



## **WIND AND HAIL UPDATE**

*South Carolina Wind And Hail  
Underwriting Association  
P. O. Box 407  
Columbia, SC 29202*

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### **SCWHUA LIMITS QUESTIONS**

Several Producers have recently submitted similar questions concerning policy limits on Association policies. We thought you would find the questions and answers to be of interest.

#### ***Can A Consumer Choose A Limit Of Coverage That Does Not Match The Fire Policy, Below The 80% Minimum Limit For The SCWHUA Policy?***

No. Insurance coverage must equal at least 80% of the actual cash value. Also remember that a policy must be written at 100% of value as one of the conditions for the replacement cost coverage endorsement.

Producers should be mindful to always insure to value. A recent study indicated that two-thirds of the homes in the United States are underinsured. This can be a serious errors and omissions problem for the Producer.

#### ***If A Lower Limit Is Written And A Loss Occurs, How Is The Loss Settled?***

The system will not allow for a lower limit to be written. Edits are in place to prevent insuring for less than 80% of the Primary Policy value.

Currently, if a Policy is written at less than 80% of value, there are no "penalties" involved at claims time. We will request that the policy limit be increased at that time.

The insured may have issues with the Producer if he or she is underinsured. This is a major concern, especially following a major hurricane where the cost to rebuild will increase dramatically.

The worst case scenario occurs when the Primary Policy limits as reported on the application underreports the actual limit on the Primary Policy. These situations are reported to the South Carolina Department of Insurance for review.

***Is The Insured Required To Purchase Excess Wind Coverage If His Primary Policy Limits Exceed The SC Wind Maximum Limit Of \$1.3 Million For A Dwelling?***

There is no requirement to purchase excess wind coverage. As an insurance professional, you should advise your client on the availability of excess wind insurance and the importance of carrying adequate coverage.

***In Order To Obtain Replacement Coverage, Can A Client Purchase A Limited Amount Of Flood Coverage.***

No. The Manual states that you must insure to value or up the maximum amount available through the National Flood Insurance Program.

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