

David Kodama
Sr. Director, Research & Policy Analysis

November 9, 2010

Via E-mail to John Bauer

Insurance Commissioner James J. Donelon, Chair
Surplus Lines Implementation (EX) Task Force
Care of: John Bauer
National Association of Insurance Commissioners
2301 McGee Street – Suite 800
Kansas City, MO 64108

Re: NAIC Nonadmitted Insurance Multi-State Agreement (NIMA)

Dear Commissioner Donelon:

The Property Casualty Insurers Association of America (PCI) appreciates this opportunity to provide input to the NAIC Surplus Lines Implementation (EX) Task Force. We commend your leadership to develop a coordinated state response to the nonadmitted insurance provisions set forth in the enacted Dodd-Frank Act. PCI has long been an advocate and supporter of the Nonadmitted and Reinsurance Reform Act (NRRA). PCI, however, must state that it does not support the legislative proposal known as the Nonadmitted Insurance Multi-State Agreement (NIMA), approved by the Task Force on November 3, 2010.

This letter highlights the concerns that would be raised with state legislatures should they consider implementation of NIMA, as currently drafted.

- NIMA does not fulfill the spirit and letter of the NRRA. For years, industry educated Congress on the need and benefit of NRRA to create a streamlined tax system that involved uniform requirements, forms and procedures. NIMA not only fails to address that uniformity standard, but it creates an uncertain taxing arrangement via an “agreement” between insurance commissioners with questionable binding authority.
- NIMA violates the NRRA requirement that ‘no state other than the home state may require any premium tax payments for nonadmitted insurance.’ The NIMA proposal instead has each participating state agree to “require” payment of their applicable surplus lines premium taxes via a clearinghouse.
- NIMA perpetuates burdensome data reporting. The NIMA system will require detailed data reporting for policies delivered by brokers for the sole purpose of remitting taxes on surplus lines policies with exposures in multiple states. The NIMA system will continue to require complex reporting systems that Congress sought to streamline through the NRRA.

- NIMA fails to provide critical detail over who will establish a clearinghouse, and how it will operate and set standards and procedures. Of significant import, PCI is concerned that the NAIC will advance a proposal that does not provide for the establishment of a uniform tax allocation formula.

PCI promotes and advocates for the viability of a competitive private insurance market for the benefit of consumers and insurers. To that end, we have actively lobbied in support of the Nonadmitted and Reinsurance Reform Act, and the accompanying need for greater efficiency and less costly consumer access to the nonadmitted insurance market. PCI encourages the NAIC to likewise advocate for nothing less than a state coordinated response that responds to the full intent and expectation of NRRRA. As so well-stated by the delegate from Virginia on the October 26, call of the Task Force, we believe that SLIMPACT, developed with input from industry and regulators, is an appropriate starting point.

Thank you for your leadership and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "David Kodama", with a long horizontal line extending to the right.

David Kodama
847.553.3611
david.kodama@pciaa.net

cc: NAIC Task Force Member Regulators
Deirdre Manna, PCI
Susan Nolan, NCOIL