

MISSISSIPPI
WINDSTORM UNDERWRITING ASSOCIATION

P.O. Box 5389
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Jackson, Mississippi 39296-5389

April 13, 2007

BULLETIN 07 - 01

TO ALL MEMBER COMPANIES AND TO
LICENSED MISSISSIPPI RESIDENT AGENTS
MISSISSIPPI WINDSTORM UNDERWRITING
ASSOCIATION

TO WHOM IT MAY CONCERN:

MISSISSIPPI WINDSTORM UNDERWRITING
ASSOCIATION (MWUA)
REVISION OF MWUA COMMERCIAL RATES

At the request of the MWUA Board of Directors, the Mississippi Insurance Department has approved a revision in the MWUA Rates for Commercial properties. This rate revision results in Commercial rates that are 142% higher than those in place immediately prior to October 1, 2006 and approximately 34.2% lower than the existing Commercial property rates. These rate revisions are effective for policies issued or renewed on and after April 15, 2007. Existing MWUA Commercial policies issued on or after October 1, 2006 will be endorsed on a pro rata basis to take advantage of the April 15, 2007 rates. This endorsement will be processed by our staff once system enhancements are made and will require no action on your behalf.

There is no change in the Manual of Rules and Procedures nor the coverage provided with this revision.

We are attaching the revised rates for wind and hail coverages which reflects the rates effective April 15, 2007 for commercial properties. Special Class Basic Wind and Hail rates may be obtained from the following web site www.msplans.com or contacting this office.

Enclosed also is information concerning recently passed Legislation (House Bill 1500) which went into effect March 22, 2007 reorganizing the Mississippi Windstorm Underwriting Association.

Mississippi Windstorm Underwriting Association

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M.W.U.A. RATES FOR WINDSTORM & HAIL INSURANCE

Multiply These Rates X's Each \$100 of Coverage

COMMERCIAL RATES OTHER THAN HABITATIONAL:

<u>WIND RESISTIVE</u> <u>AA</u>	<u>SEMI-WIND RESISTIVE</u> <u>A</u>	<u>MASONRY</u> <u>B,S,B-E,B-HT,S-IC</u>	<u>FRAME</u> <u>D,BV,SIC,IC,P,ET,HCB,E</u>
0% \$ 1.617	0% \$ 2.415	0% \$ 6.474	0% \$ 8.107
50% \$ 0.970	50% \$ 1.450	50% \$ 3.884	50% \$ 4.864
80% \$ 0.646	80% \$ 0.966	80% \$ 2.589	80% \$ 3.243
90% \$ 0.615	90% \$ 0.917	90% \$ 2.461	90% \$ 3.081
100% \$ 0.581	100% \$ 0.869	100% \$ 2.330	100% \$ 2.919

HABITATIONAL:

APARTMENTS, ROOMING HOUSES, & MOTELS WITHOUT RESTAURANTS

<u>WIND RESISTIVE</u> <u>AA</u>	<u>SEMI-WIND RESISTIVE</u> <u>A</u>	<u>ALL OTHER CONSTRUCTION</u> <u>B, S, B-E, B-HT, S-IC,</u> <u>D, BV, SIC, IC, P, HT, E, HCB</u>
0% \$ 1.653	0% \$ 3.279	0% \$ 6.837
50% \$ 0.992	50% \$ 1.967	50% \$ 4.102
80% \$ 0.661	80% \$ 1.312	80% \$ 2.735
90% \$ 0.627	90% \$ 1.246	90% \$ 2.599
100% \$ 0.595	100% \$ 1.181	100% \$ 2.461

MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION

CHANGES BY HOUSE BILL 1500

(Effective March 22, 2007)

In the 2007 session the Mississippi Legislature amended the statutes governing the operation of the coast wind residual market plan. The Mississippi Windstorm Underwriting Association will continue to write policies of wind and hail coverage for residential and commercial risks in Mississippi's six most coastal counties. However, House Bill 1500, that became effective March 22, 2007, completely changes the nature of the Association and the source of funds for losses.

Before, the "Wind Pool" was a non-incorporated statutorily mandated membership association made up of all insurers writing property in the state. The members were responsible for any deficits, and divided any profits from the Pool. The Pool operated on a policy year basis as the percentages of participation changed each policy year as market percentages changed. As a result, the Pool did not accumulate reserves for losses. Partial protection for insurance company members from assessments for deficits was provided through the purchase of reinsurance. Since the members percentage of participation in any losses was based on state-wide writings, there was a disincentive for members to increase writings including off the coast. Hurricane Katrina resulted in over \$500 million in non-reinsured losses that were divided by the companies writing property in Mississippi. This emphasized the exposure from an increased market share of property business in the state.

House Bill 1500 changes the Pool from a member association to a separate independent association controlled by the board of directors. The Pool is allowed to incorporate and seek non-profit tax status. The board has been broadened by adding two business representatives from the coast and the state treasurer.

Former member property insurance companies are now "assessable insurers". They do not individually have a vote in the operation of the Pool, but five of the eleven board members are appointed from assessable insurers.

Companies writing property insurance in the state (assessable insurers) are still subject to assessment by the Pool for deficits, but the assessments are limited in size and are repaid within 12 months of the assessment. The percentages of participation in assessments are based on the percentage of the prior year's property premiums. In any year, the annual total of assessments on property companies may not exceed the

greater of ten percent of the deficit or ten percent of the aggregate statewide direct written premiums for property insurance for the prior calendar year (presently about \$1 billion resulting in a small to medium storm annual assessment cap of \$100 million).

Assessments from assessable (property) insurers are repaid by a surcharge implemented by the Commissioner on all property and casualty insurance premiums, except workers compensation and medical malpractice. These surcharges are collected by admitted insurers and agents placing business through non-admitted insurers, and then paid to the Association. The Association uses these funds to repay the assessment from assessable insurers.

In lieu of the non-admitted carriers paying assessments, the legislation created a non-admitted policy fee of 5% of property coverages to be collected by agents placing insurance through non-admitted carriers

If the assessment from assessable insurers is not sufficient to cover the losses from a large storm or other deficit of the Association, the Association can request the Commissioner for authority to issue bonds or to enter in to loan agreements to raise the money necessary. Any bonds or loans are repaid by surcharges against all property and casualty insurance premiums in an amount and for a time period as is appropriate.

The Association must maintain a plan of operation which provides financial incentives or financial penalties, or both, to ensure that assessable insurers write essential property insurance in the coast area. The Commissioner must approve rates for Association policies that are adequate to fund annual reinsurance above a self-insured retention of \$100 million that, combined with available reserves of the Association, is sufficient to cover at least the probable maximum losses from a storm expected to occur every 100 years.

For fiscal years 2007 through 2010, the State Tax Commission must annually deposit from insurance premium tax revenue \$20 million into the fund to help reduce policyholder premiums.

A complete copy of HB 1500 as signed can be found at:

<http://billstatus.ls.state.ms.us/documents/2007/pdf/HB/1500-1599/HB1500SG.pdf>