



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: S. 1032 Introduced on February 7, 2024
Author: Cromer
Subject: Insurance Adjusters
Requestor: Senate Banking and Insurance
RFA Analyst(s): Vesely
Impact Date: February 20, 2024

Fiscal Impact Summary

This bill repeals Chapters 47 and 48 of Title 38 and adds Chapters 91 and 92 of Title 38 related to insurance adjusters and public insurance adjusters, as well as creates new requirements for licensure. This bill requires both groups of adjusters to undergo a background check and fingerprinting and pay a fee of either \$40 or \$80 before a license is issued.

There is no anticipated expenditure impact as a result of this bill. The Department of Insurance (DOI) regulates and supervises insurance adjusters and public insurance adjusters. They anticipate that changes to these groups create minimal additional work, and it can be handled by existing staff and resources under the course of normal operations, and therefore will have no expenditure impact to DOI. The South Carolina Law Enforcement Division (SLED) administers criminal record checks, including fingerprinting. Any increase in the expenditures as a result of the increased number of criminal record checks is expected to be handled by the corresponding increase in revenue from fees charged on these checks.

This bill is expected to decrease General Funds revenue from insurance license fees by approximately \$1,327,000 annually beginning in FY 2024-25. Additionally, changes to the requirements for the licenses also necessitate fingerprinting by SLED, which will require a more expensive criminal records check. SLED administers these criminal record checks by charging a fee to applicants. In turn, part of this fee revenue is remitted to SLED. The General Fund receives the first \$4,461,000, and the remaining is retained by SLED, which has averaged \$12,686,000 in the last three years. As the number of criminal records checks are expected to increase, SLED's Other Funds revenue is expected to increase beginning in FY 2024-25. However, because the number of new criminal records checks is unknown, the amount of this revenue increase is undetermined.

Explanation of Fiscal Impact

Introduced on February 7, 2024

State Expenditure

This bill repeals Chapters 47 and 48 of Title 38 and adds Chapters 91 and 92 of Title 38 related to insurance adjusters and public insurance adjusters. The bill creates new requirements for

licensure. This bill requires both groups of adjusters to undergo a background check and fingerprinting and pay a fee of either \$40 or \$80 before a license is issued.

Department of Insurance. DOI regulates and supervises insurance adjusters and public insurance adjusters. They anticipate that changes to oversight responsibilities of these groups will create minimal additional work that can be handled by existing staff and resources. Therefore, the bill will have no expenditure impact to DOI.

South Carolina Law Enforcement Division. SLED administers criminal record checks, including fingerprinting. Any increase in the expenditures as a result of the increased number of criminal record checks is expected to be handled by the corresponding increase in revenue from fees charged on these checks.

State Revenue

This bill makes significant changes to insurance adjuster licensure requirements. Insurance adjuster licenses are issued after a successful application and must be renewed every two years for the adjuster to continue to practice in South Carolina. The insurance adjuster license is administered by DOI.

South Carolina currently charges a \$80 individual adjuster license fee for residents and nonresidents, though nonresidents may be charged an amount corresponding to the difference between their own state's license fee and \$80 as a retaliatory fee. DOI reports that the effective change from a individual adjuster license fee of at least \$80, with retaliatory adjustments for applicants from states that charge higher fees, to a "flat" \$80, would reduce revenue to the General Fund by \$1,880,255 over the next two years, as current license holders would renew with a potentially lower fee. At the same time, new applicants will be subject to the same, potentially lower fee. DOI estimates that this would reduce annual revenue by an additional \$369,540. These estimates are based on 127,130 currently licensed individual insurance adjusters and DOI's estimate of approximately 24,636 new adjusters each year. Therefore, revenue from individual insurance adjuster license fee changes is expected to be approximately \$1,309,667 lower annually.

This change also applies to public insurance adjuster licenses, including the \$80 fee with potential retaliatory fees being changed to a "flat" \$80. Existing public insurance adjusters will need to renew their licenses within the next two years, potentially at this lower rate. This is expected to cost about \$22,594 over the next two years. New public insurance adjuster applicants may potentially have a lower license fee, reducing revenues by approximately \$6,000 annually. There are 751 current public insurance adjusters. DOI estimates approximately 200 new public insurance adjusters each year. Revenue from public insurance adjusters as a result of these license fee changes is expected to be approximately \$17,297 lower annually. However, these amounts may vary, as the state of residency and the rate at which potential insurance adjusters apply for licenses is unknown. Combined, these license fee changes are expected to lower General Funds revenue from insurance licensing fees by approximately \$1,327,000 annually beginning in FY2024-25.

This bill also changes a requirement for insurance adjuster applicants to complete a background check to now require a background check and fingerprinting, which includes a FBI criminal records search. SLED has indicated on previous legislation that the total cost for a criminal records check including fingerprinting to be \$51.75 per application. Of each application, \$25 is received by SLED, the vender Identogo receives \$13.50, and the remainder \$13.25 is remitted to the FBI. Pursuant to Section 23-3-115(A), revenue generated by criminal records checks by SLED up to \$4,461,000 must be deposited in the General Fund, any revenue over this amount is retained by SLED. The current three-year average in fees collected for background checks totals approximately \$17,147,000, which means on average the General Fund receives \$4,461,000 while SLED retains Other Funds revenue of \$12,686,000.

Assuming that criminal records checks continue on their historical pace, this bill's provisions regarding criminal records checks will have no impact on General Fund revenue as the General Fund is expected to receive its maximum revenue currently. However, this bill may increase Other Funds revenue of SLED for the additional background checks they process. However, this bill allows nonresident insurance adjuster license applicants who have already received a background check and fingerprinting in the process of obtaining their home state's insurance adjuster license to receive a license in South Carolina without an additional check. The number of individuals applying from states that do not require background checks and fingerprinting in the process of obtaining an insurance adjuster license is undetermined and may change. Therefore, the number of background checks that will be required is undetermined. In turn, SLED is expected to receive an increase in Other Funds revenue due to the increase in background checks beginning in FY 2024-25, but this amount is undetermined.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director