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July 29, 2011

Representative Judy Biggert, Chair
U.S. House Committee on Financial Services
Subcommittee on Insurance, Housing & Community Opportunity
2113 Rayburn House Office Building
Washington, DC 20515

Dear Chairperson Biggert:

As president of the National Conference of Insurance Legislators, I would like to further respond to your question at yesterday's hearing entitled "Insurance Oversight: Policy Implications for U.S. Consumers, Businesses and Jobs" regarding the possibility of NCOIL and the National Association of Insurance Commissioners (NAIC) reaching common ground on the Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT).

In line with NCOIL Treasurer Rep. Greg Wren's remarks, NCOIL will recommit its efforts with the NAIC to find a unified response to surplus lines reform. NCOIL repeatedly, and to no avail, tried to develop a joint approach with the NAIC early on in SLIMPACT development—asking for input on compact provisions with the promise to modify in order to gain NAIC support. Responding to regulator concerns that SLIMPACT was overly prescriptive, the compact language was substantially slimmed down by deleting certain uniform standards.

NCOIL will again reach out to the NAIC to ask their buy-in to SLIMPACT, as our state legislators believe its uniform standards respond to NRRA intent to simplify and streamline the surplus lines regulatory process and meet the state constitutional concerns expressed by compact legal experts. We believe SLIMPACT is honing in on an allocation method upon which all interested parties, including the NAIC, can agree.

SLIMPACT uniform foreign eligibility requirements will prohibit undercapitalized foreign insurers from selling surplus lines insurance to state insurance consumers. The SLIMPACT uniform policyholder notice will ease the costly administrative burdens tied to issuing up to 51 different state-mandated policyholder notices.

NCOIL believes only SLIMPACT meets the criteria established in the NRRA, and will provide uniformity, simplicity, relative revenue neutrality, etc., for the states. Industry worked on and supported the development of the SLIMPACT model and is not supportive of the NIMA model.

In summary, NCOIL will make every effort to work with the NAIC to achieve synergy while maintaining our full-faith effort to respond to Congress's desire to unburden and streamline the surplus lines regulatory system. We look forward to further communications with your Subcommittee in the near future to apprise you of our efforts.

Best regards,

Rep. George Keiser (ND)
NCOIL President

cc: U.S. House Financial Services Committee
U.S. Senate Banking Committee

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