



February 27, 2006

TO: ALL PRODUCERS

**SC Wind Rate Filing Approval
June 1, 2006**

During the 2005 Wind and Hail Update Seminar, we made you aware that the Association was filing a number of changes with the South Carolina Department of Insurance. We have received formal approval of that filing from the South Carolina Department of Insurance. These changes will impact policies effective **June 1, 2006, or later.**

Let us preface this announcement by thanking those individual producers and the Coastal Agents Committee of the Independent Insurance Agents and Brokers for the many suggestions which they submitted. Many of the items contained in this rate filing were based on producer suggestions.

1. **Base Rate Changes** In order to incorporate the producer suggested changes, it was necessary to take a small rate reduction. Effective June 1, 2006, base rates have been reduced by .91% (.0091).
2. **Revised Deductible Credits** All rates will continue to contemplate a 1% deductible. The 2% optional deductible will remain in place. Effective with the rate change, consumers will have the option of selecting higher deductibles of 3%, 4%, 5%, and 10%.

In the process of doing the modeling analysis to determine the deductible credits for the higher percentages, it became apparent that the 2% deductible factor was too high. It has been necessary to reduce the premium credit for the 2% deductible from a 20% credit to a 10% credit.

A chart is attached which outlines each of the deductible options and rating factors.

If an applicant for insurance is moving from an existing deductible to a higher deductible option, it will be necessary for the applicant to sign the deductible option illustration. This form must be submitted along with the application.

Personal lines risks will use WDP100 (09/02) while commercial lines risks will use WDC100 (09/02). These forms are available at the Association web site.

3. **IBHS Fortified Homes** The Association is pleased to announce that it is the second insurer in the country to offer a premium credit for homes that participate in the Institute for Business and Home Safety "Fortified Homes . . . For Safer Living" Program. Fortified homes will receive a rate credit of 10%.

In order to obtain the credit, it will be necessary to submit documentation indicating that the dwelling is built in accordance with the IBHS standards and has been certified by an IBHS inspector.

For more information on the Fortified Homes Program, please go to www.ibhs.org.

4. **Modular Home Rule** The Association has rated modular homes in the same category as mobile homes and manufactured homes. With the improved building standards which now exist for modular homes, we are able to rate modular homes as stick built construction effective June 1, 2006.

In order to obtain the dwelling rate, it will be necessary for the producer to submit a legible photograph of the sticker indicating that the home is built in accordance with the Modular Home Standards of the State of South Carolina. Or, the producer may submit documentation from the builder indicating that the modular home is built in accordance with state standards.

This change applies to modular homes constructed in 1995 or later.

5. **Increased Cost of Construction Coverage (Law and Ordinance)** This coverage will pay for the destruction of the undamaged portion of a home when the structure has been significantly damaged by wind. In addition, it will pay the increased cost of construction to bring the home in compliance with newer construction standards. This coverage is only available for the dwelling program. (Condos, townhouses and mobile homes are not eligible.)

Three options are available at the request of the applicant / insured as follows:

- A. 5% of Coverage A – 2% of structure premium
- B. 10% of Coverage A – 3.5% of structure premium
- C. 15% of Coverage A – 5% of structure premium

The coverage must remain within the total maximum limits. Coverage will be available for rewrite policies effective June 1, 2006. It can be added to existing policies by endorsement effective June 1, 2006. A waiting period will be applicable to any coverage changes.

Form WIC (11/04) will be used.

6. **Contents Coverage for Builders Risk** Many of the larger coastal homes are having major appliances installed while the house is still under construction. Under the revised Builders Risk form, Wind and Hail coverage is provided once the structure is fully enclosed. Up to \$10,000 of Coverage A may be applied to cover appliances as contents. Coverage will be provided under the WHP 43 (09/05) form.

Effective June 1, 2006, this revised Builders Risk form will be utilized for dwellings. For risks currently being insured as Builders Risk, this coverage is automatically added as of June 1, 2006. There is no premium change for the coverage enhancement.

7. **Commercial Rate Simplification** The rating categories have been streamlined in an effort to simplify the rating of commercial business. The references to Habitational, Other Habitational, and Non-Habitational have been deleted. Many of the special risk categories have been consolidated.

Rewrite notices will automatically include the updated classifications for policies effective June 1, 2006 and later. No action is required on your part. Review the commercial section of the updated *Rates, Rules, and Forms Manual* for further information.

8. **Rates, Rules, and Forms Manual** The Updated *Rates, Rules, and Forms Manual* effective June 1, 2006 is available for viewing on the Association's web site. You can locate the manual at www.scwind.com. The previous manual is also on the web site.

In addition to viewing the manual on-line, you can download it to your computer system and print it from your office. For those agencies that prefer to receive a CD or hardcopy manual, an additional mailing will be forthcoming to provide you with the option to request the CD or paper copy of the manual.

9. **Internet Rating** The Internet rating function of www.scwind.com has been updated for the changes. To access them, you must select a policy effective date of June 1, 2006, or later.

Please be careful. If you are rating business that will not be effective until June 1, 2006, or later, it is important that you access the new rates, coverages, and other changes. The fifteen-day waiting period may place the risk you are quoting into the June 1, 2006 rating mechanism.

Other Vendors . . . Many producers utilize outside rating vendors. The Association will be glad to work with these vendors and cooperate with them to the fullest extent. However, it is important that you contact these vendors and alert them of the changes.

Should a vendor wish to communicate directly with the Association, they may do so by contacting david@scwind.com.

Deductible Chart

<u>Deductible %</u>	<u>Credit</u>	<u>Loss of Use (time deductible)</u>	<u>Minimum</u>	<u>Maximum</u>
1%	Standard	10 days	\$250	\$25,000
2%	10%	15 days	\$500	\$50,000
3%	15%	20 days	\$1,000	\$75,000
4%	20%	25days	\$2,000	\$100,000
5%	25%	30 days	\$2,500	\$125,000
10%	37%	55 days	\$5,000	\$500,000