



## MISSISSIPPI INSURANCE DEPARTMENT

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**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

### **BULLETIN 2012-3 MISSISSIPPI DEPARTMENT OF INSURANCE**

### **REPORTING AND COLLECTION OF PREMIUM TAXES FOR MULTI-STATE SURPLUS LINES POLICIES PURSUANT TO THE HOME STATE RULE REQUIREMENTS OF THE NRRRA**

**May 11, 2012**

#### **I. Purpose**

On April 17, 2012, Commissioner Mike Chaney signed a letter notifying members of the Nonadmitted Insurance Multi-State Agreement ("NIMA") that the Mississippi Insurance Department ("Department") was withdrawing from NIMA. The Department's withdrawal from NIMA will be effective on June 18, 2012.

As a result of the Department's withdrawal from NIMA, Mississippi will follow the "home state rule" reporting and taxation requirements set forth in the Nonadmitted and Reinsurance Reform Act ("NRRRA").

The Department is hereby issuing Bulletin 2012-3 to provide surplus lines insurance producers guidance concerning the reporting, payment, collection and allocation of taxes and fees for multi-state policies under the "home rule" reporting and taxation requirements set forth in the NRRRA.

#### **II. Background**

When the NRRRA passed in 2010, Mississippi was extremely concerned with how the federal requirements would affect our state. Without extensive data being available at the time, we were unsure how much of our tax revenue would be impacted by the NRRRA. The creation of NIMA was a logical and necessary step in attempting to protect our state's tax revenue.

Since that time, the Department has been reviewing and reevaluating all pertinent information at its disposal. To assist the Department with this, the Mississippi Surplus Lines Association ("MSLA") has gathered data concerning multistate nonadmitted policies written in Mississippi.

This information gathering by MSLA provided the Department with information that could not be ignored.

The newly captured data revealed that Mississippi would not receive any significant additional tax revenue by participating in the tax sharing arrangement under NIMA. The net impact of tax sharing would be further eroded by the additional costs and burdens to the state in overseeing and auditing the NIMA Clearinghouse. Furthermore, the Department could not ignore the increased costs that would be imposed on Mississippi brokers and insureds by charging the Clearinghouse service fee of 0.3% on the gross premium allocated through the Clearinghouse.

Finally, Mississippi has followed the 100% home state taxation approach since the NRRA went into effect on July 21, 2011, and the Department believes that Mississippi has not experienced a significant change in tax collections since the NRRA became effective. As a result of these findings, Mississippi will continue to follow the home state rule for the reporting and taxation of multistate nonadmitted policies.

### **III. Reporting Requirements under the Home State Rule.**

In view of Mississippi's withdrawal from NIMA, surplus lines insurance producers should follow the procedures set forth below for a multi-state nonadmitted policy when Mississippi is the home state of the insured.

#### **A. Premium Tax and Fee Collection until July 1, 2012.**

Mississippi has a 4% surplus lines premium tax, and presently, a 5% nonadmitted policy fee (windpool fee). There is also a .25% stamping fee.

In calculating the taxes and fees, the calculation would be the premium and any company or producer fee added together and multiplied by the amount of the combined premium tax and statutory fees.

$$[\text{Premium} + \text{Company/Producer Policy Fee}] \times [\text{Mississippi Premium Tax} + \text{Nonadmitted Policy Fee/Windpool Assessment Fee} + \text{MSLA Stamping Fee}] = \text{Amount of Tax/Fee Owed.}$$

As an example, on a policy where Mississippi is the home state and the premium is \$1000 and a producer policy fee of \$100 is imposed, the calculation to determine the taxes and fees owed would be as follows:

$$[\text{Premium} (\$1000) + \text{Company/Producer Policy Fee} (\$100)] \times [\text{Premium Tax} (4\%) + \text{Nonadmitted Policy Fee/Windpool Assessment Fee} (5\%) + \text{MSLA Stamping Fee} (.25\%)] = \text{Tax/Fee Owed}$$

$$[\$1000 + \$100] \times [.04 + .05 + .0025] = \text{Tax/Fee Owed}$$

$$\$1100 \times .0925 = \$101.75$$

**B. Premium Tax and Fee Collection on and after July 1, 2012.**

Senate Bill 2626, which was signed by Governor Bryant on April 17, 2012, amends Miss. Code Ann. § 83-34-4 to lower the nonadmitted policy fee (windpool fee) from 5% to 3%. For policies with effective dates on and after July 1, 2012, surplus lines insurance producers should impose a 3% nonadmitted policy fee (windpool fee).

On and after July 1, 2012, Mississippi will collect a 4% surplus lines premium tax and a 3% nonadmitted policy fee (windpool fee). There is also a .25% stamping fee.

In calculating the taxes and fees, the calculation would be the premium and any company or producer fee added together and multiplied by the amount of the combined premium tax and statutory fees.

$$[\text{Premium} + \text{Company/Producer Policy Fee}] \times [\text{Mississippi Premium Tax} + \text{Nonadmitted Policy Fee/Windpool Assessment Fee} + \text{MSLA Stamping Fee}] = \text{Amount of Tax/Fee Owed.}$$

As an example, on a policy where Mississippi is the home state and the premium is \$1000 and a producer policy fee of \$100 is imposed, the calculation to determine the taxes and fees owed would be as follows:

$$[\text{Premium} (\$1000) + \text{Company/Producer Policy Fee} (\$100)] \times [\text{Premium Tax} (4\%) + \text{Nonadmitted Policy Fee/Windpool Assessment Fee} (3\%) + \text{MSLA Stamping Fee} (.25\%)] = \text{Tax/Fee Owed}$$

$$[\$1000 + \$100] \times [.04 + .03 + .0025] = \text{Tax/Fee Owed}$$

$$\$1100 \times .0725 = \$79.75$$

Producers are also referred to Mississippi Insurance Department Bulletin 2012-2 for further information.

**C. Reporting and Payment Periods.**

Instructions regarding invoicing and payment dates will be posted on the Department and MSLA websites.

#### **IV. Reporting Requirements for States other than Mississippi**

If Mississippi is not the home state of the insured in a multistate nonadmitted policy placement, surplus lines insurance producers are advised to contact the appropriate agency in the home state for direction regarding the requirements for the reporting and payment of multi-state nonadmitted premium taxes and fees.

#### **V. Previously Issued Bulletins**

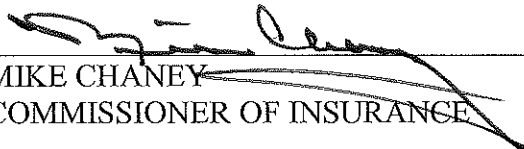
As a result of Mississippi's withdrawal from NIMA, this Bulletin 2012-3 shall supersede and fully replace the following: Bulletin 2011-8, "Nonadmitted Insurance Multi-State Agreement" ("NIMA"); Bulletin 2011-10 "Clarification of Bulletin 2011-8; Reporting and Collection of Premium Taxes for Multi-State Surplus Lines Policies for the Third and Fourth Quarters of 2011"; and Bulletin 2011-11, "Reporting and Collection of Premium Taxes for Multi-State Surplus Lines Policies for the First and Second Quarters of 2012".

#### **VI. Effective Date**

This Bulletin shall be effective from and after May 11, 2012.

#### **VII. Contact Information**

Surplus lines insurance producers or eligible surplus lines companies that have any questions concerning the provisions of the NRRA or this Bulletin are encouraged to contact the Department at (601) 359-3569.

  
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MIKE CHANEY  
COMMISSIONER OF INSURANCE