

# Auto Insurance Facts and Tips

## Overview of the New Auto Insurance Law

In response to rising consumer complaints about good risk drivers subsidizing the costs of bad risk drivers and the overall cost of automobile insurance in South Carolina, the SC General Assembly enacted S.C. Act No. 154 of 1997 (Act 154). This legislation completely reformed the automobile insurance delivery system in South Carolina. The intent of the legislation is to increase competition in the automobile insurance marketplace in the state; thereby lowering the costs of automobile insurance for South Carolina consumers. Below is a list of some of the more significant changes to the marketing and sale of automobile insurance in the state of South Carolina.

**1) ANY** eligible consumer may legally drive uninsured in South Carolina by paying an annual \$550 fee to the Department of Public Safety. However, if that consumer is involved in an accident, he/she

will be personally liable for damages caused to the property or person(s) of the other vehicle and any passengers in his or her own car.

**2) CONSUMERS** have to provide proof of insurance or authorization to legally drive uninsured upon the request of law enforcement officers.

**3) INSURERS** no longer have to insure all vehicle owners regardless of risk. The old law required that insurance companies sell insurance to any vehicle owner in South Carolina who needed insurance and had a valid drivers license. This was called the "mandate-to-write." Act 154 eliminated the mandate-to-write insurance and gives insurance companies the right to decide whether or not to sell automobile insurance based on risk factors associated with each driver and automobile. An insurer may refuse to write auto insurance, but cannot base the refusal on income level, race,

creed, national origin, ancestry, marital status, or lawful occupation, including military service. The insurer also may not base this decision on the basis of a consumer having been previously turned down for automobile insurance from the S.C. Associated Automobile Insurers Plan (JUA). Act 154 protects consumers from unfair discriminatory practices.

**4) THE** South Carolina Reinsurance Facility has been replaced by the Joint Underwriters Association or the JUA. The JUA provides insurance to eligible South Carolina consumers who are unable to obtain coverage from private companies.

**5) THE** recoupment fee is capped at 10% of the vehicle owner's liability insurance premium. Effective March 1, 2002, the recoupment fee for zero-pointed drivers will be eliminated.

## Why Should I Buy Auto Insurance?

South Carolina law allows eligible consumers to legally drive uninsured. However, if you drive legally uninsured and cause an accident, you may be responsible for the losses of the other person(s) involved. A claim may be filed against you for those losses. You may have to pay not only for the property damage you cause, but

also for the medical expenses, wages, and pain and suffering of any injured person(s).

Auto liability insurance coverage is designed to protect you from personal liability for these types of losses. Liability insurance also pays for a lawyer to defend you against any claim or lawsuit filed against you.

## Who Is Affected By Act 154?

Any consumer who owns or operates an automobile in the State of South Carolina and who wishes to purchase auto insurance coverage is affected by the new law.



## The First Step: How to Shop Around

Since October 1998, over 103 new insurance companies have entered the South Carolina automobile insurance marketplace. This means increased competition and more companies to choose from when buying auto insurance. The most important thing for a consumer to do right now is to begin shopping around for insurance.

On March 1, 1999, Act 154 went into effect. The rates charged for auto insurance are competitive. This means that different insurance companies are charging different prices for auto insurance. Choosing your auto insurance company is much like choosing any other product. Price is important, but it is only one

factor to be considered when purchasing auto insurance. Before buying auto insurance, contact a number of agents to find the best combination of service and price for your insurance needs.

The first step is knowing how much insurance you need. If you know what you need, you are less likely to purchase unnecessary coverages. Once you determine your needs, call several agents. Ask them to give you a quote on how much the premium will be for the auto insurance coverage you are seeking. **Be sure you provide the information suggested in the**



### Points To Remember Section of this Newsletter.

Once you have narrowed your search to the companies with the best range of prices, you should consider the company's reputation for financial stability, policyholder service, underwriting practices, and claims handling practices. Service is difficult to measure, so ask friends and neighbors what they think about the service they are being provided by their insurance companies if you are considering the same companies.

## Points to Remember When Shopping For Auto Insurance

When shopping around for automobile insurance coverages, it is important that all shoppers be prepared to provide at least the following information to each insurance agent or company to receive an accurate and complete quotation:

- 1) Complete description of vehicle;
- 2) Description of how the vehicle is used;
- 3) Your driver's license number and the driver's license numbers of all licensed drivers in the household;
- 4) Type of coverages and limits needed;
- 5) Collision and comprehensive deductible amount;
- 6) Driving record information for yourself and all customary operators;
- 7) Accident claims information for each driver;
- 8) Proof of ownership of vehicle;
- 9) Proof of continuous or prior insurance.



Different insurance companies charge different rates for the same coverages. When comparing different companies, **you may want to remember the following points:**

- 1) Compare premiums for each coverage, then compare the total cost for each policy.
- 2) Ask about discounts and what is required to qualify for them (e.g., homeowners, renter's insurance, life, health, good student and safe driver).
- 3) Consider if you only need liability coverage; i.e., if your vehicle is 10 years+, and you can afford repair or replace your vehicle, you may want to drop collision and comprehensive coverage. It may save you money.
- 4) Ask about other discounts that are available (e.g., air-bag, automatic restraint systems, anti-theft devices).
- 5) Start shopping around at least 45 days before your policy is up for renewal.
- 6) If your policy is cancelled or not renewed, begin shopping around as soon as you receive the notice from the insurance company.
- 7) Your credit history can be a factor in determining rates.

## Know Your Rights 1

Act 154 provides a number of consumer protections. It is important that you know what your rights are.

South Carolina law prohibits an insurance company from refusing to issue an automobile policy solely for the discriminatory reasons outlined on Page 1. If you are refused auto insurance for one of the reasons listed on Page 1 and for no other reason, the actions taken by the insurance company may violate South Carolina law.

Also, if your policy has been in effect for 90 days or more, the insurance company cannot cancel your policy for the remainder of the policy term unless you fail to pay the premium on time or you or any operator in your household who customarily operates your automobile has had their license suspended or revoked.

In addition, the insurance company intending to cancel or non-renew your policy must give you notice, in writing, of the reasons for the cancellation or non-renewal of your coverage(s). The notice must tell you that you have the right to appeal the decision to the SCDOI and must inform you of the availability of other insurance through another insurer or through the S.C. Associated Auto Plan (JUA).

## Know Your Rights 2

In addition to the reasons stated on the previous page, an insurance company cannot non-renew your automobile insurance policy solely on the basis of any **one** of the following factors:

- 1) Lawful occupation, including military service;
- 2) Lack of driving experience or the number of years of driving experience;
- 3) Lack of supporting business or lack of the potential for acquiring such business;
- 4) One or more accidents or violations that occurred more than 36 months immediately preceding the upcoming anniversary date;
- 5) One or more claims submitted under the uninsured motorists' coverage of the policy where the uninsured motorist is known or there is evidence of physical contact;

6) One claim by an insured under the medical payments coverage or medical expense coverage due to an accident for which the insured was neither wholly nor partially at fault

7) One or more claims submitted under the comprehensive or towing coverages under certain specific conditions;

8) Two or fewer motor vehicle accidents within a 36 month period unless the accident was caused either wholly or partially by the named insured, a resident of the same household, or customary operator.

Insurers may refuse to renew policies for false or fraudulent claims. An insurance company may also modify comprehensive and towing coverages at the time of renewal under certain circumstances.



## What To Do If Your Policy Is Cancelled Or Non-Renewed

Within 15 days of your receipt of the notice of cancellation or non-renewal, you or your attorney may request in writing to the SCDOI that the action of the insurer be reviewed. The Department is required to determine whether the insurer's cancellation complies with SC law.

If the SCDOI finds that the cancellation was not in accordance with SC law, it must notify the company and you that the cancellation is not effective. However, the SCDOI cannot substitute its judgment for that of the company as to the underwriting of the policy.

South Carolina law also requires that the insurance company informs you, in writing, if the rate level you are being charged is higher than the lowest rate level for that insurance company.

## What To Do If You Are Turned Down For Insurance

### Contact Your Agent Or Insurance Company

If you believe that your company has improperly refused to issue or renew your policy, contact your agent or insurance company immediately. You have the right to question that decision and file a complaint if necessary. A letter of complaint to the agent or insurance company works best. Keep a copy of your letter for your files.

If you decide to register your complaint by telephone to your agent or

to your insurance company, keep a written record of the date and time of your call, the name of the person you talk to, and what was said during the call. You are entitled to an explanation of the reasons for refusal or non-renewal of your policy. Keep a list of the reasons why you are being turned down for coverage.

If you have been turned down by one insurance company, try another. Do not assume that you will be turned down by all companies. The best rates will be available in

the voluntary market.

If all else fails and you are unable to obtain auto insurance from any insurance company, any agent certified by the JUA can obtain insurance for you through the JUA. This is the market of last resort, and for this reason, the premiums charged in the JUA are higher than those charged by the private insurance companies. You will also have to meet certain eligibility criteria to obtain coverage. Use the Joint Underwriters Association as the last resort for insurance.

## Assistance From The South Carolina Department of Insurance

If you do not receive a prompt, courteous, and satisfactory response to your inquiry, you may need the assistance of the SCDOI. The SCDOI receives in excess of 10,000 written and telephone complaints each year. The Office of Consumer Services also provides information on the availability of automobile insurance and other insurance coverages to all South Carolina consumers.

### The Department WILL:

- Thoroughly investigate your complaint
- See that you receive a response to your inquiry
- Correct any misunderstandings about what the insurer is required to do under SC law

### The Department CANNOT:

- Provide legal advice
- Force a favorable action if your complaint is not supported by facts and law

**CALL** the SCDOI at 1-803-737-6180 or 1-800-768-3467

**WRITE** the SCDOI at: SC Department of Insurance Attn: Office of Consumer Services P.O. Box 100105 Columbia, SC 29202-3105

**VISIT** the SCDOI at: 300 Arbor Lake Drive Suite 1200 Columbia, SC 29223  
**Visiting hours are 9:00 am-4:15 pm**

## How To Reduce Your Premiums

- Shop around - Shop around.
- Remain or become a good risk driver.
- Obey all traffic laws and avoid traffic citations. Do not drive in excess of the posted speed limit. At fault accidents will increase your premiums.
- Check with your agent or insurer and get a list of available discount and premium credit programs.
- Consider increasing your collision and comprehensive deductibles.
- Before purchasing your next vehicle, ask about which vehicles are rated for higher insurance costs.

## Violations and Accidents Will Affect Your Premiums

Violations and accidents may cause your premiums to be higher. Insurance is based in part upon risk. Risk involves the possibility of financial loss. The greater the risk you are, the higher your insurance premiums will most likely be. For automobile insurance, the type of risk you are is determined in part by your driving record. If you or a member of your family has caused a traffic accident, been convicted or



pled no contest to traffic violations such as speeding or reckless driving, the price you must pay to obtain auto insurance will be higher than that charged to a person who does not have similar convictions. How much more a driver has to pay for auto insurance depends upon that individual's driving record and the insurance plan without any traffic violations as offered by the insurance company.

## Answers to Some Frequently Asked Questions

**Question:** Can a family member's poor driving record affect my insurance premiums or insurability even if I am a clean driver?

**Answer:** Yes, if that family member is a resident of your household or customarily operates a vehicle that you own.

**Question:** What is the minimum auto insurance coverage I must carry?

**Answer:** You must maintain liability coverage as follows: \$15,000 bodily injury for one person, \$30,000 for two or more persons, and \$10,000 property damage. These are the minimum limits.

**Question:** South Carolina law now allows me to legally drive uninsured if I pay a \$550 fee. Where do I pay the fee and what is the money used for?

**Answer:** The fee is paid to the South Carolina Department of Public Safety. It is used to offset the costs of uninsured motorist coverage and to provide education programs for South Carolina consumers. Questions about the uninsured motorist fee should be directed to: Judy Sharpe at the Department of Public Safety, Division of Motor Vehicles, 955 Park Street, P.O. Box 1498, Columbia, South Carolina 29216. Call 1-803-737-1186.

**Question:** If I have to purchase insurance through the JUA because of my driving record, how long must I remain in the JUA?

**Answer:** You only have to remain in the JUA until you are able to purchase insurance through the regular (voluntary) market. Before each renewal, you should shop around for insurance coverage to see if another insurer will accept you. If you have had no new accidents or violations, you may be able to find a voluntary company that will write your automobile insurance coverage.

For additional information, please contact the Office of Consumer Services of the South Carolina Department of Insurance at 1-803-737-6180 or 1-800-768-3467.

*This publication has been created and distributed by the South Carolina Department of Insurance to provide consumers with information about existing state automobile laws. This newsletter serves as a summary of some of the most significant and recent changes to the South Carolina automobile insurance industry.*