



South Carolina House of Representatives
Government Efficiency and Legislative Oversight Committee

Study of the Department of Insurance
EXECUTIVE SUMMARY

FINDINGS

During the study of the South Carolina Department of Insurance, the Healthcare and Regulatory Subcommittee (Subcommittee) of the House Government Efficiency and Legislative Oversight Committee (Committee) adopts 9 findings.

Findings note information a member of the public or General Assembly may seek to know or on which they may desire to act.

AGENCY ROLE, GOVERNANCE, AND OPERATIONS

FINDING 1

The agency director, whose powers and duties are set forth in S.C. Code Sections 38-3-60 and 38-3-110, provides technical expertise and factual information to the General Assembly upon request to support informed decision-making. In this role, the director offers objective analysis, assists with outreach and constituent services, and responds to legislative inquiries, while refraining from advocating for or against specific policy positions.

FINDING 2

The agency has conducted a review of all regulations and policies every five years since 2012 to ensure they remain relevant and aligned with current industry practices.

FINDING 3

According to the agency budget, Form E – Agency Cost Savings & General Fund Contingency Reduction Plan, a 3% reduction would impact all programs with the agency needing to reduce some operating costs.

FINDING 4

In Fiscal Year 2024, the agency collected \$376 million in revenue from taxes, fees, assessments, and fines. Of that amount, approximately \$361 million was transferred to the state's General Fund.

INSURANCE MARKET REGULATION AND FINANCIAL OVERSIGHT

FINDING 5

Risk-Based Capital (RBC) is a key tool used by the Department to ensure insurers have enough funds to cover their risks. It sets minimum capital levels based on company size and risk, with different formulas for life, health, and property and casualty insurers.

FINDING 6

South Carolina is a well-established domicile for captive insurance companies. Captive insurance allows businesses to form their own insurance companies to insure their specific risks. The state laid the foundation for this industry with the passage of the Captive Insurance Act in 2000.

FINDING 7

Under Section 38-75-740 of the South Carolina Code, insurance companies must provide written notice of nonrenewal at least 60 days prior to a policy's expiration or anniversary date. The notice must include a specific reason for the nonrenewal.

PROGRAMS AND EMERGING TECHNOLOGIES

FINDING 8

The Department of Insurance administers the SC Safe Home program, which provides matching and non-matching grants to help coastal homeowners strengthen their owner-occupied, single-family homes against hurricane and high-wind damage.

BUILDING CODES

FINDING 9

The Department of Insurance has no regulatory role in building codes but maintains communication with the Building Codes Council and refers licensing and continuing education matters to LLR. While not a construction authority, the Department stresses that stronger building practices and improved industry education can reduce claim risks and support efforts to stabilize or lower insurance premiums in South Carolina.

RECOMMENDATIONS

During the study of the South Carolina Department of Insurance, the Healthcare and Regulatory Subcommittee (Subcommittee) of the House Government Efficiency and Legislative Oversight Committee (Committee) adopts **19 recommendations**.

With any study, the Committee recognizes these recommendations (e.g., continue, curtail, improve areas potentially, and/or eliminate agency programs, etc.) will not satisfy everyone nor address every issue or potential area of improvement at the agency. Recommendations are based on the agency's self-analysis requested by the Committee, discussions with agency personnel during multiple meetings, and analysis of the information obtained by the Committee. This information, including, but not limited to, the Initial Request for Information, Accountability Report, Restructuring Report, and videos of meetings with agency personnel, is available on the Committee's website.

RECOMMENDATION 1

The Committee recommends that the agency assesses its current human resources to determine whether adding data scientists with expertise in machine learning and predictive modeling would enhance its ability to evaluate insurance rates and identify market trends. This assessment should consider the agency's current analytical capacity, the volume and complexity of data used in rate review, and the potential benefits of advanced modeling techniques in improving regulatory oversight, detecting emerging patterns, and supporting data-driven decision-making.

RECOMMENDATION 2

The Committee recommends that the agency implements a modern, data-informed public outreach strategy emphasizing digital engagement, accessibility, and trust. Key initiatives should include leveraging social media platforms for interactive and timely communication, incorporating multimedia storytelling to highlight the impact of agency services, and hosting both in-person and virtual events to broaden community reach. The agency should also use analytics to evaluate outreach effectiveness, employ audience segmentation to tailor messaging, and maintain a mobile-friendly website written in plain language. Real-life testimonials and responsive digital communication will further enhance transparency and strengthen public confidence.

RECOMMENDATION 3

The Committee recommends that the agency evaluate available Customer Relationship Management (CRM) platform options to enhance complaint tracking, data organization, and targeted outreach. As part of this review, the agency should work with the Division of Procurement Services to assess CRM vendors available through the Statewide Term Contract for Constituent Management Services, as well as any other viable solutions. The agency should evaluate how these systems could improve responsiveness, trend analysis, and overall consumer service, and report its findings to the Committee.

RECOMMENDATION 4

The Committee recommends that, in coordination with the SC Safe Home Advisory Committee, the agency review the Omnibus Coastal Property Insurance Reform Act and identify opportunities to expand and sustainably fund the SC Safe Home program to assist homeowners beyond the state's coastal regions. A report outlining these recommendations should be submitted to the Committee within one year of the study report's approval.

RECOMMENDATION 5

The Committee recommends that the agency collaborate with the Department of Administration's IT Shared Services Division to enhance the efficiency, effectiveness, and innovation of its information technology operations. This collaboration should include evaluating opportunities to utilize available shared IT services, exploring the incorporation of artificial intelligence (AI) to support the agency's regulatory responsibilities and promote a fair, stable, and competitive insurance marketplace, and pursuing higher ACH and credit card processing limits to reduce reliance on manual payment methods and improve operational efficiency.

RECOMMENDATION 6

The Committee recommends that the agency conduct a targeted review of insurance providers operating in South Carolina to assess the extent and impact of revenue transfers between primary insurers and affiliated entities. The review should evaluate whether such transfers affect insurers' reported financial conditions, rate filings, or compliance with regulatory requirements. The agency should submit a report of its findings and any resulting recommendations for legislative or regulatory action to the General Assembly and the Committee no later than one year after approval of the Committee report.

RECOMMENDATION 7

The Committee recommends that the agency submit a report to the General Assembly and the Committee identifying consumer behaviors that contribute to increased insurance risk and costs. The report should draw on available claims and

market data, and include proposed legislative, regulatory, or educational strategies to help mitigate these behaviors, improve risk awareness, and promote downward pressure on insurance rates and premiums.

RECOMMENDATION 8

The Committee recommends that the agency establish a standardized process for documenting internal procedures, with priority given to critical functions such as training, auditing, and operational oversight. This protocol should ensure continuity of operations in the event of unplanned absences, staff transitions, or departures. All essential documentation should be completed within one year of the Committee's approval of the study report.

RECOMMENDATION 9

The Committee recommends that the agency conduct a review of legislation and regulatory actions adopted in other states concerning pharmacy benefit managers (PBMs). The review should assess which approaches most effectively enhance competition, transparency, and consumer access to affordable prescription drugs. The agency should submit a report of its findings and outline policy options applicable to South Carolina to the General Assembly and the Committee no later than one year after the Committee's approval of the study report.

RECOMMENDATION 10

The Committee recommends that the agency submit a summary of findings from its inaugural examination of pharmacy benefit managers (PBMs) to the General Assembly and the Committee. The summary should highlight key trends, compliance issues, and market impacts identified during the review, and may include recommendations for legislative or regulatory action to strengthen transparency and fair market practices.

RECOMMENDATION 11

The Committee recommends that the agency conduct a comprehensive user experience (UX) audit of its public website and develop a strategic improvement plan to enhance the site's

overall effectiveness. The plan should evaluate and address the following key areas: the usefulness and relevance of information provided; the accessibility and navigability of content for all users; the clarity and ease of locating critical information and resources; the accuracy and credibility of published materials; the visibility and integration of social media links; and the overall design quality and visual appeal of the website.

RECOMMENDATION 12

The Committee recommends that the agency review and update its current insurance education objectives to ensure they are appropriately designed and provide clear, accessible information about the insurance industry. (e.g., Stakeholder goals)

RECOMMENDATION 13

The Committee recommends that the South Carolina Department of Insurance revise its mission statement to explicitly include the protection of consumers from unfair or excessive insurance rates and the mitigation of unnecessary rate increases, ensuring the statement reflects the Department's full regulatory authority and consumer protection responsibilities under Title 38 of the South Carolina Code.

RECOMMENDATION 14

The Committee recommends that the Department finalize a comprehensive strategic plan, including clearly defined goals and associated key performance indicators, no later than the end of the FY25-26 fiscal year. This will provide the agency with a standalone, measurable framework to guide operations and assess progress over time.

LEGISLATIVE CHANGES

RECOMMENDATION 15

The Committee recommends that the General Assembly consider granting law enforcement the authority to impound a vehicle when the driver admits it is uninsured and the officer determines that the provided proof of insurance is fraudulent, with both conditions required for this authority to apply.

RECOMMENDATION 16

The Committee recommends that the General Assembly consider amending S.C. Code Section 38-75-1210 to limit or prohibit the use of mobile applications, connected devices, and online behavior tracking by insurance companies to collect detailed information on consumer lifestyle, health, property

usage, and financial activity, in order to protect consumer privacy and prevent unintentional bias that may lead to discriminatory outcomes.

RECOMMENDATION 17

The Committee recommends that the General Assembly consider modernizing the Omnibus Insurance Fraud and Reporting Immunity Act to include permanently moving the Insurance Fraud Division from the Attorney General's Office to DOI and increasing SLED and DOI appropriations, which will allow each agency to hire additional staff for the purpose of combating insurance fraud.

RECOMMENDATION 18

The Committee recommends that the General Assembly consider enacting legislation to update licensing requirements for insurance adjusters and establishes stronger consumer protections for public adjuster practices. Measures including mandatory filing and approval of public adjuster contract forms, timely delivery of estimates to policyholders, and a cap on public adjuster fees to help reduce inflated claims, lower overall claims costs, and contribute to broader efforts to stabilize or reduce homeowners' insurance rates in South Carolina. (See S.195)

RECOMMENDATION 19

The Committee recommends that the General Assembly update the South Carolina Safe Home Program to reflect current mitigation needs and construction costs by allowing flexibility in adjusting maximum grant amounts, clarifying eligibility to ensure funds are limited to owner-occupied single-family homes, and authorizing the inclusion of flood-insurance requirements for properties located in flood zones.