

**BEFORE THE STATE OF SOUTH CAROLINA  
DEPARTMENT OF INSURANCE**

**IN THE MATTER OF:**

**ORDER No. 2009-001**

RENEWAL OF THE MAY 23, 2007 EXPANSION )  
OF THE SOUTH CAROLINA WIND AND HAIL )  
UNDERWRITING ASSOCIATION TERRITORY )  
ENABLING THE ASSOCIATION TO PROVIDE )  
ESSENTIAL PROPERTY COVERAGE TO )  
OTHER AREAS WITHIN THE SEACOAST )  
TERRITORY. )  
\_\_\_\_\_ )

On March 21, 2007, the Director of Insurance temporarily expanded the area in which the South Carolina Wind and Hail Underwriting Association (hereinafter referred to as “SCWHUA”) provides essential property insurance in accordance with the requirements of § 38-75-460.<sup>1</sup> The March 21, 2007 order (March Order) set forth the initial expansion of territory covered by the SCWHUA and provided that additional expansion would continue to be analyzed while the initial expansion was implemented.<sup>2</sup> On May 23, 2007, (May Order) the Department of Insurance supplemented the March 2007 order and further expanded the SCWHUA territory to include additional areas within Charleston, Georgetown and Horry Counties. The May 2007 supplemental order incorporated the provisions of the March Order by reference and was based on the findings set forth in the March Order, the Department of Insurance’s continued evaluation of coastal property insurance market conditions, input from consumers<sup>3</sup> about the availability of essential property insurance, and the review and analysis of other pertinent information. Both orders are set to expire on March 29, 2009 unless renewed in accordance with the provisions set forth in § 38-75-460.

S.C. Code Ann. § 38-75-460 provides that:

“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

<sup>1</sup> See S.C. Code Ann. § 38-75-460 (Supp. 2008).

<sup>2</sup> The number of non-renewals cited in that order was based on the 2006 projections of the insurer. Due to improving market conditions, some insurers did not non-renew the number of policies originally projected in 2006.

<sup>3</sup> The Department received a significant amount of input from consumers during and after forums conducted in the coastal counties of South Carolina following the issuance of the March 21, 2007 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 expansion set forth in the order May 23, 2007.

#### **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 only coverage in the territory defined by §38-75-310. Section 38-75-460 gives the Director the ability to expand that territory upon a finding that coverage is not readily available through normal channels.
2. Since the 2007 expansion of the SCWHUA, 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 or deciding not to renew the order could result in significant market disruptions.
3. In 2007, SCWHUA written premium grew at a rate of 41%. In 2008, the rate of growth was 7.15%. The decrease in the rate of growth can be attributed 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 2007 expansion of the territory covered by the SCWHUA.
4. While there are indications that the property market is softening and issues surrounding the availability of reinsurance have improved significantly, some consumers still have difficulty finding essential property insurance coverage. The expansion of the territory covered by the SCWHUA has been a safety net for those consumers unable to find coverage. If the 2007 expansion is not renewed, there could be significant disruption in the coastal property insurance market.
5. The renewal of the 2007 expansion of the territory covered by the SCWHUA is necessary to address those areas of the seacoast territory where essential property insurance

coverage is still not readily available and to provide access to consumers who continue to have problems finding essential property insurance coverage in the admitted market. It should also help prevent market disruptions in the areas with the most significant exposure to hurricane and other wind events.

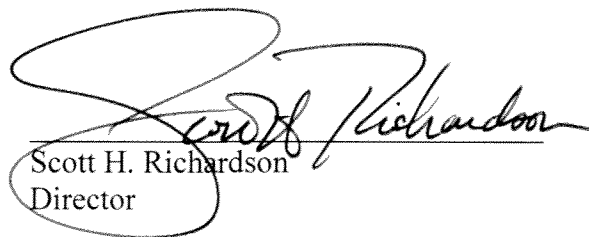
6. In accordance with the requirements of § 38-75-460, notice of the Department's intent to renew the order was issued to the President *Pro Tempore* of the South Carolina Senate and the Speaker of the South Carolina House of Representatives on February 27, 2009.

#### CONCLUSION

Based upon the foregoing, it is ordered that:

1. Orders 2007-01 and 2007-03 expanding the territory covered by the SCWHUA shall be renewed and remain in full force and effect. Those orders are attached and their terms incorporated into this order by reference.
2. This order shall take effect upon the expiration of the May Order and shall continue in effect until March 29, 2011 unless otherwise vacated or superseded by a subsequent order issued by the Director or vacated or superseded by action of the South Carolina General Assembly as set forth in § 38-75-460.

IT IS SO ORDERED.



Scott H. Richardson  
Director

March 13, 2009  
Columbia, South Carolina