TEXAS SURPLUS LINE REPORTER & INSURANCE NEWS

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NEWS IN BRIEF

PEOPLE

Donna Aug has joined the Surplus Lines Stamping Office of Texas as director of finance, effective Jan. 6. Aug was most recently the comptroller for **Northstar Fire Protection** and Northstar Alarm and Suppression System, a position she held for 11 years. Prior to Northstar, Aug was controller of Sign Tech International for four years. As the SLTX director of finance, Aug is responsible for managing and coordinating the finance department. Her duties include accounting and financial analysis. Aug is a member of Financial Executives International, the Central Texas Chapter of Construction Financial Management Association and the National Association of Professional Women. Aug holds a Bachelor of Arts degree in marketing and Master of Business Administration with a management concentration from California State University, Fullerton.

Aug

On Jan. 13, Sholonda Stone joined the Surplus Lines Stamping Office of Texas as director of information technology. Stone previously served as systems administrator of SLTX from 2013 to 2017. Since then, she has been a customer support engineer and project specialist for Blue Prism in Austin. In her new position, Stone will be responsible for SLTX's technology initiatives, implementation and reinvestment. Additionally, she will oversee development of the new SMART system, which will replace the current Electronic Filing System (EFS). Stone is a VMware Certified Associate in Digital Business Transformation. She brings more than 17 years of technology development and management experience to the position.

Stone

Tara Mitchell has joined the Independent Insurance Agents of Texas as a director. Mitchell will lead IIAT's technology initiatives to innovate and streamline business practices and bring greater value to IIAT members and the independent agent community. IIAT is

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Surplus lines premium in Texas tops $6.9 billion

Surplus lines writings of $6.95 billion in Texas for 2019 represent a 14.36 percent increase compared with 2018, making it the highest year of surplus lines premium in Texas history, according to the Surplus Lines Stamping Office of Texas (SLTX). Each month of 2019, said SLTX in a news release, set a new record high for that month. The policy count of 741,920 for the year was also the highest annual policy volume ever recorded by the stamping office.

SLTX noted that annual Texas excess and surplus lines premium has had steady growth since 2016, when total premium was $5.12 billion. In 2017, E&S premium processed by SLTX was $5.46 billion, and in 2018 was $6.08 billion.

The large percentage growth for the year does not come as a surprise, given that every quarter this year showed double digit percentage growth over the prior year-to-date results. The two major lines, Fire, including Allied Lines, and Other Liability, sustained double digit growth in year-over-year results at the end of every quarter of 2019, a continuation of the growth in these two lines for 2018. Together, at year-end 2019, these two major lines made up 76.25 percent of all taxable surplus lines premium reported to SLTX.

There was an increase of about $1.7 million in multi-state premium reported to SLTX for 2019, compared with 2018. Multi-state premium increased by 0.4 percent, as brokers reported $352.40 million in premium for multi-state risks in 2019, compared with $350.68 million in 2018. Multi-state premium made up 5.07 percent of 2019 taxable surplus lines premium,

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Surprise billing emergency rule helps protect patients

In mid-December, the Texas Department of Insurance adopted an emergency rule to provide a narrow clarification to the state's new surprise billing protections, which apply to health care services provided on or after Jan. 1.

TDI's rule expands the protection of consumers from surprise billing by requiring an out-of-network provider or a non-network facility to obtain a signed acknowledgment from the patient 10 days before the patient receives out-of-network care in order for the non-network provider to bill a patient for charges not covered by his insurer.

Sen. Kelly Hancock, R-North Richland Hills, authored the surprise billing legislation during the 86th Regular Session of the Texas Legislature in 2019, ending a long-fought legislative battle and adding what Hancock and others consider an important consumer protection for those who purchase health insurance.

Senate Bill 1264 prevents consumers from receiving surprise medical bills when the consumers have no choice over who provides their care. The bill prohibits all non-network facility-based providers at network hospitals (generally anesthesiologists, pathologists and radiologists, but may include other specialty providers under contract with a network facility) and all non-network emergency care providers from sending surprise bills to consumers.

The new law requires health plans, including preferred provider organizations (PPOs) and health maintenance organizations (HMOs) to pay the "usual and customary rate" or agreed-upon amounts for the service provided by out-of-network

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TDI recaps its top insurance fraud investigations of 2019

In 2019, Texas Department of Insurance initiated 126 fraud investigations and obtained $1.7 million in court-ordered restitution for fraud victims. TDI fraud investigators worked on several cases that resulted in jail, probation, deferred adjudication, community service and fines.

In its annual report issued in December 2019, TDI said that the Fraud Unit investigates allegations of insurance crimes and works with state and federal prosecuting agencies. Frauds may include claim fraud, agent crimes, insurance company officers' fraudulent activities, and sale of unauthorized products.

In addition, TDI reported that its Legal and Enforcement Division resolved about 700 cases, with 470 concluded with commissioner's orders, license surrenders or warning letters. This division assessed $25 million in restitution and $4.6 million in penalties.

The Fraud Unit's Case Highlights report includes its top six investigations that resulted in criminal prosecutions during 2019.

Topping the unit's list is Karissa White, who pleaded guilty to first degree felony

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Reinsurers keep their pens in their pockets unless the price and the risk suit their mood

London Views
by Len Wilkins
London Correspondent

If you had a relaxed and enjoyable Christmas, spare a thought for the London brokers, underwriters and backroom staff who were working frantically throughout December and early January to complete the 2019/2020 reinsurance renewal season. This time around the renewal season concluded later than in previous years, and some placements were not complete at year-end despite everyone's efforts.

The demand for reinsurance has been strong, and the market, as usual, has been mixed between the price that insurers are prepared to pay and the price that reinsurers demand. Toward the middle of last year, both primary and reinsurance rates turned, and the trend continued during the renewal season, with reinsurers being more cautious about who they want to cover and what they want to charge. Reinsurers were also aware that primary carriers had more money in their pockets to buy reinsurance. With primary rates rising, reinsurers saw a greater chance to make money.

As a result, there were significant differences in pricing across the London market as well as diversity in the amount of cover reinsurers were prepared to grant. Reinsurance underwriters kept their pens in their pockets unless the premium, the underwriting capacity, the geographic exposure, the risks being reinsured and the client's loss record suited their mood. Often the individual client relationships among the primary carrier, broker and reinsurer determined what, and how much was written.

This led to a confused picture, with the market moving in a number of different directions. Placing U.S. business has been a challenge, while European and other international business was easier. Property catastrophe contracts were simpler to place as most had gone loss free during the year, which reinsurers found attractive. One area that brokers found difficult was excess of loss casualty contracts. Where previous years' losses appeared, these were more expensive to renew. It didn't help

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TDI's access to SMART data to be determined later
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U.S. Risk hosts Christmas party at Frontiers of Flight
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Deputy commissioner cites TDI's improvements
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TDI disciplinary actions for November 2019
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TDI’s access to the SMART data to be determined later

SMART 1.0 launch expected by March 30

So far, permission for access by the Texas Department of Insurance to the SMART database of the Surplus Lines Stamping Office of Texas has not been established. TDI’s access to the new data system, which is yet to be launched for agents’ use, was initially expected to mimic the regulators’ functional permissions as they previously existed under the current Electronic Filing System (EFS).

Cheyenne Herrera. SLTX’s director of operations, provided this information in response to questions posed by the Reporter to the agency. The regulator, as a user, was listed in the original Statement of Work for development of the SMART system in 2016. According to Herrera, TDI’s user credentials for the currently used EFS system permitted one unique user at TDI the ability to run “specific statistical summary reports.” Herrera said this access was not a “view only” profile.

Herrara added that TDI’s user credentials for EFS expired in 2015 and have not been in use since then. As such, TDI’s access as an external user of the SMART system, while included in the initial Statement of Work in November 2016, has been moved to the back burner.

This feature has been “deprioritized,” said Herrara. “SLTX will determine what (if any) access will satisfy the replacement of existing functionality by analysis and feedback from TDI as well as other stakeholders.”

Meanwhile, the stamping office and its IT contractor Headspring are concentrating on providing agent and insurer users with 100 percent of existing EFS functionality before the initial release of SMART.

The most recent Statement of Work for the SMART system, drafted Nov. 25, 2019, extended the Headspring contract, which was set to expire on Dec. 31, 2019. The revised Statement of Work received approval from the SLTX board of directors at a special meeting on Dec. 23. It specifies that there will be two releases of the SMART system, the first, designated SMART 1.0, to include internal filing, external filing, external user profiles, reports, dashboards and the application programming interface that receives automated filings and sets them up for error checking by another program. SMART 1.0 is ex-

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Surprise billing

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emergency care and facility based providers.

The law specifically states that a patient does not have any financial responsibility greater than an applicable co-payment, co-insurance and deductible under the patient’s health plan.

Out-of-network facilities objecting to the insurer’s amount of payment may use a revised mediation process administered by TDI. The new law also creates a new mandatory binding arbitration applicable to out-of-network providers that are not facilities. In no instance may the out-of-network provider send a surprise bill to the insured.

The 10-day signed notice requirement was adopted by emergency rule, announced by TDI on Dec. 19 and published in the Texas Register on Jan. 3. TDI said by media release that it will soon post the rule through the normal rulemaking process, which will allow time to accept and consider public comments.

The Texas law to ban surprise billing is similar in purpose to a proposal receiving bipartisan support in both the U.S. House of Representatives and the U.S. Senate late last year. While some Congressional leaders expected the federal spending bills that passed at the end of the calendar year to address surprise billing, the issue was held over for further debate.

Without a similar law passing at the federal level, this protection from surprise billing applies only to state-regulated and state-administered health plans, estimated by TDI to cover only 16 percent of all state residents. Texans can determine if this protection applies to them by checking their insurance card, which will have “DOI” or “TDI” printed on them if their health insurance issuer is state regulated.

Because the new law applies to health plans administered for state employees and teacher retirement systems, the legislative budget board estimated a $7.89 million cost to the state over the next two years.

With the enactment of SB 1264, according to The Commonwealth Fund, Texas became one of 13 states to provide comprehensive protection from surprise billing. Six of the 13 states have laws that provide for a payments standard, generally based on a percentage of allowed payments from Medicare or Medicaid; the other six offer dispute resolution processes similar to what was adopted in Texas.

The new Texas law includes a requirement that TDI report biennially to the legislature on the impact of the provisions of the new law. The report must include information on trends in billed amounts and amounts paid for health care and medical services, network participation, the number of complaints and the effectiveness of the claim dispute resolution process. TDI will be required to collect settlement data and verdicts or arbitration awards. TDI will collect data quarterly from health benefit plan issuers to prepare the report. The first report is due Dec. 1, 2020.

TEXAS SURPLUS LINE REPORTER & INSURANCE NEWS

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The auditors are here!

By Michael G. Manes
Manes and Associates

It was the ARM Partner's Conference in New Orleans on April 18, 2012. I was to speak on Change – Its Management. I relied on two premises. My own: Solving problems and capitalizing on opportunities is the way to transition from today through tomorrows. And Peter Drucker's: "The best way to predict the future is to create it."

The attendees, many with bloodshot eyes slowly filled the room. The program was the first of the morning at a conference in New Orleans. Slow and bloodshot are part of the early morning culture in The Big Easy. I placed a trash can in front of the group and a bottle of baby aspirins on the podium. I explained, "My intention today is to create chest pains since chest pains change behavior. If the chest pains get too serious, take a baby aspirin. If I upset your already queasy stomach, you can throw up in the garbage can." Nervous laughter followed.

A year later I presented a somewhat similar program to a Louisiana Bankers Association Conference in Las Vegas. The major difference between these two groups is "regulation" and "tolerance for risk." Agents tend to be more entrepreneurial (at risk) and have or should have a culture of sales, and bankers usually include a culture of bureaucracy and regulation. Bankers are risk averse. After the event, when surveyed about the program many of the bankers said to their association executive who planned the speaking program, "The comments about change were accurate. We just don't know how to change."

An early slide in the ARM program included two quotes – "Fat, dumb, and happy, commercial banks are being quickly replaced as financial intermediaries." (Time Magazine, Bernard Baumohl, June 28, 1993). This was my admonition to the bankers. Agencies today should consider this same warning.

The second quote was from Peter Drucker, "Whom the gods want to destroy they send 40 years of success." This applied to both groups. Bankers use the regulations of their industry as an excuse to remain in their comfort zone, and many agents are made comfortable because of the recurring revenue from their renewals.

John F. Kennedy could have been speaking to both groups when he said, "There are costs and risks to a program of action, but they are far less than the long range risks and costs of comfortable inaction."

Now before you continue reading, consider: What if banks and agencies were audited for their management of the opportunities in their marketplace? Consider the following when thinking of your organization/opportunity audit: Is your organization about performance, sales, marketing and customer intimacy, or is it focused on the daily transactions and the routine comfort of your staff and yourself?

For perspective, an auditor with the CDC in Atlanta defined the auditing process as follows: "When the war is over, the auditor steps onto the battlefield and bayonets the survivors." Is your agency and your team bruised and bloodied from battles of yesterday or up and running forward into the future, to the opportunities and possibilities that are tomorrow? Will the marketplace, the ultimate arbiter of success, bayonet you or reward you? Are you the past or the future?

In the late 1980s, I worked with a bank owned agency grandfathered into the insurance industry. It was one of two banks in the state with owned insurance agencies. In those days the bank was audited annually or biannually by state or federal regulators in addition to our own auditor. Fred (not his real name) was a "very traditional auditor." He wore both a belt and suspenders.

In a moment of frustration, I asked him to define the "audit function." He said, "It is an objective snapshot of the organization's financials/performance at a specific point in time." I asked how he would describe his CPA firm. He said, "We're very conservative." I responded, "When you quantify yourself or your firm as very conservative, in my opinion, you are no longer objective." I further suggested that his "conservative objective" model was giving us a false starting point for our next year. When I walked away, he was stuttering.

Max DePree says, "The first responsibility of a leader is to define reality." The following questions may help you begin to define your starting point for tomorrow:

-Do you and your team share understanding of and commit to the vision, values, mission and objectives established for your future? Will each of you and all of you be accountable for your performance and results? Are these your Ten Commandments or Ten Suggestions? Are these right for the world as it is and as it will be?

-Is the marketplace you serve or hope to serve in decline, level or in ascendancy? If you answer in decline or "flat lining," can you find new products to offer your existing clients? Can you offer your existing products to new clients? Or, even better, can you offer new products and services to new clients?

-Is your team compatible with the market niches you serve? If you are blessed with some really experienced and wise baby boomers, will they be right for the Gen X and Gen Y that is your tomorrow? Will your English speaking producers be right for a Laotian population? Will your clients shop producers based upon their knowledge or their cultural and gender compatibility?

-How will you sell in a nonverbal world? Is your delivery process the preference of your clients and prospective clients? Are they comfortable with what and how you do business? Are you comfortable with what and how they want the relationship to be? Can you adapt to their future?

-What products, important today, might not be available tomorrow for you to sell? Is the NFIP sustainable or will its vulnerability to adverse selection ultimately cause its collapse? Will auto liability coverage be needed with self-driving cars? Will Gen Y's prefer private ownership of cars or Uber or public transportation? Will they have the appetite for home ownership that we had? Will your community survive? Will coastal properties be readily available or will global warming have moved them all off of the coast?

-What new opportunities might be available to you that are not in your briefcase today?

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Burns and Wilcox sues CRC and 46 former employees

Burns and Wilcox Ltd. has sued one of its competitors, CRC Insurance Services Inc., and 46 former Burns and Wilcox employees in federal court in Michigan, alleging that the employees breached their contracts when they left Burns and Wilcox and went to work for CRC.

The lawsuit was filed Oct. 28 in the U.S. District Court for the Eastern District of Michigan.

Burns and Wilcox (B&W) is a Michigan corporation, and CRC is an Alabama corporation and a subsidiary of BB&T, a North Carolina corporation. The individual defendants are from several states.

Of the individual defendants in the lawsuit, 14 are former employees of the Dallas/Fort Worth office; 12 are former B&W employees of the Houston office; five are from each of Philadelphia, Tampa and Denver; three are from Charlotte, and one is from each of Atlanta and New Orleans

In the lawsuit, B&W contends that Donald Carson Sr. of the Dallas/Fort Worth office breached his fiduciary duty when he solicited B&W employees to go to work for CRC, and that CRC aided and abetted the breach of fiduciary duty by hiring the former employees named as defendants in the lawsuit. B&W accused Carson Sr. and CRC of tortious interference, unjust enrichment, and misappropriation of trade secrets.

B&W says the other defendants breached their agreements with B&W when they "reached out to other employees via social media to get them to join CRC." B&W accused all the defendants of "civil conspiracy to wrongfully deprive B&W of its confidential and protected information."

As B&W describes it in the lawsuit, Carson Sr. had been employed at B&W for more than 30 years when on Oct. 18, he "stood up on a table at B&W's Dallas/Fort Worth office and announced to the gathered employees that he was immediately resigning from B&W to work with the Dallas office of CRC. At that same meeting, Donald Carson Jr. and Sheila A. Hailey also announced their resignations to work for the Dallas office of CRC."

Several days before Carson resigned, according to the lawsuit, two other key B&W employees from its Charlotte office "abruptly resigned" and moved to the CRC office in North Carolina, and three additional key employees from B&W's Tampa office also "abruptly resigned" to join CRC's Florida office.

Carson was a corporate officer of B&W, and for many years, he was the highest paid

See **B&W V CRC** Page **10**

SMART update

FROM PAGE 2

pected to be released on March 30.

The second release, SMART 1.1, will address any issues from the first release and add functions for search and edit, policy audit and the SMART Connector. The agreement does not set a deadline for the second release, but it is expected to launch prior to the contract end date, Dec. 31, 2020. This Memorandum of Understanding includes knowledge transfer, training and documentation to be delivered to SLTX's internal team. Headspring anticipates a staff reduction on the project by July 1. Total estimated cost for this contract is $1.6 million.

Headspring didn't complete the SMART system development before the end of 2019 primarily due to change orders made along the way by SLTX staff.

In November 2018, through a memo signed by both Headspring's vice president/general manager and SLTX's then CEO, Norma Essary, the SMART Statement of Work was modified to include enhancements to the existing EFS system and the legacy MIS system to accommodate additional features. The document indicates that potential enhancements could result from legislative changes affecting compliance requirements or new or custom features desired by SLTX or specific end users. The agreement does not identify any specific anticipated legislative or regulatory adaptations or new feature requirements but estimates the cost to be $513,192, with a project timeline of June 1, 2019 through Dec. 31, 2019.

A change for which there is a formal Memorandum of Understanding came two months later in January 2019. An MOU signed by Essary commits the stamping office to an amendment of the original professional services agreement which would add features to the developing system pertaining to "legislative requirements." Changes required by this MOU would be paid by "discretionary funds separate from the original professional services agreement," which had pegged the project's cost at $2.6 million. No cost estimate was included in this agreement for the additional work to be performed.

Then, on June 11, 2019, a Headspring representative and Essary both signed an MOU authorizing the development of the SMART Connector. This is the interface that will provide a connectivity to agents who submit filings to SLTX through Vertafore, which decided to discontinue the automated filing component of its management software. According to the MOU, payment for this enhancement would come from SLTX's discretionary funds, even though no cost estimate was included in the MOU.

On Aug. 6, 2019, a third MOU was entered by Headspring and SLTX. This new MOU committed additional Headspring team members to the SMART system project in order for the most important functions to go live by the end of the first quarter of 2020. Stated in this MOU as deliverables are reports, a dashboard, search and edit features, external user profiles and the Square 9 Global Capture Integration.

The Square 9 part of the project was to extract data from images (PDF and paper filings) through an optical reader platform. Limitations of this system, cited by Herrara during the Dec. 5 meeting of the SLTX board of directors, included that the vendor expected at least a 72 percent accuracy rate and the reader would not be able to capture policy limit information. These limitations, plus the fact that SLTX receives relatively few filings by paper or PDF attachment, led to the board voting to withdraw this deliverable from the project at the board's Dec. 5 meeting.

Estimated cost for the MOU of Aug. 6 was $230,538. As noted in official minutes of the Dec. 5 SLTX board meeting, Square 9 continues to be the vendor for SLTX's document management system.

NEWS IN BRIEF

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investing in ways to help agents with their data and benchmarking to help their growth and profitability. For the past four years, Mitchell worked as director of information technology services, vice president of technology and chief information officer at the Surplus Lines Stamping Office of Texas. There she managed several projects to improve the organization's platforms, systems and business processes while overseeing operations and technology. Mitchell helped shape the stamping office's brand identity and led its website relaunch, technology and data strategy. Prior to joining SLTX, Mitchell worked in financial regulation for seven years at the Texas Department of Insurance. Prior to joining TDI, Mitchell was a personal banker with JPMorgan Chase. She holds a B.S. from the University of Texas at Austin and several professional designations, including Accredited Financial Examiner.

Mitchell

State Representative Tom Oliverson, M.D., R-Houston, was tapped by NCOIL President Matt Lehman, state representative from Indiana, to serve as the vice chairman of the Property and Casualty Insurance Committee for the National Council of Insurance Leg-

Oliverson

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&
FEET-ON-THE-GROUND SUPPORT
Scale: Burns & Wilcox brings together the widest range of domestic and international carriers with local support in more than 60 offices world-wide. Combining global reach and local service, we give you the power to say "yes" to almost any hard-to-place risk.
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The Frontiers of Flight Museum was the setting for U.S. Risk's holiday celebration

From left are Dick Collins, Imagination Station; Randall Goss, U.S. Risk Insurance Group; Becky and Stephen Good, Gardere and Wynne.

Brenden Martin, U.S. Risk Insurance Group, and Brynna Martin.

U.S. Risk's Kelly Kennedy, left, and Anastasia Tonubbee greeted guests at the Frontiers of Flight Museum.

Tracy Brightman and Lionel Alford, U.S. Risk Insurance Group.

Trey Prohaska, left, and Richard Mayer, both with AmTrust North America.

Pat Sutton, left, U.S. Risk; Sharon Ward, Abacus Advisory, and Shawn Ward, Westchester.

John Dinardo, DiNardo and Associates, and Debbie Corsey.

Jessica and Francisco Lopez, U.S. Risk Insurance Group.

From left are Danae Plotner, U.S. Risk; Helen Smith, retired, and Jackie Benjamin, Crum and Forster.

Johnnie Coleman Jr. and Rose Fields, RLI Insurance Company.

Representing U.S. Risk Insurance Group are, from left, Paul Dickard, Andy Hightower, Leslie Craft and Shannon Pollard.

Dawnette Dukes, left, and Linda Fagan, both with Rekerdres and Associates.

Libby Bautista, left, Berkshire Hathaway Guard Insurance Group, and Susan Cash, with Davis, Dyer and Max.

Kay Powers and Bob Goss.

Daniel Fagan, left, and David Rekerdres, both with Rekerdres and Associates.

Steve and Gina Grissom, U.S. Risk Insurance Group.

Joal Ramirez, James Zander and Associates, and Enetra Ramirez.

Brittany Eaton and Brad Cameron, both with Sompo International.

Murray Roberts, Attorneys Insurance Marketplace, and Deborah Egel-Fergus. U.S. Risk.

Greg Johnston, left, Cushman and Wakefield, with Matt Campbell, U.S. Risk Insurance Group.

Lisa Ho, left, and Jackie Morris, RiskPro Insurance Agency.

From left are Wayne Carter, U.S. Risk Insurance Group; Kerri Carter; Jim Lloyd, U.S. Risk Insurance Group, and Greg Hext, Chapman Hext.

Surplus lines premium

FROM PAGE 1

down from 5.77 percent in 2018 and 7.42 percent reported in 2017. Multi-state policy count for 2019 was 2,712, a 1.3 percent increase in multi-state policies filed with the stamping office in 2018, when the office processed 2,676 multi-state policies.

There were 741,920 policy filings received by SLTX in 2019, compared with 706,151 policies filed in 2018. Average premium per policy was $9,370, which is 8.85 percent greater than the 2018 average of $8,608.

Premium growth outpaced the policy count growth. Policy count reported by SLTX rose by 5.07 percent. Policy counts by line reported by SLTX include some double counting; when SLTX receives multiline policies, it splits the premium among the applicable lines. SLTX reported that its policy filings counted by line totaled 754,982 in 2019, a 5.62 percent increase over 2018 which had 714,786 policy fillings counted by line. The largest increase in the number of policies filed was in Other Liability, which was up by 25,001 policy filings, pushing the line's policy count up by 9.47 percent over 2018's. There were 142,046 policy filings in Fire (including Allied Lines) in 2019, versus 143,188 filed in 2018, a 0.8 percent decrease despite a 21.35 percent premium growth in the line.

Along with Fire (including Allied Lines) showing a premium increase despite a decrease in policy count were Earthquake, All Other A&H, Commercial Auto Physical Damage, and Aggregate Write-Ins for Other Lines of Business.

> *The stamping office cited notable growth of cyber liability, flood and oil and gas liability coverages....*

In all, total premium in 16 of the 24 lines of business reported to SLTX was up compared with last year. The lines of business that showed the greatest dollar growth were Other Liability, which was up $406.78 million, or 14.85 percent, compared with 2018, and Fire (including Allied Lines), up $379.07 million, or 21.35 percent.

Other Liability is reported in 16 subcategories. Within Other Liability, the coverages showing the greatest dollar growth were Excess/Umbrella, which increased by nearly $221.55 million, or 23.33 percent, and GL Premises Liability Commercial, which increased by nearly $82.76 million, or 8.52 percent. The largest percentage growth within the Other Liability line occurred in GL Personal Liability, which increased 78.52 percent, or $4.39 million; GL Contingency Liability, which increased 58.69 percent, or nearly $22.92 million, and GL Cyber Liability, which increased 41.64 percent, or $37.37 million.

Declines within the Other Liability line were limited to five of the subcategories. Professional D&O was down the most, at more than $44.49 million, or 55.69 percent; GL OCP, down $2.20 million, or 42.82 percent; Employers Liability, down $1.33 million, or 19.62 percent; GL Terrorism, down $0.94 million, or 18.56 percent, and GL Underground Storage, down $0.36 million, or 14.55 percent.

Fire (including Allied Lines) is reported in three subcategories: Property Fire, Property Fire/Allied Lines, and Oil and Gas Property, with Property Fire being the subcategory representing a very small part of the line. Property Fire was down by $74,653, or 115.80 percent, but this decline was more than offset by gains in Property Fire/Allied Lines and Oil and Gas Property, which together were up by more than $379.14 million.

In addition to the strong results in these major lines, other lines showed both multimillion dollar and double digit or more percentage increases. Medical Malpractice was up $44.69 million, or 64.26 percent; Other Commercial Auto Liability was up $35.13 million, or 19.19 percent; Homeowners Multiple Peril was up nearly $23.08 million or 11.16 percent; Ocean Marine was up nearly $7.07 million or 22.08 percent; Fidelity was up $3.23 million, or 88.22 percent, and Earthquake was up $2.06 million or 716.79 percent.

The stamping office cited notable growth of cyber liability, flood and oil and gas liability coverages, which increased 41.64 percent, 28.52 percent, and 25.86 percent, respectively.

The eight lines showing premium decreases made up 8.20 percent of all surplus lines writings in 2019. They were Commercial Multiple Peril, down $28.97 million, or 8.07 percent; Surety, down $8.21 million, or 88.56 percent; Inland Marine, $5.36 million, or 5.14 percent; Products Liability, down $5.35 million, or 15.60 percent; Credit, down $4.94 million, or 4.79 percent; Farmowners Multiple Peril, down $1.43 million, or 40.40 percent; Burglary and Theft, down $0.93 million, or 16.90 percent, and Aircraft (All Perils), down $0.69 million, or 10.16 percent.

The decrease in premium for Farmowners Multiple Peril, Inland Marine, Surety and Credit were moves in the same direction as the decreases in the count of policies filed in these lines.

However, the premium decrease in Commercial Multiple Peril, Products Liability, and Aircraft (All Perils) lines was accompanied by an increase in policies filed with the stamping office. The most significant variance among these lines was in Aircraft (All Perils) where premium was down by about 10.2 percent, but the policy count was up by 63.95 percent.

By year-end, SLTX collected $10.42 million in stamping fees, a 14.5 percent increase over last year. Online filings held steady with last year's online filings at 97.9 percent. The number of mailed in filings for the year rose just slightly, from 22,300 in 2018 to 22,478 in 2019. A little more than 97.45 percent of the total premium was reported through online filings. SLTX processed 4.4 percent more filings and 5.1 percent more policies in 2019 than it did in 2018, at an average cost per policy of $14.05.

Year End Comparison of SLTX Premium and Policy Count Processed by Line of Business

Line of Business	Premium through 12/19	Premium through 12/18	Premium Dollar Change	Premium % Change	Policy Count 2019	Policy Count 2018	Policy Count Change	Policy Count % Change
Fire (Including allied lines)	$2,154,191,144	$1,775,117,926	$379,073,218	21.35%	142,046	143,188	(1,142)	-0.80%
Allied Lines	162,874,988	159,086,592	3,788,396	2.38%	31,021	27,770	3,251	11.71%
Farmowners Multiple Peril	**2,110,242**	**3,540,709**	**(1,430,467)**	**-40.40%**	**652**	**762**	**(110)**	**-14.44%**
Homeowners Multiple Peril	**229,847,917**	**206,772,819**	**23,075,098**	**11.16%**	**158,464**	**148,104**	**10,360**	**7.00%**
Commercial Multiple Peril	329,852,464	358,827,294	(28,974,830)	-8.07%	61,112	55,669	5,443	9.78%
Ocean Marine	39,073,370	32,006,446	7,066,923	22.08%	665	585	80	13.68%
Inland Marine	**98,954,538**	**104,317,364**	**(5,362,827)**	**-5.14%**	**17,724**	**17,914**	**(190)**	**-1.06%**
Medical Malpractice	**114,239,260**	**69,549,691**	**44,689,569**	**64.26%**	**4,876**	**4,469**	**407**	**9.11%**
Earthquake	2,346,427	287,274	2,059,153	716.79%	145	199	(54)	-27.14%
Group Accident & Health	84,433,834	79,815,847	4,617,987	5.79%	3,827	3,372	455	13.49%
All Other A&H	**14,283,792**	**13,122,686**	**1,161,106**	**8.85%**	**2,360**	**4,945**	**(2,585)**	**-52.28%**
Other Liability	**3,146,238,938**	**2,739,455,899**	**406,783,039**	**14.85%**	**288,977**	**263,976**	**25,001**	**9.47%**
Products Liability	28,974,176	34,327,758	(5,353,583)	-15.60%	8,916	8,822	94	1.07%
Oth Priv Pass Auto Liability	160,725	6,413	154,312	2406.24%	120	9	111	1233.33%
Other Comm Auto Liability	**218,231,718**	**183,098,324**	**35,133,394**	**19.19%**	**14,872**	**14,365**	**507**	**3.53%**
Private Passenger Auto P.D.	**489,119**	**152,852**	**336,267**	**220.00%**	**209**	**44**	**165**	**375.00%**
Commercial Auto P. D.	206,474,144	189,365,124	17,109,019	9.03%	13,062	13,807	(745)	-5.40%
Aircraft (all perils)	6,104,911	6,794,965	(690,054)	-10.16%	241	147	94	63.95%
Fidelity	**6,889,375**	**3,660,283**	**3,229,092**	**88.22%**	**369**	**334**	**35**	**10.48%**
Surety	**1,060,414**	**9,272,810**	**(8,212,396)**	**-88.56%**	**29**	**39**	**(10)**	**-25.64%**
Burglary & Theft	4,558,374	5,485,167	(926,794)	-16.90%	3,578	3,608	(30)	-0.83%
Boiler & Machinery	623	-15,435	16,058	104.04%	1	0	1	n/a
Credit	**98,153,679**	**103,092,242**	**(4,938,563)**	**-4.79%**	**1,698**	**2,637**	**(939)**	**-35.61%**
Agg write-ins for other lines	**2,154,202**	**1,456,264**	**697,937**	**47.93%**	**18**	**21**	**(3)**	**-14.29%**
TOTAL	**$6,951,698,371**	**$6,078,597,317**	**$873,101,054**	**14.36%**	**754,982*** **741,920****	**714,786*** **706,151****	**40,196*** **35,769****	**5.62%*** **5.07%****

Notes:

This chart includes policy count; prior year-end reporting in this publication included item count, rather than policy count.

Due to rounding figures may not total.

*Total policy count sum of above exceeds SLTX's reported policy count, as some policy filings include multiple lines of business and are counted as one policy for processing, but reported on this chart in multiple lines.

**SLTX's total policy reported count (excludes any double counting for multiline policies).

B&W v CRC

FROM PAGE 4

employee in the company, B&W says in the lawsuit. B&W believes that Carson "has been and is continuing" to solicit B&W employees to go to work for CRC, according to court documents.

B&W accuses Carson of going "rogue" and said his action caused "irreparable harm and monetary damage" to B&W. In its filings, B&W accuses Carson of making false statements and misappropriation of trade secrets.

CRC disagrees with B&W's allegations and says in its answer to B&W's lawsuit that the case is "really just an ill-disguised and unsupported legal temper tantrum" by B&W arising out of the fact that "certain personnel" no longer wish to work for B&W and now work for CRC.

When B&W initially filed the lawsuit on Oct. 28, there were 10 individual defendants in addition to CRC. B&W amended the lawsuit on Nov. 19, bringing the number of individual defendants up to 27. On Nov. 26, B&W filed an emergency motion seeking a temporary restraining order and preliminary injunction against CRC and all the individual defendants, which by then numbered 46.

In its Dec. 2 answer to B&W's motion, CRC said, "plaintiff has unclean hands in that this action is brought solely to harass a competitor and individuals who no longer desire to be employed by plaintiff." Further, CRC said the lawsuit and TRO request are the "result of grudges that Alan and Daniel Kaufman have against Donald Carson for leaving."

Alan Kaufman is chairman, president and chief executive officer of Michigan-based H.W. Kaufman Group, parent of B&W, and his son, Daniel Kaufman, is senior vice president of H.W. Kaufman Group and chief operating officer for B&W.

CRC also said that B&W failed to make a case that the public interest is not being served and did not provide factual or legal support for a TRO and injunction. CRC questioned the urgency on Nov. 26 when the lawsuit was filed on Oct. 28 and amended on Nov. 19 with no indication of an emergency either time. Therefore, CRC asked the court to dismiss B&W's request.

On Dec. 5, U.S. Judge Bernard A. Friedman of the Eastern District of Michigan denied B&W's request for a TRO and an injunction.

Attorneys for CRC, Carson and B&W did not comment on the lawsuit for this story; neither did Carson nor Kaufman.

Employee agreements

Apparently, the case partly turns on agreements that B&W required its personnel to sign in 2018.

B&W required its employees to sign "detailed agreements" agreeing to protect and safeguard B&W's confidential and proprietary information and trade secrets. B&W revised its agreements in 2018, according to the lawsuit "to ensure that agreements conform to industry standards."

Apparently, the revised employee agreements resulted in some disgruntled employees. Two of the agreements at issue in the lawsuit, the Individual Production Award agreement and the Management Bonus Agreement, B&W says in court filings, are consistent with competitors' agreements.

Carson did not sign

In its lawsuit, B&W says that Carson did not sign the 2018 agreement.

In its initial lawsuit, B&W says that Carson refused to sign a 2018 document contractually obligating him to observe B&W's non-solicitation, non-competition and non-disclosure clauses.

Because of his position, B&W claims, Carson had "unfettered access" to B&W's information and knew who the highest performers in the company were.

CRC and Carson say in pleadings that whether or not Carson could have had access to B&W's information, B&W has offered no proof that he actually used any information to damage his former employer.

In its lawsuit, B&W seeks an injunction, actual damages, punitive and exemplary damages, an order to preserve documents and attorney fees.

On Dec. 12, Carson filed a motion asking the court to dismiss the breach of fiduciary claim. Under Michigan law, an employer cannot maintain a claim for post-employment fiduciary duty based on solicitation of former clients unless parties executed an appropriate non-competition agreement, Carson's attorney writes in the motion. At press time, Friedman had not ruled on Carson's request.

On Dec. 18, B&W petitioned for a voluntary dismissal without prejudice of each of 13 defendants in 13 separate petitions. On Jan. 10, 26 defendants moved to be dismissed with prejudice from the case in a single petition. The 26 included CRC Insurance Services and the 13 defendants that B&W wanted dismissed without prejudice.

As of Jan. 17, there are no rulings, but a conference is scheduled for Feb. 19.

NEWS IN BRIEF

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islators. Among other issues to be considered this year, the P&C committee has pending a draft of an Electric Scooter Insurance Model Act sponsored by **Sen. Jerry Klein,** R-North Dakota (Fessenden). NCOIL is a legislative organization comprised principally of state lawmakers serving on state insurance and financial institutions committees around the country. Oliverson served as vice-chairman of the Texas House Insurance Committee during the 86th Legislature.

The American Property Casualty Insurance Association has added three communicators and strategists to its public affairs division to focus on long-term consumer education and awareness issues, as well as set the industry's narrative. **David A. Sampson,** president and CEO of APCIA said the association is committed to telling the insurance industry's good story as it pioneers new technologies, speeds catastrophe response and protects motorists. Joining APCIA as assistant vice presidents of public affairs are **Tamra Johnson, Stephanie Polis,** and **Sarah Revell.** Johnson will work in Washington, D.C., leading APCIA's multimedia communications strategy, diversity and inclusion programs and long-term consumer education and awareness initiatives on driver and workplace safety. Prior to joining APCIA, Johnson served as national spokesperson and public relations manager for AAA, managing media relations. Her focus there was on traffic safety and transportation issues, including driver distraction, impaired driving, teen driver safety and infrastructure funding. Polis will also be based in Washington, D.C., where she will lead strategic communications efforts on consumer education and awareness, concentrating on financial literacy, economic impact and community engagement. Previously, Polis provided public affairs, communications and external relation consulting services to associations and organizations in several fields, including for the Boys and Girls Clubs of America. Revell will be based in Florida, where her focus will be on advocacy and communications initiatives in the state to advance consumer reforms and protect the insurance marketplace. Revell will also lead strategic communications efforts to educate consumers nationwide on key issues for catastrophe preparedness and response. Prior to joining APCIA, Revell was most recently deputy secretary of the Florida Department of State (FDOS). Before being named deputy secretary, Revell supervised media relations and long-term communications planning and was the primary spokesperson on several high-profile issues for the FDOS.

MEETINGS/EDUCATION

Registration has opened for the Texas Department of Insurance 2020 Compliance Conference scheduled for April 9 in Austin at the DoubleTree Hotel. The day consists of presentations on prosecuting insurance fraud, networking breaks with the regulators, lunch and three afternoon breakout sessions where participants can choose

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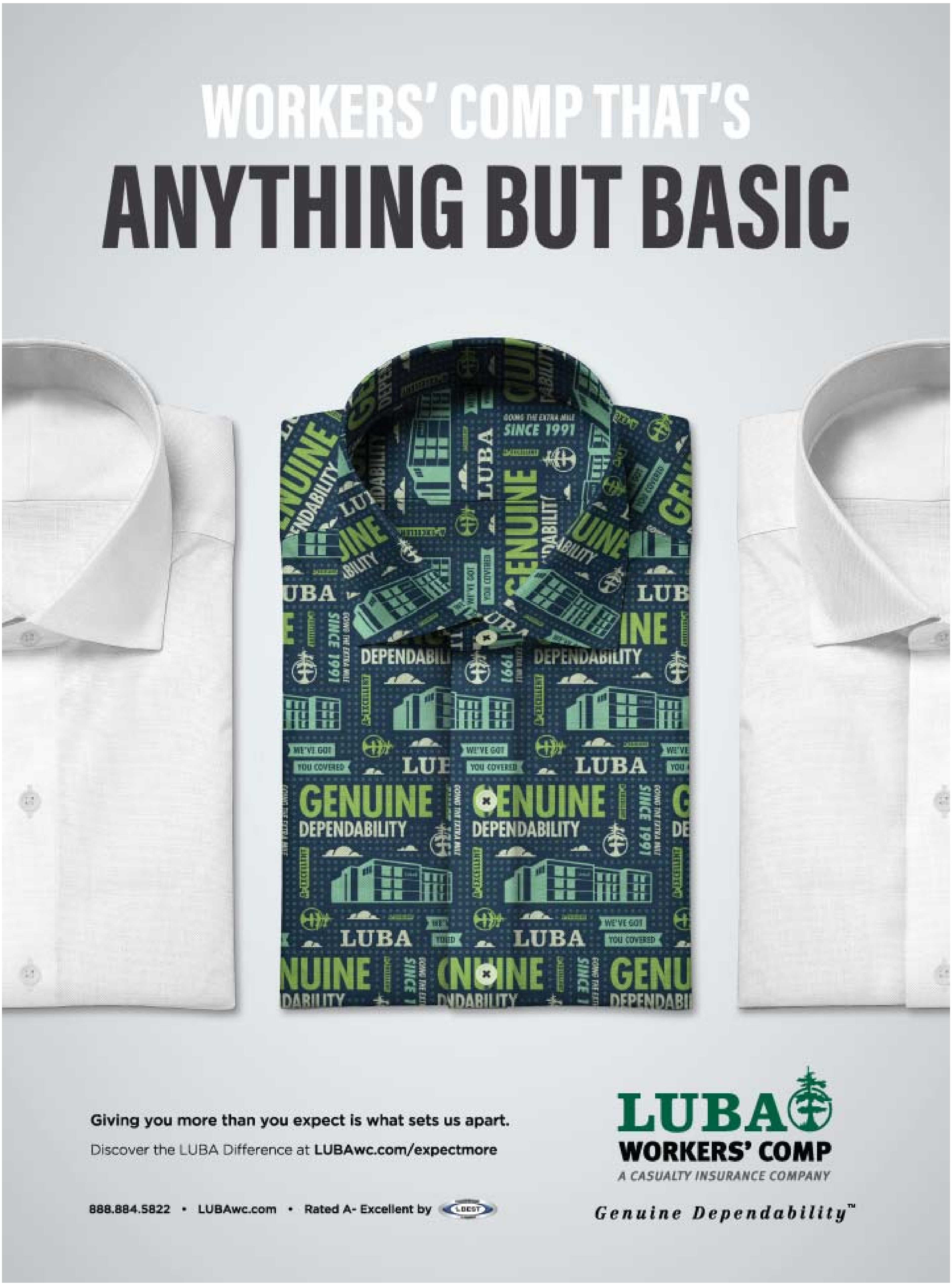
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Deputy commissioner cites TDI's ongoing improvements

Jamie Walker, deputy commissioner for the Financial Solvency Division of the Texas Department of Insurance, addressed the members of the Texas Surplus Lines Association to bring them up to date on changes that Commissioner Kent Sullivan has introduced since he became commissioner in 2017. Walker led off the speaker lineup for TSLA's annual meeting on Nov. 11 at the Austin Four Seasons.

As the fifth insurance commissioner to serve within a seven-year period, Sullivan has exceeded the length of service of any of the three commissioners that succeeded Mike Geeslin, who left TDI in 2010. Walker said Sullivan came into the agency and observed its operations for about six months before launching his vision into TDI's strategic plan. Walker added that he is the first commissioner in a while to be around long enough to see his strategic changes through.

Aside from organizational changes which improved workflows and oversight at the insurance department, Walker said, Sullivan has focused on three key ideas to improve TDI internally and in its interaction with the public. His motto has been "How can we do things better?" said Walker. He does not accept the standard of "This is how we've always done it," she said.

Sullivan's guiding philosophies, said Walker, are to ascertain and follow best practices, modernize through sound technology, and keep language plain and simple to achieve better understanding of the agency's work by the public.

A prime example of best practices, said Walker, is the improvement TDI has achieved in handling constituent complaints. Reorganization of the complaint resolution area and online improvements, she said, have improved efficiencies. It is easier for consumers to submit complaints and to check their complaints' status. Evidence of the improved efficiencies, said Walker, was that the agency closed 1,539 complaint cases in July 2018, but closed 3,977 in August 2019, while the rate of incoming complaints remained fairly consistent.

Other best practices include creating templates for the most common bulletins issued immediately after a disaster. This allows TDI to provide guidance quickly to the insurance industry after major storms.

An online toolkit, said Walker, helps cities and counties combat contractor fraud after a storm.

TDI counts other technological advancements among its modernization achievements. The department started using an existing vendor to process routine electronic licensing applications, freeing up staff to work on the more complex issues. Average processing days for licensing went from 38 days in January 2018 to 5 days as of the end of August 2019. During this same period, licensing call center hold times went from over half an hour to just over a minute.

TDI is in the process of modernizing its review of company policy form and rate filings by using artificial intelligence. A pilot program that started earlier this year is expected to launch full scale in early 2020. An intelligent computer searches form filings for previously approved text as well as new passages. Noncompliance issues resolved by staff are communicated back to the computer which, said Walker, "learns and gets better." While final approval remains with a human being, she said, the AI forms review speeds up the process and means decisions are made more consistently. Walker said this modern tool will improve TDI's efficiencies with more than 30,000 property and casualty filings and 18,000 health filings submitted each year.

Sullivan's plain language initiative is "about putting our customers first," Walker said. TDI's goal is to get away from jargon and use plain language in everything it does. Walker quoted Sullivan's mantra on plain language: "It's not enough to be technically accurate if no one understands our message."

TDI's redesigned website includes plain, easy to understand language and a reorganized agent and adjuster licensee section to make it easier to apply, renew and update information online. The new web design works better on smart phones and tablets, Walker said.

In all, concluded Walker, TDI is working toward improved regulatory efficiency.

Walker was named deputy commissioner of financial solvency in May 2018 when her predecessor was named chief deputy commissioner. Walker was assistant deputy commissioner of the division for nearly three years before being named deputy commissioner. She is a certified financial examiner and has been with TDI since 2000 when she earned her B.A. in economics from Lyon College in Arkansas. She started as a financial examiner trainee. Walker currently chairs the Accounting Practices and Procedures Task Force of the National Association of Insurance Commissioners.

TSLA and IIAA donate food and funds to the Central Texas Food Bank

Food and money collected at the Independent Insurance Agents of Austin's Christmas luncheon benefitted the Austin area food bank. Along with members of the Texas Surplus Lines Association, IIAA members donated 217 pounds of food and $2,565, including IIAA's $1,000 donation. This is the 16th year that IIAA and TSLA worked together on this community service. The luncheon was held at the AT&T Executive Hotel and Conference Center in Austin on Dec. 11. From left are Jean Patterson, TSLA; Scott Irot, food bank volunteer; Andy Webb, IIAA president, and Lisa Webb, IIAT Advantage Markets director.

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among 11 offerings. Breakout topics include mental health parity, P&C filings and market conduct, trends and prevention of insurance complaints, new rules for life and health, online licensing applications, an NAIC update and more. Cost to attend is $135 for registrations received by Feb. 18 and $165 thereafter until March 22, which is also the deadline for cancellation refunds. Attendees can earn up to 5.5 hours CLE or C.E. Online registration is available through the TDI website.

The board of the Surplus Lines Stamping Office of Texas met on Jan. 14 for a limited agenda. Board Chairman Lorrie Cheshier announced that the next meeting of the board is the annual meeting on March 27, in Austin at the SLTX office. The Finance and Audit Committee will meet on March 26.

Zelle law firm will host its 2020 Texas Hail and Harvey Claims Seminar in Dallas on April 16 at the Hyatt Regency Reunion. Registration is free, but is open

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only to insurance professionals. The presentations from 8:30 a.m. to 5 p.m. will be followed by an evening reception. The course is pending seven hours of C.E. with the Texas Department of Insurance. To register, contact whatthehail@zelle.com.

BEST RATING

LUBA Workers' Comp, a regional casualty insurance company insuring businesses in Louisiana, Mississippi, Arkansas, Texas and Oklahoma recently received an "A- Excellent" rating with a stable outlook from A.M. Best Company for the 16th consecutive year. LUBA's A- Excellent rating demonstrates its financial strength, strong operating performance, sound claims handling practices and long-term stability. LUBA is the second largest writer of workers' comp in Louisiana and the fourth largest in Mississippi. "We are proud to have carried our strong rating for 16 years despite difficult market conditions," said **Mike DePaul**, COO of LUBA Workers' Comp. "This reinforces LUBA's dedication to genuine dependability, sound business practices and superior customer service."

REPORT CARD

Texas received a grade of C from R

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London views

FROM PAGE 1

that some reinsurers withdrew from writing certain casualty long-tail business, squeezing capacity even more.

One pleasing factor for the traditional London market was the lack of growth in the Insurance-Linked Securities capacity, which stayed at nearly the same level. It seems the ILS market has been held back by loss development from previous years' catastrophe losses.

Bushfires burning in Australia

The world has been shocked by the huge bushfires presently burning across Australia. The cost in human terms is mercifully light, but the loss to local wildlife is horrific. Lloyd's writes many Australian reinsurance treaties and will be heavily involved in paying claims. In monetary terms the cost is not significant compared to U.S. hurricanes. Losses are expected to reach between $1 billion and $2 billion.

End of year and decade messages

The usual end-of-year and end-of-decade messages have been circulating around the market, and Lloyd's is no exception. Lloyd's CEO John Neal reminded the market that there are three main priorities: a return to sound underwriting performance; the market's development of a long-term success strategy, and building a diverse and inclusive culture. He said there was a much more positive feel at Lloyd's than when the year began.

Neal referred to Lloyd's 2019 business planning process and Decile 10, which aimed to get rid of worst performing business.

Some $9.1 billion of new business was written by the market, and there is a new long-term strategy, the Future at Lloyd's Blueprint. On the downside, there was the shame of the cultural survey, which showed that many Lloyd's market workers had negative experiences. At least Lloyd's reacted quickly to the findings.

Neal referred to 2020 as one of the most important years at Lloyd's. The merger of the Lloyd's Board and Council will make decision-making more efficient and quicker.

Brexit – The U.K. leaves at last

Following the U.K.'s recent General Election, the new Parliament has finally voted through the European Withdrawal Bill. The U.K. is going to leave the European Union (EU) on Jan. 31, 2020, later than the original date of March 2019. This is only a stepping stone along the way, as next comes a transition period until December 2020 when trade talks between the U.K. and the EU begin, and the U.K.'s financial services industry, including Lloyd's and the London market insurers, learns its fate about trading in Europe.

The U.K.'s trading relationship with the EU will remain the same while the two sides negotiate a free trade deal. If a trade deal is ready in time, the U.K.'s new relationship with the EU can begin immediately after the transition. If not, trade between the EU and the U.K. will suddenly become more difficult. At present, any authorized U.K. insurer (including Lloyd's) can write business in Europe. If trade talks fail, the insurers' authorization will be cancelled, and they cannot trade in Europe. For this reason, most insurers have already set up local European subsidiaries, such as Lloyd's European operation in Belgium, which will enable them to trade as normal, albeit as a European authorized insurer rather than a U.K. authorized insurer.

At the moment both sides are playing hard to get. The EU insists a free trade deal is impossible by December, and the U.K. insists it will be done. The U.K. wants to distance itself from the EU, and the EU insists it wants to stay close to the U.K. The aim of both sides is to keep access to each other's markets. Currently, U.K. insurers and Lloyd's meet all EU regulations and requirements, including the stringent Solvency II rules. Provided they can convince EU regulators that they will keep to this, there should not be any problems.

Effectively, Lloyd's and the London market are in a "heads we win; tails they lose" position. If trade talks succeed, things will go back to normal, and if they fail, Lloyd's and U.K. insurers will write European insurance and reinsurance business through the subsidiaries they have already set up.

Marine Hull and Casualty lead the way

The modernization of Lloyd's continues, and leading the way are marine hull and casualty underwriters. They were selected by Lloyd's and the board of the Lloyd's Market Association (LMA) to act as the pilot classes for the modernization of all Lloyd's syndicates.

With over 60 lines of insurance and reinsurance to choose from, one might wonder why marine and casualty got the nod. Arguably, Lloyd's began with marine hull, and casualty business came along hundreds of years later. Apparently, Lloyd's carried out an extensive analysis on a wide range

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London views

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of possible classes that could form part of the pilot. Lloyd's looked at the performance of the class; the materiality of premium in the class (i.e. the importance of the premium produced by this class of business); the number and concentration of leaders and followers in the class; the number and concentration of brokers in the class and the method of placement split within the class.

These classes both have a large number of syndicates writing and have a number of leaders and followers. The business is placed by many brokers, so the LMA board and Lloyd's jointly agreed that they are the most suitable classes for the modernized syndication pilot.

The aim of the pilot is to make life easier for leaders and followers in Lloyd's. This should lead to improved performance, reduced duplication and proportionate oversight. Lloyd's has the difficult job of deciding how much control it has over syndicates. Already, there are rules on underwriting, risk management and claims settlements, but Lloyd's needs to decide if its market supervision of all Lloyd's business is too much, too little or just right.

The LMA will consult the two classes of business during the first two quarters of this year and will make further details available in due course. Eventually, new rules for all syndicates will be rolled out, and all classes of business are expected to benefit from new leader and follower standards.

How to set up a syndicate in a box

One of the new innovations announced in Lloyd's Future of Lloyd's Blueprint One was the syndicate in a box. At the time, it was announced that the Munich Re Innovation Syndicate would become the first new entrant in the market to use the syndicate-in-a-box (SIAB). More of these new syndicates are expected for 2020, and Lloyd's CEO John Neal said that Lloyd's has received applications from around 40 new syndicates for this year. So far, only Munich Re has been named, so to encourage others to come forward Lloyd's gave details on how to apply for an SIAB. Lloyd's hopes that in 2020 up to two percent of total planned market GWP can be written through syndicates in a box.

The first thing Lloyd's recommends for new entrants is to start the process with a discussion with its Business Development Team. Lloyd's strongly encourages this before spending any time, money or resources on any proposal. While most applications will be straightforward, this will prevent any misunderstandings and unnecessary costs. Lloyd's warns that the application will take at least three months to validate. Applicants will need an existing managing agent to sponsor the application (in the same way as for binding authorities) and a statement from the managing agents assessing the applicant's ability to comply with Lloyd's minimum standards.

Lloyd's warns that the internal review of a new business plan and capital assessment involves multiple teams within Lloyd's. The Lloyd's New Entrants team will coordinate the review with other teams. The SIAB process will encourage all of the Lloyd's teams to raise any queries or issues via the New Entrants manager who will collate the queries to reduce iterative discussions and streamline the process.

Anyone getting this far is in the final stages of the application and now has agreement in principle. At the end of this stage, Lloyd's will consider the outputs from the review stage, and how the operational and administrative aspects have been addressed, with a view to granting formal permission to underwrite.

Finally, comes official approval and the go-ahead to trade. Once this occurs, Lloyd's will be back to follow up on the deliverables in a post approval action plan. In addition, Lloyd's will regularly review how the business is performing against the agreed SIAB success criteria and business plan, Lloyd's minimum standards and Lloyd's guidance.

These things don't come cheap. The application fee for an SIAB is £100,000, plus £52,000 if the applicant is a new member. The difference between the syndicate in a box and syndicate application fee will be payable only when the syndicate in a box graduates to a full syndicate.

Whistle-blowing systems inadequate

The Prudential Regulation Authority (PRA) is the part of the Bank of England that regulates insurance providers such as London insurance organizations and Lloyd's. While consumer protection is left to the Financial Conduct Authority, the security of the U.K.'s insurance organizations is part of the PRA's responsibility. To ensure that suspected wrongdoings are reported, the PRA operates a confidential whistle-blowing system.

Unfortunately for Lloyd's, and to the market's great embarrassment, Lloyd's has failed to provide an effective system, and the Society of Lloyd's had to go cap-in-hand before the U.K.'s most powerful regulator to confess that the only anonymous whistle-blowing system provided for Lloyd's staff has not been operational since October 2017 and that Lloyd's has not produced the expected annual whistle-blowing report.

The PRA regulators are not happy bunnies with this news and have decided that their arrangements for Lloyd's requires enhanced monitoring and scrutiny. They did note that other whistle-blowing avenues were available for the staff of Lloyd's over this period.

Personal grievances, such as bullying, harassment or discrimination, aren't covered by whistle-blowing laws but would be investigated if an investigation was in the public interest. The lack of an anonymous system between 2017 and now means that about 1,000 staff had no way to report incognito issues such as sexual harassment or bullying.

Lloyd's said it was "disappointed" by the failure in its controls.

Chaucer to write U.S. E&S lines

Like many managing agents Chaucer operates both as a Lloyd's operation and an insurance company. Chaucer Insurance Company DAC is domiciled in Dublin and writes an international specialty insurance and reinsurance business that mirrors that of its Chaucer Syndicate 1084 in London. This enables brokers, coverholders and clients to select syndicate or company paper. The company recently received confirmation from the NAIC that it can write excess and surplus lines business across the United States. Chaucer hasn't said if any of the new business will be reinsured into Lloyd's.

NEWS IN BRIEF

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Street Institute in its eighth annual Insurance Regulation Report Card released in December. The 2019 report cited Texas for "no special strengths" and found its weaknesses to be "thinly capitalized markets, large homeowners residual market and a large workers' comp state fund." The free market think tank considers its ranking a grade for the state, not a grade of its regulator, as improvements in the grading scale would most likely require legislative action. Texas received a favorable comment for allowing insurance agents to place flood insurance policies through brokers in the surplus lines market without declinations. Each state was graded on politicization of the regulatory environment, fiscal efficiency related to its insurance department budget as well as its tax and fee collections, solvency regulation, auto and homeowners market concentration and loss ratios, residual market size, rate regulation and underwriting freedom. Texas ranked 35th among the 50 states graded by R Street, down from its ranking of 28th last year. Its neighbors' grades and rankings were New Mexico, B+, 15th; Arkansas, B-, 24th; Oklahoma, C, 33rd, and Louisiana, F, 50th. The full report is available at www.rstreet.org.

INFO RELEASE PENALIZED

Former U.S. banking regulator Natalie Edwards entered a guilty plea to a conspiracy charge in Manhattan federal court on Jan. 13 for her role

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Manes

FROM PAGE 3

-Will the advances in technology allow you to do more with your clients and prospects more efficiently and effectively? In a virtual world, might 7.5 percent commission be adequate where today you are blessed with 12 percent? Who will dictate commission levels in the future? You or your clients? Will carriers determine your commissions on what you need or what the market is willing to pay? Could you sell effectively with full disclosure of commission or quotes net of commission?

-What will the world of retail (Malls and Main Street) be like tomorrow? Will all the action be on the banks of the Amazon?

-Will the government finally move to a single payer health care system? Will your local doctors now satisfy their needs through their network or as individual business owners? Will they be entrepreneurs or employees? Will they be in the business of business and the business of medicine or will they specialize in only medicine?

-In the future, will it be necessary for you to be too big to fail for you not to be too small to succeed?

I don't know the answers. I don't even know the questions that are appropriate for tomorrow. Your future is not dependent upon me. It is dependent upon you. What do you know? What should you know? What will you do? Can you be profitable regardless of what the market is willing to pay?

In closing, about 20 years ago I was speaking to an agency conference – one of the attendees was over 75, very traditional, successful, conservative and very comfortable in his ways. I asked if his exit from his agency by death or retirement would increase or decrease the value of his agency. His response was immediate, "Boy, you done gone from preaching to meddling." I now offer you the same question. Are you and the agency you own or work with ready, willing and able to transition from yesterday and today, into tomorrow? Really?

It's your future.

Postscript: As I finished this article five minutes ago, I received a post from Time.com commenting, "How White Male 2020 Candidates Are Struggling with Questions of White Privilege." If you consider the article crazy, you may want to reconsider.

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NEWS IN BRIEF

FROM PAGE 14

in leaking several consumers' confidential banking information that was obtained through bankers' reports to the federal regulator for depositors' suspicious activity (SARs). Edwards, a senior adviser at the U.S. Treasury's Financial Crimes Enforcement Network, was accused of sending numerous SARs reporting wire transfers to a news outlet. The SARs involved several subjects of Special Counsel **Robert Mueller's** investigation. According to published reports, Edwards admitted that she was not permitted by law to disclose the private financial information. In a published report, Edwards's attorney **Marc Agnifilo** said his client believed that certain critical facts were not being handled in the right way by the government agencies tasked with handling them. In a news release, prosecutor U.S. Attorney **Geoffrey S. Berman** said Edwards violated the integrity of the system of suspicious activity reports. The conspiracy charge carries a potential penalty of up to five years in prison, but Edwards signed a plea deal with prosecutors that recommended a potential prison sentence of zero to six months. Sentencing is set for June 9.

TDI

In December, the Texas Department of Insurance released its annual report covering the activities of various program areas, including the Division of Workers' Compensation. Also included in the report are data tables for form filings received for each of the last five years in life and health and property and casualty. The report identifies all companies in receivership at the end of 2019 and provides a summary of the Texas insurance market for 2018, including the market share listing for several coverage types, including private passenger auto, homeowners, and workers' compensation. The 62-page report is available at www.tdi.texas.gov/reports/documents/2019annualreport.pdf.

CORRECTION

The law firm of the chief lobbyist for the Texas Surplus Lines Association was incorrectly identified in the December issue. **Keith Strama** is a shareholder attorney with the Austin-headquartered **Beatty Navarre Strama** law firm.

TDI Final Disciplinary Actions November 2019*

Date	Name & City	Action Taken	Violation
11/18/19	Dekiesha Lovette Dillard-Rudd, Houston	Adjuster All lines license denied (SOAH Docket No. 454-19-4400.C)	Felony conviction and several misdemeanors involving fraudulent or dishonest acts, 2000-2009
11/14/19	Lighthouse Insurance Services LLC, Manassas, VA	Fined $10,000[C2]	Engaged in the business of insurance in Texas without an agency license
11/14/19	Michael Derek Reynolds, Temple	General lines agent license with property and casualty qualification granted subject to a two-year probated suspension[C2]	Conviction for intoxication assault and intoxication manslaughter
11/14/19	SWBC Insurance Services, Inc., San Antonio	Fined $10,000[C2]	Paid commissions to and transacted insurance business with an unlicensed agency
11/26/19	United Property & Casualty Insurance Company, Saint Petersburg, FL	Fined $100,000[C2]	Allowed unlicensed MGA to perform MGA acts on its behalf; failed to include required provisions in contract with MGA; failed to conduct annual audit of MGA; allowed unappointed agent to issue a policy; failed to include accurate supplementary rating calculation information, failed to timely return premium after cancelation of policy; failed to timely notify claimant of acceptance or rejection of claim; failed to timely pay claims; failed to timely respond to TDI inquiries

***Except for consent orders, actions may be appealed to State District Court.**

[C1]Consent order: Parties agreed to consent order with express reservation that they do not admit to a violation of the Texas Insurance Code or of a rule and that the existence of a violation is in dispute.

[C2]Consent order: Parties waived rights to other procedures.

Insurance fraudsters

FROM PAGE 1

insurance fraud in March in Collin County. White, who did not have cancer, submitted bills to her insurance company for hospitalization and cancer treatments she claimed to have received. Over a two-year period beginning September 2015, White submitted 111 fraudulent claims. TDI's investigation found that White had 13 separate accounts at four different banks, and between 2015 and 2017 spent more than $92,000 at casinos, withdrew more than $73,000 in cash and spent $122,000 on personal items. She was sentenced to 10 years deferred adjudication community supervision, ordered to pay $313,068 in restitution and ordered to perform 180 hours of community service.

Next on the highlight list is Jameel Antwon Cook, a former NFL player, who was convicted of stealing more than $100,000 from a fund that reimburses NFL players and their families for medical and insurance expenses. Cook began submitting false reimbursement forms to the fund in March 2016. The forms contained forged receipts for premiums and fake invoices for medical services. Over an 18-month period, Cook submitted false documents to the fund 29 times. He was sentenced to 10 years' probation and ordered to repay $105,000 to the fund.

Allen Castillo, a claims adjuster, was indicted along with four other people for defrauding the insurance company he worked for. Castillo used his position with a Houston-area insurance company to issue fraudulent claim checks. Over a 10-month period beginning in October 2016, Castillo issued 10 checks totaling nearly $100,000. The checks were made out to friends and family members who kept some of the money and gave the rest to Castillo. Castillo agreed to seven years' probation and full restitution to the company.

Austin body shop owner Elias Zapata was convicted of engaging in criminal activity, a first-degree felony, after filing false claims with several insurance companies. Fraud Unit investigators found that Zapata often preyed on people unable to pay for repairs to their cars.

In one such incident, Zapata told an accident victim that he would repair his car if he did what Zapata told him to do. One of Zapata's employees then gave the man details about a fictitious accident and provided a diagram for him to use to file a claim with his insurance company. Zapata also used legitimate damage to vehicles at his repair shop to make false claims with other insurers. Elias Zapata was sentenced to 10 years in prison, probated for 10 years, and was ordered to complete 400 hours of community service and repay more than $76,000 in restitution.

Arturo Portillo, a former agent whose license was suspended, was sentenced on multiple insurance fraud charges. One of Portillo's schemes involved collecting premiums from insurance policyholders without forwarding the money to the insurance company. The companies would then cancel the policies for nonpayment without the victims' knowledge. Portillo also posed as the policyholders to apply for other policies after the initial policies were canceled. In a separate scheme, Portillo collected commissions from insurance companies for policy sales even though he was no longer a licensed agent.

The Portillo investigation led to the prosecution of another TDI licensee, Joe Molinar, who owned a San Antonio insurance agency. Molinar let Portillo write policies and collect the premiums through his insurance agency. Portillo split the commissions with Molinar. Portillo's scheme caused two insurance companies to issue insurance policies with a cumulative value of more than $1 million per company. Portillo was sentenced to two years in jail, fined $2,000, and ordered to pay $6,000 in restitution. He also was sentenced to 10 years in prison and ordered to pay a $2,000 fine and restitution on a separate fraud conviction. Molinar was sentenced to eight years deferred adjudication and received a $2,000 fine. He and Portillo were ordered to pay more than $16,000 in restitution. Molinar also agreed to permanently surrender his insurance license.

Chia "Bruce" Wang, a licensed insurance agent, convinced an 87-year-old woman to take out a $400,000 life insurance policy. The insurance company denied the application because of the woman's age and health. Wang then fabricated a policy and delivered it to her. Over the course of the next two years, the woman paid Wang nearly $200,000 in premiums for a policy that didn't exist. Wang was sentenced to 10 years of deferred adjudication probation and ordered to pay restitution for defrauding the woman out of nearly $200,000.

TDI's Fraud Unit investigators are certified peace officers and work closely with law enforcement authorities around the state when investigating fraud cases. Suspected cases of insurance fraud can be reported online, by email or by calling TDI's Consumer Help Line at 1-800-252-3439.

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