Agency Name: Department of Insurance

Statutory Authority: 1-23-110 et seq., 38-3-110 et seq., and 38-73-70

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Subject: Named Storm or Wind/Hail Deductible

History: 4878

By Date Action Description Jt. Res. No. Expiration Date

- 04/26/2019 Proposed Reg Published in SR

- 01/14/2020 Received by Lt. Gov & Speaker 05/13/2020

H 01/14/2020 Referred to Committee

S 01/14/2020 Referred to Committee

S 01/29/2020 Committee Requested Withdrawal

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- 01/29/2020 Withdrawn and Resubmitted 05/13/2020

S 03/18/2020 Resolution Introduced to Approve 1179

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- 06/26/2020 Effective Date unless otherwise

 provided for in the Regulation

Document No. 4878

**DEPARTMENT OF INSURANCE**

Chapter 69

Statutory Authority: 1976 Code Sections 1-23-110 et seq., 38-3-110 et seq., and 38-73-70

69-56. Named Storm or Wind/Hail Deductible.

**Synopsis:**

**C**hanges to Regulation 69-56 clarify the meaning of a “named storm” and the application of the named storm deductible or other named storm restrictions as well as provide requirements for language in policies regarding such deductibles.

The Notice of Drafting was published in the *State Register* on February 22, 2019.

**Instructions:**

Replace regulation as shown below. All other items and sections remain unchanged.

**Text:**

69-56. Hurricane, Named Storm or Wind/Hail Deductible.

 Under S. C. Code Ann. Section 38-73-70 (1976), the Department of Insurance may make reasonable regulations for the enforcement of Chapter 73 entitled “Property, Casualty, Inland Marine and Surety Rates and Rate-making Organizations.”

 A. Purpose: The purpose of this regulation is to clarify the process for insurers, including surplus lines insurers, to inform policyholders who purchase personal and commercial property policies of the presence of a hurricane, named storm or wind/hail deductible within their policies. The Department recognizes that an insurer may choose to have separate endorsements for each of hurricane, named storm or wind/hail deductibles or may choose to combine them into one endorsement.

 B. Definitions:

 (1) Named Storm Deductible is a separate deductible triggered by a weather-related event that has been named, designated or identified by the U.S. National Weather Service or the National Hurricane Center. It only includes a hurricane, tropical storm or tropical depression. Any storm or weather-related event given a name by any other person or entity does not qualify as a named storm, for purposes of a separate deductible. Any winter storm or weather event named or identified by the news media cannot be relied upon to trigger a named storm deductible.

 (2) Wind/Hail Deductible is a separate deductible applied to a personal or commercial property insurance policy that applies to losses resulting from the perils of wind or hail, regardless of how named or applied and regardless of whether the deductible is calculated as a percentage of policy limits or a specified dollar amount.

 C. No insurer may offer a new property policy to or renew an existing policy of an insured that includes a hurricane, named storm or wind/hail deductible unless the insurer:

 (1) includes an example which illustrates how the deductible functions for a policy valued at $100,000 and this illustration will include a clear explanation of the event which will trigger the deductible; and

 (2) includes on the face of any policy that contains a separate hurricane, named storm or wind/hail deductible the following statement: THIS POLICY CONTAINS A SEPARATE DEDUCTIBLE FOR HURRICANE, NAMED STORM OR WIND/HAIL LOSSES, WHICH MAY RESULT IN HIGH OUT-OF-POCKET EXPENSES TO YOU. THE ENCLOSED EXAMPLE ILLUSTRATES HOW THE DEDUCTIBLE MIGHT AFFECT YOU. This identical statement shall also appear on the declarations page.

The language may be added to the policy by an amendatory endorsement.

 D. Renewal Changes: No insurer may change a current property policy at renewal by implementing a hurricane, named storm, or wind/hail deductible or increasing the size of the hurricane, named storm or wind/hail deductible unless:

 (1) the insurer includes an example which illustrates how the deductible functions for a policy valued at $100,000 and this illustration must include a clear explanation of the event which will trigger the deductible; and

 (2) the named insured signs or initials a disclosure that acknowledges that the named insured has read the example.

 E. Regulatory Action. Any violation of this regulation may trigger penalties as set forth in S.C. Code Section 38-2-10.

 F. Implementation. This regulation becomes effective upon publication in the State Register and applies to any property insurance policies issued or renewed 120 days following such publication. This regulation supersedes and replaces former regulation 69-56 originally issued in 2000.

**Fiscal Impact Statement:**

No additional state funding is requested. The Department estimates that no additional costs will be incurred by the state in complying with the proposed amendments to 69-56.

**Statement of Rationale:**

The proposed amendments to the regulation will clarify the meaning of a “named storm” and the application of the named storm deductible or other named storm restrictions as well as provide requirements for language in policies regarding such deductibles.