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Surplus lines growth continues amid pandemic

Kansas City, MO – Surplus lines premium reported to the U.S. surplus lines stamping and service offices (stamping offices) in the first six months of 2020 neared \$20 billion, up 10.3% over the first six months of 2019. According to the Offices, transaction counts decreased by 60,181, or 2.6% below midyear transactions in 2019. The premium growth comes despite the ongoing pandemic, social distancing guidelines and resulting economic conditions.



States with stamping offices accounted for 62.7% of U.S. premium volume in 2018 according to stamping office and AM Best reports, so stamping office reporting provides a valuable indicator of the direction of the surplus lines market overall. Each of the 15 stamping offices reported premium increases for mid-year 2020 with eight states reporting double digit percentage increases. While transaction counts were down overall, nine states reported increases.



Texas was one of six states with an increase in premium and drop in transactions. Greg Brandon, Executive Director of the Surplus Lines Stamping Office of Texas (SLTX), noted that, “While year-to-date 2020 reflects a reduction in the overall number of filings, Texas is seeing record setting premiums reported. In fact, the 2nd quarter of 2020 has resulted in three of the top four highest premium months in SLTX history.”



Illinois also reported increases in premium and decreases in transactions. According to stamping office Executive Director, David Ocasek, “We are seeing solid 12.2% growth in premium volume. We see an even stronger 22.4% growth in the premium per document filed, which doesn’t correlate exactly, but is an indicator of rates.”



For some states, stamping office filings may serve as a lagging indicator since filings are not due until several months after the business was placed. In the wake of the pandemic, several states extended filing deadlines for surplus lines brokers. California was one of those states, but while filings may be lagging, Executive Director Ben McKay is confident in the strength of the industry. He noted, “Despite the COVID-19 pandemic, the California surplus lines market continues to grow consistently with 2020 predictions.”



While some of the drop in filed transactions may be attributable to timing and the pandemic, Florida has seen its numbers bounce back. “While April and May premium activity dropped nearly 4%, June was a record month in premium with 32% more than June of 2019,” according



to Bryan Young, Assistant Director of Agent & Insurer Services at the Florida Surplus Lines Service Office.

“The stamping offices are proud of the way the wholesale, specialty and surplus lines industry has responded during the unprecedented health crisis,” said Dan Maher, Executive Director of the Excess Line Association of New York. “This report affirms what we’ve believed all along, which is that the industry is well positioned to endure and even thrive now and beyond the COVID-19 emergency.”

These statistics are gathered and reported individually by each state stamping office and the data is now aggregated and summarized by WSIA on their behalf.

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U.S. Surplus Lines Service Offices

Mid-Year Assessment

State	% of Change		June 30, 2020		June 30, 2019		Rates		Comments
	Premium	Items	Premium (Millions)	Items	Premium (Millions)	Items	Stamping Fee	S/L Tax	
Arizona	3.19%	2.64%	\$ 363,347,118	45,497	\$ 352,127,819	44,328	0.20%	3.00%	
California	7.84%	3.21%	4,606,128,054	372,630	4,271,130,282	361,047	0.25%	3.00%	Stamping fee increased to .25% eff 1/1/20 from .2%. Date range used is based on the date the policy was received by the CA SLA from the broker.
Florida	9.65%	-6.87%	4,161,104,433	608,900	3,794,932,503	653,828	0.06%	4.94%	Stamping fee reduced to .06% effective 4/1/20. Tax rate reduced from 5% to 4.94% for policies issued/renewed on or after 7/1/20. Premium and policy counts shown are based on Submit Date.
Idaho	40.16%	6.73%	89,005,822	10,464	63,505,007	9,804	0.50%	1.50%	
Illinois	12.20%	-8.35%	1,025,202,844	71,298	913,688,254	77,793	0.075%	3.50%	
Minnesota	2.46%	2.35%	310,553,397	24,768	303,083,275	24,199	0.04%	3.00%	
Mississippi	6.00%	5.03%	256,048,467	84,339	241,560,004	80,300	0.25%	4.00%	
Nevada	3.24%	4.20%	195,522,468	20,490	189,380,381	19,665	0.40%	3.50%	
New York	5.73%	-5.56%	2,424,700,000	164,388	2,293,400,000	174,063	0.17%	3.60%	
North Carolina	10.34%	2.07%	468,077,034	91,908	424,222,452	90,043	0.40%	5.00%	
Oregon	17.82%	7.63%	251,535,831	35,705	213,487,017	33,173	\$10	2.30%	
Pennsylvania	11.53%	-0.86%	783,547,906	112,192	702,563,875	113,162	\$20	3.00%	
Texas	13.41%	-3.89%	3,941,263,546	527,541	3,475,143,960	548,884	0.15%	4.85%	
Utah	40.29%	23.06%	215,771,864	24,699	153,804,869	20,070	0.18%	4.25%	
Washington	29.90%	-6.36%	646,296,692	68,298	497,539,180	72,939	0.10%	2.00%	
Totals	10.33%	-2.59%	\$19,738,105,476	2,263,117	\$17,889,568,878	2,323,298			