

H.R. 4173, THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT—CLARIFICATION OF INTENT WITH RESPECT TO TITLE V, SUBTITLE B

SPEECH OF^o

HON. DENNIS MOORE

OF KANSAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, December 15, 2010

Mr. MOORE of Kansas. Madam Speaker, as a House conferee for H.R. 4173, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), and the chief sponsor of the Nonadmitted and Reinsurance Reform Act (NRRA) that was included as Title V, Subtitle B of the Dodd-Frank Act, I rise to reaffirm these important provisions. The President signed the Dodd-Frank Act into law earlier this year (P.L. 111-203).

The NRRA seeks to address an issue that most people have never heard of. But it is an issue that we in this House have successfully addressed a number of times in the past few years, and one that affects the lives of millions of Americans, individuals and businesses large and small.

Non-admitted insurance, or surplus lines, is specialty insurance you cannot purchase in the traditional, admitted market. Often called the “safety net” of the insurance market, surplus lines provides for coverage when the traditional market is not available. This is insurance for satellites, toxic chemicals, new inventions, or insurance on homes and businesses in a scarce market.

With my distinguished colleague from New Jersey, Mr. GARRETT, I sponsored the Nonadmitted and Reinsurance Reform Act to fix the fragmented, cumbersome regulation of this important marketplace. The goal of the NRRA was not to eliminate regulatory protections, but to streamline the regulatory regime to enable insurers and brokers to more easily and efficiently comply with state rules and provide much-needed insurance protections to consumers. The law accomplishes this by giving sole regulatory authority over a surplus lines transaction—including the authority to collect premium taxes—to the home state of the insured.

The NRRA passed the House four times—three times as a stand-alone measure and, finally, as part of the Dodd-Frank Act. With the law’s enactment, the responsibility for implementation moves to the states. I’m told that the National Association of Insurance Commissioners (NAIC) is moving swiftly to draft a model agreement and statutory language to enable the states to collect and share surplus lines premium taxes. This sounds like a promising start, but only if the agreement and authorizing legislation are in keeping with the letter and spirit of the NRRA: to provide a simpler, uniform tax reporting and payment process with a single payment, to the insured’s home state, for each transaction.

Premium tax simplification, while important, is but one part of the NRRA’s goals. The broader intent of the law is to provide a comprehensive, uniform solution to the current regulatory mess by addressing the full spectrum of surplus lines regulation: declination and reporting requirements, broker licensing

requirements and electronic processing, insurer eligibility standards, and treatment of sophisticated commercial purchasers. Most of the provisions of the law will become effective next July without state action—as I mentioned, the rules of the insured’s home state govern multi-state transactions and the insurer eligibility requirements and sophisticated commercial purchaser standards are set forth in the federal law.

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Having said that, however, in order to truly realize the promise of the new law, the states need to take this opportunity to adopt a single set of uniform surplus lines regulatory requirements—requirements that are not just similar but the same in every state. I have no stake in how this is accomplished—by individual state laws based on NAIC or NCOIL models, through a standard-setting compact (which is authorized under the NRRRA), or in some other manner. But it can and should be done—and the states should realize that now is the time to do it.

I urge the Congress to continue closely monitoring the full implementation of these important provisions.

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