



# South Carolina Department of Insurance

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NIKKI R. HALEY  
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RAYMOND G. FARMER  
Director

## BULLETIN NUMBER 2014-08

TO: All Licensed and Authorized Insurers and Producers Transacting Property and Casualty Insurance Business within the State of South Carolina

FROM: Raymond G. Farmer  
Director of Insurance

SUBJECT: Competitive Insurance Act (2014 S.C. Act No. 191)

DATE: July 26, 2014

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### I. BACKGROUND AND PURPOSE

This Bulletin implements the provisions of 2014 S.C. Act No. 191, the Competitive Insurance Act (2014 Act No. 191, R. 215, S. 569). This Bulletin highlights some of the more significant changes effected by this legislation in the section-by-section summary. A copy of Act No. 191 is attached as Appendix A. Additionally, this Bulletin prescribes the form and manner of the notices and disclosures required by this law for applicants and policyholders of personal lines residential property insurance policies in accordance with Section 38-75-755(B)(2) as added by Act No. 191.

### II. SECTION-BY-SECTION SUMMARY

A. *SECTION 1: Public Hearing on Coastal Insurance; Consumer Outreach and Education; and Annual Report on Coastal Insurance (§ 38-3-110(5))*

This section amends Section 38-3-110(5) that requires the director to hold an annual public hearing and submit an annual report on the status of the South Carolina Wind and Hail Underwriting Association (SCWHUA). Item (5) has been amended to no longer specify that the required 30-days' advance notice of the public hearing must be issued in newspapers of general circulation within the seacoast area. Additionally, this item was amended to statutorily require the South Carolina Department of Insurance (Department) to assist consumers and promote consumer education. These efforts may include, but are not limited to:

- 1) posting information on the Department website that will aid consumers in understanding the general provisions of homeowners insurance policies;
- 2) providing information on mitigation discounts and credits, including a summary of those offered by the twenty largest property insurers;
- 3) providing premium comparison information;

- 4) providing information to assist consumers in identifying insurers writing property insurance coverage in their area;
- 5) providing a listing of licensed property and casualty insurance producers (agents) in a consumer's area; and
- 6) providing information on catastrophe savings accounts available under Title 12 of the South Carolina Code of Laws.

This item has also been amended to specify the type of information that must be included in the annual report on the status of the SCWHUA. The amendments codify the Department's current practice such that the annual report provides a broad overview of the status of the coastal property insurance market. The statute now requires that the report be posted on the Department's website within five days of submission to the specified officers and committee chairmen in the General Assembly. The report must now include the following information:

- 1) status of the South Carolina Wind and Hail Underwriting Association, including any recommended modifications to statutory or regulatory law regarding the operation of the SCWHUA and its territory (Wind Pool);
- 2) status of operations and grants issued under the South Carolina Hurricane Damage Mitigation Program (SC Safe Home Program);
- 3) availability and affordability of coverage in the Wind Pool, including any portion of the area as it may be expanded; and
- 4) consumer outreach and education efforts relating to coastal property insurance issues, including, but not limited to:
  - a. an annual meeting summary; and
  - b. specific consumer-related projects and other efforts undertaken.

These provisions take effect on August 10, 2014.

*B. SECTION 2: Premium Tax Credits for Insurers Writing New Policies with Wind and Hail Coverage in the SCWHUA Territory (§38-7-200(F))*

Section 38-7-200 was amended to delete subsection (F), which provided that the section applied to all new policies issued with an effective date after December 31, 2007.

*C. SECTION 3: Notification of Discounts, Credits and Deductions (§ 38-75-755)*

Section 38-75-755 has been amended to require certain additional notice requirements for applicants or policyholders of a personal lines residential insurance policy. Subsection (A), which relates to notification of mitigation credits and discounts, was amended to also require disclosure of information relating to Catastrophe Savings Accounts. Section 38-75-755 was further amended to add a new Subsection (B). This subsection requires all insurers, at the issuance of a new policy and at each renewal, to notify the applicant or policyholder of a personal lines residential property insurance policy of certain conditions, limitations, and exclusions under the policy.

Subsection (B) also provides that the director or his designee shall prescribe the form and manner of insurer notices. These notices are considered informational by law and cannot alter, extend or modify the terms of coverage in a policy. The provisions of the newly enacted Subsection (B), along with the

amendments to Subsection (A), apply to personal lines residential property insurance policies issued or renewed after December 31, 2014.

The current language in Subsection (B) will now be codified as Subsection (C). This subsection continues to require that all insurers are required to notify the policyholder of a commercial property insurance policy that a reduction in premium may be available if the policyholder has taken steps to prevent or reduce damage to the insured property from windstorm. This provision went into effect for commercial property insurance policies issued or renewed after December 31, 2007 and remains unchanged.

#### *D. SECTION 4: Public Hurricane Catastrophe Model Feasibility Study*

Act No. 191 requires the Department to study the feasibility of South Carolina creating its own hurricane catastrophe model. Such models are designed to produce hurricane insurance loss costs for insuring properties in South Carolina. In conducting this analysis, Act No. 191 requires the Department to: 1) consider the costs as well as physical and logistical requirements; and 2) assess the possible benefit to consumers including an evaluation of whether a South Carolina model would produce more accurate risk assessments and better rates. The Department must report its findings to the Banking and Insurance Committee of the South Carolina Senate and the Labor, Commerce, and Industry Committee of the South Carolina House of Representatives before January 1, 2015.

### **III. GUIDELINES AND PROCEDURES FOR IMPLEMENTATION OF THE AMENDED NOTICE REQUIREMENTS CODIFIED IN SOUTH CAROLINA CODE OF LAWS § 38-75-755**

What follows are the general guidelines for implementation of the amendments to Section 38-75-755.

#### *A. Applicability*

Section 38-75-755 was originally enacted via the Omnibus Coastal Property Insurance Reform Act of 2007 (2007 Act No. 78). The current provisions of Section 38-75-755 continue in force for property insurance policies issued or renewed on or before December 31, 2014. These provisions, as well as the entirety of the Omnibus Act, are summarized in Bulletin 2007-05 (<http://doi.sc.gov/DocumentCenter/View/2721>).

The amendments to Section 38-75-755 that were enacted pursuant to 2014 Act No. 191 apply to property insurance policies issued or renewed on or after January 1, 2015 as follows:

- Subsections (A) and (B) – all personal lines residential property insurance policies, including, but not limited to, homeowners, dwelling/ fire, mobile homeowners, manufactured home, landlord, tenants, condominium unit owners, wind/hail only, and farmowners; and
- Subsection (C) – all commercial property insurance.

#### *B. Catastrophe Savings Accounts Overview*

Insurers must now provide information to certain applicants or policyholders relating to Catastrophe Savings Accounts (CSAs). Specific statutory provisions relative to CSAs were enacted via the Omnibus Act and codified in Article 11, Chapter 6, Title 12 of the South Carolina Code of Laws (Sections 12-6-1610 through -1630). What follows is a general overview.

CSAs allow South Carolinians to prepare for the financial impact of a catastrophic storm using tax-free dollars. These accounts may be used to cover insurance deductibles or other uninsured portions of a loss from hurricane, rising flood waters or other catastrophic windstorm events. Taxpayers establishing a CSA realize an effective savings of 7% (highest income tax bracket). The statute provides a limitation of one CSA per taxpayer and requires that the account be labeled as a “Catastrophe Savings Account,” but provides that any state or federally-chartered bank can set up a CSA as a savings or money market account. The account holder (taxpayer) is responsible for retaining the necessary financial information in order to deduct contributions and interest earned from South Carolina taxable income.

Tax deductible contributions are limited based upon the insured’s insurance deductible:

- 1) if deductible is less than or equal to \$1,000, contributions are permissible up to \$2,000;
- 2) if deductible is more than \$1,000, contributions are permissible up to the lesser of \$15,000 or twice the deductible; and
- 3) for those who self-insure, contributions are permissible up to a maximum of \$250,000 (not to exceed the value of the home).

Additional information regarding Catastrophe Savings Accounts is available on the Department’s website (<http://doi.sc.gov/636/Catastrophe-Savings-Accounts>).

*C. Notice of Mitigation Discounts and Credits and Disclosure of Information Relative to Catastrophe Savings Accounts to Applicants or Policyholders of Personal Lines Residential Property Insurance Policies (Subsection (A) as Amended by Act No. 191)*

The Department previously issued Bulletin 2007-16 (<http://doi.sc.gov/DocumentCenter/View/2731>) to provide guidance regarding the notification of mitigation discounts and credits as required by this subsection. Bulletin 2007-15 (<http://doi.sc.gov/DocumentCenter/View/2730>) outlines the process for development/ implementation of the premium discounts and credits based upon the mitigation factors outlined in Section 38-73-1095.

The Department understands that insurers likely have well-established procedures to ensure compliance with the current notice requirements in Subsection (A). Given that the same set of policies are subject to the disclosure/ notice provisions in the newly codified Subsection (B) and, further, the amount of information that must already be included in the current mitigation credits/ discounts notice, insurers are permitted to include the required information regarding Catastrophe Savings Accounts in the Policy Coverages and Limitations Summary notice required by the newly codified Subsection (B). Alternatively, insurers may: (1) amend their existing mitigation credits/ discounts notice to include this information; or (2) develop a separate notice providing information relating to Catastrophe Savings Accounts. The sample Policy Coverages and Limitations Summary notice (Appendix B) includes language relating to Catastrophe Savings Accounts that may be utilized by insurers regardless of the method of notice selected from among the aforementioned options. Regardless of the method selected, the notice must be filed with the Department as outlined in Subsection D below.

*D. Notice and Summary of Policy Coverages and Limitations to Applicants or Policyholders of Personal Lines Residential Property Insurance Policies (Subsection (B) as Amended by Act No. 191)*

Subsection (B), as amended, requires insurers to provide the following disclosures upon issuance or renewal of a personal lines residential property insurance policy:

- 1) whether there is coverage for mold or flood, including the availability of flood insurance coverage through the National Flood Insurance Program and that excess flood insurance coverage may be available through an additional policy;
- 2) an explanation of the distinction between actual cash value and replacement cost, the use of depreciation in determining payment for losses and whether there are any time limitations for repairs to receive full replacement costs under the policy;
- 3) that the policy specifies the process for notifying the insurer of a loss and the proof of loss provisions of Section 38-59-10;
- 4) the insured's option to increase the policy deductible to lower premium costs; and
- 5) whether a separate deductible is required for certain losses including hurricane, wind or named storm damage and an illustration of how the deductible functions for a policy valued at \$100,000.

These notices are considered informational by law and cannot alter, extend or modify the terms of coverage in a policy. Subsection (B) also provides that the director or his designee shall prescribe the form and manner of insurer notices.

All notices must be filed via SERFF and are subject to prior approval. However, in an effort to ease the implementation process for insurers, the Department has drafted a sample notice that, if used in a substantially similar manner, will be deemed to meet the requirements of the law. The sample notice is attached to this Bulletin as Appendix B. A final copy of the notice with any insurer-specific changes must be filed with the Department within sixty (60) days of the issuance of this Bulletin. If an insurer elects to create its own notice, the notice(s) will be subject to prior approval.

The notice may be filed independently as a form filing. Alternatively, the notice may be included as a part of another filing by the insurer so long as the filing: (1) clearly identifies the program(s) for which the notice is being filed; and (2) the filing is submitted as a form/rate, form/ rule, or form/rate/rule filing. In order to expedite the review process, the insurer should indicate in the filing whether or not they are utilizing the sample notice provided in Appendix B. If any changes are made to the sample notice, a marked-up copy should also be provided such that any insurer-specific changes may be more readily identified by the reviewing analyst. Please be reminded that filings must be submitted by insurer and by line of business, although multiple companies are permitted on filings.

#### **IV. QUESTIONS**

Questions regarding this Bulletin should be submitted via email to [p&cmail@doi.sc.gov](mailto:p&cmail@doi.sc.gov) and include complete contact information (with phone number and email address) for follow up.

*Bulletins are the method by which the Director of Insurance formally communicates with persons and entities regulated by the Department. Bulletins are Departmental interpretations of South Carolina insurance laws and regulations and provide guidance on the Department's enforcement approach. Bulletins do not provide legal advice. Readers should consult applicable statutes and regulations or contact an attorney for legal advice or for additional information on the impact of that legislation on their specific situation.*

***COMPETITIVE INSURANCE ACT  
2014 Act No. 191 (R. 215, S. 569)***

***(SEE THE FOLLOWING SEVEN PAGES)***

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**South Carolina General Assembly**  
120th Session, 2013-2014

**A191, R215, S569**

**STATUS INFORMATION**

General Bill

Sponsors: Senators Davis, Turner, Campsen, Young, O'Dell, Cromer, Cleary, Hembree, Pinckney and Sheheen

Document Path: I:\s-res\td\003insu.hm.td.docx

Companion/Similar bill(s): 3903

Introduced in the Senate on March 21, 2013

Introduced in the House on April 29, 2014

Last Amended on May 21, 2014

Passed by the General Assembly on May 28, 2014

Governor's Action: June 2, 2014, Signed

Summary: Competitive Insurance Act

**HISTORY OF LEGISLATIVE ACTIONS**

Date	Body	Action Description with journal page number
3/21/2013	Senate	Introduced and read first time ( <a href="#">Senate Journal-page 10</a> )
3/21/2013	Senate	Referred to Committee on <b>Banking and Insurance</b> ( <a href="#">Senate Journal-page 10</a> )
2/27/2014	Senate	Committee report: Favorable with amendment <b>Banking and Insurance</b> ( <a href="#">Senate Journal-page 8</a> )
2/28/2014		Scrivener's error corrected
3/4/2014	Senate	Committed to Committee on <b>Finance</b> ( <a href="#">Senate Journal-page 32</a> )
4/9/2014	Senate	Committee report: Favorable with amendment <b>Finance</b> ( <a href="#">Senate Journal-page 17</a> )
4/10/2014		Scrivener's error corrected
4/15/2014	Senate	Committee Amendment Adopted ( <a href="#">Senate Journal-page 37</a> )
4/15/2014	Senate	Amended ( <a href="#">Senate Journal-page 37</a> )
4/15/2014	Senate	Read second time ( <a href="#">Senate Journal-page 37</a> )
4/15/2014	Senate	Roll call Ayes-40 Nays-0 ( <a href="#">Senate Journal-page 37</a> )
4/16/2014		Scrivener's error corrected
4/16/2014	Senate	Read third time and sent to House ( <a href="#">Senate Journal-page 25</a> )
4/29/2014	House	Introduced and read first time ( <a href="#">House Journal-page 21</a> )
4/29/2014	House	Referred to Committee on <b>Labor, Commerce and Industry</b> ( <a href="#">House Journal-page 21</a> )
5/15/2014	House	Committee report: Favorable with amendment <b>Labor, Commerce and Industry</b> ( <a href="#">House Journal-page 7</a> )
5/21/2014	House	Amended ( <a href="#">House Journal-page 167</a> )
5/21/2014	House	Read second time ( <a href="#">House Journal-page 167</a> )
5/21/2014	House	Roll call Yeas-98 Nays-3 ( <a href="#">House Journal-page 170</a> )
5/22/2014	House	Read third time and returned to Senate with amendments ( <a href="#">House Journal-page 8</a> )
5/28/2014	Senate	Concurred in House amendment and enrolled ( <a href="#">Senate Journal-page 104</a> )
5/28/2014	Senate	Roll call Ayes-40 Nays-0 ( <a href="#">Senate Journal-page 104</a> )
5/29/2014		Ratified R 215
6/2/2014		Signed By Governor
6/6/2014		Effective date See Act for Effective Date
6/10/2014		Act No. 191

View the latest [legislative information](#) at the LPITS web site

## **VERSIONS OF THIS BILL**

[3/21/2013](#)

[2/27/2014](#)

[2/28/2014](#)

[4/9/2014](#)

[4/10/2014](#)

[4/15/2014](#)

[4/16/2014](#)

[5/15/2014](#)

[5/21/2014](#)



(A191, R215, S569)

**AN ACT TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, SO AS TO ENACT THE “COMPETITIVE INSURANCE ACT”; TO AMEND SECTION 38-3-110, RELATING TO DUTIES OF THE CHIEF INSURANCE COMMISSIONER, SO AS TO PROVIDE THAT THE DIRECTOR MUST ENGAGE IN CERTAIN EFFORTS TO PROVIDE MARKET ASSISTANCE AND PROMOTE CONSUMER EDUCATION TO COASTAL RESIDENTIAL PROPERTY INSURANCE CONSUMERS, AND TO PROVIDE THE DIRECTOR ANNUALLY MUST SUBMIT A REPORT REGARDING THE STATUS OF THE COASTAL PROPERTY INSURANCE MARKET TO CERTAIN MEMBERS OF THE GENERAL ASSEMBLY AND POST THIS REPORT ON THE INTERNET WEBSITE OF THE DEPARTMENT OF INSURANCE; TO AMEND SECTION 38-7-200, RELATING TO CREDITS AGAINST A PREMIUM TAX, SO AS TO DELETE A PROVISION APPLYING THE SECTION TO ALL NEW POLICIES ISSUED WITH AN EFFECTIVE DATE AFTER DECEMBER 31, 2007; TO AMEND SECTION 38-75-755, RELATING TO NOTIFICATION OF APPLICANTS OR RENEWING POLICYHOLDERS OF AVAILABLE CREDITS, DISCOUNTS, AND DEDUCTIONS, SO AS TO PROVIDE THAT ALL INSURERS SHALL NOTIFY APPLICANTS OR POLICYHOLDERS OF CERTAIN DISCLOSURES AT THE ISSUANCE OF NEW PERSONAL LINES RESIDENTIAL PROPERTY INSURANCE POLICIES AND AT EACH RENEWAL OF THESE POLICIES, TO PROVIDE THE DIRECTOR OR HIS DESIGNEE SHALL PRESCRIBE THE FORM AND MANNER FOR INSURER NOTICES OR DISCLOSURES, TO PROVIDE THESE DISCLOSURES ARE FOR INFORMATIONAL PURPOSES ONLY AND ARE NOT ADMISSIBLE IN RELATED LITIGATION EXCEPT IN CERTAIN CIRCUMSTANCES, AND TO DELETE A PROVISION APPLYING THIS SECTION TO POLICIES ISSUED OR RENEWED AFTER DECEMBER 31, 2007; AND TO PROVIDE THE DEPARTMENT SHALL CONDUCT A STUDY TO ASSESS THE FEASIBILITY OF CREATING A HURRICANE MODEL BY THE STATE WITH EMPHASIS ON THE ASSOCIATED COSTS AND CERTAIN LOGISTICAL REQUIREMENTS, AMONG OTHER THINGS, AND TO REQUIRE THE DEPARTMENT SHALL PROVIDE A**

**SUMMARY OF ITS FINDINGS TO CERTAIN COMMITTEES  
OF THE GENERAL ASSEMBLY BEFORE JANUARY 1, 2015.**

Be it enacted by the General Assembly of the State of South Carolina:

**Department of Insurance duties, market assistance and consumer education**

SECTION 1.A. Section 38-3-110(5) of the 1976 Code, as added by Act 78 of 2007, is amended to read:

“(5)(a) The director must hold a public hearing at least annually at a location within the seacoast area, as defined in Section 38-75-310(7), to provide the public with information and an opportunity to discuss and offer input concerning the rates, territory, and other pertinent issues regarding the South Carolina Wind and Hail Underwriting Association. The director must provide publicized notice of the hearing at least thirty days before the date of the public hearing.

(b) The director must engage in efforts to provide market assistance and promote consumer education to South Carolina residential property insurance consumers. These efforts may include, but are not limited to:

(i) posting on its website information to assist consumers in understanding the general provisions of homeowners insurance policies;

(ii) providing information on the mitigation discounts and credits available pursuant to Section 38-73-1095(C), including a summary of those offered by the twenty largest homeowners property insurance issuers by premium volume;

(iii) providing premium comparison information;

(iv) providing information to assist consumers in identifying insurers writing property insurance coverage in their area;

(v) providing a listing of licensed property and casualty producers in their area; and

(vi) providing information on catastrophe savings accounts available pursuant to Article 11, Chapter 6, Title 12.

(c) The director must submit a report to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Chairman of the Senate Banking and Insurance Committee, and the Chairman of the House Labor, Commerce and Industry Committee by January thirty-first of each year regarding the status of the coastal property insurance market. The report shall be posted in an electronic format on the department’s website within five days of its submission. The report shall include, but not be limited to, the following:

(i) status of the South Carolina Wind and Hail Underwriting Association, including any recommended modifications to statutory or regulatory law regarding the operation of the South Carolina Wind and Hail Underwriting Association and its territory;

(ii) status of operations and grants issued under the South Carolina Hurricane Damage Mitigation Program as provided for in Section 38-75-485;

(iii) availability and affordability of coverage in the coastal area as defined in Section 38-75-310(5), including any portion of the area as it may be expanded pursuant to Section 38-75-460;

(iv) consumer outreach and education efforts relating to coastal property insurance issues, including, but not limited to:

(a) summary of the annual meeting as required pursuant to item (5)(a); and

(b) specific projects and efforts undertaken pursuant to item (5)(b).”

B. The provisions of this section take effect sixty days after the effective date of this act.

### **Credit against premium tax, applicability date revised**

SECTION 2. Section 38-7-200 of the 1976 Code, as added by Act 78 of 2007, is amended to read:

“Section 38-7-200. (A) A licensed insurer providing full property and casualty coverage, to specifically include wind and hail coverage, to property owners within the area defined in Section 38-75-310(5), including any portion of the area as it may be expanded from time to time pursuant to Section 38-75-460, may claim as a nonrefundable credit against the premium tax imposed by Sections 38-7-20 and 38-7-40 in an amount equal to twenty-five percent of the tax that otherwise is due on the premium written for the property owners for the taxable year.

(B) The credit allowed by this section is available only to an insurer licensed or authorized to do business in this State with respect to a property and casualty insurance policy providing full coverage as defined in subsection (A).

(C) A licensed insurer who claims the credit allowed by this section shall provide information required by the Department of Insurance to demonstrate that the taxpayer is eligible for the credit and that the amount paid for premiums for which the credit is claimed was not excluded from the licensed insurer’s gross income for the taxable year.

(D) The tax credit allowed under this section for a taxable year may be claimed only once for any one structure, regardless of the number of policies written on the structure.

(E) The department shall take the action necessary to monitor and examine the use of the credits claims under this section.”

### **Personal lines residential property insurance policy renewals**

SECTION 3.A. Section 38-75-755 of the 1976 Code, as added by Act 78 of 2007, is amended to read:

“Section 38-75-755. (A) All insurers, at the issuance of a new policy and at each renewal, clearly shall notify the applicant or policyholder of a personal lines residential property insurance policy of the availability and the range of each premium discount, credit, other rate differential, or reduction in deductibles for properties on which fixtures or construction techniques demonstrated to reduce the amount of loss in a windstorm have been installed or implemented, including information related to catastrophe savings accounts. The notice must describe generally what measures the policyholders may take to reduce their windstorm premium.

(B)(1) All insurers, at the issuance of a new policy and at each renewal, shall notify the applicant or policyholder of a personal lines residential property insurance policy of the following:

(a) whether or not the insured has coverage for flood or mold. The disclosure also shall state that insurance is available through the National Flood Insurance Program and that excess flood insurance may be available through an additional policy;

(b) a distinction between replacement cost for losses and actual cash value, the use of depreciation in determining payment for losses, and that the policy may contain time limitations for repairs to be completed in order to receive full replacement cost for the losses;

(c) that the policy determines the process for providing the insurer with a notification of a loss and the requirements of Section 38-59-10;

(d) that the insured may have the option to increase the deductible and thus lower the potential premium cost paid;

(e) whether a separate deductible is required for hurricane, wind, or named storm damage, as opposed to some other type of loss, and if so, include an example which illustrates how the deductible functions for a policy valued at one hundred thousand dollars and this illustration will include a clear explanation of the event which will

trigger the deductible to the requirements of South Carolina Code of Regulations 69-56.

(2) The director or his designee shall prescribe the form and manner for insurer notices or disclosures issued pursuant to this subsection.

(3) Any disclosure provided pursuant to this section shall be for informational purposes only and shall not amend, extend, or alter coverage provided in a policy. Any notice or disclosure provided shall not be admissible in any action brought concerning a policy except for the sole purpose of showing that the notice was or was not provided pursuant to this section.

(C) All insurers, at the issuance of a new policy and at each renewal of a commercial property insurance policy, shall include a notice that advises the policyholder that a reduction in premium may be available if the policyholder has taken steps to prevent or reduce damage from windstorm and that the policyholder may contact its agent, broker, or insurer for additional information.”

B. The provisions of this section apply to policies issued or renewed after December 31, 2014.

### **Feasibility study**

SECTION 4. The Department of Insurance shall conduct a study to assess the feasibility of the creation of a hurricane model by the State, with particular emphasis on the associated costs and physical/logistical requirements. The study also must assess the benefits to consumers of a South Carolina-produced model, including an evaluation of whether it would yield more accurate assessments of risk and better rates. The department shall summarize its findings in a written report that it must provide to the Senate Banking and Insurance Committee and the House Labor, Commerce and Industry Committee before January 1, 2015.

### **Time effective**

SECTION 5. Unless otherwise provided, this act takes effect upon approval by the Governor.

Ratified the 29<sup>th</sup> day of May, 2014.

Approved the 2<sup>nd</sup> day of June, 2014.

***SAMPLE NOTICE:  
POLICY COVERAGES AND LIMITATIONS  
SUMMARY***

***(SEE THE FOLLOWING THREE PAGES)***

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IMPORTANT INFORMATION REQUIRED BY  
THE SOUTH CAROLINA DEPARTMENT OF INSURANCE

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**Policy Coverages and Limitations Summary**

THIS NOTICE CONTAINS A SUMMARY OF YOUR COVERAGE AND DOES NOT AMEND, EXTEND, OR ALTER THE COVERAGES OR ANY OTHER PROVISIONS CONTAINED IN YOUR POLICY. THE LANGUAGE IN YOUR POLICY CONTROLS YOUR LEGAL RIGHTS AND OBLIGATIONS. THIS DISCLOSURE IS NOT ADMISSIBLE IN ANY ACTION CONCERNING THIS POLICY EXCEPT FOR THE SOLE PURPOSE OF SHOWING THAT THE NOTICE WAS OR WAS NOT PROVIDED PURSUANT TO SOUTH CAROLINA LAW.

**\*\*READ YOUR INSURANCE POLICY  
FOR COMPLETE POLICY TERMS AND CONDITIONS\*\***

**DEDUCTIBLES**

A deductible is the amount of money you have to pay out-of-pocket for expenses before your insurance kicks in should you have a covered loss. The deductible applies to coverage for your home and personal property. The deductible applies to each claim.

You may be able to reduce your premium by increasing your deductible. For example, a policy with a \$1,000 deductible will have a lower premium than the same policy with a \$500 deductible. Having a higher deductible can be a good way to save money on your insurance premium, but be sure you can afford to pay the out-of-pocket costs in the event of a covered loss. Your current deductible is listed on your policy Declarations. Contact your agent or insurance company for more information about the deductible options available to you.

In some cases, there may be a separate deductible that applies in case of damage from a specified peril, such as a hurricane. This deductible is specified as a percentage of insured property (Dwelling limit under Coverage A).

**NOTICE: This policy [includes/does not include] a separate deductible for covered losses caused by [hurricane; wind/ hail; named storm; tropical cyclone] as defined in the policy.**

[INSERT THE FOLLOWING IF THE POLICY INCLUDES A SEPARATE HURRICANE, WIND/HAIL, NAMED STORM, AND/OR TROPICAL CYCLONE DEDUCTIBLE:

Unlike your standard deductible, [this/ these] separate deductible(s) [is/ are] based on the home's insured value. So, for example, if your home is insured for \$100,000 (Dwelling limit under Coverage A) and you have a 2% hurricane deductible, then your deductible in the event of a covered loss resulting from a hurricane would be calculated as follows:  $\$100,000 \times 2\% = \$2,000$ . If you had \$30,000 in covered losses as a result of the hurricane, your claim would be paid as follows:

Total amount of insured losses:	\$30,000
<u>Minus the 2% hurricane deductible</u>	<u>(\$2,000)</u>
Net payment from your insurance company:	\$28,000

Your insurance company is required by law to provide an illustration of how [this/ these] deductible(s) function(s) along with a clear explanation of the event that will trigger [this/ these] deductible(s). They must also include a statement on the Declarations page notifying you of [this/ these] separate deductible(s).]

### **CATASTROPHE SAVINGS ACCOUNTS**

Establishing a Catastrophe Savings Account can help you pay for your deductible and other out-of-pocket costs. Similar to health savings accounts, the money can be set aside state income tax-free and used in the future to pay for qualified catastrophe expenses that result from a hurricane, flood, or windstorm event that has been declared an emergency by the Governor. For more information about Catastrophe Savings Accounts, visit the South Carolina Department of Insurance website, [www.doi.sc.gov](http://www.doi.sc.gov) (search for “catastrophe savings accounts”), or call the Department’s Office of Consumer Services (1-800-768-3467).

### **LIMITATIONS OR EXCLUSIONS UNDER THIS POLICY**

*Flood* – Flood damage [is/ is not] covered under your policy.

The National Flood Insurance Program (NFIP) writes most flood insurance policies, although some private insurance companies also offer this coverage. You may contact the NFIP by calling 1-888-379-9531 or go online to [www.floodsmart.gov](http://www.floodsmart.gov). If you need more coverage than is available through the NFIP, you may be able to purchase excess flood protection through a private insurance company. For more information, contact your insurance agent, insurance company, or the NFIP.

*Mold* – Mold damage [is/is not] covered under your policy.

*Earthquake* – Earthquake damage [is/is not] covered under your policy.

Many insurance companies offer earthquake insurance as a separate policy or an endorsement to your current policy. For an additional premium, this coverage will protect you in case your home is damaged as a result of an earthquake.

### **Replacement Cost and Actual Cash Value**

You may have the option to insure your home and its contents for either replacement cost or actual cash value. *Actual cash value* is the amount needed to repair or replace the damage minus a deduction for depreciation. *Replacement cost* is the cost to rebuild your home or repair damages using materials of similar kind and quality, without deducting for depreciation. Read your insurance policy carefully for the complete terms and conditions regarding replacement cost coverage.

*\*\*Please refer to your policy for complete details and information regarding all other limitations and exclusions.\*\**

### **YOUR RESPONSIBILITIES IN THE EVENT OF A CLAIM**

*Contact Your Agent or Company Immediately* – Insurance policies typically place a time limit on the filing of a claim.



*Time Limitations May Apply* – Once the company knows you’ve had a claim, they are required to send you any necessary forms (commonly referred to as “proof of loss”) within 20 days. These forms detail written proof of what caused the loss as well as the character and extent of the loss for which the claim has been made. Read your policy carefully as it may require you to return the completed forms within a specified amount of time. If you have replacement cost coverage, there may also be time limitations for repairing and replacing damaged property that, if not met, could cause the claim to be settled on an actual cash value basis.

*Additional Duties Are Outlined in Your Policy* – In the event of a loss, you and your insurance company are each expected to follow certain procedures as outlined in your policy. Your responsibilities include, for example, reporting any crime to the police and making temporary repairs to protect your property from further damage. Your duties after a loss are outlined fully in your insurance policy.