

## 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.