

OPEN LETTER TO CONGRESS URGING NRRRA EFFECTIVE DATE EXTENSION

As leaders of the National Conference of Insurance Legislators (NCOIL), The Council of State Governments (CSG), and the National Conference of State Legislatures (NCSL), we write to let you know that state legislators are working to realize your goals to modernize surplus lines regulation and taxation as provided in the Dodd-Frank Act. To allow states to fully accomplish these goals and to prevent state loss of critical insurance premium tax dollars, we request that you extend for a year, until July 21, 2012, the effective date of the surplus lines section of the *Nonadmitted and Reinsurance Reform Act* (NRRRA).

Our groups understand that the NRRRA—which received broad bipartisan support and was approved on the noncontroversial, House suspension calendar in 2009—was intended to provide a comprehensive, uniform solution to the current treatment of surplus lines insurance. One of its sponsors recently reaffirmed on the House floor, that while premium tax simplification is important, it is but one element of the NRRRA. *We are pleased to report that the major organizations comprising state legislators have coalesced around an interstate compact to address NRRRA surplus lines insurance taxation and regulatory provisions.*

NCOIL, CSG, and NCSL have all endorsed a *Surplus Lines Insurance Multi-State Compliance Compact* (SLIMPACT, as adopted by NCOIL) to implement Dodd-Frank, and several states—including Alabama, Indiana, Kentucky, New Mexico, Rhode Island, and Texas—have already started the bill drafting/introduction process. As well as enjoying state legislative support, the surplus lines compact is supported by the surplus/excess lines industries and key property-casualty and insurance producer associations.

While our state groups have taken steps to advance the compact, state lawmakers are very concerned that the NRRRA will soon prohibit any state that is not the home state of an insured from requiring premium tax payment for nonadmitted insurance. With some state legislatures in session for less than two months—and many other pressing items, including healthcare reform, on our agendas—some states may be hard-pressed to join the surplus lines compact in the first few months of the new year. *Unless the NRRRA effective date is extended, such noncompacting states could stand to lose premium tax revenue that they have come to depend on in July.*

The compact 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, 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.

NCOIL, CSG, and the NCSL plan to continue working towards full SLIMPACT enactment. While widespread support for the compact exists, giving more time will improve its chances for fuller participation. We strongly urge you to promptly consider legislation to extend the NRRRA effective date for its surplus lines/nonadmitted insurance provisions to at least July 2012 to help protect state revenue.

Please feel free to contact NCOIL, CSG, or NCSL staff with any questions.

Sincerely,



Rep. George Keiser, ND
NCOIL President



Rep. Bob Godfrey, CT
CSG Chair



Sen. Delores Kelley, MD
NCSL CFI Committee Chair