



WIND AND HAIL UPDATE

*South Carolina Wind And Hail
Underwriting Association
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INDIRECT COVERAGES

The Association has offered indirect (time element) coverages since January 1996. Recently, the Underwriters have received a number of questions about this coverage. They wanted to share the more frequent questions and the answers with you.

Which coverages are available?

Three coverages are available. They are:

- Loss of Use for Dwelling, Mobile Home, and Condo Unit Owners
 - Additional Living Expenses – Commonly used for owner-occupied structures
 - Fair Rental Value – Useful for dwellings that are rented
- Loss of Business Income for Commercial Risks

Note that these are optional coverages and the applicant / insured must request them.

How does the deductible apply to these coverages?

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

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

What limits are available for personal lines?

If the Association insures the building, then the insured may purchase 20% of Coverage A as Loss Of Use Coverage. As of July 1, 2003, the insured may purchase a lower amount equal to 10% of Coverage A.

If this is a "contents only" policy issued by the Association, then the insured may purchase 40% of Coverage C as Loss of Use Coverage. As of July 1, 2003, the insured may purchase a lower amount equal to 20% of Coverage C.

Remember that the Loss Of Use Limits must be included within the Personal Lines Maximum Limit of \$1,000,000.

Even with the lower limits option, is the Loss of Use Limit too high?

Everyone likes to assume that they will be back in their houses in a few short weeks. This may not be the case. In storms such as Andrew or Inikie, homes were not livable for over a year. Even in Floyd, some homeowners could not use their homes for over a year.

In resort areas, beach homes can rent for \$8,000 to \$12,000 per week. Condo Units rent for \$1,800 and higher per week. A low amount of coverage can be exhausted very quickly.

What other questions are you being asked?

In the Wind and Hail Certification Seminars, we point out the following:

- Loss of Use Coverage requires that there be actual physical damage to property insured under the SCWHUA Policy.
- There is no coverage for evacuation prior to the storm. There are E&S markets that offer this coverage.
- There is no coverage for acts of governmental authority. As an example, a city limits access to your property due to hurricane damage (downed electrical lines, broken gas pipes, debris in the streets), but your house is not damaged. There is limited Loss Of Use Coverage under the ISO form if it includes the wind peril, but not under the SCWHUA Policy.

In the next newsletter, we will cover frequent questions concerning Loss Of Business Income.