

MISSISSIPPI
WINDSTORM UNDERWRITING ASSOCIATION

P.O. Box 5389
2685 Crane Ridge Drive
Phone (601) 981-2915
Fax (601) 981-2924
Jackson, Mississippi 39296-5389

September 1, 2009

TO: Participating Companies

RE: Pre House Bill 1500 Member Accounts

Accounting Report for the Year Ended December 31, 2008

Attached is an accounting of recent policy years prior to the enactment of House Bill 1500 by the 2007 Mississippi Legislature. Prior to March 22, 2007, MWUA was an association of all insurance companies writing property insurance in Mississippi. Each member company was financially responsible for its proportionate share of loss by the Association. The MWUA ceased to operate as a member association when HB 1500 was signed into law; however the former member companies continue to be financially responsible for the claims incurred prior to the effective date of the law, March 22, 2007. These claims primarily result from Hurricane Katrina.

The short period of January 1 to March 22, 2007, did not result in any material net activity and is therefore being ignored in this presentation.

HB 1500 provides for the aggregation of the Association's assets into reserves for future claims. Previous Katrina assessments to member companies are applied only against Katrina losses (paid losses and loss adjustment expenses). Should there be adequate funds available from the assessments to settle losses and loss adjustment expenses, no additional Katrina Assessments will be necessary.

As of the date of this letter the MWUA has paid a total of approximately \$707,000,000 for Katrina claims and claims adjustment expenses. If current funds are sufficient, there should be no further assessments. If they prove to be insufficient, further assessment may be necessary.

Should you have any questions regarding this matter please do not hesitate to contact me or Joel Ferriss. Our email addresses are jshumaker@msratingbureau.com and jferriss@msratingbureau.com, respectively.

Sincerely,



Joe Shumaker
Manager

Table of Contents
Policy Years 2004, 2005 and 2006

	Page
Members' account activity for the year ended December 31, 2008	2
Members' account for unsettled policy years as of December 31, 2008	3
Report of losses for the year ended December 31, 2008	4
Report of loss expenses for the year ended December 31, 2008	5

MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION
MEMBERS' ACCOUNT ACTIVITY
YEAR ENDED DECEMBER 31, 2008

	2005	2006	TOTALS
INCOME RECEIVED:			
PREMIUMS WRITTEN	\$ -	\$ -	\$ -
INTEREST ON INVESTED FUNDS	-	-	-
GRANT REVENUE	-	-	-
INSPECTION FEES	-	-	-
OTHER	-	-	-
TOTAL	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES PAID:			
LOSSES	15,160,356	-	15,160,356
LOSS EXPENSE	1,063,304	1,106	1,064,410
REINSURANCE RECOVERED	-	-	-
SERVICE FEE - PREMIUMS	-	-	-
REINSURANCE PREMIUM	-	-	-
COMMISSIONS PAID	-	-	-
OPERATING EXPENSE	-	-	-
INTEREST EXPENSE	-	-	-
TOTAL	<u>16,223,660</u>	<u>1,106</u>	<u>16,224,766</u>
NET CASH FROM OPERATIONS	(16,223,660)	(1,106)	(16,224,766)
DEDUCT CURRENT RESERVES			
LOSSES	6,503,200	-	6,503,200
LOSS EXPENSE	650,320	-	650,320
REINSURANCE RECOVERABLE	-	-	-
REINSURANCE PREMIUMS DEFERRED	-	-	-
UNEARNED PREMIUMS	-	-	-
SERVICE FEE - PREMIUMS	-	-	-
COMMISSIONS PAYABLE	-	-	-
PROVISION FOR DOUBTFUL ASSESS	17,629,504	-	17,629,504
OPERATING EXPENSE	-	-	-
TOTAL	<u>24,783,024</u>	<u>-</u>	<u>24,783,024</u>
ADD PRIOR RESERVES			
LOSSES	11,732,971	31,250	11,764,221
LOSS EXPENSE	655,343	3,125	658,468
REINSURANCE RECOVERABLE	-	-	-
REINSURANCE PREMIUMS PAY.	-	-	-
UNEARNED PREMIUMS	-	-	-
SERVICE FEE - PREMIUMS	-	-	-
COMMISSIONS	-	-	-
PROVISION FOR DOUBTFUL ASSESSMENTS	17,629,504	-	17,629,504
OPERATING EXPENSE	-	-	-
TOTAL	<u>30,017,818</u>	<u>34,375</u>	<u>30,052,193</u>
NET RESERVE CHANGE	(5,234,794)	(34,375)	(5,269,169)
NET EARNINGS (LOSS) CURRENT YEAR	(10,988,866)	33,269	(10,955,597)
ASSESSMENTS	-	-	-
DISTRIBUTIONS	-	-	-
CHANGE IN MEMBERS' ACCOUNTS	<u>\$ (10,988,866)</u>	<u>\$ 33,269</u>	<u>\$ (10,955,597)</u>

**MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION
MEMBERS' ACCOUNT FOR UNSETTLED POLICY YEARS
CUMULATIVE THROUGH DECEMBER 31, 2008**

	2004	2005	2006	TOTALS
INCOME RECEIVED:				
PREMIUMS WRITTEN	\$ 12,495,096	\$ 13,170,417	\$ 49,875,710	\$ 75,541,223
INTEREST RECEIVED	40,379	127,551	1,917,316	2,085,246
INSPECTION FEES RECEIVED	136,813	176,445	965,333	1,278,591
GRANT REVENUE RECEIVED	-	-	30,000,000	30,000,000
OTHER	875	875	1,545	3,295
TOTAL	<u>12,673,163</u>	<u>13,475,288</u>	<u>82,759,904</u>	<u>108,908,355</u>
EXPENSES PAID:				
LOSSES	111,774,630	557,529,120	1,159,188	670,462,938
LOSS EXPENSE	10,699,515	28,000,493	101,126	38,801,134
REINSURANCE RECOVERED	(116,000,000)	(59,002,090)	-	(175,002,090)
SERVICE FEE - PREMIUMS	1,181,307	996,736	4,676,844	6,854,887
REINSURANCE PREMIUM	6,850,354	8,870,663	67,852,191	83,573,208
COMMISSIONS PAID	1,467,707	1,512,386	6,249,268	9,229,361
OPERATING EXPENSE	625,922	609,831	2,054,387	3,290,140
OTHER	-	-	250,637	250,637
TOTAL	<u>16,599,435</u>	<u>538,517,139</u>	<u>82,343,641</u>	<u>637,460,215</u>
NET CASH FROM OPERATIONS	<u>(3,926,272)</u>	<u>(525,041,851)</u>	<u>416,263</u>	<u>(528,551,860)</u>
DEDUCT CURRENT RESERVES				
LOSSES	-	6,503,200	-	6,503,200
LOSS EXPENSE	-	650,320	-	650,320
REINSURANCE RECOVERABLE	-	-	-	-
REINSURANCE PREMIUMS DEFERRED	-	-	-	-
UNEARNED PREMIUMS	-	-	-	-
SERVICE FEE - PREMIUMS	-	-	-	-
COMMISSIONS	-	-	-	-
OPERATING EXPENSE	-	-	-	-
PROVISION FOR DOUBTFUL ASSESSMENTS	-	17,629,504	-	17,629,504
OTHER	-	-	-	-
TOTAL	<u>-</u>	<u>24,783,024</u>	<u>-</u>	<u>24,783,024</u>
OTHER CHANGES:				
ADD CURRENT				
INTEREST ACCRUED	-	-	-	-
OTHER CHANGES	115,341	-	-	115,341
TOTAL	<u>115,341</u>	<u>-</u>	<u>-</u>	<u>115,341</u>
ACCUMULATED EARNINGS (LOSS)	<u>(3,810,931)</u>	<u>(549,824,875)</u>	<u>416,263</u>	<u>(553,219,543)</u>
ASSESSMENT				
ASSESSMENT	2,992,578	-	-	2,992,578
ASSESSMENTS-KATRINA #1	-	295,000,000	-	295,000,000
ASSESSMENTS-KATRINA #2	-	250,000,007	-	250,000,007
	<u>2,992,578</u>	<u>545,000,007</u>	<u>-</u>	<u>547,992,585</u>
BALANCE DECEMBER 31, 2008 ⁽¹⁾	<u>\$ (818,353)</u>	<u>\$ (4,824,868)</u>	<u>\$ 416,263</u>	<u>\$ (5,226,958)</u>

(2)

(1) - On March 22, 2007, the Mississippi legislature passed H.B. 1500 that aggregated all assets of the MWUA into reserves for future claims.

(2) - A number of claims remain unresolved and the ultimate loss is unknown at this time.

**MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION
 STATISTICAL REPORT OF LOSSES
 YEAR ENDED DECEMBER 31, 2008**

	2005	2006	TOTALS
PAID:			
WINDSTORM & HAIL	<u>\$ 15,160,356</u>	<u>\$ -</u>	<u>\$ 15,160,356</u>
CURRENT OUTSTANDING:			
WINDSTORM & HAIL	2,287,610	-	2,287,610
PRIOR OUTSTANDING:			
WINDSTORM & HAIL	5,764,121	31,250	5,795,371
IBNR:			
CURRENT	4,215,590	-	4,215,590
PRIOR	<u>5,968,850</u>	<u>-</u>	<u>5,968,850</u>
INCURRED LOSSES:			
WINDSTORM & HAIL	<u>\$ 9,930,585</u>	<u>\$ (31,250)</u>	<u>\$ 9,899,335</u>

**MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION
 STATISTICAL REPORT OF LOSS EXPENSE
 YEAR ENDED DECEMBER 31, 2008**

	2005	2006	TOTALS
PAID:			
WINDSTORM & HAIL	\$ 1,063,304	\$ 1,106	\$ 1,064,410
CURRENT OUTSTANDING:			
WINDSTORM & HAIL	650,320	-	650,320
PRIOR OUTSTANDING:			
WINDSTORM & HAIL	<u>655,343</u>	<u>3,125</u>	<u>658,468</u>
INCURRED LOSS EXPENSE:			
WINDSTORM & HAIL	<u>\$ 1,058,281</u>	<u>\$ (2,019)</u>	<u>\$ 1,056,262</u>