Surplus lines reform bill sponsor clarifies intent of law in Congressional record

July 26, 2010 - Rep. Dennis Moore, (D-Kan.) the main sponsor of the Nonadmitted Reinsurance and Reform Act (NRRA), which was included in the financial services reform legislation recently signed into law, has clarified the intent and meaning of the legislation through remarks entered into the Congressional Record on July 22.

Rep. Moore's comments confirm that under the NRRA language, surplus lines premium taxes are to be paid only to the insured's "Home State;" that the placement of all nonadmitted insurance, including surplus lines insurance, shall be subject solely to the statutory and regulatory requirements imposed by the insured's "Home State" and that Congress intends that the states adopt uniform requirements, forms and procedures regarding payment and allocation of surplus lines premium taxes.

Officials of the National Association of Professional Surplus Lines Offices (NAPSLO) believe that Rep. Moore's statement in the Congressional Record will help avoid any confusion as to how the states are to respond to the congressional reforms.

"It is important that the surplus lines reform measures be implemented as Congress intends and Rep. Moore's comments clearly state that under the new law the home state of the insured is to be the only state to receive payment and collect premium taxes and regulate the placement of surplus lines policies," said NAPSLO Executive Director Richard Bouhan. "In addition the real promise of the bill is dependent upon the states adopting uniform requirements, forms and procedures, and NAPSLO believes that an interstate compact, as stated in the legislation, would fulfill the congressional requirements and we look forward to working with the states on this.

The following is [Rep. Moore's entry](#) in the Congressional Record.

"Madam Speaker, as a House conferee and the chief sponsor of H.R. 2571, the Nonadmitted and Reinsurance Reform Act, that was included in the conference report for H.R. 4173, the Dodd-Frank Wall Street Reform and Consumer Protection Act, I wanted to make one important clarification of intent on the final language. The President signed the Dodd-Frank Act into law yesterday.

Section 521(a) of the Dodd-Frank Act is intended to require the broker to pay or remit all tax in a surplus lines transaction to the ''Home State'' of the insured as defined in the Act and to no other state or political subdivision of any state. If other states are to receive a portion of the tax payment, the Act provides that the states may enter into a compact or otherwise establish procedures to allocate among the states the premium taxes paid to an insured's "Home State."

Further, it is the intention that as a result of this Act, each State adopt nationwide uniform requirements, forms, and procedures—such as an interstate compact—that provides for the reporting, payment, collection, and allocation of all premium taxes for surplus lines insurance

as well as all nonadmitted insurance in the insured's ''home state''. Uniformity in the taxation of surplus lines and nonadmitted insurance will be of great benefit to insurance consumers, brokers and the states.

In addition, under Section 522(a) of the Dodd-Frank Act, the placement of all nonadmitted insurance, including surplus lines insurance, shall be subject solely to the statutory and regulatory requirements imposed directly by the insured's ''Home State'' and no other state. It is the intention that surplus lines and nonadmitted insurance transactions, particularly when the insurance covers risks in more than one state, be within the sole province of the insured's "Home State."

BACKGROUND

NAPSLO is a national trade association representing the surplus lines insurance industry. Risks are placed with the surplus lines market when they cannot be placed in the admitted/licensed market. NAPSLO represents surplus lines insurance agents/brokers and surplus lines insurance companies and has more than 1,600 member offices in the United States, Canada, Germany, and England.