

# MARKET BULLETIN

<b>From</b>	Director, Worldwide Markets (extn 6863)
<b>Date</b>	21 July 2006
<b>Reference</b>	Y3852
<b>Subject</b>	<b>Mississippi: Regulation 2006 -2 issued by the Mississippi Department of Insurance</b>
<b>Subject areas</b>	Requirement that insurers inform policyholders of flood and earthquake exclusions in homeowners and/or windstorm residential policies in the state of Mississippi
<b>Attachments</b>	Mississippi Department of Insurance Regulation 2006-2
<b>Action points</b>	<b>Managing agents and Lloyd's brokers to note and comply with the provisions of Regulation 2006-2</b>
<b>Deadlines</b>	<b>Regulation 2006-2's requirements are effective from 14 August, 2006</b>

## Purpose of bulletin

To notify the market of Mississippi Department of Insurance Regulation 2006-2 ("the Regulation").

## Regulation 2006-2

A copy of the Regulation is attached to this bulletin. It comes into effect on 14 August, 2006.

It applies to "all insurers selling homeowners and/or windstorm residential property coverage insurance policies in the state of Mississippi". The term "insurer" explicitly includes eligible non-admitted/surplus lines insurers, so it applies to Lloyd's underwriters carrying on surplus lines business from Mississippi.

In summary, if a homeowners or windstorm residential insurance policy covering property in Mississippi includes a flood and/or earthquake exclusion, the insurer must provide a written notice pointing this out.

The Regulation specifies the exact language that must, as a minimum, be included in 10-point print and says that the notice must be provided to the policyholder along with the policy at the time it is issued and thereafter at renewal by first class mail to the policyholder's address.

The Regulation requires insurers to provide the notice to:

- Existing policyholders, to notify them of policy exclusions *by 1 September, 2006*.
- New policyholders, at the time the policy is issued, *from 1 September, 2006*.

In addition, an insurer must set out the statement specified in the Regulation in, or attached to, a policy's Declaration Page(s) *by 1 January 2007*.

The Regulation defines:

- "Homeowners coverage" as "any personal lines residential property insurance coverage including any homeowner, dwelling, mobile home, tenant or condominium unit owner form of coverage".
- "Windstorm coverage" as "any personal lines residential property insurance coverage which provides insurance coverage for any loss due to a windstorm, hurricane or hail."

It should be noted that under Section 7 of the Regulation, failure of an insurer writing homeowners and/or windstorm coverage in the state of Mississippi to comply with a material provision of the Regulation will be considered a violation of the Mississippi Code.

## Further Information

In you have any queries about this market bulletin, please contact Lloyd's Worldwide Market Services:

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This market bulletin has been sent to active underwriters and to the compliance officers of managing agents and Lloyd's brokers.

Julian James,  
Director  
Worldwide Markets

**MISSISSIPPI DEPARTMENT OF INSURANCE  
REGULATION 2006-2**

**INSURERS TO INFORM POLICYHOLDERS OF  
FLOOD AND EARTHQUAKE EXCLUSIONS IN HOMEOWNERS  
AND/OR WINDSTORM RESIDENTIAL POLICIES**

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**Section 1. Purpose**

The purpose of this Regulation is to set forth a requirement that all property and casualty insurers who sell personal lines residential property insurance coverage ("homeowners") and/or residential windstorm property coverage ("windstorm") shall provide written notice to the policyholder at the time of issuance of the policy and thereafter at each renewal of any flood exclusion and/or earthquake exclusion in the homeowners and/or windstorm residential insurance policy, and to further provide notice of such exclusions directly within the Declarations Page(s) of each policy.

**Section 2. Authority**

This Regulation is promulgated by the Commissioner of Insurance pursuant to the authority granted to him by Miss. Code Ann. §§ 83-5-1; 83-5-29 through 83-5-51, as well as the provisions of Mississippi Department of Insurance Regulation No. 88-101, said regulation being the Rules of Practice and Procedure before the Mississippi Insurance Department.

**Section 3. Scope**

This Regulation shall apply to all insurers selling homeowners and/or windstorm residential

property coverage insurance policies in the State of Mississippi.

#### **Section 4. Definitions**

- A. "Insurer" means those companies subject to the jurisdiction of the Department as provided in Miss. Code Ann. § 83-5-1 (Rev. 1999), and which provide personal residential property insurance coverage in the State of Mississippi. The term insurer shall include eligible non-admitted insurers/surplus lines insurers doing business in Mississippi pursuant to Miss. Code Ann. § 83-21-17, et seq. (Rev. 1999), the Mississippi Windstorm Underwriting Association (MWUA), and the Mississippi Residential Property Insurance Underwriting Association (MRPIUA).
- B. "Homeowners coverage" means any personal lines residential property insurance coverage including any homeowner, dwelling, mobile home, tenant or condominium unit owner form of coverage. For the purposes of this Regulation, this shall include mobile home/ manufactured housing property coverage.
- C. "Windstorm coverage" means any personal lines residential property insurance coverage which provides insurance coverage for any loss due to a windstorm, hurricane or hail.

#### **Section 5. Requirements**

- A. An insurer shall, after January 1, 2007, provide at the time of issuance and thereafter at each time of renewal a notice that provides a statement that said policy contains a flood and/or earthquake exclusion. The notice shall be provided to the policyholder along with the insurance policy at the time of issuance of the policy, and thereafter shall be sent by first class mail at each time of renewal to the address of the policyholder as indicated by the records of the insurer. The notice should contain at a minimum the following language in 10-point print:

- Flood Exclusion:

Your policy excludes coverage for damage caused by flooding of all types. This exclusion may exclude any and all damages resulting from storm surge from a hurricane, surface water, flash floods, waves, tidal water, tidal waves, wind driven rain or water, or any other overflow of water, and spray from any of these events. For further details, please see the language of your policy. The language of your policy will control the obligations of the parties.

You are further advised that to be covered for such a loss, you will have to obtain a separate flood insurance policy through the National Flood Insurance Program (NFIP). Your insurance agent or company representative can

provide you with information regarding obtaining flood insurance from the NFIP and whether it is available in your location. The NFIP can provide both structure and contents coverage.

- Earthquake Exclusion: (if applicable)

Your policy excludes coverage for any damages caused or precipitated by an earthquake or earth movement. This exclusion generally excludes all damages caused or in any way resulting from an earthquake, earth movements, tremors and aftershocks, and also excludes earth movement, land shock waves, aftershocks or tremors before, during or after a volcanic eruption. For further details, please see the language of your policy. The language of the policy will control the obligations of the parties.

You are further advised that to be covered for such a loss, you will have to obtain a separate earthquake endorsement or special earthquake policy. Not all insurance companies provide earthquake coverage. Your insurance agent or company representative can provide you with information on coverage for damage due to an earthquake.

- B. Each insurer that writes homeowners and/or windstorm coverage in the State of Mississippi shall, by September 1, 2006, send a copy of the appropriate notice required in Section 5(A) to their residential policyholders in this State informing them of any exclusion contained within their policy.
- C. Furthermore, each insurer that writes homeowners and/or windstorm coverage in the State of Mississippi shall provide a copy of the appropriate notice required in Section 5(A) at the time of the issuance of the policy to the policyholder of any new residential policy written in this state between September 1, 2006, and December 31, 2006, informing them of any exclusion contained within their policy.

**Section 6. Notice of Exclusion to be Stated on Declarations Page**

No later than January 1, 2007, each insurer shall clearly provide within the main Declarations Page(s) of each policy, or attached to the Declarations Page(s), a statement in 10-point print that informs the policyholder that the policy contains a flood and/or earthquake exclusion. The statement should include one or both of the following statements, whichever is applicable:

- "This policy contains a flood exclusion. Flood coverage may be purchased separately from the National Flood Insurance Program, if available in your area."
- "This policy contains an earthquake exclusion. Contact your agent for information concerning the availability of earthquake coverage."

**Section 7. Violations and Penalties**

Failure of an insurer writing homeowners and/or windstorm coverage in this State to comply with a material provision of this regulation shall be considered a violation of Miss. Code Ann. § 83-5-17 and §§ 83-5-29 through 83-5-51 (Rev. 1999), but does not change the coverage selected and paid for by the policyholder and does not in any way operate to expand coverage beyond the terms of the insurance policy. Violation of said statutes may subject the insurer to the suspension or revocation of the insurer's Certificate of Authority, the imposition of an administrative fine, or both.

**Section 8. Limitation of Regulation**

Nothing stated or required in this Regulation is intended to change any insurance coverage selected and paid for by the policyholder and does not in any way operate to expand coverage beyond the terms of the insurance policy.

**Section 9. Severability**

If any section or portion of a section of this Regulation or the application thereof is held by a court to be invalid, such invalidity shall not affect any other provision of that section or application of the Regulation which can be given effect without the invalid provision or application, and to this end the provisions of the Regulation are declared to be severable.

**Section 10. Effective Date**

The effective date of this Regulation shall be thirty (30) days after filing with the Secretary of State's Office.