

MWUA

Mississippi

Windstorm

Underwriting

Association

Plan of Operation

MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION

Plan of Operation

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PART I - PURPOSE, GOVERNANCE AND FINANCING

SECTION 1.00 CREATION AND AUTHORITY

1.01 The Mississippi Windstorm Underwriting Association ("**Association**") was established by HB 274, in the 1987 Regular Session of the Mississippi Legislature ("HB 274"), and revised by HB 1500, in the 2007 Regular Session of the Mississippi Legislature ("HB 1500"). The amendments from HB 1500 became effective on March 22, 2007.

1.02 The **Association** is a separate and independent entity as provided for in HB 1500. Insurance companies writing **essential property insurance** in Mississippi are no longer members of the **Association**. The **Association** shall operate as a private enterprise governed by the Board

of Directors subject to the provisions of HB 1500.

1.03 Former insurance company members shall continue to have the obligations provided by HB 274 for all policyholder claims, costs, damages of any kind, and expenses in any manner resulting from **losses** that occurred prior to March 22, 2007, for which the **Association** may assess as needed the former members in the manner provided by HB 274 and the Plan of Operation that was in effect prior to the implementation of this **Plan**.

1.04 Pursuant to HB 1500 and Mississippi Code Section 83-34-3, the **Association's** assets as of March 22, 2007 belong to and remain with the **Association** with no distribution of income or assets other than for the benefit of the **Association**. The premiums, assessments, fees, investment income, and other revenue of the **Association** are funds received for the sole purpose of providing insurance coverage, paying claims for Mississippi citizens insured by the **Association**, securing and repaying debt obligations issued by the **Association**, and conducting all other activities of the Association. Such revenue shall not be considered taxes, fees, licenses, or charges for services imposed by the State of Mississippi on individuals, businesses, or agencies, and shall not be used for any other purposes.

SECTION 2.00 PURPOSE

2.01 The purpose of the **Association** is to provide a residual market for windstorm and hail insurance coverage for the Mississippi Gulf **Coast Area** in compliance with Mississippi law. In doing so, the **Association** will act in accordance with Section 83-34-1 *et seq.* of the Mississippi Code to ensure that the residents and business owners of the **Coast Area** always have a market for windstorm and hail insurance.

SECTION 3.00 DEFINITIONS OF TERMS

3.01 "**Affiliated insurers**" means insurers that are owned by a common entity or share common control.

3.02 "**Association**" means the Mississippi Windstorm Underwriting Association established by HB 274, 1987 session, and modified by HB 1500, 2007 session, of the Mississippi Legislature.

3.03 "**Licensed producers placing insurance through non-admitted insurers**" means those licensed producers defined in Section 83-21-19 of the Mississippi Code and any other licensed producers placing insurance through a non-admitted insurer.

3.04 "**Bonds, loans, lines of credit and indebtedness**" include interest, finance charges, and any and all other costs associated with the financing.

3.05 "**Carrier**" means each and every insurer that is engaged in writing property insurance within Mississippi. Carrier includes:

(a) "**Assessable insurer**" means licensed insurer, which means each and every insurer

authorized to write and engaged in writing property insurance on a direct admitted basis within the State of Mississippi.

- (b) **"Non-admitted insurer"** means those companies as defined in Section 83-21-17 of the Mississippi Code and any other companies and persons selling insurance on risks located in the State of Mississippi that are not licensed to do business in Mississippi.

3.06 "Coast Area" means all of that area of the State of Mississippi located in Hancock, Harrison, Jackson, Pearl River, Stone and George Counties.

3.07 "Commercial Property" means all non- residential property and residential property that contains units designed for occupancy by more than four family units.

3.08 "Commissioner" means the Insurance Commissioner of the State of Mississippi.

3.09 "Contents" means those items inside a structure.

3.10 "Dwelling property" means residential property designed for occupancy by one family up to a multi-unit residential property designed for occupancy for up to four families.

3.11 "Essential property insurance" means insurance against direct loss to **insurable property** from the risk of windstorm and hail in the manner as defined and limited in the standard **real property** and **contents** insurance forms approved by the **Commissioner**. Essential property insurance shall not include coverage for any loss other than the actual cash value of the structure and contents unless coverage for the replacement cost of the structure has been elected and a corresponding premium paid for it. Essential property insurance includes builders risk coverage. The extent of risk covered, the insuring language and the exclusions are all subject to approval by the **Commissioner**. Policies, rules and rates shall be filed with the **Commissioner** in the manner provided for insurance companies.

3.12 "Farm property" means property used for farming purposes; however, it shall not include any property used for dwelling purposes or any outbuildings used in connection therewith. Farm property is not included in the calculation of **net direct premiums** and **statewide property premiums** provided that farm property premiums are reported to the **Association** in accordance with directions from the **Association**.

3.13 "Inspection Bureau" means the Mississippi State Rating Bureau or other organizations designated by the **Association** with the approval of the **Commissioner** to make inspections as required under this Plan of Operation and to perform such other duties as may be authorized by the **Association**.

3.14 "Insurable interest" means any lawful and substantial economic interest in the safety or preservation of property from loss, destruction or pecuniary damage.

3.15 "Insurable property" means **real property**, and **contents** therein when requested, at fixed **locations** in the **Coast Area**, which property is determined by the **Association** to be in an insurable condition and otherwise meets the underwriting requirements of the **Association**. Any one- or two-family dwelling built, rebuilt, altered, or remodeled in compliance with the applicable building codes, including design-wind requirements, that is not otherwise rendered uninsurable by reason of use, occupancy or state of repair, shall be an insurable risk. Neighborhood area, **location** and environmental hazards beyond the control of the applicant or owner of the property shall not be considered in determining insurable condition. By way of clarification but in no way providing an exhaustive list, the **Association** states that:

- (a) Insurable property includes mobile homes, modular homes, or manufactured housing that are installed in compliance with applicable codes.
- (b) Insurable property does not include motor vehicles.
- (c) Insurable property does not include mobile homes for purposes of creditor-placed insurance.

3.16 "Location" means the physical location of the insured property and/or contents.

3.17 "Losses" include expenses for the adjustment and resolution of claims and operational and other general expenses.

3.18 "Net direct premiums" means **statewide property premiums** reported by **assessable insurers** in their annual statements to the Department of Insurance as reflected in column 1 from Page 20 (formerly Page 14). Net direct premiums includes premiums for creditor-placed insurance. Net direct premiums shall not include premiums for insuring **farm property** provided that **farm property** premiums are reported timely to the **Association**.

3.19 "Percentage of participation" for a certain year for an **assessable insurer** means the percentage determined by dividing the **assessable insurers' net direct premiums** written in this state during the previous year by the aggregate **net direct premiums** written in this state by all **assessable insurers** during the previous year. The percentage of participation may be modified as provided in Sections 83-34-9(3) and 83-34-13(2) of the Mississippi Code. The aggregate **net direct premiums** written in this state by all **assessable insurers** does not include premiums for **policies** issued by the **Association**. Under the **Plan**, an **assessable insurer's** percentage of participation is not reduced by **voluntary writings**.

3.20 "Plan" means the Plan of Operation of the **Association** approved or promulgated by the **Commissioner** pursuant to HB 1500.

3.21 "Policy" includes:

- (a) **"Surchargeable policy,"** which means all property and casualty insurance policies within Mississippi. Surchargeable policies do not include workers' compensation

coverage, medical malpractice liability coverage issued by companies created under Section 83-47-1 *et seq.* of the Mississippi Code, and coverage by insurance pools or plans administered by or through the State of Mississippi.

- (b) “**Insured’s policy**,” which means a policy of **essential property insurance** issued by the **Association** to an insured.

3.22 “Premium” means

- (a) As to insureds, the sum paid or agreed to be paid by an insured to the insurer as the consideration for the insurance. In exchange for a premium, the insurer provides the insured with the specified insurance coverage for the specified period of time.
- (b) For purposes of the surcharge provided for in Section 83-34-11 of the Mississippi Code, premium means all property and casualty insurance premiums for insurance for property and activities in this state. Premium includes premiums for policies issued by or for the **Association** and by or for the Mississippi Residential Property Insurance Underwriting Association. Premiums shall not include premiums for workers compensation coverage, premiums for medical malpractice liability coverage including medical malpractice liability coverage issued by companies created under Section 83-47-1 *et seq.* of the Mississippi Code, and any other premiums for coverage by insurance pools or plans administered by or through the State of Mississippi.

3.23 “Real property” means those structures erected upon land.

3.24 “Statewide property premiums” means those premiums that were charged for insurance for any and all risks on **real property** and **contents** in the state. In calculating statewide property premiums, the Association counts the following lines of business from Page 20 (formerly Page 14) of the statutorily-required reporting:

- (a) Fire.
- (b) Allied Lines.
- (c) Farmowners multiple peril (75% of the premium is considered for statewide property premiums purposes). Statewide property premiums does not include premiums for insuring **farm property** provided that **farm property** premiums are reported timely to the **Association**. The Association will apply any necessary credit for **farm property**.
- (d) Homeowners multiple peril (75% of the premium is considered for statewide property premiums purposes).
- (e) Commercial multiple peril (non-liability portion).

- (f) Inland marine. The **Association** will allow credit for statewide inland marine premiums that are not real property and/or **contents**. Inland marine that is **real property** and/or **contents** includes, but is not limited to, builder's risk, certain types of property floaters, and specialty real estate risks. To receive credit, the exempt inland marine premiums must be reported to the Association in accordance with Section 5.04-B.
- (g) Earthquake.
- (h) Creditor-placed insurance on real property and/or contents.

The lines of **real property** and **contents** insurance included in **statewide property premiums** may be changed from time to time.

3.25 "Voluntary writings" means those premiums collected by an **assessable insurer** that include the peril of wind and hail for properties located in the **Coast Area** that meet the definition of **statewide property premiums**.

SECTION 4.00 POWERS OF THE ASSOCIATION

4.01 Pursuant to the provisions of HB 1500, the **Association** has the following powers:

- (a) To issue policies of **essential property insurance** on **insurable property** to applicants;
- (b) At its option, and with consent of the **Commissioner**, to issue policies of related **essential property insurance** on **insurable property** to applicants;
- (c) To purchase reinsurance for all or part of the risks of the **Association**;
- (d) To levy and collect regular assessments from **assessable insurers**;
- (e) Subject to the approval of the **Commissioner**, to issue bonds or incur other forms of indebtedness, including, but not limited to, loans, lines of credit, or letters of credit;
- (f) To establish underwriting criteria consistent with the provisions of this chapter and as approved by the **Commissioner**;
- (g) To invest and reinvest income and assets subject to the oversight of the **Commissioner**;
- (h) To incorporate;

- (i) To request data from **assessable insurers, non-admitted insurers, and licensed producers placing insurance through non-admitted insurers** as the Association deems necessary to carry out the provisions and intent of HB 1500 and Section 83-34-1 *et seq.* of the Mississippi Code;
- (j) To contract with servicing entities and provide reimbursement for all costs and expenses incurred by such servicing entities;
- (k) To publish whatever information the **Association** deems necessary or helpful to encourage **voluntary writings** in the **Coast Area**; and
- (j) All other powers necessary to carry out the provisions and intent of HB 1500.

SECTION 5.00 DUTIES OF THE ASSOCIATION

5.01 Plan of Operation

The **Association** shall maintain a Plan of Operation. The **Plan** shall provide for the efficient, economical, fair, and nondiscriminatory administration of the **Association**. This **Plan** shall continue in force and effect until such time as modified, suspended, or repealed by action of the Board as approved by the **Commissioner**.

5.02 Reports to the Legislature and the Commissioner

5.02-A The **Association** shall prepare and file detailed reports with the Clerk of the House of Representatives, Secretary of the Senate, **Commissioner**, Attorney General, and Executive Director of the Mississippi Development Authority regarding the receipt and expenditure of monies from the General Fund of the State of Mississippi as provided by HB 1500.

5.02-B The **Association** shall furnish to the **Commissioner** a written report of operation for the preceding fiscal year ending December 31st annually on or before March 1st in such form and detail as the **Commissioner** may determine.

5.02-C The **Association** shall report quarterly to the **Commissioner** providing all financial information for each regular assessment surcharge, including:

- (a) The original amount of the regular assessment and the amount remaining not reimbursed to **assessable insurers**;
- (b) Total surcharge funds recovered to date; and
- (c) Any information requested by the **Commissioner**.

5.02-D The **Association** shall report quarterly to the **Commissioner** providing all financial information for each excess hurricane loss or other surcharge authorized by Section 22 of HB 1500,

including:

- (a) The original and current outstanding indebtedness of all bonds and loans;
- (b) Total surcharge funds recovered to date; and
- (c) Any additional information requested by the **Commissioner**.

5.02-E The **Commissioner** may request, and the **Association** shall provide, on an immediate basis to the **Commissioner** any financial information or other information concerning any surcharge.

5.03 Examinations and Audits

5.03-A The **Association** and the **Commissioner** are both specifically given the power to audit licensed insurers and **licensed producers placing insurance through non-admitted insurers** to confirm the accuracy of remittances of surcharges at the expense of the licensed insurers and licensed producers

- (a) The **Association** may make an examination of the data and payments of **assessable insurers** or other licensed insurers or **licensed producers placing insurance through non-admitted insurers** as it deems prudent. The expenses of such examination shall be borne and paid by the examined party or entity. Any person noticed for such examination may appeal the examination or the cost thereof, or both, to the **Commissioner**.
- (b) The **Commissioner** will make an examination of the data and payments of **assessable insurers** as part of the **Commissioner's** examinations of those **assessable insurers**.

5.04 Reporting of Data

5.04-A The **Association** and the **Commissioner** individually and collectively have the authority to require the **assessable insurers** or other licensed insurers or **licensed producers placing insurance through non-admitted insurers** to provide specific requested data. The **Association** has the express authority to make a subsequent request for the same data and to require additional information regarding the requested data.

5.04-B Deadlines related to the Association's request for statewide property premiums on the form entitled "Insurer's Report to Mississippi Windstorm Underwriting Association" shall be as follows:

- (a) The Association will send the blank "Insurer's Report to Mississippi Windstorm Underwriting Association" to each assessable insurer by January 15th.

- (b) Each assessable insurer must return the completed "Insurer's Report to Mississippi Windstorm Underwriting Association" by March 1st.
- (c) The Association will send each assessable insurer its percentage of participation by May 1st.
- (d) Any assessable insurer wishing to challenge the calculation of its percentage of participation must do so by June 1st.

5.04-C To be excluded from statewide property premiums, **farm property** must be reported quarterly. For any year, reports for **farm property** must be received by May 1st, August 1st, November 1st, and February 1st.

5.04-D To be considered for assessment purposes, **voluntary writings** must be reported quarterly. For any year, reports for **voluntary writings** must be received by May 1st, August 1st, November 1st, and February 1st.

5.04-E Deadlines related to a request for data made by the **Association** as contemplated by 5.04-A that do not fall within 5.04-B, 5.04-C, or 5.04-D:

- (a) The target **assessable insurers** or other licensed insurers or **licensed producers placing insurance through non-admitted insurers** have thirty (30) days from the date of the request document to provide the required response.
- (b) After the requested data has been provided, the **Association** has sixty (60) days to provide the calculations made, if any, as a result of the requested data.
- (c) After the **Association** has provided the calculations made, if any, as a result of the requested data, the target **assessable insurers** or other licensed insurers or **licensed producers placing insurance through non-admitted insurers** have thirty (30) days to challenge the calculations. If no challenge is made, the calculations are accepted as final. The thirty (30) days provided to challenge the **Association's** calculations is counted from the date of the **Association's** letter that provides the calculations.

5.04-F The **Association** has the authority to levy penalties against **assessable insurers** or other licensed insurers or **licensed producers placing insurance through non-admitted insurers** for untimely reporting and materially inaccurate reporting.

- (a) If the deadlines in 5.04-C and 5.04-D are not met, such reporting is deemed untimely and will not be accepted.
- (b) If the deadlines in 5.04-B and 5.04-E are not met, such reporting is deemed untimely. If a reporting party fails to report in a timely manner, the penalty for untimely reporting is a proportional forfeiture of that insurer's reimbursement for

regular assessments made in the 12 months following the reporting deadline. The forfeiture schedule is as follows:

- (1) Reports that are received up to and including five (5) calendar days after the reporting deadline result in a 10% reduction of the late reporting insurer's reimbursement.
- (2) Reports that are received after five (5) calendar days and up to and including ten (10) calendar days after the reporting deadline result in a 20% reduction of the late reporting insurer's reimbursement.
- (3) Reports that are received after ten (10) calendar days and up to and including fifteen (15) days a calendar fter the reporting deadline result in a 30% reduction of the late reporting insurer's reimbursement.
- (4) Reports that are received after fifteen (15) calendar days and up to and including twenty (20) calendar days after the reporting deadline result in a 40% reduction of the late reporting insurer's reimbursement.
- (5) Reports that are received after twenty (20) calendar days and up to and including thirty (30) calendar days after the reporting deadline result in a 50% reduction of the late reporting insurer's reimbursement.

In no event will a report be accepted more than thirty (30) calendar days from the due date identified in the requesting document.

- (c) If the information provided to the **Association** is materially inaccurate and the reporting party does not challenge the calculations as provided for in Sections 5.04-B(d) and 5.01-E(c), the reporting party has the option of either (a) electing to make no changes to its materially inaccurate report or (b) submitting changes and forfeiting 100% of its reimbursement for regular assessments made in the 12 months following the reporting deadline. The imposition of this penalty does not waive any rights of the **Association**, the **Commissioner**, or any other individual or entity to proceed against an entity that provides materially inaccurate data. In no event will a change to a materially inaccurate report be accepted more than thirty (30) days after the deadline for the challenge to calculations provided for in Sections 5.04-B(d) and 5.01-E(c) expires. The Board has the right upon a review instituted by the reporting party to waive any penalty under this section.
- (d) Reimbursements for regular assessments that are forfeited become assets of the **Association**.

SECTION 6.00 ADMINISTRATION

6.01 Board of Directors

The **Association** shall be administered by a Board of Directors ("Board"). The Board has the power to act and make binding decisions on behalf of the **Association** on all issues. There shall be no compensation for serving as a Director, but reasonable expenses shall be reimbursed by the **Association**.

6.02 Board Membership

The Board shall consist of eleven members as follows:

- (a) Three licensed producers with no less than ten years' experience in the property and casualty industry, two of whom are residents in the **Coast Area**, and one of whom is not a resident of the **Coast Area**; one such **Coast Area** licensed producer to be appointed by the Governor, one such **Coast Area** licensed producer to be appointed by the Lieutenant Governor, and the non-**Coast Area** licensed producer to be appointed by the **Commissioner**;
- (b) Five of the **assessable insurer** companies, three to be appointed by the **Commissioner**, one to be appointed by the Governor, and one to be appointed by the Lieutenant Governor. As soon as practicable after appointment to membership on the Board, and thereafter from time to time as it may elect, each **assessable insurer** appointed to the Board shall designate a representative knowledgeable in the matters of the **Association** and authorize such representative to act and vote on its behalf. The appointed **assessable insurer** shall immediately notify in writing the Manager of the **Association** and the **Commissioner** of the designation. In the event that its regularly designated representative can not be present, any **assessable insurer** on the Board may send an alternate representative to serve as its representative on the Board, or it may vote by proxy;
- (c) Two business leaders who have been residents of the **Coast Area** for no less than ten years and who have no less than ten years' experience in management of a business, one to be appointed by the Governor, and one to be appointed by the Lieutenant Governor; and
- (d) The State Treasurer.

6.03 Terms

Except for the State Treasurer, the board members shall serve three-year staggered terms with each term beginning on January 1. The initial terms shall be as provided in HB 1500.

6.04 Officers

The Board shall elect a Chairperson, Vice-Chairperson, Treasurer and Secretary. The elections for officers shall be held at the last board meeting of each calendar year. Officers shall be elected for a one calendar year term with the following exception: the officers elected in the first year after the reconstitution of the **Association** by HB 1500 shall serve until December 31, 2008.

6.05 Chairperson

The Chairperson shall preside over all meetings of the Board. The Chairperson shall discharge such

other duties as may be incidental to his office or as shall be required of him by this **Plan** or by the Board.

6.06 Vice-Chairperson

The Vice-Chairperson shall preside at any meeting of the Board in the absence of the Chairperson. In the event of death or incapacity or disability of the Chairperson, the Vice-Chairperson shall perform duties of the Chairperson until such office has been filled by the Board. The Vice-Chairperson shall discharge such other duties as may be incidental to his office or as shall be required of him by this **Plan** or by the Board.

6.07 Secretary

The Secretary shall preside at any meeting of the Board in the absence of the Chairperson and Vice-Chairperson. The Secretary shall oversee the Manager in the issuance of all notices of meetings, recording of minutes of all meetings, and keeping the records of the Board and discharge such other duties as may be incidental to his office or as shall be required of him by this **Plan** or by the Board.

6.08 Treasurer

The Treasurer shall preside at any meeting of the Board in the absence of the Chairperson, Vice-Chairperson, and Secretary. The Treasurer shall chair the audit committee and serve on the financial committee and discharge such other duties as may be incidental to his office or as shall be required of him by this **Plan** or by the Board.

6.09 Manager

The Board shall select a Manager who shall be responsible for the day-to-day operation of the **Association**. The Manager shall discharge such duties as may be incidental to his office or as shall be required of him by this **Plan** or by the Board. The Manager shall be compensated by the **Association** directly, or in the event that the Manager is affiliated with a service entity engaged by the **Association** to handle its affairs, the Manager may be compensated by such entity. The Manager may appoint an Assistant Manager who may act in his place. The Manager shall serve at the pleasure of the Board and until such time as the Manager resigns or is replaced by the Board. The **Association** shall maintain a contract with the Manager, or if appropriate, with the servicing entity with whom the Manager is affiliated.

6.10 Meetings

The Board shall meet as often as may be required to perform the general duties of the administration of this **Plan**. Directors can participate and vote in person, by telephone, or by other electronic media suitable to the Board. Minutes shall be kept of the meetings of the Board.

6.11 Called Meetings

6.11-A Meetings of the Board will be held upon the call of the Chairperson or, in the event of his resignation, death, or incapacity, upon the call of the Vice-Chairperson.

6.11-B Any seven Board members may request the Chairperson to call a meeting of the Board at such time and place and for such purposes as may be set out in writing in such request. Should the Chairperson decline to call such meeting, the same may be called by the seven Board members making the request. Meetings of the Board may be held at the principal office of the **Association** or at such other place as may be designated in the call.

6.11-C The Board will meet on the call of the **Commissioner**.

6.12 Notices of Meetings

Notice of all Board meetings shall be given to the members of the Board, and shall state the time, place, and principal purposes for the meeting. Such notices shall be given at least ten days in advance of the meeting via mail, facsimile, or electronic means. Any Board member may waive notice of any meeting, and the presence of a Board member at any meeting shall constitute a waiver of notice.

6.13 Advance Agenda

The Secretary, after consultation with the Chairperson, shall have the Manager prepare in advance of each meeting of the Board an agenda which, with such supporting data and information as may be conveniently assembled, shall be forwarded to the members of the Board in advance of any such meeting.

6.14 Quorum

Seven members of the Board shall constitute a quorum.

6.15 Majority Vote

A proposal shall become effective when approved by the majority of the votes cast at a meeting of the Board.

6.16 Voting

Voting shall be open and not secret. Voting may be by a written proxy that has been dated and executed within two weeks prior to or during the meeting. Proxies may also be provided via e-mail provided the absent board member copies the Manager and Chairperson on the assignment of proxy. Proxies may only be given to and voted by another board member. Proxies may be limited to specific issues stated in the proxy or may grant the power to vote on all issues that come before the meeting. Original proxies shall be inspected and qualified by the Manager and filed with the

minutes.

6.17 Committees

6.17-A The Chairperson of the Board may appoint, or the Board may elect, such standing committees or such temporary or special committees as may be deemed necessary for the transaction of its business. The Chairperson and Vice-Chairperson of the Board shall be ex-officio members of all standing or special committees with the right to vote.

6.17-B The Board's Standing Committees are:

- (a) Audit Committee;
- (b) Business Processing Committee;
- (c) Finance Committee;
- (d) Nominating Committee;
- (e) Personnel Committee;
- (f) Reinsurance Committee; and
- (g) Underwriting and Claims Committee.

6.18 Servicing Entities

The **Association** may engage one or more servicing entities to carry out any and all functions of the **Association**.

SECTION 7.00 ASSESSABLE INSURERS - REGULAR ASSESSMENTS

7.01 Prior to the passage of HB 1500 on March 22, 2007, the **Association** was a partnership that consisted of every insurance company authorized to and actually selling property insurance in Mississippi. These member companies shared in the costs of the **Association** on a percentage basis equal to the company's annual percentage of the property market. The **Association** no longer has member companies; instead, the former members are now **assessable insurers**. Every insurer authorized to write and engaged in writing property insurance on a direct admitted basis in the State of Mississippi is an **assessable insurer**.

7.02 Any licensed insurer first authorized to write insurance after March 22, 2007 shall become an **assessable insurer** on the first day of January immediately following such authorization. The determination of such insurer's **percentage of participation** in regular assessments shall be made based upon writings in the prior year in the same manner as for all other **assessable insurers** of the **Association**.

7.03 Assessable insurers are subject to regular assessments based upon their **percentage of participation**. These assessments can arise when a storm produces losses in excess of funds readily available to the Association or when the **Association** determines it will have a claim deficit or any other deficit. The **Commissioner** must consent prior to the **Association** levying any assessments.

7.04 In any year, without regard to the number of events that require regular assessments, the annual total of regular assessments shall not exceed the greater of ten percent (10%) of the deficit or ten percent (10%) of the aggregate **statewide property premiums** for property insurance for the prior calendar year of all **assessable insurers**.

Example #1: if the aggregate **statewide property premiums** for property insurance for the calendar year preceding the assessment is \$1,000 and the losses in excess of funds readily available to the Association is \$900, the total of the assessments CANNOT exceed \$100 (which is 10% of \$1,000). If Company A's percentage of participation is 1%, Company A's assessment shall not exceed \$1.

Example #2: if the aggregate **statewide property premiums** for property insurance for the calendar year preceding the assessment is \$1,000 and the losses in excess of funds readily available to the Association is \$2,000, the total of the assessments CANNOT exceed \$200 (which is 10% of \$2,000). If Company A's percentage of participation is 1%, Company A's assessment shall not exceed \$2.

7.05 If multiple regular assessments are required for a single event or deficit, the total of the regular assessments for that single event or deficit is limited to the greater of ten percent (10%) of the deficit or ten percent (10%) of the aggregate **statewide property premiums** for property insurance for the calendar year prior to the event or deficit causing the multiple regular assessments.

7.06 Regular assessments shall be paid by **assessable insurers** within sixty days of receipt of the notice of the assessments.

7.07 The **Association** may allow **affiliated insurers** to combine their annual **net direct premiums** and other data, including data that supports any incentives that may be allowed by the **Association**, to the extent that such grouping promotes **voluntary writings**. All such grouping must be made part of the reporting of data as contemplated in Section 5.04 of this **Plan**. When grouping is permitted, the decision to report as a group is the insurer's decision. Each insurer must report its individual data to the **Association** on forms prescribed by the **Association**. **Affiliated insurers** that wish to combine their **voluntary writings** must indicate on their individual reports the desire to be treated as a group. **Affiliated insurers** must identify on their individual reports the **affiliated insurers** with which they wish to combine.

7.08 The assessment of an **assessable insurer** may, after hearing, be ordered deferred in whole or in part upon application by the insurer to the **Commissioner**, as provided for in HB 1500.

SECTION 8.00 NON-ASSESSABLE INSURERS – POLICY FEE AND SURCHARGE

8.01 Non-admitted insurers shall not be **assessable insurers** of the **Association**. All **licensed producers placing insurance through non-admitted insurers** shall collect from the insured and remit to the **Association** a non-admitted policy fee for all insurance written by such **licensed producers for policies from a non-admitted insurer** for any and all risks on **real property** and/or **contents** in the State of Mississippi. This includes creditor-placed insurance on real property and/or contents. This fee applies to all **premiums** collected after January 1, 2008 for new or renewal policies effective on or after January 1, 2008.

8.02 The non-admitted policy fee shall be a percentage of the total policy **premium** but the non-admitted policy fee shall not be considered **premium** and is not subject to premium taxes or commissions. Failure to pay the non-admitted policy fee will be treated the same as failure to pay **premium**. The “total policy premium” from which the non-admitted policy fee is calculated includes taxes and commissions.

8.03 The non-admitted policy fee percentage shall be set by the **Commissioner**. The percentage may be changed from time to time at the discretion of the **Commissioner** but in no event shall the non-admitted policy fee percentage be less than five percent (5%).

8.04 The non-admitted policy fee percentage is applied to all premiums for any and all risks on **real property** and **contents** in the State of Mississippi. In those instances when the policy provides coverage for **real property** and **contents** as well as coverage for items other than **real property** and **contents** and the total charged premium is indivisible, the non-admitted policy fee percentage is applied to 75% of the total premium.

8.05 By procuring or selling insurance on property in this state from a **non-admitted insurer**, each **licensed producer placing insurance through a non-admitted insurer** agrees to be bound by the requirements of HB 1500, Section 83-34-4 of the Mississippi Code, and this **Plan** to collect and remit the non-admitted policy fee.

8.06 Within twenty (20) days of the end of the quarter, **licensed producers placing insurance through non-admitted insurers** shall remit directly to the **Association** all non-admitted policy fees collected in the preceding quarter. In addition to the non-admitted policy fee, **licensed producers placing insurance through non-admitted insurers** shall collect and remit surcharges as may be required and as provided for in Section 9 of this **Plan**.

8.07 Licensed producers placing insurance through non-admitted insurers may designate another licensed producer that actually procured the insurance from the **non-admitted insurer** to collect and remit the non-admitted policy fees subject to the procedures and requirements provided for premium taxes in Section 83-21-25 of the Mississippi Code.

SECTION 9.00 SURCHARGES FOR REGULAR ASSESSMENTS

9.01 As soon as possible after the levy of any regular assessment, the **Association** shall request that the **Commissioner** implement a surcharge on all property and casualty insurance **premiums** for insurance for property and activities in this state designed to recover to the **Association** within one year the amount of such regular assessment for reimbursement to **assessable insurers** who paid the regular assessment.

9.02 The surcharge shall be a percentage of the total policy premium, but the surcharge shall not be considered **premium** and is not subject to premium taxes or commissions. "Total policy premium" includes taxes and commissions.

9.03 The **Association** shall request that the **Commissioner** order that such a surcharge be specifically identified on either the **premium** statements, the policy declarations pages, or other appropriate policy forms as relating to the specific **Association** regular assessment for which it was implemented.

9.04 If at any time the surcharge to repay regular assessments shall be insufficient, the **Association** shall advise the **Commissioner** and request that the **Commissioner** increase the surcharge as necessary and appropriate. However, in no event may the aggregate total of all regular assessments in a year exceed the greater of ten percent (10%) of the deficit or ten percent (10%) of the aggregate **statewide property premiums** for the prior calendar year of all **assessable insurers**.

9.05 The **Association** shall advise the **Commissioner** of the amounts collected from a regular assessment surcharge and when the **Association** estimates that sufficient funds will have been collected to repay the regular surcharge to the assessed insurers such that the surcharge can be removed. The **Association** shall assist the **Commissioner** in applying surcharges on a one-year basis in order to promote consistency, nondiscrimination, and fairness among policyholders purchasing or renewing insurance during that year.

9.06 Any collections of surcharges in excess of the amounts needed shall be assets of the **Association** for investment and other uses.

9.07 For each surcharge ordered by the **Commissioner**, the **Association** will advise each licensed insurer issuing insurance for property and casualty risks in the state and each **licensed producer placing insurance through non-admitted insurers** of their obligations to collect and remit surcharges. The **Association** will supply the forms to accompany remittances that will provide specific information for the surcharge payments.

9.08 Each licensed insurer issuing insurance for property and casualty risks in the state and each **licensed producer placing insurance through non-admitted insurers** shall collect the regular assessment surcharges established by the **Commissioner** under the authority of HB 1500. Funds collected by such insurers and licensed producers as regular assessment surcharges shall be collected and held in trust and shall be fully remitted to the **Association** on a quarterly basis.

9.09 Insurers and licensed producers shall remit such funds to the **Association** within twenty days (20) after the end of each quarter. At such time, the insurers and licensed producers shall further remit to the **Association** all interest earned on the surcharge funds. However, **assessable insurers** of the **Association** who have paid to the **Association** the regular assessment that is the basis of the surcharge shall not be required to remit interest earned on collected surcharges from the lines of business on which their regular assessment was based.

9.10 The **Association** shall reimburse **assessable insurers** for regular assessments from the funds collected as regular assessment surcharges. Reimbursements shall be made to **assessable insurers** in the same percentages as the regular assessments were paid by **assessable insurers**. The **Association** will endeavor to make reimbursements from the surcharge funds collected within sixty days (60) of the end of each quarter. Any funds collected by the **Association** in excess of the amount necessary to reimburse **assessable insurers** for regular assessments shall be general funds of the **Association**.

9.11 Regular Assessment Reimbursements Refunded to Association

9.11-A The reimbursement to **assessable insurers** for regular assessments must be refunded to the **Association** by any insurer that voluntarily reduces its property writings in the state by more than ten percent (10%) in the five-year period beginning January 1 of the year following the regular assessment, unless such insurer is granted an exception by the **Commissioner** after public hearing on the request for exception. At its discretion, the Board may make a recommendation to the **Commissioner**. This reduction in property writings will be measured by each insurer's net direct premiums as defined in this **Plan**.

9.11-B Prior to the **Association** paying any reimbursement as described in Section 9.10 of this **Plan**, **assessable insurers** must execute an agreement provided by the **Association** agreeing to refund to the **Association** any reimbursements for regular assessments if the insurer reduces its property writings in the state by more than ten percent in the five-year period beginning January 1 of the year following the regular assessment, unless such insurer is granted an exception by the **Commissioner** after public hearing on the request for exception. This reduction in property writings will be measured by each insurer's net direct premiums as defined in this **Plan**.

SECTION 10.00 NON ASSESSMENT FINANCING - BONDS - LOANS

10.01 The Board of Directors, subject to the approval of the **Commissioner**, shall have the power and authority to issue bonds, and the power and authority to enter into loans, letters of credit, lines of credit, and other forms of indebtedness, as needed for operations, the purchase of reinsurance, claim **losses**, and incurred but not reported claims.

10.02 When the **Association** knows or has reason to believe that

- (a) it has or will incur **losses** from a hurricane that exceed reinsurance and other reasonably available assets of the **Association**, such that one or more bond issues

or other financing, or both, will be necessary to pay claims **losses** and other related expenses or

- (b) the **Association** has a deficit that cannot be reasonably resolved by income available to the **Association**,

then the **Association** shall immediately give notice to the **Commissioner** and request that the **Commissioner** implement an excess hurricane loss surcharge on all property and casualty insurance **premiums** for insurance for property and operations in this state designed to recover to the **Association** the amount of all such bonds and other indebtedness resulting from the hurricane or other deficit. Reasonably available assets of the **Association** include regular assessments, as described in Section 7 of the **Plan**.

10.03 When the **Association** knows or has reason to believe that surcharges authorized by HB 1500 and the **Plan** and previously established by the **Commissioner** will be insufficient to timely pay or redeem bonds or indebtedness, the **Association** shall immediately give notice to the **Commissioner** and request that the **Commissioner** alter such surcharge as necessary to timely pay or redeem bonds or pay other indebtedness.

10.04 The **Commissioner** has the duty and power to adjust the percentage of any surcharge previously established as the **Commissioner** finds appropriate taking into consideration any relevant factors, including, but not limited to, consolidation or replacement of bonds, any additional indebtedness resulting from a hurricane, the rate of recovery, anticipated length of total recovery, and the impact of other hurricanes. The **Commissioner** shall not reduce the amount of assessments implemented and designated to pay or redeem bonds or other indebtedness below the amount necessary to timely pay or redeem such bonds or other indebtedness.

SECTION 11.00 VOLUNTARY WRITINGS

11.01 The following procedures are designed to motivate **assessable insurers** to write **essential property insurance** in the **Coast Area**. These procedures apply to participation of **assessable insurers** in **losses** of the **Association** after January 1, 2009, which is measured by the business written by **assessable insurers** in the previous year. By way of example, an **assessable insurer's** participation in a loss during 2009 will be measured by the business written by that insurer during 2008.

11.02 Each year, the **Association** shall request each **assessable insurer** to report its **voluntary writings** to the **Association** on forms provided by the **Association**. This form is the "Assessable Insurer Voluntary Writings Report Form," which will be provided by the Association.

11.03 Each assessable insurer must report individually on separate Assessable Insurer Voluntary Writings Report Forms. **Affiliated insurers** have the option to combine their **voluntary writings**. **Affiliated insurers** that wish to combine their **voluntary writings** must indicate on their individual Assessable Insurer Voluntary Writings Report Forms the desire to combine **voluntary writings**. **Affiliated insurers** must identify on their individual Assessable Insurer

Voluntary Writings Report Forms the **affiliated insurers** with which they wish to combine.

11.04 The deadlines established in Section 5.04 of this **Plan** apply to the Assessable Insurer Voluntary Writings Report Form. Any **assessable insurer** that does not comply with these deadlines shall be considered to not have any **voluntary writings**.

11.05 The **Association** shall compare the **voluntary writings** of each insurer, or affiliated group of insurers, to the insurer's total **statewide property premiums** written for the same calendar year. To obtain an insurer's percentage for use in Section 11.06 of this **Plan**, the insurer's **voluntary writings** shall be divided by their **statewide property premiums** to determine a percentage.

11.06 Assessable insurers that fail to voluntarily write property business in the **Coast Area** at a sufficient level will forfeit a portion of their reimbursement for regular assessments. This forfeiture does not apply to reimbursements for regular assessments in 2008 as such reimbursements are based on voluntary property writings in 2007. The forfeiture penalty will begin with reimbursements for regular assessments in 2009 as such reimbursements are based on **voluntary writings** in 2008. The forfeiture schedule for regular assessments in 2009 based on **voluntary writings** in 2008 is as follows:

- (a) **Assessable insurers with voluntary writings** that amount to 5% or more of their total **statewide property premiums** will receive their entire reimbursement without penalty.
- (b) **Assessable insurers with voluntary writings** that amount to less than 5% but equal to or greater than 4% of their total **statewide property premiums** will forfeit ten percent (10%) of their reimbursement for regular assessments.
- (c) **Assessable insurers with voluntary writings** that amount to less than 4% but equal to or greater than 3% of their total **statewide property premiums** will forfeit twenty percent (20%) of their reimbursement for regular assessments.
- (d) **Assessable insurers with voluntary writings** that amount to less than 3% but equal to or greater than 2% of their total **statewide property premiums** will forfeit thirty percent (30%) of their reimbursement for regular assessments.
- (e) **Assessable insurers with voluntary writings** that amount to less than 2% but equal to or greater than 1% of their total **statewide property premiums** will forfeit forty percent (40%) of their reimbursement for regular assessments.
- (f) **Assessable insurers with voluntary writings** that amount to less than 1% of their total **statewide property premiums** will forfeit fifty percent (50%) of their reimbursement for regular assessments.
- (g) **Assessable insurers with no voluntary writings** will forfeit one hundred percent

(100%) of their reimbursement for regular assessments.

11.06-B The forfeiture schedule for regular assessments in 2010 based on **voluntary writings** in 2009 is as follows:

- (a) **Assessable insurers** with **voluntary writings** that amount to 7.5% or more of their total **statewide property premiums** will receive their entire reimbursement without penalty.
- (b) **Assessable insurers** with **voluntary writings** that amount to less than 7.5% but equal to or greater than 6% of their total **statewide property premiums** will forfeit seven and one half percent (7.5%) of their reimbursement for regular assessments.
- (c) **Assessable insurers** with **voluntary writings** that amount to less than 6% but equal to or greater than 5% of their total **statewide property premiums** will forfeit fifteen percent (15%) of their reimbursement for regular assessments.
- (d) **Assessable insurers** with **voluntary writings** that amount to less than 5% but equal to or greater than 4% of their total **statewide property premiums** will forfeit twenty percent (20%) of their reimbursement for regular assessments.
- (e) **Assessable insurers** with **voluntary writings** that amount to less than 4% but equal to or greater than 3% of their total **statewide property premiums** will forfeit twenty-five percent (25%) of their reimbursement for regular assessments.
- (f) **Assessable insurers** with **voluntary writings** that amount to less than 3% but equal to or greater than 2% of their total **statewide property premiums** will forfeit thirty percent (30%) of their reimbursement for regular assessments.
- (g) **Assessable insurers** with **voluntary writings** that amount to less than 2% but equal to or greater than 1% of their total **statewide property premiums** will forfeit forty percent (40%) of their reimbursement for regular assessments.
- (h) **Assessable insurers** with **voluntary writings** that amount to less than 1% of their total **statewide property premiums** will forfeit fifty percent (50%) of their reimbursement for regular assessments.
- (i) **Assessable insurers** with no **voluntary writings** will forfeit one hundred percent (100%) of their reimbursement for regular assessments.

11.06-C The forfeiture schedule for regular assessments in 2011 and beyond based on **voluntary writings** in 2010 and beyond is as follows:

- (a) **Assessable insurers** with **voluntary writings** that amount to 10% or more of their total **statewide property premiums** will receive their entire reimbursement

without penalty.

- (b) **Assessable insurers with voluntary writings** that amount to less than 10% but equal to or greater than 9% of their total **statewide property premiums** will forfeit five percent (5%) of their reimbursement for regular assessments.
- (c) **Assessable insurers with voluntary writings** that amount to less than 9% but equal to or greater than 8% of their total **statewide property premiums** will forfeit ten percent (10%) of their reimbursement for regular assessments.
- (d) **Assessable insurers with voluntary writings** that amount to less than 8% but equal to or greater than 7% of their total **statewide property premiums** will forfeit fifteen percent (15%) of their reimbursement for regular assessments.
- (e) **Assessable insurers with voluntary writings** that amount to less than 7% but equal to or greater than 6% of their total **statewide property premiums** will forfeit twenty percent (20%) of their reimbursement for regular assessments.
- (f) **Assessable insurers with voluntary writings** that amount to less than 6% but equal to or greater than 5% of their total **statewide property premiums** will forfeit twenty-five percent (25%) of their reimbursement for regular assessments.
- (g) **Assessable insurers with voluntary writings** that amount to less than 5% but equal to or greater than 4% of their total **statewide property premiums** will forfeit thirty percent (30%) of their reimbursement for regular assessments.
- (h) **Assessable insurers with voluntary writings** that amount to less than 4% but equal to or greater than 3% of their total **statewide property premiums** will forfeit thirty-five percent (35%) of their reimbursement for regular assessments.
- (i) **Assessable insurers with voluntary writings** that amount to less than 3% but equal to or greater than 2% of their total **statewide property premiums** will forfeit forty percent (40%) of their reimbursement for regular assessments.
- (j) **Assessable insurers with voluntary writings** that amount to less than 2% but equal to or greater than 1% of their total **statewide property premiums** will forfeit forty-five percent (45%) of their reimbursement for regular assessments.
- (k) **Assessable insurers with voluntary writings** that amount to less than 1% of their total **statewide property premiums** will forfeit fifty percent (50%) of their reimbursement for regular assessments.
- (l) **Assessable insurers with no voluntary writings** will forfeit one hundred percent (100%) of their reimbursement for regular assessments.

11.07 Reimbursements for regular assessments that are forfeited become assets of the **Association**.

11.08 The **Association** will distribute the forfeited reimbursements for regular assessments to those **assessable insurers** with **voluntary writings** that amount to 5% in 2008, 7.5% in 2009, and 10% or more in 2010 and beyond of their total **statewide property premiums**. The distribution of the forfeited reimbursements will be made on a pro rata basis following the eligible insurers' percentage of **voluntary writings**.

11.09 At the first meeting of the Board after June 1 of each year, the Manager shall provide the Board with a report of the **voluntary writings** in the previous year and the Board shall consider the need to amend this section of the **Plan**.

11.10 Participation by **assessable insurers** in **losses** of the **Association** that are incurred prior to January 1, 2009 is determined without regard to **voluntary writings**.

SECTION 12.00 APPEALS BY ASSESSABLE INSURERS AND OTHERS

12.01 Any **assessable insurer**, other licensed insurer, or **licensed producer placing insurance through a non-admitted insurer**, who may be aggrieved by an act, order, ruling, or decision of the **Association** may, within thirty days after such ruling, appeal to the **Commissioner**. Any hearings held by the **Commissioner** pursuant to such an appeal shall be in accordance with the procedure set forth in the insurance laws of Mississippi. The **Commissioner** is authorized to appoint a member of his staff for the purpose of hearing such appeals, and a ruling based upon such hearing shall have the same effect as if heard by the **Commissioner**.

12.02 All **assessable insurers**, other licensed insurers, or **licensed producers placing insurance through a non-admitted insurer**, aggrieved by any order or decision of the **Commissioner** may appeal to the Chancery Court of the First Judicial District of Hinds County, Mississippi, consistent with the insurance laws of the State of Mississippi.

SECTION 13.00 INDEMNITY

13.01 The **Association** shall indemnify each Board member, each member of a committee or any subcommittee, each officer, each employee, and each person acting at the direction or for the benefit of the **Association**, and the estate, executor, administrator, heirs, legatees, and devisees of any such person against all judgments, including interest, fines, amounts paid or agreed upon, settlement, reasonable costs and expenses including attorneys fees, and any other liability that may be incurred as a result of any claim, action, suit, or proceeding, whether civil, criminal, administrative, or other, prosecuted or threatened to be prosecuted, for or on account of any act performed or omitted or obligation entered into, or done or omitted in good faith without intent to defraud and within what he or she reasonably believed to be the scope of his employment or authority and for a purpose which he or she reasonably believed to be in the best interest of and in connection with the administration, management, conduct, or affairs of the **Association**, and with respect to any criminal actions or proceedings, in addition, had no reasonable cause to believe that

his or its conduct was unlawful. Provided, however, that if any such claim, action, suit, or proceeding is compromised or settled, it must be done so with the prior and express approval of the Board.

13.02 The right of indemnification hereunder shall not be exclusive of other rights such person or insurer may have as a matter of law or otherwise.

13.03 In each instance in which a question of indemnification hereunder arises, determination in the first instance of the right to indemnification hereunder, and of the time, manner and amount of payment thereof, shall be made by majority vote of the members of the Board not charged with the same or similar conduct. If all members of the Board have been charged with the same or similar conduct, any questions of indemnification shall be determined by the court in which such actions may proceed.

13.04 The indemnification provided for in this section shall be deemed to be an expense of the **Association**.

PART II - PROCEDURES AND UNDERWRITING RULES

SECTION 14.00 COMMISSION

14.01 The commission due to the licensed producer or broker designated by the applicant shall be no more than 15% for new business and no more than 10% for renewal.

SECTION 15.00 DEDUCTIBLES

15.01 The **Association** shall offer a two percent (2%) deductible for a loss from a named storm and shall also offer options for other deductibles for a loss from a named storm with appropriate rate reductions that shall include at least a twenty percent (20%) deductible for a loss from a named storm.

SECTION 16.00 ZONE RATING

16.01 As required by Section 14(4) of HB 1500, the **Association** shall use actuarially-appropriate geographical zones for rating as approved by the Board and the **Commissioner**.

The **Association** may use any grants or subsidies available to the Association to reduce any negative effects resulting from geographical zone rating that might impair the economic recovery of the Coast Area.

SECTION 17.00 APPLICATIONS

17.01 Any person or entity having an **insurable interest** in **insurable property** eligible for coverage with the **Association** is entitled to apply to the **Association** for the **essential property insurance** coverage offered by the **Association**.

17.02 Applications must be submitted on the forms prescribed by the **Association**.

17.03 Applications must be made on behalf of the applicant by a licensed Mississippi resident licensed producer or broker authorized by the applicant(s).

17.04 To be considered, applications must contain a statement by the applicant that there are no unpaid **premiums** due from the applicant for insurance on the property.

SECTION 18.00 INSPECTIONS AND REPORTS

18.01 Before coverage can be issued, it is required that there be an inspection of the property by the **Inspection Bureau**. The manner and scope of the inspection shall be prescribed by the **Association**.

18.02 The fee for the inspection shall be paid by the applicant and is not refundable if the application is denied.

18.03 The **Inspection Bureau** must be provided full access to the building, but the presence of the owner of a building may not be required for a tenant seeking insurance.

18.04 An inspection report shall be made for each property inspected. The report shall cover pertinent structural and occupancy features as well as the general condition of the building.

18.05 Representative photographs of the property may be taken during the inspection.

18.06 After the inspection, a copy of the completed inspection report and any photograph(s) indicating the pertinent features of the building, construction, maintenance and occupancy, shall be sent within fifteen days (15) to the **Association**.

18.07 All reports of inspection performed by or on behalf of the **Association** shall be made available to the **assessable insurers** of the **Association**, applicants, licensed producers, brokers, and the **Commissioner**

SECTION 19.00 UNDERWRITING

19.01 The **Association** shall, within a reasonable time after receipt of the inspection report and application, advise the licensed producer or applicant that:

- (a) The risk meets underwriting standards and is otherwise acceptable and coverage will be issued upon timely payment and actual receipt by the **Association** of the applicable **premium** or premium installments; or
- (b) The risk is not accepted but will be acceptable if improvements noted in the action report are made by the applicant and confirmed by re-inspection; or

- (c) The risk is not acceptable for the reasons stated in the action report.

19.02 In the event a risk is declined because it fails to meet underwriting standards, the **Association** shall notify the applicant or his licensed producer or broker. Underwriting standards shall include, but not be limited to, the following:

- (a) The amount of insurance requested, together with other insurance, is within reasonable relationship to the actual cash value of the property involved;
- (b) Physical condition of the property, such as its construction, evidence of previous damage or general deterioration;
- (c) Its present use or housekeeping, such as vacancy, overcrowding, storage of rubbish or flammable materials;
- (d) Violation of law, public policy, morals, and the character or integrity of the property owner or occupant;
- (e) Failure to meet applicable building codes;
- (f) The verification of flood coverage on structures located in flood zones denoted as A and V.

19.03 Any one (1) or two (2) family dwelling built, rebuilt, altered or remodeled in compliance with the applicable building codes, including design-wind requirements, which is not otherwise rendered uninsurable by reason of use, occupancy, or state of repair shall be an insurable risk, subject to other underwriting standards.

19.04 A risk shall not be declined for neighborhood, area, location, or environmental hazards beyond the control of the applicant.

19.05 In any case where a risk, not accepted because the property does not meet reasonable underwriting standards, can be improved to meet such standards, the **Association** may advise the licensed producer or applicant what improvements, noted in the action report, should be made to the property to make it acceptable.

19.06 Rate surcharges may be made applicable as approved by the **Commissioner**.

19.07 The rates, rating plans, rating rules, forms, and endorsements applicable to the insurance written by the **Association** shall be those approved for use of the **Association** by the **Commissioner**. Rates shall be nondiscriminatory as to the same class of risk.

SECTION 20.00 COVERAGE LIMITS

20.01 Coverage limits shall be determined by the value of the **insurable property** at the time the **policy** is issued subject to maximum limits

20.02 The **Association** shall not intentionally issue insurance above the reasonable insurable value of the property.

20.03 No **dwelling property** may be insured for more than one million dollars (\$1,000,000.00) for the structure and two-hundred and fifty thousand dollars (\$250,000.00) on **contents** contained therein.

20.04 No **commercial property** location may be insured for more than one million dollars (\$1,000,000.00). Location means real and personal property consisting of and contained in a single building, or consisting of or contained in contiguous buildings when rated as one (1) risk by the Mississippi State Rating Bureau.

20.05 Commercial property with limits of one million dollars (\$1,000,000.00) can be written on blanket policy. The blanket policy can cover several structures at a single location address, several structures at several addresses, or a combination thereof. When a multi-location or a commercial risk is written blanket with multi-locations, the maximum coverage shall apply to the total location or locations.

20.06 An endorsement allowing policies written in the **Coast Area** to act as primary coverage may be written when maximum limits are written in the **Association**.

SECTION 21.00 STANDARD POLICY COVERAGE

21.01 All policies issued shall be the **essential property insurance** on standard policy forms for Windstorm and Hail as approved by the **Commissioner**, and such policies shall be issued for a term of one year.

21.02 Upon approval by the **Association** of an application for insurance and upon timely receipt by the **Association** of the applicable required premium, the **Association** shall issue, or cause to be issued, a **policy** of **essential property insurance**. Such coverage shall be dependent upon the timely payment and actual receipt by the **Association** of premiums or premium installments as provided for at the time of application.

SECTION 22.00 CANCELLATION

22.01 Grounds for cancellation shall be:

- (a) Non-payment of premium;
- (b) Default in payment under an independent premium payment arrangement;

- (c) Evidence of incendiarism;
- (d) Misrepresentation or concealment of any material fact either before or after loss;
- (e) Cause which would have been grounds for non-acceptance of the risk had such cause been known at the time of acceptance;
- (f) Cause arising subsequent to the inspection which would have been grounds for non-acceptance of the risk had such cause existed at the time of acceptance; or
- (g) At the request of the insured or the insured's representative.

22.02 Notice of cancellation, together with a statement of the reason for cancellation, shall be sent to the insured and a copy sent to the insured's representative.

22.03 When a **policy** is canceled under this Section, such **policy** shall not be reinstated. Continued coverage, if desired, shall be based on a new application subject to all requirements of the **Plan**.

SECTION 23.00 APPEALS FROM APPLICANTS AND INSURED

23.01 Any applicant for insurance that has been rejected and any insured whose **policy** has been canceled may appeal to the Board of Directors within fifteen (15) days after final ruling, action or decision of the **Association**. The Board or an Appeals Committee designated by the Board shall hear and determine such appeal within fifteen (15) days after the same is filed. Such determination may be appealed to the **Commissioner** within thirty (30) days as provided by Statute.

23.02 Orders of the **Commissioner** shall be subject to judicial review as provided by Statute.

23.03 If the **Association** for any reason denies an application and refuses to issue or cause to be issued an insurance **policy** to any applicant, or takes no action on an application within the time prescribed in the **Plan**, such applicant may appeal to the **Commissioner**. The **Commissioner** or a designated member of his staff, after reviewing the facts, may direct the **Association** to issue or cause to be issued an insurance **policy** to the applicant; however, no coverage shall be in effect until such time as the premium is paid and the **policy** issued.