



November 26, 2007

TO: CHIEF EXECUTIVE OFFICER
VOLUNTARY CREDIT KEY CONTACTS

***** Change in Voluntary Credit Reporting *****
Effective for Reporting Year 2007

At its Fall Meeting, the Board of Directors of the South Carolina Wind and Hail Underwriting Association approved a plan to streamline and simplify the voluntary credit reporting process. This change is effective with business written during 2007.

The updated Voluntary Credit Manual for participation will be posted on Friday, November 30, 2007, on the Association's web site at www.scwind.com. Click on Member Company Info and select 2007 Voluntary Credit Manual. The portal for test submissions will open December 17, 2007.

Attached is an Executive Overview of the changes as well as a simplified overview of the process.

In addition, the Association will be holding an open house to meet with companies to present the revised process. It has been scheduled from 10:00 a.m. to noon on Friday, January 4, 2008 at:

Independent Insurance Agents and Brokers of SC
800 Gracern Road
Columbia, SC 29210
803 / 731-9460

If you have any questions concerning the changes to the Voluntary Credit Manual or about the meeting, please submit them to Underwriting Manager David Leadbitter. You can reach David at david@scwind.com. We will be posting Frequently Asked Questions on the web site.

Sincerely,

J. Smith Harrison, Jr., CPCU
Executive Director

JSH/sb

EXECUTIVE SUMMARY
CHANGES TO VOLUNTARY CREDIT REPORTING SYSTEM
SOUTH CAROLINA WIND AND HAIL UNDERWRITING ASSOCIATION

During 2007, the Association's territory was expanded twice. This has created a number of interesting challenges for the process of handling voluntary credit bordereaux. For example, a policy issued in January might have been outside of the Association's territory. When it was endorsed in April, the risk was located in Zone 2 of the Association's expanded territory. Following expansion two, a second endorsement would identify the risk as being in Zone 1 of the Association's territory. This has raised a number of interesting issues.

In addition, the Board of Directors has determined that each of the two new zones would have its own participation rate. This has doubled the number of bordereaux which must be processed at a time when there is increased activity by Member Companies in reporting voluntary credits.

Unfortunately, the voluntary credit system is basically the same personnel intensive system that existed when the Association started in 1971. It is past time to update the entire process and automate it.

Starting with business written in 2007, each Member Company will report its policies which include voluntary wind as of December 31st of each year. Through the use of the web site, these submissions will be reviewed and it will be determined which risks are in Zone 1, Zone 2, out of the territory, or have errored out due to incomplete addresses. Each policy will be classified and a summary report provided.

Companies can resubmit their addresses as many times as they desire. Corrections can be made.

Starting March 1, 2008, a new area on the web site will be open which will allow companies to make their final submission. The final submission will be used to determine participation based on policy limits, not written premium.

A decision to go to in-force liability, instead of written premiums, addresses a number of issues raised by Member Companies. No longer will it be an issue whether to include TRIA premiums, Inland Marine premiums, Flood premiums, and similar questions. Companies will receive an adequate credit based on their particular writings.

This new approach treats all companies equally. It provides equity in the processing and reassures each Member Company they are being treated the exact same way. It also allows for quicker turn-around in the processing of voluntary credits which will speed up the process of submitting the final participation numbers to you.

OVERVIEW OF PROCESS

Step 1 – The voluntary credit key contact person signs up for a log-on to the newly opened Voluntary Credit Processing section of the SCWHUA web site.

Step 2 – During the first sign-on, the voluntary credit key contact will establish whether the company will be submitting business on an individual company basis or on a group basis.

Step 3 – The Member Company will submit limited policy data for processing. The data files will be posted to the SC Wind web site. The in / out process will take place and a report provided.

Step 4 – The Member Company can review any errors and make corrections to addresses as necessary.

Step 5 – Between March 1st and March 31st of the following year, the voluntary credit key contact will post the final submission. This is the submission that will be used for determining participation.

Step 6 – The voluntary credit key contact, or someone else in your organization, will post the Call for Premium information on the web site.

Step 7 – The voluntary credit key contact will receive an audit request from the Association. They will be asked to submit declaration pages for a sample number of policies along with an example of a wind exclusion for each line of business.

Step 8 -- Following the audit review, the final participation numbers will be released.