

**STATE OF MISSISSIPPI
OFFICE OF THE INSURANCE COMMISSIONER**

IN THE MATTER OF:

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

CAUSE NO. 05-5280

EMERGENCY REGULATION NO. 2005-2

ORDER

This cause came before the Commissioner of Insurance ("Commissioner") to consider the adoption of Emergency Regulation No. 2005-2, entitled "Temporary Special Mediation Program For Personal Lines Residential Insurance Claims Resulting From Hurricane Katrina", and the Commissioner, having fully considered the evidence before him in view of the public health, safety and welfare of the citizens of the State of Mississippi, finds as follows, to-wit:

I.

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

II.

That thousands of residential property insurance claims remain unresolved as a result of the damage caused by Hurricane Katrina; that in some cases, claims have been denied, and in others, there have been disparities between the repair estimates of insurers and contractors; that insureds

with unresolved claims and unrepaired residences continue to face severe hardship; and that the devastating personal property losses caused by Hurricane Katrina have resulted in the critical need for effective, fair and timely handling of residential insurance claims.

III.

That in an effort to help resolve residential property claims so that homeowners can move forward with the repair and rebuilding process, it is essential that the Mississippi Department of Insurance ("Department") establish a non-adversarial, non-binding alternative dispute resolution procedure to facilitate the resolution of claims as quickly and fairly as possible.

IV.

That pursuant to the Governor's Proclamations dated August 26, 2005, and September 2, 2005, Governor Barbour declared a state of emergency invoking his emergency powers pursuant to Miss. Code Ann. § 35-15-11, and directed agencies of the State to discharge their emergency responsibilities as deemed necessary as set forth in the State of Mississippi Emergency Operations Plan and Executive Order No. 653, dated November 16, 1990; and that in accordance with the Proclamations and Executive Order, and Miss. Code Ann. §§ 33-15-11(b)(9) and 33-15-11(c)(4), there was a delegation of those emergency powers to the Commissioner which allows him, in his discretion, to promulgate emergency regulations and guidelines to promote and secure the safety and protection of the citizens of the State of Mississippi.

V.

That in order to implement an effective, non-adversarial, non-binding alternative dispute resolution procedure without undue delay, the Department must follow the emergency procedures set forth under Miss. Code Ann. § 25-43-3.108, which allows a regulation to be adopted by the Department without following the notice periods prescribed under § 25-43-3.103; and that it would

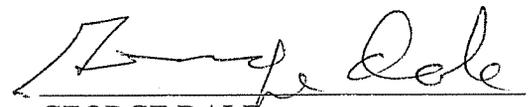
clearly constitute an imminent peril to the public health, safety and welfare not to immediately implement a dispute resolution procedure designed to alleviate the large number of unresolved personal property insurance claims.

VI.

That the Commissioner, after having considered all relevant evidence, is of the opinion that it would be in the public interest to adopt Emergency Regulation No. 2005-2, entitled "Temporary Special Mediation Program For Personal Lines Residential Insurance Claims Resulting From Hurricane Katrina"; and that a copy of said Emergency Regulation No. 2005-2 is attached hereto as Exhibit "A" and is made a part hereof as if copied fully herein.

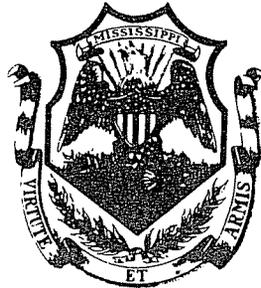
IT IS, THEREFORE, ORDERED that Mississippi Department of Insurance Emergency Regulation No. 2005-2 should be, and same is hereby adopted, to become effective immediately upon filing with the Secretary of State of the State of Mississippi.

SO ORDERED, this the 20th day of December, 2005.



GEORGE DALE
COMMISSIONER OF INSURANCE

State of Mississippi



Jackson

I, GEORGE DALE, **COMMISSIONER of INSURANCE**, OF THE STATE OF
MISSISSIPPI, DO HEREBY CERTIFY THAT

attached is a true and correct copy of Regulation No. 2005-2 entitled,
"Temporary Special Mediation Program for Personal Lines Residential
Insurance Claims Resulting from Hurricane Katrina".

Given under my hand and seal of office, this the 20th day of
DECEMBER 20 05

COMMISSIONER of INSURANCE

By 
GEORGE DALE
COMMISSIONER OF INSURANCE

**MISSISSIPPI DEPARTMENT OF INSURANCE
EMERGENCY REGULATION NO. 2005-2
TEMPORARY SPECIAL MEDIATION PROGRAM FOR PERSONAL
LINES RESIDENTIAL INSURANCE CLAIMS RESULTING FROM
HURRICANE KATRINA**

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Section 1.	Authority And Specific Reasons For Finding An Imminent Peril To The Public Health, Safety Or Welfare

The 2005 Hurricane season has been 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.

Pursuant to the Governor's Proclamations dated August 26, 2005, and September 2, 2005, Governor Barbour declared a state of emergency invoking his emergency powers pursuant to Miss. Code Ann. § 35-15-11, and directed agencies of the State to discharge their emergency responsibilities as deemed necessary as set forth in the State of Mississippi Emergency Operations Plan and Executive Order No. 653, dated November 16, 1990. In accordance with the Proclamations and Executive Order, and Miss. Code Ann. §§ 33-15-11(b)(9) and 33-15-11(c)(4), there was a delegation of those emergency powers to the Commissioner of Insurance which allows him, in his discretion, to promulgate emergency regulations and guidelines to promote and secure the safety and protection of the citizens of this State.

The Commissioner of Insurance hereby adopts, pursuant to Miss. Code Ann. § 25-43-3.108 (Rev. 2003), on a temporary emergency basis, Emergency Regulation No. 2005-2, which sets forth a non-adversarial alternative dispute resolution procedure which is prompted by the critical need for

effective, fair and timely handling of personal lines residential insurance claims arising out of the damages to property caused by Hurricane Katrina.

Section 2. Purpose And Scope

This emergency 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 emergency 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 emergency 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 emergency 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 emergency 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

Beginning January 6, 2006, 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. For claims not yet settled that were filed prior to January 6, 2006, the insurer shall mail the notice prescribed herein to the insured by no later than January 20, 2006. 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 emergency 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 emergency 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.

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 emergency regulation.

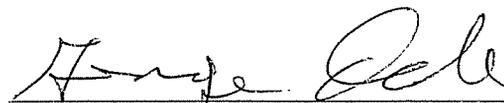
Section 10. Severability

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

Section 11. Effective Date

This emergency regulation shall be effective immediately upon filing with the Office of the Secretary of State of the State of Mississippi.

Adopted this the 20 day of December, 2005.



GEORGE DALE
COMMISSIONER OF INSURANCE

NOTIFICATION LETTER

[Date]

[Policyholder Name and Address]

RE: Right to Mediation

Dear Policyholder:

George Dale, Commissioner of Insurance for the State of Mississippi, has adopted an emergency regulation to facilitate fair and timely handling of residential property insurance claims arising out of Hurricane Katrina that recently devastated so many homes in Mississippi. The emergency regulation gives you the right to attend a mediation conference with your insurer in an effort to settle any dispute you have with your insurer about your claim. **Please note that in order to request a mediation conference, you must have a disputed claim, meaning that the difference between the positions of you and your insurance company is \$500.00 or more.** You can start the mediation process ten (10) days after the date of this notice if you have a disputed claim by contacting the Administrator, American Arbitration Association. An independent mediator, who has no connection with your insurer, will be in charge of the mediation conference.

Please be aware that from the date of this notice, there is a ten (10) day period that must lapse before you can request mediation. To request mediation, you may contact the Mediation Administrator in writing at American Arbitration Association, ATTN: MS Insurance Mediation, 13455 Noel Road, Suite 1750, Dallas, TX 75240; by phone at 1-800-426-8792; by fax at 972-490-9008; or on-line at Msinsmediation@adr.org. Your request should include the following information:

- Your claim and policy number;
- The address and location of the property;
- A daytime telephone number, address, and, if possible, an e-mail address where you can be reached should the Mediation Administrator need to contact you;
- A brief description of the nature of the dispute;
- The name of the insurer and the name, address and phone number of the insured or the insured's contact person for scheduling mediation; and
- 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.

Once a request for Mediation is received, the Administrator will contact you to schedule your Mediation conference.

If you have further questions concerning this letter, you may contact [name of the insurer and contact person or division] at [phone number].

Sincerely,
[Insurer]

Exhibit "A"