~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

February 25, 2021

**H. 3587**

Introduced by Reps. Sandifer and Hardee

S. Printed 2/25/21--S.

Read the first time February 3, 2021.

**THE COMMITTEE ON BANKING AND INSURANCE**

To whom was referred a Bill (H. 3587) to amend Section 38‑77‑30, as amended, Code of Laws of South Carolina, 1976, relating to the definition of “reduction in coverage”, so as, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

RONNIE W. CROMER for Committee.

**A** **BILL**

TO AMEND SECTION 38‑77‑30, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE DEFINITION OF “REDUCTION IN COVERAGE”, SO AS TO PROHIBIT AN INSURER FROM TREATING A CORRECTION OF A TYPOGRAPHICAL OR SCRIVENER’S ERROR AS A REDUCTION IN COVERAGE AND TO AMEND SECTION 38‑77‑120, RELATING TO NOTICE REQUIREMENTS FOR CANCELLATION OR THE REFUSAL TO REVIEW A POLICY, SO AS TO MAKE CONFORMING CHANGES.

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

SECTION 1. Section 38‑77‑30(12.5) of the 1976 Code, as last amended by Act 174 of 2020, is further amended to read:

“(12.5) ‘Reduction in coverage’ means a change made by the insurer which results in a removal of coverage, diminution in scope or less coverage, or the addition of an exclusion. Reduction in coverage does not include any change, reduction, or elimination of coverage made at the request of the insured. The correction of a typographical or scrivener’s error or the application of mandated legislative changes ~~may not be considered~~ is not a reduction in coverage.”

SECTION 2. Section 38‑77‑120(b) of the 1976 Code, as last amended by Act 174 of 2020, is further amended to read:

“(b) Subsection (a) does not apply if the:

(1) insurer has manifested to the insured its willingness to renew or to renew with a reduction in coverage by actually issuing or offering to the insured to issue a renewal policy, certificate, or other evidence of renewal, or has manifested such intention to the insured by any other means; provided, however that in the case of a reduction in coverage, the insurer provides notice of a reduction in coverage to the named insured in a separate document entitled the ‘Notice of Reduction in Coverage’ no less than fifteen days prior to the effective date of the renewal that includes the proposed reduction in coverage. This notice must:

(i) inform the insured of the reduction or elimination by the coverage section in the renewal policy or certificate; and

(ii) provide that it is a notice of coverage changes.

The Notice of Reduction in Coverage does not amend, extend, or alter coverage provided in a policy. An insurer’s Notice of Reduction in Coverage must be provided to the director or his designee upon request when investigating a consumer complaint or when otherwise requested. The director or his designee may direct the insurer to provide the renewal without the reduction in coverage if the insurer fails to meet the requirements of this section. The director or his designee may issue guidance to an insurer or to the industry regarding the form and contents of the Notice of Reduction in Coverage in response to consumer inquiries or complaints;

(2) named insured has demonstrated by some overt action to the insurer or its agent that he expressly intends that the policy be canceled or that it not be renewed.”

SECTION 3. This act takes effect upon approval by the Governor.

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