

Surplus Lines Automation

The Past, Present, & Future of Surplus Lines

Tax Filings - The Past

Challenges

- ▶ Conflicting state laws & premium tax allocation methods for multistate placements
- ▶ Confusing forms & procedures
- ▶ Multiple filings & separate regulatory requirements for multi-state insurance risks
- ▶ High risk for compliance errors & fines
- ▶ Differing state platforms, software systems, and data submission
- ▶ Snail mail filings
- ▶ Inefficient review process
- ▶ Excessive man hours required to stay up-to-date on compliance, stamping fees, and deadlines
- ▶ Difficulty in accessing data and past transactions
- ▶ Lack of transparency

Surplus Lines - Present

The State of Surplus Lines Today

“ Surplus lines are a safety valve for the insurance industry, especially in hard markets. As emerging issues and exposures drive more demand for creative, comprehensive insurance solutions, A.M. Best believes the surplus lines market will continue to gain in prominence. ”

A.M. Best - August 2015

- Surplus lines insurance is a \$40.2 billion industry
- Represents 7.6% of the total property and casualty industry
- Overall market share approx. 13.9% of the total commercial lines market

Tax Filings - The Present

Industry Trends

- ▶ Industry moving towards automation
- ▶ Carriers moving the quote/bind issue process to automated, online platforms
- ▶ Agencies are adjusting management systems & underwriting systems to better integrate with the carrier systems
- ▶ States are slowly adopting technology to help streamline the surplus lines filing process
- ▶ 3rd party services or companies are stepping in to help facilitate the transition

Tax Filings - The Present

Challenges

- ▶ No centralized organization of each individual state's compliance requirements
- ▶ Snail mail submissions prevent real-time access to filings & filing status
- ▶ No assurance of compliance
- ▶ Time-consuming tasks prevent in-house employees from focusing on revenue-generating production efforts
- ▶ Most filing services only provide courtesy filings, leaving you to figure out the other 13 states on your own
- ▶ Large amounts of time spent researching compliance, but with no guarantee of accuracy
- ▶ Insurance industry lags behind available technology

The Future of Surplus Lines

How Automation is Changing the Industry

The Landscape of the Future

- ▶ States working in conjunction to centralize database of surplus lines regulations & rules.
- ▶ Clarity in communications regarding tax filings, changes, and regulation
- ▶ API's from agency management systems to the state systems
- ▶ Real-time compliance checks
- ▶ Uniform interfaces
- ▶ Big data analytics

Benefits to Surplus Lines Industry

Automating Surplus Lines

States

- ▶ Increased efficiency in reviewing and managing tax filings
- ▶ Automated compliance review
- ▶ Real-time data of premium, volume, and carrier information
- ▶ Instant tax reconciliation
- ▶ Status notifications
- ▶ Electronic invoicing & payment processing

Agents

- ▶ Step-by-step submission guidance
- ▶ Automated surplus lines tax calculator
- ▶ Comprehensive compliance & error notifications
- ▶ Instant document batch uploads & downloads
- ▶ Online electronic payment portal
- ▶ 24/7 access to your filing information

Surplus Lines Tax Filing Solutions

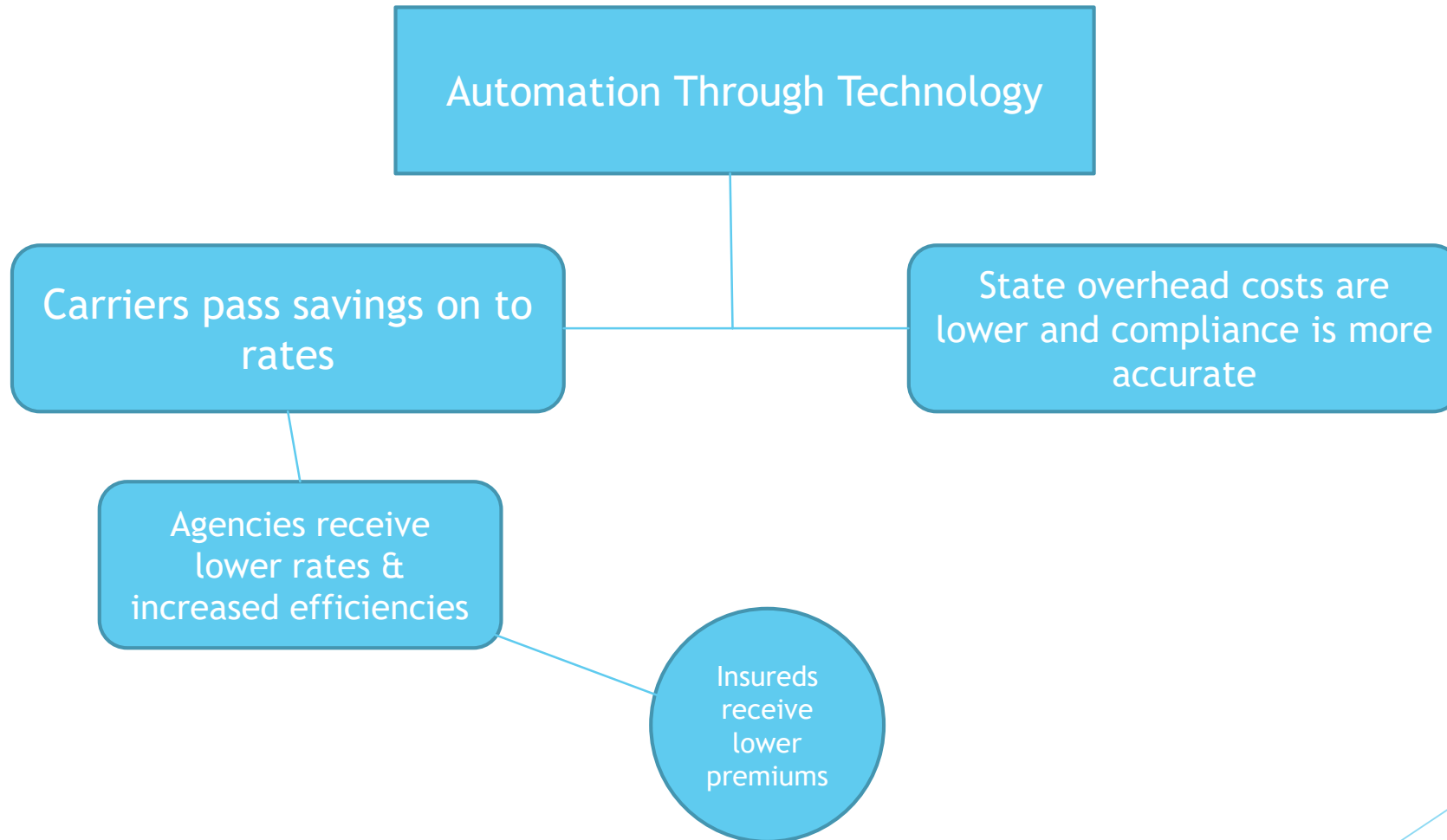
Automating Surplus Lines

Cost-saving solutions provided by automation:

- ▶ A regularly updated, comprehensive knowledge base
- ▶ Templated state stamps & submission of documents for countersignatures from the state
- ▶ Increased efficiency frees up staff time for more profitable tasks
- ▶ Weekly updates of state rules, forms, rates, tax laws, reporting schedules, and filing deadlines
- ▶ Digital submissions enabled by instant document downloads & uploads
- ▶ Real-time compliance error notifications with the ability for instant, digital corrections prior to submittal

Surplus Lines Tax Filing Solutions

Automating Surplus Lines



What To Look For In A Surplus Lines Technology Company

- ▶ Ability to establish an Application Program Interface (API) so agents can interface with the state system securely & perform batch uploads
- ▶ An insurance technology company with a background in the surplus lines industry and team members who understand surplus lines for all 50 states
- ▶ In-house programmers who can pivot quickly to meet rapidly changing regulations, update changing tax & stamping fees, and maintain transparency
- ▶ A licensed company that has the capability of doing tax filings on your behalf
- ▶ Quality references that demonstrate experience & expertise

Many Thanks To SILA

- ▶ We would like to Thank SILA for allowing us to facilitate this presentation. SILA is a respected association whose efforts and hard work positively influence our industry. We greatly appreciate all the resources SILA provides in order for individuals to enhance their professional development, network with other industry professionals, and most importantly of all, gain further education.

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Q & A

