

MISSISSIPPI
WINDSTORM UNDERWRITING ASSOCIATION

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BULLETIN 11 - 02

TO ALL LICENSED RESIDENT AND
NONRESIDENT SURPLUS LINES AGENTS,
RESIDENT AND NONRESIDENT PRODUCER
ENTITIES AND ALL FOREIGN AND ALIEN
SURPLUS LINES CARRIERS

RE: LEGISLATIVE CHANGES EFFECTING NONADMITTED POLICY FEES

This bulletin supersedes Bulletin 07-03 issued October 9, 2007, relating to Mississippi Windstorm Underwriting Association Nonadmitted Policy Fees and Policyholder Surcharges Due to Excess Storm Losses.

On March 11, 2011, the Mississippi Legislature passed House Bill 785. This bill was passed to conform Mississippi's surplus lines statutes to the requirements of the federal Nonadmitted and Reinsurance Reform Act ("NRRRA"). The NRRRA's goal was to make the surplus lines market more efficient and more uniform on a national basis.

To fit the mechanisms that are expected to be established to satisfy the requirements of the NRRRA, House Bill 785 extends the Mississippi Windstorm Underwriting Association (MWUA) nonadmitted policy fee to all surplus lines insurance policies written in Mississippi. Prior to the passage of House Bill 785, the MWUA nonadmitted policy fee was required only on real property and contents risks. The 5% nonadmitted policy fee will now be imposed on **ALL** nonadmitted insurance policies insuring properties, risks, or exposures located or to be performed in whole or in part in Mississippi. The imposition of this fee does not apply mid-term. It only applies to new and renewal policies. Policy extensions extending the original term of the policy are considered renewals and not an endorsement of the original policy.

Additionally, House Bill 785 requires that an insured who does not purchase surplus lines insurance from a broker/agent but rather purchases insurance directly or independently procures or renews coverage from a nonadmitted insurance carrier is subject to the 5% MWUA nonadmitted policy fee.

Calculation of Nonadmitted Policy Fees

The calculation of MWUA nonadmitted policy fees has been changed in three important ways:

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1. All lines of business (policy types) are included (previously just real property and contents were subject to the fee).
2. The calculation is based on direct premium and fees (the same as the surplus lines tax).
3. There is no longer a different rate for divisible and non-divisible premiums. All nonadmitted policy types and risks are subject to a 5% fee.

The basic calculation is as follows:

1. Premium charged (All Surplus Lines Policies)		\$1,500.00
2. Company/producer fees		<u>150.00</u>
3. Total premium subject to taxes and fees		1,650.00
4. Surplus lines tax	4.00%	66.00
5. Stamping fee	.25%	4.13
6. Nonadmitted policy fee (rate x line 3)	5.00%	<u>82.50</u>
7. Total taxes and fees	9.25%	<u>\$152.63</u>

Continue to separate and send the MWUA Nonadmitted Policy Fee to the lock box at the following address:

Mississippi Windstorm Underwriting Association
P.O. Box 22510
Jackson, MS 39225-2510

Timetable

The extension of the nonadmitted policy fee to all risks in the nonadmitted market became effective March 11, 2011. The Mississippi Department of Insurance expects full systems compliance for the collection of this fee by June 1, 2011¹.

Any future changes associated with the NRRRA will be addressed in a later bulletin by the Mississippi Insurance Department.

See this and other related information on the MWUA website,
www.msplans.com/mwua/

Should you have questions after reviewing the attached information please feel free to contact Joel Ferriss, with the MWUA, at 601-981-2915 or email at jferriss@msratingbureau.com.

¹ Mississippi Department of Insurance Bulletin 2011-1 , April 11, 2011