Reminder For All Licenses

The Gross Premium Tax report and payment is due to the Pennsylvania Department of Revenue by January 31, 2008 for the calendar year of 2007.

Save The Date

Mark your calendars for April 9 – 10, 2008. These are the dates of the 2008 PSLA Annual Meeting. The Annual Meeting will be held at the Marriott Pittsburgh City Center in downtown Pittsburgh. The theme of the Annual Meeting is “Strategies For Success: New Ideas and Opportunities For the Insurance Marketplace.”

Joel Ario, Acting Insurance Commissioner of Pennsylvania, has agreed to speak at the Meeting. The keynote speaker will focus on Selling to Different Generations. There will be various education sessions so that attendees can obtain Pennsylvania CE credit. A panel composed of senior marketing officers from Surplus Lines Carriers will discuss what they are looking for in the soft market. You can sign up to play golf at a challenging course and there will be an opportunity to network and meet attendees from other agencies, insurers and service providers. Additional details will be communicated in the coming months.

PSLA Electronic Filing System

The PSLA Electronic Filing System has been available now for over a year. You will find that it is a program well worth using!

The screens are arranged so that many drop down boxes help you find the necessary information. The filing takes only minutes to perform. So, why are only 518 out of 3,162 Surplus lines agencies using the system?? Of course, we are all reluctant to change, that is very normal. But, I am asking you to adopt the new system as soon as possible.

Comments on the usefulness of the system include:
1. You have control over what you enter.
2. There is little or no chance of a filing return when processed electronically.
3. You can enter Endorsements on the system, you don't have to photocopy and send them to the PSLA any longer!
4. You can reconcile your reports online from the data you entered. This also makes your monthly and year end reporting much easier!
5. There is no waiting to get the filings done, they can be entered as you have time, affidavits don’t have to pile up waiting for someone to copy and send them! (Remember the 45 day filing requirement.)
6. Corrections to any filing can also be made on line, no need for extra mailings to make corrections.

It makes good sense to take advantage of the Electronic Filing System because the stamping fees that have been collected over recent years have helped pay for this very functional system. Just like stamping offices country wide, PSLA is fast moving toward using this as the sole point of data entry for surplus lines filings in Pennsylvania.

We believe that you will be surprised at the user friendly capability this new system provides. The benefits for everyone are important and critical as we are now in the technology age and positioning the Pennsylvania Surplus Lines market to respond to the requirements that will affect everyone.

Don’t know how to use EFS? Contact Maureen Thomas at PSLA to see when the next training session will be held.

Thank you to those members who are using the system, and those of you that are not currently using EFS – ask any of them – they’ll tell you that it is easy and quick to use – register now!!

Nancy Cerino, Chairperson Electronic Filing Working Group
Increase in Stamping Fee

Ken Rudert, Executive Director of the PSLA issued the following bulletin about an increase in the stamping fee.

DATE: October 26, 2007
TO: All Surplus Lines Agencies (corporations, partnerships and proprietorships)
FROM: Kenneth A. Rudert Executive Director
SUBJECT: Stamping Fee Increase 2008

This bulletin is to advise all surplus lines licensees that after six years of supplementing our income from reserves, now depleted, PSLA must increase the flat, annual, non refundable stamping fee of $15.00 per filing to the new stamping fee schedule as follows:

Stamping fees for insurance placements effective on or before December 31, 2007

1. Stamping fees for filings received within 45 days of the effective date of the placement will remain at the current $15.00 per filing. The fee is payable by the insured and remitted by the surplus lines licensee to PSLA.

2. Stamping fees for filings received after 45 days of the effective date of the placement (as specified by the Surplus Lines Law) will carry a stamping fee of $40.00 per filing. Fifteen dollars ($15.00) of the fee is to be payable by the insured with the remaining $25.00 payable by the surplus lines licensee. The entire fee is to be remitted by the surplus lines licensee to PSLA.

Stamping fees for insurance placements effective on or after January 1, 2008

1. Stamping fees for filings received within 45 days of the effective date of the placement will carry a stamping fee of $25.00 per filing. The fee is payable by the insured and remitted by the surplus lines licensee to PSLA.

2. Stamping fees for filings received after 45 days of the effective date of the placement (as specified by the Surplus Lines Law) will carry a stamping fee of $50.00 per filing. Twenty-five dollars ($25.00) of the fee is to be payable by the insured with the remaining $25.00 payable by the surplus lines licensee. The entire fee is to be remitted by the surplus lines licensee to PSLA.

PSLA will continue to provide monthly statements to licensees at the end of each month. Surplus lines licensees should continue to remit stamping fees based on PSLA’s monthly statements. The check for stamping fee payment must include the remittance copy of the statement provided.

IMPORTANT: Surplus lines filings that are not completed correctly are returned by PSLA as discussed in the “Filing Return Guidelines” section of PSLA’s procedures manual. Returned filings are not subject to a stamping fee until corrected and re-filed. The date of receipt of the corrected filing will be used for determining the applicable stamping fee. Delays by the surplus lines licensee in responding to a returned filing could easily result in the filing being subject to a higher fee as outlined in paragraphs 2. of the schedule above.

Additionally, our experience indicates that a prolonged period of time can often elapse from the date of receipt of a surplus lines filing until PSLA is able to enter the filing into the database on behalf of the surplus lines licensee. Therefore, unlike those filing electronically, surplus lines licensees who are still submitting filings to this office for PSLA to manually data enter into the database on their behalf should exercise extra care to make certain that submitted filings are accurate. When returning a filing for correction is necessary, it will almost certainly be subject to the late stamping fee as scheduled above.

REMINDER: Section 1609.
Declarations, of the Surplus Lines Law describe the filing process required by the functioning surplus lines licensee. For a thorough explanation of the information required by the surplus lines filing affidavit forms, click here. Any filing that does not utilize the appropriate affidavit form and the information required to be indicated on the affidavit form is ERRONEOUS.
Federal Insurance Regulatory Reform Hearings

Rep. Paul Kanjorski, the Chairman of the House Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises has pledged to hold a series of hearings on insurance regulatory reform. The first hearing was held on October 3, 2007, and a second hearing was held on October 30, 2007. The following is a summary of these hearings. Also attached are statements of Rep. Kanjorski and the insurance industry representatives.

SUMMARY
October 3, 2007 Hearing


Rep. Kanjorski said that the one thing that is fairly certain is that some reform needs to take place.

“The vast majority of interested parties in the debate on insurance regulatory modernization - myself included - agree that there is no longer a question of whether or not to pursue reform,” he said. “The question we must answer is how best to achieve this reform.”

Rep. Richard Baker, R-La., was more certain about his position on the issue, offering stern criticism of the National Association of Insurance Commissioners to its president, Walter Bell, who is Alabama’s insurance commissioner.

Mr. Baker said “As an organization, the one most likely to drag reform down is the NAIC.” He added that the group has “an inability to create the political will” necessary to push reform through nationwide.

Mr. Bell defended the NAIC’s efforts, noting that many of its members “typically dwarf” the markets of many European countries.

He also touted the NAIC’s System for Electronic Rate and Form Filing as helping to ease issues over the speed with which companies can bring products to market and eliminating the idiosyncratic state filing requirements often listed as reasons for a federal charter option.

Like the subcommittee members, witnesses representing insurers and agents were also split on the Optional Federal Charter concept.

William McCartney, senior vice president of government and industry relations for United Services Automobile Association, who appeared on behalf of the American Insurance Association, noted that the last time Congress undertook meaningful reform was over 60 years ago through the McCarran-Ferguson Act.

The state regulatory system as it stands, he said, inhibits innovation and limits competition.

That sentiment was echoed by Albert Counselman, chairman of Baltimore-based Riggs, Counselman, Michaels and Downes, who appeared on behalf of the Council of Insurance Agents and Brokers.

Mr. Counselman stated “Our clients are doing business nationwide and internationally. “Therefore, that’s how we’re doing business.” Unfortunately, he added, the current regulatory system has not kept pace with the growth of the insurance industry. “We just can’t move fast enough anymore,” he said.

Alex Soto, president of Miami-based InSource and past president of the Independent Insurance Agents and Brokers of America, noted that independent agents would still be caught between multiple systems if an OFC were established, noting that such a system would place an additional strain on independent agents who will have to “navigate” both the state and federal level.

Rather than approving OFC, he called on federal lawmakers to use their powers to help state authorities put more effort behind their reform efforts.

John Bykowski, president and CEO of Appleton, Wis.-based SECUA Insurance and chairman of the National Association of Mutual Insurance Companies, sought to counter the idea that an OFC proposal could be based on the banking system.

“Unlike banking and life insurance, property-casualty insurance is subject to local risk factors, such as weather conditions, tort law, medical costs and building codes,” Mr. Bykowski said. “State insurance regulation is able to take account of these differences in ways that federal regulation would not.”

October 30, 2007 Hearing

The panel was composed of Craig Eiland, Texas House of Representatives, who appeared on behalf of NCOIL; Mr. Alessandro Iuppa, Senior Vice President, Government & Industry Affairs, Zurich, testifying on behalf of the Financial Services Roundtable; Mr. J. Robert Hunter, Director of Insurance, Consumer Federation of America; Mr. Frank Nutter, President, Reinsurance Association of America; Mr. Scott Gilliam, Assistant Vice President &

Continued on Next Page
Federal TRIA Legislation

In comments at a trade group meeting in Boston, Rep. Barney Frank, D-Mass., chairman of the House Financial Services Committee, said the current bill will be extended while the House and Senate negotiate a compromise bill. The current extension expires Dec. 31.

Mr. Frank said the House won’t accept the Senate version of legislation providing a federal backup on terrorism risk insurance and will instead vote to extend the current program until April 30, 2008 while the House and Senate negotiate a compromise bill. The current extension expires Dec. 31.

Recent Developments Concerning the Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT)

On September 28, 2007 the current draft of the SLIMPACT was presented to the Working Group which was meeting at the NAIC Fall Meeting. Daniel Maher of ELANY highlighted the changes from the previous draft. He stated that although a significant amount of effort has been expended on drafting the “Home State” definition, the definition still may need additional work. Mr. Maher said that after the draft is completed it will be presented to the National Conference of Insurance Legislators at its November 2007 meeting.
Nonadmitted and Reinsurance Reform Act and Optional Federal Charter

At a meeting held on October 24, 2007, sponsored by the American Council of Life Insurers to unveil a new study on how an optional federal charter would increase competitiveness, efficiency and innovation within the financial services industry Sen. John Sununu, (R-N.H.) commented that legislation with a new approach to reform the nonadmitted property-casualty and reinsurance markets will be introduced in the Senate within two weeks

Sen. Sununu said that the new bill will contain “twists” not contained in similar legislation that recently passed the House, and is designed to build momentum for more expansive legislation creating an optional federal charter.

A hearing in the Senate Banking Committee could also be held within three to four weeks, Sen. Sununu and others have said.

“The Nonadmitted and Reinsurance Reform Act is the only legislation before Congress that enjoys widespread support among all the major stakeholders,” said Joel Wood, senior vice president, government affairs, at the Council of Insurance Agents and Brokers.

“We aggressively support Sen. Sununu’s vision for insurance regulation, and passage of the NRRA won’t inhibit that effort,” Mr. Wood said.

Countering the comments of OFC supporters, Justin Roth, a senior federal affairs director for the National Association of Mutual Insurance Companies, said: “We agree with Sen. Sununu that Congress can play a tremendous role on surplus lines and reinsurance legislation, which the entire insurance industry supports.”

H.R. 1065—the Nonadmitted and Reinsurance Reform Act of 2007—gives the home state regulator of the insurer primary oversight of multistate surplus lines risks.

Under the House bill, the home state regulator would also be responsible for allocating any taxes collected on the coverage to the other involved states. The legislation makes it easier for sophisticated purchasers to access the surplus lines market.

Sen. Sununu said he is working on the nonadmitted and reinsurance bill “because he sees a real and obvious need for changes in the insurance regulatory structure, which is currently primarily state-based. The “fragmented regulatory structure for insurance,” he said, presents obstacles to the efficiency of an industry that is both national and global in scope.

He said the current regulatory structure for banks, which offer both state and national charters, has improved competition within the industry and allowed the banks to better serve consumers.

A nonadmitted and reinsurance measure, S. 929, was introduced in February by Florida Sens. Bill Nelson, D, and Mel Martinez, R, as part of a package of bills designed to deal with the homeowner’s insurance crisis in that state.

But the Nelson/Martinez bill does not contain a provision added to the House bill this year that is important to the Risk and Insurance Management Society, the only consumer group who represents the corporate buyers of surplus lines insurance.

This provision contains a definition of a “sophisticated insurance purchaser” that is much more palatable to RIMS members than last year’s bill.

Option Federal Charter

At a speech before the annual meeting of the Property Casualty Insurers Association Rep. Barney Frank, D-Mass., who chairs the House Financial Services Committee, declared “No major change will come in the insurance laws of this country over the objections of insurance agents.”

Rep. Frank went on to say “An optional federal charter for property-casualty insurers will never be approved by Congress as long as independent insurance agents so vehemently oppose the concept.

NAIC Fall 2007 National Meeting Surplus Lines Task Force

Conference Call September 25, 2007 Discussion of Pending Federal Legislation

Commissioner Donelon (LA) stated a number of Members had inquired about the Task Force’s position with regard to pending federal bills HR1065 and S929 and the progress of those bills through Congress. Amanda Yanek (NAIC) delivered a status report of the two bills, and stated the House bill had passed, whereas no action had yet been taken on a Senate version of the bill. Reginald Strickland (Strickland Insurance Group) opposed the legislation on the grounds that the home state provisions of the bills would create compliance difficulties for brokers and insureds. John Fielding (Steptoe and Johnson) stated that the Council of Insurance Agents and Brokers (CIAB) was in favor of the bills on grounds the legislation would streamline the multi-state placement and taxation processes. Further, Mr. Fielding stated that the CIAB approved of the legislation because it preserved State regulation. Wes Bissett (Independent Insurance Agents & Brokers of America) stated his organization supported the bill because it would simplify tax collection and promote uniformity. Commissioner Donelon stated that the favorable effect of the legislation would be a streamlining of the surplus lines market.
Pennock Insurance Inc. is hosting a Liquor Liability Workshop CE class.

The class will be free to members of the Pennsylvania Surplus Lines Association.

The course has been approved for four (4) hours of CE credit by the Pennsylvania Insurance Department.

Due to the size of the room, the class will be limited to 30 - 35 persons. If you want to attend this class, please contact Member Services at Memberservices@pasla.org and request a registration form.

**Liquor Liability Workshop CE**

**Date**
December 11, 2007

**Location**
Penncock Insurance, Inc.
2 Christy Drive, Suite 301
Chadds Ford, PA 19317

**Time**
10:00am - 2:00pm