



WIND AND HAIL UPDATE

*South Carolina Wind And Hail
Underwriting Association
P. O. Box 407
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July 25, 2007
07-10

OCTOBER 1, 2007 UPDATES

*** Important Update ***

The following changes will take place for new and rewrite business effective October 1, 2007:

- Rate Change Impact of 35%
- Implementation of County Multipliers
- Implementation of Zone 2 Rating Factor
- Minimum Deductibles for Zone 1 and Zone 2
- Change to the Rating Rule for Townhouses in structures with more than four units
- Change to the Rating Rule for Condo Unit Owners
- Change to the Condo Association Rule involving one to two unit structures
- Availability of Residential Condominium Association Replacement Cost Coverage
- Replacement cost coverage is no longer available for primary dwellings built before 1950
- Effective January 1, 2008, the purchase of flood insurance will be added as an additional requirement for replacement cost coverage

The updated *Rates, Rules, and Forms Manual*, with these changes is now available at www.scwind.com by clicking on The Manual on the Home Page.

The October 2007 rewrite applications will include some of these changes as noted below.

Rate Change – There will be overall 35% rate change. This is a fraction of the rating indication. Many policyholders will be paying less due to the implementation of other rating factors and rule changes. Some policyholders will

pay more. (The change will be included automatically in the October rewrite notices.)

County Multipliers – Rates will be adjusted depending on which county the structure is located in. (The change will be included automatically in the October rewrite notices.)

Beaufort	.80	Charleston	1.00	Colleton	1.00
Georgetown	.95	Horry	.95		

Zone Rating Factors – Rates will be further adjusted by the Zone in which the structure is located in. (The change will be included automatically in the October rewrite notices.)

Zone 1	1.00	Zone 2	.82
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Minimum Deductibles -- The Association has used a minimum deductible of 1% since its formation in 1971. Since that time, most insurance companies writing wind coverage at the coast have adopted percentage deductibles. Their deductibles are much higher than the Association. This is making the Association very competitive as a residual market.

Zone 1 minimum deductible 3% Zone 2 minimum deductible 2%

(October rewrite notices will change 1% and 2% deductibles in Zone 1 to 3%. In Zone 2, 1% deductibles will be changed to 2%. Policyholders may select even higher deductibles in order to reduce premiums.)

Town Houses With More Than Four Units – Town houses located in structures with more than four units will no longer be rated as habitational properties. Instead, they will be rated as dwellings using the dwelling rates. (The change will be included automatically in the October rewrite notices.)

Condo Unit Owners – These policies will no longer be rated using construction. Condo Unit owners policies will be rated as dwellings. (The change will be included automatically in the October rewrite notices.)

Condo Associations Involving one to two units – Condo associations consisting of single family homes and / or duplexes will no longer be rated as habitational. They will be rated as dwellings. (The change will NOT be automatically included in the October rewrite notices.)

Residential Condominium Association Replacement Cost Coverage – Replacement Cost Coverage is now available as an option for residential condominium associations. Form WHC 10 (06-07) may be requested if the risk meets the following guidelines:

- A. The building must be eligible for, and carry, a National Flood Insurance Program (NFIP) Residential Condominium Building Association Policy (RCBAP).
- B. A copy of the RCBAP declarations must be submitted to the Association when requesting replacement cost coverage.
- C. Structures built prior to 1950 are not eligible for replacement cost coverage.
- D. Replacement cost coverage is not available on contents.
- E. The building must be insured to 80% of value or for the maximum limit available from the Association. If the Loss Scale is applicable to this risk, then the calculations must be based on replacement cost, not actual cash value. The building must be rated based on the value reported on the RCBAP flood policy.
- F. There is a 15% surcharge of the building premium for this coverage.

(The change will NOT be included automatically in the October rewrite notices.)

Dwellings Built Prior to 1950 – These primary dwellings will no longer be eligible for replacement cost coverage. (The change will be included automatically in the October rewrite notices.)

Flood Insurance Requirement – For primary residences, the purchase of flood insurance will be an additional requirement in order to be eligible for replacement cost coverage. This will apply to business effective January 1, 2008. More details to follow.

The experiences of Hurricanes Katrina, Rita, and Wilma have reminded consumers that flood insurance is essential in the event of a major wind and flood event. This rule change will encourage more dwelling policyholders to purchase flood insurance.

Questions??? -- Please contact one of our four underwriters if you have any questions or need further assistance.

Insureds may wish to consider raising their deductibles in order to minimize the rate changes.