BEFORE THE STATE OF SOUTH CAROLINA
DEPARTMENT OF INSURANCE

IN THE MATTER OF:	)	
	)	
RENEWAL OF THE JANUARY 30, 2015	)	**ORDER No. 2017-01**
EXPANSION OF THE SOUTH CAROLINA WIND	)	
AND HAIL UNDERWRITING ASSOCIATION	)	
TERRITORY ENABLING THE ASSOCIATION	)	
TO PROVIDE ESSENTIAL INSURANCE COVERAGE	)	
TO AREAS WITHIN THE SEACOAST AREA	)	
	)	

On March 21, 2007, the Director of Insurance (Director) temporarily expanded via order the area in which the South Carolina Wind and Hail Underwriting Association (hereinafter referred to as "SCWHUA") provides essential property insurance.[1] The March 21, 2007 Order (March 2007 Order) set forth the initial expansion of the territory covered by the SCWHUA, and provided that additional expansion would continue to be analyzed while the initial expansion was implemented. The Director expanded the SCWHUA territory further on May 23, 2007 to include additional areas within Charleston, Georgetown and Horry Counties.[2] Subsequently, the Omnibus Coastal Property Insurance Reform Act of 2007,[3] which was signed into law on June 11, 2007, codified the March 2007 Order's initial expansion territory and ratified the further expansion of the SCWHUA territory set forth in the May 23, 2007 Order (May 2007 Order).[4] The SCWHUA territory remains as defined in Order 2007-

[1] *See* Order No. 2007-01.
[2] *See* Order No. 2007-03.
[3] 2007 S.C. Act No. 78 (R.142, H. 3820).
[4] The Omnibus Act codified the coastal area plus the expanded territory as defined in Order 2007-01 in the definition of "coastal area" set forth in § 38-75-310(5) but did not include in the definition the creation of Zone 1 and Zone 2 included in the March 2007 Order. *See* S.C. Code Ann. §38-75-310 (2015). Further, the Omnibus Act specified that the General Assembly on the Act's effective date, "ratifies the director's May 23, 2007 coastal area expansion order and the multiple-tier structure described in the order for the time period stated in the order and authorized under this section." *See* S.C. Code Ann. § 38-75-460(D) (2015).

003 after having been renewed in 2009, 2011, 2013 and 2015 by order of the Director in accordance with the requirements set forth in § 38-75-460[5]. The continued expansion of the territory covered by the SCWHUA is based on the South Carolina Department of Insurance's (Department's) evaluation of coastal property insurance market conditions, review of input from consumers about the availability of essential property insurance, and the review and analysis of other pertinent information. The last renewal, which was issued on January 30, 2015 via Order 2015-01 (January 2015 Order), is set to expire on March 29, 2017 unless renewed. Section 38-75-460 provides, in pertinent part:

> "(A) In order to maintain stability in the property insurance market and to assure the continued, consistent availability of essential property insurance coverage in the coastal area, the Director of the Department of Insurance ... or his designee, by written order complying with the requirements of Section 1-23-140, may expand the coastal area in which the association shall provide essential property insurance for periods up to twenty-four months. The order is subject to renewal by the director but no renewal shall exceed twenty-four months... "

This order renews the SCWHUA territory expansion.

FINDINGS

After considering current market conditions, consumer complaints and requests for assistance, and the Department's analysis and review of the pertinent information, I find and conclude as follows:

1. The SCWHUA writes wind and hail property insurance coverage in the coastal area as defined by § 38-75-310(5). Section 38-75-460 gives the Director the ability to expand that territory upon a finding that conditions exist that threaten to destabilize the property insurance market and jeopardize the *continued, consistent availability of essential property insurance* in the seacoast area.

2. Since the 2007 expansion of the territory, the coastal property insurance marketplace has stabilized. Expansion has improved the availability of coverage to South Carolina coastal property owners and reduced the number of consumers who were unable to find coverage. Allowing the order to expire could result in significant market disruptions.

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[5] *See* S.C. Code Ann. § 38-75-460(d) (2015).

3. The rate of growth in SCWHUA written premiums steadily declined between 2007 and 2011, slowing from 41% in 2007 to 7% in 2008, and less than 1% each year between 2009 and 2011. After hitting a high point in August 2011, SCWHUA written premium has decreased by nearly 40% for the period between August 31, 2011 and December 31, 2016. The SCWHUA also experienced decreases in excess of 40% in policy counts and 45% in total insured limits over the same period. This change can be attributed, in part, to the following factors:

a. Improvements in the availability of reinsurance coverage;
b. Increased availability in the voluntary market, especially the commercial property insurance market;
c. The expansions of the territory covered by the SCWHUA; and
d. The consistency of the SCWHUA territory since its initial expansions in 2007.

4. Although the South Carolina property insurance market is stable, and issues surrounding the availability of reinsurance have improved significantly, there are indications that property insurers remain concerned about their exposure to catastrophic perils. Insurers continue to seek to limit their potential losses in certain coastal regions. As a result, some consumers may have difficulty finding essential property insurance coverage. The expansion of the SCWHUA territory has been a safety net for those consumers. If the expansion is not renewed, there could be significant disruption in the coastal property insurance market.

5. The renewal of the 2007 expansion the SCWHUA territory is necessary to address those areas of the seacoast territory where essential property insurance coverage is still not readily available. Renewal of the expansion will also help prevent market disruptions in the areas with the most significant exposure to hurricane and other wind events.

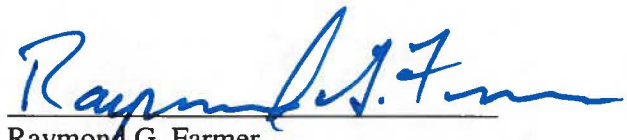
CONCLUSION

Based upon the foregoing, it is ordered that:

1. The territory defined in the March 2007 Order and subsequent renewals remains in effect. Orders 2015-01, 2013-01, 2011-01, 2009-001, 2007-003, and 2007-001 are incorporated into this order by reference.

2. This order shall take effect upon the expiration of the January 2015 Order and shall continue in effect until March 29, 2019 unless otherwise vacated or superseded by a subsequent order issued by the Director of Insurance or revised, vacated or superseded by action of the South Carolina General Assembly as set forth in § 38-75-460(C)(4).

IT IS SO ORDERED.



Raymond G. Farmer
Director

January 26, 2017
Columbia, South Carolina.