

MISSISSIPPI
WINDSTORM UNDERWRITING ASSOCIATION

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August 13, 2008

TO: Participating Companies

RE: Pre House Bill 1500 Member Accounts

Accounting Report for the Year Ended December 31, 2007

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.

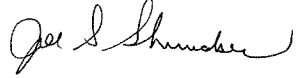
HB 1500 provides for the aggregation of the Association's assets into reserves for future claims. Previous Katrina assessments to member companies are applied only against Katrina losses (paid losses and loss adjustment expenses). Should there be adequate funds available from the assessments to settle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

While the policy years currently reflect a net positive account balance, activity subsequent to 2007 indicates that it is highly unlikely any net balance will remain when the Katrina event is ultimately concluded. Therefore, it would seem reasonable to fully reserve any remaining positive balance in your company's account.

As of the date of this letter the MWUA has paid a total of approximately \$695,000,000 for Katrina claims and loss adjustment expenses. If the 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 iferriss@msratingbureau.com, respectively.

Sincerely,

A handwritten signature in black ink that reads "Joe Shumaker". The signature is written in a cursive style with a large, looped initial "J".

Joe Shumaker
Manager

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MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION
MEMBERS' ACCOUNT ACTIVITY
YEAR ENDED DECEMBER 31, 2007

	2005	2006	TOTALS
INCOME RECEIVED:			
PREMIUMS WRITTEN	\$ -	\$ 724,669	\$ 724,669
INTEREST ON INVESTED FUNDS	-	-	-
GRANT REVENUE	-	-	-
INSPECTION FEES	-	-	-
OTHER	-	-	-
TOTAL	<u>-</u>	<u>724,669</u>	<u>724,669</u>
EXPENSES PAID:			
LOSSES	12,455,108	703,217	13,158,325
LOSS EXPENSE	938,457	61,936	1,000,393
REINSURANCE RECOVERED	-	-	-
SERVICE FEE - PREMIUMS	-	788,586	788,586
REINSURANCE PREMIUM	-	24,832,087	24,832,087
COMMISSIONS PAID	-	1,521,490	1,521,490
OPERATING EXPENSE	-	-	-
INTEREST EXPENSE	-	7,599	7,599
TOTAL	<u>13,393,566</u>	<u>27,914,914</u>	<u>41,308,480</u>
NET CASH FROM OPERATIONS	(13,393,566)	(27,190,245)	(40,583,811)
DEDUCT CURRENT RESERVES			
LOSSES	11,732,971	31,250	11,764,221
LOSS EXPENSE	655,343	3,125	658,468
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>30,017,818</u>	<u>34,375</u>	<u>30,052,193</u>
ADD PRIOR RESERVES			
LOSSES	14,147,906	491,118	14,639,024
LOSS EXPENSE	2,474,657	44,165	2,518,822
REINSURANCE RECOVERABLE	-	-	-
REINSURANCE PREMIUMS PAY.	-	14,776,818	14,776,818
UNEARNED PREMIUMS	-	25,971,514	25,971,514
SERVICE FEE - PREMIUMS	-	429,455	429,455
COMMISSIONS	-	1,749,916	1,749,916
PROVISION FOR DOUBTFUL ASSESSMENTS	17,629,504	-	17,629,504
OPERATING EXPENSE	-	-	-
TOTAL	<u>34,252,067</u>	<u>43,462,986</u>	<u>77,715,053</u>
NET RESERVE CHANGE	4,234,249	43,428,611	47,662,860
NET EARNINGS (LOSS) CURRENT YEAR	(9,159,317)	16,238,366	7,079,050
ASSESSMENTS	-	-	-
DISTRIBUTIONS	-	-	-
CHANGE IN MEMBERS' ACCOUNTS	<u>\$ (9,159,317)</u>	<u>\$ 16,238,366</u>	<u>\$ 7,079,050</u>

**MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION
MEMBERS' ACCOUNT FOR UNSETTLED POLICY YEARS
CUMULATIVE THROUGH DECEMBER 31, 2007**

	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	<u>875</u>	<u>875</u>	<u>1,545</u>	<u>3,295</u>
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	542,368,764	1,159,188	655,302,582
LOSS EXPENSE	10,699,515	26,937,187	100,020	37,736,722
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	<u>-</u>	<u>-</u>	<u>250,635</u>	<u>250,635</u>
TOTAL	<u>16,599,435</u>	<u>522,293,477</u>	<u>82,342,533</u>	<u>621,235,445</u>
NET CASH FROM OPERATIONS	<u>(3,926,272)</u>	<u>(508,818,189)</u>	<u>417,371</u>	<u>(512,327,090)</u>
DEDUCT CURRENT RESERVES				
LOSSES	-	11,732,971	31,250	11,764,221
LOSS EXPENSE	-	655,343	3,125	658,468
REINSURANCE RECOVERABLE	-	-	-	-
REINSURANCE PREMIUMS DEFERRED	-	-	-	-
UNEARNED PREMIUMS	-	-	-	-
SERVICE FEE - PREMIUMS	-	-	-	-
COMMISSIONS	-	-	-	-
OPERATING EXPENSE	-	-	-	-
PROVISION FOR DOUBTFUL ASSESSMENTS	-	17,629,504	-	17,629,504
OTHER	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>-</u>	<u>30,017,818</u>	<u>34,375</u>	<u>30,052,193</u>
OTHER CHANGES:				
ADD CURRENT				-
INTEREST ACCRUED		-	-	
OTHER CHANGES	<u>115,341</u>	<u>-</u>	<u>-</u>	<u>115,341</u>
TOTAL	<u>115,341</u>	<u>-</u>	<u>-</u>	<u>115,341</u>
ACCUMULATED EARNINGS (LOSS)	<u>(3,810,931)</u>	<u>(538,836,007)</u>	<u>382,996</u>	<u>(542,263,942)</u>
ASSESSMENT	2,992,578			2,992,578
ASSESSMENTS-KATRINA #1	-	295,000,000	-	295,000,000
ASSESSMENTS-KATRINA #2	<u>-</u>	<u>250,000,007</u>	<u>-</u>	<u>250,000,007</u>
	<u>2,992,578</u>	<u>545,000,007</u>	<u>-</u>	<u>547,992,585</u>
BALANCE DECEMBER 31, 2007 ⁽¹⁾	<u>\$ (818,353)</u>	<u>\$ 6,164,000</u>	<u>\$ 382,996</u>	<u>\$ 5,728,643</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) - Many hurricane Katrina claims remain unresolved and new claims are still being filed. The total loss that will be paid by MWUA remains unknown.

**MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION
 STATISTICAL REPORT OF LOSSES
 YEAR ENDED DECEMBER 31, 2007**

	2005	2006	TOTALS
PAID:			
WINDSTORM & HAIL	<u>\$ 12,455,108</u>	<u>\$ 703,217</u>	<u>\$ 13,158,325</u>
CURRENT OUTSTANDING:			
WINDSTORM & HAIL	5,764,121	31,250	5,795,371
PRIOR OUTSTANDING:			
WINDSTORM & HAIL	14,147,906	245,363	14,393,269
IBNR:			
CURRENT	5,968,850	-	5,968,850
PRIOR	<u>-</u>	<u>245,755</u>	<u>245,755</u>
INCURRED LOSSES:			
WINDSTORM & HAIL	<u>\$ 10,040,173</u>	<u>\$ 243,349</u>	<u>\$ 10,283,522</u>

**MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION
 STATISTICAL REPORT OF LOSS EXPENSE
 YEAR ENDED DECEMBER 31, 2007**

	2005	2006	TOTALS
PAID:			
WINDSTORM & HAIL	\$ 938,457	\$ 61,936	\$ 1,000,393
CURRENT OUTSTANDING:			
WINDSTORM & HAIL	655,343	3,125	658,468
PRIOR OUTSTANDING:			
WINDSTORM & HAIL	<u>2,474,657</u>	<u>44,165</u>	<u>2,518,822</u>
INCURRED LOSS EXPENSE:			
WINDSTORM & HAIL	<u>\$ (880,856)</u>	<u>\$ 20,895</u>	<u>\$ (859,961)</u>