Mark Sanford
Governor

Marcia S. Adams
Director

State of South Carolina

Department of Motor Vehicles

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TO: Property and Casualty Insurers Writing Automobile Insurance

FROM: Marcia S. Adams, Director

SUBJECT: Reporting of FR4 cancellations and FR4a compliance transactions

South Carolina Code Section 56-10-615 and Regulation 38-260 were enacted to provide an electronic reporting system to identify uninsured motorists in South Carolina. Since September 15, 2004, the number of transactions reported to DMV has increased significantly. To insure an orderly processing of these transactions and to minimize inconvenience to consumers, the following guidelines are presented for clarification purposes:

Private passenger automobile insurers **should** report only the following types of cancellations:

1. Mid-term non-pay cancellations;
2. Mid-term cancellations where an insured requests cancellation of the policy before the policy period has expired except for the following: the insured produces satisfactory proof from the Department that he has sold or otherwise disposed of the insured vehicle or surrendered its tags and registration; the insured has secured another policy that meets the financial responsibility requirements prescribed by law;
3. All non-renewals for underwriting reasons by the insurer.

The following are examples of types of cancellations that **should not** be reported:

1. Non-renewal by customer at the end of the normal policy term;
2. The insured has multiple vehicles insured on the same policy and drops a vehicle from that policy, but the policy remains in force;
3. An error was made when writing or renewing a policy and because of the insurer's internal practices, a policy is "cancelled" and "re-added" in order to

make a correction. In this case the "cancellation" is really the elimination of a record in order to correct it, and does not need to be reported;

4. Policies that may be reinstated because of the insurer's own internal procedures and processing rules. For example, if an insurer honors the postmark date of a payment made by mail, the cancellation should not be reported until a sufficient period of time has elapsed for receipt of such payments. Likewise, if an insurer provides a "grace period" during which policies may be reinstated *without a lapse*, cancellations should not be reported until any such grace period has elapsed. Once a policy has been reported as canceled, it is deemed canceled and may not be reinstated with a lapse. A new policy is required.

Private passenger automobile **INSURERS** reporting FR4a Compliance Transactions **should**:

1. Whenever possible, use the SC-ALIR system to submit FR4a Compliance transactions electronically. If insurers have not programmed their systems for FR4a compliance reporting through their standard method of transmission of cancellations, insurers can use the SC-ALIR website (http://www.sc-alir.com) to individually enter FR4a compliance transactions.
2. Notify their agencies when they are transmitting compliance information electronically to avoid duplicate reporting and additional work for DMV personnel. When processing paper transactions, DMV personnel have no way of knowing if that transaction has already been reported electronically.
3. Use only the FR4a form located on the back of the FR4 notice of cancellation if submitting FR4a compliance transactions by paper means. This is the only form of paper reporting that will be accepted. Each FR4a may relate to only one FR4 cancellation and must include that reference number.

DMV strongly encourages insurers to submit FR4a compliance transactions electronically. However, the SC-ALIR system currently is **not real time** and is updated in overnight batch. Therefore, compliance reporting by paper will be accepted but should be limited to those customers whose registrations are due to go under suspension before the overnight update.

All private passenger automobile **AGENCIES** reporting FR4a Compliance Transactions **should**:

1. Notify their insurers when they are transmitting compliance information electronically to avoid duplicate reporting.

2. Be informed by their insurers if the insurer is submitting FR4a compliance transactions electronically. Agencies whose insurers are transmitting electronically should only submit paper FR4a to DMV if the customer would go under suspension before the overnight update.
3. Use only the FR4a form located on the back of the FR4 notice of cancellation if submitting FR4a compliance transactions by paper means. This is the only form of paper reporting that will be accepted. Each FR4a may relate to only one FR4 cancellation and must include that reference number.
4. Submit FR4a compliance transactions using the SC-ALIR website. You must first register at (http://www.sc-alir.com). After reading the information in the HELP FOR INSURANCE AGENCIES section on the HELP page, follow the REGISTRATION link from the home page to register.

DMV strongly encourages insurance agencies to submit FR4a compliance transactions electronically. However, be aware that the SC-ALIR system currently is **not real time**; the system is updated in overnight batch.

All private passenger automobile **INSURERS OR AGENCIES** reporting FR4a Compliance Transactions **should never**:

1. Send in paper FR4a unless customer is due to go under suspension
2. Report an FR4a compliance transaction twice
3. Send in compliance transaction on a form other than an FR4a

If you should have additional questions, please contact the SC-ALIR help desk at **sc-alir-help@dmv.sc.gov or contact:**

Lotte Devlin Lotte.Devlin@SCDMV.net
Policy and Planning Administrator
South Carolina Department of Motor Vehicles
P O Box 1498
Blythewood, SC 29016