

Bulletin 12-02

To: Automobile Insurers
From: Merle Scheiber, Director
Date: February 28, 2012
Re: Auto Policies with Permissive User “Drop Down” in Coverage in South Dakota

The South Dakota Division of Insurance (Division) requires that new policies, endorsements, or renewals issued by companies that contain permissive user drop down coverage comply with the following:

1. With regard to new policies, there will be a statement within the application as follows:

“This policy has permissive user drop down coverage. This means that your policy provides full policy limits of coverage for any covered claims involving you, specifically listed drivers, and family members who reside in your household. However, other persons who use your vehicle have only statutory minimum limits of coverage under your policy. If the permissive user has an auto policy, that policy’s limits apply for any amount exceeding the statutory minimum limits of coverage.”

Beneath this statement, and on the same page of the application, there must also be a signature line that must be signed by the named insured acknowledging that the named insured has read and understands the statement.

2. With regard to new policies, the permissive user drop down coverage must be contained in a separate endorsement to the policy. This separate endorsement must provide a clear explanation of permissive user drop down coverage and must be filed with and approved by the Division.
3. With regard to policies issued prior to the effective date of this bulletin and which are still in force, companies must provide each current insured a cover letter or other separate communication with the following language:

“We strongly encourage you to review all changes to your policy, particularly the permissive user drop down coverage section. All of these changes are a mandatory condition of our offer of renewal of your policy, and if you have any questions or concerns, please contact your [Company Name] agent or call us directly at [Company Customer Service Telephone Number].”

4. With regard to policies issued prior to the date of this bulletin, the word “mandatory” may be excluded from the statement in number 3 above if the permissive user drop down coverage is being offered as non-mandatory condition of renewal.

Permissive user drop down coverage means: The coverage limits for permissive users of the insured’s vehicle will decrease to the statutory minimums required under the financial responsibility law. Nothing in this bulletin applies to policies issued which do not contain permissive user drop down coverage provisions.