

South Carolina Department of Insurance

MARK SANFORD
Governor

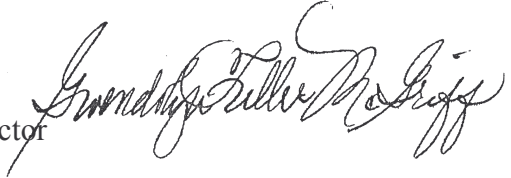
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BULLETIN NUMBER 2004 - 11

(Issued upon October 25, 2004)

To: Property and Casualty Insurers

From: Gwendolyn Fuller McGriff, Deputy Director 

Subject: Implementation of Insurance Modernization Act 290

This is the second bulletin regarding implementation of Act 290. There will be future bulletins dealing with provisions of the legislation regarding insurance modeling and other issues. The purpose of this bulletin is to provide information to insurers regarding cancellation/non-renewal forms, disclosure of premium information and guidance on credit scoring provisions.

Act 290 provides a new Article 13 in Chapter 75. The following questions relate to that article. All provisions of Article 13 are effective on February 1, 2005.

1. Does the application language noted in 38-75-1200 apply to all property lines of business - commercial and personal?

The Department has the authority to exempt certain lines of business from this requirement. The Department declares that commercial property and liability lines are exempt from this article except for Section 38-77-1150, (premium breakdown for wind/hail) as businessowner's policies are specifically mentioned in the section.

2. Please provide further clarification on the Property Insurance Cancellation and Non-renewal provisions.

In Section 38-75-1160, the requirements of the notice are listed. These requirements apply to homeowners, mobile homeowners and dwelling fire. The legislation contains an error where the word "not" has been left out. A cancellation or non-renewal is not effective unless the following verbiage is included in bold print:

"IMPORTANT NOTICE: Within fifteen days of receiving this notice, you or your attorney may request in writing that the director review this action to determine whether the insurer has complied with South Carolina laws in canceling or non-renewing

your policy. If this insurer has failed to comply with the cancellation or non-renewal laws, the director may require that your policy be reinstated. However, the director is prohibited from making underwriting judgments. If this insurer has complied with the cancellation or non-renewal laws, the director does not have the authority to overturn this action.”

The insured must be informed regarding the possible availability of other insurance. The notice must state the Department of Insurance has available a buyer’s guide regarding property insurance shopping and provide applicable mailing addresses and telephone numbers, including a toll-free number for contacting the insurance department.

Department of Insurance toll free number – 800-768-3467
Department of Insurance Consumer Division – 803-737-6180

3. Is the "Important Notice" required on a cancellation for nonpayment of premium?

The “Important Notice” does not apply to cancellations resulting from nonpayment.

4. Act 290 provides in new section 38-75-1150 that an insurer shall provide a separate premium for fire coverage and for allied lines coverage on a policy that includes fire and allied lines coverage. This includes a homeowner's, mobileowner's and a businessowner's policy. Please explain how to comply with this section?

The effective date of this requirement is for all policies processed on or after February 1, 2005. The premium breakout will have no impact on filings. The intent of the premium breakout was to show the policyholder the portion of premium allocated to wind/hail vs. non-wind coverage.

Insurers may use a fact sheet to comply with this provision that would show on an aggregate level the territorial breakdown of the wind/hail premium percentage. As an example, an insurer could provide a fact sheet that would include by territory the percentage of premium included for wind/hail – X% of the premium covers wind/hail. The declaration pages for insurers usually contain a number to specify the territory of the insured. The fact sheet should provide the consumer the ability to look up the territory that applies and see the appropriate percentage.

The Department is flexible on how an insurer complies with this statute and you may contact the Department to ask questions.

5. *Does Section 38-75-1170 only apply insurance-support organizations?*

Section 38-75-1170 applies exclusively to insurance support organizations.

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