



WIND AND HAIL UPDATE

*South Carolina Wind And Hail
Underwriting Association
240 Stoneridge Drive, #101
Columbia, SC 29202*

May 23, 2016
16-01

HOMEOWNERS / FIRE DECLARATIONS REQUIRED Effective September 1, 2016

Effective September 1, 2016, the Association will require a current, in-force copy of the property policy declarations page as a part of the application packet for new and rewrite business. This includes dwelling, mobile home, and commercial business, as well as contents only policies.

This will apply to policies submitted effective September 1, 2016, and later. eApp will be updated to require submission of the declarations page.

Why is SC Wind taking this action? . . . The Association has been working to improve Insurance-To-Value. The use of the primary property policy declarations page is extremely helpful in this process.

Is Insurance-To-Value A Real Problem? . . . A recent study by Marshall & Swift / Boeckh reported that 60% of all homes in the United States are undervalued for insurance purposes by an average amount of 17%.

The average Coverage A for SC Wind Dwelling Policies is \$343,962. Using the 17% factor, dwellings on average are undervalued by \$58,473.

This is a real problem for Coastal Consumers. In the aftermath of a major loss, they may have to absorb the shortfall. This problem can be expanded to include professional liability for the parties who advised the Consumer.

Why Are Properties Undervalued? . . . Many homeowners confuse Replacement Cost with Market Cost / Market Value. Following a major storm, replacement / repair costs will be negatively impacted by changes in the building code, increased cost of materials, and higher labor costs. This will compound the problem of being undervalued.

How Does ACV Impact this? . . . It is important to look at each structure on an individual basis. Just the same, many of the buildings insured by SC Wind are upscale, high valued properties. By being well maintained, there is limited depreciation.

What If We Cannot Submit A Copy Of The Fire Policy Or Underlying Coverage? . . . The Association will be unable issue a policy. We believe that Insurance-To-Value is this important. Certificates Of Insurance will not be acceptable.

What If We Do Not Write The Underlying Policy? . . . It will be necessary to obtain a copy of the declarations from the insured. You will not be able to submit an application without attaching the declarations page.

Questions??? . . . Please contact any of our three underwriters with any questions which you might have.

***** UPDATE *****

The Association will no longer be mailing bulletins to agencies. We will be using email to distribute bulletins to producers who have registered their email addresses.

Please share this bulletin with other employees who work with the Association.