



WIND AND HAIL UPDATE

South Carolina Wind And Hail
Underwriting Association
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INDIRECT COVERAGES, PART II

In the last issue, the Association discussed questions about indirect coverages. Here are some more frequent questions and answers.

What indirect coverages are available for commercial lines?

The Association offers Loss of Business Income under a form that is similar to the ISO Loss of Business Income, Monthly Limitation form. Options for 1/3, 1/4, and 1/6 monthly limitation are available.

What limits are available for commercial lines?

If the applicant / insured is the building owner, the limit for Loss of Business Income shall not exceed the lesser of:

- (1) 150% of the Building limit, or
- (2) \$500,000

If the applicant / insured is not the building owner, the limit for Loss of Business Income shall not exceed the lesser of:

- (1) 200% of the Business Personal Property limit, or
- (2) \$500,000

As of July 1, 2003, the Association will issue Loss of Business Income Coverage for "contents only" risks up to \$100,000 regardless of the contents amounts. This was done to assist businesses with small inventories but high sales turnover.

If additions and alterations coverage is included on the policy, the Loss of Business Income Coverage is based on the Business Personal Property limits

without regard to the existence of the additions and alterations coverage included under the building coverage.

Remember that the Loss of Business Income Limits must be included within the Commercial Lines Maximum Limit of \$2,500,000.

How does the deductible apply to these coverages?

If the rates are based on an insured building or contents with a 1% deductible, then a 10 day waiting period applies.

If the rates are based on an insured building or contents with a 2% deductible, then a 15 day waiting period applies.

Is Extra Expense Coverage provided?

Extra Expense Coverage is provided only to the extent that it reduces the loss. For example, the Association would pay a \$1,000 Extra Expense payment if it reduced the Loss of Business Income payment by \$1,000 or more.

Is contingent Loss of Business Income available?

No. The policy requires that coverage is based on direct damage to property insured under the policy. Other people's property not insured under the policy in question would not generate a covered loss for this coverage.

Is it necessary to perform a gross earnings calculation?

No. This is a simplified form and there is no coinsurance provision; however, do not be misled. It is important to accurately estimate the exposure to determine the proper limit.

For a copy of the last Wind Update, please go to www.scwind.com and click on Bulletins.