

Nonadmitted Insurance Multistate Agreement Looking to Boost Membership Despite Recent Withdrawals

By Thomas Harman

WASHINGTON - Utah Insurance Commissioner Todd Kiser, the chairman of the Nonadmitted Insurance Multistate Agreement, said the group is hoping to boost membership as three states are under consideration to become associate members, despite recent setbacks for the compact.

Louisiana recently withdrew from the NIMA, ending sharing surplus lines tax revenue with other members (Best's News Service, July 16, 2015), and Wisconsin said it would not proceed to full membership effective Oct. 1.

NIMA provides a mechanism for states to report, collect, allocate and distribute surplus lines tax revenue for multi-state policies in a manner consistent with the Nonadmitted Reinsurance Reform Act, which established an insurer's home state as the only jurisdiction to negotiate and tax surplus lines transactions. After initially gaining 12 jurisdictions as members and the backing of the National Association of Insurance Commissioners, Florida, Louisiana, Puerto Rico, South Dakota, Utah, Wyoming remain as full members. NIMA sparked some interest in 2013 by creating an associate member category that drew in Tennessee and Wisconsin (Best's News Service, May 14, 2014). Tennessee's decision is pending.

Kiser remains optimistic about NIMA's future. He said agents and brokers like the uniformity NIMA provides. Brokers, he said, would have to report differently if they were dealing with multiple jurisdictions outside NIMA. Kiser said even with Louisiana withdrawing, NIMA will not have to increase its administrative fees, which he said started out high and have been reduced from 0.3% to 0.175%. "I believe the system is good," Kiser said. "I certainly have not given up on it."

Kiser said states that are more likely to join NIMA in the future will be adjacent to or near current members, many of which are in the Great Plains or Rocky Mountains. He declined to name the three states considering associate membership at this point in the process.

Forty-six states and the District of Columbia are using the NRRA's home state approach to surplus lines premium tax collection, said Brady Kelley, executive director the National Association of Professional Surplus Lines Offices, Ltd. "We have been advocating very aggressively for a full home-state mechanism across the country," he said.

Kiser told Best's News Service his group will continue to educate states about the uniformity NIMA provides in the reporting, allocation and distribution of premium taxes. He regards NIMA as still in its infancy. "I think any time you have change, change is different. Sometimes the wheels move slowly," he said.

A competing compact — the Surplus Lines Insurance Multi-State Compliance Compact — needed 10 members to become operational and at one point had nine, but Kelley said only six currently remain. Some members, such as North Dakota, passed legislation this year that withdrew them from SLIMPACT. Other states such as Kansas were moving legislation in the recent session to do so.

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Kentucky Commissioner Sharon Clark chairs SLIMPACT's board of directors and said it does not appear SLIMPACT will reach the 10-jurisdiction membership required for it to become operational, but said she stands ready to perform the duties of chairman should that occur. Clark said the benefit to participating in a compact was to gain economies of scale, something she said neither SLIMPACT nor NIMA appear to have reached.

North Dakota Rep. George Keiser, a past president of the National Conference of Insurance Legislators, was involved with SLIMPACT's development and remains a proponent of that approach. But he said states had not been able to make SLIMPACT work in such a way that it would have been beneficial to both industry and states.

"The [surplus lines] industry came back to the states — including North Dakota — and said 'We want uniformity,'" Keiser said. He said the surplus lines industry prefers the state-by-state approach because it knows what is happening in each state without having to deal with different approaches under SLIMPACT and NIMA.

Kelley told Best's News Service the home state system is a dramatically simpler premium tax payment and process for the insurance industry to follow. He said larger states in particular have been reluctant to join any compact for fear of losing revenue.

Kelley said the decision by Wisconsin not to return to NIMA as an associate member points to the conclusion that joining those groups is not the answer. "The national solution is the home state approach as it was intended," he said.

(By Thomas Harman, Washington Bureau manager, BestWeek: Tom.Harman@ambest.com)
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