



AAMGA

American Association of
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January 19, 2015

Honorable Representative George Keiser
House Committee on Industry, Business and Labor
600 East Boulevard
Bismarck, ND 58505-0360

Re: **Testimonial Comments on HB 1146:
Surplus Lines Premium Tax Simplification - SUPPORT**

Dear Chairman Keiser and Members of the House Industry, Business and Labor Committee:

Kindly allow this letter to serve as our strong and unqualified testimonial support of House Bill 1146. We wish to thank Chairman Keiser for his leadership in introducing this essential legislation that will further improve modernizing the regulatory framework in North Dakota, and afford more uniformity in respect of surplus lines insurance following the enactment of the Nonadmitted and Reinsurance Reform Act of 2010 (“NRRA”).

Given the passage and signing into law last week of the National Association of Registered Agents & Brokers Act (“NARAB II”), the passage of HB 1146 becomes even more important.

The American Association of Managing General Agents¹ is aligned and continues to work with its colleagues like the National Association of Professional Surplus Lines Offices (NAPSLO); Council of Insurance Agents and Brokers (CIAB); the Independent Insurance Agents and Brokers Association (Big I); and other state and national trade associations in advancing legislative and regulatory changes to make our marketplace more transparent, seamless and competitive. This benefits the consumer as well as insurance professionals who work daily to ensure consumers have access to those markets and innovative products that will protect their homes and businesses.

¹ The AAMGA is an international professional trade association comprised of over 480 corporate wholesale agencies, brokers, program administrators, insurance companies, reinsurers, captive insurers, Lloyd's managing agents, underwriters and syndicates, and London Market Insurance Companies, all engaged in underwriting commercial and personal property and casualty insurance through delegated binding authorities in the United States and Canada. The agent and broker members write a combined \$25.97 billion in annual written premium. The Association has represented the entire wholesale insurance marketplace since 1926.

HB 1146 has been introduced in both Chambers of the Legislature by Representative Keiser and Senator Klein for the purpose of amending and reenacting sections 26.1-44-01.1, 26.1-44-03.1, and 26.1-44-06.1 of the North Dakota Century Code, relating to surplus lines of insurance, and repeal section 26.1-44-11 of the North Dakota Century Code, relating to the surplus lines insurance multistate compliance compact (“SLIMPACT”). If passed by the Legislature, and signed by Governor Jack Dalrymple, the Act would become effective on June 1, 2015.

One of the fundamental purposes of the Bill will be to further augment the efficiencies of a growing surplus lines marketplace in the State of North Dakota. As reported by Commissioner Adam Hamm and the North Dakota Insurance Department, the importance of the surplus lines marketplace in the state continues can also be specifically depicted by examining the volume of surplus lines insurance premium and taxes collected as noted in the chart we have prepared below:

North Dakota Surplus Lines Premium and Taxes Collected

Item	2013	2012	2011
Premiums	\$88,839,680	\$84,321,385	\$58,747,972
Taxes Collected	\$1,712,862	\$1,571,680	\$1,045,251

Note: 2014 surplus lines premiums and taxes have not yet been reported. The surplus lines premium tax in North Dakota is 1.75%.

As noted above, the increase in 51.2% in premium and 63.9% in taxes collected in 2013 since 2011 underscore the importance of the surplus lines market to consumers and businesses within North Dakota. In order to facilitate the seamless and expedient calculation and collection of surplus lines premium taxes, it is similarly essential to provide agents and brokers with the ability to have an efficient manner in which to do so.

The NRRA was a prudent method by which to provide the needed reciprocity on multistate surplus lines insurance transactions. While SLIMPACT was one method to utilize an interstate compact to effectuate the provisions of the federal law, the marketplace and 46 states have adopted the more efficient and uniform methodology by collecting and retaining 100% of the surplus lines premium tax paid to them as the “Home State” of the insured. We are advised our colleagues with NAPSLO and CIAB are also in support of HB 1146, and we hereby adopt and incorporate their comments and testimony by reference as though set forth fully herein at length.

The AAMGA has been a strong supporter of the consistent and efficient Home State methodology by which to allow each state to tax 100% of the surplus lines premium for those insureds whose principal domicile is within the State but also have risks located outside of the Home State. This framework accomplishes the ability of uniformly taxing the allocable share of out of state and Home State premium at the Home State’s rate, and to retain 100% of those taxes collected. HB 1146 will allow North Dakota to accomplish this more common sense objective.

The surplus lines market is essential to North Dakota's and our nation's economic infrastructure. It provides protection and security to industrial and local commercial businesses, those associated with operation of major public facilities like airports, schools, municipal utilities, and some of the largest port facilities in the country.

In the private sector, key commercial enterprises and consumers similarly rely on the surplus lines marketplace. In North Dakota, AAMGA members, like the Concorde General Agency in Fargo, ND, are directly underwriting oil and gas production and exploration, habitational (including apartments and "man camps" on the oil patch), pollution and contractor risks, as well as heavy construction, private aviation, trucking companies, restaurants and small businesses, nursing homes and day care centers, large and small commercial and residential construction projects.

The passage and adoption of HB 1146 will not only accomplish efficiencies and seamless surplus lines transactions, but also continue to afford the consumers and businesses of North Dakota with a more vibrant and competitive marketplace and the unique products and services offered by surplus lines insurance companies.

On behalf of the entire Wholesale Insurance NetworkSM we thank Chairman Kaiser and this Committee for the efforts behind advancing national uniformity of surplus lines taxation and regulation. We respectfully request the House Committee on Industry, Business and Labor to support and approve HB 1146, and move it to the Floor of the House for a vote and adoption.

Thank you for the opportunity to provide our comments and testimony in support of HB 1146. We will be pleased to provide any additional data, information and assistance the Committee may require in further advancing this important legislation, and to work with the Committee when the matter comes before the Senate.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bernd G. Heinze". The signature is written in a cursive, flowing style.

Bernd G. Heinze
Executive Director

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