

# NCOIL

National Conference of Insurance Legislators

*...for the States*

## LATE TESTIMONY

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### VIA E-MAIL

March 12, 2012

Hawaii House Committee on Consumer Protection and Commerce  
c/o The Honorable Robert Herkes, Chair  
Hawaii State Capitol, Room 320  
Honolulu, HI 96813

Dear House Consumer Protection and Commerce Committee:

As National Conference of Insurance Legislators (NCOIL) President, I applaud your consideration this afternoon of Senate Bill 2168 to join a Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT)—a state-based insurance regulatory reform effort that NCOIL strongly supports. As I told your Senate colleagues in the Commerce and Consumer Protection Committee last month, NCOIL leaders from compacting states stand ready to welcome Hawaii into SLIMPACT when Senate Bill 2168 becomes law. Legislators believe that SLIMPACT represents the only state solution that fully answers Congressional intent stated in the 2010 *Dodd-Frank Wall Street Reform and Consumer Protection Act*.

SLIMPACT enjoys widespread support from the key organizations of state officials dealing with insurance public policy, including NCOIL, The Council of State Governments (CSG) and the National Conference of State Legislatures (NCSL). Key industry interested parties that advocated for Dodd-Frank Act surplus lines provisions in Congress also have been enthusiastic supporters of the compact in the states.

SLIMPACT is a critical modernization effort because Dodd-Frank effectively prevents any state from collecting tax on a multi-state surplus lines risk if the state is not the "home state" of the insured. SLIMPACT will preserve Hawaii's ability to collect state premium tax revenue from such policies by creating a nationwide mechanism that provides for the uniform "reporting, payment, collection, and allocation of premium" urged under the legislation.

SLIMPACT, as an interstate compact designed to streamline surplus lines insurance taxation and regulation, provides accountability and transparency in its operations. It also limits the Commission's scope of power, which state legislators look for when delegating authority. Through an inclusive process, a SLIMPACT Commission will adopt "rules for the road" regarding tax allocation formulas, reporting requirements, and uniform eligibility/solvency standards and policyholder notices, as was Dodd-Frank's intent.

Already, the SLIMPACT Commission—which is comprised of one voting member per state—has developed draft bylaws and rules for rulemaking. Commission members have also tentatively approved a formula for sharing premium tax revenue among states that—because of its simplicity and practicality—has garnered the support of many insurance regulators inside and outside of the compact and industry representatives alike.

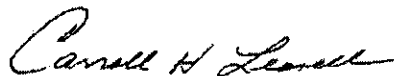
In reviewing the current version of S.B. 2168, I would suggest that a Senate Ways and Means Committee amendment that defined "Stamping office" as "the insurance division of the department of commerce and consumer affairs" is unnecessary. There is no need to define the term, as SLIMPACT language only refers to stamping offices to reflect the important role that they play in states where they already exist. SLIMPACT contemplated that clearinghouse data for tax allocations would flow through existing stamping offices, which process approximately 65 percent of U.S.-wide surplus lines filings.

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Hawaii would be greeted with open arms should it join Alabama, Indiana, Kansas, Kentucky, New Mexico, North Dakota, Rhode Island, Tennessee, and Vermont in SLIMPACT. Hawaii's Commission member would immediately be able to vote on key Commission determinations. Hawaii's membership would put SLIMPACT over its 10-state threshold—a self-imposed threshold to maintain accountability and balance—to become fully operational.

NCOIL looks forward to working with Hawaii to expand SLIMPACT and hopes that you will soon join this collaborative state effort. Please feel free to contact NCOIL staff at the National Office at 518-687-0178 or at the Washington, DC Office at 202-220-3014 should you have any questions.

Sincerely,

A handwritten signature in cursive script, reading "Carroll H. Leavell".

Sen. Carroll Leavell, NM  
NCOIL President