STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
INSURANCE DIVISION
500 JAMES ROBERTSON PARKWAY 4TH FLOOR
NASHVILLE, TENNESSEE 37243-5065
615-741-2176

October 16, 2012

Chris Hidalgo, Regional Manager
Safeway Insurance Company
10 Canebrake Blvd.
Jackson, Mississippi 39232
(601) 936-2155

Re: Interpretive Opinion No. 01-12
Notice of Premium Increase

Dear Mr. Hidalgo,

This letter is written in response to your letter dated August 24, 2012, to Assistant Commissioner for Insurance Larry C. Knight, Jr. whereby you ask for guidance from the Insurance Division of the Tennessee Department of Commerce and Insurance ("Division"). Your letter is being treated as a request for an interpretive opinion from the Division pursuant to TENN. COMP. R. & REGS. 0780-1-77-.01(1)

The facts understood by the Division are as follows:

Your company, Safeway Insurance Company ("Safeway") sells insurance in various states throughout the United States. Safeway has been writing insurance in Tennessee for approximately one (1) year. In several states, not including Tennessee, your company has successfully offered Electronic Fund Transfer Automatic Pay (EFT) Payment Plans to insureds as a method of payment for insurance products purchased from your company. Safeway operates on a thirty (30) day billing cycle. When customers request changes to their policies effecting premium rates, notice is sent out immediately to the customer once the change has been processed. Although notice reflecting the premium change is sent immediately, it naturally is always received by the customer less than thirty (30) days prior to the subsequent billing date due to the timing of the company's billing cycle.

Safeway would like to offer the same EFT Payment Plan to customers in Tennessee while remaining in compliance with all applicable Tennessee insurance laws.

You opine on behalf of your company that Safeway's EFT Payment Plan, if offered in Tennessee, would not be in violation of TENN. CODE ANN. § 56-7-118, which places specified notice requirements on companies actuating premium increases.

RESPONSE:

It is the position of the Division that Safeway's EFT Payment Plan would not be in violation of TENN. CODE ANN. § 56-7-118, as the notice required by this provision is directed at company induced increases in premiums. The Notice requirement placed on insurance companies provides as follows:

> Any Insurance company that increases its premiums shall give thirty (30) days' notice of any increase to a customer who has an account paid by bank draft or pre-authorized check.

TENN. CODE ANN. § 56-7-118. As there has not been any previous legal clarification as to the correct interpretation of this statutory mandate, the Division takes the position that the notice provision reads to apply to "any insurance company that increases premiums" and specifically does not include any insureds that increase their premiums. Therefore, it is agreed, under the facts provided, that customer initiated premium increases[1] would not require thirty (30) days of notice for customers who pay their account by means of bank drafts or pre-authorized checks. It is sufficient that notice is immediately sent upon the processing of the policy change requested by the customer.

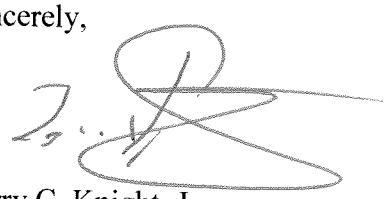
Based on the facts provided in your letter, as recited above, Safeway's implementation of its EFT Payment Plan, as it provides notice immediately upon the processing of a customer initiated premium increase, would not be in violation of TENN. CODE ANN. § 56-7-118.

This response by the Division to a specific fact situation relating to the interpretation of the Tennessee Insurance Law should not be construed as a legal position or opinion of the Commissioner of Commerce and Insurance or any other official in the Department of Commerce and Insurance. As each inquiry is reviewed on the specific facts presented, this response is based only on such facts and may not be used as precedent. Any variation in facts presented to the Division could result in a different conclusion as asserted herein.

---

[1] Within the context of this letter, "customer initiated premium increase" is understood to include circumstances, such as those provided in your letter, in which a customer has taken an action or requested a change in their policy that results in an increase in their personal premium.

Sincerely,



Larry C. Knight, Jr.
Assistant Commissioner for Insurance

LCK/lvd

cc: Tony Greer, Chief Counsel for Insurance
Lauren V. Dantche, Assistant General Counsel
John E. Duncan, Property and Casualty Manager