The NRRA* and Surplus Lines

*Nonadmitted & Reinsurance Reform Act

Determining Home State Under the NRRA

Is there more than one insured?

- Yes → Are the insureds affiliated?
  - No → Legal grey area as far as federal law is concerned. Some states have sought to clarify with state rules /
  - Yes → Determine which insured company has the greatest percentage of premium attributed to it. → The state of *that* company's ***principal place of business*** is the **Home State**.
- No → Determine the state ofs the commercial insured's ***principal place of business*** or the individual insured's ***principal residence***. → Is ***100%*** of the risk located outside of the state determined above?
  - No → The **Home State** is state of the commercial insured's ***principal place of business*** or the individual insured's ***principal residence***.
  - Yes → The **Home State** is state with the greatest percentage of premium allocated to it under the policy.

Broker makes surplus lines filing with the Home State. Only the Home State can:

- regulate the transaction
- require payment of tax
- require that the broker be licensed

Insurer Eligibility

- For US-based insurers, state eligibility must be substantially the same as part of the NAIC model act ($15 million PHS or any greater amount in state law, licensed in home state to write the type of insurance).
- For insurers outside of the US, must be on Quarterly Listing of Alien Insurers published by NAIC.
- Some states are not adhering to these relatively simple, uniform rules…

Compacts and Interstate Agreements

- NIMA has 6 members (Florida, Louisiana, Utah, Wyoming, South Dakota & Puerto Rico). When the Home State is a member of NIMA, the policy, along with allocation information, is filed with the NIMA clearinghouse.
- SLIMPACT has 9 members but needs 10 to be operational. These states are operating in the same manner as states that did not join a compact or agreement.
- Majority of states did not join any compact or agreement. In general, for these states, the policy is filed with the Home State and 100% of the tax is paid to that state.
- Simple, efficient compact with 100% participation would have been nice. At this point, no compact is the most "uniform" we can get. NIMA ought to be dissolved …

Anomalies

- There are still some state-by-state anomalies that need to be ironed out (rates, allocation data, % of premium)