

**MISSISSIPPI  
WINDSTORM UNDERWRITING ASSOCIATION**

P.O. Box 5389  
2685 Crane Ridge Drive  
Phone (601) 981-2915  
Fax (601) 981-2924  
Jackson, Mississippi 39296-5389

BULLETIN 13-01

DATE: 4-17-2013

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

MISSISSIPPI WINDSTORM UNDERWRITING  
ASSOCIATION (MWUA)  
Insurance to Value Underwriting - Dwelling

---

This bulletin is intended to address questions pertaining to insurance to value underwriting by MWUA staff. Questions on this issue can be directed to MWUA underwriters or management.

For the initial new business application process, the MWUA developed average cost per square foot guidelines for use as minimums when underwriting dwelling coverage limits. These guidelines are not location specific. The guides were developed based on a sample of MWUA risks. Individual dwelling characteristics will impact the value of a specific risk once the location inspection is completed.

The standard construction guide is \$75 per square foot (standard construction zero to 3000 square feet). The custom guide is \$125 per square foot (used for custom built homes and all homes over 3000 square feet). There is an economy construction guide \$55 per square foot (for lesser construction such as a camp, outbuildings, etc.). These guides apply to the new applications, or newly added dwellings to existing policies, for initial rating purposes.

The economy, standard, and custom construction guides are simply utilized as an initial insurance to value screen pending the receipt of the location specific inspection report. Since these cost per square foot “guides” are based on averages and are not location specific, coinsurance reductions should not be applied to them for setting the dwelling policy limit.

Site inspections are ordered for new dwelling applications (and newly added locations). The MWUA inspections provide the total building area, and living area square footage. The reports include an estimated full replacement cost, and actual cash value estimate for the inspected dwelling (based on current Marshall and Swift calculation licensed software).

When the physical location inspection is received, the MWUA underwriters review the inspection calculated replacement cost versus the current MWUA policy limit for each dwelling inspected. If the current policy limit is more than 20% above or below the inspection calculated replacement cost, the MWUA underwriter will release a letter to the agency requesting help to resolve differences. If the policy limit is within 20% above or below the inspection replacement cost, no letters will be released by the MWUA.

Any agent or insured information provided with new applications, or newly added locations, will be reviewed by the underwriters. Such information could possibly help establish initial rating limits and/or aide reconciliation against the location inspections when received. Such information can be submitted with the initial coverage application, or supplied in response to MWUA underwriting letters.

Some examples of useful information includes replacement cost calculation worksheets, building diagrams with dimensions, replacement cost based contractor appraisals, dwelling architectural plans, photos, and other useful valuation information.

**While it is not required to send this type of information with the initial applications, such information can be very helpful when provided and could help limit back and forth underwriting correspondence when provided to MWUA staff.**

Note – the windstorm plan does allow the policyholder the right to elect an actual cash value (depreciated for age/use/condition) dwelling policy limit. At present, there is no field on the current dwelling application to communicate whether the insured is seeking replacement cost or actual cash value loss settlement.

The MWUA is assuming the applicant is seeking replacement cost coverage. However, when advised in writing the intent is ACV value, MWUA can underwrite the insurance to value on the depreciated ACV approach. This is something to consider when responding to letters from the MWUA seeking help reconciling policy limits against specific location inspection results.

Where an ACV value is materially less than an 80% coinsurance replacement cost value, the MWUA letters will identify the inspector's full actual cash value estimate for consideration. The MWUA will honor a request to underwrite the policy limit on an ACV basis if the request is provided in writing (dated and signed) at initial policy application or when responding to underwriting letters.

For newer homes, the actual cash value can often be higher or equal to the 80% coinsurance replacement cost value. In these cases, the actual cash value option becomes less relevant when setting a policy limit.

It is recommended that agents familiarize their applicants and policyholders with the replacement cost and actual cash value dwelling policy definitions as well as the dwelling policy loss settlement provisions (pages 1,9, and 10 of MWUA 001 06/09 edition). It is ultimately the responsibility of the insured policyholder to select a policy limit of insurance that will meet the 80% coinsurance replacement cost requirements if seeking replacement cost coverage. Claim adjusters will be evaluating insurance to value in accordance with the dwelling policy loss settlement provisions in the event of a loss. The costs of materials and labor can change frequently meaning the agent/insured evaluation of the dwelling policy limit should be reviewed at least annually for coinsurance purposes.