

A Case Study on Premium Reconciliation in Surplus Lines

Part 1: Premium Reconciliation Programs in Florida Demonstrate Two Decades of Success

As the excess and surplus lines market continues to expand across the United States, new analysis suggests that many states may be missing significant amounts of premium tax revenue due to unreported or underreported surplus lines activity. This issue remains largely invisible in jurisdictions that lack structured compliance and auditing programs.

Florida, one of the few states that systematically verifies surplus lines reporting, has more than two decades of data that offer insight into this issue. This is made possible by the Florida Surplus Lines Service Office (FSLSO), which administers the state's surplus lines Premium Reconciliation program through the SLIP+ platform. As part of its statutory role, FSLSO collects and compares transaction data from surplus lines brokers and independently procured coverage filers to transaction data from insurers. By systematically matching these data sets, FSLSO is able to identify discrepancies, verify reporting accuracy, and ensure that all reportable premium and associated taxes are accounted for.

While Florida's systems are not found in every state, its long-term findings provide a critical benchmark for understanding how reporting gaps develop and how widespread they may be.

Since 2000, Florida's surplus lines market has processed more than **\$154.7 billion** in premium. Because the state actively reconciles data from surplus lines brokers, independently procured coverage filers, and insurers, regulators can see precisely where reporting diverges.

Over that period, Florida's Premium Reconciliation program has identified:

- More than **\$2.7 billion** in premium that was not reported
- Over **\$108 million** in associated premium taxes, fees, and assessments that were ultimately recovered
- A consistent long-term trend showing that approximately **1.5%** of surplus lines premium is not reported unless audits and data matching are performed, reflecting that the vast majority of reporting, roughly **98.5%**, is completed accurately and in accordance with statutory requirements

In 2024 alone, Florida's Premium Reconciliation program identified:

- More than **\$425 million** in unreported premium
- Nearly **\$17.3 million** in associated premium taxes, fees, and assessments

A Case Study on Premium Reconciliation in Surplus Lines

These findings do not indicate misconduct but instead highlight the complexity of surplus lines reporting and the fact that, in a fast-growing market, discrepancies can accumulate quickly without active oversight.

Premium Reconciliation exists to safeguard the integrity of the surplus lines marketplace by verifying that surplus lines premium tax owed to the state is fully and accurately

remitted in accordance with applicable statutes. Beyond revenue protection, the program ensures the accuracy, completeness, and consistency of surplus lines data reported to the state.

Florida's experience answers a fundamental question: what becomes visible when surplus lines reporting is independently verified?

Page 2 of 2

This analysis is based on data from the Florida Surplus Lines Service Office (FSLSO) and the SLIP+ platform. FSLSO is Florida's statutory surplus lines service office, responsible for supporting compliance, reporting, and data integrity within the surplus lines marketplace. SLIP+ is a multi-state filing and reporting platform that facilitates surplus lines transactions, tax reporting, and premium reconciliation for participating jurisdictions.

For more information about this analysis or premium reconciliation programs, please contact:
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Part 2: Early Results from SLIP+ States Reinforce the Pattern

Florida's success with Premium Reconciliation is driven by the data-matching capabilities of the SLIP+ platform, which is used for surplus lines reporting by brokers, independently procured coverage filers, and insurers.

As additional states adopt the SLIP+ platform, they gain the ability to implement programs that independently verify surplus lines reporting. This expansion provides an opportunity to evaluate whether Florida's experience reflects a unique regulatory environment or a broader structural reality within the surplus lines marketplace.

Unlike admitted insurance markets, surplus lines transactions rely heavily on broker-reported data. In many jurisdictions, these filings are accepted as-is, without automated cross-checks against insurer submissions or comparisons to other data sources.

Florida is an exception, while most states are not.

However, early results from other states implementing SLIP+ reconciliation programs suggest that Florida's experience is not unique. Preliminary findings from Colorado, Georgia, Oklahoma, South Dakota, Tennessee, and Wyoming have already identified more than **\$607 million** in unreported premium and over **\$18 million** in recovered tax revenue.

These programs span a range of implementation timelines, from Florida's program established in 2000 to more recent adoptions between 2022 and 2025. When combined with Florida's long-term total of **\$2.7 billion** in unreported premium, the overall amount identified across SLIP+ states exceeds **\$3.14 billion**, with more than **\$122 million** in recovered tax revenue.

These results point to systemic underreporting that might otherwise remain undetected.

While larger surplus lines markets identify higher amounts of unreported premium proportional to their volume, smaller markets still realize meaningful benefits from reconciliation programs. Across all SLIP+ states, unreported premium and associated tax revenue have been identified, regardless of market size.

Importantly, these discrepancies were identified in states with otherwise strong reporting compliance. This reinforces a key point: surplus lines reporting gaps are not primarily the result of intent. They are driven by how reporting is structured.

Timing differences between broker and insurer reporting are expected and accounted for within reconciliation systems. However, discrepancies that persist well beyond normal reporting timelines indicate unreported or misreported premium rather than temporary delays.

A Case Study on Premium Reconciliation in Surplus Lines

Taken together, these results show that underreporting is not isolated to high-volume states like Florida. It emerges consistently wherever reconciliation is introduced,

suggesting that states may be overlooking meaningful revenue simply because they lack the mechanisms to detect it.

Page 2 of 2

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Part 3: Audit and Reconciliation Programs Promote Market Fairness

Premium Reconciliation serves an essential regulatory function by verifying that surplus lines premium taxes, fees, and assessments owed to the state are properly reported and paid, while ensuring that filings comply with statutory requirements.

But its impact extends beyond tax recovery.

Reconciliation programs help ensure compliant brokers are not disadvantaged by competitors whose filings are incomplete or inaccurate, creating a more level playing field across the market.

Because reconciliation systems proactively identify discrepancies, agencies are able to correct reporting gaps before penalties accumulate. In some jurisdictions, penalties can reach **\$25 per day** per policy. Over time, missed filings can result in substantial financial exposure. By identifying these issues early, reconciliation programs help agencies maintain compliance and avoid unnecessary financial risk.

Despite these benefits, questions often arise about how reconciliation impacts agencies and reporting processes in practice.

A common misconception is that reconciliation increases administrative burden for agencies. Operational data shows the opposite. More than **60%** of transactions submitted in SLIP+ reconcile automatically without human interaction. Of the **2.3 million** transactions submitted in 2025, just over **55,000** required manual reconciliation, representing roughly **2%** of all transactions, with only a fraction requiring engagement from brokers or insurers.

Another concern is that differences in policy numbering formats may lead to mismatches or additional review. This assumption reflects systems that rely on exact policy number matching. In practice, SLIP+ matches policies using multiple data elements, including effective date, policy number, premium amount, and insurer name. Differences in policy numbering do not prevent successful reconciliation.

Similarly, complex placements, including layered structures, quota share arrangements, and master policies, reconcile successfully when reported accurately. Brokers report the full policy and allocate premiums to each insurer, while insurers report their respective shares, allowing reconciliation to occur at the carrier level.

A Case Study on Premium Reconciliation in Surplus Lines

The most common reconciliation findings include unreported premium, incorrect home state designation, and insurer reporting discrepancies. These findings reflect the operational complexity of surplus lines reporting, not intentional misconduct.

Compliance carries a cost, but the financial impact of non-compliance can be significantly greater. Taken together, these insights highlight the role Premium Reconciliation plays in strengthening data integrity, promoting fairness, and ensuring transparency across the marketplace.

Page 2 of 2

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Part 4: The National Implication of Underreported Surplus Lines Premium

Florida's reconciliation program provides one of the most complete longitudinal views of surplus lines reporting in the United States.

Over more than two decades, Florida has processed more than **\$154.7 billion** in surplus lines premium and identified more than **\$2.7 billion** in premium not reported through standard filing processes. This resulted in the recovery of more than **\$108 million** in premium taxes, fees, and assessments owed to the state.

These findings did not occur in a single year or under unusual conditions. They emerged consistently over time, demonstrating that reporting discrepancies are not isolated events. They are structural outcomes of a decentralized reporting system in which brokers and insurers report through independent channels.

If the patterns observed in Florida and other SLIP+ states reflect broader market trends, the national implications are substantial. Florida's reconciliation program has identified a long-term underreporting rate of approximately **1.5%**, providing a benchmark for understanding the potential scope of underreporting across the market.

Based on annual premium data reported by the National Association of Insurance Commissioners (NAIC), the U.S. surplus lines marketplace wrote approximately **\$733.6 billion** in premium between 2015 and 2024.

Applying Florida's **1.5%** reconciliation rate nationally suggests that:

- Approximately **\$11.0 billion** in surplus lines premium may have gone unreported over the past decade
- Between **\$330 million** and **\$550 million** in associated premium taxes may not have been collected, based on typical state tax rates of **3%** to **5%**

These estimates are directional rather than definitive. Each state operates under its own regulatory framework, and reporting patterns vary. However, the consistency of reconciliation findings across multiple states provides important context.

Without reconciliation, regulators must rely on submitted filings without independent confirmation that all policies have been reported. With it, regulators gain the ability to verify reporting completeness, ensure accurate tax collection, and maintain a transparent view of surplus lines market activity.

A Case Study on Premium Reconciliation in Surplus Lines

As surplus lines premium continues to grow nationwide, the importance of accurate and verifiable reporting becomes more pronounced. This raises a fundamental

question: if reporting discrepancies exist, can they be reliably identified without reconciliation?

Page 2 of 2

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Part 5: The Strategic Question Facing Regulators

Florida's experience provides clear evidence of what reconciliation reveals, and early results from other SLIP+ states reinforce that pattern. The question facing regulators is no longer whether reconciliation works, but whether they can afford to operate without independent verification of surplus lines reporting.

Since 2000, Florida's program has identified more than **\$2.7 billion** in unreported surplus lines premium and recovered more than **\$108 million** in premium taxes and assessments owed to the state. For Florida, each dollar directed toward Premium Reconciliation has yielded approximately **\$1,180** in identified unreported premium and taxes. This ratio highlights both the fiscal impact of verification and the scale of revenue that can remain undetected without it, even in a mature and highly regulated market.

Beyond the dollars recovered, reconciliation provides something equally critical: confidence in the accuracy of the marketplace itself. Without independent verification, regulators and stakeholders must rely on data that may be incomplete, inconsistent, or misreported.

The data is clear. Reconciliation delivers measurable financial returns, strengthens compliance, and improves the integrity of surplus lines reporting. As the market continues to grow and complexity, the focus shifts from whether reconciliation provides value to whether regulators can afford to operate without it.

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