



National Association of Professional Surplus Lines Offices, Ltd.

**NAMIC**<sup>®</sup>  
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES



November 15, 2010

The Honorable James J. Donelon  
Louisiana Department of Insurance  
1702 N. Third Street  
P.O. Box 94214  
Baton Rouge, LA 70804-9214

Dear Commissioner Donelon:

Numerous trade associations had indicated to the Surplus Lines Implementation Task Force they would not support the legislative proposals known as the Nonadmitted Insurance Multi-State Agreement (NIMA) and its predecessor known as SLIMA. Despite the lack of any industry support, the NIMA proposal was approved by the Task Force on Oct. 26, 2010. The undersigned are writing at this time to advise you that we will not be able to support the NIMA proposal through the legislative process for the following reasons:

**1. NIMA frustrates the spirit and letter of the Nonadmitted and Reinsurance Reform Act (NRRA).**

The clear intent of the Nonadmitted and Reinsurance Reform Act (NRRA) was to create a streamlined tax system that involved uniform requirements, forms and procedures. NIMA not only fails to establish uniform requirements, forms and procedures, but instead continues, by contract, the burdensome system that Congress sought to eliminate with the NRRA.

NIMA will perpetuate unnecessary, bureaucratic data reporting, with dozens of data elements and hundreds of state-specific tax nuances for every policy issued. The reason the NRRA was adopted was to replace this dysfunctional system with a single-state payment system that

included uniform requirements, forms and procedures. NIMA circumvents the NRRA and continues with the existing system through a contract between Insurance Commissioners.

**2. NIMA violates the NRRA requirement that “no state other than the home state . . . may require any premium tax payments for nonadmitted insurance.”**

Instead of complying with the Congressional mandate, the NIMA proposal will “require” by contract, the collection of all surplus lines taxes, fees and assessments by states other than the insured’s home state. The NIMA contract is in direct contravention of the Congressional mandate.

**3. NIMA will create unnecessary and burdensome data reporting by brokers.**

The NIMA system will require detailed data reporting for every policy issued for the sole purpose of remitting taxes on surplus lines policies with exposures in multiple states. The burden imposed is completely disproportionate to any legitimate regulatory need. One large broker reported that the software system developed to remit surplus lines taxes involves more than 25,000 reporting rules.

The IRS never requires this level of burdensome detailed reporting for the sole purpose of remitting taxes. The NIMA system will continue to require the massive reporting systems that Congress sought to eliminate with the NRRA.

**4. NIMA fails to create a clearinghouse infrastructure.**

NIMA fails to indicate who will establish a clearinghouse, purchase a server, hire employees, set auditing standards, set accounting rules, purchase software, pay the utility bills, rent office space, set a clearinghouse fee, open bank accounts, establish an allocation formula or make any decisions on the formation or operation of a multi-state tax clearinghouse.

NIMA also fails to indicate how a contract signed by Commissioners can become law imposed upon insurance brokers or become the tax law of the states.

For the foregoing reasons, the undersigned are unable to support the NIMA proposal.

Sincerely,

National Association of Professional Surplus Lines Offices, Ltd.  
American Insurance Association  
Risk and Insurance Management Society, Inc.  
National Association of Mutual Insurance Companies  
American Association of Managing General Agents  
Excess Line Association of New York