



WIND AND HAIL UPDATE

*South Carolina Wind And Hail
Underwriting Association
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MORE ON FLOOD INSURANCE

Recently, we announced the following change to the flood requirement for replacement cost coverage:

There will *not be* a requirement that the flood coverage be placed through your agency.

The Replacement Cost Coverage Endorsement has been amended effective January 1, 2008, to reflect this change.

If the policyholder does not have a flood policy in-force as of the day of loss, then the basis for the loss settlement under the wind policy will be actual cash value.

The revised form is available at www.scwind.com. Please click on Forms.

Despite the change, the Association has received a number of inquiries from producers. It is important that you understand why this requirement is so important.

In a recent interview about the claims handling process following Hurricane Katrina, Bob Hartwig of the Insurance Information Institute commented that there would not have been any problems if 100% of the residents had flood insurance. Instead, there were well publicized disputes of wind versus water.

Consumers are well served when they are fully protected from the perils of a hurricane. When the damaged property is serviced by the Single Adjuster Program, conflicts are minimized.

Here are some of the questions and comments the Association has been receiving

Our agency does not have a flood market.

There are a large number of Write-Your-Own Flood Companies that would be delighted to do business with you – even if you do not write any other lines of business with them.

There is also the NFIP Direct Program. You can write flood insurance directly with the National Flood Insurance Program.

In addition, the Independent Insurance Agents and Brokers of America offer a flood market to member agencies.

Our client is not in a high hazard area (SFHA)!

According to the National Flood Insurance Program, 30% to 35% of all flood losses occur in areas that are not high hazard. This includes zones B, C, and X.

In the event of a major storm, your client could be impacted by flood damage. This was a lesson that many consumers along the Gulf learned. It was a difficult lesson for those who thought that they were not subject to flood loss.

Storm surge over 17 feet high with waves on top can cause significant damage.

South Carolina has never had a flood.

From 1978 until September 30, 2007, the National Flood Program has paid \$26,473,932 in South Carolina flood losses.

But there were no flood losses in Hugo!

First, every storm is different. Hurricane Andrew was a “dry storm” with limited flood damage. Hurricane Hugo was a “wet” storm with significant flood damage.

For SC Wind, the average insured loss involved over \$30,000 in wind damage and over \$30,000 in flood damage – in 1989 dollars.

For Hurricane Floyd, most of the damage was caused by flood.

Why not do more education instead of this requirement?

The Association has stressed flood insurance in every seminar. It is a hard lesson to learn.

In Florida, the non-renewal rate for flood insurance is 32%. The national average is 8.6%. It would seem that Florida should understand the need for flood insurance.

FLOOD FACTS

- Flooding is the #1 natural disaster
- Flood damage is not covered by most homeowners insurance
- In-high risk areas, 1 in 4 homes will experience a flood over the course of a 30-year mortgage
- 30% to 35% of all flood losses occur outside of high risk areas
- Disaster assistance – if it is available – is usually a loan that you must repay with interest
- Just an inch of water can cause damage to your property
- Flash floods often bring walls of water 10 to 20 feet high

Source: <http://www.fema.gov/business/nfip/index.shtm>