



July 17, 2023

The Honorable Forrest Bennett
Chair, Financial Services & Multi-Lines Issues Committee
National Council of Insurance Legislators
616 5th Avenue, Suite 106
Belmar, NJ 07719

Re: Comments on NCOIL Resolution in Support of Establishing National Standards and Procedures for the Reporting and Payment of Premium Taxes

Dear Chair Bennett and members of the committee:

The Wholesale & Specialty Insurance Association¹ (WSIA) appreciates the opportunity to provide comments on the Resolution in Support of Establishing National Standards and Procedures for the Reporting and Payment of Premium Taxes.

WSIA understands the importance of promoting tax compliance and ensuring fair practices within the insurance industry. The Nonadmitted and Reinsurance Reform Act (NRRA) was a landmark legislative achievement that was vital in establishing consistency in the regulation and taxation of the nonadmitted market. Prior to the passage of the NRRA, multi-state nonadmitted insurance transactions were subject to multiple and potentially conflicting state laws. Surplus lines tax collection has significantly improved as a result of the clarity brought about by the passage of the NRRA in 2010. This change led to significant improvements for the states and the industry clarifying the brokers' ability to clearly assign a "home state" to each surplus lines transaction. A recent analysis of NAIC data by WSIA found that average state nonadmitted tax revenue increased by 7.7% per year, even though average nonadmitted insurance premium only increased 6.6% per year through the same period. This clearly demonstrates the degree to which tax reporting compliance has improved in the nonadmitted insurance space.

This is not to say that improvements couldn't be made to clarify state requirements for the independent procurement of nonadmitted insurance and WSIA would not oppose those efforts. But we would encourage the committee to limit the language of the resolution to the desired outcome and avoid mentioning issues that have been laid to rest, such as tax sharing compacts.

¹ WSIA is the U.S. professional trade association representing the wholesale and specialty insurance market and the wholesale distribution system. WSIA represents approximately 400 wholesale broker member firms, 100 surplus lines insurance companies, and 200 associates and service providers to the surplus lines market. Our membership operates in more than 1,500 offices representing tens of thousands of individual brokers, insurance company professionals, underwriters and other insurance professionals worldwide – all of whom are committed to the wholesale distribution system and the U.S. surplus lines market.

Secondly, the resolution states that nonadmitted insurers should bear additional reporting burdens and submit data to their licensing jurisdiction. Because of the complexity of nonadmitted multi-state insurance transactions, nonadmitted insurers do not have access to the data determining the “home state” of the transaction as defined by the NRRRA. Thus, any data submitted by nonadmitted insurers would be based upon the location of the risk, which does not necessarily mirror the “home state.” Furthermore, requiring nonadmitted insurers to file policies and taxes would upend the efficient, well-established model of nonadmitted insurance regulation that has existed for decades and was solidified by the NRRRA. Any reporting requirements for independent procurement should continue to fall on the insured to promote accurate reporting and avoid unnecessary reconciliation of data that’s based upon location of the risk, rather than the “home state” of the insured.

Thank you for your attention to this matter. We appreciate your consideration of our opposing viewpoint. We are open to further discussion and welcome the opportunity to contribute to future deliberations on this subject.

Sincerely,

A handwritten signature in black ink, appearing to read "John Meetz". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

John H. Meetz
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