

MISSISSIPPI
WINDSTORM UNDERWRITING ASSOCIATION

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BULLETIN 15-01

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TO ALL LICENSED MS RESIDENT AGENTS-
MISSISSIPPI WINDSTORM UNDERWRITING
ASSOCIATION (MWUA)

MISSISSIPPI WINDSTORM UNDERWRITING
ASSOCIATION (MWUA) -
RENEWAL INSURANCE TO VALUE
UNDERWRITING PROCEDURE CHANGES

This Bulletin announces a change in the MWUA renewal insurance to value underwriting process and procedure and is effective immediately. This change applies to non commercial only and does not amend new business process and procedure outlined in MWUA Bulletin 13-01.

MWUA underwriting requires all policy covered locations to carry a building limit of insurance equal to a minimum of 80% of the full replacement cost each risk, or if communicated using the application for change Request for ACV, the full 100% actual cash value (replacement cost depreciated for age, loss, and condition).

As update inspections are ordered and completed on the in-force MWUA book of business, the MWUA underwriters will send a letter of notification to the agent and insured for those locations that appear to be undervalued for 80% replacement cost, or actual cash value requirements (if the ACV intent form is properly completed and signed).

MWUA will not force a limit increase on the current renewal policy mid-term. MWUA will continue to require insurance to value resolution on newly written policies related to the new business inspections that will continue to lead to mid-term limit increases as appropriate.

The insurance to value notification letters completed on in-force renewal policies will be advisory only to the agent and insured regarding the current policy term.

It is highly recommended that the agent coordinate with the insured to review the building limit as soon as possible after receipt of the MWUA notification letter. This is recommended to help avoid potential coinsurance or depreciation penalties that could apply at the time of loss based on policy loss settlement provisions.

If the underwriting notification letter communicating insurance to value variance is not handled prior to the following renewal quote start date, the next renewal limit will be adjusted and the MWUA underwriting department will apply the full inspected replacement cost value for the notice of expiration and renewal quote package. The renewal quote will be based on the 100% inspected RC value.

The MWUA valuation result is an estimate based on an external site inspection. It is not a professional appraisal. MWUA will consider any reasonable agent/insured valuation evidence presented for help resolving application against inspection variances. The policyholder has the right to request Actual Cash Value (depreciated for age, use, condition) if using the properly completed application for change ACV request form.

Some other points to consider:

1. On homes built new to approximately 15 years old, the depreciated actual cash value of the home is likely equal to or higher than the 80% of replacement cost value meaning an ACV option is no real advantage for establishing a limit of insurance.
2. **Agents should review the fire peril limit and valuation approach being used on the X- wind/hail policy. There is potential for consumer litigation on those claims where the fire limit is placed at a materially higher limit than the wind/hail policy limit. It is recommended each agency review their in-force policies to detect and correct such discrepancies to protect against consumer litigation exposure. Review and action as soon as practical is recommended.**
3. MWUA retains the right to underwrite insurance to value and make final decisions based on the underwriting information obtained via site inspections and agent or insured supplied materials.
4. Update renewal dwelling limit increases endorsed November 2014 to May 2015 can be offset using an application for change request to underwriting properly signed. If requested to offset the previous increase limit change, MWUA will send revised variance letters to agent and insured adjusting the next renewal quote to the 100% RC value unless resolved sooner. This does not apply to new business building limit increases.
5. It is ultimately the agent and insured's responsibility to periodically jointly review the policy scheduled covered location limits of insurance for protection against policy loss settlement coinsurance provisions, inflation exposure, and potential loss event demand surge issues at the time of loss. Once adjusted up on request, they cannot be reduced.

Thanks for your attention to these matters. Your support is appreciated.

