

NOTICE OF PROPOSED RULE ADOPTION

**STATE OF MISSISSIPPI
MISSISSIPPI DEPARTMENT OF INSURANCE**

Mississippi Department of Insurance
c/o Lee Harrell , Deputy Commissioner
501 N. West Street, Suite 1001
P.O. Box 79
Jackson, MS 39205
{601} 359-3569
lee.harrell@mid.state.ms.us

Senate Bill 2381, 2006 Mississippi Legislative Session; Miss. Code Ann. §§ 83-5-17; 83-5-29 through 83-5-51; and 83-17-1 through 83-17-89(Rev. 2001), Mississippi Department of Insurance Regulation No. 88-101, said regulation being the Rules of Practice and Procedure before the Mississippi Insurance Department

Reference to Rules repealed, amended or suspended by the Rule:

Mississippi Department of Insurance Temporary Regulation 2005-2 is hereby amended

Specific Legal Authority authorizing the promulgation of Rule:

Date Rule Proposed: May 25, 2006

Explanation of the Purpose of the Proposed Rule and the reason(s) for proposing the rule: "Special Mediation Program for Personal Lines Residential Insurance Claims Resulting from Hurricane Katrina", is to establish on a non-adversarial alternative dispute resolution procedure which is prompted by the critical need for effective, fair and timely handling of personal lines insurance claims arising out of the damages to property caused by Hurricane Katrina.

This rule is proposed as a Final Rule, and/or a Temporary Rule (Check one or both boxers as applicable.)

Persons may present their views on the proposed rule by addressing written comments to the agency at the above address. Persons making comments should include their name and address, as well as other contact information, and if you are an agent or attorney, the name, address and telephone number of the party or parties you represent.

Oral Proceeding: Check one box below:

An oral proceeding is scheduled on this rule on Date: June 15, 2006 Time: 9:00 a.m.
Place: Offices of the Mississippi Department of Insurance, 501 North State Street, Suite 1001, Jackson, MS 39201

If you wish to be heard and present evidence at the oral proceeding you must make a written request to the agency at the above address at least 3 day(s) prior to the proceeding to be placed on the agenda. The request should include your name, address, telephone number as well as other contact information; and if you are an agent or attorney, the name, address and telephone number of the party or parties you represent.

An oral proceeding is not scheduled on this rule. Where an oral proceeding is not scheduled, an oral proceeding will be held if a written request for an oral proceeding is submitted by a political subdivision, an agency or ten (10) persons. The written request should be submitted to the agency contact person at the above address within twenty (20) days after the filing of this notice of proposed rule adoption and should include the name, address and telephone number of the person(s) making the request; and if you are an agent or attorney, the name, address and telephone number of the party or parties you represent.

Economic Impact Statement: Check one box below:

The agency has determined that an economic impact statement is not required for this rule, or

The concise summary of the economic impact statement required is attached.

The entire text of the Proposed Rule including the text of any rule being amended or changed is attached.

Date Rule Proposed: May 25, 2006

Proposed Effective Date of Rule: July 17, 2006



Lee Harrell,
Deputy Commissioner of Insurance



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>

**NOTICE OF HEARING BY THE
MISSISSIPPI DEPARTMENT OF INSURANCE**

Notice is hereby given that a public hearing will be held in the South Conference Room, Tenth Floor, Woolfolk State Building, Jackson, Hinds County, Mississippi on Thursday, June 15, 2006, at 9:00 a.m., to consider adoption of a proposed Mississippi Department of Insurance Regulation Number 2005-2, as amended, entitled "Special Mediation Program for Personal Lines Insurance Claims Resulting from Hurricane Katrina". Any and all persons wishing to testify at said hearing must register with the Insurance Department by 4:00 p.m. on Monday, June 12, 2006, or may submit their views in writing prior to the commencement of said hearing.

The purpose of this regulation is to make permanent Temporary Regulation 2005-2 which established a non-adversarial non-binding mediation program for persons with Hurricane Katrina claim.

Copies of the proposed regulation may be obtained from the Secretary of State of the State of Mississippi or by mail from the Mississippi Department of Insurance, Post Office Box 79, Jackson, Mississippi 39205-0079. Copies may also be obtained from the Department's website address at <http://www.doi.state.ms.us>.

A handwritten signature in cursive script, reading "Lee Harrell", written over a horizontal line.

Lee Harrell
Deputy Commissioner of Insurance
Mississippi Department of Insurance

**MISSISSIPPI DEPARTMENT OF INSURANCE
REGULATION NO. 2005-2, as amended**

**SPECIAL MEDIATION PROGRAM FOR PERSONAL LINES
RESIDENTIAL INSURANCE CLAIMS RESULTING FROM HURRICANE
KATRINA**

TABLE OF CONTENTS

Section 1. Authority
Section 2. Purpose And Scope
Section 3. Definitions
Section 4. Notification Of The Right To Mediate
Section 5. Request For Mediation
Section 6. Scheduling Of Mediation
Section 7. Mediation Conference
Section 8. Post Mediation
Section 9. Designation Of Administrator
Section 10. Severability
Section 11. Effective Date

Section 1. Authority

The 2005 Hurricane season was extremely destructive for Mississippi. Extensive and devastating damage was caused by Hurricane Katrina, which hit the Mississippi Gulf Coast on August 29, 2005, as a Category 4 hurricane. Hurricane Katrina continued northward, blanketing the State and causing widespread major damage to homes, loss of personal belongings and corresponding loss of employment.

In response in part to the devastation of Hurricane Katrina, Senate Bill 2381, 2006 Regular Legislative Session, was passed by the Mississippi Legislature, signed by Governor Barbour on March 1, 2006, and made effective that date. Pursuant to Senate Bill 2381, the Commissioner of Insurance has the authority to establish a non-adversarial alternative dispute resolution procedure for the handling of personal lines residential insurance claims.

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; and 83-17-1 through 83-17-89(Rev. 2001), Senate Bill 2381, 2006 Regular Legislative Session; 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 2. Purpose And Scope

This Regulation establishes a special mediation program for personal lines residential insurance claims resulting from Hurricane Katrina. It creates procedures for notice of the right to mediation, request for mediation, assignment of mediators, payment for mediation, and the conduct of mediation proceedings.

Before resorting to these procedures, insureds and insurers are encouraged to resolve claims as quickly and fairly as possible. The procedures established by this regulation are available to all first party claimants prior to commencing either litigation or the appraisal process, who have personal lines claims resulting from damage to residential property in Mississippi caused by Hurricane Katrina. Insureds who have elected to commence the appraisal process under their policies must first complete that process prior to being eligible to request the mediation procedures established hereunder. This regulation does not supersede an insured's right to commence an appraisal process under their policy. This regulation does not apply to commercial insurance (including forced-placed lender protection programs), private passenger motor vehicle insurance or to liability coverage contained in property insurance policies.

The mediation procedures established under this regulation shall not be available to the insured where the underlying issue is whether the policy was canceled, nonrenewed or lapsed prior to the loss resulting from Hurricane Katrina. Insureds may submit these issues to the Consumer Assistance Division of the Department for review.

Section 3. Definitions

- (a) "Administrator" means the American Arbitration Association.
- (b) "Claim" means any matter on which there is a dispute or for which the insurer has denied payment. Unless the parties agree to mediate a claim involving a lesser amount, a claim involves a dispute in which the difference between the positions of the parties is \$500.00 or more. Claim does not include a dispute with respect to which the insurer has reported allegations of fraud to the Department, based on an investigation by the insurer's special investigative unit.
- (c) "Department" means the Mississippi Department of Insurance or its designee.
- (d) "Insurer" means only 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 § 83-21-17 et seq. (Rev. 1999), and the Mississippi Windstorm Underwriting Association. The term insurer shall not include the National Flood Insurance Program.

- (e) "Mediator" means an individual selected by the Administrator designated by the Department to mediate disputes pursuant to this regulation. Mediators will be selected from a panel of mediators approved pursuant to the Mississippi Court Annexed Mediation Rules For Civil Litigation, adopted by the Mississippi Supreme Court on October 2, 1998.
- (f) "Party" or "Parties" means the insured and his or her insurer, including the Mississippi Windstorm Underwriting Association. The terms Party or Parties shall not include the National Flood Insurance Program.

Section 4. Notification Of The Right To Mediate

Within 10 days of the time an insured files a first-party claim, the insurer shall mail to the insured a notice of the right to mediate disputed claims. No other materials, forms or documents may be included in the mailing that contains this notice. A sample notification letter for use by insurers is attached hereto as Exhibit "A". Use of this letter by insurers will satisfy the notification requirements of this Section.

Section 5. Request For Mediation

After 10 days from the date of the notice, an insured may request mediation by writing the Administrator at American Arbitration Association, Attn. MS Insurance Mediation, 13455 Noel Road, Suite 1750, Dallas, TX 75240; by calling the Administrator at 1-800-426-8792; by faxing a request to the Administrator at 972-490-9008; or by contacting the Administrator on-line at Msinsmediation@adr.org.

The insured should provide the following information, if known:

- (a) Name, address, and daytime telephone number of the insured and location of the property if different from the address given;
- (b) The claim and policy number for the insured;
- (c) A brief description of the nature of the dispute;
- (d) The name of the insurer and the name, address and phone number of the insured's contact person for scheduling mediation; and
- (e) Information with respect to any other policies of insurance that may provide coverage of the insured property for named perils such as flood or windstorm.

Section 6. Scheduling Of Mediation

The Administrator will select a mediator and the Administrator will schedule the mediation conference. The Administrator will attempt to facilitate reduced travel and expense to the parties and the mediator when selecting a mediator and scheduling the mediation conference. The Administrator shall confer with the mediator and all parties prior to scheduling a mediation conference. The conference shall be scheduled within 20 days from the date the Administrator received the request. The Administrator shall notify each party in writing of the date, time and place of the mediation conference at least 10 days prior to the date of the conference and concurrently send a copy of the notice to the Department. The insurer shall notify the Administrator as soon as possible after settlement of any claim that is scheduled for mediation pursuant to this regulation.

Section 7. Mediation Conference

(a) The representative of the insurer attending the conference must bring a copy of the policy and the entire claims file to the conference. Disclosure of material from the claims file is within the discretion of the mediator, and the mediator shall avoid production of privileged materials. The representative of the insurer attending the conference must know the facts and circumstances of the claim and be knowledgeable of the provisions of the policy. An insurer will be deemed to have failed to appear if the insurer's representative lacks authority to settle the full amount of the claim or lacks the ability to disburse the settlement amount at the conclusion of the conference.

(b) A party may move to disqualify a mediator for good cause at any time. The request shall be directed to the Administrator if the grounds are known prior to the mediation conference. Good cause consists of conflict of interest between a party and the mediator, inability of the mediator to handle the conference competently, or other reasons that would reasonably be expected to impair the conference.

(c) The insurer shall pay the costs of the mediation. Within 5 days of the insurer's receipt of the request for mediation, the insurer shall pay a non-refundable administrative fee in the amount of \$100.00 to the Administrator, which shall be used to defer the expenses of the Administrator. The insurer shall also pay \$250.00 to the Administrator for the mediator's fee not later than 5 days prior to the date scheduled for the mediation conference. However, if the mediation is cancelled for any reason more than 120 hours prior to the scheduled mediation time and date, the insurer shall pay \$50.00 to the Administrator for the mediator's fee instead of \$250.00. No part of the fee for the mediator shall be refunded to the insurer if the conference is cancelled within 120 hours of the scheduled time.

(d) If the insured fails to appear, without good cause as determined by the Administrator, the insured may have the conference rescheduled only upon the insured's payment of the mediation fees for the rescheduled conference. If the insurer fails to appear at the conference, without good cause as determined by the Administrator, the insurer shall pay the insured's actual expenses incurred in attending the conference and shall pay the mediator's fee whether or not good cause exists. Failure

of a party to arrive at the mediation conference within 30 minutes of the conference's starting time shall be considered a failure to appear. Good cause shall consist of severe illness, injury, or other emergency which could not be controlled by the insured or the insurer and, with respect to an insurer, could not reasonably be remedied prior to the conference by providing a replacement representative or otherwise. If an insurer fails to appear at conferences with such frequency as to evidence a general business practice of failure to appear, the insurer shall be subject to penalties under Miss. Code Ann. § 83-5-29 et seq. and other applicable law.

(e) The Department reserves the right to have a representative present at any mediation conference conducted pursuant to this regulation.

(f) The mediator will be in charge of the mediation conference and will establish and describe the procedures to be followed. Each party will be given an opportunity to present their side of the controversy. In so doing, parties may utilize any relevant documents and may bring any individuals with knowledge of the issues, such as adjustors, appraisers, or contractors, to address the mediator. The mediator may meet with the parties separately, encourage meaningful communications and negotiations, and otherwise assist the parties to arrive at a settlement. The parties may be represented by counsel at the mediation conference. A party who will be represented by counsel at the mediation conference must notify the Administrator at least 10 days prior to the date scheduled for the mediation conference. All statements made and documents reviewed at a mediation conference shall be deemed settlement negotiations in anticipation of litigation.

(g) Both parties must negotiate in good faith at the mediation conference. A party will be determined to have not negotiated in good faith if the party, or a person participating on the party's behalf, continuously disrupts, becomes unduly argumentative or adversarial, or otherwise inhibits the negotiations as determined by the mediator. The mediator shall terminate the conference if the mediator determines that either party is not negotiating in good faith.

Section 8. Post Mediation

(a) Within 5 days of the conclusion of the mediation conference the mediator shall file with the Department and the Administrator a mediator's status report indicating whether or not the parties reached a settlement. If the parties reached a settlement, the mediator shall include a copy of the settlement agreement with the status report.

(b) Mediation is non-binding. However, if a settlement is reached, the insured shall have 3 business days within which he or she may rescind any settlement agreement provided that the insured has not cashed or deposited any check or draft disbursed to him or her for the disputed matters as a result of the mediation conference. If a settlement agreement is reached and is not rescinded, it shall act as a release of all specific claims that were presented and actually settled. However, the release shall not constitute a final waiver of rights of the insured with respect to claims for damages or expenses if circumstances that are reasonably unforeseen arise resulting in additional costs that would have been covered under the policy but for the release.

(c) If the insured decides not to participate in the mediation process or if the parties are unsuccessful at resolving the claim, the insured may choose to proceed under the appraisal process set forth in the insured's insurance policy, by litigation, or by any other dispute resolution procedure available under Mississippi law. Nothing in this regulation shall preclude an insured's right to pursue these remedies should mediation be unsuccessful.

Section 9. Designation Of Administrator

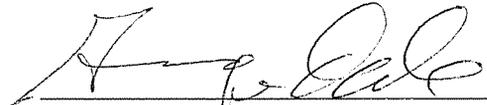
The Department has designated the American Arbitration Association as its Administrator to carry out certain duties and responsibilities under this regulation.

Section 10. Severability

If a court holds any subsection or portion of a subsection of this regulation or the applicability thereof to any person or circumstance invalid, the remainder of the regulation shall not be affected thereby.

Section 11. Effective Date

This regulation shall be effective thirty (30) days upon filing with the Office of the Secretary of State of the State of Mississippi.



GEORGE DALE
COMMISSIONER OF INSURANCE