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BULLETIN 2012-2 MISSISSIPPI DEPARTMENT OF INSURANCE

NONADMITTED POLICY FEE PASSAGE OF SENATE BILL 2626

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I. Purpose.

During the 2012 Regular Legislative Session, the Mississippi Legislature passed Senate Bill 2626, which amends Miss. Code Ann. § 83-34-4 to lower the nonadmitted policy fee (windpool fee) from 5% to 3%. For nonadmitted policies with effective dates on and after July 1, 2012, surplus lines insurance producers should impose the 3% nonadmitted policy fee (windpool fee). This Bulletin has been prepared to provide assistance regarding the implementation of this Bill.

II. Scope.

Pursuant to Miss. Code Ann. § 83-34-4, surplus lines insurance producers are to collect from the insured and remit a nonadmitted policy fee on all premiums collected for all insurance written by such surplus lines insurance producer for a policy from a nonadmitted insurer for any and all risks in this state. Currently, the nonadmitted policy is set at five percent (5%) of the total policy premium.

Pursuant to the provisions of Senate Bill 2626, for risks with an effective date of July 1, 2012 or after, the nonadmitted policy fee will be three percent (3%) of the total policy premium. For the purposes of this Bulletin, the effective date for endorsements shall be the effective date of the original policy.

III. Multi-State Surplus Lines Policies.

With respect to multi-state nonadmitted policies, Mississippi follows the "home state rule" reporting and taxation requirements set forth in the Nonadmitted and Reinsurance Reform Act (NRRRA). Therefore, if Mississippi is the home state in a multi-state nonadmitted insurance policy placement, then the entire risk will be considered a Mississippi risk and subject to the nonadmitted policy fee.

Insurance producers are also referred to Mississippi Insurance Department Bulletin 2012-3 for further information.

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

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:

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

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

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

V. Effective Date.

The change in fee specified in this Bulletin shall become effective upon the effective date of Senate Bill 2626, which is July 1, 2012.

If there are any questions concerning this Bulletin, please contact the Department at (601) 359-3569.


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