

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 13-04

DATE: 10-11-2013

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

MISSISSIPPI WINDSTORM UNDERWRITING
ASSOCIATION (MWUA)

Commercial Changes in the Application of
Percentage Deductibles, and Change in
Eligibility for Multi Location Blanket
Policy Coverage Approach

This bulletin provides notice of important changes in coverage and rules related to MWUA Commercial percentage deductibles, and eligibility for multi location blanket limit policies. At the request of the MWUA Board of Directors, the Mississippi Insurance Department approved these revisions effective 9-30-2013 for new policies, and effective November 1, 2014 for renewal policies.

The percentage deductible endorsement coverage changes include:

1. Percentage deductibles for all commercial policies will be calculated based on the applicable percentage of the total values subject for the risk or risk group, in lieu of the former application of the deductible to the amount of coverage.

2. A minimum 5% percentage deductible will apply to all commercial risks and risk groups with total values subject exceeding \$5 million. This is explained in the maximum limit base deductible endorsement 6006 Comm (10-13) applicable to policies issued for the maximum \$1 million limit.

No deductible credit applies if the mandatory minimum deductible is 5%. The optional 5% percentage deductible form (6012-5 10-3) and the associated deductible credit factor only apply to risks with total values subject of \$5 million or less.

3. A minimum 2% percentage deductible remains applicable to all commercial risks and risk groups with total values \$5 million or below. This is explained in the base deductible form 6007 Comm (10-13) applicable to policies with limits insured less than \$1 million.
4. The percentage deductible applied to the total values subject for the risk or risk group will be calculated against combined building and contents values subject when both are covered. The exception is commercial policies written at a limit less than \$1 million limit of insurance will continue to calculate the percentage deductible against the limit of insurance separately to building and contents in lieu of combined.
5. Rules for multi location blanket schedule eligibility are amended to clarify that only one multi location blanket schedule can be written through MWUA (active coverage) for any one common ownership named insured (individual or entity). Blanket schedules can continue to be submitted on a per location basis (multiple buildings and contents located at a single location).
6. The optional percentage deductible endorsements were amended to clearly indicate commercial versus non commercial. The commercial versions were amended to reflect changes 1-4 above.

7. There is no change in coverage or application of the percentage deductible for non commercial policies (dwellings, mobile homes, and dwelling builder's risk). The new non commercial percentage endorsements simply clarify that they apply to non commercial risks only, no coverage changes are involved for dwellings, mobile homes, or dwelling builders risk.

These changes were drafted, filed, and approved to address the adverse impact that large commercial (high value amount subject) policy schedules have on MWUA catastrophe modeling results. The large commercial clients that use the MWUA \$1 million coverage limit as a primary deductible to layered property programs materially increase the modeled probable maximum loss calculations that factor into MWUA reinsurance costs.

The MWUA Board and Mississippi Department of Insurance purposely established the effective date for application of these new coverage forms and rules as November 1, 2014 (for renewals) to allow appropriate time for impacted commercial policyholders to seek other market options before these changes take effect.

These changes are immediately applicable to new commercial applications for coverage.

Attached to this bulletin is a list of the deductible form changes and revisions to the Manual of Rules and Procedures. The forms and revised Manual of Rules and Procedures will also be posted on the MWUA website.

<http://www.msplans.com/MWUA/Index.htm>

MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION

MWUA Commercial Form Changes – Recap

New Form		Old form
6007 Comm (10-13)	Replaces	6007 Miss (01-00) – Base Deductible 2% for risks Written at limit less than \$1M
6006 Comm (10-13)	Replaces	6006 Miss (01-00) – Base Deductible for risks Written at limit \$1M including Blanket schedule policies. (maximum limit policies).
6012-5 Comm (10-13)	Replaces	6012-5 Miss (10-07) 5% named optional named storm deductible. Optional only for policies with total values subject of \$5M or less. Policies with total values subject more than \$5M are not eligible – already have a mandatory 5% named storm deductible see 6006 Comm (10-13).
6012-10 Comm (10-13)	Replaces	6012-10 Miss (10-07) 10% optional named storm deductible. All commercial risks are eligible.
6012-15 Comm (10-13)	Replaces	6012-15 Miss (10-07) 15% optional named storm Deductible. All commercial risks are eligible.
6012-20 Comm (10-13)	Replaces	6012 -20 Miss (10-07) 20% optional named storm deductible. All commercial risks are eligible.

(note all six of the forms above apply the percentage deductible to values subject in lieu of the limit of coverage. For policies with values subject less than \$1M, the percentage deductible applies separately to building and contents (if both are covered). For policies with values \$1M or above, the percentage deductible applies to total combined values for buildings and contents).

MWUA Non Commercial Form Changes Recap

6012 Miss (10-07)	No change		2% base deductible for dwellings including farm dwellings – one through four families and trailers or mobile home risks.
6012-5 Non Comm (10-13)	Replaces	6012-5 Miss (10-07)	5% deductible option. All non commercial risks are eligible.
6012-10 Non Comm (10-13)	Replaces	6012-10 Miss (10-07)	10% deductible option. All non commercial risks are eligible.
6012-15 Non Comm (10-13)	Replaces	6012-15 Miss (10-07)	15% deductible option. All non commercial risks are eligible.
6012-20 Non Comm (10-13)	Replaces	6012-20 Miss (10-07)	20% deductible option. All non commercial risks are eligible.

(Note – all five of the non commercial forms above apply the percentage deductible to the limits of coverage and apply separately to building and contents).

(Additional Note- there is no coverage content changes involved with the four optional Non Commercial Endorsement Forms listed above. The only change is to form name/description to clarify they apply solely to Non Commercial policies where they previously applied to both Commercial and Non Commercial policies).

MISSISSIPPI WINDSTORM UNDERWRITING ASSOCIATION (MWUA)

Manual of Rules and Procedures

I. INTRODUCTION

1. Purposes

The broad objectives of the Plan are to make Essential Property Insurance available to responsible applicants on eligible property located in the Coast Area of Mississippi who have been unable to secure such insurance in the normal insurance market and to fulfill the purposes provided by House Bill 274, Laws of 1987 and HB1500 of the 2007 Legislative Session. The "Coast Area" consist of George, Hancock, Harrison, Jackson, Pearl River and Stone Counties of Mississippi.

II. GENERAL

1. Who May Apply

Any person having an insurable interest in insurable property at fixed locations in the Coast Area.

2. Application Forms

Application forms may be secured from the Mississippi Windstorm Underwriting Association, Post Office Box 5389, Jackson, Mississippi 39296-5389 or <http://www.msplans.com/mwua>.

3. Eligible Property

Builder's risk and real property at fixed locations in the Coast Area or the contents located therein.

4. Ineligible Property

Motor vehicles and any structure commenced on or after June 1, 1987, not built in substantial compliance with the Standard Building Code, including the design-wind requirements therein, and contents in such structure. An exception to the preceding is Trailer or Mobile Home Risks (see Section II, Paragraph 6.C).

5. Coverage

Windstorm and Hail Insurance (Specific Peril Policies)

A. General Provisions:

- (1) Windstorm and Hail Form No. 4001 (Effective 1-00) with appropriate fire form will be attached to the Standard Fire Insurance Policy.
- (2) Except as otherwise specifically provided, all windstorm and hail property damage policies shall be written subject to 80% or higher coinsurance clause. Dwellings (One through Four Family) are subject to loss settlement.
- (3) Mississippi State Rating Bureau Extended Coverage Endorsement construction classification rules shall apply to windstorm and hail policies.
- (4) (a) All policies on properties in the "Coast Area" except policies written without coinsurance (See Paragraph 6.A. (3) following), and policies covering Trailer or Mobile Home Risks (See Paragraph 6.C. following), shall be subject to Special Windstorm and Hail Deductibles by attaching the proper special endorsement as follows:

Dwelling Including Farm Dwelling (One Through Four family) Deductible Form No. 6001 (Effective 10-98) (\$500.00 Deductible); Dwelling policies with coverage over \$500,000.00 Miss. No. 6013 (effective 09-03) (\$1,000.00 Deductible)

Dwellings Including Farm Dwelling (One through Four-Families and Trailer or Mobile Homes) 2% Named Storm Deductible. 6012 Miss (10-07)

Commercial including Farm Property Other Than Dwelling (Other Than One Through Four Family Dwelling) Deductible Form No 6007 Comm(10-13) or 6006 Comm(10-13)

No Credit in rates will be allowed for these deductibles.

(b) Optional Dwelling, including Farm Dwelling, (One through Four Family):

Deductible Rate Adjustment Factor

Deductible Form Miss. No. 6003 (1-95) \$1,000 = .90

Deductible Form Miss. No. 6004 (1-95) \$2,500 = .85

(c) Optional Named Storm¹ Deductible for Dwelling, including Farm Dwelling (One through Four Family and tenant occupied multi-unit dwelling complex) Mobile Homes and Manufactured Homes and commercial properties:

*Note: (Section III 6. Renewals B) Deductible may only be changed at the renewal of that policy.

Named Storm Deductible	Rate Adjustment Factor
------------------------	------------------------

Non-Commercial

5% Form 6012-5 Non Comm (10-13)	.87
10% Form 6012-10 Non Comm (10-13)	.78
15% Form 6012-15 Non Comm (10-13)	.71
20% Form 6012-20 Non Comm (10-13)	.65

Commercial (Other than One through Four Family Dwelling)

5% Form 6012-5 Comm (10-13)	.87
10% Form 6012-10 Comm (10-13)	.78
15% Form 6012-15 Comm (10-13)	.71
20% Form 6012-20 Comm (10-13)	.65

- (5) Dwellings including farm dwelling (one through four families and trailers or mobile home risks) are subject to a 2% Named Storm Deductible Mississippi No. 6012, \$500.00 minimum, or \$1,000.00 minimum, when a named storm is located within the boundaries of 80 degrees West longitude and 20 degrees North latitude.
- (6) Commercial properties may be insured for replacement cost. The application for insurance in the Mississippi Windstorm Underwriting Association shall indicate that replacement cost coverage on commercial properties is desired by proper completion of the appropriate section. A special \$50.00 non-returnable fee shall be included with the application when replacement cost coverage for commercial properties is requested. Replacement cost insurance in the Mississippi Windstorm

¹ "Named Storm" means a storm system that has been named by the National Hurricane Center of the National Weather Service.

Underwriting Association shall only apply when other property insurance covering perils other than windstorm and hail for the location is also based on replacement cost. The amount of replacement cost insurance for the location covering perils other than windstorm and hail together with the coinsurance percentage applicable thereto, shall be provided in the application for coverage in the Mississippi Windstorm Underwriting Association. Mississippi Windstorm Underwriting Association Replacement Cost Endorsement, Mississippi Form No. 6009 or Mississippi Form No. 6010 (effective 10-98) is required.

- (7) Coverage's that are not provided are: Time Element and Reporting Form.
- (8) Blanket insurance coverage may be provided for commercial buildings and contents at one or multi locations (location in this usage is when the premises is not broken by a public thoroughfare or property of others or railroads), when a statement of values has been submitted and proper notice is shown on the application. If written blanket at one location or blanket covering more than one location, the limits continues to be \$1,000,000.00. **There can be no more than one multi location blanket schedule written through MWUA for any one insured.** Coinsurance adjustment is applicable per Section II, Item 6. Rates, A., sub-item (3), and the coinsurance rule is eliminated.

6. Rates

A. Property other than Dwellings (One through Four Family and tenant occupied multi-unit dwelling complex), Trailer or Mobile Home Risks

- (1) The MWUA 80% coinsurance clause Windstorm and Hail rate for an item shall be the Mississippi State Rating Bureau Extended Coverage Rate or Wind and Hail rates filed and approved for use by MWUA.
- (2) Where maximum MWUA limits are applicable and Windstorm and Hail insurance is written with 50% coinsurance use the MWUA 80% Windstorm and Hail rate for an item and multiply by 1.5.
- (3) Where maximum MWUA limits are applicable and Windstorm and Hail insurance is written with no coinsurance use the MWUA 80% coinsurance clause Windstorm and Hail rate for an item and multiply by 2.5 (See § 8.A. Limits).

Note: Windstorm and Hail Deductible Clause, 6006 Comm(10-13), is mandatory.

- (4) Where Windstorm and Hail Insurance is written at higher than 80% coinsurance, use the MWUA 80% coinsurance clause Windstorm and Hail rate for an item and reduce 5% for 90% coinsurance and 10% for 100% coinsurance.