



PSLA welcomes you to our newly redesigned newsletter. The focus of our newsletter is to concentrate on items of interest within the Commonwealth of Pennsylvania.

PSLA ANNUAL MEETING HELD MAY 8, 2014

The Annual Meeting of the Pennsylvania Surplus Lines Association was held at the Radisson Hotel Harrisburg in Camp Hill on Thursday, May 8, 2014. We combined together the various elements comprising the surplus lines marketplace in Pennsylvania. Steve Johnson, Deputy Insurance Commissioner of the Office of Corporate and Financial Regulation, gave an extensive report to the Membership covering the recent activities occurring within the Insurance Department, the Pennsylvania Legislature, and latest news with respect to Federal Government activity. The Annual Meeting is a vitally important opportunity to be informed of industry changes, emerging risks and regulatory developments.

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THE FIRST TIME, PENNSYLVANIA RUNS WITH THE BIG BOYS AND TOPS THE ONE BILLION DOLLAR MARK

Every year, the Surplus Lines Stamping Office of Texas records the total premium and total number of transactions entered by all stamping offices. This information ultimately appears in a number of articles and publications throughout the year. 2013 will mark the first calendar year that Pennsylvania processed and recorded over \$1 billion dollars in surplus lines premium. This figure is based on total premium entered on placements that may not all be effective in 2013. Typically in the second quarter we are able to report total premium that is effective in 2013. This information is updated and posted on our website. Stay tuned.

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NEW REGULATIONS

The amendment to the Regulations that support the new Surplus Lines Law of July 1, 2012 went into effect on November 25, 2013.



The amendments fall within three categories: (1) editorial amendments; (2) updated necessitated by statutory amendments; and (3) revisions that recognize existing business practices and/or modernize and streamline administrative requirements to the benefit of Pennsylvania's surplus lines licensees. Visit our website to review and familiarize yourself with the [Regulations](#) in their entirety.



COUNSEL'S CORNER

by Joel C. Hopkins, Esq.
– Saul Ewing LLP

“DEALING WITH DATA SECURITY BREACHES”

Following a number of well-publicized security breaches in early 2005, including several involving insurance companies and brokers, numerous states including Pennsylvania enacted security breach notification laws. Pennsylvania's Breach of Personal Information Notification Act applies to entities holding computerized data with “personal information” on Pennsylvania residents that experience a data security breach.

A “data breach” is the unauthorized access and acquisition of computerized data that materially compromises the security or confidentiality of personal information, and that does or may cause loss or injury to a Pennsylvania resident. “Personal information” includes a person's first name or initial and last name in combination with things like social security numbers, driver's license numbers and financial account information.

Once a data breach occurs, the entity must provide notice to each resident whose personal information was or may have been subject to unauthorized access.

If the breach involves more than 1,000 persons, the entity must also provide notice to all nationwide consumer reporting agencies. When an entity's vendor experiences a data security breach involving personal information held or processed for the entity, the vendor must notify the entity of the breach, but the entity is responsible for all notice and other requirements under the Act.

According to the Ponemon Institute, in 2013 there were over 2,000 reported data breach incidents in the United States involving an average of 30,000 records.

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STAMPING OFFICE MISSION

The Pennsylvania Surplus Lines Association (PSLA) is a non-profit organization that serves as an advisory organization under contract with the Pennsylvania Insurance Department (PID) for purposes of advising and consulting on matters concerning the surplus lines market place in Pennsylvania. At the same time, PSLA provides extensive training and education to both resident and non-resident surplus lines licensees.

This organization plays a vital role in protecting Pennsylvania insurance buyers by being a depository for the required filings documentation that provides an important reference for the PID. This greatly assists the Department in its efforts to monitor the activity, compliance and

transparency in this specialty marketplace.

Our website has been created over many years reflecting this organization's detailed experience in the surplus lines market in Pennsylvania. The website contains substantial amounts of helpful information regarding the Pennsylvania statutes, filing and reporting guidelines, frequently asked questions on a variety of

“Our mission is to serve Pennsylvania's insurance consumers through fair and efficient review and verification of the surplus lines insurance industry.”

subjects, market data, legislation and links to many other insurance sites. Also included are instruction manuals providing various procedures including the newly created Electronic Filing System, featuring user friendly characteristics.

The website includes both drop down menus and left side menus for easy reference. PSLA will continuously update this site as new content comes to our attention, and we welcome any suggestions that can be added to assist the user to a greater extent. Please visit the site at www.pasla.org.



PSLA ANNUAL MEETING

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THANK YOU TO THE 2014 ANNUAL MEETING SPONSORS

We would like to thank the following for their generous sponsorship of PSLA's 2014 Annual Meeting:

- [Admiral Insurance Company](#)
- [BDO](#)
- [Saul Ewing LLP](#)
- [USG Insurance Services, Inc.](#)
- [Western World Insurance Group](#)

BOARD OF GOVERNORS ELECTION BALLOT RESULTS

The following members were elected for a 3 year term to the PSLA Board of Governors:

- Judith Klingerman, Partners Specialty Group, LLC
- Dennis Lewandowski, Wagner Agency, Inc.
- Irene Barbera, W.N. Tuscano Agency
- E. Anthony Saltzman, Bliss and Glennon
- Gerald Henner, Edgehill Special Risk
- William Tierney, Insurance Markets Agency, Inc.

The Board appointed the following officers for the coming year:

- Judy Klingerman, Partners Specialty Group, LLC – President
- Dennis Lewandowski, Wagner Agency, Inc. – Vice President
- William Tierney, Insurance Markets Agency, Inc. – Treasurer
- Charles Conway, Conway E&S – Secretary

APPROVAL OF THE PROPOSED DISTRIBUTION OF FUNDS

After calculating the ballots received, at the PSLA Annual Meeting, the proposal relating to the Membership division was passed and the Board will now move forward with the approved plan. Please see our bulletin, [Approval of the Proposed Distribution of Funds](#), for further details.

ELIGIBLE SURPLUS LINES INSURER LIST

The Department posted the new [Eligible List of Surplus Lines Insurers](#) as of January 25, 2014. Updates to the Eligible List can be found on our website under, [Eligible Insurer Overview](#).

DEVELOPMENTS IN 2013

Electronic Signatures Accepted on the 1609-PR Form

PSLA developed a new process to legally use electronic signatures on the 1609-PR affidavit form. The process allows the writing producer to easily forward the producer affidavit to the surplus lines licensee within the 30 day law requirement. Please see our bulletin, [Electronic Signature Process for the 1609-PR Form](#), for further details.

Diligent Search on the 1609-PR Form

The Department launched a revised 1609-PR form that no longer requires the writing producer to list the minimum of three declining admitted carriers when complying with the diligent search requirement. However, the diligent search is still required as amended section [124.5](#) of the [Regulations](#) states that this information must appear in the producer's file. Please see our bulletin, [Revised 1609-PR Form](#), for further details.

Office Renovation

PSLA completed an office renovation in the first quarter of 2013 after renewing our lease at a sizeable reduction in rent which also included a generous tenant allowance. We look forward to enjoying many more years at this location and welcome you to visit us.

DEVELOPMENTS IN 2013

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Updated RCT-123

We have worked in conjunction with the Insurance Department and the Department of Revenue to complete a revision of the RCT-123 tax form and instructions due each year on January 31 for the preceding calendar year. A link to the [RCT-123 form](#) and [instructions](#) can be found on our website.

DONN SNYDER, ESQ., PSLA'S ORIGINAL LEGAL COUNSEL RETIRES

After many years of service and dedication Donn Snyder, Esq., the original attorney for PSLA retired this past fall. Donn's comprehensive knowledge and understanding of the surplus lines law and regulations and all the many other laws, regulations, and rules that affect the orderly operation of a corporate business assisted PSLA immensely over the years. In particular, in PSLA's start up early days when the premium was based on \$200 million, not a billion as it is today. We wish Donn a long and joyous retirement.



DEPUTY COMMISSIONER RON GALLAGHER RETIRES

In my position as Executive Director of PSLA I am fortunate to have the opportunity to work with several Department Deputy Commissioners and their staff. I would like to wish Ronald Gallagher, Deputy Commissioner of Market Regulation well in his new position as president of the Pennsylvania Association of Mutual Insurance Companies. We shall miss Ron. Arthur McNulty was named the new Deputy Commissioner of Market Regulation. We wish Art all the best in his new position and look forward to working with him and his staff on licensing and enforcement matters.

PSLA SERVES AS HOST FOR THE 2013 FALL SURPLUS LINES LAW GROUP

Last October, PSLA volunteered to host the fall gathering of what has become known as the Surplus Lines Law Group. This is a small group of surplus lines insurance company attorneys and independent law firms that meet twice a year to discuss recent changes in the various state laws as well as current Federal issues. PSLA selected the National Constitution Center as the appropriate venue for this event. PSLA was complimented for the outstanding venue and highly successful organizational planning of the event.

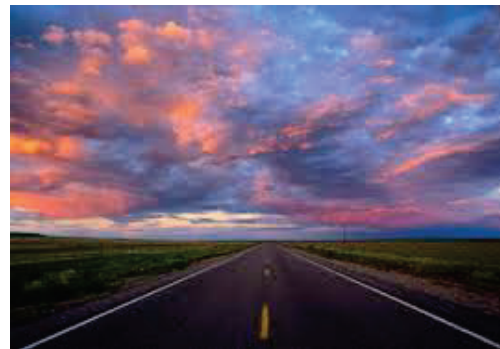
EXPORT LIST

On a yearly basis the Department solicits comments for coverages to be considered for the Export List. After review of the suggestions received, the one change to the Export List will be to remove "not provided under Federal Flood Insurance" from Flood Insurance coverage. The entire [Export List](#) can be viewed on PSLA'S website.

MOVING AHEAD IN 2014

PSLA plans to start construction of the "Next Generation EFS" this spring and is expected to continue well into 2015 when the current system will hit 10 years of service.

PSLA will soon follow up on outstanding examination return notices. The process will begin with the 1609-SLL/1609-PR filing return notices.



DEALING WITH DATA SECURITY BREACHES

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A study of insurance claims filed during 2013 indicates that a “typical” data breach claim can cost anywhere from \$25,000 to \$400,000, with a median claim payout of \$242,500, not including costs for legal fees and crisis services! While “standard” insurance policies may provide some coverage for these costs, recent court decisions and changes to policies make the availability of coverage questionable. As a result, entities that face potential data breach liability must take proactive steps to minimize the risk and secure insurance coverage to protect against a loss.

Fortunately, there are things you can do to deal with data breaches *before* they happen. While the resources you devote to addressing cyber security should correspond to the likelihood and financial impact of a potential breach, all companies can take one or more of the following steps to protect against loss:

- **Create and train a data breach response team** that consists of internal and external personnel.
- **Enter into pre-breach agreements with outside consultants and vendors.** These agreements will help to streamline the response process if and when a breach occurs.
- **Establish and maintain system security with the input of internal and external IT and security experts.** This may include drafting and implementing controls on network access, bring your own device (BYOD) policies, password policies, software download and installation policies, system monitoring, and regular audits of systems maintenance.
- **Organize and categorize business data.** Data should be based on level of sensitivity and an assessment of data value and risk associated with loss.
- **Implement preparedness training for employees.** The goal should be to instill good data security habits to promote best practices at every level. Educate employees on how to best protect the data they access and how to identify signs of a potential breach.
- **Conduct a review of insurance policies.** Insurance policies provide varying degrees of coverage for damages resulting from cyber attacks, including first and third party coverages.
- **Conduct a review of existing agreements and contracts with employees, outside vendors and customers.** A review of legal documentation should be conducted to identify potential contractual liabilities relating to a data breach.
- **Identify potentially applicable state and federal notification requirements.** These requirements may include notification of law enforcement and/or affected customers depending on the nature and extent of a breach.
- **Draft template notification letters, announcements and website.** In a crisis situation, managing the public response is critical. It is helpful to be ready with customizable templates that can be quickly modified and used in the event of a breach.
- **Conduct quarterly audits of your preparedness plan.** Best practices for cyber security evolve with every new cyber attack and regulation. It is important to conduct regular audits ensure that training, policies and procedures stay up-to-date.



EDUCATION

WEBINAR SCHEDULE



TRAINING WORKSHOP WEBINARS

PSLA's goal is to educate all parties involved in making a surplus lines filing. We offer many webinar workshops to assist resident and non-resident licensees about the law, regulations and procedures for submitting filings and reports over the internet. Please visit our website for the [Training Workshop Webinar schedule](#).

PSLA AND NAPSLO PARTNER FOR EDUCATION

Pennsylvania Surplus Lines Association is proud to partner with NAPSLO to award a scholarship to the NAPSLO Executive Leadership School. A candidate was selected to attend the management course at the University of Virginia, Darden School of Business, April 22-25, 2014. Another scholarship will be offered later this year for the Marcus Payne Advance School at the Eric P. Newman Education Center in St. Louis, MO on November 1-5, 2014.

AAMGA BLOG – THE “NEW NORMAL”

The non-admitted market is growing. In fact, it has effectively increased its size more than 60% in relation to the overall property-casualty market in recent years. Join Dr. George Zanjani, AAMGA Distinguished Chair of Risk Management and Insurance at Georgia State University, as he walks you through this “new normal” by subscribing the “New Normal” blog.

THE PSLA WANTS

You've heard from us - now it's your turn. We love feedback, so please let us know your thoughts on this issue of the PSLA's Newsletter. Did you like it? Were the articles of interest and value to you? We're already planning the next issues, so please let us incorporate your ideas. Kindly direct your comments or questions to memberservices@pasla.org

