitted insurer

GAO Study of Nonadmitted Insurance Market

- Requires US Comptroller General to submit a report to Congress within 30 months after the effective date of the NRRA describing effect of the bill on the size and market share of coverage in the nonadmitted market typically provided by admitted insurers ★

Gonzales Named One of Texas' Best Lawyers

Congratulations to SLSOT general counsel Alex Gonzales, named again as one of Texas' Best Lawyers in the 2010 edition of *The Best Lawyers in America*, the preeminent referral guide to the legal profession in the United States. He was listed under the Insurance Law category. Alex has served as counsel to the SLSOT Board of Directors since 1993. ★

Employee News

Dalén Keith, Communication Coordinator, Executive Director's Department, has been awarded the Certified Internet Webmaster Associate (CIW-A) and Professional (CIW-P) designations. Dalén also serves as webmaster for the SLSOT. ★

EFS Quick Tips Electronic Policy Filing

- When correcting EFS data validation errors, please call the EFS Help Desk for assistance before processing, if you're unsure how to correct items. Once the corrections have been completed, please notify the Help Desk via e-mail.



- Be sure to include your agency name and data validation number that is located in the lower right corner of your request/results letter with any data validation correspondence.
- If you have a typo on an EFS entry, it is necessary to reverse the transaction and re-enter it with the correct information. Never enter an "endorsement" that doesn't exist just to correct an EFS typo.
- A delete transaction can only be processed if the original item was processed within the current accounting month. If the item was processed in a previous month, then it must be reversed.
- When reversing an item, the total gross will be entered the way the original entry was made. The system uses this information to search for the item to reverse. For example: when an item is entered with an additional premium amount, please enter the additional premium in the total gross field.

EFS Help Desk (800)681-5848 e-mail: efshelp@slsot.org

Helpful Hints Paper Policy Filing

- Purchasing Group liability policies are not filed with the Stamping Office, nor is a stamping fee charged on the policy, but taxes are payable to the Comptroller for Texas exposures.
- Please provide the previous year's policy number on Renewal Certificates if different from the renewal number. This also applies to prefix or suffix changes such as -0, -1, A, etc.
- For policies replacing binders please provide the binder number if the policy number is different from the binder number. Use a NON premium transmittal unless there is a change in premium. Reporting the premium again results in duplication of the premium, tax, and stamping fee.
- Returning the tag memo along with corrections will insure removal of the suspense and prevent further unnecessary late tags.

Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 7/31/2010	Premium through 7/31/2009	Percent Change
1 Fire (including allied lines)	\$561,465,499	\$558,385,603	0.55%
2 Allied lines	\$26,714,053	\$41,030,357	-34.89%
3 Farmowners multiple peril	\$692,478	\$557,773	24.15%
4 Homeowners multiple peril	\$55,803,303	\$45,322,814	23.12%
5 Commercial multiple peril	\$73,539,674	\$120,348,487	-38.89%
8 Ocean marine	\$9,728,844	\$4,848,700	100.65%
9 Inland marine	\$34,807,141	\$44,477,754	-21.74%
11 Medical malpractice	\$28,151,768	\$27,815,218	1.21%
12 Earthquake	(\$62,968)	\$132,387	-147.56%
13 Group accident & health	\$48,859,253	\$57,004,251	-14.29%
15 All other A&H	\$2,727,412	\$2,515,574	8.42%
17 Other liability	\$793,656,682	\$860,790,766	-7.80%
18 Products liability	\$11,425,828	\$16,592,022	-31.14%
19.2 Other private passenger auto liability	\$136,111	\$2,144	6248.46%
19.4 Other commercial auto liability	\$40,641,758	\$38,380,574	5.89%
21.1 Private passenger auto physical	\$1,401,777	\$1,298,930	7.92%
21.2 Commercial auto physical damage	\$37,854,989	\$45,058,296	-15.99%
22 Aircraft (all perils)	\$3,382,138	\$5,175,100	-34.65%
23 Fidelity	\$1,904,880	\$517,435	268.14%
24 Surety	\$359,555	\$400,238	-10.16%
26 Burglary & theft	\$1,420,037	\$3,230,949	-56.05%
27 Boiler & machinery	(\$2,081,328)	(\$277,277)	-650.63%
28 Credit	\$183,295,046	\$199,444,956	-8.10%
31 Aggregate/other business	\$392,828	\$295,855	32.78%
TOTAL	\$1,916,216,758	\$2,073,348,906	-7.58%

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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