



South Carolina Department of Insurance

Capitol Center
1201 Main Street, Suite 1000
Columbia, South Carolina 29201

NIKKI R. HALEY
Governor

RAYMOND G. FARMER
Director

Mailing Address:
P.O. Box 100105, Columbia, S.C. 29202-3105
Telephone: (803) 737-6160

Bulletin Number 2013-11

TO: All Insurers, Brokers, and Producers transacting Insurance Business Within the State of South Carolina

FROM: Raymond G. Farmer
Director of Insurance *R.G.F.*

SUBJECT: Service and Policy Fees

DATE: October 30, 2013

I. PURPOSE AND SCOPE

The purpose of Bulletin 2013-11 is to address additional questions from South Carolina's insurance industry concerning the permissibility of charging fees for various insurance services. The Department has reviewed the questions received and, where appropriate, revised accordingly the fee schedule attached to Bulletin 2006-08.

II. POLICY FEES

Section 38-3-110 provides that the Director shall regulate the rates and service of every insurer and fix just and reasonable standards, classifications, regulations, practices and measurements of services to be observed and followed by every insurer doing business in South Carolina. South Carolina law limits the charging of fees for services to those that are an integral or necessary part of the insurance contract, insurance transaction, or prerequisite to insurance coverage. *See e.g.*, S. C. Code Ann. § 38-55-50 (2002). These fees are generally known as policy fees.

Approved policy fees may be charged by insurers only if set forth in the policy, declarations page, or endorsements, and are reflected in the premium rate charged for the policy. Producers shall *not* charge policy fees. Brokers may do so only as narrowly permitted by S.C. Code § 38-45-160, which states that, "No policy fee may be charged by a broker unless it is a reasonable fee, it is made part of the contract, and the broker's premium tax rate is paid upon the policy fee." S.C. Code Ann. § 38-45-160 (2002).

III. AUDITS

South Carolina law requires producers to maintain a record of all business done by them showing the number, date, term, amount insured, premiums and the person to whom issued of every policy or certificate of renewal. Effective immediately, the Department will commence random audits of certain agencies to verify compliance with Bulletins 2006-08 and 2007-11. In accordance with the requirements of Sections 38-13-10 *et seq.*, producers will be required to produce records of the business transacted by their agency for inspection by Department examiners or investigators. Upon completion of the examination or other inspection, the Department shall prepare a report detailing the findings and highlighting any violations or other instances of non-compliance.

IV. FEE SCHEDULE FILINGS

Bulletins 2006-08 and 2007-11 remain in full force and effect and are incorporated into this Bulletin by reference. The Department has revised the fee schedule attached to Bulletin 2006-08. Attached is the revised 2013 Broker / Producer Fee Filing Schedule. This revised fee schedule clarifies the fees that may be charged by the insurer. It also includes the following declaration:

For all fees not specifically itemized on the updated fee schedule, the filer must submit additional support to justify any amounts considered "Other" fees. This additional support is required in order for the Department to consider the request. Please note that all previously approved fee schedules remain in full force and effect for the term of the policy. However, if a fee amount previously approved is now in excess of the maximum fee amount provided on the updated fee schedule, then a new fee schedule must be filed for the Department's review and approval.

Broker or producer fee filings should include a completed fee schedule and should be sent to the following email address: P&CMAIL@doi.sc.gov. Insurer fee filings do not require a completed fee schedule, but all fees and support (if required) must be included as part of a filing submitted via the SERFF filing system.

V. QUESTIONS

Questions regarding this bulletin may be directed to the attention of: Michael Wise at either mwise@doi.sc.gov or 803-737-6166.

Bulletins are the methods 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.

Broker / Producer Fee Schedule Filing

Date of Filing: _____
 Broker / Agency Code: _____
 Broker / Producer Name: _____
 Broker / Producer Address: _____
 Broker / Producer Phone Number: _____
 Broker / Producer Email Address: _____

Fee Type	Maximum Fee	Proposed Fee	Approved Fee
Late Charge	\$10		
Reinstatement Charge	\$10		
Convenience Fee	\$3		
Paper Installment Fee	\$10		
EFT Installment Fee	\$5		
SR22 Fee	\$25		
Certificate of Insurance/Additional Insured Form Fee	\$10		
NSF Fee	\$25		
Other (Describe and Support)	N/A		

Declaration Statement:

- All approved fees will be clearly defined and disclosed to and accepted by the insured in advance of the insured's purchase of the policy as well as any consequence for failure to pay such fees.
- All approved fees will be applied equally and consistently to all insureds of the same class that are subject to such fees.
- All approved fees will only be charged if the insurer is not charging the same type of fee.

I agree to follow the terms of the declaration statement listed above:

Signature: _____ Date: _____

Submission Instructions:

Completed fee schedules, along with any applicable support, should be sent to the following email address: P&CMAIL@doi.sc.gov