

## 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. Paper copies of applications prepared online do not have to be mailed to the Association. 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.”**

**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 manufactured 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 am 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 am on April 17.)
  - a. 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. Alternatively, the producer can submit the application online but not submit photos. In this instance, the waiting period will not begin until the photos and premium payment are received in the Association office.
  - b. Payment can be made online using the e-pay option. If the producer elects to submit an application online (with photos) but does not utilize e-pay, payment by agency check must be received within seven (7) days of the online submission.

If payment is received after this time, the waiting period will not begin until the funds are received in the Association office.

**E-pay will become mandatory for business effective January 1, 2012 and later. New producers should complete the Direct Debit Authorization form when requesting access to the web site.**

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 can be made online using the e-pay option. If the producer elects to submit the application online (with photos) but does not utilize e-pay, payment by agency check must be received by the binder expiration date.

If payment is received after this time, the waiting period will not begin until the funds are received in the Association office.

**E-pay will become mandatory for business effective January 1, 2012 and later. New producers should complete the Direct Debit Authorization form when requesting access to the web site.**

3. Policy rewrite -- The effective date of a rewrite policy shall be the expiring policy's expiration date. The rewrite application and e-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 and/or premium (mailed agency check) are received more than seven days after the expiring policy's expiration, the effective date shall be 12:01 am local time on the sixteenth day following submission.

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- J. **PREMIUMS** -- Premiums are payable on a net basis (gross premium less the producer's commission) to the Association. Payment may be made in person or by mail and must be made by check from the producer's firm, certified check, cashier's check, or money order. Checks from the applicant, insured, mortgage company, and other third parties cannot be accepted. The Association cannot accept cash payments. Premium financing arrangements will be honored; however, premium finance checks are unacceptable.

Coverage will not be effective until payment in full (less commission) is received in the Association office.

If more than one application is submitted, a separate check is required for each application.

Producers can also elect to pay premiums online using the e-pay function. See the supplemental “**ONLINE APPLICATION AND POLICY PROCESSING MANUAL**” for further details.

**E-pay will become mandatory for business effective January 1, 2012 and later. New producers should complete the Direct Debit Authorization form when requesting access to the web site.**

- 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. Color digital pictures are acceptable (must be at least 3 x 5). Photos submitted online must be in JPG format in order to be processed. Fax, copy machine reproductions, and prints from video tape are unacceptable.

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.
10. Applications should be submitted 30 days prior to the desired effective date or rewrite date. This will provide the Association adequate time to process the application and will allow the producer adequate notice and time to respond to any requests for additional information.

**M. INSPECTION PROGRAM** -- The Association may inspect the property to verify eligibility or 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 premium is not paid in full, a notice of acceptance will be issued. This notice indicates the premium which must be paid 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 resubmit the application with 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.
5. In the event of a major combined wind and flood event, the Association will implement the Single Adjuster Program. Producers are encouraged to review this program. It is described in Division VIII of this manual.

**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 firm for which the producer works is also required by the State of South Carolina to be properly licensed. 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.