



NATIONAL CONFERENCE
of STATE LEGISLATURES
The Forum for America's Ideas

January 7, 2011

Dear Colleague:

The National Conference of Insurance Legislators (NCOIL), The Council of State Governments (CSG), and the National Conference of State Legislatures (NCSL), urges you to consider time of the essence in enacting a *Surplus Lines Insurance Multi-State Compliance Compact* (known as SLIMPACT-Lite). This new interstate compact will ensure that we as states continue to collect our fair share of surplus lines insurance premium tax revenue in 2011 and beyond.

As well as enjoying NCOIL, CSG, and NCSL endorsement, SLIMPACT-Lite is supported by the surplus/excess lines insurance industries and key property-casualty and insurance producer associations. Widespread support for the compact should vastly outweigh any isolated opposition in your state.

Unlike other existing proposals, SLIMPACT-Lite has been developed and vetted over the course of several years and is fully responsive to Dodd-Frank Act provisions. It would authorize a governing commission to establish allocation formulas, uniform payment methods and reporting requirements, insurer eligibility standards, and a single policyholder notice to replace the various forms used across the country. To streamline taxation and ensure that each state receives its fair share under SLIMPACT, each state would create a single tax rate for surplus lines insurance, charge their own rates on multi-state risks, and choose among uniform payment dates.

The states need to act quickly and uniformly as the Dodd-Frank Act's Nonadmitted and Reinsurance Reform Act (NRRRA), which becomes effective in July 2011, prohibits any state that is not the home state of an insured from requiring premium tax payment for nonadmitted insurance. The NRRRA declares the intent of Congress that each state "adopt nationwide uniform requirements, forms, and procedures, such as an interstate compact..." to allocate premium taxes on multi-state risks.

NRRRA provisions would also supersede your state's eligibility/solvency requirements—reverting to a few minimal protections—unless new standards are developed in conjunction with an interstate compact. SLIMPACT-Lite, as cited above, would provide such a mechanism to develop nationwide uniform foreign insurer eligibility standards that would ensure that stable, well-financed companies are providing coverage in our states.

Making matters more pressing is the evolving federal threat of preemption. The new Federal Insurance Office (FIO)—in its study on how to modernize and improve insurance oversight—may use any failure by the states to implement reform to push for a greater federal role in the historically state-regulated industry. With this new insurance presence in Washington, state modernization efforts will be more closely scrutinized than ever before.

As leaders of the major national organizations comprising state lawmakers, we believe that SLIMPACT-Lite is the most effective solution to implement Dodd-Frank and streamline surplus lines taxation and regulation. We hope that you will consider joining your colleagues from across the country in pushing compact legislation in your 2011 session.

Please feel free to contact staff at any of our respective organizations for assistance.

Sincerely,

Rep. George Keiser, ND
NCOIL President

Rep. Bob Godfrey, CT
CSG Chair

Sen. Delores Kelley, MD
NCSL CFI Committee Chair