

1
2 **SURPLUS LINES INSURANCE MULTI-STATE COMPLIANCE COMPACT**

3
4 **PREAMBLE**

5
6 **Article I Purposes**

7
8 **Article II Definitions**

9
10 **Article III Establishment of the Commission and Venue**

11
12 **Article IV Authority to Establish Mandatory Rules**

13
14 **Article V Powers of the Commission**

15
16 **Article VI Organization of the Commission**

17
18 **Article VII Meetings and Acts of the Commission**

19
20 **Article VIII Rules and Operation Procedures: Rulemaking**
21 **Functions of the Commission**

22
23 **Article IX Commission Records and Enforcement**

24
25 **Article X Dispute Resolution**

26
27 **Article XI Review of Commission Decisions**

28
29 **Article XII Finance**

30
31 **Article XIII Compacting States, Effective Date and Amendment**

32
33 **Article XIV Withdrawal, Default and Termination**

34
35 **Article XV Severability and Construction**

36
37 **Article XVI Binding Effect of Compact and Other Laws**

1 **PREAMBLE**

2
3 WHEREAS, with regard to Non-Admitted Insurance policies with risk exposures
4 located in multiple states, the 111th United States Congress, has stipulated in Title
5 V, Subtitle B the Non-Admitted and Reinsurance Reform Act of 2010, of the
6 Dodd-Frank Wall Street Reform and Consumer Protection Act, hereafter, the
7 NRRA, that:

8
9 (A)The placement of Non-Admitted Insurance shall be subject to the statutory and
10 regulatory requirements solely of the insured’s Home State, and

11
12 (B)Any law, regulation, provision, or action of any State that applies or purports to
13 apply to Non-Admitted Insurance sold to, solicited by, or negotiated with an
14 insured whose Home State is another State shall be preempted with respect to such
15 application; except that any State law, rule, or regulation that restricts the
16 placement of workers’ compensation insurance or excess insurance for self-funded
17 workers’ compensation plans with a Non-Admitted Insurer shall not be preempted.

18
19 WHEREAS, in compliance with NRRA, no State other than the Home State of an
20 insured may require any Premium Tax payment for Non-Admitted Insurance; and
21 no State other than an insured’s Home State may require a Surplus Lines Broker to
22 be licensed in order to sell, solicit, or negotiate Non-Admitted Insurance with
23 respect to such insured;

24
25 WHEREAS, the NRRA intends that the States may enter into a compact or
26 otherwise establish procedures to allocate among the States the premium taxes paid
27 to an insured’s Home State; and that each State adopt nationwide uniform
28 requirements, forms, and procedures, such as an interstate compact, that provide
29 for the reporting, payment, collection, and allocation of premium taxes for Non-
30 Admitted Insurance;

31
32 WHEREAS, after the expiration of the two-year period beginning on the date of
33 the enactment of the NRRA, a State may not collect any fees relating to licensing
34 of an individual or entity as a Surplus Lines Licensee in the State unless the State
35 has in effect at such time laws or regulations that provide for participation by the
36 State in the national insurance producer database of the NAIC, or any other
37 equivalent uniform national database, for the licensure of Surplus Lines Licensees
38 and the renewal of such licenses;

1 WHEREAS, a need exists for a system of regulation that will provide for Surplus
2 Lines Insurance to be placed with reputable and financially sound Non-Admitted
3 Insurers, and that will permit orderly access to Surplus Lines Insurance in this state
4 and encourage insurers to make new and innovative types of insurance available to
5 consumers in this state;

6
7 WHEREAS, protecting the revenue of this state and other Compacting States may
8 be accomplished by facilitating the payment and collection of Premium Tax on
9 Non-Admitted Insurance and providing for allocation of Premium Tax for Non-
10 Admitted Insurance of Multi-State Risks among the States in accordance with
11 Uniform Allocation Formulas;

12
13 WHEREAS, the efficiency of the surplus lines market may be improved by
14 eliminating duplicative and inconsistent tax and regulatory requirements among the
15 States, and by promoting and protecting the interests of Surplus Lines Licensees
16 who assist such insureds and Non-Admitted Insurers, thereby ensuring the
17 continued availability of Non-Admitted Insurance to consumers;

18
19 WHEREAS, regulatory compliance with respect to Non-Admitted Insurance
20 placements may be streamlined by providing for exclusive single-state regulatory
21 compliance for Non-Admitted Insurance of Multi-State Risks, thereby providing
22 certainty regarding such compliance to all persons who have an interest in such
23 transactions, including but not limited to insureds, regulators, Surplus Lines
24 Licensees, other insurance producers, and Surplus Lines Insurers;

25
26 WHEREAS, coordination of regulatory resources and expertise between State
27 insurance departments and other State agencies, as well as State surplus lines
28 stamping offices, with respect to Non-Admitted Insurance will be improved;

29
30 NOW, THEREFORE, in consideration of the foregoing, the State of
31 _____ and
32 the various other States do hereby solemnly covenant and agree, each with the
33 other as follows:

1 **ARTICLE I**

2 **Purpose**

3
4
5 The purposes of this Compact are:

- 6
- 7 1. To implement the express provisions of the NRRA.
 - 8
 - 9 2. To protect the Premium Tax revenues of the Compacting States through
10 facilitating the payment and collection of Premium Tax on Non-Admitted
11 Insurance; and to protect the interests of the Compacting States by
12 supporting the continued availability of such insurance to consumers; and to
13 provide for allocation of Premium Tax for Non-Admitted Insurance of
14 Multi-State Risks among the States in accordance with uniform Allocation
15 Formulas to be developed, adopted, and implemented by the Commission.
16
 - 17 3. To streamline and improve the efficiency of the surplus lines market by
18 eliminating duplicative and inconsistent tax and regulatory requirements
19 among the States; and promote and protect the interest of Surplus Lines
20 Licensees who assist such insureds and Surplus Lines Insurers, thereby
21 ensuring the continued availability of Surplus Lines Insurance to consumers.
22
 - 23 4. To streamline regulatory compliance with respect to Non-Admitted
24 Insurance placements by providing for exclusive single-state regulatory
25 compliance for Non-Admitted Insurance of Multi-State Risks, in accordance
26 with Rules to be adopted by the Commission, thereby providing certainty
27 regarding such compliance to all persons who have an interest in such
28 transactions, including but not limited to insureds, regulators, Surplus Lines
29 Licensees, other insurance producers, and Surplus Lines Insurers.
30
 - 31 5. To establish a Clearinghouse for receipt and dissemination of Premium Tax
32 and Clearinghouse Transaction Data related to Non-Admitted Insurance of
33 Multi-State Risks, in accordance with Rules to be adopted by the
34 Commission.
35
 - 36 6. To improve coordination of regulatory resources and expertise between State
37 insurance departments and other State agencies, as well as State surplus lines
38 stamping offices, with respect to Non-Admitted Insurance.
39

- 1 7. To adopt uniform Rules to provide for Premium Tax payment, reporting,
2 allocation, data collection and dissemination for Non-Admitted Insurance of
3 Multi-State Risks and Single-State Risks, in accordance with Rules to be
4 adopted by the Commission, thereby promoting the overall efficiency of the
5 Non-Admitted Insurance market.
6
- 7 8. To adopt uniform mandatory Rules with respect to regulatory compliance
8 requirements for:
9
- 10 (i) foreign Insurer Eligibility Requirements;
11
- 12 (ii) surplus lines Policyholder Notices;
13
- 14 9. To establish the Surplus Lines Insurance Multi-State Compliance Compact
15 Commission.
16
- 17 10. To coordinate reporting of Clearinghouse Transaction Data on Non-
18 Admitted Insurance of Multi-State Risks among Compacting States and
19 Contracting States.
20
- 21 11. To perform these and such other related functions as may be consistent with
22 the purposes of the Surplus Lines Insurance Multi-State Compliance
23 Compact.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38

ARTICLE II

Definitions

For purposes of this Compact the following definitions shall apply:

1. "Admitted Insurer" means an insurer that is licensed, or authorized, to transact the business of insurance under the law of the Home State; for purposes of this Compact "Admitted Insurer" shall not include a domestic surplus lines insurer as may be defined by applicable State law.
2. "Affiliate" means with respect to an insured, any entity that controls, is controlled by, or is under common control with the insured.
3. "Allocation Formula" means the uniform methods promulgated by the Commission by which insured risk exposures will be apportioned to each State for the purpose of calculating Premium Taxes due.
4. "Bylaws" means those bylaws established by the Commission for its governance, or for directing or controlling the Commission's actions or conduct.
5. "Clearinghouse" means the Commission's operations involving the acceptance, processing, and dissemination, among the Compacting States, Contracting States, Surplus Lines Licensees, insureds and other persons, of Premium Tax and Clearinghouse Transaction Data for Non-Admitted Insurance of Multi-State Risks, in accordance with this Compact and Rules to be adopted by the Commission.
6. "Clearinghouse Transaction Data" means the information regarding Non-Admitted Insurance of Multi-State Risks required to be reported, accepted, collected, processed, and disseminated by Surplus Lines Licensees for Surplus Lines Insurance and insureds for Independently Procured Insurance under this Compact and Rules to be adopted by the Commission. Clearinghouse Transaction Data includes information related to Single-State Risks if a state elects to have the Clearinghouse collect taxes on Single-State Risks for such state.

- 1 7. “Compacting State” means any State which has enacted this Compact
2 legislation and which has not withdrawn pursuant to Article XIV, Section 1,
3 or been terminated pursuant to Article XIV, Section 2.
4
- 5 8. “Commission” means the “Surplus Lines Insurance Multi-State Compliance
6 Compact Commission” established by this Compact.
7
- 8 9. “Commissioner” means the chief insurance regulatory official of a State
9 including, but not limited to commissioner, superintendent, director or
10 administrator or their designees.
11
- 12 10. “Contracting State” means any State which has not enacted this Compact
13 legislation but has entered into a written contract with the Commission to
14 utilize the services of and fully participate in the Clearinghouse.
15
- 16 11. “Control” An entity has “control” over another entity if:
17 (A) the entity directly or indirectly or acting through 1 or more
18 other persons own, controls, or has the power to vote 25 percent
19 or more of any class of voting securities of the other entity; or
20
21 (B) the entity controls in any manner the election of a majority of
22 the directors or trustees of the other entity.
23
- 24 12. "Home State"
25 (A) IN GENERAL. Except as provided in subparagraph (B), the term “Home
26 State” means, with respect to an insured:
27
28 (i) the State in which an insured maintains its principal place of
29 business or, in the case of an individual, the individual’s
30 principal residence; or
31
32 (ii) if 100 percent of the insured risk is located out of the State
33 referred to in subparagraph (A)(i), the State to which the
34 greatest percentage of the insured’s taxable premium for that
35 insurance contract is allocated.
36
37 (B) AFFILIATED GROUPS. If more than one insured from an affiliated group
38 are named insureds on a single Non-Admitted Insurance contract, the term
39 “Home State” means the Home State, as determined pursuant to

1 subparagraph (A), of the member of the affiliated group that has the largest
2 percentage of premium attributed to it under such insurance contract.

3
4 13. “Independently Procured Insurance” means insurance procured by an
5 insured directly from a Surplus Lines Insurer or other Non-Admitted Insurer
6 as permitted by the laws of the Home State.

7
8 14. “Insurer Eligibility Requirements” means the criteria, forms and procedures
9 established to qualify as a Surplus Lines Insurer under the law of the Home
10 State provided that such criteria, forms and procedures are consistent with
11 the express provisions of the NRRA on and after July 21, 2011.

12
13 15. “Member” means the person or persons chosen by a Compacting State as its
14 representative or representatives to the Commission provided that each
15 Compacting State shall be limited to one vote.

16
17 16. “Multi-State Risk” means a risk with insured exposures in more than one
18 State.

19
20 17. “Non-Compacting State” means any State which has not adopted this
21 Compact.

22
23 18. “Non-Admitted Insurance” means Surplus Lines Insurance and
24 Independently Procured Insurance.

25
26 19. "Non-Admitted Insurer" means an insurer that is not authorized or admitted
27 to transact the business of insurance under the law of the Home State.

28
29 20. “NRRA” means the Non-Admitted and Reinsurance Reform Act which is
30 Title V, Subtitle B of the Dodd-Frank Wall Street Reform and Consumer
31 Protection Act.

32
33 21. “Policyholder Notice” means the disclosure notice or stamp that is required
34 to be furnished to the applicant or policyholder in connection with a Surplus
35 Lines Insurance placement.

36
37 22. “Premium Tax” means with respect to Non-Admitted Insurance, any tax,
38 fee, assessment, or other charge imposed by a government entity directly or
39 indirectly based on any payment made as consideration for such insurance,

1 including premium deposits, assessments, registration fees, and any other
2 compensation given in consideration for a contract of insurance.

3
4 23. “Principal Place of Business” means with respect to determining the Home
5 State of the insured, the state where the insured maintains its headquarters
6 and where the insured’s high-level officers direct, control and coordinate the
7 business activities of the insured.

8
9 24. “Purchasing Group” means any group formed pursuant to the Liability Risk
10 Retention Act which has as one of its purposes the purchase of liability
11 insurance on a group basis, purchases such insurance only for its group
12 members and only to cover their similar or related liability exposure and is
13 composed of members whose businesses or activities are similar or related
14 with respect to the liability to which members are exposed by virtue of any
15 related, similar or common business, trade, product, services, premises or
16 operations and is domiciled in any State.

17
18 25. “Rule” means a statement of general or particular applicability and future
19 effect promulgated by the Commission designed to implement, interpret, or
20 prescribe law or policy or describing the organization, procedure or practice
21 requirements of the Commission which shall have the force and effect of law
22 in the Compacting States.

23
24 26. "Single-State Risk" means a risk with insured exposures in only one State.

25
26 27. “State” means any state, district or territory of the United States of America.

27
28 28. “State Transaction Documentation” means the information required under
29 the laws of the Home State to be filed by Surplus Lines Licensees in order to
30 report Surplus Lines Insurance and verify compliance with surplus lines
31 laws, and by insureds in order to report Independently Procured Insurance.

32
33 29. “Surplus Lines Insurance” means insurance procured by a Surplus Lines
34 Licensee from a Surplus Lines Insurer or other Non-Admitted Insurer as
35 permitted under the law of the Home State; for purposes of this Compact
36 “Surplus Lines Insurance” shall also mean excess lines insurance as may be
37 defined by applicable State law.

38
39 30. "Surplus Lines Insurer" means a Non-Admitted Insurer eligible under the
40 law of the Home State to accept business from a Surplus Lines Licensee; for

1 purposes of this Compact “Surplus Lines Insurer” shall also mean an insurer
2 which is permitted to write Surplus Lines Insurance under the laws of the
3 state where such insurer is domiciled.

4
5 31. “Surplus Lines Licensee” means an individual, firm or corporation licensed
6 under the law of the Home State to place Surplus Lines Insurance.

7
8

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

ARTICLE III

Establishment of the Commission and Venue

1. The Compacting States hereby create and establish a joint public agency known as the “Surplus Lines Insurance Multi-State Compliance Compact Commission.”
2. Pursuant to Article IV, the Commission will have the power to adopt mandatory Rules which establish exclusive Home State authority regarding Non-Admitted Insurance of Multi State Risks, Allocation Formulas, Clearinghouse Transaction Data, a Clearinghouse for receipt and distribution of allocated Premium Tax and Clearinghouse Transaction Data, and uniform rulemaking procedures and Rules for the purpose of financing, administering, operating and enforcing compliance with the provisions of this Compact, its Bylaws and Rules.
3. Pursuant to Article IV, the Commission will have the power to adopt mandatory Rules establishing foreign Insurer Eligibility Requirements and a concise and objective Policyholder Notice regarding the nature of a surplus lines placement.
4. The Commission is a body corporate and politic, and an instrumentality of the Compacting States.
5. The Commission is solely responsible for its liabilities except as otherwise specifically provided in this Compact.
6. Venue is proper and judicial proceedings by or against the Commission shall be brought solely and exclusively in a court of competent jurisdiction where the principal office of the Commission is located. The Commission may waive venue and jurisdictional defenses to the extent it adopts or consents to participate in alternative dispute resolution proceedings.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

ARTICLE IV

Authority to Establish Mandatory Rules

The Commission shall adopt mandatory Rules which establish:

1. Allocation Formulas for each type of Non-Admitted Insurance coverage, which Allocation Formulas must be used by each Compacting State and Contracting State in acquiring Premium Tax and Clearinghouse Transaction Data from Surplus Lines Licensees and insureds for reporting to the Clearinghouse created by the Compact Commission. Such Allocation Formulas will be established with input from Surplus lines Licensees and be based upon readily available data with simplicity and uniformity for the Surplus Line Licensee as a material consideration.
2. Uniform Clearinghouse Transaction Data reporting requirements for all information reported to the Clearinghouse.
3. Methods by which Compacting States and Contracting States require Surplus Lines Licensees and insureds to pay Premium Tax and to report Clearinghouse Transaction Data to the Clearinghouse, including but not limited to processing Clearinghouse Transaction Data through State stamping and service offices, State insurance departments, or other State designated agencies or entities.
4. That Non-Admitted Insurance of Multi-State Risks shall be subject to all of the regulatory compliance requirements of the Home State exclusively. Home State regulatory compliance requirements applicable to Surplus Lines Insurance shall include but not be limited to, (i) person(s) required to be licensed to sell, solicit, or negotiate Surplus Lines Insurance; (ii) Insurer Eligibility Requirements or other approved Non-Admitted Insurer requirements; (iii) Diligent Search; (iv) State Transaction Documentation and Clearinghouse Transaction Data regarding the payment of Premium Tax as set forth in this Compact and Rules to be adopted by the Commission. Home State regulatory compliance requirements applicable to Independently Procured Insurance placements shall include but not be limited to providing State Transaction Documentation and Clearinghouse Transaction Data regarding the payment of Premium Tax as set forth in this Compact and Rules to be adopted by the Commission.

- 1 5. That each Compacting State and Contracting State may charge its own rate
2 of taxation on the premium allocated to such State based on the applicable
3 Allocation Formula provided that the state establishes one single rate of
4 taxation applicable to all Non-Admitted Insurance transactions and no other
5 tax, fee assessment or other charge by any governmental or quasi
6 governmental agency be permitted. Notwithstanding the foregoing,
7 stamping office fees may be charged as a separate, additional cost unless
8 such fees are incorporated into a state's single rate of taxation.
9
- 10 6. That any change in the rate of taxation by any Compacting State or
11 Contracting State be restricted to changes made prospectively on not less
12 than 90 days advance notice to the Compact Commission.
13
- 14 7. That each Compacting State and Contracting State shall require Premium
15 Tax payments either annually, semi-annually, or quarterly utilizing one or
16 more of the following dates only: March 1, June 1, September 1, and
17 December 1.
18
- 19 8. That each Compacting State and Contracting State prohibit any other State
20 agency or political subdivision from requiring Surplus Lines Licensees to
21 provide Clearinghouse Transaction Data and State Transaction
22 Documentation other than to the insurance department or tax officials of the
23 Home State or one single designated agent thereof.
24
- 25 9. The obligation of the Home State by itself, through a designated agent,
26 surplus lines stamping or service office, to collect Clearinghouse
27 Transaction Data from Surplus Line Licensees and from insureds for
28 Independently Procured Insurance, where applicable, for reporting to the
29 Clearinghouse.
30
- 31 10. A method for the Clearinghouse to periodically report to Compacting States,
32 Contracting States, Surplus Lines Licensees and insureds who independently
33 procure insurance, all Premium Taxes owed to each of the Compacting
34 States and Contracting States, the dates upon which payment of such
35 Premium Taxes are due and a method to pay them through the
36 Clearinghouse.
37
- 38 11. That each Surplus Line Licensee is required to be licensed only in the Home
39 State of each insured for whom Surplus Lines Insurance has been procured.
40

- 1 12. That a policy considered to be Surplus Lines Insurance in the insured's
2 Home State shall be considered Surplus Lines Insurance in all Compacting
3 States and Contracting States, and taxed as a Surplus Lines transaction in all
4 states to which a portion of the risk is allocated. Each Compacting State and
5 Contracting State shall require each Surplus Lines Licensee to pay to every
6 other Compacting State and Contracting State Premium Taxes on each
7 Multi-State Risk through the Clearinghouse at such tax rate charged on
8 surplus lines transactions in such other Compacting States and Contracting
9 States on the portion of the risk in each such Compacting State and
10 Contracting State as determined by the applicable uniform Allocation
11 Formula adopted by the Commission. A policy considered to be
12 Independently Procured Insurance in the insured's Home State shall be
13 considered Independently Procured Insurance in all Compacting States and
14 Contracting States. Each Compacting State and Contracting State shall
15 require the insured to pay every other Compacting State and Contracting
16 State the Independently Procured Insurance Premium Tax on each Multi-
17 State Risk through the Clearinghouse pursuant to the uniform Allocation
18 Formula adopted by the Commission.
19
- 20 13. Uniform foreign Insurer Eligibility Requirements as authorized by the
21 NRRA.
22
- 23 14. A uniform Policyholder Notice.
24
- 25 15. Uniform treatment of Purchasing Group Surplus Lines Insurance
26 placements.
27

1 **ARTICLE V**

2
3 **Powers of the Commission**

4
5 The Commission shall have the following powers:

- 6
7 1. To promulgate Rules and operating procedures, pursuant to Article VIII of
8 this Compact, which shall have the force and effect of law and shall be
9 binding in the Compacting States to the extent and in the manner provided in
10 this Compact;
- 11
12 2. To bring and prosecute legal proceedings or actions in the name of the
13 Commission, provided that the standing of any State insurance department to
14 sue or be sued under applicable law shall not be affected;
- 15
16 3. To issue subpoenas requiring the attendance and testimony of witnesses and
17 the production of evidence, provided however, the Commission is not
18 empowered to demand or subpoena records or data from Non-Admitted
19 Insurers;
- 20
21 4. To establish and maintain offices including the creation of a Clearinghouse
22 for the receipt of Premium Tax and Clearinghouse Transaction Data
23 regarding Non-Admitted Insurance of Multi-State Risks, Single-State Risks
24 for states which elect to require Surplus Lines Licensees to pay Premium
25 Tax on Single State Risks through the Clearinghouse and tax reporting
26 forms;
- 27
28 5. To purchase and maintain insurance and bonds;
- 29
30 6. To borrow, accept or contract for services of personnel, including, but not
31 limited to, employees of a Compacting State or stamping office, pursuant to
32 an open, transparent, objective competitive process and procedure adopted
33 by the Commission;
- 34
35 7. To hire employees, professionals or specialists, and elect or appoint officers,
36 and to fix their compensation, define their duties and give them appropriate
37 authority to carry out the purposes of the Compact, and determine their
38 qualifications, pursuant to an open, transparent, objective competitive
39 process and procedure adopted by the Commission; and to establish the
40 Commission's personnel policies and programs relating to conflicts of

1 interest, rates of compensation and qualifications of personnel, and other
2 related personnel matters;

3
4 8. To accept any and all appropriate donations and grants of money,
5 equipment, supplies, materials and services, and to receive, utilize and
6 dispose of the same; provided that at all times the Commission shall avoid
7 any appearance of impropriety and/or conflict of interest;

8
9 9. To lease, purchase, accept appropriate gifts or donations of, or otherwise to
10 own, hold, improve or use, any property, real, personal or mixed; provided
11 that at all times the Commission shall avoid any appearance of impropriety
12 and/or conflict of interest;

13
14 10. To sell convey, mortgage, pledge, lease, exchange, abandon or otherwise
15 dispose of any property real, personal or mixed;

16
17 11. To provide for tax audit Rules and procedures for the Compacting States
18 with respect to the allocation of Premium Taxes including:

19
20 a. Minimum audit standards, including sampling methods,

21
22 b. Review of internal controls,

23
24 c. Cooperation and sharing of audit responsibilities between Compacting
25 States,

26
27 d. Handling of refunds or credits due to overpayments or improper
28 allocation of Premium Taxes,

29
30 e. Taxpayer records to be reviewed including a minimum retention
31 period,

32
33 f. Authority of Compacting States to review, challenge, or re-audit
34 taxpayer records.

35
36 12. To enforce compliance by Compacting States and Contracting States with
37 Rules, and Bylaws pursuant to the authority set forth in Article XIV;

38
39 13. To provide for dispute resolution among Compacting States and Contracting
40 States;

- 1
- 2 14. To advise Compacting States and Contracting States on tax-related issues
- 3 relating to insurers, insureds, Surplus Lines Licensees, agents or brokers
- 4 domiciled or doing business in Non-Compacting States, consistent with the
- 5 purposes of this Compact;
- 6
- 7 15. To make available advice and training to those personnel in State stamping
- 8 offices, State insurance departments or other State departments for record
- 9 keeping, tax compliance, and tax allocations; and to be a resource for State
- 10 insurance departments and other State departments;
- 11
- 12 16. To establish a budget and make expenditures;
- 13
- 14 17. To borrow money;
- 15
- 16 18. To appoint and oversee committees, including advisory committees
- 17 comprised of Members, State insurance regulators, State legislators or their
- 18 representatives, insurance industry and consumer representatives, and such
- 19 other interested persons as may be designated in this Compact and the
- 20 Bylaws;
- 21
- 22 19. To establish an Executive Committee of not less than seven (7) nor more
- 23 than fifteen (15) representatives, which shall include officers elected by the
- 24 Commission and such other representatives as provided for herein and
- 25 determined by the Bylaws. Representatives of the Executive Committee
- 26 shall serve a one year term. Representatives of the Executive Committee
- 27 shall be entitled to one vote each. The Executive Committee shall have the
- 28 power to act on behalf of the Commission, with the exception of rulemaking,
- 29 during periods when the Commission is not in session. The Executive
- 30 Committee shall oversee the day to day activities of the administration of the
- 31 Compact, including the activities of the Operations Committee created under
- 32 this Article and compliance and enforcement of the provisions of the
- 33 Compact, its Bylaws, and Rules, and such other duties as provided herein
- 34 and as deemed necessary.
- 35
- 36 20. To establish an Operations Committee of not less than seven (7) and not
- 37 more than fifteen (15) representatives to provide analysis, advice,
- 38 determinations and recommendations regarding technology, software, and
- 39 systems integration to be acquired by the Commission and to provide
- 40 analysis, advice, determinations and recommendations regarding the

1 establishment of mandatory Rules to be adopted to be by the Commission.

2

3 21. To enter into contracts with Contracting States so that Contracting States can
4 utilize the services of and fully participate in the Clearinghouse subject to
5 the terms and conditions set forth in such contracts;

6

7 22. To adopt and use a corporate seal; and

8

9 23. To perform such other functions as may be necessary or appropriate to
10 achieve the purposes of this Compact consistent with the State regulation of
11 the business of insurance.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

ARTICLE VI

Organization of the Commission

1. Membership, Voting and Bylaws

- a. Each Compacting State shall have and be limited to one Member. Each State shall determine the qualifications and the method by which it selects a Member and set forth the selection process in the enabling provision of the legislation which enacts this Compact. In the absence of such a provision the Member shall be appointed by the governor of such Compacting State. Any Member may be removed or suspended from office as provided by the law of the State from which he or she shall be appointed. Any vacancy occurring in the Commission shall be filled in accordance with the laws of the Compacting State wherein the vacancy exists.
- b. Each Member shall be entitled to one (1) vote and shall otherwise have an opportunity to participate in the governance of the Commission in accordance with the Bylaws.
- c. The Commission shall, by a majority vote of the Members, prescribe Bylaws to govern its conduct as may be necessary or appropriate to carry out the purposes and exercise the powers of the Compact including, but not limited to:
 - i. Establishing the fiscal year of the Commission;
 - ii. Providing reasonable procedures for holding meetings of the Commission the Executive Committee and the Operations Committee;
 - iii. Providing reasonable standards and procedures: (i) for the establishment and meetings of other committees, and (ii) governing any general or specific delegation of any authority or function of the Commission;
 - iv. Providing reasonable procedures for calling and conducting meetings of the Commission that consist of a majority of Commission Members, ensuring reasonable advance notice of

1 each such meeting and providing for the right of citizens to
2 attend each such meeting with enumerated exceptions designed
3 to protect the public’s interest, the privacy of individuals, and
4 insurers’ and Surplus Lines Licensees’ proprietary information,
5 including trade secrets. The Commission may meet in camera
6 only after a majority of the entire membership votes to close a
7 meeting *in toto* or in part. As soon as practicable, the
8 Commission must make public: (i) a copy of the vote to close
9 the meeting revealing the vote of each Member with no proxy
10 votes allowed, and (ii) votes taken during such meeting;

11
12 v. Establishing the titles, duties and authority and reasonable
13 procedures for the election of the officers of the Commission;

14
15 vi. Providing reasonable standards and procedures for the
16 establishment of the personnel policies and programs of the
17 Commission. Notwithstanding any civil service or other similar
18 laws of any Compacting State, the Bylaws shall exclusively
19 govern the personnel policies and programs of the Commission;

20
21 vii. Promulgating a code of ethics to address permissible and
22 prohibited activities of Commission Members and employees;

23
24 viii. Providing a mechanism for winding up the operations of the
25 Commission and the equitable disposition of any surplus funds
26 that may exist after the termination of the Compact after the
27 payment and/or reserving of all of its debts and obligations;

28
29 ix. The Commission shall publish its Bylaws in a convenient form
30 and file a copy thereof and a copy of any amendment thereto,
31 with the appropriate agency or officer in each of the
32 Compacting States.

33
34 2. Executive Committee, Personnel and Chairperson

35
36 a. An Executive Committee of the Commission (“Executive Committee”) shall
37 be established. All actions, of the Executive Committee, including
38 compliance and enforcement are subject to the review and ratification of the
39 Commission as provided in the Bylaws.
40

1 The Executive Committee shall have no more than fifteen (15)
2 representatives, or one for each State if there are less than fifteen (15)
3 Compacting States, who shall serve for a term and be established in
4 accordance with the Bylaws.

5
6 b. The Executive Committee shall have such authority and duties as may
7 be set forth in the Bylaws, including but not limited to:

8
9 i. Managing the affairs of the Commission in a manner consistent
10 with the Bylaws and purposes of the Commission;

11
12 ii. Establishing and overseeing an organizational structure within,
13 and appropriate procedures for the Commission to provide for
14 the creation of Rules and operating procedures.

15
16 iii. Overseeing the offices of the Commission; and

17
18 iv. Planning, implementing, and coordinating communications and
19 activities with other State, federal and local government
20 organizations in order to advance the goals of the Commission.

21
22 c. The Executive Committee shall annually elect a Chairperson from the
23 Executive Committee, having such authority and duties, as may be
24 specified in the Bylaws.

25
26 d. The Executive Committee may, subject to the approval of the
27 Commission, appoint or retain an executive director for such period,
28 upon such terms and conditions and for such compensation as the
29 Commission may deem appropriate. The executive director shall serve
30 as secretary to the Commission, but shall not be a Member of the
31 Commission. The executive director shall hire and supervise such
32 other persons as may be authorized by the Commission.

33
34 e. All representatives of the Executive Committee shall be individuals
35 who have extensive experience and or employment in the Surplus
36 Lines Insurance business including but not limited to executives and
37 attorneys employed by Surplus Line Insurers, Surplus Lines
38 Licensees, Law Firms, state Insurance Departments and or State
39 Stamping Offices.
40

1 3. Operations Committee

- 2
- 3 a. An Operations Committee shall be established. All actions of the
- 4 Operations Committee are subject to the review and oversight of the
- 5 Commission and the Executive Committee and must be approved by
- 6 the Commission. The Executive Committee will accept the
- 7 determinations and recommendations of the Operations Committee
- 8 unless good cause is shown why such determinations and
- 9 recommendations should not be approved. Any disputes as to
- 10 whether good cause exists to reject any determination or
- 11 recommendation of the Operations Committee shall be resolved by
- the majority vote of the Commission.

13

14 The Operations Committee shall have no more than fifteen (15)

15 representatives or one for each State if there are less than fifteen (15)

16 Compacting States, who shall serve for a term and shall be established

17 as set forth in the Bylaws.

18

19 The Operations Committee shall have responsibility for:

- 20
- 21 i. Evaluating technology requirements for the Clearinghouse,
- 22 assessing existing systems used by state regulatory agencies
- 23 and state stamping offices to maximize the efficiency and
- 24 successful integration of the Clearinghouse technology systems
- 25 with state and state stamping office technology platforms and to
- 26 minimize costs to the states, state stamping offices and the
- 27 Clearinghouse.
- 28
- 29 ii. Making recommendations to the Executive Committee based on
- 30 its analysis and determination of the Clearinghouse technology
- 31 requirements and compatibility with existing state and state
- 32 stamping office systems,
- 33
- 34 iii. Evaluating the most suitable proposals for adoption as
- 35 mandatory Rules, assessing such proposals for ease of
- 36 integration by states, and likelihood of successful
- 37 implementation and to report to the Executive Committee its
- 38 determinations and recommendations.
- 39
- 40 iv. Such other duties and responsibilities as are delegated to it by

1 the Bylaws, the Executive Committee or the Commission.

- 2
- 3 b. All representatives of the Operations Committee shall be
4 individuals who have extensive experience and/or employment
5 in the Surplus Lines Insurance business including but not
6 limited to executives and attorneys employed by Surplus Line
7 Insurers, Surplus Line Licensees, Law Firms, State Insurance
8 Departments and or State stamping offices. Operations
9 Committee representatives from Compacting States which
10 utilize the services of a state stamping office must appoint the
11 Chief Operating Officer or a senior manager of the state
12 stamping office to the Operations Committee.

13

14 4. Legislative and Advisory Committees

- 15
- 16 a. A legislative committee comprised of State legislators or their
17 designees shall be established to monitor the operations of and make
18 recommendations to, the Commission, including the Executive
19 Committee; provided that the manner of selection and term of any
20 legislative committee member shall be as set forth in the Bylaws.
21 Prior to the adoption by the Commission of any Uniform Standard,
22 revision to the Bylaws, annual budget or other significant matter as
23 may be provided in the Bylaws, the Executive Committee shall
24 consult with and report to the legislative committee.
- 25
- 26 b. The Commission may establish additional advisory committees as its
27 Bylaws may provide for the carrying out of its functions.

28

29 5. Corporate Records of the Commission

30

31 The Commission shall maintain its corporate books and records in
32 accordance with the Bylaws.

33

34 6. Qualified Immunity, Defense and Indemnification

- 35
- 36 a. The Members, officers, executive director, employees and
37 representatives of the Commission, the Executive Committee and any
38 other Committee of the Commission shall be immune from suit and
39 liability, either personally or in their official capacity, for any claim
40 for damage to or loss of property or personal injury or other civil

1 liability caused by or arising out of any actual or alleged act, error or
2 omission that occurred, or that the person against whom the claim is
3 made had a reasonable basis for believing occurred within the scope
4 of Commission employment, duties or responsibilities; provided that
5 nothing in this paragraph shall be construed to protect any such person
6 from suit and/or liability for any damage, loss, injury or liability
7 caused by the intentional or willful or wanton misconduct of that
8 person.
9

10 b. The Commission shall defend any Member, officer, executive
11 director, employee or representative of the Commission, the Executive
12 Committee or any other Committee of the Commission in any civil
13 action seeking to impose liability arising out of any actual or alleged
14 act, error or omission that occurred within the scope of Commission
15 employment, duties or responsibilities, or that the person against
16 whom the claim is made had a reasonable basis for believing occurred
17 within the scope of Commission employment, duties or
18 responsibilities; provided that nothing herein shall be construed to
19 prohibit that person from retaining his or her own counsel; and
20 provided further, that the actual or alleged act error or omission did
21 not result from that person's intentional or willful or wanton
22 misconduct.
23

24 c. The Commission shall indemnify and hold harmless any Member,
25 officer, executive director, employee or representative of the
26 Commission, Executive Committee or any other Committee of the
27 Commission for the amount of any settlement or judgment obtained
28 against that person arising out of any actual or alleged act, error or
29 omission that occurred within the scope of Commission employment,
30 duties or responsibilities, or that such person had a reasonable basis
31 for believing occurred within the scope of Commission employment,
32 duties or responsibilities, provided that the actual or alleged act, error
33 or omission did not result from the intentional or willful or wanton
34 misconduct of that person.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

ARTICLE VII

Meetings and Acts of the Commission

1. The Commission shall meet and take such actions as are consistent with the provisions of this Compact and the Bylaws.
2. Each Member of the Commission shall have the right and power to cast a vote to which that Compacting State is entitled and to participate in the business and affairs of the Commission. A Member shall vote in person or by such other means as provided in the Bylaws. The Bylaws may provide for Members' participation in meetings by telephone or other means of communication.
3. The Commission shall meet at least once during each calendar year. Additional meetings shall be held as set forth in the Bylaws.
4. Public notice shall be given of all meetings and all meetings shall be open to the public, except as set forth in the Rules or otherwise provided in the Compact.
5. The Commission shall promulgate Rules concerning its meetings consistent with the principles contained in the "Government in the Sunshine Act," 5 U.S.C., Section 552(b), as may be amended.
6. The Commission and its committees may close a meeting, or portion thereof, where it determines by majority vote that an open meeting would be likely to:
 - a. Relate solely to the Commission's internal personnel practices and procedures;
 - b. Disclose matters specifically exempted from disclosure by federal and State statute;
 - c. Disclose trade secrets or commercial or financial information which is privileged or confidential;
 - d. Involve accusing a person of a crime, or formally censuring a person;

- e. Disclose information of a personal nature where disclosure would constitute a clearly unwarranted invasion of personal privacy;
- f. Disclose investigative records compiled for law enforcement purposes;
- g. Specifically relate to the Commission's issuance of a subpoena, or its participation in a civil action or other legal proceeding.

7. For a meeting, or portion of a meeting, closed pursuant to this provision, the Commission's legal counsel or designee shall certify that the meeting may be closed and shall reference each relevant exemptive provision. The Commission shall keep minutes which shall fully and clearly describe all matters discussed in a meeting and shall provide a full and accurate summary of actions taken, and the reasons therefore, including a description of the views expressed and the record of a roll call vote. All documents considered in connection with an action shall be identified in such minutes. All minutes and documents of a closed meeting shall remain under seal, subject to release by a majority vote of the Commission.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

ARTICLE VIII

**Rules and Operating Procedures: Rulemaking
Functions of the Commission**

Rulemaking functions of the Commission:

1. Rulemaking Authority.—The Commission shall promulgate reasonable Rules in order to effectively and efficiently achieve the purposes of this Compact. Notwithstanding the foregoing, in the event the Commission exercises its rulemaking authority in a manner that is beyond the scope of the purposes of this Act, or the powers granted hereunder, then such an action by the Commission shall be invalid and have no force or effect.
2. Rulemaking Procedure.—Rules shall be made pursuant to a rulemaking process that substantially conforms to the “Model State Administrative Procedure Act,” of 1981 Act, Uniform Laws Annotated, Vol. 15, p.1 (2000) as amended, as may be appropriate to the operations of the Commission.
3. Effective Date - All Rules and amendments, thereto, shall become effective as of the date specified in each Rule, operating procedure or amendment.
4. Not later than thirty (30) days after a Rule is promulgated, any person may file a petition for judicial review of the Rule; provided that the filing of such a petition shall not stay or otherwise prevent the Rule from becoming effective unless the court finds that the Petitioner has a substantial likelihood of success. The court shall give deference to the actions of the Commission consistent with applicable law and shall not find the Rule to be unlawful if the Rule represents a reasonable exercise of the Commission’s authority.

ARTICLE IX
Commission Records and Enforcement

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

1. The Commission shall promulgate Rules establishing conditions and procedures for public inspection and copying of its information and official records, except such information and records involving the privacy of individuals, insurers, insureds or Surplus Lines Licensee trade secrets. State Transaction Documentation and Clearinghouse Transaction Data collected by the Clearinghouse shall be used for only those purposes expressed in or reasonably implied under the provisions of this Compact and the Commission shall afford this data the broadest protections as permitted by any applicable law for proprietary information, trade secrets or personal data. The Commission may promulgate additional Rules under which it may make available to federal and State agencies, including law enforcement agencies, records and information otherwise exempt from disclosure, and may enter into agreements with such agencies to receive or exchange information or records subject to nondisclosure and confidentiality provisions.

2. Except as to privileged records, data and information, the laws of any Compacting State pertaining to confidentiality or nondisclosure shall not relieve any Compacting State Member of the duty to disclose any relevant records, data or information to the Commission; provided that disclosure to the Commission shall not be deemed to waive or otherwise affect any confidentiality requirement, and further provided that, except as otherwise expressly provided in this Act, the Commission shall not be subject to the Compacting State’s laws pertaining to confidentiality and nondisclosure with respect to records, data and information in its possession. Confidential information of the Commission shall remain confidential after such information is provided to any Member, and the Commission shall maintain the confidentiality of any information provided by a member that is confidential under that Member’s State Law.

3. The Commission shall monitor Compacting States for compliance with duly adopted Bylaws and Rules. The Commission shall notify any non-complying Compacting State in writing of its noncompliance with Commission Bylaws or Rules. If a non-complying Compacting State fails to remedy its noncompliance within the time specified in the notice of noncompliance, the Compacting State shall be deemed to be in default as set forth in Article XIV.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

ARTICLE X

Dispute Resolution

1. Before a Member may bring an action in a court of competent jurisdiction for violation of any provision, standard or requirement of the Compact, the Commission shall attempt, upon the request of a Member, to resolve any disputes or other issues that are subject to this Compact and which may arise between two or more Compacting States, Contracting States or Non-Compacting States, and the Commission shall promulgate a Rule providing alternative dispute resolution procedures for such disputes.
2. The Commission shall also provide alternative dispute resolution procedures to resolve any disputes between insureds or Surplus Lines Licensees concerning a tax calculation or allocation or related issues which are the subject of this Compact.
3. Any alternative dispute resolution procedures shall be utilized in circumstances where a dispute arises as to which State constitutes the Home State.

1 **ARTICLE XI**

2
3 **Review of Commission Decisions**

4
5 Regarding Commission decisions:

- 6
- 7 1. Except as necessary for promulgating Rules to fulfill the purposes of this
8 Compact, the Commission shall not have authority to otherwise regulate
9 insurance in the Compacting States.
 - 10
 - 11 2. Not later than thirty (30) days after the Commission has given notice of any
12 Rule, or Allocation Formula any third party filer or Compacting State may
13 appeal the determination to a review panel appointed by the Commission.
14 The Commission shall promulgate Rules to establish procedures for
15 appointing such review panels and provide for notice and hearing. An
16 allegation that the Commission, in making compliance or tax determinations
17 acted arbitrarily, capriciously, or in a manner that is an abuse of discretion or
18 otherwise not in accordance with the law, is subject to judicial review in
19 accordance with Article III, Section 6.
 - 20
 - 21 3. The Commission shall have authority to monitor, review and reconsider
22 Commission decisions upon a finding that the determinations or allocations
23 do not meet the relevant Rule. Where appropriate, the Commission may
24 withdraw or modify its determination or allocation after proper notice and
25 hearing, subject to the appeal process in Section 2 above.
 - 26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

ARTICLE XII

Finance

1. The Commission shall pay or provide for the payment of the reasonable expenses of its establishment and organization. To fund the cost of its initial operations the Commission may accept contributions, grants, and other forms of funding from the State stamping offices, Compacting States and other sources.
2. The Commission shall collect a fee payable by the insured directly or through a Surplus Lines Licensee on each transaction processed through the Compact Clearinghouse, to cover the cost of the operations and activities of the Commission and its staff in a total amount sufficient to cover the Commission's annual budget.
3. The Commission's budget for a fiscal year shall not be approved until it has been subject to notice and comment as set forth in Article VIII of this Compact.
4. The Commission shall be regarded as performing essential governmental functions in exercising such powers and functions and in carrying out the provisions of this Compact and of any law relating thereto, and shall not be required to pay any taxes or assessments of any character, levied by any State or political subdivision thereof, upon any of the property used by it for such purposes, or any income or revenue therefrom, including any profit from a sale or exchange.
5. The Commission shall keep complete and accurate accounts of all its internal receipts, including grants and donations, and disbursements for all funds under its control. The internal financial accounts of the Commission shall be subject to the accounting procedures established under its Bylaws. The financial accounts and reports including the system of internal controls and procedures of the Commission shall be audited annually by an independent certified public accountant. Upon the determination of the Commission, but not less frequently than every three (3) years, the review of the independent auditor shall include a management and performance audit of the Commission. The Commission shall make an annual report to the Governor and legislature of the Compacting States, which shall include a report of the independent audit. The Commission's internal accounts shall

1 not be confidential and such materials may be shared with the
2 Commissioner, the controller, or the stamping office of any Compacting
3 State upon request provided, however, that any work papers related to any
4 internal or independent audit and any information regarding the privacy of
5 individuals, and licensees' and insurers' proprietary information, including
6 trade secrets, shall remain confidential.
7

8 6. No Compacting State shall have any claim to or ownership of any property
9 held by or vested in the Commission or to any Commission funds held
10 pursuant to the provisions of this Compact.
11

12 7. The Commission shall not make any political contributions to candidates for
13 elected office, elected officials, political parties nor political action
14 committees. The Commission shall not engage in lobbying except with
15 respect to changes to this Compact.
16

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ARTICLE XIII

Compacting States, Effective Date and Amendment

1. Any State is eligible to become a Compacting State.
2. The Compact shall become effective and binding upon legislative enactment of the Compact into law by two (2) Compacting States, provided the Commission shall become effective for purposes of adopting Rules, and creating the Clearinghouse when there are a total of ten (10) Compacting States and Contracting States or, alternatively, when there are Compacting States and Contracting States representing greater than forty percent (40%) of the Surplus Lines Insurance premium volume based on records of the percentage of Surplus Lines Insurance premium set forth in Appendix A hereto. Thereafter, it shall become effective and binding as to any other Compacting State upon enactment of the Compact into law by that State. Notwithstanding the foregoing, the Clearinghouse operations and the duty to report Clearinghouse Transaction Data shall begin on the first January 1st or July 1st following the first anniversary of the Commission effective date. For States which join the Compact subsequent to the effective date, a start date for reporting Clearinghouse Transaction Data shall be set by the Commission provided Surplus Lines Licensees and all other interested parties receive not less than 90 days advance notice.
3. Amendments to the Compact may be proposed by the Commission for enactment by the Compacting States. No amendment shall become effective and binding upon the Commission and the Compacting States unless and until all Compacting States enact the amendment into law.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

ARTICLE XIV

Withdrawal, Default and Termination

1. Withdrawal

- a. Once effective, the Compact shall continue in force and remain binding upon each and every Compacting State, provided that a Compacting State may withdraw from the Compact ("Withdrawing State") by enacting a statute specifically repealing the statute which enacted the Compact into law.
- b. The effective date of withdrawal is the effective date of the repealing statute. However, the withdrawal shall not apply to any tax or compliance determinations approved on the date the repealing statute becomes effective, except by mutual agreement of the Commission and the Withdrawing State unless the approval is rescinded by the Commission.
- c. The Member of the Withdrawing State shall immediately notify the Executive Committee of the Commission in writing upon the introduction of legislation repealing this Compact in the Withdrawing State.
- d. The Commission shall notify the other Compacting States of the introduction of such legislation within ten (10) days after its receipt of notice thereof.
- e. The Withdrawing State is responsible for all obligations, duties and liabilities incurred through the effective date of withdrawal, including any obligations, the performance of which extend beyond the effective date of withdrawal. To the extent those obligations may have been released or relinquished by mutual agreement of the Commission and the Withdrawing State, the Commission's determinations prior to the effective date of withdrawal shall continue to be effective and be given full force and effect in the Withdrawing State, unless formally rescinded by the Commission.
- f. Reinstatement following withdrawal of any Compacting State shall occur upon the effective date of the Withdrawing State reenacting the Compact.

1 2. Default

- 2
- 3 a. If the Commission determines that any Compacting State has at any
- 4 time defaulted ("Defaulting State") in the performance of any of its
- 5 obligations or responsibilities under this Compact, the Bylaws or duly
- 6 promulgated Rules then after notice and hearing as set forth in the
- 7 Bylaws, all rights, privileges and benefits conferred by this Compact
- 8 on the Defaulting State shall be suspended from the effective date of
- 9 default as fixed by the Commission. The grounds for default include,
- 10 but are not limited to, failure of a Compacting State to perform its
- 11 obligations or responsibilities, and any other grounds designated in
- 12 Commission Rules. The Commission shall immediately notify the
- 13 Defaulting State in writing of the Defaulting State's suspension
- 14 pending a cure of the default. The Commission shall stipulate the
- 15 conditions and the time period within which the Defaulting State must
- 16 cure its default. If the Defaulting State fails to cure the default within
- 17 the time period specified by the Commission, the Defaulting State
- 18 shall be terminated from the Compact and all rights, privileges and
- 19 benefits conferred by this Compact shall be terminated from the
- 20 effective date of termination.
- 21
- 22 b. Decisions of the Commission that are issued on the effective date of
- 23 termination shall remain in force in the Defaulting State in the same
- 24 manner as if the Defaulting State had withdrawn voluntarily pursuant
- 25 to Section 1 of this Article.
- 26
- 27 c. Reinstatement following termination of any Compacting State
- 28 requires a reenactment of the Compact.
- 29

30 3. Dissolution of Compact

- 31
- 32 a. The Compact dissolves effective upon the date of the withdrawal or
- 33 default of the Compacting State which reduces membership in the
- 34 Compact to one Compacting State.
- 35
- 36 b. Upon the dissolution of this Compact, the Compact becomes null and
- 37 void and shall have no further force or effect, and the business and
- 38 affairs of the Commission shall be wound up and any surplus funds
- 39 shall be distributed in accordance with the Rules and Bylaws.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

ARTICLE XV

Severability and Construction

1. The provisions of this Compact shall be severable and if any phrase, clause, sentence or provision is deemed unenforceable, the remaining provisions of the Compact shall be enforceable.
2. The provisions of this Compact shall be liberally construed to effectuate its purposes.
3. Throughout this Compact the use of the singular shall include the plural and vice-versa.
4. The headings and captions of articles, sections and sub-sections used in this Compact are for convenience only and shall be ignored in construing the substantive provisions of this Compact.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

ARTICLE XVI

Binding Effect of Compact and Other Laws

1. Other Laws

- a. Nothing herein prevents the enforcement of any other law of a Compacting State except as provided in Paragraph b. of this section.
- b. Decisions of the Commission, and any Rules, and any other requirements of the Commission shall constitute the exclusive Rule, or determination applicable to the Compacting States. Any law or regulation regarding Non-Admitted Insurance of Multi-State Risks that is contrary to Rules of the Commission, is preempted with respect to the following:
 - (i) Clearinghouse Transaction Data reporting requirements;
 - (ii) Allocation Formula;
 - (iii) Clearinghouse Transaction Data collection requirements;
 - (iv) Premium Tax payment time frames and Rules concerning dissemination of data among the Compacting States for Non-Admitted Insurance of Multi-State Risks and Single-State Risks;
 - (v) exclusive compliance with surplus lines law of the Home State of the insured; and
 - (vi) Rules for reporting to a Clearinghouse for receipt and distribution of Clearinghouse Transaction Data related to Non-Admitted Insurance of Multi-State Risks.
 - (vii) Uniform foreign Insurers Eligibility Requirements.
 - (viii) Uniform Policyholder Notice.
 - (ix) Uniform treatment of Purchasing Groups procuring Non-Admitted Insurance.

1
2 c. Except as stated in paragraph b, any Rule, Uniform Standard or other
3 requirement of the Commission shall constitute the exclusive
4 provision that a Commissioner may apply to compliance or tax
5 determinations. Notwithstanding the foregoing, no action taken by the
6 Commission shall abrogate or restrict: (i) the access of any person to
7 State courts; (ii) the availability of alternative dispute resolution under
8 Article X of this Compact (iii) remedies available under State law
9 related to breach of contract, tort, or other laws not specifically
10 directed to compliance or tax determinations; (iv) State law relating to
11 the construction of insurance contracts; or (v) the authority of the
12 attorney general of the State, including but not limited to maintaining
13 any actions or proceedings, as authorized by law.
14

15 2. Binding Effect of this Compact
16

17 a. All lawful actions of the Commission, including all Rules
18 promulgated by the Commission, are binding upon the Compacting
19 States, except as provided herein.
20

21 b. All agreements between the Commission and the Compacting States
22 are binding in accordance with their terms.
23

24 c. Upon the request of a party to a conflict over the meaning or
25 interpretation of Commission actions, and upon a majority vote of the
26 Compacting States, the Commission may issue advisory opinions
27 regarding the meaning or interpretation in dispute. This provision
28 may be implemented by Rule at the discretion of the Commission.
29

30 d. In the event any provision of this Compact exceeds the constitutional
31 limits imposed on the legislature of any Compacting State, the
32 obligations, duties, powers or jurisdiction sought to be conferred by
33 that provision upon the Commission shall be ineffective as to that
34 State and those obligations duties, powers or jurisdiction shall remain
35 in the Compacting State and shall be exercised by the agency thereof
36 to which those obligations, duties, powers or jurisdiction are delegated
37 by law in effect at the time this Compact becomes effective.
38
39

1

*Surplus Line Insurance Premiums by State**Appendix A*

State	Premiums based on taxes paid	Share of Total Premiums
Alabama	445,746,000	1.47%
Alaska	89,453,519	0.29%
Arizona	663,703,267	2.18%
Arkansas	201,859,750	0.66%
California	5,622,450,467	18.49%
Colorado	543,781,333	1.79%
Connecticut	329,358,800	1.08%
Delaware	92,835,950	0.31%
Florida	2,660,908,760	8.75%
Georgia	895,643,150	2.95%
Hawaii	232,951,489	0.77%
Idaho	74,202,255	0.24%
Illinois	1,016,504,629	3.34%
Indiana	412,265,320	1.36%
Iowa	135,130,933	0.44%
Kansas	160,279,300	0.53%
Kentucky	167,996,133	0.55%
Louisiana	853,173,280	2.81%
Maine	60,111,200	0.20%
Maryland	434,887,600	1.43%
Massachusetts	708,640,225	2.33%
Michigan	703,357,040	2.31%
Minnesota	393,128,400	1.29%
Mississippi	263,313,175	0.87%
Missouri	404,489,860	1.33%
Montana	64,692,873	0.21%
Nebraska	92,141,167	0.30%
Nevada	354,271,514	1.17%
New Hampshire	102,946,250	0.34%
New Jersey	1,087,994,033	3.58%
New Mexico	67,608,458	0.22%
New York	2,768,618,083	9.11%
North Carolina	514,965,060	1.69%
North Dakota	36,223,943	0.12%
Ohio	342,000,000	1.12%
Oklahoma	319,526,400	1.05%
Oregon	312,702,150	1.03%
Pennsylvania	780,666,667	2.57%
Rhode Island	71,794,067	0.24%
South Carolina	412,489,825	1.36%
South Dakota	38,702,120	0.13%
Tennessee	451,775,240	1.49%
Texas	3,059,170,454	10.06%
Utah	142,593,412	0.47%
Vermont	41,919,433	0.14%

2 This Data is 2005 Calendar Year Data excerpted from a study dated February 27, 2007 by
3 Mackin & Company.

Virginia	611,530,667	2.01%
Washington	739,932,050	2.43%
West Virginia	130,476,250	0.43%
Wisconsin	248,758,333	0.82%
Wyoming	40,526,967	0.13%
Total	30,400,197,251	100.00%

1
2
3

This Data is 2005 Calendar Year Data excerpted from a study dated February 27, 2007 by Mackin & Company.