MISSISSIPPI
Insurance Department

Mike Chaney
Commissioner and State Fire Marshal

Press Release

Media Contact: Donna Cromeans (601) 359-3569 Donna.Cromeans@mid.state.ms.us

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Joint Mississippi, Florida, Hawaii Agreement Saves State Millions in Premium Tax Revenue

Jackson, MS – With the joint signing of the Nonadmitted Insurance Multistate Agreement (NIMA), Mississippi Commissioner of Insurance Mike Chaney, Florida Insurance Commissioner Kevin McCarty and Hawaii Insurance Commissioner Gordon I. Ito made theirs the first states to establish such an agreement prior to a June 15, 2011 deadline established by Congress. This agreement will save Mississippi millions in premium tax dollars.

“Had Mississippi not taken this action, we could have lost up to $16 million in premium tax revenue annually, which includes approximately $10 million dollars in fees which go directly to the Wind Pool,” Chaney said.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law in July, 2010, incorporated the Nonadmitted and Reinsurance Reform Act (NRRA), for the purpose of making the regulation of the surplus lines insurance market more efficient and more uniform on a national basis. A surplus lines company is not a licensed company, but is eligible to write coverage in the state that is not available from a licensed insurer. This coverage is typically specialized property or liability coverage.

Under the provisions of the NRRA, only an insured’s “Home State” may require a premium tax payment for surplus lines insurance. In the case of multi-state policies, this could result in a loss of premium taxes for states other than the Home State. Governor Haley Barbour signed House Bill 785 in March of 2011, allowing Mississippi to proceed and sign to create the agreement.

“Thanks to the swift action from the Mississippi Legislature, and from the Legislatures in Florida and Hawaii, we were able to establish the NIMA agreement. Hopefully this will pave the way for more states to sign on and conserve badly needed general fund revenue,” Chaney said.

As the first of the three original signatory states, Mississippi has been instrumental in ensuring that there is a mechanism in place to allow it and other participating states to continue to collect and keep the premium taxes and fees due to the state. The NRRA allows the states to establish uniform procedures for the collection of premium taxes and fees due from surplus lines policies for multi-state risks if such an agreement was established by June 15, 2011.

Failure to meet the June 15, 2011, deadline would have delayed the effective date of NIMA by at least six months and could have cost participating states millions of dollars in lost revenue.