

**MISSISSIPPI
WINDSTORM UNDERWRITING ASSOCIATION**

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

October 9, 2007

BULLETIN 07-03

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

RE: NONADMITTED POLICY FEES

Enclosed is a discussion regarding the lines of business or coverage types that are subject to the 5% nonadmitted policy fee mandated by House Bill 1500, and effective January 1, 2008. Also included is initial information regarding the reporting and collection of this fee as well as sample declarations pages with fee calculations illustrated.

As previously discussed in our September 5, 2007 release the Mississippi Windstorm Underwriting Association (MWUA) is working with the Mississippi Surplus Lines Association (MSLA) to develop a reporting and collection process that will coordinate with the reporting of the surplus lines tax and stamping fee. Modifications are underway to the existing MSLA reporting system to accommodate these changes. A schedule of education and training sessions is attached.

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.

**Non-Admitted Policy Fee
Policies Effective January 1, 2008**

Description of Coverage Subject to the Fee

Section 7 of House Bill 1500 mandates that all agents placing insurance through nonadmitted insurers shall collect from the insured and remit to the association a nonadmitted policy fee calculated on all insurance written by such agent for a policy from a nonadmitted insurer for any and all risks on real property and contents in Mississippi.

The Plan of Operations for the Mississippi Windstorm Underwriting Association (MWUA) states in Section 8.04 that 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.

The policy premium subject to the fee is the gross premium charged the policyholder (less returned premium). Policy fees typically charged policyholders and subject to the surplus lines tax and stamping fee in Mississippi (see examples attached) are not subject to the non-admitted policyholder fee.

A typical example of any and all risks to real property and contents includes, but is not limited to:

Protection against loss or damage to real or personal (contents) property from a variety of risks, i.e. fire, lighting, business interruption, loss of rents, glass breakage, tornado, windstorm, hail, water damage, explosion, riot, civil commotion, rain, or damage from aircraft or vehicles. Also, including earthquake and flood were applicable.

Indivisible policies, for which 75% of the premium is subject to the non-admitted policy fee, are generally as follows:

Homeowner
Businessowner
Farmowner

Typical types of coverage involving real estate and contents (these coverage descriptions may be modified prior to finalization of this process):

Commercial Property

Commercial Property

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Builders Risk
Business Income
Apartments (Commercial)
Commercial Package
Condominium Package
Differences of Conditions
Earthquake
Flood
Glass (Commercial)
Windstorm and/or Hail
Mold (Commercial)
Excess Flood (Commercial)

Homeowners and Other Residential Property

Homeowners (HO-1, 2, 3, etc)
Tenant Homeowners
Condo Unit-Owners
Dwelling Builders Risk
Dwelling Flood
Dwelling Property
Farmowners Multi-peril
Mobile Homeowners
Windstorm
Mold Coverage (Residential)
Excess Flood (Residential)

Inland Marine

Inland Marine – if involving real estate, i.e. builders risk, other real estate coverage written on IM form

These categories may be assigned codes for data input purposes.

Policy Fee Reporting and Collection

Currently the non-admitted policy fee is 5% of the premium as defined above. The fee applies to all policies with a January 1, 2008 effective date. Endorsements and cancellations will be subject to the fee based on the effective date of the policy being endorsed or cancelled.

It is anticipated that the reporting and collection of the fee will be integrated with the normal reporting process currently employed by the Mississippi Surplus Lines Association (MSLA). The MSLA is presently modifying its reporting process, to be effective January 1, 2008. The fee is payable within twenty days after the end of each calendar quarter beginning with the first quarter ending March 31, 2008. It is anticipated that reports generated from the MSLA system will segregate the non-admitted policy fee from the surplus lines tax and stamping fee. The non-admitted policy fee will be paid separately from the surplus lines tax and stamping fee. Instructions for this

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process will be finalized before January 1, 2008, and posted to the MWUA and MSLA websites

Sample Calculations

Attached are examples of nonadmitted policy fee calculations based on coverages normally reflected on declarations pages. The examples include a general commercial declarations page, a homeowner policy (indivisible premium) and a declarations page where various coverages are grouped in a total, but or otherwise divisible.

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Example of Commercial Risk Declarations Page

Commercial Coverage	Premium	N/A Pol Fee Sample Calculation - Not included on Dec. Page
General Liability	1,500.00	5% 175.00
Property	3,500.00	
Crime	150.00	
Inland Marine (no real estate and contents prem)	5,000.00	
Inland Marine - (with divisible real property and contents or builder's risk)	2,500.00	5% 125.00
Commercial Auto	25,000.00	
Excess Wind	1,500.00	5% 75.00
Excess Flood	1,500.00	5% 75.00
Earthquake	250.00	5% 12.50
	-	
TOTAL PREMIUM	40,900.00	
POLICY FEES	500.00	
S/L TAX	1,656.00	
STAMPING FEE	103.50	
TOTAL DUE SURPLUS LINES	1,759.50	
NON-ADMITTED POL FEE SURCHARGE	462.50	462.50
	-	
TOTAL DUE WINDPOOL	462.50	
TOTAL DUE	2,222.00	

Example of Homeowner Risk Declarations Page

Coverage	Premium	N/A Pol Fee Sample Calculation - Not included on Dec. Page
Homeowner	1,500.00	3.75% 56.25
Mold	100.00	5% 5.00
Excess liability	250.00	-
Earthquake	125.00	5% 6.25
Credit for deductible	(50.00)	5% (2.50)
TOTAL PREMIUM	1,925.00	
POLICY FEES	75.00	-
S/L TAX	80.00	-
STAMPING FEE	5.00	-
TOTAL DUE SURPLUS LINES	85.00	
NON-ADMITTED POL FEE SURCHARGE	65.00	65.00
	-	
TOTAL DUE WINDPOOL	65.00	
TOTAL DUE	150.00	

Indivisible premium is calculated at 75% to remove estimated liability. Used 75% of 5% to arrive at correct fee.

Example of Commercial Risk Declarations Page

With One Total Premium For Multiple Coverages

Commercial Coverage	Premium
Commercial Package	25,000.00
	-
TOTAL PREMIUM	25,000.00
POLICY FEES	500.00
S/L TAX	1,020.00
STAMPING FEE	63.75
TOTAL DUE SURPLUS LINES	1,083.75
NON-ADMITTED POL FEE	375.00
SURCHARGE	-
TOTAL DUE WINDPOOL	375.00
TOTAL DUE	1,458.75

N/A Pol Fee
Sample Calculation - Not included on Dec. Page
-

SUPPLEMENTAL CODING SHEET (1)
(Attached to Declaration Page When Filed With MSLA)

Commercial Coverage	Premium
Commercial Property	7,500.00
Business Crime	500.00
Business Auto	12,500.00
Commercial Liability	4,500.00
	-
TOTAL PREMIUM	25,000.00
POLICY FEES	500.00
S/L TAX	1,020.00
STAMPING FEE	63.75
TOTAL DUE SURPLUS LINES	1,083.75
NON-ADMITTED POL FEE	375.00
SURCHARGE	-
TOTAL DUE WINDPOOL	375.00
TOTAL DUE	1,458.75

N/A Pol Fee
Sample Calculation - Not included on Dec. Page
5.0% 375.00
-
375.00

(1) - A supplemental coding sheet may be necessary to separate premium by coverage in a package style policy or where premium is presented in one total on a declaration page. This separation does not apply to policy types where premium is considered indivisible, or policy coverages are combined into a single premium and rated as such. This type of policy, i.e. homeowner, farmowner, etc., will be reduced to 75% of the total premium in order to eliminate the estimated liability amount.

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October 9, 2007

BULLETIN 07-04

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

RE: POLICYHOLDER SURCHARGES DUE TO EXCESS STORM LOSSES

Enclosed is a discussion regarding the lines of business or coverage types that are subject to potential surcharges for excess storm losses mandated by House Bill 1500. Also included is initial information regarding the reporting and collection of these surcharges as well as sample declarations pages with surcharge calculations illustrated.

Should the Commissioner of Insurance deem it appropriate to declare a policyholder surcharge, as the result of excess storm losses, the surplus lines agent would be required to collect this surcharge(s) on any policy written through a nonadmitted carrier.

As previously discussed in our September 5, 2007 release the Mississippi Windstorm Underwriting Association (MWUA) is working with the Mississippi Surplus Lines Association (MSLA) to develop a reporting and collection process that will coordinate with the reporting of the surplus lines tax and stamping fee. Modifications are underway to the existing MSLA reporting system to accommodate these changes. A schedule of education and training sessions is attached.

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.

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Policyholder Surcharges Collected by Surplus Lines Agents

Section 12 of H.B. 1500 provides that surcharges may be implemented by the Commissioner of Insurance to repay assessments levied on assessable insurers for excess storm losses. The surcharge applies to all property and casualty premiums except for workers' compensation, medical malpractice, and certain insurance pools and plans administered by or through the State of Mississippi. The surcharge(s) shall be identified on either the premium statements or the policy declaration pages as relating to the specific MWUA regular assessment for which it was implemented. The Commissioner will name each surcharge so that it can be uniformly identified by the admitted insurers and the agents placing insurance through nonadmitted insurers.

The surcharge is based on a percentage of total policy premiums. Total policy premium means the premium charged the policyholder, less any returned premium, and excluding any policy fees.

Each agent placing insurance through nonadmitted insurers shall collect the regular assessment surcharges established by the commissioner. The funds collected shall be held in trust and fully remitted on a quarterly basis. The funds shall be remitted within twenty (20) days after the end of each calendar quarter. At such time the agents shall remit all interest earned on collected surcharges.

Surcharges will be collected in the same manner as the nonadmitted policy fee. The MWUA anticipates that the Mississippi Surplus Lines Association will assist in the collection of the surcharges. This process will be integrated into the routine reporting and collection procedures employed by the MSLA when a surcharge becomes effective. The surcharge process affects all property and casualty coverage's, with the exception of those coverage's specifically exempt.

At this time there are no surcharges in force.

Attached is a list of typical coverage's that would be subject to a surcharge:

Coverage Description

Commercial Property

Commercial Property

Builders Risk

Business Income

Apartments (Commercial)

Boiler and Machinery

Commercial Package

Condominium Package (Commercial)

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Crop Hail
Difference In Conditions
Earthquake
Flood
Glass (Commercial)
Mortgagee Impairment
Windstorm &/or Hail
Mold Coverage - Commercial
Sinkhole Coverage - Commercial
Excess Flood - Commercial

Crime

Bankers Blanket Bond
Blanket Crime Policy
Employee Dishonesty
Identity Theft
Deposit Forgery

Miscellaneous

Accident & Health
Credit Insurance
Animal Mortality
Mortgage Guaranty
~~Worker's Compensation-Excess-Only (N/A)~~
Product Recall
Kidnap/Ransom
Surety
Weather Insurance
Prize Indemnification
Travel Accident
Terrorism

Homeowners and Other Residential Property

Homeowners-HO-1
Homeowners-HO-2
Homeowners-HO-3
Tenant Homeowners-HO-4
Homeowners-HO-5
Condo Unit-Owners HO-6
Homeowners-HO-8
Dwelling Builders Risk
Dwelling Flood
Dwelling Property
Farmowners Multi-Peril
Mobile Homeowners
Windstorm

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Mold Coverage - Residential
Sinkhole Coverage - Residential
Excess Flood - Residential

Ocean Marine

Marina Operations Legal
Marine Liabilities Package
Ocean Marine-Hull &/or Protection & Indemnity
Ocean Cargo Policy
Ship Repairers Legal Liability
Stevedores Legal Liability
Personal & Pleasure Boats & Yachts
Ocean Marine Builder's Risk
Longshoremen and Harbor Workers Compensation Act

Inland Marine

Inland Marine (Commercial)
Inland Marine (Personal)
Motor Truck Cargo
Jewelers Block
Furriers Block
Contractors Equipment
Electronic Data Processing

Liability

Commercial General Liability
Commercial Umbrella Liability
Directors & Officers Liability (Profit)
Directors & Officers Liability (Non-Profit)
Educator Legal Liability
Employment Practices Liability
Excess Commercial General Liability (Not Umbrella)
Excess Personal Liability (Not Umbrella)
Liquor Liability
Owners & Contractors Protective
Personal Umbrella
Personal Liability
Pollution & Environment Liability
Product & Completed Operations Liability
Public Officials Liability
Police Professional Liability
Media Liability
Railroad Protective Liability
Asbestos Removal & Abatement
Guard Service Liability
Special Events Liability

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Medical Malpractice (N/A)

Hospital Professional Liability (N/A)

Miscellaneous Medical Professionals (N/A)

Nursing Home Professional Liability (N/A)

Physician/Surgeon (N/A)

Errors and Omissions

Architects & Engineers Liability

Insurance Agents & Brokers E&O

Lawyers Professional Liability

Miscellaneous E&O Liability

Real Estate Agents E&O

Software Design Computer E & S

Automobile Coverages

Commercial Auto Liability

Commercial Auto Excess Liability

Commercial Auto Physical Damage

Dealers Open Lot

Garage Liability

Garage Keepers Legal

Private Passengers Auto-Physical Damage Only

Personal Excess Auto Liability

Aircraft

Commercial Aircraft Hull &/or Liability

Airport Liability

Aviation Cargo

Aviation Product Liability

Hanger Keepers Legal Liability

Personal & Pleasure Aircraft

Sample Calculations

Attached is an example of surcharge calculations based on coverages normally reflected on declarations pages. The example reflects a general commercial declarations page prepared for an insured by a licensed surplus lines agent/carrier.

It is important to remember that in the event a surcharge is declared all property and casualty lines of business are subject to the charge.

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Example of Surplus Lines Commercial Risk Declarations Page

Commercial Coverage	Premium	N/A Pol.Fee	Policy Surcharge (1)
General Liability	1,500.00		
Property	3,500.00	5% 175.00	1% 35.00
Crime	150.00		1% 1.50
Inland Marine (no real estate and contents prem)	5,000.00		1% 50.00
Inland Marine - (with divisible real property and contents or builder"s risk)	2,500.00	5% 125.00	1% 25.00
Commercial Auto	25,000.00		1% 250.00
Excess Wind	1,500.00	5% 75.00	1% 15.00
Excess Flood	1,500.00	5% 75.00	1% 15.00
Earthquake	250.00	5% 12.50	1% 2.50
	-		1% -
TOTAL PREMIUM	40,900.00		
POLICY FEES	175.00		
S/L TAX	1,643.00		
STAMPING FEE	102.69		
TOTAL DUE SURPLUS LINES	1,745.69		
NON-ADMITTED POL FEE	462.50	462.50	
SURCHARGE - HURRICANE CAMILLE	409.00		409.00
TOTAL DUE WINDPOOL	871.50		
TOTAL DUE	2,617.19		

(1) - Surcharges will be declared by the Commissioner of Insurance to repay assessments collected from admitted insurance carriers as a result of excess losses. There may be more than one surcharge being collected at one time depending on the frequency and severity of storm losses. While the non-admitted policy fee applies to real property and contents, the surcharge applies to all lines of property and casualty insurance except workers compensation and medical malpractice.

The example presented reflects a 1% surcharge, however a surcharge will be whatever the Commissioner deems necessary to recoup assessments.

(2) - If more than one surcharge is active, each will be identified and disclosed separately on the declarations page and/or policy.

Note - Surcharges may also be necessary should storm losses exceed all available reinsurance and assets of the MWUA. In that case bonds or some other form of indebtedness may be required. The repayment of this debt will require the Commissioner to declare an "excess hurricane loss surcharge".

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MWUA / MRPIUA

EDUCATION AND TRAINING SESSIONS

The following is a schedule of educational/training sessions planned for both the Mississippi Windstorm Underwriting Association (MWUA) and Mississippi Residential Property Insurance Underwriting Association (MRPIUA). Topics included in these sessions include discussion of the Manual of Rules and Procedures, using the agents web based policy management system, claims handling procedures, overview of HB1500 changes along with collection and remittance of non-admitted policy fees and policyholder surcharges.

Pre-registration is not required

MONDAY, OCTOBER 22, 2007*

Time: 1:00 - 4:00 P.M.

**Place: Mississippi Power Company
Highway 90 & Dunbar
Bay St. Louis, Mississippi**

TUESDAY, OCTOBER 23, 2007*

Time: 9:00 -12:00 & 1:00 - 4:00

**Place: Mississippi State University Coastal
Research & Extension Center
1815 Popps Ferry Road
Biloxi, Mississippi**

TUESDAY, OCTOBER 30, 2007

Time: 9:00 - 11:00 A.M.

**Place: The Depot
(Behind the Ford Center on
University of Ms Campus)
Oxford, Mississippi**

TUESDAY, OCTOBER 30, 2007

Time: 2:00 - 4:00 P.M.

**Place: Hunter Henry Center, Ballroom
(MSU Campus)
Starkville, Mississippi**

WEDNESDAY, OCTOBER 31, 2007

Time: 10:00 - 12:00 P.M.

**Place: Independent Insurance Agents Building
124 Riverview Drive
Flowood, Mississippi**

* These sessions have been approved for Continuing Education by the Dept of Insurance