



FLORIDA SURPLUS LINES
SERVICE OFFICE



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Annual Introduction

FSLSO is the information hub for all things surplus lines in Florida. The constant flow of information in and out of FSLSO is how we serve the industry and remain good stewards of the State of Florida.

Pushing this information out to our customers is how we fulfill our mission to facilitate compliance. Feedback from customers is how we refine processes to lead and serve through innovative solutions.

Information is the primary export of FSLSO.

MISSION
FACILITATE COMPLIANCE

VISION
LEAD & SERVE THROUGH
INNOVATIVE SOLUTIONS

VALUES
EFFICIENCY & EFFECTIVENESS

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Letter from the

Executive Director

The exportation of insurance to the surplus lines market is essential to Florida's sustainability as a state. For nearly 25 years, FLSO has had the privilege of nurturing the surplus lines community. Our successful service is the result of a constant exchange of information among the State of Florida, FLSO, and the surplus lines industry.

The office was shuttered in 2020 due to the COVID-19 pandemic. In 2021, staff continued to serve customers seamlessly without interruption while working in a remote environment.

The pandemic didn't slow down surplus lines in Florida, as \$9.6 billion in premium was exported to the surplus lines marketplace in 2021, nearly \$2 billion more than in 2020. With the industry thriving, ensuring our customers have all the information necessary to succeed was more important than ever.

FLSO's longstanding commitment to providing quality service and remaining at the forefront of technological advances has resulted in customer success and compliance. This year we continued to enhance our online platforms through the NextGen initiative, a multi-year upgrade plan for FLSO's technical products.

In an effort to reduce FLSO's information technology footprint, we continued to move assets to a cloud-based server. The office Intranet and file server were migrated to Microsoft SharePoint. The telephone system and other IT applications were also moved to a cloud-based server for ease of use and cost savings.

Several measures were passed during the 2021 Legislative Session relating to flood coverage and indemnity of deductibles for property insurance. The diligent effort requirement was removed from personal lines flood and deductible buyback property coverages. Secondly, the surplus lines disclosure requirement was expanded to nearly all coverage types.

From an all-time premium high to a global pandemic and various law changes, 2021 was an intriguing year. With a focus on seamless service, FLSO had no shortage of commitment and guidance to customers. Information is the primary export of FLSO.

Many thanks go to the Chairman of the Board of Governors, David Holcombe, as well as our devoted staff, who are pivotal to the success of FLSO.

Sincerely,

Gary D. Pullen
Executive Director

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Letter from the *Chair*



On behalf of the FLSO Board of Governors, I am proud to present the 2021 Annual Report. The report is overflowing with information on organizational accomplishments, efficiency, and effectiveness, as well as the status of the surplus lines marketplace in Florida.

2021 was a banner year for the surplus lines marketplace, with \$9.6 billion in premium! The increase of nearly \$2 billion made for a busy year at FLSO. Their various programs uncovered further information, such as missing revenue and regulatory mistakes. The final grade for the Compliance Review program was 96%. A combined total of over \$300 million in unfiled premium was uncovered by the Premium Reconciliation and Production Ledger Review programs. FLSO has done a fantastic job facilitating compliance through innovative solutions.

Facilitating compliance is based on information FLSO provides through stellar service. When asked about their satisfaction with customer service, they rated FLSO at 98%. SLIP, FLSO's proprietary filing platform, pulled in a 98% customer satisfaction rating.

I would like to extend my sincerest thanks to the FLSO staff and Executive Director Gary Pullen for seamlessly and efficiently running the office remotely for an entire year to accommodate quarantine guidelines. I am honored to serve as Chairman of such a professional organization.

Take a few moments to peruse the 2021 Annual Report to learn more about FLSO and the surplus lines industry in Florida.

Sincerely,

David Holcombe
Chairman



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Organizational Accomplishments

The transport of information between the office and its customers is pivotal to the success of FLSO. To ensure the import and export of data are running smoothly, we endeavor to enhance available products and services on an annual basis.

These objectives enable FLSO to fulfill the goal of facilitating customer compliance through quality service and innovative solutions.



“THE GOAL IS TO TRANSFORM DATA INTO INFORMATION, AND INFORMATION INTO INSIGHT.”

- CARLY FIORINA

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Cloud Computing

Technology is the essence of FLSO's information transmission and storage.

During 2019 and 2020, the FLSO migrated all mission-critical technologies to the Cloud to reduce the on-premises data footprint. These platforms include FLSO SLIP, FLSO RAPID, SLAS SLIP, SLAS RAPID, FLSO.com, Slasuite.com, Slasclearinghouse.com, as well as numerous test and production databases, servers, and services that support these websites. Additionally, we migrated email, spam filter, external DNS, and secure file transfer servers to cloud-based Software as a Service (SaaS) solutions.

This year those efforts were continued by further development of the AWS Cloud through the Cloud Development Kit (CDK). We identified and created the necessary AWS network, database, and application resources to run various testing environments. Cross-regional backup copies were implemented to ensure backups are available in the event of an AWS regional outage. AWS VPN connection changes were also made to improve redundancy and simplify configurations for all FLSO AWS VPN connections.

Security-related functionality in the FLSO and Georgia AWS environments was enhanced by applying appropriate Center for Internet Security (CIS) AWS best practices. The FLSO also implemented more advanced AWS Security Hub notifications for these environments to increase the speed of security-related updates and events notifications.

A new IT HelpDesk was carefully developed in a Cloud environment with attention to what type of help the end user needs. FLSO staff was then trained to use the new help desk, and the old help desk was dismantled.

Microsoft SharePoint was developed into an all-inclusive internal information clearinghouse. The files on the Common drive and the FLSO Intranet were reorganized and moved to the SharePoint cloud-based server. The Microsoft SharePoint server allows staff to access files and intranet information without a VPN connection.

Additionally, the internal phone system was migrated to a cloud-based service. The new system provides hardware (desk phones), mobile, and desktop applications, to support FLSO's essential business continuity capabilities and related connectivity.

SLAS Software Application Redesign & Development (SLAS NextGen)

2021 marks another year in the multi-year plan to upgrade FLSO's Surplus Lines Automation Suite (SLAS), which includes SLIP, RAPID, and compliance and auditing modules.

Development on SLIP, the web portal used by agents to report and pay surplus lines taxes, concluded at the end of 2021. The development included the SLIP home screen and navigation redesign, updates to the SLIP inbox and notifications, a redesign of the policy and endorsement filing data flow, revamped Compliance Checkup Dashboard, Catastrophe Contact Information form, Quarterly Affidavit, SLIP invoicing and payment screens, and refreshed SLIP reports.

Additionally, RAPID development was finalized, which included policy search features and screens, Transactions in Question (TIQs) management, Automated Compliance Alerts (ACA), Agent and Insurer Assignment, Catastrophe Contact Manager, Industry Managers, Invoicing and Payment screens, Policy Transfer module, Document Pusher, SLIP homepage message interface, RAPID Inbox, and RAPID reports.

Furthermore, development began on a customer relationship management (CRM) module that aggregates customer interactions and compliance data into a singular module. The CRM system will retrieve customer information from various components, including Compliance Review, Production Ledger Review, Premium Reconciliation, cloud-based telephone system, and the chat feature available in SLIP.

The CRM will go beyond what is listed in RAPID, showing call logs, email logs, chats, and more. FLSO customer service staff members will then be able to see actions customers are taking and where they may need assistance. Information exchanged between the customer, and the office will evolve into more detailed user analytics, which can subsequently be appropriated to further compliance efforts.

The next generation of FLSO services is vital in streamlining the information exchange between the office and customers.



Analytics

Information sources for data and statistics are integral to discerning how to export information to customers and external stakeholders. By analyzing statistics and trends, FLSO can better understand what specific information should be provided.

Previously, FLSO data existed in Oracle and Aurora tables. To analyze this data, multiple database connections and logins, data type manipulation, and merging of tables were done. That structure did not allow for the creation of materialized views as it required embedding credentials across Oracle and Aurora databases. Creating, publishing, and using data sources was problematic because running extracts could not be performed the same way a single Oracle database can.

We developed a comprehensive data lake to solve this problem and streamline data analysis. The FLSO data lake is a centralized repository that stores all structured and unstructured data, regardless of platform or type, to cut down on having multiple connections, logins, and joining tables.

In order to build the data lake, we first modernized the data extraction through the following methods:

- ★ Change Data Capture (CDC) identified and captured the most recent data changes from the source databases instead of replicating entire databases each time.
- ★ Extract Transform and Load (ETL) defined the data flow from data sources to staging to the data destination.
- ★ Slowly Changing Dimensions (SCD) provided new capabilities to track data changes over time (e.g., residency changes, insurer type).

After extensive research, testing, and consideration, a vendor was chosen to artfully warehouse FLSO's data. Simultaneously, we endeavored to clean up Tableau by removing views and workbooks that were nascent for an extended period of time. The new data warehouse was successfully integrated with Tableau producing FLSO's data lake.

Organizational Results

The successful trade of knowledge is contingent upon efficient and effective customer service. From compliance tools and products to traditional one-on-one communication, FLSO is constantly exporting pertinent information to customers.

Measuring customer service success helps us fine-tune core operations and improve critical products.



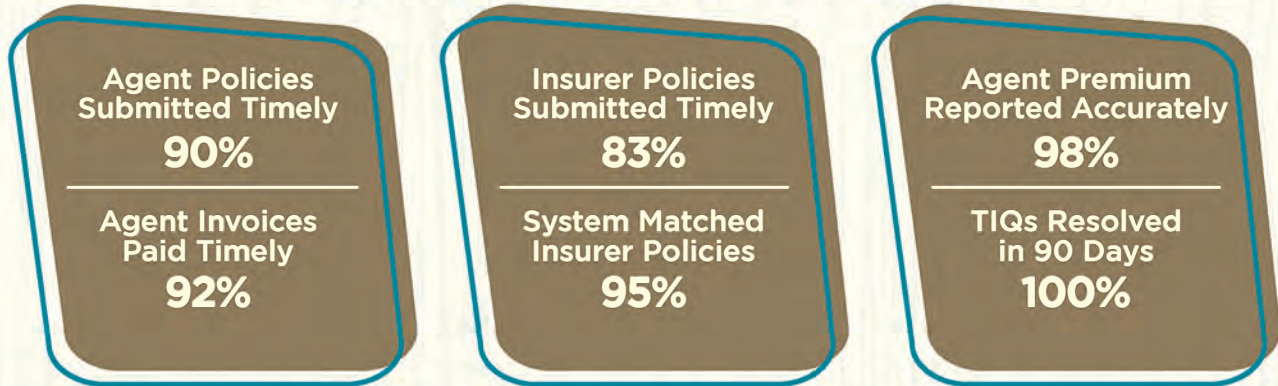
**“POWER, TODAY, COMES FROM SHARING
INFORMATION, NOT WITHHOLDING IT.”**

- KEITH FERRAZZI

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Organizational Results

Filing and Payment Compliance



Operational Efficiency



Labor Efficiency

Total Transactions in Question (TIQs) Resolved
22,466

Tax, Service Fee, and Assessment Payments Reconciled
10,269

System Efficiency

Revenue from Rejected Credits & Invalid Tax Status Combinations
\$356,314

Labor Effectiveness

Premium Reconciliation Transactions Resolved Within 180 Days
100%

Deposits Reconciled Within 10 Days
100%

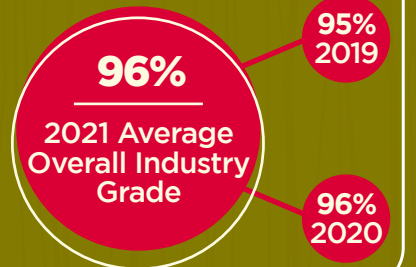
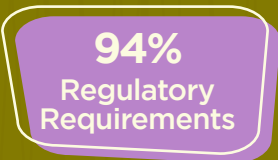
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Organizational Results

Compliance Review



Industry Compliance Scores



Premium Reconciliation

\$237,934,558
Unfiled Premium

\$5,400,731
Revenue Recovered

1,399
Unfiled Transactions

Production Ledger Review

Unfiled Premium **\$86,071,909**

Revenue Recovered **\$3,887,205**

Unfiled Transactions **9,425**

Agents with Unfiled Transactions **278**

Premium Reconciliation

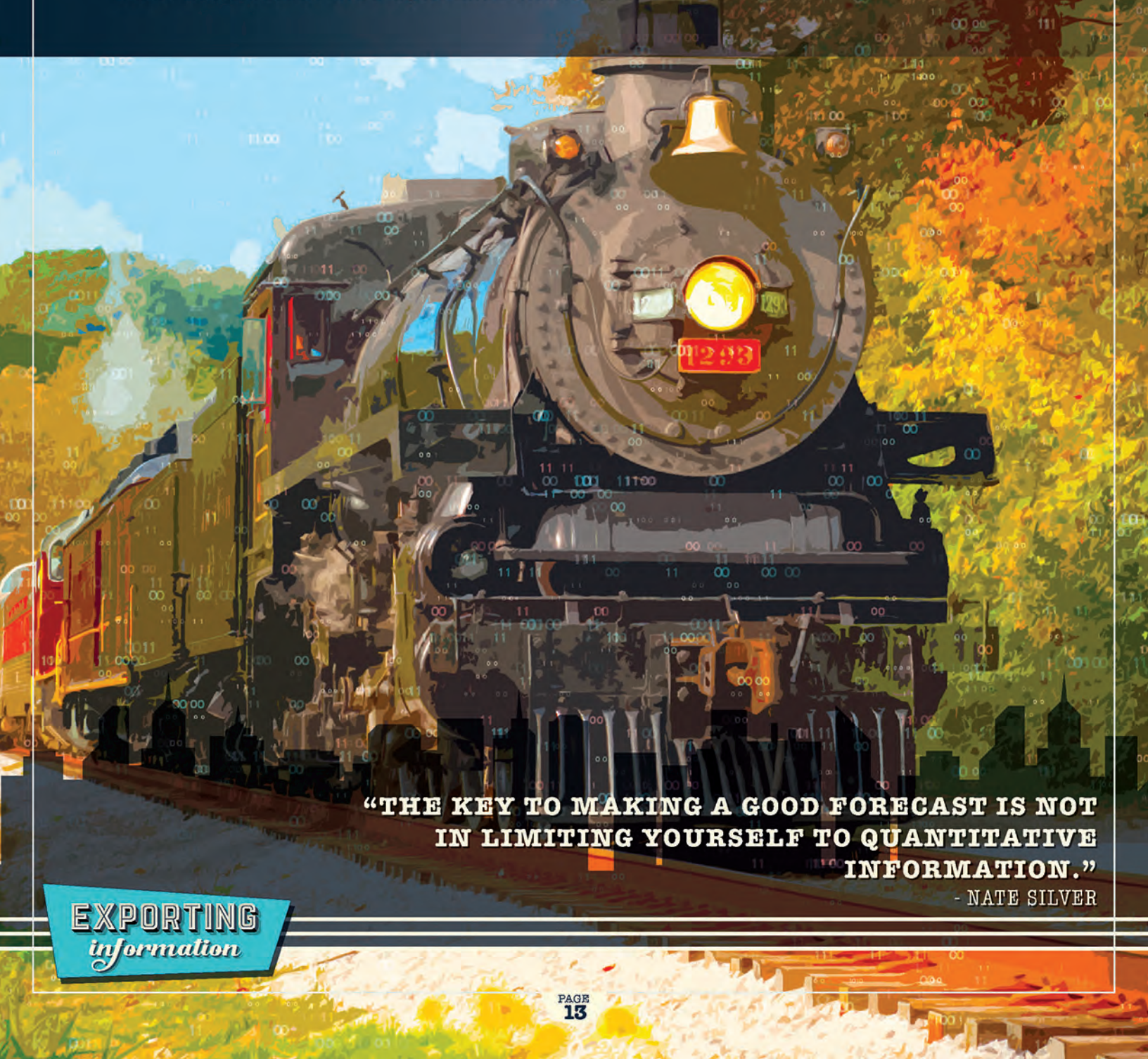
826,167
System Reconciled Transactions

41,082
Manually Reconciled Transactions

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Marketplace Statistics

As a result of the constant exchange of information, we possess an overflow of statistics relative to the Florida surplus lines marketplace. Through meticulous statistical analysis, we are able to provide thoughtful graphs and charts that show the status of the surplus lines marketplace in Florida.

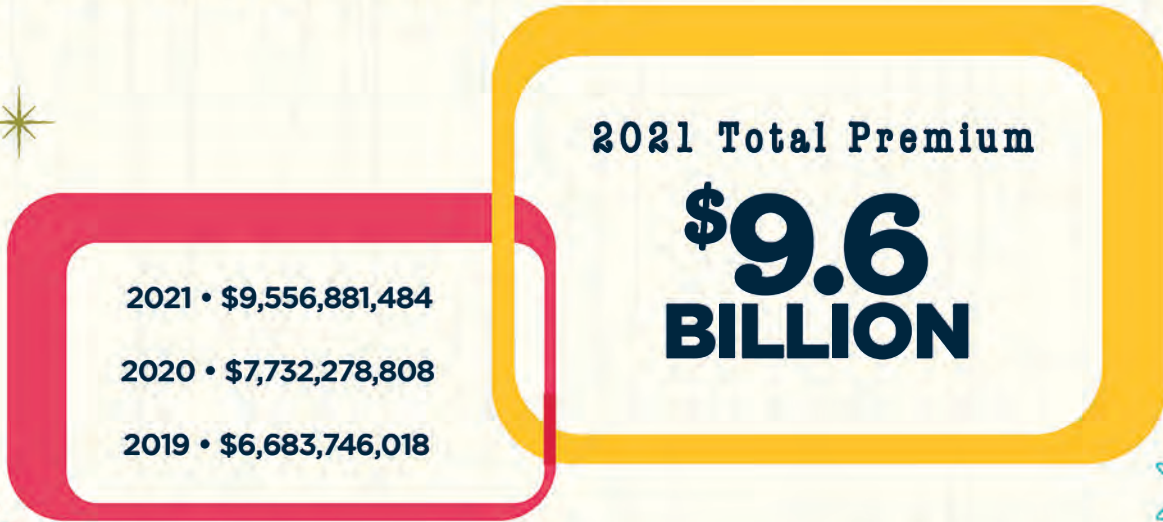


“THE KEY TO MAKING A GOOD FORECAST IS NOT IN LIMITING YOURSELF TO QUANTITATIVE INFORMATION.”

- NATE SILVER

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2021 Marketplace Statistics



2021 Premium & Policy Count

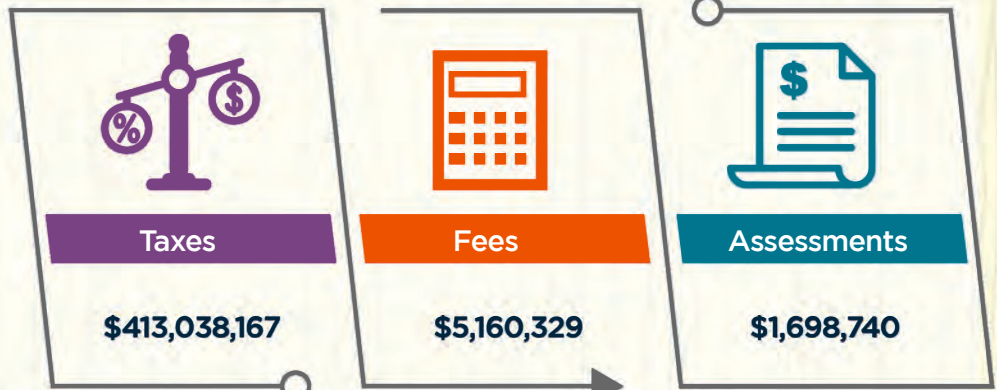
FROM 2020



*Data based on effective date as of 7/1/2022.



2021 Taxes, Fees, and Assessments



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2021 Submitted Transactions

New Business & Renewals Submissions

New Business - 40%
Renewal - 60%



Agent Transactions Submitted

Batch Submissions
165,210

Batch Transactions
1,293,172

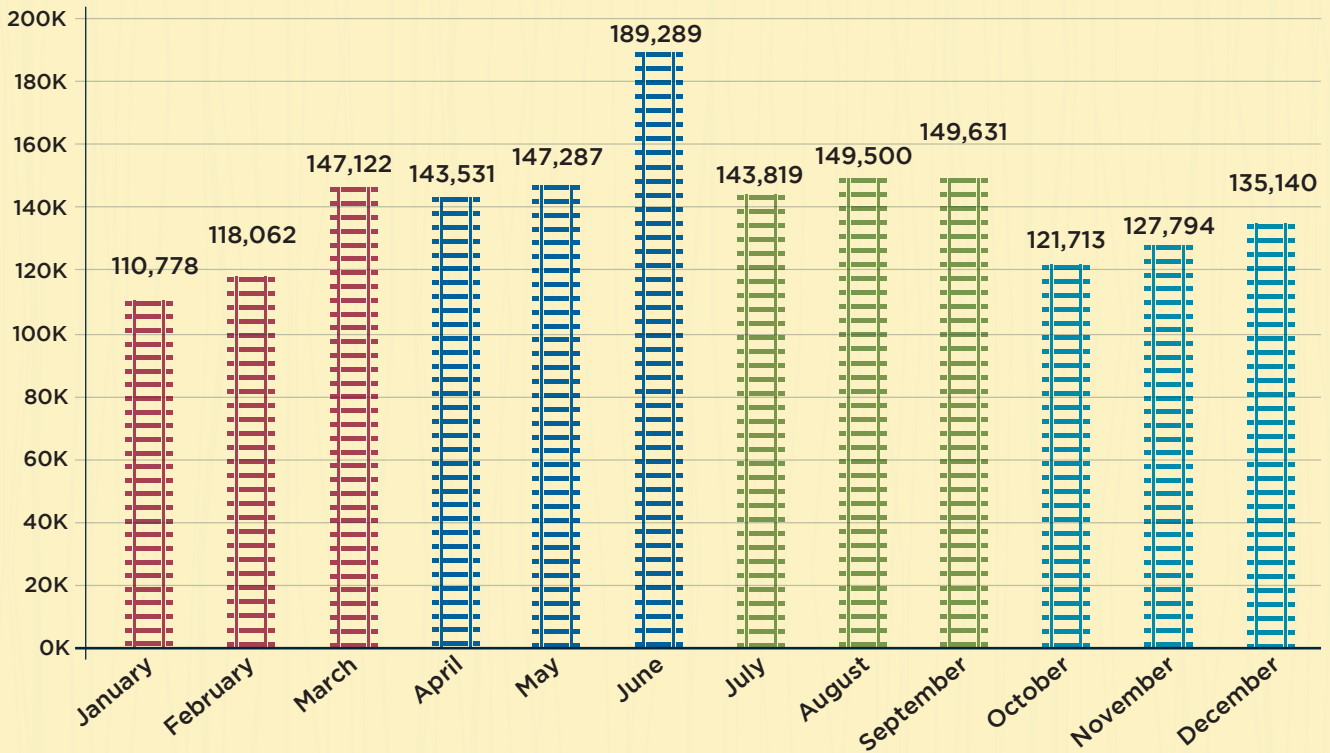
SLIP Transactions
390,494

SLIP vs. Batch Agent Transactions

1,683,666
Total Agent Transactions Submitted

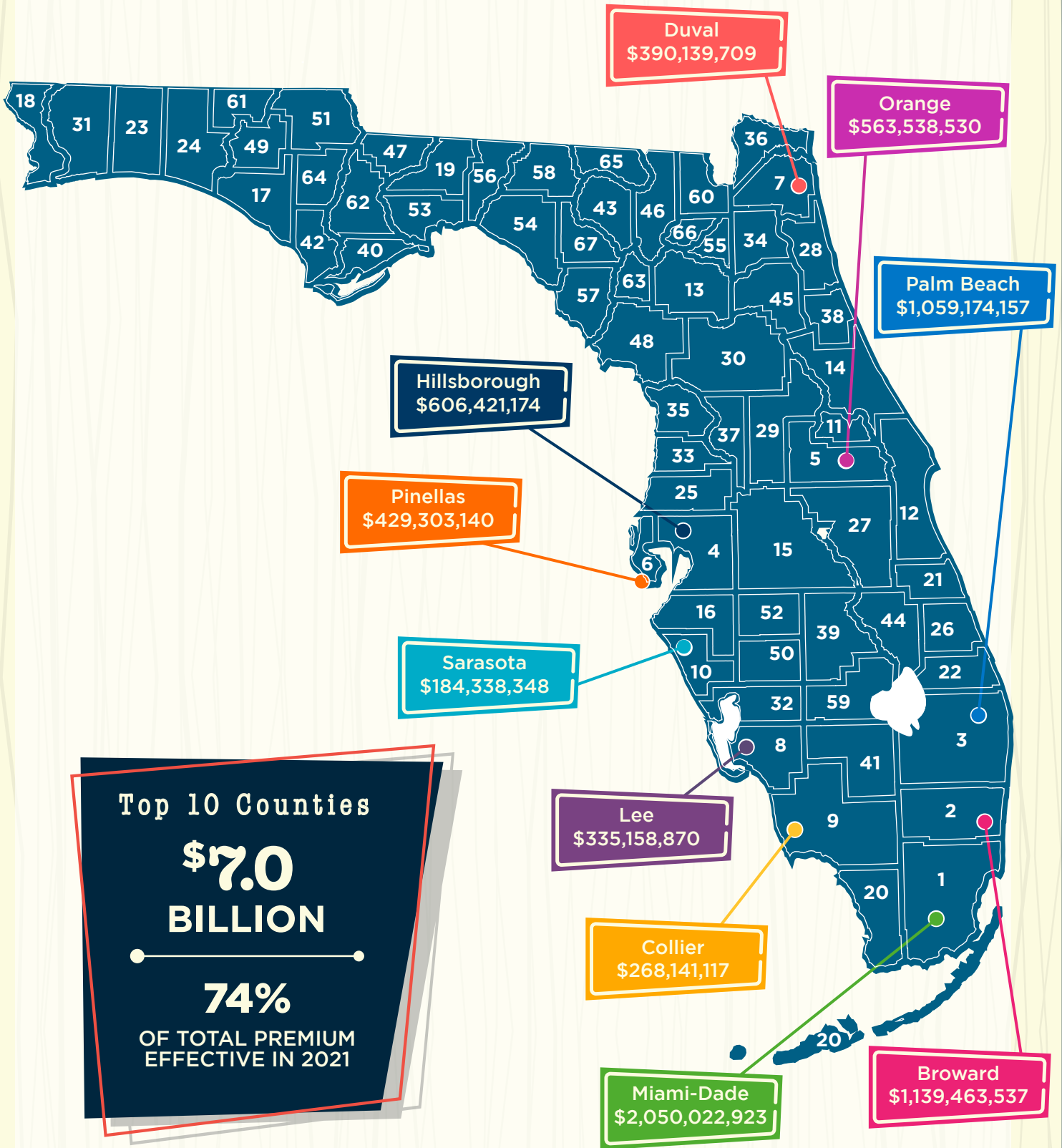
SLIP - 23%
Batch - 77%

Agent Transactions Submitted By Month



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Top 10 Counties By Premium



Top 10 Counties
\$7.0
BILLION
74%
OF TOTAL PREMIUM
EFFECTIVE IN 2021

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Counties By Total Premium

1	Miami-Dade	\$2,050,022,923	35	Citrus	\$22,276,861
2	Broward	\$1,139,463,537	36	Nassau	\$20,562,787
3	Palm Beach	\$1,059,174,157	37	Sumter	\$20,177,902
4	Hillsborough	\$606,421,174	38	Flagler	\$16,607,452
5	Orange	\$563,538,530	39	Highlands	\$16,097,391
6	Pinellas	\$429,303,140	40	Franklin	\$10,223,842
7	Duval	\$390,139,709	41	Hendry	\$9,778,694
8	Lee	\$335,158,870	42	Gulf	\$9,235,515
9	Collier	\$268,141,117	43	Suwannee	\$8,265,836
10	Sarasota	\$184,338,348	44	Okeechobee	\$8,027,654
11	Seminole	\$181,825,870	45	Putnam	\$7,684,222
12	Brevard	\$179,676,786	46	Columbia	\$7,678,653
13	Alachua	\$168,611,638	47	Gadsden	\$6,178,151
14	Volusia	\$153,730,110	48	Levy	\$5,429,006
15	Polk	\$147,082,118	49	Washington	\$5,349,547
16	Manatee	\$135,110,230	50	DeSoto	\$5,311,718
17	Bay	\$119,373,319	51	Jackson	\$5,219,960
18	Escambia	\$106,156,513	52	Hardee	\$4,996,500
19	Leon	\$104,740,749	53	Wakulla	\$3,391,804
20	Monroe	\$103,931,644	54	Taylor	\$3,125,720
21	Indian River	\$95,706,115	55	Bradford	\$2,586,095
22	Martin	\$93,449,406	56	Jefferson	\$2,262,632
23	Okaloosa	\$89,960,375	57	Dixie	\$2,037,582
24	Walton	\$82,381,384	58	Madison	\$1,916,245
25	Pasco	\$76,734,409	59	Glades	\$1,869,111
26	St. Lucie	\$72,872,362	60	Baker	\$1,769,928
27	Osceola	\$71,427,935	61	Holmes	\$1,702,701
28	St. Johns	\$67,874,245	62	Liberty	\$1,684,393
29	Lake	\$63,540,497	63	Gilchrist	\$1,407,109
30	Marion	\$50,808,572	64	Calhoun	\$1,389,088
31	Santa Rosa	\$41,886,564	65	Hamilton	\$1,353,546
32	Charlotte	\$40,509,979	66	Union	\$1,245,524
33	Hernando	\$27,280,324	67	Lafayette	\$813,637
34	Clay	\$23,352,266			

Data based on effective date as of 7/1/2022.

Top 10 Coverages By Premium

RANK	COVERAGE	PREMIUM
1	Commercial Property	\$3,430,432,010
2	Commercial General Liability	\$1,385,359,278
3	Excess Commercial General Liability	\$630,755,319
4	Commercial Package	\$488,817,299
5	Homeowners (HO-3)	\$465,934,835
6	Miscellaneous E&O Liability	\$203,399,971
7	Windstorm and/or Hail - Commercial	\$177,589,248
8	Miscellaneous Liability	\$171,694,381
9	Dwelling Property	\$162,549,227
10	Cyber Liability	\$161,792,744

Data based on effective date as of 7/1/2022.

Top 10 Insurers By Premium

RANK	INSURER	PREMIUM
1	Underwriters at Lloyd's, London	\$2,088,466,994
2	Lexington Insurance Company	\$336,335,801
3	QBE Specialty Insurance Company	\$274,948,355
4	National Fire and Marine Insurance Company	\$268,966,762
5	Westchester Surplus Lines Insurance Company	\$260,277,217
6	Scottsdale Insurance Company	\$249,776,073
7	Evanston Insurance Company	\$208,536,747
8	Steadfast Insurance Company	\$196,087,411
9	Indian Harbor Insurance Company	\$184,561,159
10	Axis Surplus Insurance Company	\$168,487,386

Data based on effective date as of 7/1/2022.

Surplus Lines Automation Suite

“INFORMATION IS THE MOST VALUABLE COMMODITY IN THE WORLD TODAY.”

- JAMES MURDOCH

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Surplus Lines Automation Suite

SLAS States

\$4.6 BILLION
SLAS Premium
Reported

SLAS

604,774
SLAS Transactions
Reported

*SLAS States are Georgia, North Carolina, South Dakota, Tennessee, and Wyoming.

Surplus Lines Automation Suite

44%

Percent of Nationwide
Surplus Lines Premium
Reported Through SLAS

24%

Percent of States
Using SLAS

SLAS Statistics

97,578

Invalid Credit
Transactions
Identified by the
SLAS System

**\$750
MILLION**

Invalid Credit
Premiums Identified
by the SLAS System

SLAS Compliance Programs (lifetime)

**\$1.5
BILLION**

Unreported Premium
Identified

**\$64
MILLION**

Revenue
Recovered

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Financial Statements

**“KNOW WHERE TO FIND THE INFORMATION AND
HOW TO USE IT - THAT'S THE SECRET OF SUCCESS.”**

- ALBERT EINSTEIN



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Statement of Net Position

Assets

**Year End
December 31, 2021**

Current assets:

Cash and cash equivalents

\$2,958,794

Accrued interest income

\$2,157

Investments

\$6,938,005

Total current assets

\$9,898,956

Long-term investments

\$37,608,807

Property and equipment, net

\$6,259,914

Other assets

\$7,859

Total assets

\$53,775,536

Liabilities and net position

Current liabilities:

Accounts payable and accrued expenses

\$460,622

Accrued tax expense

\$107,511

Total current liabilities

\$568,133

Deferred compensation:

Deferred compensation payable

\$549,214

Investments designated for deferred compensation

\$(549,214)

Total liabilities

\$568,133

Net position:

Investment in capital assets

\$6,259,914

Unrestricted

\$46,947,489

Total net assets

\$53,207,403

Total liabilities and net position

\$53,775,536

Statement of Activities and Changes in Net Position

	Year End December 31, 2021
Changes in net position:	
Revenues and other support:	
Charges for services	\$7,745,867
Interest and finance charges on service fees	\$5,106
Other income	\$44,818
Total revenues and other support	<u>\$7,795,791</u>
Operating expenses:	
Administration and support	\$3,670,180
Education and outreach	\$1,391,356
Agent and insurer services	\$1,444,705
Clearinghouse	\$731,359
Total operating expenses	<u>\$7,237,600</u>
Operating income	\$558,191
Nonoperating revenues:	
Investment income	\$3,137,729
Rental income	\$40,366
Total nonoperating revenues	<u>\$3,178,095</u>
Change in unrestricted net assets before income taxes	<u>\$3,736,286</u>
Income tax expense	\$425,033
Change in unrestricted net assets	\$3,311,253
Net position at beginning of year	<u>\$49,896,150</u>
Net position at end of year	<u>\$53,207,403</u>

Statement of Cash Flows

	Year End December 31, 2021
Operating activities:	
Receipts from agents	\$5,111,910
Receipts from Clearinghouse	\$2,590,105
Payments to employees for service	\$(3,313,618)
Payment for Clearinghouse	\$(731,359)
Payment to vendors	\$(1,813,888)
Other cash receipts	\$93,772
Net cash provided by operating activities	<u>\$1,936,922</u>
Investing activities:	
Investment income	\$1,909,669
Purchases of investments	\$(13,988,223)
Sales and maturities of investments	\$12,342,388
Net cash (used in) provided by investing activities	<u>\$263,834</u>
Capital and related financing activities:	
Purchase of property and equipment	\$(2,196,020)
Payment of income taxes	\$(418,000)
Other receipts	\$40,369
Net cash (used in) capital and related financing activities	<u>\$(2,573,651)</u>
Net decrease in cash and cash equivalents	\$(372,895)
Cash and cash equivalents at beginning of year	<u>\$3,331,689</u>
Cash and cash equivalents at end of year	<u>\$2,958,794</u>
Reconciliation of operating income to net cash provided by operating expenses:	
Operating income	\$558,191
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	\$1,342,091
Changes in operating assets and liabilities:	
Deposits	\$1,854
Accounts payable and accrued expenses	\$34,786
Net cash provided by operating activities	<u>\$1,936,922</u>

Board of Governors & Staff

**“NEW INFORMATION MAKES NEW AND
FRESH IDEAS POSSIBLE.”**

- ZIG ZIGLAR

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Board of Governors



Gary D. Pullen
Executive Director



David Holcombe
Chair



Lorna Wirtz
Vice Chair



D. Conor O'Leary
Secretary/Treasurer



Steven Clein



Kathy Colangelo



Roy V. Fabry



Steven Finver



Michael J. Franzese



Irvin "Skip" Wolf, III



Tasha Carter
Florida Insurance
Consumer Advocate

“OF COURSE, HAVING INFORMATION TO USE IS ONE THING. KNOWING WHAT IT MEANS AND HOW TO USE IT IS A DIFFERENT STORY.”

- JEFF LINDSAY



JACOBS AIRCRAFT ENGINE	
MODEL	SERIAL
CAA TYPE CERTIFICATE NO.	
PRODUCTION CERTIFICATE NO.	
FUEL MIXTURE	HP AT RPM
NORMAL RATED	HP AT RPM
FUEL OIL MIX	PROP RED RATIO
SPARK ADVANCE	HTC CYL NO.
RIGHT HAND	LEFT HAND
JACOBS AIRCRAFT ENGINE CO	
PITTSBURGH, PA., U.S.A.	

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FSLSO Staff

Executive & Operational Services

Gary D. Pullen • Executive Director
Georgie Barrett • Deputy Director of Operations
Jennifer Mills • Business Operations Specialist

Agent & Insurer Services

Bryan Young • Assistant Director of Agent & Insurer Services
Brian Bogner • Insurance Audit Analyst
Kristen Gray • Insurance Systems Analyst
Barry Lanier • Compliance Manager
Felicia Meredith • Insurance Analyst
Amber Pullen • Compliance Review Analyst

Financial Services

Sheila Pearson • Controller
Bradley Givens • Staff Accountant
Phillip Hardin • Accounting Specialist
Tracy Ingle • Premium Reconciliation Specialist
Kelli Moser • Business Data Analyst

Information Technology Services

Cyrus Yazdanpanah • Information Technology Manager
Jesse Barrett • Technical Systems Support Analyst
James Farmer • Information Security Officer
John Felder • Senior Technical Systems Support Analyst
Daniel Mann • Senior Systems Engineer & DBA
Dave Mercado • Senior Systems Administrator

Product & Business Development

Tiffany Andersen • Product & Business Development Manager
Hunter Dulin • Business Analyst
Rachel Hoffman • Business Systems Coordinator
Kimberly Mask • Public Information Coordinator
Jordan Mauro • Product Development Specialist
Tracy Pafford • Senior Creative & Graphic Designer

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IS THE PRIMARY *Export* OF FSLSO



EST. 1998

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FLORIDA SURPLUS LINES SERVICE OFFICE