MISSISSIPPI INSURANCE DEPARTMENT
BULLETIN 2011-8
July 19, 2011

NONADMITTED INSURANCE MULTISTATE AGREEMENT

I. Purpose

The Nonadmitted Insurance Multistate Agreement ("NIMA") was established on June 15, 2011, upon the agreement of the signatory states: Florida, Hawaii and Mississippi. Since that date, Connecticut, Louisiana and South Dakota have joined NIMA, and other states have indicated they will be joining shortly. A NIMA website has been established that will allow surplus lines insurance producers to verify if a state has joined NIMA: http://www.floir.com/Sections/PandC/NIMA.aspx. A link to this website may also be found on the homepage of the Mississippi Insurance Department's website.

NIMA was established to meet the requirements set forth in the Nonadmitted and Reinsurance Reform Act ("NRRA") which was passed by Congress and became law on July 21, 2010, and which has brought sweeping reforms to the United States surplus lines market. Pursuant to the NRRA, if the states failed to establish uniform procedures within 330 days of the passage of the NRRA, which was June 15, 2011, then the premium taxes and fees due from surplus lines policies for multi-state risks would only be received by the home state of the insured. In order to comply with the NRRA in establishing uniform procedures for the reporting, payment, collection and allocation of surplus lines taxes and fees, NIMA was established to allow the Participating States to collect and allocate premium taxes and fees through a central clearinghouse where a multi-state risk is involved. The adoption of NIMA meets the federal requirement of uniformity, and allows the participating states to continue to receive their portion of premium taxes and fees due from multi-state surplus lines policies. The provisions of the NRRA are effective on July 21, 2011.

The Mississippi Insurance Department ("Department") is issuing this Bulletin to provide surplus lines insurance producers with guidance concerning the reporting, payment, collection and allocation of taxes and fees for multistate policies pursuant to the procedures set forth in NIMA.

II. Purposes of NIMA

The purposes of NIMA, by and through the joint action of the Participating States, are to:

1. Facilitate the payment and allocation of premium taxes on nonadmitted insurance for multi-state risks among the participating states in accordance with the premium tax allocation method and formula contained in NIMA;

2. Require nationwide uniform requirements, forms and procedures which facilitate the reporting, payment, collection and allocation of premium taxes for nonadmitted insurance for multi-state risks as contemplated by the NRRA;

3. Coordinate reporting of premium taxes and transaction data on multi-state risks among Participating States; and,

4. Establish a Clearinghouse to facilitate the receipt and distribution of premium taxes and transaction data related to nonadmitted insurance of multi-state risks.

For the purposes of this Bulletin, a state that has signed NIMA shall be referred to as a Participating State.

III. Clearinghouse

NIMA requires that a Clearinghouse be established that will collect, reconcile and allocate the appropriate amount of taxes and fees among the participating states. At this time, a vendor has not been selected to operate the Clearinghouse. NIMA Participating States hope to have a Clearinghouse operating by the time the initial quarterly payments are due on November 15, 2011. The status of the Clearinghouse will be provided to surplus lines insurance producers by subsequent Bulletin(s).

The tax provisions of NIMA will be effective for Mississippi on July 21, 2011, which is the same effective date as the "home state" tax and compliance provisions of the NRRA. Other current Participating States may designate July 1, 2011, as the effective date of the tax provisions of NIMA. Surplus lines insurance producers should check with the NIMA website or with a particular Participating State to verify the correct effective date for that Participating State.

There will be a Transition Period from the effective date of the tax provisions of NIMA until the Clearinghouse is operational. Surplus lines insurance producers are directed to begin collecting the participating states' taxes and fees pursuant to the NIMA allocation schedule on and after the date the tax provisions of NIMA become effective, and to hold those collections until such time as the Clearinghouse is operational. When the Clearinghouse is operational, surplus lines insurance producers will be given further instructions as to the reporting and payment of the collected taxes and fees.

IV. Premium Tax and Fee Collection under NIMA.

NIMA establishes an allocation schedule to govern the method of tax allocation for multi-state risks. A copy of the allocation schedule is attached hereto as Attachment 1.

Pursuant to the allocation schedule, a surplus lines insurance producer will allocate the portion of premium due to each state. Each participating state agrees to require the payment of taxes, fees and assessments when the participating state is the home state, as follows:

1. Portion of premium allocated to the home state pursuant to the Allocation Schedule;

2. Portion of premium allocated to the participating state(s) based on the portion of the premium allocated to each Participating State pursuant to the Allocation Schedule;

3. Portion of premium that remains, which will be allocated to the home state.

V. Calculation of Taxes and Fees

Each participating state is required to provide a blended rate to be used to calculate the taxes, fees and assessments owed to that state. The blended rate for the NIMA states is included in the NIMA Reporting Form and Tax Allocations form attached hereto as Attachment 2. When other states join NIMA, surplus lines insurance producers will be notified of the new participating state's blended rate.

Under NIMA, the premium tax and fee to be collected is determined by the following formula:

> Tax Allocation = (Net tax due to each State/net tax due to all States) x Amount collected
>
> Home State Net Taxes = (Taxes collected for the Home State + Taxes due from other Participating States) – Taxes owed to other Participating States
>
> Total Premium Tax to be Collected on Each Multi-State Policy = (Home State's tax rate x Portion of premium allocated to Home State) + (Home State's tax rate x Premium allocated to Non-Participating State if insurer is nonadmitted in that State) + (Participating States' tax rate x Premium allocated to each Participating State if insurer is nonadmitted in that state)

For the purposes of this Bulletin, the following scenario is provided as an example of how an allocation would be made under NIMA on or after July 21, 2011.

> A multi-state policy is issued where State A is the home state and part of the risk resides also in State B and State C. State A and State B are Participating States in NIMA; State C is not. Using the Allocation Schedule, the surplus lines insurance producer would determine the portion of premium allocated to State A, the home state. The surplus lines insurance producer would determine the portion of premium allocated to State B, a Participating State. As State C is not a Participating State nor is it the home state, its portion would be allocated to State A, the home state. The allocation to State A and State B would then be calculated using each Participating State's blended rate of taxes and fees.

VI. Contact Information

The Department is aware that this transition pursuant to the NRRA and NIMA will be difficult and there will be many issues and questions that will need to be addressed. We urge surplus lines insurance producers or eligible surplus lines companies that have any questions concerning the provisions of the NRRA, NIMA or this Bulletin to contact the Department at (601)359-3569.

MIKE CHANEY
COMMISSIONER OF INSURANCE

ATTACHMENT 1
NONADMITTED INSURANCE PREMIUM TAX ALLOCATION SCHEDULE

THIS ATTACHMENT SETS FORTH THE PROVISIONS GOVERNING THE METHOD OF TAX ALLOCATION FOR MULTI-STATE RISKS, AS SPECIFIED IN PART III. IF THE ALLOCATION SCHEDULE DOES NOT IDENTIFY A CLASSIFICATION APPROPRIATE TO THE PROPERTY OR RISK BEING INSURED, THEN THE SURPLUS LINES LICENSEE, OR AN INSURED WHO INDEPENDENTLY PROCURES INSURANCE, CONSISTENTLY SHALL USE AN ALTERNATIVE METHOD OF EQUITABLE ALLOCATION ACROSS SIMILAR TYPES OF INSURANCE POLICIES AND CONTRACTS, AND SHALL MAINTAIN FOR AT LEAST FIVE YEARS, DOCUMENTED EVIDENCE OF THE BASES AND OTHER CRITERIA USED BY THE SURPLUS LINES LICENSEE OR INSURED WHO INDEPENDENTLY PROCURES INSURANCE IN ORDER TO SUBSTANTIATE THE METHOD.

Exposure Allocation Methodology

Major Coverage	Coverage Type	Including	*Allocation Basis by State
Property	All Property unless more specifically described elsewhere Includes both real and personal property, glass, crop, animals, residual value	All Risk including Leakage of Sprinklers, Explosion, Riot & Civil Commotion, Earthquake, Blanket Form, Water Damage, Business Interruption, Time Element or similar time value coverage, Fire and Excess of Loss	TIV (TIV= PD + BI) Total Insured Value = Physical Damage + Business Interruption
	Aviation	Physical Damage, All others	TIV
	Boiler & Machinery	Direct, Consequential, Engine & Machinery, All others	TIV
	Inland Marine	Fine Arts Dealers, Jewelers Block, Furriers Block, Business & Personal Floater, Builders Risk, All Other non appearance & abandonment	TIV
	Inland Marine	Motor Truck Cargo	Garage Location
	Motor Vehicle Physical Damage		TIV of motor vehicles principally garaged or principally used in states
Casualty	General Liability / Umbrella / Excess Liability	Manufacturers and Contractors	payroll in state

Major Coverage	Coverage Type	Including	*Allocation Basis by State
		Premises Operations	square footage of premises in state
		Owners and Contractors Protective	cost of contract in state
		Products	sales in state
		Completed Operations	receipts in state
		child care	number of children in state
		contractual	if "stand alone" policy, value of sales in state
		recreational	amount of gate receipts in state
		special events	number of events in state
		professional liability	number of insureds in state
	Errors & Omissions (E&O) / Professional Liability		Revenues (receipts) or number of professionals by state
	Medical Malpractice	Includes medical malpractice for individual healthcare providers or facilities, i.e. hospitals, nursing homes, psychiatric centers	Revenues (receipts), number of professionals or bed count by state
casualty (cont'd)	Employment Practices Liability (EPLI)	EPLI for all industries	Headcount by state
	Municipalities, Public Authorities and other Political Subdivisions		Number of municipalities, etc.
	Environmental Impairment		Number of units of exposure
	Asbestos Abatement		Payroll
	Employee/Member Benefit Program		Number of employees/members
	Motor Vehicle	automobile liability, excess automobile liability	Number of motor vehicles principally garaged or principally used in states
	Railroad Protective		Miles of track in state
Marine	Vessels		Principal Berthing location
	All other property		TIV
Aviation	Aircraft	Non-Owned Aircraft, Aircraft Liability	Hangar location
Financial Risk	Directors and Officers Liability	General Partnership Liability	Revenue generated in state
	SEC Liability	Unauthorized Trading	Revenue generated in state
	Kidnap & Ransom		Employees
	Excess SIPC		Revenue generated in state
	Mortgage Impairment		TIV
Financial Risk (cont'd)	Patent Infringement		Revenue generated in state
	Securities	Mail	TIV
	Media Liability		TIV
	service contracts/Warranties		Revenue generated in state

Major Coverage	Coverage Type	Including	*Allocation Basis by State
	Tax Opinion Guarantee		Revenue generated in state
	Intellectual Property		Revenue generated in state
Crime	Crime	Blanket Crime, Fidelity Bond, Individual Bond, Employee Dishonesty, Forgery, Theft, Robbery, Burglary, Fraud	Employee count
Accident and Health	Accident and Health	Disease, Accidental Injury or Death, Medical Surgical expenses and income payments	Location of Employees or Corporate Headquarters
Credit	Credit		Value of insured debt in state
Fidelity & Surety	Performance Bonds		Total bond value of contracts in state
	Other Surety Bonds		Total bond value of contracts in state

* U.S. Premium Only

ATTACHMENT 2

NIMA Reporting Form and Tax Allocations

A. Submission Contact	
Name:	Mailing Address:
Phone Number:	Email Address:
Is this an independently procured policy? (Yes / No)	

B. Agency/Brokerage Firm Data	
Name:	Mailing Address:
State of Licensure:	License Number:
Phone Number:	Email Address:

C. Agent/Sublicensee or Individual Licensee Data	
Name:	Mailing Address:
Office Address:	Phone Number:
State of Licensure:	License Number:
Email Address:	

D. Billing Contact	
Name:	Mailing Address:
Phone Number:	Email Address:

E. Policy Data		
Insured Name:	Home State of Insured:	
Policy Number/Binder Number if Policy Number is N/A:	Effective Date:	Expiration Date:

F. Transaction Data

Insurer Name:	NAIC Insurer Code Number(s):
Total Policy Premium by Insurer(s):	Coverage Code:
Tax Status:	Transaction Type (New, Renewal or Endorsement)
Tax Allocation Method:	

PREMIUM ALLOCATION BY STATE

AL:	AK:	AS:	AZ:	AR:
CA:	CO:	CT:	DE:	DC:
FL:	GA:	GU:	HI:	ID:
IL:	IN:	IA:	KS:	KY:
LA:	ME:	MD:	MA:	MI:
MN:	MS:	MO:	MT:	NE:
NV:	NH:	NJ:	NM:	NY:
NC:	ND:	MP:	OH:	OK:
OR:	PA:	PR:	RI:	SC:
SD:	TN:	TX:	UT:	VT:
VI:	VA:	WA:	WV:	WI:
WY:				

TAX ALLOCATION BY STATE

AL[1]:	AK[1]:	AS[1]:	AZ[1]:	AR[1]:
CA[1]:	CO[1]:	CT[2]:	DE[1]:	DC[1]:
FL[3]:	GA[1]:	GU[1]:	HI[4]:	ID[1]:
IL[1]:	IN[1]:	IA[1]:	KS[1]:	KY[1]:
LA[5]:	ME[1]:	MD[1]:	MA[1]:	MI[1]:
MN[1]:	MS[6]:	MO[1]:	MT[1]:	NE[1]:
NV[1]:	NH[1]:	NJ[1]:	NM[1]:	NY[1]:
NC[1]:	ND[1]:	MP[1]:	OH[1]:	OK[1]:
OR[1]:	PA[1]:	PR[1]:	RI[1]:	SC[1]:
SD[7]:	TN[1]:	TX[1]:	UT[1]:	VT[1]:
VI[1]:	VA[1]:	WA[1]:	WV[1]:	WI[1]:
WY[1]:				

[1] Non-Participating State (The tax will be assessed at the blended tax rate of the insured's home state and remitted to that state)
[2] Connecticut: blended tax rate = 4%
[3] Florida: blended tax rate = 7%
[4] Hawaii: blended tax rate = 4.68%
[5] Louisiana: blended tax rate = 5%
[6] Mississippi: blended tax rate = 9%
[7] South Dakota: blended tax rate = contact state