

**MISSISSIPPI RESIDENTIAL PROPERTY
INSURANCE UNDERWRITING ASSOCIATION**

PLAN OF OPERATION and ARTICLES OF AGREEMENT

Effective January 1, 2013

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PART I
PURPOSE, GOVERNANCE, AND MEMBERSHIP

SECTION 1.00 CREATION AND AUTHORITY

1.01 The Mississippi Residential Property Insurance Underwriting Association (“Association”) was established by House Bill 1113 in the 2003 Regular Session of the Mississippi Legislature (“HB 1113”). HB 1113 amended Sections 83-38-1 *et seq.* of the Mississippi Code, which had established and governed the now-defunct Mississippi Rural Risk Underwriting Association, to provide a program to assure an adequate market for residential fire and extended coverage insurance in all areas of Mississippi in order to ensure Mississippi’s economic welfare and assist in its orderly growth and development.

1.02 The Association is a separate and independent entity that operates as a private enterprise governed by a Board of Directors subject to the provisions of Section 83-38-1 *et seq.* of the Mississippi Code.

SECTION 2.00 PURPOSE

2.01 The purpose of the Association is to provide a residual market for residential fire and extended coverage insurance for all areas of Mississippi in compliance with Mississippi law. In doing so, the Association will act in accordance with Section 83-38-1 *et seq.* of the Mississippi Code to ensure that the residents of Mississippi will always have a market for fire and extended coverage insurance on residential property.

2.02 The Association provides an equitable method whereby every licensed insurer writing fire and extended coverage insurance in Mississippi is required to meet its public responsibility.

SECTION 3.0 DEFINITIONS OF TERMS

3.01 “Annual Meeting” means the yearly meeting of the Association’s Member Insurers.

3.02 “Articles of Agreement” or “Articles” means the written agreement between the Association and the Member Insurers. The Articles can only be amended by the Member Insurers, subject to approval by the Commissioner.

3.03 "Association" means the Mississippi Residential Property Insurance Underwriting Association, as established in Section 83-38-1 *et seq.* of the Mississippi Code.

3.04 "Board of Directors" or "Board" means the seven (7) members of the Association's Board of Directors as established in Section 83-38-9 of the Mississippi Code.

3.05 "Bordereau" means a written document providing a detailed list of information regarding insurance policies.

3.06 "Coastal Area" means Mississippi's Hancock, Harrison, and Jackson Counties.

3.07 "Commissioner" means the Insurance Commissioner for the State of Mississippi.

3.08 "Essential property insurance" –

- (a) In all areas of the state except the Coastal Area, Essential Property Insurance means insurance against direct loss to residential property as provided by a standard fire policy and extended coverage endorsement thereon, with terms, limits, deductibles, endorsements, and exclusions as approved by the Mississippi Insurance Commissioner.
- (b) In the Coastal Area, Essential Property Insurance means insurance against direct loss to residential property as provided by a standard fire policy and extended coverage endorsement thereon (except for the risks of wind and hail storm), with terms, limits, deductibles, endorsements, and exclusions as approved by the Mississippi Insurance Commissioner.
- (c) Essential Property Insurance coverage shall be limited to ninety-five percent (95%) of the market value of real and personal property that is insured by the Association, excluding the value of land.

3.09 "Farm one- and two-family dwelling property premiums" means written premiums that cover the perils of fire and extended coverage derived from all one- and two-family dwelling property located throughout Mississippi in areas designated as fire protection Class 10 by the Mississippi State Rating Bureau, including one- and two-family homeowners and other one- and two-family dwelling package policies that insure against the perils of fire and extended coverage that are located in fire protection Class 10.

3.10 "Farm property" means one- and two-family dwelling property located throughout Mississippi in areas designated as fire protection Class 10 by the Mississippi State Rating Bureau. Farm property is not included in the calculation of Net Direct Premiums provided that the Farm Property premiums are properly and timely reported to the Association in accordance with this Plan and the instructions from the Association.

3.11 "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.

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

3.13 "Insurable property" means residential one- and two-family dwelling property builder's risk and residential one- and two-family dwelling property at fixed locations throughout the state and/or the contents located therein, which property is determined by the Association, after inspection and pursuant to the criteria specified in the Plan of Operation, to be in an insurable condition. Insurable property does not include insurance on motor vehicles.

Any one- and two-family dwelling including, but not limited to, permanently installed manufactured housing built in substantial accordance with the standard building code (including the design-wind requirements therein) that is not otherwise rendered uninsurable by reason of use, occupancy, state of repair, or other reasonable underwriting standard, shall be an insurable risk by the Association. Neighborhood, area, location, and environmental hazards beyond the control of the applicant or owner of the property shall not be considered in determining whether a property is in insurable condition.

3.14 "Member Insurer" means any licensed insurance company authorized to write and engaged in writing Essential Property Insurance, including the Essential Property Insurance components of multiple peril policies, on a direct basis in Mississippi.

3.15 "Net Direct Premiums" means gross direct premiums, excluding reinsurance assumed and ceded, written on property in this state for residential fire and extended coverage insurance and including the fire and extended coverage components of multiple peril policies (*e.g.*, comprehensive dwelling and homeowner policies) but not including premiums on Farm Property, less returned premiums upon canceled contracts, dividends paid or credited to policyholders, or the unused or unabsorbed portion of premium deposits.

3.16 "Plan of Operation" or "Plan" means the Plan of Operation of the Association as created and/or amended by the Board of Directors and approved by the Commissioner pursuant to the provisions of Section 83-38-1 *et seq.* of the Mississippi Code.

3.17 "Rural Areas" means all areas in the State of Mississippi designated as fire protection Class 9 or 10 by the Mississippi State Rating Bureau.

3.18 "Voluntary Writings" means Essential Property Insurance, including components of comprehensive dwelling and homeowner policies, voluntarily written in Mississippi's Rural Areas and Coastal Areas.

SECTION 4.00 MEMBERSHIP IN THE ASSOCIATION

4.01 The Association shall consist of all insurers authorized to write in and engaged in writing Essential Property Insurance, including the Essential Property Insurance components of multiple peril policies, within Mississippi on a direct basis. Every such insurer shall be a Member Insurer of the Association and shall remain a Member Insurer of the Association so long as the Association is in existence. Such membership is a condition of the insurer's authority to continue to transact the business of insurance in Mississippi. As soon as data is provided to the Association following such authorization, the Association shall determine the new Member Insurer's participation in the Association in the same manner as for the other Member Insurers.

4.02 All Member Insurers shall participate in the Association's writings, expenses, profits, and losses in the proportion that the Net Direct Premium of such Member Insurer written in Mississippi during the preceding calendar year bears to the aggregate Net Direct Premiums written in Mississippi by all Member Insurers. The Commissioner may certify to the Association, after review of the Member Insurer's annual statements, other reports, and any other statistics the Commissioner shall deem necessary, the aggregate Net Direct Premiums written by all Member Insurers. The participation of each Member Insurer shall be determined annually based on information properly and timely reported to the Association in accordance with this Plan and instructions from the Association.

4.03 A Member Insurer shall receive credit annually for Essential Property Insurance, including components of multiple peril policies (*e.g.*, comprehensive dwelling and homeowner policies), voluntarily written in Rural Areas and Coastal Areas. A Member Insurer's participation in the profits and losses of the Association shall be reduced by its Voluntary Writings in accordance with the provisions of the Plan. Any credit provided to a Member Insurer will be based on information properly and timely reported to the Association in accordance with this Plan and instructions from the Association. A Member Insurer's participation in the administrative expenses of the Association shall

not be reduced by Voluntary Writings.

SECTION 5.00 POWERS OF THE ASSOCIATION

5.01 Pursuant to the provisions of Section 83-38-1 *et seq.* of the Mississippi Code, the Association has the following powers:

- (a) To issue or cause to be issued policies of Essential Property Insurance on Insurable Property to applicants;
- (b) To purchase reinsurance for all or part of the risks of the Association;
- (c) To assume reinsurance from its Member Insurers;
- (d) To cede reinsurance to its Member Insurers;
- (e) To levy and collect assessments from its Member Insurers;
- (f) To establish underwriting criteria consistent with the provisions of Section 83-38-1 *et seq.* of the Mississippi Code and as approved by the Commissioner;
- (g) To require data from the Member Insurers as the Association deems necessary to carry out the provisions and intent of Section 83-38-1 *et seq.* of the Mississippi Code and the Plan.
- (h) To contract with servicing entities and provide reimbursement for all costs and expenses incurred by such servicing entities; and
- (i) All other powers necessary to carry out the provisions and intent of Section 83-38-1 *et seq.* of the Mississippi Code.

SECTION 6.00 DUTIES OF THE ASSOCIATION

6.01 Plan of Operation

The Association shall develop and maintain the Plan in order to carry out the purposes of Section 83-38-1 *et seq.* of the Mississippi Code. The Plan shall provide for the efficient, economical, fair, and nondiscriminatory administration of the Association. The Plan shall continue in force and effect until such time as amended, modified, suspended, or repealed by action of the Board as approved by the Commissioner.

The Plan and any proposed amendments thereto are subject to the review and approval

of the Commissioner. The Commissioner may review the Plan at any time deemed expedient or prudent, but not less than once in each calendar year.

6.02 Reports to the Commissioner

On or before March 1 of each year, the Association shall file with the office of the Commissioner a statement that summarizes the transactions, conditions, operations, and affairs of the Association during the preceding fiscal year ending December 31. The statement shall contain such matters and information and be in a form prescribed by the Commissioner. At any time the Commissioner may require the Association to furnish any additional information with respect to its transactions or any other matter which the Commissioner deems to be material in evaluating the operation and experience of the Association.

6.03 Rules and Regulations

The Association can propose reasonable rules and regulations, not inconsistent with the law, to enforce, carry out, and make effective the provisions of Section 83-38-1 *et seq.* of the Mississippi Code. These rules are subject to approval by the Commissioner.

6.04 Duties of the Board

The Board shall meet as often as may be required to perform the general duties of the Association and the administration of the Plan. The Board's duties include but are not limited to:

- (a) levying assessments, including preliminary assessments;
- (b) approving expenses;
- (c) disbursing funds;
- (d) establishing or revising underwriting standards; and
- (e) any and all other duties provided herein or necessary or incidental to the administration of the Plan.

SECTION 7.00 ADMINISTRATION

7.01 Board of Directors

The Association shall be administered by a Board of Directors. 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. Reasonable expenses incurred by Board members while attending to the business of the Association shall be reimbursed by the Association.

7.02 Board Membership

7.02-A Member Insurer Directors

The Board shall consist of five (5) representatives from the Member Insurers who are elected annually by the Member Insurers at the Annual Meeting. As soon as practicable after election to membership of the Board, and thereafter from time to time as it may elect, elected insurers should designate a qualified representative and, if desired, an alternate of such representative to serve for it. Member Insurers must immediately notify in writing the Manager of the Association of such designation.

7.02-B Agent Directors

The Board shall also include two (2) licensed Mississippi agents. The agent Board members shall be appointed annually by the Commissioner.

7.03 Officers

The Board shall elect a Chairperson, Vice-Chairperson, and Secretary/Treasurer. The elections for officers shall be conducted at the Board meeting convened after the Annual Meeting. Officers shall be elected for a one-year term, serving until the elections following the next year's Annual Meeting.

7.04 Chairperson

The Chairperson shall preside over all meetings of the Board and at all meetings of the Member Insurers. The Chairperson shall discharge such other duties as may be incidental to the office or as shall be required by this Plan or by the Board.

7.05 Vice-Chairperson

The Vice-Chairperson shall preside at any meeting of the Board or Member Insurers in the absence of the Chairperson. In the event of the death, 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 the office or as shall be required by this Plan or by the Board.

7.06 Secretary/Treasurer

The Secretary/Treasurer shall preside at any meeting of the Board in the absence of the Chairperson and Vice-Chairperson. The Secretary/Treasurer may 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 the office or as shall be required by this Plan or by the Board.

7.07 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 the office or as shall be required 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 one or more assistant manager(s) who may act in the Manager's 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.

7.08 Meetings

7.08-A Regular 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.

Meetings of the Board may be held at the principal office of the Association or at such other place as may be designated by the Board.

7.08-B Annual Meetings

The Association shall annually hold a meeting of its Member Insurers. The purpose of this Annual Meeting is to elect the five (5) Board Directors, provide the Member Insurers with a report on the status of the Association, and undertake such other business as may be necessary.

Meetings of the Member Insurers may be held at the principal office of the Association or at such other place as may be designated by the Board.

7.08-C Called Meetings

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

Four Member Insurer 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 four Board members making the request.

The Board will also meet on the call of the Commissioner.

7.09 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. 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. No notice of the Board meeting following the Annual Meeting is required to be given to newly-elected Board members in order to legally constitute the meeting, provided that a majority of the Board members is present at such meeting.

In the case of meetings of the Member Insurers, notice of such meetings shall be given to the Member Insurers and shall state the time and place of the meeting and the principal purpose(s) therefore. Any Member Insurer or its designated representative may waive notice of any meeting, and the presence of any Member Insurer or its designated representative at any meeting shall constitute a waiver of notice.

Notices shall be given at least ten (10) days in advance of the meeting. Notices may be given via mail, facsimile, email, or other electronic means, directed to the attention of the Board member or the designated representative of the Member Insurer.

7.10 Advance Agenda

The Manager, after consultation with the Chairperson, shall 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.

7.11 Quorum

Four representatives from Member Insurers shall constitute a quorum. A representative is deemed present for purposes of this Section if the representative is participating in

the meeting in person, by telephone, or by other electronic media or via a proxy provided in accordance with the requirements of Section 7.13.

7.12 Majority Vote

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

7.13 Voting

Voting shall be open and not secret unless the Chairperson deems secret voting to be preferable on a given issue. Voting may be by a written proxy that has been dated within two weeks prior to or during the meeting. Proxies may be provided via e-mail provided the absent Board member copies the Manager on the assignment of proxy. Board members and Member Insurers may only give their proxies to another Board member or Member Insurer. Proxies may be limited to specific issues as 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 confirmed by the Manager.

At any meeting at which the vote of the Member Insurers is or may be required on any proposal, voting may be in person or by proxy. Any vote of the Member Insurers may be taken by mail. A proposal shall become effective when approved by the majority of the votes cast.

7.14 Committees

7.14-A In General

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.

7.14-B Standing Committees

The Board's Standing Committees are:

- (a) Audit Committee;
- (b) Nominating Committee; and
- (c) Underwriting and Claims Committee.

7.15 Servicing Entities

The Association may engage one or more servicing entities to carry out any and all functions of the Association. This may include the use of a Member Insurer as a servicing insurer that enters into a contract with the Association to act in such capacity, subject to approval by the Board.

SECTION 8.00 REPORTING OF DATA

8.01 The Association and the Commissioner individually and collectively have the authority to require the Member Insurers to provide specific requested data. The Association has the authority to make a subsequent request for the same data and to require additional information regarding the requested data. All reporting of data to the Association must be done in accordance with this Plan and the instructions from the Association.

8.02 Deadlines related to the Association's request for data on the form entitled "Insurer's Report to Mississippi Residential Property Insurance Underwriting Association" ("Insurer's Report") shall be as follows:

- (a) The Association will make available a blank "Insurer's Report" to each Member Insurer by February 1st. The Association will either send the blank form and instructions, or it will notify the Member Insurers that a downloadable form and instructions are available on its website (www.msplans.com/MRPIUA/index.shtml).
- (b) Each Member Insurer must return the completed "Insurer's Report" by April 1st.
- (c) The Association will send each Member Insurer its preliminary participation in the Association by July 1st.
- (d) Any Member Insurer wishing to challenge the calculation of its participation in the Association must do so by August 1st. If no challenge is made, the calculations are accepted as final. A final participation will be sent to the member companies and made available on the Association's website by September 1st.

8.03 Reporting Farm Property

To be excluded from Net Direct Premiums, Farm Property must be reported properly and in a timely manner.

Any Member Insurer that wishes to have Farm Property considered must provide the Association with a Bordereau. The Association will provide specific filing instructions, however, the Bordereau must list all farm one- and two-family dwelling property writings that cover the perils of fire and extended coverage located throughout Mississippi in areas designated as fire protection Class 10 by the Mississippi State Rating Bureau. The Bordereau should include the following: policy number; inception date; expiration date; named insured(s); location description; net direct written premium applicable to the reporting year, *i.e.*, gross direct premium charged less returned premiums due to cancellation, endorsement, or otherwise. Member Insurers must indicate on the Bordereau if there are any material policy changes or cancellations that involve premium transactions subsequent to the reporting period. For one- and two-family dwelling property and non-simplified policies, the Bordereau must list the fire and extended coverage premiums. For one- and two-family homeowners, one- and two-family farmowners, and simplified policies, the Bordereau must list the total premium.

The Association may elect to audit selected submitted information. As part of this audit, policy information such as declaration pages, endorsements, and cancellations may be requested. This information and/or documentation will not be returned to the Member Insurer.

The Association encourages quarterly reporting sixty (60) days after the end of a calendar quarter. **The absolute deadline for reporting qualifying Farm Property for any one year is March 1st of the following year.** No submissions after that date will be accepted.

8.04 Reporting Voluntary Writings

To be considered when calculating a Member Insurer's participation in the Association, a Member Insurer must submit a Bordereau listing Essential Property Insurance, including components of multiple peril policies (*e.g.*, comprehensive dwelling and homeowner policies), voluntarily written in the Rural Areas and Coastal Areas of Mississippi. The Association will provide specific filing instructions; however, the Bordereau should include the following: property location, including street address, city, zip code, and county; policy number; inception date; expiration date; named insured(s); net direct written premium applicable for the reporting period, *i.e.*, gross direct premium charged less returned premiums due to cancellation, endorsement, or otherwise. Member Insurers must indicate on the Bordereau if there are any material policy changes or cancellations that involve premium transactions subsequent to the reporting period. For Voluntary Writings that are dwelling property policies and/or non-simplified policies, the Bordereau must list the fire and extended coverage premiums. For Voluntary Writings that are comprehensive dwelling, homeowners, farmowners, and/or simplified policies, the Bordereau must list the total premium.

The Association may elect to audit selected submitted information. As part of this audit, policy information such as declaration pages, endorsements, and cancellations may be requested. This information and/or documentation will not be returned to the Member Insurer.

The Association encourages quarterly reporting sixty (60) days after the end of a calendar quarter. **The absolute deadline for reporting Voluntary Writings for any one year is March 1st of the following year.** No submissions after that date will be accepted.

8.05 Failure to submit required reports by the stated deadlines will necessitate referral to the Commissioner.

SECTION 9.00 APPEALS BY MEMBER INSURERS

9.01 Any Member Insurer that may be aggrieved by an act, order, ruling, or decision of the Association may, within thirty (30) days after such ruling, appeal to the Commissioner. Orders of the Commissioner shall be subject to judicial review as provided by statute.

PART II OPERATIONS

SECTION 10.00 APPLICATIONS

10.01 Any person 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.

10.02 Applications must be submitted on the forms prescribed by the Association.

10.03 Applications must be made on behalf of the applicant by a Mississippi-licensed producer, broker, or agent authorized to do so by the applicant(s).

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

SECTION 11.00 RATES

11.01 The rates, rating plans, and rating rules applicable to the insurance

written by the Association shall be those authorized for use by the Association as approved by the Board and the Commissioner. Surcharges may be used as approved by the Commissioner.

11.02 Rates shall be actuarially sound and nondiscretionary as to the same class of risk.

SECTION 12.00 INSPECTIONS AND REPORTS

12.01 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. Representative photograph(s) of the property may be taken during the inspection.

12.02 The manner and scope of the inspection shall be prescribed by the Association with the approval of the Commissioner. At a minimum, the Inspection Bureau must be provided full access to the building. The presence of the owner of a building may not be required.

12.03 After the inspection, a copy of the completed inspection report and any photograph(s) indicating the pertinent features of the building and its construction, maintenance, and occupancy shall be sent to the Association.

12.04 All reports of inspections performed by or on behalf of the Association shall be made available to Member Insurers of the Association, applicants, agents, brokers, and the Commissioner upon request, subject to any applicable law(s).

SECTION 13.00 UNDERWRITING

13.01 Any one- or two-family dwelling built in substantial accordance with the local building code, which is not otherwise rendered uninsurable by reason of use, occupancy, state of repair, or other reasonable underwriting standard, shall be an insurable risk within the meaning of the Plan.

13.02 If the appropriate amount of the premium is provided with the application and the application meets the Association's underwriting standards, coverage will be bound subject to the results of the inspection.

13.03 The Association shall, within a reasonable time after receipt of the inspection report and application, advise the applicant or his designated representative and the agent that:

- (a) the risk is acceptable and coverage will be bound upon receipt by the

Association of the full amount of the premium;

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

13.04 In the event a risk is declined because it fails to meet reasonable underwriting standards, the Association shall notify the applicant or his designated representative and the agent. Reasonable 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) the physical condition of the property, such as its construction, heating, wiring, evidence of previous fires, or general deterioration;
- (c) the property's present use or housekeeping, such as vacancy, overcrowding, storage of rubbish or flammable materials; and
- (d) violation of law, public policy, morals, and the character or integrity of the property owner or occupant.

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

13.06 In any case where a risk, not accepted because the property does not meet the Association's underwriting standards, can be improved to meet such standards, the Association shall advise the applicant what improvements, noted in the action report, should be made to the property to make it acceptable. Upon notice to the Association of completion of such improvements, the Association shall promptly arrange to have the property reinspected and if, after such reinspection, the property is found insurable, the Association shall, upon receipt of the full amount of the premium, issue or cause to be issued a policy of insurance.

13.07 If the inspection of the property reveals the existence of substandard conditions, charges shall be applied in conformity with rating plans approved by the Commissioner.

SECTION 14.00 PLACEMENT OF INSURANCE

14.01 Upon approval by the Association of an application for insurance and upon receipt by the Association of the full amount of the required premium by check or money order, the Association shall issue or cause to be issued a policy of insurance. The policy issued is subject to the results of the inspection.

14.02 On one- and two-family dwelling property located in Mississippi, the Association shall place insurance up to the reasonable insurable value of the property, subject to a maximum of \$200,000 on the dwelling not exceeding two (2) families and/or \$75,000 on the contents of such dwelling.

14.03 All policies issued shall be for Essential Property Insurance on standard policy forms for fire and extended coverage and shall be issued for a term of one year.

14.04 Any policy issued pursuant to the provisions of this Plan shall be renewed if, upon request for renewal, the property continues to meet the definition of Insurable Property and satisfies the Association's underwriting standards and if the applicant continues to have an Insurable Interest in the property sought to be insured. No renewal will be issued until the Association receives the full amount of the required premium.

SECTION 15.00 COMMISSION

15.01 Commission to the Mississippi-licensed agent or broker designated by the applicant shall be equal to ten percent (10%) of the premium collected. Agents or brokers will receive their commission check from the Association on a monthly basis.

15.02 Commission is not payable on inspection fees.

15.03 In the case of a reduction in premium, the agent's commission will be adjusted accordingly at the same rate at which such the commission was originally paid.

SECTION 16.00 CANCELLATION

16.01 Grounds for cancellation of a policy shall be limited to:

- (a) non-payment of premium;
- (b) evidence of incendiarism;
- (c) misrepresentation or concealment of any material fact (either before or after loss);

- (d) cause which would have been grounds for non-acceptance of the risk under this Plan had such cause been known at the time of acceptance;
- (e) cause arising subsequent to the inspection which would have been grounds for non-acceptance of the risk under this Plan had such cause existed at the time of acceptance; or
- (f) the request of the insured or the insured's designated representative.

16.02 Notice of cancellation, together with a statement of the reason therefore, shall be sent to the insured and a copy sent to the agent.

SECTION 17.00 APPEALS FROM APPLICANTS AND INSURED

17.01 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 thirty (30) days after the same is filed.

17.02 Any applicant for insurance that has been rejected and any insured whose policy has been canceled who is aggrieved with the decision of the Board or its Appeals Committee may appeal to the Commissioner within thirty (30) days as provided by statute.

PART III **ARTICLES OF AGREEMENT**

The purpose of these Articles of Agreement is to evidence agreement by the Mississippi Residential Property Insurance Underwriting Association to administer the Plan of Operation in Compliance with the provisions of House Bill 1113, Laws of 2003, and as amended.

ARTICLE 1 NAME

This organization shall be known as the Mississippi Residential Property Insurance Underwriting Association (hereinafter referred to as the Association), an unincorporated Association.

ARTICLE II THE PROGRAM

Annexed hereto and made a part thereof is the Mississippi Residential Property

Insurance Underwriting Association Plan of Operation (hereinafter referred to as the Plan) as approved by the Commissioner.

ARTICLE III OBJECT

The objects of the Association shall be: (1) the administration of the Plan and (2) the assumption and cession of reinsurance on behalf of Member Insurers in accordance with the provisions of the Plan.

ARTICLE IV MEMBERSHIP

1. *Membership.* Every Insurer, licensed to write and engaged in writing Property Insurance, as defined in Section 3.00 of the Plan, is a member of the Association and shall be referred to herein as a Member.

2. *Termination of Membership.* Membership of any Member shall terminate when such Member is no longer licensed to write Property Insurance in Mississippi. Any Member whose membership in the Association has been terminated, nevertheless, continue to be governed by these Articles of Agreement in order to complete its obligation with regard to any assessments, losses, expenses, contracts or undertakings under the Plan.

ARTICLE V OFFICE

The principal office of the Association shall be in the State of Mississippi.

ARTICLE VI ADMINISTRATION

This Plan shall be administered by a Board of Directors (hereinafter referred to as the Board) of the Association in accordance with the Plan.

ARTICLE VII INDEMNIFICATION

1. The Association shall indemnify:
 - a. each member of a governing committee (or other board empowered to act in the capacity of a board of directors), each member of any other committee or any subcommittee, officer and employee of the Association, and the estate, executor, administrator, heirs, legatees and devisees of any such person; and
 - b. every insurer member of the Association, both as a member and by reason of such insurer having one or more of its personal representatives

or employees serving in any of the capacities or positions specified in clause (a) herein above; and

- c. every officer and employee of the Industry Placement Facility, and the estate, executor, administrator, heirs, legatees or devisees of 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 reasonably believed to be the scope of his employment or authority and for a purpose which he reasonably believed to be in the best interest of and in connection with the administration, management, conduct or affairs of the Association, committee, or Industry Placement Facility, 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 governing committee of the Association.

2. Such indemnification shall not depend upon whether or not such insurer is a member of the Association, or such person is a member of the Governing Committee, Industry Placement Facility, or any committee, at the time such claim action, suit or proceeding is begun, persecuted or threatened; nor on whether or not the liability to be indemnified was incurred or the act or omission occurred prior to the adoption of this action.

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

4. 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 the Governing Committee. In the event that a majority of the members of the Governing Committee are seeking indemnification hereunder as a result of the same occurrence, such determination in the first instance shall be made by vote of the membership of the Association taken on a weighted basis as provided in the plan of operations or the enabling legislation. Nothing in this paragraph is intended to make an adverse determination finally binding upon the person or insurer seeking indemnity under this Section, or to preclude any such person or insurer from appealing an adverse determination against him or it, or from instituting legal proceedings to enforce a right

of indemnification under this Section.

5. The indemnification provided for in this Section shall be deemed to be an expense of the Association to which all of the members of the Association shall contribute in the proportion that each member participates according to law in the writings, expenses, profits and losses of the Association.

ARTICLE VIII INSOLVENCY

In the event any Member fails, by reason of insolvency, to pay its proportion of any expense or of any loss as an assuming reinsurer incurred by the Association under the Plan, such unpaid loss or expense shall be paid by the remaining Members, each contributing in the manner provided for by the distribution of expenses and losses under the Plan, deleting therefrom the proportion of the defaulting member. The Association shall be subrogated to the rights of the remaining Members in any liquidation proceeding and shall have full authority on their behalf to exercise such rights in any action or proceeding. In the event of the insolvency of a Member Servicing Insurer this reinsurance shall be payable directly to such Member or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of such Member without diminution because of the insolvency of such Member or because the liquidator, receiver, conservator or statutory successor of such Member has failed to pay all or a portion of any claim, except (a) where the contract specifically provides another payee of such reinsurance in the event of the insolvency of the ceding insurer and (b) where the assuming insurer with the consent of the direct insured or insureds has assumed such policy obligations of the ceding insurer as direct obligations of the assuming insurer to the payees under such policies and in substitution for the obligations of the ceding insurer to such payees. The liquidator, receiver, conservator or statutory successor of such Member shall give written notice to the Association of the pendency of a claim against the Member indicating the policy reinsured which claim would involve a possible liability on the part of the Association within a reasonable time after such claim is filed in the conservation of liquidation proceeding or in the receivership, and that during the pendency of such Claim, the Association may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses that it may deem available to the Member or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by the Association shall be chargeable, subject to the approval of the court, against the insolvent Member as part of the expense of conservation of liquidation to the extent of a pro-rata share of the benefit which may accrue to such Member solely as a result of the defense undertaken by the Association.

ARTICLE IX AMENDMENTS

These Articles of Agreement may be amended by the membership with the approval of

the Commissioner. Procedure for Amendment shall be prescribed in Section 7.00 of the Plan.

ARTICLE X EFFECTIVE DATE

These Articles of Agreement are subject to approval by the Commissioner and shall become effective on the date established by the Commissioner.

ARTICLE XI CITATION OF COMMISSIONER

Failure of any Member to comply with these Articles of Agreement or with any rules prescribed thereunder by the Board or Directors or to pay any assessment levied within 30 days of notice thereof, shall be grounds for citation of such Member to the Commissioner.

ARTICLE XII APPEAL TO COMMISSIONER

Any applicant or Member aggrieved by any ruling, order, decision, action or refusal to act on the part of the Association may appeal to the Commissioner as provided in Section 9.00 of the Plan.

ARTICLE XIII ACCEPTANCE OF ARTICLES OF AGREEMENT BY MEMBERS

The Member Insurers do hereby ratify the foregoing Articles of Agreement and declare their unqualified authorization to the Board of Directors to levy such assessments as are deemed necessary by the Board to carry out the purposes of the Plan as described and to act as the Member Insurers' agent in assuming and ceding reinsurance on behalf of the members as authorized by the Plan, which reinsurance shall have the same effective date as the ceding Member's liability. The Member Insurers hereby agree to participate in the Plan and the Association, including any gains, losses, expenses, obligation, or contracts thereof, and to be bound by decisions of the Board of Directors with respect thereto.

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