

A Case Study on Premium Reconciliation in Surplus Lines

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.

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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?

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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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