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Lone Star Lines

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Federal Insurance Office

With the Dodd-Frank Act's creation of the Federal Insurance Office (FIO), there is for the first time a federal agency charged with monitoring and, to a very limited degree, regulating the insurance industry. FIO was established in the Treasury Department. Congress specifically stated that FIO is not a regulator or supervisor, but there are fears that some of its explicit responsibilities could easily be expanded to assume these roles. Dodd-Frank gave FIO the following specific duties:

• Monitor all aspects of the insurance industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the industry or the US financial system.

• Recommend specific insurance companies to the Financial Stability Oversight Council (FSOC) for designation as nonbank financial companies that should be supervised by the Federal Reserve to mitigate systemic risk.

• Monitor access to affordable insurance by traditionally underserved communities and consumers, minorities, and low- and moderate-income persons.

• Assist in administering the Terrorism Risk Insurance Program.

• Coordinate and develop federal policy on prudential aspects of international insurance matters, including representing the US in the International Association of Insurance Supervisors.

• When so identified, declare state insurance laws to be preempted by international agreements regarding insurance regulation.

• Consult with state insurance regulators on national and international insurance matters.

By January 2012, FIO was to issue a report on its recommendations for modernizing and improving US insurance regulation. To date, FIO has not released the report; its distribution may be withheld until after the November elections.

FIO has been granted subpoena authority to obtain information. It can require an insurer to submit data, but must first determine whether the information is available from public or state regulatory sources. FIO's use of its subpoena power particularly in monitoring access by underserved communities to affordable insurance will prove interesting.

For the time being, Congress has left intact most aspects of state-based regulation. The apparent congressional intent is to promote greater uniformity and efficiency among the states. However, comments from FIO Director Michael McRaith make it clear that he intends to interpret his authority broadly. The implication for a future true federal insurance regulator is plain.

Wilcox Retiring After 40 Years with TDI

Long-time surplus lines regulator Kathy Wilcox has announced her retirement from the Texas Department of Insurance, effective August 31, 2012. Ms. Wilcox has spent 40 years with the agency, beginning her career at the then-named State Board of Insurance in 1972. She has been intimately involved in the regulation of the Texas surplus lines market for 32 years, and has often spoken on regulatory issues at past Stamping Office seminars. During that time, Kathy has served as Supervisor of the Surplus Lines program and most recently as Registrations Officer for surplus lines insurers, risk retention groups, and purchasing groups. For the past 23 years she has acted as the TDI liaison to both the Stamping Office and the Texas Surplus Lines Association. TDI loses an enormous depth of surplus lines knowledge and experience with Kathy's retirement. We wish her well!

Associate in Surplus Lines Insurance Designation

(Courtesy of The Institutes)

The Associate in Surplus Lines Insurance (ASLI) program prepares you to meet the challenges and opportunities presented by the use of the surplus lines market. After completing this program, you´ll be able to ensure correct risk placement through a strong foundation in surplus lines insurance practices.

Meeting the ASLI program requirements earns the Associate in Surplus Lines Insurance designation.

Completer Info: An **Ethics exam** (Ethical Guidelines for Insurance Professionals (for all programs except CPCU) or the CPCU program's Ethics and the CPCU Code of Professional Conduct), along with **ASLI 163 and164,** plus two electives are required to earn the ASLI designation.

ASLI 163—Surplus Lines Insurance Operations: Fundamentals of Surplus Lines Insurance Operations, Insurance Regulation, Surplus Lines Insurance Marketing, New Product and Program Development, Underwriting, Ratemaking, The Claim Function, Reinsurance, Financial Analysis of Insurers and Intermediaries, and Insurance Cycles and the Surplus Lines Market

ASLI 164—Surplus Lines Insurance Products: Overview of Surplus Lines Insurance Products, General Liability, Professional Liability, Management Liability, Commercial Auto, Environmental, Excess and Umbrella Liability, Commercial Property, Business Income and Extra Expense, Commercial Crime, Aviation, Ocean Marine, Inland Marine, and Personal Insurance

Electives List:

CPCU 500—Foundations of Risk Management and Insurance
***CPCU 510—Foundations of Risk Management, Insurance, and Professionalism**
CPCU 530—Business Law for Insurance Professionals
CPCU 540—Finance and Accounting for Insurance Professionals

AIS 25—Delivering Insurance Services (AIS)

AIC 30—Claims Handling Principles and Practices
AIC 31—Property Claim Practices
AIC 32—Liability Claim Practices
AIC 33—Claim Handling Principles and Practices
AIC 34—Workers' Compensation and Managing Bodily Injury Claims
AIC 35—Property Loss Adjusting
AIC 36—Liability Claim Practices
AIC 37—Managing Bodily Injury Claims
AIC 38—Personal Auto Insurance and the Management of Bodily Injury Claims
AIC 39—Auto Liability Claims Practices

ARM 54—Risk Assessment
ARM 55—Risk Control
ARM 56—Risk Financing

AU 60—Commercial Underwriting Principles
AU 61—Underwriting Commercial Property
AU 62—Underwriting Commercial Liability
***AU 65—Commercial Underwriting: Principles and Property**
***AU 66—Commercial Underwriting: Liability and Advanced Techniques**
AU 67—Strategic Underwriting Techniques

AAI 83—Agency Operations and Sales Management

APA 91—Principles of Premium Auditing
APA 92—Premium Auditing Applications

AIAF 111—Statutory Accounting for Property-Casualty Insurers
AIAF 112—Insurance Information Systems
***AIAF 113 —Insurance Company Finance**

AIT 132—Insurance Uses of Technology (AIT)
AIT 134—The Strategic Management of Information (AIT)

***ARe 141—Principles of Reinsurance**
***ARe 142—Reinsurance Practices**
†ARe 144—Reinsurance Principles and Practices

***Course no longer offered, but satisfies ASLI elective requirements.**
†May not be used in conjunction with ARe 141 or ARe 142 for the purposes of earning the ASLI designation.

We recommend ASLI for: Agents/brokers, agency principals, claim adjusters, and line of business managers and executives in nonadmitted companies.

Questions or additional information?

Visit The Institutes website at www.aicpcu.org/comet/programs/asli/asli.htm or call (800) 644-2101.

SLSOT Employee News

We welcome Heather Shannon, Dan Bailey, Maria Nardecchia, and Roman Pichardo to the Stamping Office. The new employees are currently enrolled in an extensive training program. As Data Quality Assurance Analysts, they will be performing EFS data validation.

From left to right: Shannon, Bailey, Nardecchia, & Pichardo

Helpful Hints
Paper Policy Filing

- For Renewal Certificates, please give the prior year's policy number if it is different from the renewal policy number.

- When correcting something within the policy at the time of policy submission, put the correcting endorsement on top of the policy so it won't be overlooked. Be sure the policy number on the endorsement/s is exactly the same as the number shown on the original policy.

- When responding to a tag memo, please do not submit another copy of the policy. This creates confusion and can lead to duplication of premium, which creates even more problems for your agency. Please read the entire tag memo for complete instructions on what is needed.

- Be sure premium amounts shown on the dec page match the premium amounts shown on the applicable coverage parts or schedules within the policy. If there is a discrepancy, the policy will be returned to you unprocessed.

EFS Quick Tips
Electronic Policy Filing

- When emailing the EFS Help Desk, it is imperative that you include a subject line with your email. We receive a large volume of emails every day. When we receive many emails with a blank subject or a single word such as "HELP" or "Coding", it takes our office longer to respond because we have to first make sure the email was not previously addressed. It would be most helpful to our office (and your agency for later research) to include information that is specific to your email/question such as policy number and named insured. By including this specific information, we can respond more quickly and accurately. Additionally, we will be able to later retrieve your specific email in a more timely manner.

- Our Month End processes are scheduled to run on the last calendar day of the month, even if this date falls on a weekend or holiday. Our regularly scheduled Month End start time is 6:30pm. If your batch has not successfully posted prior to this time, your transactions will be posted in the next business day (which will be the first of the following month). You will be notified via a global notification email if there will be any deviation from this scheduled start time. Global Notification emails are sent to the primary and secondary email addresses on file within our Electronic Filing System (EFS).

- An email from our office regarding incorrect coverage/class code usage is not considered a "tag". Any error identified from these emails cannot be fixed in a Correction Batch. These errors should be corrected by reversing and re-entering the item with the correct information.

- Tax filings and payments are made directly to the Comptroller of Public Accounts for Texas. The filings made with the Stamping Office are not considered "tax filings". The filings made with our office satisfy the statutory Stamping Office filing requirement and are considered "Stamping Office filings". When asking questions of our office, please be certain to clarify which you are asking about because it may be necessary to refer you to the Comptroller's office for tax questions.

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

- When making policy entries, it is imperative that you select the correct security or securities as shown within your policy documentation. Confirm the full and complete name is shown and selected as there are many companies with similar names; such as Allianz Global Corporate & Specialty France, Allianz Global Corporate & Specialty AG, and Allianz Underwriters Insurance Company or Axis Specialty Europe Limited, Axis Specialty Insurance Company, and Axis Surplus Insurance Company.

Comparison of SLSOT Premium Processed by Line of Business

Annual Statement Line of Business	Premium through 7/31/2012	Premium through 7/31/2011	Percent Change
1 Fire (including allied lines)	$823,444,832	$526,380,192	56.44%
2 Allied lines	$49,943,715	$34,038,004	46.73%
3 Farmowners multiple peril	$555,042	$529,451	4.83%
4 Homeowners multiple peril	$66,501,267	$61,371,961	8.36%
5 Commercial multiple peril	$130,377,058	$131,647,994	-0.97%
8 Ocean marine	$14,466,424	$13,078,754	10.61%
9 Inland marine	$45,410,659	$27,933,075	62.57%
11 Medical malpractice	$31,261,536	$29,230,512	6.95%
12 Earthquake	$387,108	$16,280	2277.81%
13 Group accident & health	$43,022,195	$40,175,768	7.08%
15 All other A&H	$2,862,679	$2,899,987	-1.29%
17 Other liability	$884,159,693	$771,306,226	14.63%
18 Products liability	$17,095,829	$13,896,642	23.02%
19.2 Other private passenger auto liability	$2,306	$0	0.00%
19.4 Other commercial auto liability	$47,089,302	$45,000,651	4.64%
21.1 Private passenger auto physical	$1,756,782	$1,618,558	8.54%
21.2 Commercial auto physical damage	$31,227,716	$22,626,496	38.01%
22 Aircraft (all perils)	$950,152	$3,215,486	-70.45%
23 Fidelity	$708,120	$1,099,468	-35.59%
24 Surety	$1,330,389	$163,216	715.11%
26 Burglary & theft	$902,851	$3,087,547	-70.76%
27 Boiler & machinery	-$578,277	-$14,350	-3929.80%
28 Credit	$55,587,011	$125,522,291	-55.72%
31 Aggregate/other business	$228,190	$206,040	10.75%
TOTAL	$2,248,692,579	$1,855,030,249	21.22%

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.

Lone Star Lines

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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.