

GEORGE DALE
Commissioner of Insurance
State Fire Marshal

LEE HARRELL
Deputy Commissioner



STATE OF MISSISSIPPI
Mississippi Insurance Department

501 N. West Street
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079
(601) 359-3569
<http://www.doi.state.ms.us>

FOR IMMEDIATE RELEASE

George Dale, Commissioner of Insurance/State Fire Marshal
Mississippi Insurance Department
Jackson, Mississippi
Friday, July 28, 2006
For additional information, please contact
Donna J. Cromeans, Public Relations Director 601-826-9600

Dale Slashes Wind Pool Rate Increase Request by Over 300% Move Saves Coastal Residents Over \$2000 in Premium Increases

Jackson –Commissioner of Insurance George Dale announced today that he will grant the Mississippi Windstorm Underwriting Association (MWUA) a rate increase of only 90% in the homeowner’s program, an increase that is 307% less than MWUA originally requested.

The state’s actuaries recommended that if the Wind Pool were to purchase \$600 million in reinsurance they would recommend a rate increase of 192.8% in the homeowner’s program even after figuring in the \$30 million in Federal Community Development Block Grant funds expected to be paid into the Wind Pool this year in a program developed by the MID and Governor Haley Barbour’s office.

“192% is totally unacceptable. I regret that Wind Pool policy holders will have to pay any increase in premiums. However, an increase is necessary in order to maintain the stability of the program. Without the Wind Pool many residents would be unable to get any wind coverage due to a number of companies choosing not to write the wind on the coast. This department has worked long and hard to come up with the least painful solution to the Wind Pool rate increase filing request. I think a 90% increase in the homeowner’s program is considerably less painful than a 397% or even a 192% premium increase. I want to stress that this rate increase is not going to affect everyone’s homeowner policies on the coast. Those who continue to get insurance from the voluntary market will not be affected,” said Dale.

Dale explained that options were sought to a solution to the Wind Pool issue in Mississippi that would be in the best interests of all Mississippians. Coastal residents were opposed to any increases and vocal opposition came from policyholders throughout the state that did not want to see homeowner’s premiums in their areas rise to compensate for additional wind pool assessments with the passage of a large rate increase request.

In April the Wind Pool requested a rate increase of 397% for private dwellings. Under the 397% requested increase, the premium for a homeowner for wind coverage on a \$100,000 home would

have increased from \$792 per year to \$3,942 a year. By limiting the dwelling rate increase to 90%, the premium for the same home will only increase to \$1,504 a year, a premium savings of nearly \$2500 per year. Rate increases will take effect on the purchase of a new policy or on renewal dates.

While coming to his decision Dale carefully watched and is continuing to watch what is happening in nearby states with their wind pool situations. Both Louisiana and Florida are struggling to keep their wind coverage insurance of last resort programs afloat. Louisiana is facing a significant rate increase request and litigation regarding its program. This week a major property and casualty insurer threatened to leave Louisiana all together. Florida had to infuse \$745 million from its state's general fund and issue \$2 billion in bonds, and their program is still struggling.

“We will continue to work with all interested parties in an effort to find a solution to make insurance more affordable and available on the Mississippi Gulf Coast. The State of Mississippi must have affordable and viable insurance for the Gulf Coast to recover and rebuild. We can not recover unless we all work together to solve this problem,” said Dale.

MID took a plan to use CDBG grant funds to pay for a significant portion of the cost of reinsurance the Wind Pool was required to purchase to the Governor's office. With their assistance \$50 million over the next two years has been approved for that purpose. Thirty million is earmarked for this year and \$20 million next. Dale stressed that MID will continue to monitor the Wind Pool on a monthly basis and if things do not improve rates will have to be re-examined.

“Without the infusion of these funds from Governor Barbour's Office we would be looking at substantially higher rates. We recognize that the \$50 million is not a final solution. However, the infusion of \$30 million immediately and the rate increase gives us time to work with the Legislature to come up with a solution to the problem, because we know we cannot go back for another \$50 million next year. If the state can go without a major storm this year it is my sincere hope that future rates will level off or possibly even decrease.”

The MWUA reports that the Wind Pool is writing an additional 3,500 policies each month.

The MWUA only writes wind insurance in the lower six counties in Mississippi. These are normally risks that insurance companies will not insure due to the wind exposure. The MWUA has already paid over \$700 million in claims to their policyholders. As a result of those claims MWUA had to assess over \$525 million to all other insurance companies operating in Mississippi, even those that did not write any policies in the coastal areas. These assessments will ultimately be passed on to these companies' policyholders, even those policyholders that don't live on the coast.

###