



AAMGA

American Association of
Managing General Agents

Regulatory Principles & Legislative Positions of the AAMGA



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AAMGA Regulatory Principles

1. Freedom From Regulation of Surplus Lines Rates and Forms

The fundamental nature of much of the surplus lines insurance market requires a flexible market in order to meet the surplus lines buyer's needs. The rate and form flexibility of the surplus lines market provides for a more creative and immediately responsive market. For insureds unable to secure insurance coverage from standard admitted insurance companies, the surplus lines market provides a reliable and stable alternative market with flexibility, additional capacity and innovative underwriting.

The freedom from regulation of rates and forms differentiates the surplus lines market from the admitted market and is the feature that permits the surplus lines market to provide a more creative and responsive market for consumers who have special insurance needs.

2. Uniformity of Taxation of Multi-State Surplus Lines Risks

AAMGA believes that an easily understood and uniform procedure for remitting surplus lines premium taxes on multi-state risks must be adopted and implemented by the states.

3. State Regulation

AAMGA believes that state based regulation of insurance is preferable over a federal regulatory scheme. Insurance, by its nature, is local. Different areas of our country are exposed to unique risks and circumstances not experienced in others. State regulation, and the expertise of insurance regulators and practitioners within them, is better able to respond to the issues encountered by consumers

and businesses, than would a federal bureaucracy. It will also enable insurance consumers to continue holding local officials accountable for the actions they undertake.

However, significant reform of the state regulatory system is needed to create modernization, greater efficiency and uniformity. AAMGA opposes the current iteration of the Optional Federal Charter because it would create a new federal bureaucracy which would not best serve the needs of, or protect, the insurance purchasing consumer.

4. Federal Standards for State Regulation

Uniformity and reciprocity among and between the states in the areas of producer licensing compliance, continuing education and taxation are needed. AAMGA supports reform and modernization of state insurance regulation via targeted state or federal legislation that makes the system more uniform and streamlined for the benefit of all those involved in the insurance transaction.

5. Tax Reform

AAMGA is in favor of tax reform which addresses the unique issues faced by small businesses. AAMGA supports legislation that provides tax incentives to small businesses, and favors the elimination of the estate tax.

6. McCarran Ferguson Act

AAMGA strongly opposes attempts to repeal the McCarran Ferguson Act and believes such action would disrupt and damage the free competitive nature of the insurance marketplace. McCarran-Ferguson preserves key insurer practices under state insurance regulation that are in the best interests of and protect the public. For example, it allows collective loss-cost data aggregation and ratemaking, standard policy forms and pools or residual markets.

7. National Flood Insurance Program

AAMGA supports the continuation and reform of the National Flood Insurance Program (NFIP). AAMGA supports the goal of the NFIP – to provide an insurance alternative to disaster assistance to meet the escalating costs of repairing damage to buildings and their contents caused by floods. AAMGA opposes including wind coverage in the NFIP because coverage is already available in the private sector or through existing state supported pools.

AAMGA Legislative Positions

1. Nonadmitted and Reinsurance Reform Act

AAMGA supports legislation such as the Nonadmitted and Reinsurance Reform Act. This legislation, will streamline surplus lines insurance regulation and improve reinsurance regulation. It will help modernize state insurance regulation, and create needed uniformity and efficiencies by establishing a consistent framework to allocate and pay surplus lines premium taxes on commercial, multi-state risks.

2. Small Business Tax Fairness and Simplification Act

AAMGA supports the Small Business Tax Fairness and Simplification Act, which addresses the discrepancy between marketplace reality and the tax code's treatment of intangible assets when a small business is purchased. AAMGA also supports amendments to the Internal Revenue Code which will make the current income tax reductions permanent and eliminate the estate tax.

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AAMGA Legislative Positions

3. Surplus Lines Insurance Multi-State Compliance Compact (“SLIMPACT”)

AAMGA supports the states’ adoption of SLIMPACT to facilitate the payment, collection and distribution of multi-state surplus line insurance premium taxes.

SLIMPACT will also streamline and improve the efficiency of the surplus lines market by eliminating duplicative and inconsistent tax and regulatory requirements among the states so that surplus lines providers may better comply with such requirements, thereby ensuring the continued availability of surplus lines insurance to consumers.

4. National Association of Registered Agents and Brokers Reform Act (“NARAB II”)

AAMGA continues to support the concepts contained in the National Association of Registered Agents and Brokers Reform Act (“NARAB II”), passed by US House of Representatives in 2008. We will continue to advocate its passage in both Houses of Congress and its adoption into law.

NARAB II would create a new licensing clearing house for insurance producers who operate in multiple states and would create a single licensing and continuing education standard for producers (individual and agency).

Under the bill, state regulators would continue to supervise and discipline producers and would continue to enforce state consumer protection laws. Membership in NARAB would be voluntary and would not affect the rights of a nonmember producer under any state license.

Since 1926 the AAMGA has represented the premier members of the wholesale insurance industry. As the international trade association has advanced the interests and fostered the relationships among its over 500 member entities, the AAMGA has earned a reputation of trust, integrity and professionalism around the world.



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