

***RATES, RULES, AND FORMS MANUAL***  
***Of The***  
***South Carolina Wind And Hail Underwriting Association***

**March 2024 Edition**



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## PREFACE

The Rates, Rules, and Forms Manual of the South Carolina Wind and Hail Underwriting Association was designed to assist producers with placing business with the Association. Unfortunately, one document cannot respond to every possible situation. Should you have any questions, please contact the Association Office.

You are encouraged to attend producer seminars which are periodically sponsored by the Association. Many producers find the sessions to be extremely beneficial to their understanding of the operation of the Association.

The manual is available for viewing and downloading on the Internet at [www.scwind.com](http://www.scwind.com) using the Adobe Acrobat reader.

The Association web site has a number of features to assist producers.

- Online rating
- In/Out mapping
- Policy inquiry
- Saved quotes
- Submitted applications
- Electronic applications
- Electronic rewrites
- Electronic payments
- Electronic claims reporting
- Viewing of select policy documents (Declarations, Inspection Reports, etc)

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## DIVISION I OVERVIEW

- A. PURPOSE** -- The broad objective of the South Carolina Wind and Hail Underwriting Association is to make Wind and Hail Insurance available to qualified applicants on eligible property located in the Coastal Area of South Carolina. Coverage is made available to applicants who have been unable to obtain wind and hail insurance in the private insurance market place. The Association does not provide coverage for perils other than wind and hail. Producers should consult with their standard carriers or the excess and surplus lines markets to place coverage for all other perils.

Producers are encouraged to seek wind and hail coverage for their clients in the private market place. Should coverage not be available, applications may be submitted to the Association.

- B. WHO MAY APPLY** -- Any person or business having an insurable interest in insurable property at fixed locations in the Coastal Area of South Carolina may apply.

- C. COASTAL AREA** -- The Coastal Area is defined as follows:

Zone 1 is defined as follows:

1. All areas in Beaufort County east of the west bank of the Intracoastal Waterway with the exception of Ladys Island, Coosaw Island, and Morgan Island.
2. All areas of Colleton County which are east of the west bank of the Intracoastal Waterway.
3. The following areas in Charleston County: the portion of Edisto Island which is east of Peters Point Road and Point of Pines Road, Edingsville Beach, Kiawah Island, Botany Bay Island, Folly Island, Seabrook Island, Morris Island, and all areas north of the city of Charleston which are east of the west bank of the Intracoastal Waterway.
4. The following areas in Georgetown County: all areas between the Harrell Siau Bridge and the Georgetown – Horry County border which are east of U.S. Highway No. 17 or By-Pass 17, whichever is further west, and all areas south of the Harrell Siau Bridge which are east of the west bank of the Intracoastal Waterway.
5. The following areas in Horry County:
  - (a) beginning at the northern border of Horry County, all areas east of the west bank of the Intracoastal Waterway to the point where U.S. Highway 17 crosses the Intracoastal Waterway.
  - (b) from the point where U.S. Highway 17 crosses the Intracoastal Waterway, south to the Georgetown – Horry County border, all areas which are east of U.S. Highway 17 or By-Pass 17, whichever is farther west.

Zone 2 is defined as follows:

1. The following areas in Beaufort County: Ladys Island, Coosaw Island, and Morgan Island.
2. The following areas in Charleston County:

- (a) the portion of Edisto Island which is west of Peters Point Rd and Point of Pines Rd.
  - (b) the portion of James Island which is east of the west bank of the James Island Creek.
  - (c) the portion of Johns Island which is east of Exchange Road which becomes Plow Ground Road to Hoopstick Island Road to Church Creek.
  - (d) the portion of Wadmalaw Island which is east of Roseville Road to west of Cherry Point Road to Maybank Highway to Brigger Hill Road.
  - (e) all areas north of the City of Charleston which are east of U.S. Highway 17 and west of the Intracoastal Waterway.
3. The following areas in Georgetown County:
- (a) all areas between the Harrell Siau Bridge and the Georgetown – Horry County border which are east of the west bank of the Intracoastal Waterway and west of U.S. Highway 17 or By-Pass 17, whichever is farther west.
  - (b) all areas south of the Harrell Siau Bridge which are east of U.S. Highway 17 and west of the Intracoastal Waterway
4. The following areas in Horry County:
- (a) beginning at the northern border of Horry County, an area bounded on the west by a line defined as follows: SC Highway 57 (Wampee Road) to the point where it meets SC Highway 9, then following SC Highway 9 east to SC Highway 31 (Carolina Bays Parkway), then following SC 31 west to River Oaks Drive, then following River Oaks Drive to US Highway 501, across US Highway 501, where the road becomes George Bishop Parkway, then following George Bishop Parkway and turning right onto Claypond Road, following Claypond Road to Burcale Road, then following Burcale Road until it ends at Riverside Drive. The line then continues in a straight line from the end of Burcale Road to the Intracoastal Waterway, where it then follows the waterway to the Georgetown – Horry County border.
  - (b) the eastern boundary of Zone 2 in Horry County is the western boundary of Horry County Zone 1 as defined above.

**D. APPLICATION FORMS** -- Applications must be rated, prepared, and submitted electronically using the producer sign-on functionality of the web site. However, the producer is responsible for maintaining the signed and dated copy of the application and deductible forms in their office for a period of seven years. A complete discussion of the Association’s online procedures (with screen shot detail and data requirement explanation) can be found in the supplemental “**ONLINE APPLICATION AND POLICY PROCESSING MANUAL**” under the My Account Page - User Profile.

**E. ELIGIBLE PROPERTY** -- Property eligible for coverage includes immovable property at fixed locations. Tangible personal property is eligible provided it is located within an immovable structure at a fixed location. Manufactured homes are eligible for coverage when they are in compliance with the requirements of this Association. (For further information on modular home eligibility, please see Division V of the Manual).

**F. INELIGIBLE PROPERTY** -- Farm Property, Manufacturing Property, and Motor Vehicles which are eligible to be licensed for highway use are not eligible. Any structure located in whole or in part over water at any time is not eligible (this includes property which is

subject to tidal wave wash or which is periodically subject to wave action during high tide). Any structure commenced on or after September 15, 1971, is ineligible if:

1. It is not built in substantial compliance with the most recent building code, adopted by the Building Codes Council or the approved building code in existence at the time of construction or the standards promulgated under the National Manufactured Housing Construction Standards Act, including the design-wind requirements in it, is not an insurable risk.
2. It does not comply with any construction or zoning requirements promulgated or adopted pursuant to the requirements of the National Flood Insurance Program. For example, property designated as 1316 property is ineligible.

Any structure built on or after January 1, 2007 in a CBRA zone is not eligible for coverage from the Association. Structures built prior to this date in CBRA zones are eligible for coverage.

See **\*\*BULLETIN 07-06\*\*** for more information on CBRA properties.

3. Tangible property located in an ineligible structure is also deemed to be ineligible property.

**G. COVERAGE** -- The Association provides coverage for direct damage due to the perils of wind and hail. The coverage is defined and limited in the appropriate policy forms. Coverage is subject to the Underwriting guidelines of this Association.

**H. HURRICANE RESTRICTIONS** -- Effective January 15, 1996, the Association eliminated the hurricane restriction when a hurricane, tropical storm, or tropical depression is within or approaching a set geographic area. The restriction was replaced with a waiting period.

**I. WAITING PERIOD** -- For acceptable risks with complete submissions, the policy effective date and waiting period are as follows:

1. New policy (no title transfer) -- The effective date of a new policy shall be 12:01 A.M. local time on the sixteenth calendar day after the application is submitted online. (Example: An application submitted online April 1 would become effective 12:01 A.M. on April 17.)

The application must be submitted online and photos attached to the submission. Digital photos are required for the waiting period to begin at this time. Internet sales pictures, Google maps photos and/or real estate sales pictures are not acceptable.

Payment must be made online using the ePay option.

2. New policy (transfer of title) -- For property closings where there is a transfer of property and an originating mortgage, the Association will issue a fax binder with coverage effective the next day.

In order to qualify for this provision, the application must be submitted online and the properly completed HUD closing papers mailed, faxed or e-mailed to the

Association office prior to the binder expiration date. See Division III for detailed instructions on binder processing.

Payment must be made online using the ePay option.

3. Policy rewrite -- The effective date of a rewrite policy shall be the expiring policy's expiration date. The rewrite application and ePay premium must be submitted online no later than the close of business seven days after the expiring policy's expiration date.

If the submitted application is received more than seven days after the expiring policy's expiration, the effective date shall be 12:01 A.M. local time on the sixteenth day following submission.

Payment must be made online using the ePay option.

4. Endorsement processing -- The effective date of an endorsed policy (increase in limits or additional coverage) shall be 12:01 A.M. local time on the sixteenth calendar day after the endorsement and payment are received in the Association office. (Example: An endorsement received in the Association office - with agency check for full net premium due - on April 1 would become effective 12:01 A.M. on April 17.)

Agency checks are the only acceptable form of payment for any additional premium due resulting from endorsement activity.

**J. PREMIUMS** -- Premiums are payable on a net basis (gross premium less the producer's commission) to the Association. Payment due on applications must be made online using the ePay function.

**K. COMMISSION RATE** -- The Association pays a 10% commission to the licensed producer from an agency designated by the applicant.

Producers must refund the pro rata proportion of their commission in the event coverage is canceled or premium is reduced.

**L. APPLICATION PROCESSING PROCEDURES** -- Procedures for submitting applications are as follows:

1. Applications must be submitted electronically on forms prescribed by the Association and shall be made on behalf of the applicant by a producer authorized by him.
2. Separate policies are required for each building at each location. A total of three appurtenant structures, signs, and outdoor property items may be associated with each building.
3. Two current (within the past 30 days) color photographs are required with each new application. Photos should be of the front and rear angles of the building. Photos are necessary for the underwriting process and to assist inspectors in locating the property.

Underwriters may occasionally request additional photos. For example, producers should submit photos to support changes in conditions and/or values. Photos are also needed of any “other structures” and “outdoor property” items for which coverage is provided.

The photos need to be clear, sharp and show the condition of the roof. Photos submitted online must be in JPG format in order to be processed. Fax, copy machine reproductions, and prints from video tape are unacceptable. Internet sales pictures, Google maps photos and/or real estate sales pictures are not acceptable.

4. All questions on the application must be answered.
5. The application affords no insurance coverage and is not a binder of insurance.
6. Policies will not be automatically continued. Continuation of coverage will be in accordance with the rules and underwriting standards regulating submissions and issuance of new policies.
7. A courtesy letter is mailed to all insureds and first mortgagees approximately 60 days prior to policy expiration. The letter reminds the insured/mortgagee that an annual application of insurance is required and specifies the need to contact the producer to initiate the process. A sample letter can be found in the Forms section of this Manual.
8. Flood information is required on each application and should include the name of the flood insurer and policy number. If no flood insurance is carried, state “None” in this space. If the agent submitting the wind policy is not writing the corresponding wind policy, the producer should state “Flood written with another agency” in the flood box.
9. Applications must be signed and dated by the producer. The applicant is also required to sign and date the application; however, the producer may sign and date on behalf of the applicant.

**M. INSPECTION PROGRAM** -- The Association will endeavor to inspect the property to verify eligibility of coverage. After inspection, the producer will be notified of conditions which do not meet the Association’s underwriting standards. Depending on the nature of the findings, the Association may elect to offer adequate time to make the necessary repairs, refuse to rewrite the policy until corrective action has been taken, or issue notice of cancellation.

A copy of the inspection report is available to the producer on the web site under the Producer Log-In section (Policy Inquiry).

**N. UNDERWRITING** -- The Association will determine if the property meets reasonable underwriting standards. “Reasonable underwriting standards” include, but are not limited to the following:

1. The amount of insurance requested together with other insurance and the relationship to the actual cash value (or replacement cost if applicable) of the property involved.
2. The physical condition of the property including construction, maintenance, and general deterioration. The condition of the roof is of particular concern. An important aspect of the inspection program is the physical examination of the roof.
3. The present use and housekeeping of the property.
4. Property which is in violation of law or public policy.

**O. ACCEPTANCE** -- If the risk is acceptable, the producer will be notified.

1. When the risk is acceptable and the premium has been paid in full, the Association will issue a policy using an effective date in accordance with the waiting period.
2. When the risk is acceptable, but the coverage needs to be modified, the underwriter will contact the producer prior to coverage being put in force. Coverage will not take effect until the premium has been paid in full and the applicable waiting period requirements have been met.

**P. DECLINATION** -- If the property does not qualify for coverage or does not meet the underwriting standards of the Association, the producer will be notified and advised what corrective action, if any, could be taken to qualify. If improvements are made, the producer should submit documentation indicating the changes made. The risk will be subject to the waiting period.

**Q. RISK IDENTIFICATION** -- All documents issued by the Association will bear a "SCWHUA file number." The Association assigns a permanent file number to each property location. References should be made to this number in all correspondence.

**R. POLICY CHANGES** -- Request for changes in the policy or cancellation by the insured must be submitted in writing by the producer. Changes requested on agency letterhead are acceptable. All changes must be signed by the producer. No change will be made except as it relates to the existing location under the policy. Change of producer mid-term is not permitted and producer-of-record requests will not be honored.

1. If additional premium is due, the change will become effective upon receipt of the full premium by the Association (agency check only) and in accordance with the waiting period.
2. Changes not involving an increase in premium will become effective immediately upon the action of the Association.
3. If the change results in a return premium and the policy is endorsed or canceled, the return premium will be remitted by the Association on a net basis to the producer.

4. Significant changes to policy limits are to be documented with supporting information such as appraisals, fire policy Declarations page and/or photos.

**S. CANCELLATIONS** -- The Association guidelines on cancellations are as follows:

1. Reasons for cancellation by the Association include, but are not limited to:
  - a. Non-payment of premium;
  - b. Misrepresentation of any material fact either before or after a loss;
  - c. Cause which would have been grounds for non-acceptance of the risk under the Plan of Operation had such cause been known at the time of acceptance;
  - d. Cause arising subsequent to a review of the property which would have been grounds for non-acceptance of the risk under this plan had such cause existed at the time of acceptance.
2. When the Association cancels a policy for a reason noted above, a notice of cancellation will be sent to the producer explaining the reason for cancellation. A copy will also be sent to the insured and any mortgagees.
3. Cancellation requests cannot be backdated more than thirty days from receipt by the Association. Cancellation requests must include the producer's and/or insured's signature. If the cancellation request is due to the sale of the property, the cancellation can be backdated more than thirty days during the current policy period, provided the Association receives the completed request form (with all required signatures) and a copy of the signed closing papers (HUD statement) during the policy period.

Policies may also be canceled by providing a copy of another policy providing wind and hail coverage that offers protection to the mortgagees listed on the SCWHUA policy.
4. All cancellations will be on a pro rata basis.

**T. LOSS HANDLING** -- The Association guidelines on claims are as follows:

1. All losses are to be reported promptly in writing to the Association by the producer. Loss notification should be made online. See the supplemental **"ONLINE PROCEDURES MANUAL"** for additional claim handling procedures.
2. Under no circumstances should the producer attempt to adjust a loss or assign a loss to an adjusting firm. All questions pertaining to the adjustment of losses, including policy interpretations, shall be handled by the Association.
3. All loss payments will be made by the Association.
4. The insurance adjuster hired by the Association may assist the insured in the completion of a Proof of Loss form. This assistance is merely a courtesy and

does not reduce the responsibility of the insured to accurately and completely prepare the Proof of Loss. The insured must furnish a proof of loss within sixty (60) days after the loss.

- U. APPEALS** -- Any applicant for insurance, any person insured under the Plan of Operation, or any affected insurer may appeal in writing to the Board of Directors within twenty (20) days after any ruling, action, or decision of the Association. The notice of the appeal shall state the reason for the appeal and be accompanied with supporting information.

The Board, or an Appeals Committee designated by the Board, shall hear and determine the appeal. Such determination may, within thirty days after such ruling, be appealed to the Director of Insurance. Orders or decisions of the Director of Insurance may be appealed as provided by the Insurance Laws of South Carolina.

- V. MORTGAGEE'S INTEREST** -- A mortgagee's interest can be protected by noting the interest on the application or by adding the interest with an endorsement. No more than six (6) mortgagees may be listed.

A mortgagee's interest may be deleted only with the written permission of the mortgagee.

- W. PRODUCER LICENSE REQUIREMENTS** -- No contractual relationship is necessary to conduct business with the Association. South Carolina law requires the Association to conduct business with any person licensed by the South Carolina Department of Insurance. South Carolina has two requirements.

1. Any application for insurance must be signed and dated and state that the producer is properly licensed by the South Carolina Department of Insurance. Space is provided on the application for this certification.
2. The agency for which the producer works is also required by the State of South Carolina to be properly licensed if doing business as other than a sole proprietorship. Unlicensed agencies will be referred to the South Carolina Department of Insurance for disciplinary action.

- X. POLICY DISTRIBUTION** -- The insured's copy, mortgagee's copy and producer's copy are all mailed to the producer for distribution. The Association mails all general correspondence directly to the producer for distribution.

## DIVISION II GENERAL RULES

**A. TERM** -- All policies are issued for a one year term. There is no provision for short-term policies.

**B. LIMITS** --The maximum available limits for all coverages (structure, contents, increased cost in construction and indirect loss) at any one location for all insured interest(s) shall not exceed the following:

1. \$1,300,000 for one-to-four family dwellings (including mobile homes and condominium-unit owners) and condominium buildings consisting of one or two units.
2. \$2,500,000 for all other classes of risks

By South Carolina Law, the maximum available limits from the Association must be used prior to obtaining excess wind coverage. The Association does not provide any type of deductible buy back coverage.

“Location” means real and personal property consisting of and contained in a single building, or consisting of or contained in contiguous buildings, when rated as one risk by the Association.

**C. COUNTY RATING** -- Rates are modified by County as follows:

1. Charleston, Colleton and Horry – Factor 1.0
2. Georgetown – Factor .90
3. Beaufort – Factor .74

**D. ZONE RATING** -- Rates are modified by Zone as follows:

1. Zone 1 – Factor 1.0
2. Zone 2 – Factor .74

Zone definitions can be found in Division I – Overview under C. Coastal Area.

**E. RULES** -- The Association follows the General Rules found in the Insurance Service Office Manual except where otherwise provided in this manual.

**F. POLICY RESTRICTIONS** -- Insureds should be made aware of policy restrictions including, but not limited to:

1. Exterior paint and waterproofing exclusion;
2. Property over water exclusion (includes structures partially or totally over water due to high tides and/or wave wash);

3. Items specifically excluded;
4. Mobile Home tie-down and pier requirements;
5. Wind driven rain exclusion;
6. Property in the open exclusion.

**G. PRIMARY (NON-CONTRIBUTING) INSURANCE** -- Because the Association provides primary (“first dollar”) coverage, it is necessary to determine the total values at each location. The Association does not write excess insurance. If the values exceed the maximum limits available from the Association, the First Loss Scale Formula must be used.

The premium for primary (non-contributing) coverage is developed by applying the rate to the discount table at the end of this section of the manual.

**H. IMPROVEMENTS AND BETTERMENTS (ADDITIONS AND ALTERATIONS)** -- Improvements and betterments are improvements to real property. They are permanent in nature and are either installed or acquired by the tenant, but are not legally removable by the tenant. Examples include installation of interior walls or a wet bar.

1. Commercial Risks -- Coverage for improvements and betterments is included in the Commercial Form. List the value of the improvements and betterments as building coverage and rate using the building rate.
2. Dwelling Risks -- The rate is the same as the building premium using Factor A for specific insurance.

**I. BUILDER’S RISK** -- Builder’s risk insurance provides coverage on a building in the course of construction. The risk should be insured to 100% of the completed value at policy inception.

1. Dwellings -- The premium is determined by multiplying the Coverage A premium times 1.00. Form WHP 43 will be attached.
2. Commercial risks -- Premiums are determined by the construction classification. Form WHC 5 will be attached.

Replacement cost coverage, contents coverage, increased cost in construction coverage and either form of indirect coverage (loss of use or loss of business income) are not available on Builder’s Risk Policies.

The Dwelling Program provides a limited amount of contents coverage for installed appliances in a fully enclosed builders’s risk. Please see form WHP 43 for coverage details.

**J. VALUATION** -- SCWHUA policies are actual cash value contracts. Property must be insured to at least 80% of the insurable value.

1. A replacement cost endorsement for dwellings is available for single family, owner-occupied, primary residences built in or after 1950. The dwelling must be insured to 100% of replacement cost value. A flood insurance policy written through the National Flood Insurance Program or a Write-Your-Own Flood Insurance Policy must be in effect at time of loss (regardless of flood zone).
2. A replacement cost coverage endorsement is also available for commercial condominiums. The buildings must be eligible for, and carry a National Flood Insurance Program (NFIP) Residential Condominium Building Association Policy (RCBAP). A copy of the RCBAP declarations page must be submitted to the Association when requesting replacement cost coverage. The building will be rated based on the value reported on the RCBAP flood policy.

Replacement cost coverage is not available on contents coverage.

**K. MINIMUM PREMIUMS** -- A minimum premium of \$100 is charged for each policy. This applies to the dwelling program, the mobile home program, the condo-unit owner program and the commercial program.

**L. DEDUCTIBLES**

1. Personal Lines deductibles

Deductible %	Credit	Loss of Use (time deductible)	Minimum	Maximum
1%	0	10 days	\$250	\$13,000
2% (Zone 2)	8%	15 days	\$500	\$26,000
3%	14%	20 days	\$1,000	\$39,000
4%	18%	25 days	\$2,000	\$52,000
5%	23%	30 days	\$2,500	\$65,000
10%	35%	55 days	\$5,000	\$130,000

- a. The deductible is an occurrence and an aggregate deductible.
- b. The deductible for non-named storms is 1%.

2. Commercial Lines deductibles

Deductible %	Credit	Loss of Business Income (time deductible)	Minimum	Maximum
2% (Zone 2)	10%	15 days	\$500	\$50,000
3%	15%	20 days	\$1,000	\$75,000
4%	20%	25 days	\$2,000	\$100,000
5%	25%	30 days	\$2,500	\$125,000
10%	37%	55 days	\$5,000	\$250,000

3. The standard deductible is 2% of the **policy limit** for Zone 2 locations and 3% of the **policy limit** for Zone 1 locations. There are minimum and maximum deductible amounts as shown in the charts.
  4. Separate deductibles apply to each structure and the contents in that structure.
  5. Time element coverage (Loss of Use or Loss of Business Income) is subject to a time deductible. The deductible is based on the underlying building/contents percentage deductible as shown in the charts.
- M. POLICY FEE** – The premium for each policy includes an \$8 fee. No commission is paid on the policy fee.

**N. FIRST LOSS SCALE FORMULA - CALCULATION OF PREMIUM WHEN VALUE EXCEEDS ASSOCIATION LIMIT**

When the value exceeds the maximum Association limit, the Association waives any applicable coinsurance requirements and charges a premium in accordance with the First Loss Scale Formula.

If the values at one location exceed the Association's maximum limit, the following steps are to be used:

1. If the proposed policy limit for a structure limit or contents limit is less than the value of the property, divide the proposed limit by the value. If the coverage is being written on an ACV basis, then the insurable amount and the total value should be on an ACV basis. If the risk is insured for replacement cost, then replacement cost amounts should be used in the calculation.
2. Use the resulting percentage and find the corresponding value in the second column.
3. Multiply the total value by the factor found in the second column.
4. Use the resulting product as the exposure basis in the rating calculation.

% of Total Value	% of Total Premium		% of Total Value	% of Total Premium
1.00%	32.50%		3.00%	40.00%
1.10%	33.00%		3.10%	40.50%
1.20%	33.50%		3.20%	41.00%
1.30%	34.00%		3.30%	41.50%
1.40%	34.50%		3.40%	42.00%
1.50%	35.00%		3.50%	42.50%
1.60%	35.50%		3.60%	43.00%
1.70%	36.00%		3.70%	43.50%
1.80%	36.50%		3.80%	44.00%
1.90%	37.00%		3.90%	44.50%
2.00%	37.50%		4.00%	45.00%
2.10%	37.75%		4.10%	45.50%
2.20%	38.00%		4.20%	46.00%
2.30%	38.25%		4.30%	46.50%
2.40%	38.50%		4.40%	47.00%
2.50%	38.75%		4.50%	47.50%
2.60%	39.00%		4.60%	48.00%
2.70%	39.25%		4.70%	48.50%
2.80%	39.50%		4.80%	49.00%
2.90%	39.75%		4.90%	49.50%

<b>% of Total Value</b>	<b>% of Total Premium</b>		<b>% of Total Value</b>	<b>% of Total Premium</b>
5.00%	50.00%		44.00%	83.300%
6.00%	52.00%		45.00%	83.600%
7.00%	54.00%		46.00%	83.900%
7.50%	55.00%		47.00%	84.210%
8.00%	56.00%		48.00%	84.460%
9.00%	58.00%		49.00%	84.700%
10.00%	60.00%		50.00%	85.000%
11.00%	61.00%		51.00%	85.200%
12.00%	62.00%		52.00%	85.400%
13.00%	63.00%		53.00%	85.600%
14.00%	64.00%		54.00%	85.800%
15.00%	65.00%		55.00%	86.000%
16.00%	66.00%		56.00%	86.200%
17.00%	67.00%		57.00%	86.400%
18.00%	68.00%		58.00%	86.600%
19.00%	69.00%		59.00%	86.800%
20.00%	70.00%		60.00%	87.000%
21.00%	71.00%		61.00%	87.200%
22.00%	72.00%		62.00%	87.400%
23.00%	73.00%		63.00%	87.600%
24.00%	74.00%		64.00%	87.800%
25.00%	75.00%		65.00%	88.000%
26.00%	75.625%		66.00%	88.200%
27.00%	76.250%		67.00%	88.400%
28.00%	76.875%		68.00%	88.600%
29.00%	77.500%		69.00%	88.800%
30.00%	78.125%		70.00%	89.000%
31.00%	78.750%		71.00%	89.200%
32.00%	79.375%		72.00%	89.400%
33.33%	80.000%		73.00%	89.600%
34.00%	80.220%		74.00%	89.800%
35.00%	80.550%		75.00%	90.000%
36.00%	80.800%		76.00%	90.400%
37.00%	81.210%		77.00%	90.800%
38.00%	81.540%		78.00%	91.200%
39.00%	81.870%		79.00%	91.600%
40.00%	82.200%		80.00%	92.000%
41.00%	82.530%		81.00%	92.400%
42.00%	82.800%		82.00%	92.800%
43.00%	83.000%		83.00%	93.200%

<b>% of Total Value</b>	<b>% of Total Premium</b>		<b>% of Total Value</b>	<b>% of Total Premium</b>
84.00%	93.600%		89.00%	95.60%
85.00%	94.000%		90.00%	96.00%
86.00%	94.400%		91.00%	96.40%
87.00%	94.800%		92.00%	96.80%
88.00%	95.200%		93.00%	97.20%
84.00%	93.60%		94.00%	97.60%
85.00%	94.00%		95.00%	98.00%
86.00%	94.40%		96.00%	98.40%
87.00%	94.80%		97.00%	98.80%
88.00%	95.20%		98.00%	99.20%
			99.00%	99.60%
			100.00%	100.00%

## O. FIRST LOSS SCALE EXAMPLES

### Example 1:

An application lists a commercial building valued at \$5,000,000 (actual cash value). The maximum limit of \$2,500,000 is requested. How will the Loss Scale Formula apply?

1. Since the value of the structure exceeds the policy limit, divide the proposed limit by the value.

$$\$2,500,000 / \$5,000,000 = 50\%$$

2. Use the Percentage to find the corresponding value in the second column.

<u>% of Total Value</u>	<u>% of Total Premium</u>
50.00%	85.00%

3. Multiply the total value by the factor in the second column.

$$\$5,000,000 \times 85.00\% = \$4,250,000$$

4. Use the product as the exposure basis in the rating calculation.  
Rate the policy as if \$4,250,000 was the requested amount.

### Example 2:

An application for a dwelling policy utilizes the maximum dwelling amount. How will the Loss Scale Formula Apply?

\$1,600,000 (replacement cost value) dwelling to be insured for \$1,000,000

\$100,000 Loss of Use Coverage

\$200,000 of personal property to be insured for \$200,000.

1. Since the value of the dwelling exceeds the available policy limits, divide the proposed limit by the value.

$$\$1,000,000 / \$1,600,000 = 62.5\%$$

2. Use the percentage to find the corresponding value in the second column.

<u>% of Total Value</u>	<u>% of Total Premium</u>
62.50%	87.5%

3. Multiply the total value by the factor found in the second column.

$$\$1,600,000 \times 87.5\% = \$1,400,000$$

4. Use the product as the exposure basis in the rating calculation.  
Rate the policy as if \$1,400,000 was the requested amount.

NOTE: This procedure is used to determine the appropriate exposure basis for primary insurance. It **does not increase** the amount of coverage available.

**DIVISION III  
BINDER PROCEDURE**

- A. OVERVIEW** -- With the implementation of the waiting period and the elimination of the hurricane restriction, an exception was made for property transfers where there is an originating mortgage.
- B. ORIGINATING MORTGAGE** -- In order to qualify as an originating mortgage, the financing must come from a mortgage company, bank, or lending institution. Personal financing does not meet the mortgage requirement. Construction loans or draws do not qualify as originating mortgages.
- C. INELIGIBLE POLICY FORMS** -- Policies written under the builders risk form are not eligible for binding.
- D. MINIMUM REQUIREMENTS**-- In addition, the financing must meet the following minimum requirements:
1. The applicant must finance at least 50% of the value of the structure(s).
  2. The term of the loan must be at least ten years.
  3. A copy of the closing papers – HUD - (signed and dated by both the buyer and seller) must accompany the application, photos, and full payment of premium.
- E. NOT ELIGIBLE** -- The following transactions are **NOT** considered an originating mortgage:
1. Line of Credit
  2. Construction loans
  3. Credit card with equity line of credit
  4. Any type of personal loan
  5. 30-day notes, 60-day notes, or similar instruments
  6. Refinancing arrangements
  7. Any financial arrangement that does not meet the Association's definition of originating mortgage.
- F. PREPARE BINDER** – Producers must submit their binder requests to the Association through the web portal. The following procedures should be followed:
1. The individual producer should verify that the closing is eligible for binding with SCWHUA (see B., C., D., and E. above).
  2. The producer should complete the binder request form and submit it to SCWHUA through the web portal. The binder can be created from the Quick Quote/Coverages screen by clicking on the "Prepare Binder" button.

3. The "Prepare Binder" button will not appear until the quote has been rated. Users will be prompted to enter additional information in order to generate the binder.
4. A binder number, effective date, and expiration date will be assigned and can be printed for forwarding to the closing attorney.
5. If a quote or application already has an existing binder, the binder can be updated by clicking on the "Update Binder" button on the Coverages screen. There is limited ability to modify the effective date and/or expiration date of the binder. Questions should be directed to the Underwriting Department at und@scwind.com.
6. If an application has a binder associated with it, the HUD statement must be uploaded via the web prior to final submission. Users will be prompted to add the HUD settlement paperwork after the "Attach Photos" screens. The HUD statement must be in .pdf format.

***Failure to submit all required materials by the expiration date of the binder will void the binder and will result in application of the appropriate waiting period.***

**G. BINDER PERIOD --** The following time constraints apply to a binder:

1. The binder request must be submitted to SCWHUA via the web site:
  - a. At least the day before the closing
  - b. If the closing occurs on the day of the binder request, the binder will be effective at 12:01 A.M. the following day.
2. The binder will be issued for fourteen calendar days.

**DIVISION IV  
INTERNET PROCESSING PROCEDURES**

- A. AGENCY SIGN UP** -- New producers who do not have an existing South Carolina Wind and Hail Underwriting Association agency code must complete the following:
1. Federal tax form W9. This form must be completed and faxed (or e-mailed) to the Association office. The form is required to remain on file for Federal income tax purposes. It can be found in the Forms section on the web site.
  2. Producer/agency information required
    - a. Agency name
    - b. Agency mailing address
    - c. Agency street address
    - d. Agency phone number
    - e. Agency fax number
    - f. Producer name and NAIC National Producer Number
    - g. Agency license number -- The producer must hold a valid SC license AND the agency must be licensed in South Carolina by the South Carolina Department of Insurance if you are doing business as other than a sole proprietorship. This must be done before you can be considered for sign-up. More information can be found at the South Carolina Department of Insurance web site ([www.doi.sc.gov/364/Agency/](http://www.doi.sc.gov/364/Agency/))
    - h. Agency and/or individual e-mail address
  3. ePay Direct Debit Authorization form -- Agents must make payments online and must complete the ePay Direct Debit Authorization form. The form can be found on the web site under the Forms section.
  4. Fax the information to the **Underwriting Department** at (803) 779-0324 or e-mail to [und@scwind.com](mailto:und@scwind.com).
  5. Once all information has been received and verified, you will receive an e-mail with your user id and password. This will provide access to all the features of the internet system.
- B. ONLINE FEATURES** – The following information can be found in the **ONLINE APPLICATION AND POLICY PROCESSING MANUAL** under the My Account Page - User Profile. The manual includes a walk-through of the entire system with screen prints.

- 1, Quick Quote – You can obtain a quote by entering a minimal amount of data. Any data entered in the Quick Quote can be saved and utilized for later entry into the application.
2. Eligibility Check – You can determine the Zone and County information by entering the property zip code and physical address.
  - a. This information is required for rating a policy.
  - b. The address must be entered in the Quick Quote in order to properly rate a location.
  - c. Only zip codes in the South Carolina Wind and Hail Underwriting Association territory are included in the zip code pull down box. If a particular zip is not in the selection box, the property is not eligible for coverage.

**NOTE: All addresses within an eligible zip code are not necessarily in the Territory.**
  - d. The zone will be confirmed when the property is inspected by the Association’s third party inspection service(s)
3. Policy Maintenance – Several options are available on the web site to assist in reviewing and processing your policies.
  - a. Policy Inquiry – You can view and search your current policies.
    - (1). Policies in **Green** are currently in-force. These policies are eligible for rewrite when they are within 90 days of expiration.
    - (2). Policies in **Red** are canceled or expired. You can quickly check to see if an expired policy has been rewritten by viewing the “Rewrite” column.
    - (3). Policies in **Purple** are Notices of Acceptance (applications submitted but not issued by the Association).
  - b. Policies Expiring in Next 90 Days – This policy listing shows all policies which are about to expire and which are eligible for rewrite.
  - c. Rewrites, Quotes and Applications – This section provides a listing of the following transaction types.
    - (1). Pending Rewrites
    - (2). Submitted Rewrites
    - (3). Saved Quotes
    - (4). Saved New Business Applications
    - (5). Submitted New Business Applications

4. ePay - Online Payments -- Complete the Direct Debit Authorization Form and mail it to us along with a voided check.
5. Form Retention -- You will need to maintain a copy of the signed and dated application and deductible form in your office for a period of seven years. For your convenience, we provide online reports of payments submitted to SCWHUA and payments processed by SCWHUA.
5. eRewrites -- Online Rewrites
  - a. Go online to your Policy Inquiry list of expiring policies, select a policy for rewrite, and page through the pre-filled application screens online just like you do for new business.
  - b. On a rewrite, the screens are pre-filled for you. Make any changes, re-rate, page through the screens, and submit the application.
6. eClaims - Online Claims Reporting
  - a. The eClaims feature allows you to report a claim online on the web site.
  - b. This option is available on the Policy Inquiry list. Click on the Claims link for a policy, and you will then be presented with a loss notice screen with all the basic policy information pre-filled. Check the boxes next to the applicable damage codes, fill out a few other pieces of information, and submit the claim.

**C. BENEFITS OF USING eFEATURES**

1. No overnighting (mailing) of applications, rewrites, checks, and photos.
2. No premium shortages (the calculated online premium matches the amount due the Association). As long as the inputted data is entered correctly, the premium will be correct.
3. The Association is open for business 24/7/365.
4. The waiting period begins when the submit button is pressed. That is, the application is deemed to be received by the Association the day the materials are sent to the Association via the web.

**D. COMMON ePAY QUESTIONS**

1. Can we use eApps and not ePay?  
No.
2. When is the money drafted from our account if we use ePay?  
An example will help clarify this question.

Assume a producer submits an application through the Internet on Monday. The application is marked as received on Monday and the waiting period begins at 12:01 A.M. Tuesday.

The eApp is processed by the SCWHUA underwriter on Tuesday morning. If the application is complete and acceptable, the underwriter releases the policy for issuance.

On Wednesday morning, the Association notifies your bank of the approved transaction. In most cases, the earliest your account would be drafted for the funds would be Wednesday. It has been our experience that most accounts will not be drafted until Wednesday evening or Thursday morning due to the lag time between banks.

NOTE: Your account will be debited after the underwriter has authorized the policy for issuance. If there are any discrepancies or problems in underwriting the application which results in a time delay, the account will only be debited upon acceptance by the SCWHUA underwriter.

3. Does each individual producer need to submit an ePay authorization form?

No. All ePay transactions are completed at the agency level. An agency principal is required to sign the ePay bank authorization form.

4. Why do we need to keep applications in our office for seven years?

Insurance regulations require that the wet ink signature application be kept for seven years. As a condition of using the Internet ePay, eRewrite and eApp functions, the producer must agree to maintain the records for seven years.

In the event of audit by the Department of Insurance or for any other legal purpose (i.e. records are subpoenaed), the producer must present the requested document(s) on demand.

The Association plans to periodically audit applications to ascertain that the record-keeping requirements are being met.

5. Can the agency maintain an imaged copy of the documents?

Yes. This practice is acceptable.

6. Will you credit our account in the event of cancellation or a reduction in coverage which results in a premium refund?

No. This process will be reviewed as a system enhancement in the future. The Association will continue to process a paper check for any refunds/cancellations.

**DIVISION V  
DWELLING PROGRAM**

- A. DWELLING ELIGIBILITY** -- Risks eligible for the dwelling program are used solely for residential purposes.
1. The maximum coverage available for any one dwelling is \$1,300,000. This limit includes coverage for the structure, contents, loss of use and increased cost in construction.
  2. Dwellings, townhomes (regardless of the number of adjoining units) and condominium-unit owners (regardless of the number of individual units in a building) are eligible for the dwelling program.
    - a. Condominium ownership – The owner has title to the inside space of his unit. The legal definition is: The absolute ownership of a unit based on a legal description of the airspace the unit actually occupies, plus an undivided interest in the ownership of the common elements, which are owned jointly with the other condominium unit owners.
    - b. Townhomes - In contrast to condominium ownership, real estate may be titled as fee simple. Fee simple ownership is the absolute and unqualified legal title to real property, **including both buildings and land**. This is the most commonly used type of ownership. With individual ownership of the land, deed restrictions may apply to the property. There may be mandatory dues to pay for common area maintenance, or, in some cases, the dues may pay for partial maintenance of the individual properties.
  3. Detached buildings with living quarters will be rated as a separate dwelling and will require a separate application and policy.
  4. Modular homes qualify as dwellings under the following conditions:
    - a. The producer is able to obtain a copy (photograph) of the manufacturers NTA Inc. certification that states that the modular structure has been inspected to (and conforms with) the applicable code compliance standards. The sticker is typically affixed to the home at completion. Additional information can be found at [www.ntainc.com](http://www.ntainc.com).
    - b. If the sticker has been removed from the structure, then it will be necessary to obtain building plans/specs that detail the construction details of the building. Modular homes built prior to **1995** are not eligible for consideration for rating under this provision and must be rated under Division VI. Manufactured Home Program.
  5. Dwellings under construction (builders risk coverage) may be insured under the dwelling program. The premium is determined by multiplying the Coverage A premium times a factor of 1.00. Form WHP 43 will be attached. Contents coverage, replacement cost coverage, loss of use coverage and increased cost in construction coverage are not available.

- B. COVERAGE FORM** -- Coverage for dwellings and townhomes is provided using the WHP 1 Form. Coverage for condominium-unit owners is provided using the WHA 1 Form.
- C. REPLACEMENT COST COVERAGE** -- Replacement Cost Coverage is provided by endorsement using form WHP 10.
1. Coverage is available for a single family dwelling which is an owner-occupied, primary residence with no rental of premises built after 1950. A dwelling qualifies as a primary residence, if at the time of loss, the insured (or the insured's spouse) have lived in the dwelling for either:
    - a. 80% of the calendar year immediately preceding the loss, or
    - b. 80% of the period of the insured's ownership of the insured dwelling, if less than one calendar year immediately preceding the loss.
  2. Replacement cost coverage is not provided for a:
    - a. Unit in a condominium building, or
    - b. Townhome, or
    - c. Manufactured or mobile home including any attached structures.
  3. Replacement cost coverage for contents is not available.
  4. The dwelling must be insured to 100% of value or for the maximum limit available from the Association. If the Loss Scale is applicable to the risk, then the calculations must be based on replacement costs, not actual cash value.
  5. Dwellings built prior to 1950 are not eligible for replacement cost coverage.
  6. Flood insurance is required.
    - a. Insured's must carry a flood policy either through the National Flood Insurance Program (NFIP) or through a Write-Your-Own Company participating in the National Flood Insurance Program.
    - b. Non-NFIP flood policies are acceptable (i.e. Lloyd's or excess and surplus lines flood policies).
    - c. A flood policy is required even though the property may not be in a Special Flood Hazard Area (SFHA). Properties in "lower" risk flood zones are also required to carry a flood policy in order to qualify for replacement cost coverage (i.e. B, C or X zone properties).
    - d. The replacement cost policy form requires the insured to produce a copy of the in-force flood policy to the adjuster at the time of loss. If the policy is not in effect, the loss will be handled on an actual cash value basis.

- e. The maximum limits available from the NFIP must be purchased in order to meet the SCWHUA requirements for replacement cost coverage. The purchase of excess flood insurance is not required.
7. There is a 5% surcharge of the dwelling premium for this coverage.

**D. RATING - COVERAGE A AND C** -- The following steps are used in rating Coverages A and C:

1. From the Key Premium Chart, select the appropriate Key Premiums.
2. Use the Key Factor Chart to determine the Key Factor for the desired limit of liability. If the desired limit of liability is not shown in the chart, use one of the following steps:
  - a. If the desired limit is less than the highest limit shown, interpolate the Key Factors shown for the nearest limit above and below the desired limit.
  - b. If the desired limit of liability is more than the highest limit shown, determine the key Factor for the desired limit using the loading for "Each Additional \$1,000."
3. Multiply the Key Premium by the Key Factor and round to the nearest whole dollar to develop the Gross Base Premium.

**E. RATING - COVERAGE B** -- Coverage may be added for specific, Other Structures. Other structures must not contain finished space. For example, a detached garage with an apartment is considered a dwelling and would require the submission of a separate application.

1. Select the Key Premium from the Key Premium chart for Coverage A.
2. Multiply the Key Premium by .027.
3. The result is the rate per \$1,000 of coverage.

**F. RATING - OUTDOOR PROPERTY** -- Select classes of outdoor property may be covered as specified items. The rates per \$1,000 of coverage appear in the chart labeled "Outdoor Property."

**G. LOSS OF USE COVERAGE** -- The following underwriting and rating procedures are in place for Loss of Use Coverage:

1. Loss of Use will be provided only at the request of the applicant/insured.
2. Loss of Use is not available for Builder's Risk Policies.
3. Loss of Use Coverage will be provided only if the Association is providing the direct coverage.

- a. If the applicant/insured is the owner of the dwelling, then the Association must insure the Dwelling.
  - b. If the applicant/insured is not the dwelling owner, the Association must insure the Personal Property.
4. The maximum limit per location for the Dwelling Program will include the sum of the limits for the Dwelling, Personal Property, Loss of Use and Increased Cost in Construction.
  - a. If the applicant/insured is the owner of the dwelling, the limit of liability for Loss of Use will be either 20% or 10% of Coverage A. If the sum of the limits exceeds the per location maximum limit, then Coverage A and/or Coverage C and/or Extension of Coverage – Increased Cost in Construction must be reduced.
  - b. If the applicant/insured is not the dwelling owner, the limit of liability for Loss of Use will be either 40% or 20% of Coverage C. If the sum of the limits exceeds the per location maximum limit, then Coverage C must be reduced.
5. Coverage is provided in the policy form when the coverage amount and premium are shown on the declaration page. The coverage is available for owner occupied and rental dwellings as well as seasonal/secondary dwellings. The Form provides two basic types of coverage – Additional Living Expense and Fair Rental Value.
6. Coverage will be rated as follows:
  - a. If the Dwelling is insured under the policy, the gross dwelling rate will be used (including the surcharge for replacement cost coverage, if applicable).
  - b. If the Dwelling is not owned by the insured, then the gross personal property rate will be used.
  - c. In a. or b. above, the net rate will be determined ignoring the existence of Loss of Use. This is the rate to be used per \$1,000 of Loss of Use Coverage.
7. The deductible that applies in the calculation of the rate determines the deductible used with Loss of Use.
  - a. A 10 day deductible will apply when the 1% deductible rate is used.
  - b. A 15 day deductible will apply when the 2% deductible rate is used.
  - c. A 20 day deductible will apply when the 3% deductible rate is used.
  - d. A 25 day deductible will apply when the 4% deductible rate is used.
  - e. A 30 day deductible will apply when the 5% deductible rate is used.

- f. A 55 day deductible will apply when the 10% deductible rate is used.

**H. EXTENSION OF COVERAGE – INCREASED COST IN CONSTRUCTION** – Extension of Coverage – Increased Cost in Construction is provided by endorsement using form WIC.

1. This endorsement eliminates General Exclusion 1a (Ordinance or Law). The coverage will pay the increased cost in construction due to the requirement to comply with building codes.
2. Increased Cost in Construction Coverage will be provided only at the request of the applicant/insured.
3. Increased Cost in Construction Coverage is not available for multi-family structures (i.e. duplexes), Builder’s Risk Policies, Townhomes or Condominium-Unit Owners.
4. Increased Cost in Construction Coverage will be provided only if the Association is providing the dwelling coverage.
5. The maximum limit per location for the Dwelling Program includes the sum of the limits for the Dwelling, Personal Property, Loss of Use, and Increased Cost in Construction Coverage.
6. The limit of liability and premium charge for Increased Cost in Construction Coverage is as follows:

Coverage Limit	Premium
5% of Coverage A	2% of dwelling premium
10% of Coverage A	3.5% of dwelling premium
15% of Coverage A	5% of dwelling premium

7. Coverage is provided when the coverage amount and premium are shown on the declaration page.

## I. MITIGATION PROGRAM – DWELLINGS/TOWNHOMES

1. Institute for Business and Home Safety (IBHS)
  - a. The Institute for Business and Home Safety (IBHS) has developed a program known as “Fortified ...For Safer Living”. This is a system to assist builders in making inspection and site location decisions to make homes more disaster-resistant.
  - b. Specific building guidelines have been prepared for each state to qualify for Fortified Home status. South Carolina requirements include standards for the perils of wind and earthquake. Natural disaster – related building codes, even in areas where they have been strengthened in the wake of past events, provide minimum requirements for property protection.
  - c. “Fortified ...For Safer Living” offers a range of building techniques and materials that, taken together and independently verified, can make a home better able to survive nature’s perils.
  - d. In recognition of the superior construction techniques employed by “Fortified ...For Safer Living” builders, the Association provides a 20% credit for the dwelling (Coverage A), contents (Coverage C), Increased Cost in Construction (ICC), and Loss of Use (Coverage D) coverages.
  - e. The insured must provide a copy of the IBHS certificate that is presented to the homeowner on completion of the “Fortified ...For Safer Living” construction.
  - f. More information about the IBHS program can be found at [www.disastersafety.org](http://www.disastersafety.org).
2. SC Safe Homes
  - a. The South Carolina Department of Insurance sponsors the SC Safe Homes Program. Consumers can have a certified inspector conduct an inspection of the property. If deficiencies are found, there is a list of certified contractors that can perform the work. There is a grant program in place to assist consumers in funding these repairs.
  - b. The Association provides a 5% credit for the dwelling (Coverage A), contents (Coverage C), Increased Cost in Construction (ICC), and Loss of Use (Coverage D) coverages.
  - c. The insured must provide a copy of the SC Safe Home inspection and a copy of the report by the SC Safe Home inspector that the home is in compliance.
  - d. More information about the SC Safe Home program can be found at [doi.sc.gov/605/SC-Saffe-Home/](http://doi.sc.gov/605/SC-Saffe-Home/).

### 3. Other Mitigation Techniques

MITIGATION MEASURE	DESCRIPTION	ESTIMATED CREDIT
1. Opening protection	<p>All glazed openings are protected for impact resistance and all other openings (garage doors, entry doors, other non-glazed openings) are protected for impact resistance.</p> <p>Acceptable measures include storm shutters or impact resistant glass.</p> <p>A glazed opening is glass or transparent materials used in windows, skylights or doors.</p>	1% to 1.25% credit depending on the number of mitigation measures present
2. Roof tie downs	<p>A structure with clips, single wraps, double wraps, or welds qualifies for the credit.</p> <p>Clips – Is a piece of metal nailed into the side of the rafter or truss and into the side of the wall's top plate or stud? The metal does not wrap around the top of the rafter/truss and the clip is located on one side of the connection.</p> <p>Single Wraps – Is a metal strap attached to the side and/or bottom of the wall's top plate and wrapped and nailed around the top of the rafter/truss?</p> <p>Double Wraps – Are metal straps attached to the side and/or bottom of the wall's top plate and wrapped and nailed around the top of the rafter/truss from each side?</p> <p>Welds – Are connections designed for the site on which the structure is located?</p>	1% to 1.25% credit depending on the number of mitigation measures present
3. Construction standards	Masonry non-combustible (does not include masonry veneer or hardiplank)	1% to 1.25% credit depending on the number of mitigation measures present
4. Building codes	<p>South Carolina Building Code Compliance</p> <p>Buildings built to meet or exceed the International Building Code as adopted by the SC Building Codes Council as of 2007.</p> <p>Credit will be provided for structures where the certificate of occupancy is issued in 2007.</p> <p>Remodeled structures are not eligible for the credit. Consideration for remodeled/retrofitted structures may be eligible for the SC Safe Home Credit.</p>	1% to 1.25% credit depending on the number of mitigation measures present

a. Credit is provided as follows:

- (1) 1% for any one of items 1. - 4.
- (2) 3% for two or three of items 1.-4.
- (3) 5% if all four items (1.-4.) are adopted.

b. The Insured's Mitigation Verification must be submitted **along** with the Contractor's Mitigation Certification. The Contractor's Certification must be completed by a licensed building contractor, registered architect, engineer, SC Safe Home inspector or building code official.

- c. The forms can be found at [www.scwind.com](http://www.scwind.com), Forms, Mitigation.

**J. MITIGATION PROGRAM – CONDOMINIUM-UNIT OWNERS**

MITIGATION MEASURE	DESCRIPTION	ESTIMATED CREDIT
1. Opening protection	<p>All glazed openings are protected for impact resistance and all other openings (garage doors, entry doors, other non-glazed openings) are protected for impact resistance.</p> <p>Acceptable measures include storm shutters or impact resistant glass.</p> <p>A glazed opening is glass or transparent materials used in windows, skylights or doors.</p>	1% to 1.25% credit depending on the number of mitigation measures present
2. Roof tie downs	<p>A structure with clips, single wraps, double wraps, or welds qualifies for the credit.</p> <p>Clips – Is a piece of metal nailed into the side of the rafter or truss and into the side of the wall's top plate or stud? The metal does not wrap around the top of the rafter/truss and the clip is located on one side of the connection.</p> <p>Single Wraps – Is a metal strap attached to the side and/or bottom of the wall's top plate and wrapped and nailed around the top of the rafter/truss?</p> <p>Double Wraps – Are metal straps attached to the side and/or bottom of the wall's top plate and wrapped and nailed around the top of the rafter/truss from each side?</p> <p>Welds – Are connections designed for the site on which the structure is located?</p>	1% to 1.25% credit depending on the number of mitigation measures present
3. Construction standards	Masonry non-combustible (does not include masonry veneer or hardiplank)	1% to 1.25% credit depending on the number of mitigation measures present
4. Building codes	<p>South Carolina Building Code Compliance</p> <p>Buildings built to meet or exceed the International Building Code as adopted by the SC Building Codes Council as of 2007.</p> <p>Credit will be provided for structures where the certificate of occupancy is issued in 2007.</p> <p>Remodeled structures are not eligible for the credit. Consideration for remodeled/retrofitted structures may be eligible for the SC Safe Home Credit.</p>	1% to 1.25% credit depending on the number of mitigation measures present

1. Credit is provided as follows:
  - a. 1% for any one item 1. - 4.
  - b. 3% for two or three of the items 1.-4.
  - c. 5% if all four items (1.-4.) are adopted.
  
2. The Insured's Mitigation Verification must be submitted **along** with the Contractor's Mitigation Certification. The Contractor's Certification must be completed by a licensed building contractor, registered architect, engineer, SC Safe Home inspector or building code official.

3. The forms can be found at [www.scwind.com](http://www.scwind.com), Forms, Mitigation.

**K. KEY PREMIUMS**

<u>EFFECTIVE DATE</u>	<u>COVERAGE A</u>	<u>COVERAGE C</u>
12/1/2012	346.100	48.510
12/1/2021	371.365	52.051
12/1/2022	387.120	54.260
6/1/2024	469.580	65.820

**L. KEY FACTOR TABLE**

KEY FACTOR			KEY FACTOR		
LIABILITY LIMIT	COVERAGE A	COVERAGE C	LIABILITY LIMIT	COVERAGE A	COVERAGE C
1,000	0.566	0.17	28,000	1.182	4.68
2,000	0.588	0.33	29,000	1.205	4.85
3,000	0.611	0.50	30,000	1.228	5.02
4,000	0.634	0.67	31,000	1.250	5.19
5,000	0.657	0.83	32,000	1.273	5.36
6,000	0.680	1.00	33,000	1.296	5.53
7,000	0.703	1.17	34,000	1.320	5.70
8,000	0.726	1.34	35,000	1.342	5.87
9,000	0.749	1.50	36,000	1.365	6.04
10,000	0.771	1.67	37,000	1.388	6.21
11,000	0.794	1.84	38,000	1.411	6.38
12,000	0.817	2.00	39,000	1.433	6.55
13,000	0.840	2.17	40,000	1.456	6.72
14,000	0.862	2.33	41,000	1.479	6.89
15,000	0.885	2.50	42,000	1.502	7.06
16,000	0.908	2.67	43,000	1.524	7.23
17,000	0.931	2.84	44,000	1.547	7.40
18,000	0.953	3.00	45,000	1.570	7.57
19,000	0.976	3.17	46,000	1.593	7.74
20,000	1.000	3.34	47,000	1.615	7.91
21,000	1.023	3.51	48,000	1.639	8.08
22,000	1.046	3.67	49,000	1.662	8.25
23,000	1.068	3.84	50,000	1.685	8.42
24,000	1.091	4.00			
25,000	1.114	4.17			
26,000	1.137	4.34	Each Add'l		
27,000	1.159	4.51	1,000	0.023	0.17

**M. OUTDOOR PROPERTY**

Rates are per \$1,000.

		Effective 12/01/2012
1.	Structures with rooflike covering including awnings	
	A. Cloth or Fabric	316.932
	B. Other	192.433
2.	Screen/supports around a pool, patio, etc.; Pool enclosures	83.093
3.	Fences, property walls, seawalls, trellis, walkways with rails or siding	
	A. Masonry or iron	22.159
	B. Other	340.961
4.	Greenhouses, solar panels, hothouse panels in wood or metal frame made of:	
	A. Glass	227.121
	B. Fiberglass or other rigid plastic material	244.970
5.	Slathouses or pergolas	93.584
6.	Cabanas, boathouses, walkways without rail or siding	
	A. Frame	133.884
	B. Masonry or metal	21.258
7.	Outdoor equipment – Includes pumps, tanks, other property NOC	15.806
8.	Signs	
	A. All metal	220.891
	B. Any part frame	594.690
9.	Outdoor radio and television equipment; Street lights	
	A. All metal	36.456
	B. All others	622.855
10.	Swimming Pools	
	A. Inground	21.984
	B. Above ground	614.372
11.	Swimming pool cover	281.305
12.	Open sided structures	105.408

**DIVISION VI  
MANUFACTURED HOME PROGRAM**

- A. MANUFACTURED HOME ELIGIBILITY** -- Risks eligible for the manufactured home program must meet the following criteria:
1. Be at least 28 feet long
  2. Be permanently located (units regularly and/or periodically relocated, such as RV's, are not eligible)
  3. Be properly blocked to Association standards
  4. Be connected to water, sewer, and electrical utility services (self-contained or self-generated utilities are unacceptable)
  5. Be tied down in accordance with Association standards
- B. MODULAR HOME ELIGIBILITY** -- Modular homes are eligible for coverage under the manufactured home program if they do not meet the standards of the Dwelling Program (see Division V.A.4.). Modular homes must meet the following criteria:
1. Be permanently constructed on pilings
  2. Be bolted or welded to the pilings in accordance with specifications required by HUD. Nailing the home to the pilings is unacceptable.
- C. COVERAGE FORM** -- Coverage is provided using the WHM 1 Form.
- D. REPLACEMENT COST COVERAGE** -- Replacement Cost Coverage is not available in the Manufactured Home Program.
- E. RATING - COVERAGE A AND C** -- The following steps are used in rating Coverages A and C:
1. Determine the limit for the manufactured home, structures attached to the manufactured home, and the portion of the contents which is considered a part of the manufactured home. This will be the Coverage A limit.
  2. From the Key Premium Chart, select the appropriate Key Premium.
  3. Use the Key Factor Chart to determine the Key Factor for the desired limit of liability. If the desired limit of liability is not shown in the chart, use one of the following steps:
    - a. If the desired limit is less than the highest limit shown, interpolate the Key Factors shown for the nearest limit above and below the desired limit. An example of interpolation appears in Division IV – Section M.

- b. If the desired limit of liability is more than the highest limit shown, determine the key Factor for the desired limit using the loading for "Each Additional \$1,000." An example of a higher limits calculation appears in Division IV – Section N.
4. Multiply the Key Premium by the Key Factor and round to the nearest whole dollar to develop the Base Premium.

**F. RATING - COVERAGE B** -- Coverage may be added for specific, Other Structures.

1. Select the Key Premium from the Key Premium chart for Coverage A.
2. Multiply the Key Premium by .027.
3. The result is the rate per \$1,000 of coverage.

**G. RATING - OUTDOOR PROPERTY** -- Select classes of outdoor property may be covered as specified items. The rates per \$1,000 of coverage appear in the chart labeled "Outdoor Property."

**H. LOSS OF USE COVERAGE** -- The following underwriting and rating procedures are in place for Loss of Use Coverage:

1. Loss of Use will be provided only at the request of the applicant/insured.
2. Loss of Use Coverage will be provided only if the Association is providing the direct coverage.
  - a. If the applicant/insured is the owner of the Manufactured Home, then the Association must insure the Manufactured Home.
  - b. If the applicant/insured is not the Manufactured Home owner, the Association must insure the Personal Property.
3. The maximum limit per location for the Manufactured Home Program will include the sum of the limits for the Manufactured Home, Personal Property, and Loss of Use.
  - a. If the applicant/insured is the owner of the Manufactured Home, the limit of liability for Loss of Use will be either 20% or 10% of Coverage A. If the sum of the limits exceeds the per location maximum limit, then Coverage A and/or Coverage C must be reduced.
  - b. If the applicant/insured is not the Manufactured Home owner, the limit of liability for Loss of Use will be either 40% or 20% of Coverage C. If the sum of the limits exceeds the per location maximum limit, then Coverage C must be reduced.
4. Coverage is provided in the policy form when the coverage amount and premium are shown on the declaration page.

5. Coverage will be rated as follows:
  - a. If the Manufactured Home is insured under the policy, the manufactured home rate will be used.
  - b. If the Manufactured Home is not owned by the insured, then the personal property rate will be used.
  - b. In a. or b. above, the net rate will be determined ignoring the existence of Loss of Use. This is the rate to be used per \$1,000 of Loss of Use Coverage.
6. The deductible that applies in the calculation of the rate determines the deductible used with Loss of Use.
  - a. A 10 day deductible will apply when the 1% deductible rate is used.
  - b. A 15 day deductible will apply when the 2% deductible rate is used.
  - c. A 20 day deductible will apply when the 3% deductible rate is used.
  - d. A 25 day deductible will apply when the 4% deductible rate is used.
  - e. A 30 day deductible will apply when the 5% deductible rate is used.
  - f. A 55 day deductible will apply when the 10% deductible rate is used.

**I. MITIGATION PROGRAM** – The following underwriting and rating procedures are in place for mitigation efforts.

- 1, SC Safe Homes
  - a. The South Carolina Department of Insurance sponsors the SC Safe Homes Program. Consumers can have a certified inspector conduct an inspection of the property. If deficiencies are found, there is a list of certified contractors that can perform the work. There is a grant program in place to assist consumers in funding these repairs.
  - b. The Association provides a 5% credit for the manufactured home (Coverage A), contents (Coverage C) and Loss of Use (Coverage D) coverages.
  - c. The insured must provide a copy of the SC Safe Home inspection and a copy of the report by the SC Safe Home inspector that the home is now in compliance.
  - d. More information about the SC Safe Home program can be found at [doi.sc.gov/605/SC-Safe-Home/](https://doi.sc.gov/605/SC-Safe-Home/).

2. Other Mitigation Techniques

MITIGATION MEASURE	DESCRIPTION	ESTIMATED CREDIT
1. Opening protection	<p>All glazed openings are protected for impact resistance and all other openings (garage doors, entry doors, other non-glazed openings) are protected for impact resistance.</p> <p>Acceptable measures include storm shutters or impact resistant glass.</p> <p>A glazed opening is glass or transparent materials used in windows, skylights or doors.</p>	1% to 1.5% credit depending on the number of mitigation measures present
2. Building codes	<p>South Carolina Building Code Compliance</p> <p>Buildings built to meet or exceed the International Building Code as adopted by the SC Building Codes Council as of 2007.</p> <p>Credit will be provided for structures where the certificate of occupancy is issued in 2007.</p> <p>Remodeled structures are not eligible for the credit. Consideration for remodeled/retrofitted structures may be eligible for the SC Safe Home Credit.</p>	1% to 1.5% credit depending on the number of mitigation measures present

- a. Credit is provided as follows:
  - (1) 1% for either item 1.or 2.
  - (2) 3% for both items 1.and 2.
  
- b. The Insured's Mitigation Verification must be submitted **along** with the Contractor's Mitigation Certification. The Contractor's Certification must be completed by a licensed building contractor, registered architect, engineer, SC Safe Home inspector or building code official.
  
- c. The forms can be found at [www.scwind.com](http://www.scwind.com), Forms, Mitigation.

**J. KEY PREMIUMS**

<u>EFFECTIVE DATE</u>	<u>COVERAGE A</u>	<u>COVERAGE C</u>
12/1/2012	599.270	84.000
12/1/2021	689.161	96.600
12/1/2022	795.970	111.570
6/1/2024	999.740	140.130

**K. KEY FACTOR TABLE**

KEY FACTOR			KEYFACTOR		
LIABILITY LIMIT	COVERAGE A	COVERAGE C	LIABILITY LIMIT	COVERAGE A	COVERAGE C
1,000	0.566	0.17	28,000	1.182	4.68
2,000	0.588	0.33	29,000	1.205	4.85
3,000	0.611	0.50	30,000	1.228	5.02
4,000	0.634	0.67	31,000	1.250	5.19
5,000	0.657	0.83	32,000	1.273	5.36
6,000	0.680	1.00	33,000	1.296	5.53
7,000	0.703	1.17	34,000	1.320	5.70
8,000	0.726	1.34	35,000	1.342	5.87
9,000	0.749	1.50	36,000	1.365	6.04
10,000	0.771	1.67	37,000	1.388	6.21
11,000	0.794	1.84	38,000	1.411	6.38
12,000	0.817	2.00	39,000	1.433	6.55
13,000	0.840	2.17	40,000	1.456	6.72
14,000	0.862	2.33	41,000	1.479	6.89
15,000	0.885	2.50	42,000	1.502	7.06
16,000	0.908	2.67	43,000	1.524	7.23
17,000	0.931	2.84	44,000	1.547	7.40
18,000	0.953	3.00	45,000	1.570	7.57
19,000	0.976	3.17	46,000	1.593	7.74
20,000	1.000	3.34	47,000	1.615	7.91
21,000	1.023	3.51	48,000	1.639	8.08
22,000	1.046	3.67	49,000	1.662	8.25
23,000	1.068	3.84	50,000	1.685	8.42
24,000	1.091	4.00			
25,000	1.114	4.17			
26,000	1.137	4.34	Each Add'l		
27,000	1.159	4.51	1,000	0.023	0.17

**L. OUTDOOR PROPERTY**

Rates are per \$1,000

		Effective 12/01/2012
1.	Structures with rooflike covering including awnings	
	A. Cloth or Fabric	316.932
	B. Other	192.433
2.	Screen/supports around a pool, patio, etc.; Pool enclosures	83.093
3.	Fences, property walls, seawalls, trellis, walkways with rails or siding	
	A. Masonry or iron	22.159
	B. Other	340.961
4.	Greenhouses, solar panels, hothouse panels in wood or metal frame made of:	
	A. Glass	227.121
	B. Fiberglass or other rigid plastic material	244.970
5.	Slathouses or pergolas	93.584
6.	Cabanas, boathouses, walkways without rail or siding	
	A. Frame	133.884
	B. Masonry or metal	21.258
7.	Outdoor equipment – Includes pumps, tanks, other property NOC	15.806
8.	Signs	
	A. All metal	220.891
	B. Any part frame	594.690
9.	Outdoor radio and television equipment; Street lights	
	A. All metal	36.456
	B. All others	622.855
10.	Swimming Pools	
	A. Inground	21.984
	B. Above ground	614.372
11.	Swimming pool cover	281.305
12.	Open sided structures	105.408

**DIVISION VII  
COMMERCIAL PROGRAM**

- A. COMMERCIAL ELIGIBILITY** -- Eligible risks which do not qualify under the Dwelling Program or the Manufactured Home Program are classified as Commercial Risks. This section includes Habitational Risks which do not qualify for the Dwelling Program or the Manufactured Home Program.
- B. COINSURANCE** -- The rates provided in this section are 80% coinsurance rates per \$100.
1. These rates may be adjusted as follows:
    - a. 90% coinsurance rates – 80% rate times .95
    - b. 100% coinsurance rates – 80% rate times .90
  2. When the coverage provided by the Association for a given location equals the maximum available limits, the coinsurance requirement is waived. When the coinsurance requirement is waived, the rates cannot be credited to reflect 90% or 100% coinsurance rates.
- C. CONSTRUCTION CLASSIFICATION** -- The Association classifies wind construction as wind resistive (W), semi-wind resistive (S), masonry (M), skeleton (K) or frame (F).

<u>Common Fire Classification</u>	<u>Corresponding Wind Classification</u>
Frame (code 1)	Frame
Joisted masonry (code 2)	Masonry
Non-combustible (code 3)	Masonry
Masonry non-combustible (code 4)	Semi-wind resistive
Modified fire resistive (code 5)	Wind resistive
Fire resistive (code 6)	Wind resistive
Superior masonry / heavy timber (code 7)	Semi-wind resistive
Superior non-combustible (code 8)	Semi-wind resistive
Superior masonry non-combustible (code 9)	Wind resistive

Definitions of each construction type are provided in Section K. of this Division. Specific risks may be submitted to the Association for classification assistance. Supporting data should be submitted. Supporting data includes building plans and/or statements from the builder or architect that indicate the construction of exterior walls, floors, and roof.

Properties submitted as wind resistive and/or semi-wind resistive construction must include documentation verifying the construction. It is essential that details concerning the construction of the exterior walls, floors, and roof be submitted.

The Association has filed three exceptions to the ISO classification system. These exceptions override the "Construction Classification Chart." They are:

1. Skeleton Construction -- On Page CF-R-3 of the ISO Commercial Lines Manual, reference is made to skeleton construction. The term "skeleton construction" refers to a building that is a skeleton of reinforced concrete and/or steel. The exterior walls consist of metal studs covered with wall board or similar covering reinforced by plaster covering with metal lathe and stucco.

The Association has established its own rating classification for skeleton construction.

2. Mixed Construction -- The ISO rule on mixed construction is amended to read as follows, "A building with adjoining and communicating additions composed of different types of construction shall be subject to the highest rated type of construction when the inferior type of construction is 35% or more of the total floor area."
3. Story -- A "story" means that part of a building between a floor and the floor or roof above and having an area equal to 50% or more of the grade floor area of the building.

**D. CONDOMINIUMS** -- The following underwriting and rating procedures are in place for residential condominiums.

1. One or two unit condominiums – If there are one or two units in a building, the structure is eligible to be rated under the personal lines rating scheme ignoring the use of construction as a rating factor. The building will be rated using the applicable Key Premium and Key Factor from Division V, Sections K & L. The maximum coverage available under this program is \$1,300,000 per building for all coverages combined. If the coverages exceed \$1,300,000, the Loss Scale calculation will be used.
2. More than two unit condominiums and all other condominium types – If there are three or more units in a building, classify the construction type of the structure in accordance with the construction classification definitions and the classification exceptions filed by the Association. Coverage limits are subject to the Commercial program requirements (\$2,500,000).
3. Replacement cost coverage - A replacement cost coverage endorsement is available for commercial condominiums.
  - a. The buildings must be eligible for, and carry a National Flood Insurance Program (NFIP) Residential Condominium Building Association Policy (RCBAP).
  - b. A copy of the RCBAP declarations page must be submitted to the Association when requesting replacement cost coverage.
  - c. Structures built prior to 1950 are not eligible for replacement cost coverage.

- d. Replacement cost coverage is not available on contents.
- e. The building must be insured to 80% of value or for the maximum limit available from the Association. If the Loss Scale is applicable to this risk, then the calculations must be based on replacement costs, not actual cash value. The building will be rated based on the value reported on the RCBAP flood policy
- f. There is a 15% surcharge of the building premium for this coverage.

**E. RATING PROCEDURE** -- The following steps are to be used in rating risks in the commercial program:

- 1. Classify the construction type of the structure in accordance with the construction classification definitions and the classification exceptions filed by the Association.
- 2. Outdoor property is rated based on the Outdoor Property Table. Locate the type of property in the table and find the rate per \$1000 on the Rate Page. See Section J. of this Division.

**F. LOSS OF BUSINESS INCOME** -- The following underwriting and rating procedures are in place for Loss of Business Income Coverage:

- 1. Loss of Business Income is provided only at the request of the applicant/insured. It is not available on builders risk policies.
- 2. Loss of Business Income coverage will be provided only if this Association provides the direct coverage.
  - a. If the applicant/insured is the building owner, then the Association must insure the Building.
  - b. If the applicant/insured is the tenant, then the Association must insure the Business Personal Property.
- 3. The maximum limit per location for the Commercial program includes the sum of the limits for the Building, Business Personal Property, and Loss of Business Income.
  - a. 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

- b. If the applicant/insured is not the building owner, the limit for Loss of Business Income shall be:
    - (1) An amount up to \$100,000, or;
    - (2) An amount not to exceed the lesser of 200% of the Business Personal Property limit or \$500,000.

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 alternations coverage included under the building coverage.
  - c. When the coverage provided by this Association for one location equals the maximum available limits, the coinsurance requirement is waived.
4. Coverage is provided by form WHC 20.
- a. This is a modified version of the ISO Loss of Business Income Excluding Extra Expense Form.
  - b. The monthly limitation approach is used. This is the only form that is available. Options include:
    - (1) 1/3 Monthly Limit -- 1.3 Rating Factor
    - (2) 1/4 Monthly Limit -- 1.2 Rating Factor
    - (3) 1/6 Monthly Limit -- 1.0 Rating Factor
5. Coverage is rated as follows:
- a. If the building is insured under the policy, the net building rate is used to determine the base premium.
  - b. If the building is not owned by the insured, then the net Business Personal Property rate must be determined.
  - c. In a. or b. above, the rate shall be determined in the normal manner ignoring the existence of Loss of Business Income. The rating factor for the 1/3, 1/4, or 1/6 monthly limitation will then be applied. The result is the rate to be used per \$100 of Loss of Business Income Coverage.

6. The deductible that applies in the calculation of the rate determines the deductible that is used with the Loss of Business Income Coverage.
  - a. A 15 day deductible applies when the 2% rate is used.
  - b. A 20 day deductible applies when the 3% rate is used.
  - c. A 25 day deductible applies when the 4% rate is used.
  - d. A 30 day deductible applies when the 5% rate is used.
  - e. A 55 day deductible applies when the 10% rate is used.
  
- G. **BUILDER'S RISK** -- The following underwriting and rating procedures are in place for buildings under construction:
  1. Structures which are under construction are rated using the applicable construction classification as described in Sections C. and K. of this Division.
  2. The risk should be insured to 100% of the completed value at policy inception. While there is no surcharge for the coverage, the form provides for a "provisional" amount of insurance at time of loss and the premium charged is deemed adequate for the increased hazard while the structure is under construction.
  3. Form WHC 5 is used to provide coverage for a building under construction.

**H. MITIGATION PROGRAM - COMMERCIAL**

MITIGATION MEASURE	DESCRIPTION	ESTIMATED CREDIT
1. Opening protection	<p>All glazed openings are protected for impact resistance and all other openings (garage doors, entry doors, other non-glazed openings) are protected for impact resistance.</p> <p>Acceptable measures include storm shutters or impact resistant glass.</p> <p>A glazed opening is glass or transparent materials used in windows, skylights or doors.</p>	1% to 1.67% credit depending on the number of mitigation measures present
2. Roof tie downs	<p>A structure with clips, single wraps, double wraps, or welds qualifies for the credit.</p> <p>Clips – Is a piece of metal nailed into the side of the rafter or truss and into the side of the wall’s top plate or stud? The metal does not wrap around the top of the rafter/truss and the clip is located on one side of the connection.</p> <p>Single Wraps – Is a metal strap attached to the side and/or bottom of the wall’s top plate and wrapped and nailed around the top of the rafter/truss?</p> <p>Double Wraps – Are metal straps attached to the side and/or bottom of the wall’s top plate and wrapped and nailed around the top of the rafter/truss from each side?</p> <p>Welds – Are connections designed for the site on which the structure is located?</p>	1% to 1.67% credit depending on the number of mitigation measures present
3. Building codes	<p>South Carolina Building Code Compliance</p> <p>Buildings built to meet or exceed the International Building Code as adopted by the SC Building Codes Council as of 2007.</p> <p>Credit will be provided for structures where the certificate of occupancy is issued in 2007.</p> <p>Remodeled structures are not eligible for the credit. Consideration for remodeled/retrofitted structures may be eligible for the SC Safe Home Credit.</p>	1% to 1.67% credit depending on the number of mitigation measures present

- a. Credit is provided as follows:
  - (1) 1% for any one of items 1. - 3.
  - (2) 3% for two of the items 1.- 3.
  - (3) 5% if all three items (1.- 3.) are adopted.
- b. The Insured’s Mitigation Verification must be submitted **along** with the Contractor’s Mitigation Certification. The Contractor’s Certification must be completed by a licensed building contractor, registered architect, engineer, SC Safe Home inspector or building code official.
- c. The forms can be found at [www.scwind.com](http://www.scwind.com), Forms, Mitigation.

**I. RATES (80% COINSURANCE RATES)**

**For Policies Effective On or After December 1, 2012**

Rates are per \$100

Construction	Building	Contents
Wind Resistive (W)	0.449	0.285
Semi-Wind Resistive (S)	0.891	0.842
Masonry (M)	1.887	1.516
Skeleton (K)	2.360	1.892
Frame (F)	2.822	2.282

**J. OUTDOOR PROPERTY**

Rates are per \$1,000

		Effective 12/01/2012
1.	Structures with rooflike covering including awnings	
	A. Cloth or Fabric	316.932
	B. Other	192.433
2.	Screen/supports around a pool, patio, etc.; Pool enclosures	83.093
3.	Fences, property walls, seawalls, trellis, walkways with rails or siding	
	A. Masonry or iron	22.159
	B. Other	340.961
4.	Greenhouses, solar panels, hothouse panels in wood or metal frame made of:	
	A. Glass	227.121
	B. Fiberglass or other rigid plastic material	244.970
5.	Slathouses or pergolas	93.584
6.	Cabanas, boathouses, walkways without rail or siding	
	A. Frame	133.884
	B. Masonry or metal	21.258
7.	Outdoor equipment – Includes pumps, tanks, other property NOC	15.806
8.	Signs	
	A. All metal	220.891
	B. Any part frame	594.690
9.	Outdoor radio and television equipment; Street lights	
	A. All metal	36.456
	B. All others	622.855
10.	Swimming Pools	
	A. Inground	21.984
	B. Above ground	614.372
11.	Swimming pool cover	281.305
12.	Open sided structures	105.408

## **K. CONSTRUCTION CLASSIFICATION DEFINITIONS**

**Frame** (code 1) – The applicable wind classification is FRAME (F).

Buildings where the exterior walls are wood or other combustible materials, including construction where combustible materials are combined with other materials such as brick veneer, stone veneer, wood iron-clad, and stucco on wood.

**Joisted Masonry** (code 2) – The applicable wind classification is MASONRY (M).

Buildings where the exterior walls are constructed of masonry materials such as adobe, brick, concrete gypsum block, hollow concrete block, stone, tile or similar materials (including products such as Hardiplank) , and where the floors and roof are combustible (other than construction defined in the description for code 7).

**Non-Combustible** (code 3) – The applicable wind classification is MASONRY (M).

Building where the exterior walls, floors, and the roof are constructed of, and supported by, metal, asbestos, gypsum or other non-combustible materials (other than construction defined by the description for code 8). An example of this type of construction includes “Butler” buildings.

**Masonry Non-Combustible** (code 4) – The applicable wind classification is SEMI-WIND RESISTIVE (S).

Buildings where the exterior walls are constructed of masonry materials as described in code 2 with the floors and roof of metal or other non-combustible materials (other than construction defined by the description for code 9).

**Modified Fire Resistive** (code 5) – The applicable wind classification is WIND RESISTIVE (W).

Buildings where the exterior walls and the floors and roof are constructed of masonry or fire resistive materials with a fire resistance rating of one hour or more, but less than two hours.

**Fire Resistive** (code 6) – The applicable wind classification is WIND RESISTIVE (W).

Buildings where the exterior walls and the floors and roof are constructed of masonry or fire resistive materials having a fire resistance of not less than two hours.

**Superior Masonry / Heavy Timber** (code 7) – The applicable wind classification is SEMI-WIND RESISTIVE (S).

Joisted masonry buildings where the entire roof is a minimum of 2 inches in thickness and is supported by timbers having minimum dimensions of 6 inches; or where the entire roof assembly is documented to have wind uplift classification of 90 or equivalent.

**Superior Non-Combustible** (code 8) – The applicable wind classification is SEMI-WIND RESISITIVE (S).

Non-combustible buildings where the entire roof is constructed of 22 gauge metal (or heavier) on steel supports; or where the entire roof is constructed of 2 inches of masonry on steel supports; or, where the entire roof assembly is documented to have wind uplift classification of 90 or equivalent.

**Superior Masonry Non-Combustible** (code 9) – The applicable wind classification is WIND RESISITIVE (W).

Masonry non-combustible buildings where the entire roof is constructed of 2 inches of masonry on steel supports; or where the entire roof is constructed of 22 gauge metal (or heavier) on steel supports; or, where the entire roof assembly is documented to have wind uplift classification of 90 or equivalent.

**Skeleton** – The applicable wind classification is SKELETON (K).

Buildings where there is a skeleton of reinforced concrete and/or steel. The exterior walls consist of metal studs covered with wallboard or similar covering reinforced by plaster covering with metal lathe and stucco. This construction type is rated using the wind classification of “skeleton.”

## DIVISION VIII HELPFUL HINTS

- Replacement Cost coverage is only available on structures.
  - Under the dwelling program, the home must be owner occupied, be the primary residence, be a single family building with no rental of premises and carry flood insurance. It is not available on multiple family dwellings, condominium-unit owners, townhomes, manufactured homes or contents.
  - Replacement cost coverage is available on a limited number of commercial policies. The Association will provide replacement cost on condominium buildings when the insured carries a National Flood Insurance Program (NFIP) Residential Condominium Building Association Policy (RCBAP).
- Photograph requirements
  - Two current (within the past 30 days) color photographs are required with each new application. Photos should be of the front and rear angles of the building. Photos are necessary for the underwriting process and to assist inspectors in locating the property.
  - Underwriters may occasionally request additional photos. For example, producers should submit photos to support changes in conditions and/or values. Photos are also needed of any “other structures” and “outdoor property” items for which coverage is provided.
  - The photos need to be clear, sharp and show the condition of the roof. Photos submitted online must be in JPG format in order to be processed. Fax, copy machine reproductions, and prints from video tape are unacceptable. Internet sales pictures, Google maps photos and/or real estate sales pictures are not acceptable. Photos must be attached to applications submitted through the Association’s web based rating program.
- A signature or letter from the mortgagee is required to delete or change its interest. The same applies to cancellations -- If a mortgagee is shown on a policy, we cannot cancel without release of the mortgagee’s interest. If a signature is not obtained, the Association will issue a notice of cancellation to the retiring mortgagee.
- When ownership of a home is being transferred, the signature of the current insured shown on the policy is required before the change can be made.
- SCWHUA does not put “Its successors & assignees” or “as their interest may appear” on policies.
- SCWHUA only accepts ePay for annual premium payment. Agency checks are the only acceptable form of payment for any additional premium due resulting from endorsement activity.

- Coverage on new business does not go into effect until the application, photos, and payment are received and the waiting period requirement has been met. The waiting period begins at 12:01 A.M. the day following online application submission.
- There is an exception to the waiting period for future closings involving the transfer of property and an originating mortgage. A binder effective the next day may be obtained by faxing the proper request form to the Association; however, it will be necessary to submit a signed copy of the closing papers (HUD statement) with the application. Failure to submit a copy of the signed closing papers will void the binder.
- When requests for repair letters are sent to your agency, please respond in a timely manner as soon as repairs have been completed.
- Be sure to always reference a policy number, insured's name, and property location on all correspondence submitted.
- Be sure to keep flood policy data updated. Replacement Cost Coverage can be denied if the insured does not maintain a flood policy. A copy of the in-force flood policy declarations page is required at the time of loss. Failure to submit the flood policy declarations will result in the claim being adjusted on an ACV basis.
- SCWHUA will backdate a cancellation of a policy more than 30 days when cancellation is a result of the sale of the property or in the event that coverage has been written voluntarily with wind included. In order to be eligible for a cancellation of more than 30 days, the producer must provide SCWHUA with a signed copy of the HUD closing papers or a copy of the Declarations showing that wind has not been excluded. In addition, the cancellation must take place during the current policy period.

**DIVISION IX  
CLAIMS REPORTING PROCEDURES**

- A. **LOSS NOTICE** -- The preferred method of communicating losses is through the web site ([www.scwind.com](http://www.scwind.com)). All loss notices returned to the SCWHUA Office in Columbia by fax, mail, or overnight service by the producers will be handled as they are received.
  
- B. **ADJUSTER** -- The Association assigns claims to an available adjusting firm.
  
- C. **NOTIFICATIONS** -- Letters are sent to the insured and the insurance producer acknowledging the receipt of the loss notice and indicating the adjusting firm handling the claim.
  
- D. **CALL CENTER** -- SCWHUA contracts with a claims call center to assist consumers in reporting claims. The Association mails an annual wallet card to all policyholders that includes the toll-free call center number. SCWHUA also posts claim information on the web site ([www.scwind.com](http://www.scwind.com)) with additional reporting instructions.

**DIVISION X  
FREQUENTLY ASKED QUESTIONS**

**A. ACTUAL CASH VALUE, DEPRECIATION AND THE CLAIMS PROCESS**

1. How do you determine actual cash value?

The South Carolina Wind & Hail Underwriting Association's policies are primarily written on an actual cash value basis (ACV). Actual cash value is equal to the replacement cost of new materials minus any physical depreciation (ACV = replacement cost - depreciation) at the time of loss. We determine depreciation based on a combination of objective criteria (taking into account the category and age of the property) and the adjuster's assessment based on visual observations or a photograph of the property.

2. How is depreciation calculated?

The most common method of calculating depreciation is based on the life expectancy of the item, with adjustments made for the item's age and condition. For example, the normal life expectancy of a composition roof is 20 years. Under normal conditions, the roof depreciates at a rate of 5 percent per year. If the roof is eight years old with typical wear and tear, the depreciated amount is 40 percent. (5 percent x 8 years = 40 percent.) The actual cash value of the roof is 60 percent of the replacement cost. (100 percent - 40 percent = 60 percent).

Age alone does not determine ACV. An older structure may be properly maintained and periodically updated. For instance, the heating and air conditioning system may be less than five years old. The siding may have been recently painted and any deteriorated wood replaced. In such a situation, depreciation may be limited on those components of the building.

Most courts, however, when using replacement cost as a basis for determining actual value, take depreciation into account. This method is favored because it comes closer to reimbursing an insured for the actual loss. In loss situations, an insured will normally repair or replace property with new materials. In most instances, this will increase the value of the property and if the insured were reimbursed the full amount of the repair costs, the insured would recognize a gain. Therefore, a reduction for depreciation is proper in calculating the actual cash value of the loss.

Finally, the modern trend in determining actual value in South Carolina is the "broad evidence rule" test. Under this rule, any evidence logically tending to the formation of a correct estimate of the value of the insured property at the time of loss is used. This broad rule allows the adjuster to consider such items as:

market value	real estate listings
economic conditions	pending contracts of sale
functional obsolescence	tax assessments
replacement cost	prior sales of the property
depreciation	real estate appraisals
age of the property	use
original cost	location
condition of the property	

## B. MITIGATION PROGRAM

1. Why did you implement a mitigation credit program?

Section 38-75-755 of the South Carolina insurance code requires insurance companies to notify policyholders of the availability and range of each premium discount, credit and other differential, or reduction in deductibles for properties on which fixtures or construction techniques demonstrated to reduce the amount of loss in a windstorm have been installed or implemented. The change was contained in a South Carolina Department of Insurance sponsored bill (H380). The provision was effective January 1, 2008.

2. What are the various options available to obtain mitigation credit?

There are three ways in which an insured can obtain mitigation credits.

The first method is the ***Insurance Institute for Business and Home Safety's Fortified Homes ..... For Safer Living (IBHS)***. The credit is 20% and only applies to the dwelling program. To obtain the credit, the insured must produce a document from IBHS which certifies that the home was constructed to the ***IBHS Fortified For Safer Living*** standards.

The second option is the **SC Safe Homes Program**. The South Carolina Department of Insurance sponsors this program. Consumers can have a certified inspector conduct an inspection of the property. If deficiencies are found, there is a list of certified contractors that can perform the work necessary to bring the home in compliance with the program standards. Additionally, there is a grant program from the state to assist in funding repairs. There is a 5% credit available at the time of certification. The credit applies to the dwelling and mobile home programs. The insured must supply a copy of the **SC Safe Home Program** inspection as well as a copy of the report from the certified contractor indicating that the home is in compliance with the standards.

The third method is "Other Mitigation Techniques". The Association provides credit in each of four areas. These are as follows:

Openings – Impact resistant windows and/or shutters

Roof Construction – Techniques such as roof ties and/or clips

Non-frame Construction – Structures made of masonry non-combustible materials or better (does not include masonry veneer or "hardi-plank" construction)

Building Codes – Structures built which meet the 2006 building code and which were issued a certificate of occupancy on January 1, 2007 or later.

The credits apply to the various programs as outlined in the following chart.

	Opening Protection	Roof Tie Downs	Building Codes	Non-Frame Construction
Dwelling & Townhomes	X	X	X	X
Manufactured Homes	X		X	
Condo-Unit Owners	X	X	X	X
Commercial	X	X	X	

X – Indicates that a credit is available for that line of business/mitigation technique.

Meeting one technique results in a 1% credit

Meeting two or three techniques results in a 3% credit

Meeting all four requirements results in a 5% credit

(Commercial only) – 1 requirement = 1%, 2 requirements = 3%, 3 requirements = 5%

Two forms must be submitted to the Association in order to obtain credit. Each program (Dwelling, Manufactured Home, Condo-Unit Owner and Commercial) requires an Insured Verification and a Contractors Certification Form. Failure to properly complete and forward both forms will result in no credit applied (both forms must be signed and notarized). The forms can be found on the Association web site under the Forms heading.

2. Which coverages do Mitigation credits apply towards?

The credits apply to all coverages for a structure subject to the mitigation efforts (i.e. building, contents, increased cost in construction and time element). Credits do not apply to other structures or outdoor property items.

3. Why can't the agent rate and automatically apply credits when submitting applications and/or endorsements?

Due to the certification process, only the underwriters can apply the credits after a review of the submitted documentation. The insured's verification form and the contractor's certification form are both required to be submitted. The forms must be completed in their entirety and notarized. We accept mailed, faxed and e-mailed copies of the completed forms.

4. The Association periodically inspects property. Will the inspectors verify mitigation measures?

No. The Association inspection program is designed to provide underwriting information regarding the general condition of the exterior of the premises. Many of the mitigation techniques require access to the interior of a home or building and the vendors used to conduct the inspections are not qualified to determine mitigation efforts.

5. Why don't you allow credit for window film?

Window film offers many benefits (insulation, reduction in UV rays, security), but it does not offer protection against high winds. Window film can, in some instances, reduce the probability of shards of glass flying into a home.

The Institute for Business and Home Safety (IBHS) has produced a booklet on retrofitting existing structures which states, "To date, no daylight installed window film, regardless of its thickness, has passed any impact-resistant standard."

The same information is available from the International Window Film Association ([www.iwfa.com](http://www.iwfa.com)).

6. How can I learn more about mitigation?

A great place to begin is [doi.sc.gov/605/SC-Safe-Home/](http://doi.sc.gov/605/SC-Safe-Home/). This is a program sponsored by the South Carolina Department of Insurance. There is also information regarding a grant program to assist consumers with mitigation efforts.

The Institute for Business and Home Safety also sponsors an informative site at [www.disastersafety.org](http://www.disastersafety.org).

7. Can I obtain "partial" credit if a portion of the structure meets the mitigation requirements?

Examples include:

All oceanside windows have storm shutters, but none on the rest of the structure.

An addition was made that meets the mitigation standards, but the original structure does not.

No. Partial credits are not permitted. It is important to protect the entire exterior envelope of the structure.

8. Do mitigation credits apply to builders risk policies?

No. Credits do not apply to buildings under construction. The home must be complete and the certificate of occupancy issued.

9. Will the Association accept mitigation forms of other companies?

No. The Association's forms are filed with the South Carolina Department of Insurance. These particular forms are required in order to receive credit.

10. Are we required to annually notify the insured of the availability of credits?

Yes. All policy sets that are mailed to the insurance producer include a copy of the annual notification. This includes both new business and rewrites.

11. Can mitigation credits be applied mid-term?

Yes. If an insured undertakes mitigation efforts mid-term (i.e. installation of storm shutters), credit can be applied. The producer will also have to refund a portion of the unearned commission.

12. Do you have a list of qualified contractors or inspectors who can perform the required inspection and complete the necessary paperwork?

No. However, the South Carolina Department of Insurance has a list of qualified and approved individuals used in the South Carolina Safe Home Program. These individuals are qualified to complete the forms. The list can be found at [doi.sc.gov/605/SC-Safe-Home/](https://doi.sc.gov/605/SC-Safe-Home/) under the "Contractors" heading.

13. How do I apply mitigation credits on rewrite business?

If the Association has previously endorsed a policy to apply mitigation credit, the rewrite will reflect the discount in the rate. The mitigation paperwork is not required to be forwarded annually.

**C. AGENT OF RECORD ASSIGNMENTS** -- Why doesn't the Association honor agent of record (AOR) assignments/letters?

1. Association policies are written on an annual basis with no continuation privileges and a new application is required from the producer annually. Payment of the wind and hail policy is net of commission. The Association reports producer commissions to the IRS and if we allowed the change mid-term, premiums would not be assigned to the correct producer.
2. If a new producer desires to takeover an existing policy, the following options are available:
  - a. Have the current agent cancel the existing policy.
    - (1). Cancellation is on a prorated basis.
    - (2). The new agent must submit a new application (photos not required) and full term premium (net of commission). This effort must be coordinated in order to ensure that the cancellation request and the new application are submitted together.
    - (3). If coordination is not achieved, there is a possibility that there will be a lapse of coverage.
    - (4). Any increase in coverage requested on the new application is subject to the waiting period.
  - b. An alternative (and much simpler) process is for the new agent to submit a new application at rewrite. The current producer will allow the existing policy to expire and the new agent will submit a rewrite application and will not be required to submit new photos. The new rewrite application is subject to the Association timelines (the application and premium payment must be received within seven days of the prior policy expiration).

**D. MORTGAGEE REQUESTS FOR ATIMA/ITS SUCCESSORS AND/OR ASSIGNS** – Why doesn't the Association include as their interests may appear and/or its successor and assigns language when requested by a mortgage company?

1. Any loss is payable as interests may appear when there is a mortgagee named in the policy. There are specific conditions in the mortgage clause that provide special conditions for a mortgagee's interest.
2. When the mortgagee is stated under the mortgage clause, the conditions in that clause are activated and such conditions are sufficient for that interest.
3. Any other terminology or references are unacceptable. The Association must know the successor and/or assigns (must be specifically named) as the label is too far reaching and broad to identify the assignment of successors.
4. We must have a firm identification of the mortgagee in order to process a claim and complete a settlement. It is our prerogative to review any assignment made with the contract.
5. Assignments can be made to a specified interest at the time of claim handling.

**E. VALUATION, RATING AND THE LOSS SCALE** - Can you explain the purpose of the Loss Scale rating algorithm and why the rates are different for two policies both insured for the same amount of coverage?

The loss scale calculation (also known as the Texas Loss Scale) is a rating mechanism that provides a way to adequately charge for structures which exceed the values available under the wind and hail policy.

The maximum available limits for all coverages (structure, contents, increased cost in construction and indirect loss) at any one location cannot exceed the following:

1. \$1,300,000 for one-to-four family dwellings (including mobile homes and condominium-unit owners) and condominium buildings consisting of one or two units.
2. \$2,500,000 for all other classes of risks

Because of this limitation, the Association can write coverage on higher valued structures, but the rates are based on the Loss Scale calculation. The wind and hail policy provides first dollar coverage in the event of loss. The Association does not write excess of loss coverage.

By South Carolina Law, the maximum available limits from the Association must be used prior to obtaining excess wind coverage. Also, the Association does not provide any type of deductible buy back coverage.

An example may help explain the reasoning behind the methodology.

The Association is insuring a condominium building for \$2,500,000 (replacement cost is \$2,500,000) and an oceanfront hotel for \$2,500,000 (replacement cost is \$10,000,000). The hotel policy will be charged a higher premium due to the increased exposure \$10,000,000 vs. \$2,500,000 and the fact that the Association pays first dollar coverage.

Assume that Hurricane Anna causes 10% damage to both structures. The condominium building has suffered a \$250,000 loss while the oceanfront hotel has a \$1,000,000 loss. From a ratemaking viewpoint, the condominium building should not have to pay the same premium as the oceanfront hotel since the loss exposure is not as great. The loss scale formula provides the equitable solution to the problem.

An often misunderstood aspect of the calculation is that the Association **is not** charging a premium based on the total value of the oceanfront hotel. The formula bases the premium on a **percentage of the total value** which reflects the "first dollar" coverage aspect of the wind and hail policy.

**F. NAMED STORM DEDUCTIBLE, NON-NAMED STORM DEDUCTIBLE, AGGREGATE DEDUCTIBLE**

1. Personal Line Policies (Dwelling, Mobile Home, Condo-Unit Owner)
  - a. The deductible percentage shown on the Declarations page is both an occurrence deductible (for named storms) and a policy year aggregate deductible.
  - b. A standard 1% deductible applies to all non-named storm claims.
2. Commercial Lines Policies
  - a. The deductible percentage shown on the Declarations page is an occurrence deductible only. Commercial policies are not eligible for the aggregate deductible or the non-named storm deductible.
3. Personal lines claims examples
  - a. Assumptions - Policy effective 01/15/2015 - 01/15/2016
    - (1). Dwelling Coverage A limit - \$300,000 (With replacement cost coverage).
    - (2). Dwelling Coverage C limit - \$150,000 (Actual cash value coverage).
    - (3). Non-named storm deductible – 1% or \$3,000 for dwelling, \$1,500 for contents.
    - (3). Named storm deductible (shown on the Declarations page) – 5% or \$15,000 for dwelling, \$7,500 for contents.
    - (4). Aggregate deductible – 5% or \$15,000 for dwelling, \$7,500 for contents.
  - b. Claims
    - (1). Wind claim occurs 2/15/2015 – Thunderstorm that results in \$2,000 in covered damage to the dwelling, \$500 damage to contents. Since this is a non-named storm claim, the claim would be adjusted as follows:
      - (a). The dwelling non-named storm occurrence deductible is \$3,000.
      - (b). The contents non-named storm occurrence deductible is \$1,500.
      - (c). The dwelling loss is below the \$3,000 deductible and therefore no payment would be made. The aggregate deductible however would be reduced by \$2,000. The current aggregate deductible becomes \$13,000.

- (d). The contents loss is below the \$1,500 deductible and therefore no payment would be made. The aggregate deductible however would be reduced by \$500. The current aggregate deductible becomes \$7,000.
- (2). Hail claim occurs on 3/15/2015 – The claim results in \$4,000 roof damage, no damage to contents.
- (a). The dwelling non-named storm occurrence deductible is \$3,000.
  - (b). The dwelling loss exceeds the \$3,000 deductible. The Association would pay \$1,000 and the aggregate deductible would be reduced by \$3,000. The current aggregate deductible becomes \$10,000.
  - (c). Since there was no contents claims activity, the contents aggregate deductible remains unchanged at \$7,000.
- (3). Hurricane Anna occurs on 9/1/2015 – The claim results in \$20,000 damage to the dwelling and \$8,000 damage to contents.
- (a). The dwelling named storm occurrence deductible is \$15,000.
  - (b). The contents named storm occurrence deductible is \$7,500.
  - (c). The dwelling loss exceeds the \$15,000 named storm deductible. The Association payment would be as follows:
 

Claim	\$20,000
Deductible	\$10,000
	(\$15,000 named storm less \$5,000 previously applied to the aggregate deductible)
Payment	\$10,000
  - (d). The contents loss exceeds the \$7,500 named storm deductible. The Association payment would be as follows:
 

Claim	\$8,000
Deductible	\$7,000
	(\$7,500 named storm less \$500 previously applied to the aggregate deductible)
Payment	\$1,000

(4). Hurricane Laura occurs on 10/1/2015 – The claim results in \$40,000 damage to the dwelling and \$20,000 damage to contents.

(a). The dwelling named storm occurrence deductible is \$15,000.

(b). The contents named storm occurrence deductible is \$7,500.

(c). The dwelling loss exceeds the \$15,000 named storm deductible. The Association payment would be as follows:

Claim           \$40,000

Deductible     \$     0  
(\$15,000 named storm less \$15,000 previously applied to the aggregate deductible)

Payment        \$40,000

(d). The contents loss exceeds the \$7,500 named storm deductible. The Association payment would be as follows:

Claim           \$20,000

Deductible     \$     0  
(\$7,500 named storm less \$7,500 previously applied to the aggregate deductible)

Payment        \$20,000

Policy Period 1-15-2015/1-15-2016

Coverage A \$300,000

Coverage C \$150,000

5% Named Storm (NS) Deductible

1% Non-Named Storm (NN) Deductible

Coverage A Aggregate Deductible - \$15,000

Coverage C Aggregate Deductible - \$7,500

Loss Date	Loss Type	Cov A Loss	Deductible	Cov C Loss	Deductible	Cov A Pymt	Cov C Pymt	Cov A Aggregate	Cov C Aggregate
								\$15,000	\$7,500

2/15/2015	NN	\$2,000	\$3,000	\$500	\$1,500	\$0	\$0	\$13,000	\$7,000
3/15/2015	NN	\$4,000	\$3,000	\$0	\$1,500	\$1,000	\$0	\$10,000	\$7,000
9/1/2015	NS	\$20,000	\$15,000	\$8,000	\$7,500	\$10,000	\$1,000	\$0	\$0
10/1/2015	NS	\$40,000	\$15,000	\$20,000	\$7,500	\$40,000	\$20,000	\$0	\$0

**G. LOSS OF USE COVERAGE** – Can you describe the coverage provided by the Loss of Use coverage which is applicable to the Dwelling, Mobile Home and Condo-Unit Owners policies?

Loss of Use coverage is comprised of two basic types of coverage – Additional Living Expense and Fair Rental Value.

The Additional Living Expense component provides coverage for any necessary increase in living expense incurred so that a household can maintain its normal standard of living. This coverage is particularly useful for insured's that are covering their primary dwelling under the Association policy. Payments under this coverage would help cover expenses such as temporary hotel/motel expenses arising out of the inability to reside in the dwelling due to wind damage.

The Fair Rental Value coverage provides "fair rental value" to that part of the insured location that is rented to others. If the location is not "fit to live in" then Fair Rental Value coverage is paid based on the likely rental income if no loss or damage had occurred. Dwellings that are seasonal or secondary and which are rented would benefit from this coverage part.

There are two limits options available under Loss of Use Coverage (they must be requested as the coverage is not automatically provided).

If the dwelling is covered under the Association policy, the following options can be provided:

1. 20% of Coverage A (Dwelling) – High option
2. 10% of Coverage A (Dwelling) – Low option

If the dwelling is not covered under the Association policy (personal property coverage only), the following options can be provided:

1. 40% of Coverage C (Contents) – High option
2. 20% of Coverage C (Contents) – Low option

Loss of use coverage is subject to a deductible. The deductible is a time deductible and is based on the underlying percentage deductible for dwelling or contents. For example, the insured has requested the following:

1. Dwelling coverage - \$100,000, 3% deductible
2. Contents coverage - \$50,000, 3% deductible
3. Loss of use coverage (Low option based on Dwelling limit) - \$20,000, 20 day deductible period.

Payment for Loss of Use coverage would begin on the 20<sup>th</sup> day following a covered loss. Direct loss of covered property is required for the coverage to activate and will be paid up to the applicable limit of insurance (\$20,000). There is no coverage for evacuation prior to a storm or due to acts of governmental authority.

**H. SCWHUA INSPECTION PROGRAM** – Can you explain the purpose of the SCWHUA inspection program?

The Association endeavors to inspect all insured property using the services of a third party vendor. The application for insurance has a section on the rear which notifies the insured of the inspection and authorizes the Association to conduct the inspection. Inspections are typically completed in fifteen minutes or less and simply require access to the exterior of the premises. There is no charge to the insured for the service. The producer plays a key role in this process and should inform the insured of the inspection program at the time the application is prepared and again at time of policy deliverance.

The Association endeavors to inspect all new business and then every 2-5 years thereafter depending on the results of the prior inspection. Notification is mailed to the policyholder approximately one week prior to the inspection service receiving the request from the Association. The notification letter states that the property is being sent to inspection and provides a summary of what the inspector will be doing. The inspectors do not call ahead for appointments. The insured is not required to be on-site at the time of the inspection since the inspectors do not need access to the interior of the structure.

The inspector will go to the front door to notify the insured (or tenant) that they are on the premises and will be conducting the inspection on behalf of the Association. The inspectors carry identification and have a letter of introduction on Association letterhead explaining the purpose of the visit. The inspectors also have signs on their vehicles which indicate their business name. The inspectors carry appropriate insurance coverage (workers compensation and liability coverage).

The major aspects of the inspection include:

- Take pictures of the exterior of the insured structure (and match the photo submitted by the insurance producer when the application was originally submitted)

- Examine the property for any maintenance or structural deficiencies (i.e. broken windows, fogged windows, missing/damaged fascia, rotting wood, torn screens, etc.)

- Stand on the roof and provide an estimate of roof wear (i.e. 50% worn, missing or damaged shingles or shingle tabs, missing/damaged flashing around chimneys, etc.)

- Obtain the latitude and longitude of the location using a hand held geo-coding device.

- Verify that Association tie-down and pier requirements are met on all mobile home policies.

The inspection is extremely important. The coastal environment is particularly harsh with regards to the roof and exterior wear. The roof is often the weakest link in the exterior envelope of a building. The inspection helps to point out potential problems with regard to roof wear and tear and in the overall condition of the structure at the time of the inspection.

Copies of the inspection are available to the insurance producer using the Policy Inquiry function on the Association's web site.

## I. SCWHUA – WHO WE ARE

### 1. Why is there a wind and hail association in South Carolina?

The South Carolina Wind and Hail Underwriting Association (SCWHUA) is the residual property insurance market in South Carolina. It provides coverage for the perils of wind and hail in the coastal area of the state designated by the Legislature as "Beach." The territory is defined by state law.

In 1971, the South Carolina Legislature required the insurance industry to make wind and hail insurance coverages available to home and business owners in the coastal area. This action was necessary because some residents and business owners were unable to obtain wind and hail coverages due to their close proximity to the coastline. The Association has served as a tremendous benefit for businesses and residents living in the beach region of the state.

Although its official name is the South Carolina Wind and Hail Underwriting Association, it is often referred to as the Beach Plan or Wind Pool. It is an Association of insurance companies which makes wind and hail property insurance available to people and businesses in the coastal area who are not able to buy it through the standard insurance market.

Since the Association is formed as an annual partnership, the individual companies participate in the Association based on their total property writings in the state from a prior base year.

**The Association is not affiliated with the state of South Carolina and is not a state agency.** SCWHUA is treated as a domestic insurance company by the South Carolina Department of Insurance and is regulated by that Department for rates, rules and forms. The Association does not receive any type of funding or monies from the State of South Carolina.

### 2. Who Operates the Beach Plan?

SCWHUA is under the direction of a Board of Directors which acts as the governing body for the organization. The Board consists of eleven insurance company representatives, two coastal insurance agents, and four consumer representatives. The Plan is managed by a staff of professional insurance individuals who are independent of any single insurance company. All property and casualty insurance companies conducting business in the State are required to participate in funding the Plan and share in any losses or profits.

### 3. Who are our agents?

By state law, the Association does not have any agents. Any individual holding an insurance license from the South Carolina Department of Insurance may submit applications. These individuals have no authority to act on behalf of the Association.

The Association does not accept applications or requests for coverage directly from consumers.

**J. FLOOD INSURANCE REQUIREMENT – Why does the Association require Flood Insurance for the purchase of replacement cost coverage under the wind and hail policy?**

The Association requires that a flood insurance policy be in place in order to purchase replacement cost coverage under the wind and hail policy. The flood policy is required regardless of whether the property is in a special flood hazard area (Zones A and V) or in a low risk flood zone (Zones C or X).

The requirement resulted from discussions with the South Carolina Department of Insurance after reviewing the claims and difficulties which arose along the Gulf Coast after Hurricanes Katrina, Rita, Wilma and Ike. Policyholders who purchased both wind and flood policies had far fewer problems at adjustment time and were in much better position to cover losses. Additionally, a number of insurance agents (and companies) were sued due to the lack of communication regarding the availability of the purchase of flood insurance. Astoundingly, 30-35% of all flood losses occur outside Zones A and V (also known as SFHAs) and flood premiums are relatively inexpensive when the properties are not located in an SFHA.

The flood policy must be written through the National Flood Insurance Program (NFIP) or through a Write-Your-Own flood carrier authorized by the NFIP. Non-NFIP policies can also meet the requirement.

The Association's replacement cost endorsement form requires that the insured produce a copy of an in-force flood policy declarations page at the time of loss. If there is no flood policy (or if the insured does not produce the required documentation), any loss will be adjusted on an actual cash value basis.

The experiences of Hurricanes Katrina, Rita and Wilma have reminded consumers that flood insurance is essential in the event of a major wind and flood event. The Association rule is designed to encourage more policyholders to purchase flood insurance.

**Hurricane facts**

- Flooding is the number one natural disaster
- Flood damage is not covered under most homeowners policies
- For SFHA eligible properties, one in four homes will experience a flood over the course of a 30 year mortgage
- Disaster assistance is often eligible to property owners after a flooding event. The amounts however are paid as a loan and must be repaid (with interest) in addition to the continuing monthly mortgage payments
- An inch of water can cause a great deal of damage to a home
- Flash floods often bring walls of water which are 10 to 20 feet high
- There is a 30 day waiting period after purchase before a policy becomes effective

Source [http://www.floodsmart.gov/floodsmart/pages/flood\\_facts.jsp](http://www.floodsmart.gov/floodsmart/pages/flood_facts.jsp)

**K. WIND DRIVEN RAIN POLICY EXCLUSION** – Can you explain the wind driven rain policy exclusion found in the wind and hail policy forms?

The wind driven rain exclusion precludes coverage for rain entering a structure due to inadequate window seals, leaking under doors, open windows, or any other situation in which wind does not first cause an opening to result in damage to the structure.

A case in which wind driven rain would be covered would be if wind caused a branch to fall on a roof which causes a hole. In this case, any water damage resulting would be covered since the wind first caused damage which allowed rain to enter.

Maintenance type claims (faulty seals) and structural issues (such as improperly hung doors which allow rain to seep around a door frame) are not covered since wind did not first cause damage to the building.

- L. SCWHUA MAPPING PROGRAM** – Can you explain why the web site mapping program sometimes cannot identify (or improperly locates) a particular location?

The Association uses various databases and mapping software tools to map addresses. The vendors who provide the data obtain their information from the U.S. Census Bureau along with the United States Postal Service. It sometimes takes up to a year for the vendors to receive updates (and implement them in their software) before they appear correctly in the various mapping programs.

The Association understands that these limitations sometimes place a burden on the producer attempting to determine the eligibility (or Zone) of a particular address. The Quick Quote function of the web site requires that the address be entered in order to rate a policy. If a producer knows that an address has been mishandled by the mapping software, the quote can still be completed by overriding and entering a Zone manually.

Additionally, the Association verifies all addresses and Zones when the property is inspected. The inspectors obtain the property latitude and longitude coordinates using a handheld geo-coding device. If a property has been written incorrectly, the Association notifies the producer of the geo-code results and will either cancel the policy (if not in the territory) or modify the Zone based on the actual geo-code reading of the physical location.

**M. A.M BEST RATING** – Can you explain why the Association does not have a rating from any of the financial rating companies utilized by the financial markets?

The Association does not have a Best rating. No financial rating organizations analyze residual markets.

Several years ago, representatives of the residual property plans met with A.M. Best to discuss the possibility of rating the Associations. Two major points were discussed:

1. In order to receive a rating, an organization must purchase services from A.M. Best. The fees can be significant and would be passed along to consumers in the form of rate increases.
2. Due to the nature of residual markets, the rating assigned would be “NOT RATED”. There would be no benefit to the public of analyzing such a rating.

The residual markets (including SC Wind), are financed by the entire admitted insurance market doing business in a particular state. In fact, most residual market mechanisms are technically “bankrupt”. If premium revenues (and reinsurance recoverables) are not adequate to pay claims, the member companies of the Association(s) are required to fund the deficit.

The Association periodically receives requests from mortgage holders for “cut-through” endorsements since there is no A.M. Best rating available for review. Cut through endorsements are documents issued by the insurer (in this case SCWHUA) that state that a reinsurer will become responsible for any losses not paid by the insurer. The Association does not have a reinsurer willing to participate in such a program since losses exceeding the claims paying ability of the Association are assumed by the member companies.

**N. COINSURANCE – Can you explain the application and reasoning for the coinsurance clause in commercial policies?**

The Coinsurance Provision is a requirement placed on the policyholder to purchase a specified percentage of the value of the property (insurance to value). If the limit of insurance is not at least equal to the specified percentage, a penalty is imposed on any loss recovery.

Since most losses are partial, insured's could purchase an amount of insurance that would not fully cover their potential total loss. By doing so, they would be paying a rate that does not reflect the true cost of insuring the risk.

The rates in the Association's Commercial program are based on 80% coinsurance factors. This means that the insured's are required to carry at least 80% of the total value of their property. The Association also provides 90% and 100% coinsurance rates (which provide a premium discount since the policyholder is properly insuring to value).

A few examples to illustrate the concept follow.

**Example No. 1 (Underinsurance):**

The actual cash value of the property is	\$1,000,000
The Coinsurance percentage is	80%
The Limit of Insurance is	\$500,000
The Deductible is	\$30,000
The actual cash value of loss is	\$100,000

Step (1):  $\$1,000,000 \times 80\% = \$800,000$

The minimum amount of insurance required to meet the Coinsurance requirement

Step (2):  $\$500,000 / \$800,000 = .625$

The amount of insurance carried divided by the amount required to be carried

Since the amount carried percentage (62.5%) is less than the 80% required to be carried, the insured will share in any loss

Step (3):  $\$100,000 \times .625 = \$62,500$

The amount of the loss multiplied by the computed coinsurance requirement

Step (4):  $\$62,500 - \$30,000 = \$32,500$

The coinsurance adjusted loss is then reduced by the amount of the deductible

We will pay no more than \$32,500. The remaining \$30,000 is not covered.

**Example No. 2 (Adequate Insurance):**

The actual cash value of the property is	\$1,000,000
The Coinsurance percentage is	80%
The Limit of Insurance is	\$850,000
The Deductible is	\$30,000
The actual cash value of loss is	\$100,000

Step (1):  $\$1,000,000 \times 80\% = \$800,000$

The minimum amount of insurance required to meet the Coinsurance requirement

Step (2):  $\$850,000 / \$800,000 = 1.0625$

The amount of insurance carried divided by the amount required to be carried

Since the amount carried percentage (106.25%) is greater than the 80% required to be carried, the insured will not share in any loss

Step (3):  $\$100,000 \times 1.00 = \$100,000$

The amount of the loss multiplied by the computed coinsurance requirement (will never be greater than 100%)

Step (4):  $\$100,000 - \$30,000 = \$70,000$

The loss is reduced by the amount of the deductible.

**O. CERTIFICATES OF INSURANCE** -- Why doesn't the Association honor certificates of insurance?

Producers are often requested to produce certificates of insurance for use by policyholders and other parties. Certificates referencing South Carolina Wind and Hail Underwriting Association coverage should be issued with caution.

1. **DO NOT** attempt to change policy terms/conditions. Certificates should never alter cancellation provisions or change deductibles. SCWHUA will in no way be bound by any producer issuing such certificates.
2. **DO NOT** indicate that SCWHUA will attempt to notify certificate holders of any policy changes. Certificate holders are not recognized as having an insurable interest in any SCWHUA policy form and will not receive any correspondence from the Association.
3. It is not necessary to send Certificates of Insurance to the Association since we do not maintain the Certificates or verify information listed on the Certificate.

**DIVISION XI  
SAMPLE FORMS**

- A. Binder Request Form 100
- B. Dwelling Coverage – WHP 1
- C. Replacement Cost Coverage – WHP 10
- D. Dwelling Primary Liability (Dwelling) – WHP 51
- E. Dwelling Primary Liability (Contents) – WHP 52
- F. Dwelling Under Construction – WHP 43
- G. Important Notice Required By the SC Department of Insurance - WHP 70
- H. Extension of Coverage – Increased Cost in Construction – WIC
- I. Personal Lines Mandatory Deductible – WDP 300
- J. Personal Lines Privacy Statement – WHP 80
- K. Mobile Home Coverage – WHM 1
- L. Mobile Home Supplemental Application – Form 8
- M. Condominium Unit-Owners Coverage – WHA 1
- N. Condominium Unit-Owners Additions & Alterations Coverage – WHA 7
- O. Commercial Coverage – WHC 1
- P. Commercial Business Income Coverage – WHC 20
- Q. Commercial Building Under Construction Coverage – WHC 5
- R. Commercial Vacancy Permit – WHC 50
- S. Commercial Primary Liability (Building) – WHC 51
- T. Commercial Primary Liability (Contents) – WHC 52
- U. Commercial Improvements & Betterments Coverage – WHC 6
- V. Commercial Mandatory Deductible – WDC 300
- W. Commercial Terrorism – TR 01
- X. Commercial Terrorism – TR 02
- X. Replacement Cost Endorsement Residential Condominium Association – WHC 10

Y. Rewrite Courtesy Notice