



South Carolina Department of Insurance

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BULLETIN 2012-01

To: All Insurers and Producers Transacting Business in the State of South Carolina

From: Gwendolyn F. McGriff
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Subject: Application of Bulletin 2011-02 Regarding Paid-in-Full Discounts to Third Party Financing Arrangements and Insurer Installment Plans

Date: March 16, 2012

I. Purpose

The purpose of this Bulletin is to clarify the application of Bulletin 2011-02 to paid-in-full discounts.

II. Discussion

Bulletin 2011-02 was issued to remind insurers offering premium discounts to do so in accordance with the requirements of South Carolina law. Bulletin 2011-02 highlighted the requirements of §38-5-200. Since the issuance of that Bulletin, we have received numerous inquiries about the application of Bulletin 2011-02 to paid-in-full discounts offered by some insurers in South Carolina. After reviewing actuarial and other loss data, the Department has determined that it is appropriate to clarify the application of Bulletin 2011-02 as it relates to the requirements of §38-5-200(c) and paid-in-full discounts.

The paid-in-full discount is available to insureds who pay the entire premium at the time the policy is issued. Bulletin 2011-02 was issued to remind insurers of the requirements of §38-5-200. Since the issuance of that bulletin, some insurers indicated that they could not offer the paid-in-full discounts to consumers if premium financing was treated differently than installment payments. Moreover, they cited and submitted actuarial data and other information in support of their position. In consideration of the loss data, actuarial principles, and other information reviewed, the Department has determined that the paid-in full discount applied in this manner may not be unfairly discriminatory if it is based on loss data rather than solely the mode of payment. Discounts are not rights per se, but if offered by an insurer, must be applied consistently to similarly situated insureds. Actuarial data received from members of the industry

suggest that losses are higher when premiums are financed by third party lenders and the insurer installment plans. Accordingly, the Department has determined that insurers are not required by the provisions of §38-5-200 to offer paid-in-full discounts to insureds who finance their premiums through installment contracts, third party lenders or other financial institutions, if such distinction is justified by actuarial considerations and is not unfairly discriminatory.

III. Conclusion

This Bulletin clarifies the Department's position on the application of §38-5-200 to paid-in-full discounts. The remaining provisions of Bulletin 2011-02 remain unchanged and are not affected by the issuance of this Bulletin. To avoid any potential disruption in the market and harm to consumers, insurers should continue to offer the discount through the end of the current policy term.

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.