

NAPSLO Applauds Regulators' Approval of Kentucky Allocation Proposal

August 19, 2011 - NAPSLO applauded insurance regulators' decision to approve a proposal by the Kentucky Department of Insurance on how to allocate surplus lines premium taxes. In a non-binding straw vote on Thursday, the SLIMPACT (Surplus Lines Multistate Compliance Compact) Commission voted to approve the [allocation method proposed by Kentucky](#).

“NAPSLO, and the industry, were pleased to see regulators vote to approve Kentucky’s allocation proposal,” said NAPSLO Legislative Co-Chair David Leonard. “The Kentucky proposal presents a workable methodology that would be a vast improvement over other tax methodologies under discussion and we hope that other state groups will also adopt the proposal.”

The commissioners, representing the nine states that adopted SLIMPACT legislation, were meeting to discuss issues regarding the compact following the Nonadmitted and Reinsurance Reform Act (NRRRA), a part of the 2010 Dodd-Frank Act, becoming effective on July 21, 2011. The Commission must adopt a tax allocation formula and Kentucky, one of the nine states, proposed a tax allocation formula that would allocate surplus lines taxes based on exposures, however, most casualty would not be allocated, an approach similar to what is in use today. The Kentucky formula could be used in any tax-allocation agreement as necessary between different states.

“Adoption of Kentucky’s proposal would basically continue the current allocation system rather than require brokers to implement a new system,” said NAPSLO Legislative Co-Chair Hank Haldeman. “It is significant step toward implementing uniformity and simplicity in filing multistate taxes, which is sorely needed.”

NAPSLO joined eight other industry trade groups in writing SLIMPACT Commissioners to recommend that they adopt the allocation methodology proposed by Kentucky. The industry groups supporting the Kentucky proposal were the American Association of Managing General Agents, the American Bankers Insurance Association, the American Insurance Association, the California Insurance Wholesalers Association, the Council of Insurance Agents & Brokers, the Independent Insurance Agents & Brokers of America, the National Association of Mutual Insurance Companies, and the Risk Management Society.

The SLIMPACT commission is presently composed of Alabama, Kansas, Kentucky, Indiana, New Mexico, North Dakota, Rhode Island, Tennessee, and Vermont.