

# HEALTHCARE AND REGULATORY SUBCOMMITTEE

## Department of Insurance

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# AGENDA



SOUTH CAROLINA  
HOUSE OF REPRESENTATIVES  
GOVERNMENT EFFICIENCY &  
LEGISLATIVE OVERSIGHT COMMITTEE

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Healthcare and Regulatory  
Subcommittee

Chairman John R. McCravy, III

The Honorable Lucas Atkinson

The Honorable Kathy Landing

The Honorable Annie E. McDaniel

The Honorable Marvin “Mark” Smith

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AGENDA

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Tuesday, September 23, 2025

10:30 AM

Room 516 – Blatt Building

- I. Approval of Minutes of July 30, 2025 Meeting
- II. Discussion of the study of the Department of Insurance
- III. Adjournment

# MINUTES



**SOUTH CAROLINA  
HOUSE OF REPRESENTATIVES  
GOVERNMENT EFFICIENCY &  
LEGISLATIVE OVERSIGHT COMMITTEE**

Chair Jeffrey E. “Jeff” Johnson

Vice-Chair Chris Wooten

|                                    |   |                                  |
|------------------------------------|---|----------------------------------|
| Lucas Atkinson                     | Wendell K. Jones                          | Scott Montgomery                 |
| William H. Bailey                  | Kathy Landing                             | Michael Rivers                   |
| Phillip Bowers                     | John R. McCravy III                       | Richard B. “Blake” Sanders       |
| Gary S. Brewer Jr.                 | Annie E. McDaniel                         | Marvin “Mark” Smith              |
| Kambrell H. Garvin                 | Timothy A. “Tim” McGinnis                 | Robert Williams                  |
| Leon Douglas “Doug” Gilliam        | Travis A. Moore                           | Paul B. Wickensimer              |
| Lewis Carter<br>Research Director  | Cathy Greer<br>Administrative Coordinator | Roland Franklin<br>Legal Counsel |
| Charlie LaRosa<br>Research Analyst | Riley McCullough<br>Research Analyst      |                                  |

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Room 228 Blatt Building

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## MEETING MINUTES

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Wednesday, July 30, 2025

10:30 a.m.

Room 110 – Blatt Building

### Archived Video Available

- I. Pursuant to House Legislative Oversight Committee Rule 6.7, South Carolina ETV was allowed access for streaming the meeting. You may access an archived video of this meeting by visiting the South Carolina General Assembly’s website (<http://www.scstatehouse.gov>) and clicking on Committee Postings and Reports, then under House Standing Committees click on Legislative Oversight. Then, click on Video Archives for a listing of archived videos for the Committee.

### Attendance

- I. The Healthcare and Regulatory Subcommittee meeting was called to order by Chair John R. McCravy III on Wednesday, July 30, 2025, in Room 110 of the Blatt Building. All subcommittee members (Chair McCravy; Representative Lucas Atkinson; Representative Kathy Landing; Representative Annie E. McDaniel; Representative Marvin “Mark” Smith) were present for all or a portion of the meeting.

### Minutes

- I. House Rule 4.5 requires standing committees to prepare and make available to the public the minutes of committee meetings, but the minutes do not have to be verbatim accounts of meetings.

## Approval of Minutes

- I. Representative Smith made a motion to approve the meeting minutes from the prior meeting. A roll call vote was held, and the motion passed.

| <b>Rep. Smith motion to approve meeting minutes.</b> | Yea | Nay | Not Voting |
|--|-----|-----|------------|
| Rep. Atkinson  | ✓.  |     |            |
| Rep. Landing   | ✓.  |     |            |
| Rep. McCravy   | ✓.  |     |            |
| Rep. McDaniel  | ✓.  |     |            |
| Rep. Smith   | ✓.  |     |            |

## Discussion of Department of Insurance (DOI)

- I. Prior to beginning his testimony, Chair McCravy informs Michael Wise, DOI Director, that he remains under oath from the Public Input Meeting, March 19, 2025. Chair McCravy also acknowledges that the rest of the DOI staff that will present were sworn in at the first meeting, May 27, 2025.
- II. Deputy Director Watson then continues presenting his portion of the presentation.
- III. Topics of Discussion include:
  - a. Financial Regulation & Solvency
  - b. Pharmacy Benefit Managers
  - c. Consumer & External Affairs
  - d. Consumer complaints
  - e. Agency outreach

Throughout the testimony, members ask questions to Director Wise and his staff that presented, which they respond accordingly.

## Adjournment

- I. There being no further business, the meeting is adjourned.

# AGENCY OVERVIEW

# DEPARTMENT OF INSURANCE OVERVIEW



## EMPLOYEES

112

Authorized FTEs

## FUNDING

\$16,224,365

Total Funds

## ABOUT

The Department of Insurance is an agency of the Governor's Cabinet. It is managed and operated by the Director appointed by and serves at the will of, the Governor upon the advice and consent of the South Carolina Senate.

## MISSION

The mission of the State of South Carolina Department of Insurance (SCDOI) is to protect the insurance consumers, the public interest, and the insurance marketplace by ensuring the solvency of insurers; by enforcing and implementing the insurance laws of this State; and by regulating the insurance industry in an efficient, courteous, responsive, fair, and equitable manner.

## VISION

The Department of Insurance envisions a competitive and financially stable insurance marketplace. To this end, the Department regulates the insurance marketplace by firmly and fairly implementing and enforcing the insurance laws.

## AGENCY LEADERSHIP

- ❖ Tom Watson – Agency Director
- ❖ Diane Cooper – Deputy Director, Consumer and External Affairs
- ❖ Gwen Fuller-McGriff – Deputy Director, Legal, Legislative, & External Affairs
- ❖ Geoffrey Bonham – Deputy Director, Financial Regulation and Solvency
- ❖ Tommy Watson – Deputy Director, Administration

## DEPARTMENTS

- ❖ Executive Services
- ❖ Division of Administration
- ❖ Division of Licensing and Consumer Services
- ❖ Office of Legal, Legislative & External Affairs
- ❖ Fraud Division
- ❖ Division of Financial Regulation & Solvency
- ❖ Division of Actuarial and Market Services

## HISTORY

- ❖ **1908** - The Insurance Department was a part of the Comptroller General's Office until 1908 when the South Carolina Insurance Commission was created.
- ❖ **1947** – The Commission became a formal department, with the SCDOI becoming the state agency responsible for regulating the insurance industry in SC.
- ❖ **1995** – State Government Restructuring Act  
In 1995, the Department became a cabinet agency with a director appointed by the Governor upon advice and consent of the Senate. Lee Jedziniak was appointed the first Director of Insurance in 1995.
- ❖ **2007** – The South Carolina Safe Home Program was established through the Omnibus Coastal Property Insurance Reform Act of 2007.
- ❖ **2019** – South Carolina began regulating Pharmacy Benefit Managers (PBM) in accordance with SC Act No. 48.
- ❖ **2021** – The Office of the Attorney General, SLED, and the Department of Insurance executed a Memorandum of Understanding to relocate the Insurance Fraud Division to the Department of Insurance.



# AGENCY PRESENTATION

# SOUTH CAROLINA DEPARTMENT OF INSURANCE



# DIRECTOR MICHAEL WISE

- Michael Wise was appointed Director of the South Carolina Department of Insurance in May 2023, following the retirement of Raymond G. Farmer.
- Prior to his appointment as Director, he served as Deputy Director of the Actuarial and Market Services division, responsible for actuarial analyses, policy form and rate reviews, and the monitoring of traditional insurance markets.
- He is an active participant in the National Association of Insurance Commissioners.
- Wise holds a bachelor's degree in mathematics -economics from Furman University, is an Associate of the Casualty Actuarial Society, a member of the American Academy of Actuaries, and a recent graduate of the South Carolina Executive Institute.
- Wise is also a recent recipient of the American Academy of Actuaries Rising Actuary Award.



# STATUTORY AUTHORITY

## Title 38

The Department of Insurance receives its authority and statutory duties from Title 38 of the South Carolina Code of Laws.

## Duties of the Director

Section 38-3-110 outlines the duties of the Director. It says he must:

- (1) supervise and regulate the rates and service of every insurer in this state and fix reasonable standards, classifications, regulations, practices, and measurements of service to be observed and followed by every insurer doing business in this State.
- (2) see that all laws of this state governing insurers or relating to the business of insurance are faithfully executed and make regulations to carry out this title and all other insurance laws of this State.
- (3) report criminal violations to the Attorney General or other appropriate law enforcement.
- (4) institute civil actions, either through his office or the Attorney General, relative to the business of insurance or the provisions of this title which he considers necessary to institute.
- (5)(a) the director may hold a public hearing in the seacoast area to offer an opportunity to discuss the South Carolina Wind and Hail Underwriting Association
- (b) engage in efforts to provide market assistance and promote consumer education to SC residential property insurance consumers
- (c) produce an annual report to the legislature on the Coastal Property Insurance Market

# Mission Statement

The mission of the South Carolina Department of Insurance is to protect the insurance consumers, the public interest, and the insurance marketplace by ensuring the solvency of insurers; by enforcing and implementing the insurance laws of this State; and by regulating the insurance industry in an efficient, courteous, responsive, fair, and equitable manner.



# SCDOI Significant Historical Events

1908



The Insurance Department was a part of the Comptroller General's Office until 1908 when the South Carolina Insurance Commission was created.

1947



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1995



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# SCDOI Significant Historical Events

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2021



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# INSURANCE COMMISSIONERS AND DIRECTORS

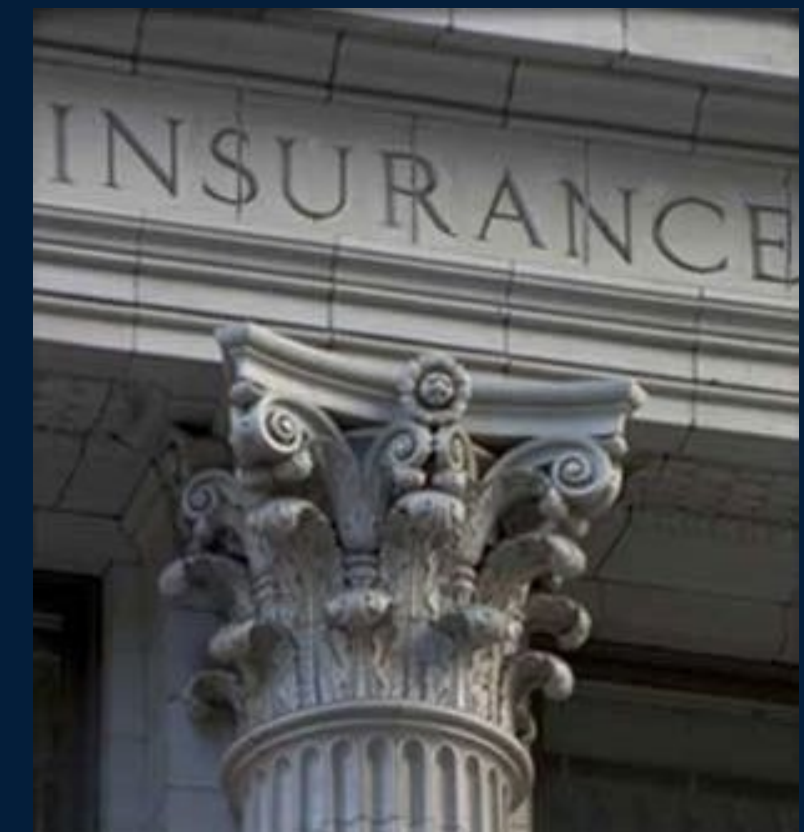
FITZHUGH MCMASTER 1908 - 1917  
WILLIAM MCSWAIN 1918 - 1921  
JOHN J. MCMAHAN 1922 - 1927  
SAM B. KING 1928 - 1941  
WILLIAM EGLESTON 1942 - 1943  
D.D. MURPHY 1944; 1949 - 1953  
L. GEORGE BENJAMIN 1945 - 1947  
R. LEE KELLY 1954 - 1957  
WILLIAM F. AUSTIN 1960 - 1963  
CHARLES GAMBRELL 1964 - 1966  
LEROY BRANDT 1967 - 1969  
JOHN W. LINDSAY 1970 - 1972; 1975 - 1981  
HOWARD B. CLARK 1973 - 1974  
ROGERS T. SMITH 1982 - 1984  
JOHN RICHARDS 1985 - 1995  
SUZANNE MURPHY 3/1995 - 6/1995

LEE P. JEDZINIAK (FIRST DIRECTOR) 1995 - 1999  
ERNST CSISZAR 1999 - 2004  
GWENDOLYN F. MCGRIFF AND WALTER "TIMOTHY"  
BAKER (ACTING CO - DIRECTORS) 2004 - 2005  
ELEANOR KITZMAN 2005 - 2007  
SCOTT RICHARDSON 2007 - 2011  
DAVID BLACK 2/2011 - 12/2011  
GWENDOLYN MCGRIFF (INTERIM) 1/2012 - 12/2012  
RAYMOND G. FARMER 2012 - 2022  
MICHAEL WISE 2023 - PRESENT



# Federal & Local Counterparts

- The McCarran-Ferguson Act, passed in 1945, established the current regulatory regime of state regulation for the insurance industry in the United States.
- The Act reaffirmed the authority of individual states to regulate and tax the insurance industry within their borders. This means insurance companies must comply with state laws regarding licensing, rates, and other practices.
- As such, there are no overlapping federal or local counterparts.



# ORGANIZATIONAL OVERVIEW

❖ ADMINISTRATION

❖ LEGAL, LEGISLATIVE &  
REGULATORY AFFAIRS

❖ FINANCIAL REGULATION &  
SOLVENCY

❖ FRAUD DIVISION

❖ CONSUMER & EXTERNAL  
AFFAIRS

❖ MARKET SERVICES DIVISION

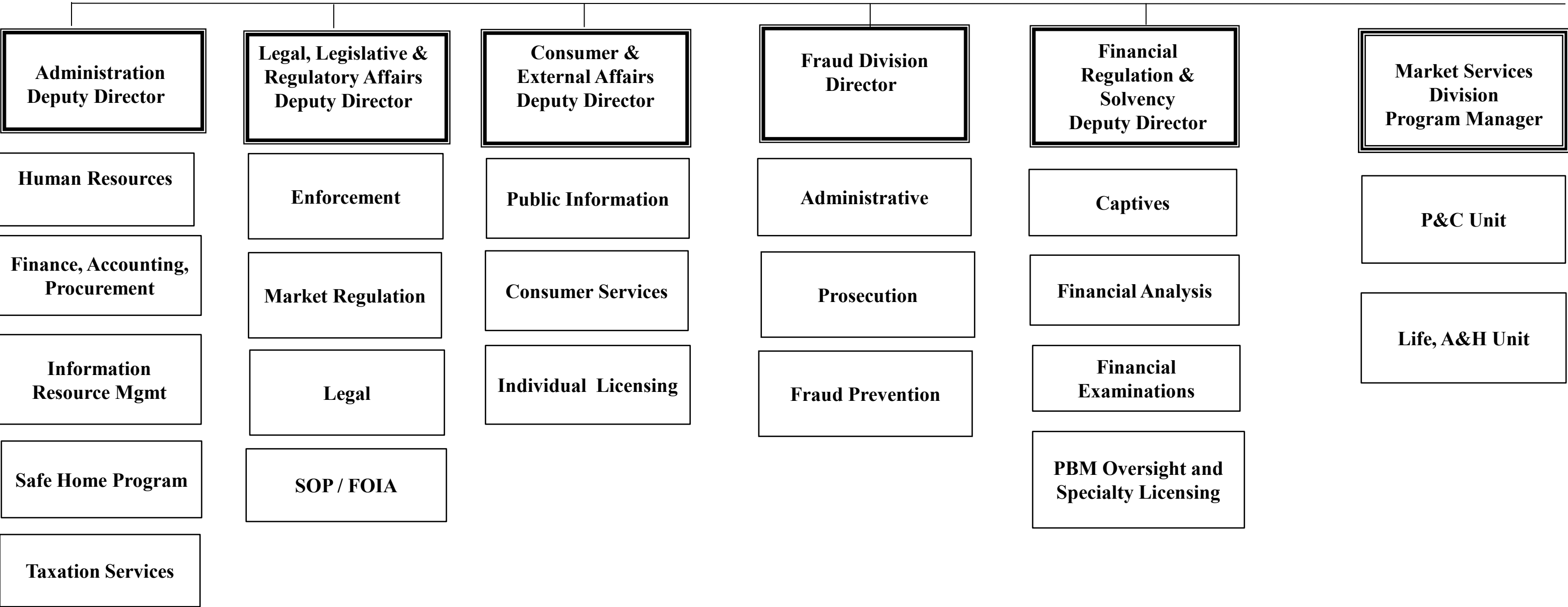
❖ ACTUARIAL SERVICES

**South Carolina Department of Insurance  
Organizational Chart**

**Governor**

**Agency Director  
Department of Insurance**

Executive Administration



# Administration

The Administration area provides administrative support to all areas of the Department of Insurance.

This division provides human resource management for department personnel, monitors compliance with the department's policies and procedures, provides procurement and fiscal operations services and maintains department records. Information technology and network security is managed by the Administration division.

This division also includes Taxation (premium taxes collected and calendar year audits of tax returns) and SC Safe Home which provides grants to homeowners in SC coastal counties to help retrofit their homes.

Tom Watson, Deputy Director, Administration

# LEGAL, LEGISLATIVE & REGULATORY AFFAIRS

This area provides a variety of legal services to the regulatory units of the Department of Insurance.

The office represents the Department before state and federal courts and other administrative tribunals, drafts legal documents, and advises other program areas of the Department of Insurance on legal issues that arise in the course of their work.

The office also initiates enforcement or administrative disciplinary action against Department licensees and those entities engaging in unauthorized transactions of insurance business.

Gwendolyn McGriff, Deputy Director, Legal, Legislative & Regulatory  
Affairs

# FINANCIAL REGULATION & SOLVENCY

The Financial Regulation & Solvency division licenses all insurers doing business in SC and ensures that domestic insurers remain solvent.

It must occasionally place restrictions on companies prior to licensing them and monitors these companies' compliance.

The division continually reviews the financial condition of all domestic insurers and conducts detailed financial examinations of companies every five years or as otherwise required by law. When necessary, the division makes recommendations to the Director regarding appropriate administrative and regulatory action in accordance with the SC Code of Laws.

A key function of this division is the promotion of the captive insurance industry in South Carolina.

The Office of PBM Oversight and Specialty Licensing also falls under this division.

Geoffrey R. Bonham, Deputy Director, Financial Regulation & Solvency

# FRAUD DIVISION

The Insurance Fraud Division works to raise consumer awareness of the various forms of insurance fraud and investigates and prosecutes perpetrators of insurance fraud in South Carolina.

Joshua R. Underwood, Special Assistant Attorney General Director,  
Insurance Fraud Division

# CONSUMER & EXTERNAL AFFAIRS

**The Office of Consumer Services (OCS)** provides assistance to consumers on a wide range of insurance claim and policy issues. The office responds to inquiries, market assistance requests, and consumer complaints. Members of the OCS team travel around the state participating in educational and hurricane preparedness events.

**The Office of Individual Licensing** oversees the licensure of individuals and agencies conducting the business of insurance in South Carolina. They process applications, monitor CE requirements for agents, manage producer appointment renewals, process 1033 waiver applications, and manage the licensure of bondsmen.

**The Public Information Office** is responsible for disseminating information to the public using various mediums. The office responds to media inquiries and ensures that information is shared between different divisions.

Diane Cooper, Deputy Director, Consumer

& External Affairs



# MARKET SERVICES DIVISION

This division is responsible for reviewing policy forms, rates, and rule filings from insurers that provide property, casualty, life, accident and health products.

Michael Wise, Director

# ACTUARIAL SERVICES DIVISION

The Actuarial Services division provides actuarial analyses to all program areas, notably ratemaking and reserving.

Michael Wise,  
Director

# Key Issues

Matters that have recently been of particular interest to the Department and SC consumers.



# COASTAL PROPERTY INSURANCE

Catastrophe exposed property markets are experiencing difficulties throughout the country.

This is driven by several things:

- drain on surplus from natural disasters impacting the US and other parts of the world (reinsurance is global)
- rising reinsurance costs
- lack of reinsurance capacity
- rating agency downgrades
- increase in frequency and severity of natural disasters
- higher repair and replacement costs
- inflationary pressures
- insurance fraud

We've seen a handful of coastal writers exit the state during the past several years, but we have worked with other carriers in an effort to ensure continuity of coverage for the impacted policyholders when possible.

# COASTAL PROPERTY INSURANCE

- The South Carolina Wind and Hail Underwriting Association (SCWHUA) has not seen a significant increase in policies; some large (non-coastal specialist) carriers are picking up more coastal business.
- We've been reviewing rate filings and working with companies to ensure rate adequacy. It's paramount that insurers have sufficient funds available to pay claims.
- Rising home values means more insurance coverage is needed, resulting in higher premiums.



# COASTAL PROPERTY INSURANCE

The SCDOI is taking steps to address the difficulties facing the coastal property insurance market, such as:

- Working to identify quality insurers not operating in SC so that we can recruit them to conduct business in our state.
- Placing more conditions on new certificates of authority for property writers, including:
  - minimum risk-based capital maintenance thresholds
  - limitations on premium writings within the state
  - Larger deposits specifically for the benefit of South Carolina policyholders. For example, we've required carriers to have as much as an \$8 million deposit when warranted.
- Increased internal communication among Department divisions, particularly financial regulation, consumers, and rates and forms units.

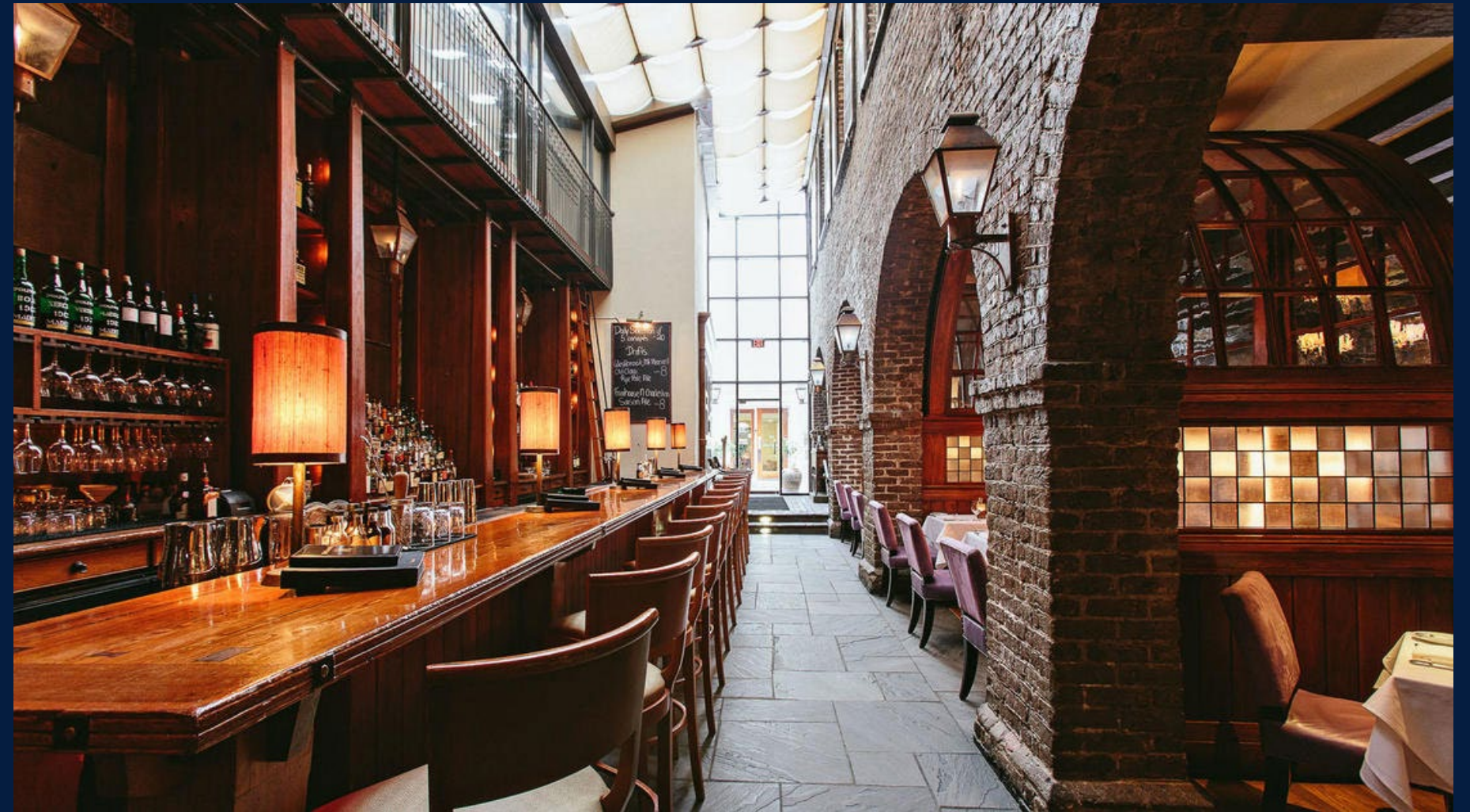
**Consumers can:**

- speak with a trusted insurance agent,
- shop around well in advance of their policy renewal date,
- and consider coverage adjustments (e.g., higher deductible) that could best fit their situation.



# LIQUOR LIABILITY

- The liquor liability insurance market in South Carolina is troubled. South Carolina bars and restaurants have faced problems with the availability and affordability of this coverage.
- The Department has compiled and analyzed data from insurers authorized to write liquor liability insurance coverage in South Carolina and presented this information to the Legislature.
- Companies have lost about \$1.77 for every \$1 of premium earned over the last six years.
- In the worst year, companies lost \$2.60 per \$1 of premium earned.
- The same insurers have experienced better results in neighboring states, realizing a net profit.



# Federal Encroachment On State -Based Regulation

- Attempted Duplication of State Regulation
- International Confusion
- Potential for Politicization
- Cost and Burden
- Concerns about Data Collection
- Insurance concerns are localized and therefore, better addressed at the state level.





# Private Equity

- Private equity firms are increasingly investing in insurance companies, and insurance companies are investing into private equity for higher returns.
- Since the 2008 financial crisis, U.S. insurance companies increasingly acquired private equity investments.
- Additionally, there has been a recent trend of private equity companies acquiring insurance companies and investing their capital.
- Private equity investments are potentially more risky and more illiquid than other assets, but for institutional investors the high expected returns are a major attraction.



# Budget Overview

**FY25 Budget as of 1/23/2025:**

**Total: \$26,685,106**

**State Appropriations:**

**\$ 8,527,826 (a)**

**Other Funds: \$18,157,280 (b)**

(a) Includes \$663,631 carryforward for the Fraud Program.

(b) Includes \$200,000 increase in the uninsured motorist – admin. fund for laptop refresh and \$2,800,000 increase in the Safe Home mitigation fund for excess cash due to homeowners cancelling because of rising prices. Homeowners were unable to come up with their portion of the retrofits.

# Budget Overview

Much of the Department's appropriated budget for FY25 (\$26,685,106) represents pass throughs (47%).

-

22% - Safe Home (\$5,904,632)

8% - Uninsured Motorists Distributions (\$2,155,000)

17% - Solvency and Captives (\$4,711,824)

In FY24, the SCDOI collected **\$376,341,094** in revenue from taxes, fees, assessments, fines, etc. and deposited **\$361,550,737** into the State's General Fund.

# Budget Overview

## Expenditures/ Appropriations Chart

### Base Budget Expenditures and Appropriations

| MAJOR BUDGET CATEGORIES       | FY 23-24 ACTUAL EXPENDITURES |                     |
|-------------------------------|------------------------------|---------------------|
|                               | Total Funds                  | General Funds       |
| Personal Service              | \$ 6,579,385                 | \$ 3,660,165        |
| Other Operating               | \$ 4,776,118                 | \$ 1,452,610        |
| Special Items                 |                              |                     |
| Permanent Improvements        |                              |                     |
| Case Services                 |                              |                     |
| Distributions to Subdivisions | \$ 2,153,908                 |                     |
| Fringe Benefits               | \$ 2,714,955                 | \$ 1,515,270        |
| Non-recurring                 |                              |                     |
| <b>Total</b>                  | <b>\$16,224,366</b>          | <b>\$ 6,628,045</b> |

# Budget Overview

| MAJOR BUDGET CATEGORIES       | FY 24-25 APPROPRIATIONS ACT |                    | Actuals (YTD 12-30-24) |
|-------------------------------|-----------------------------|--------------------|------------------------|
|                               | Total Funds                 | General Funds      |                        |
| Personal Service              | \$ 8,784,204                | \$4,921,774        | \$ 3,847,813           |
| Other Operating               | \$ 12,548,058               | \$1,900,897        | \$ 3,092,284           |
| Special Items                 |                             |                    |                        |
| Permanent Improvements        |                             |                    |                        |
| Case Services                 |                             |                    |                        |
| Distributions to Subdivisions | \$ 2,155,000                |                    | \$ 2,154,510           |
| Fringe Benefits               | \$ 3,197,843                | \$1,705,155        | \$ 1,583,787           |
| Non-recurring                 |                             |                    |                        |
| <b>Total</b>                  | <b>\$ 26,685,105</b>        | <b>\$8,527,826</b> | <b>\$10,678,394</b>    |

# AUTHORIZED FTE BASE

AS OF  
01/02/2025

|                                      |                                 |  |
|--------------------------------------|---------------------------------|--|
| AUTHORIZED<br>TOTAL FTE<br>112       | AUTHORIZED<br>STATE FTE<br>53.3 | AUTHORIZED<br>OTHER FTE<br>58.7        |
| CURRENT<br>VACANT<br>POSITIONS<br>21 | AUTHORIZED<br>FEDERAL FTE<br>0  | POSITIONS<br>CURRENTLY<br>POSTED<br>11 |

# FTE Turnover Rates

7/1/2023 to  
6/30/2024  
**One Year**

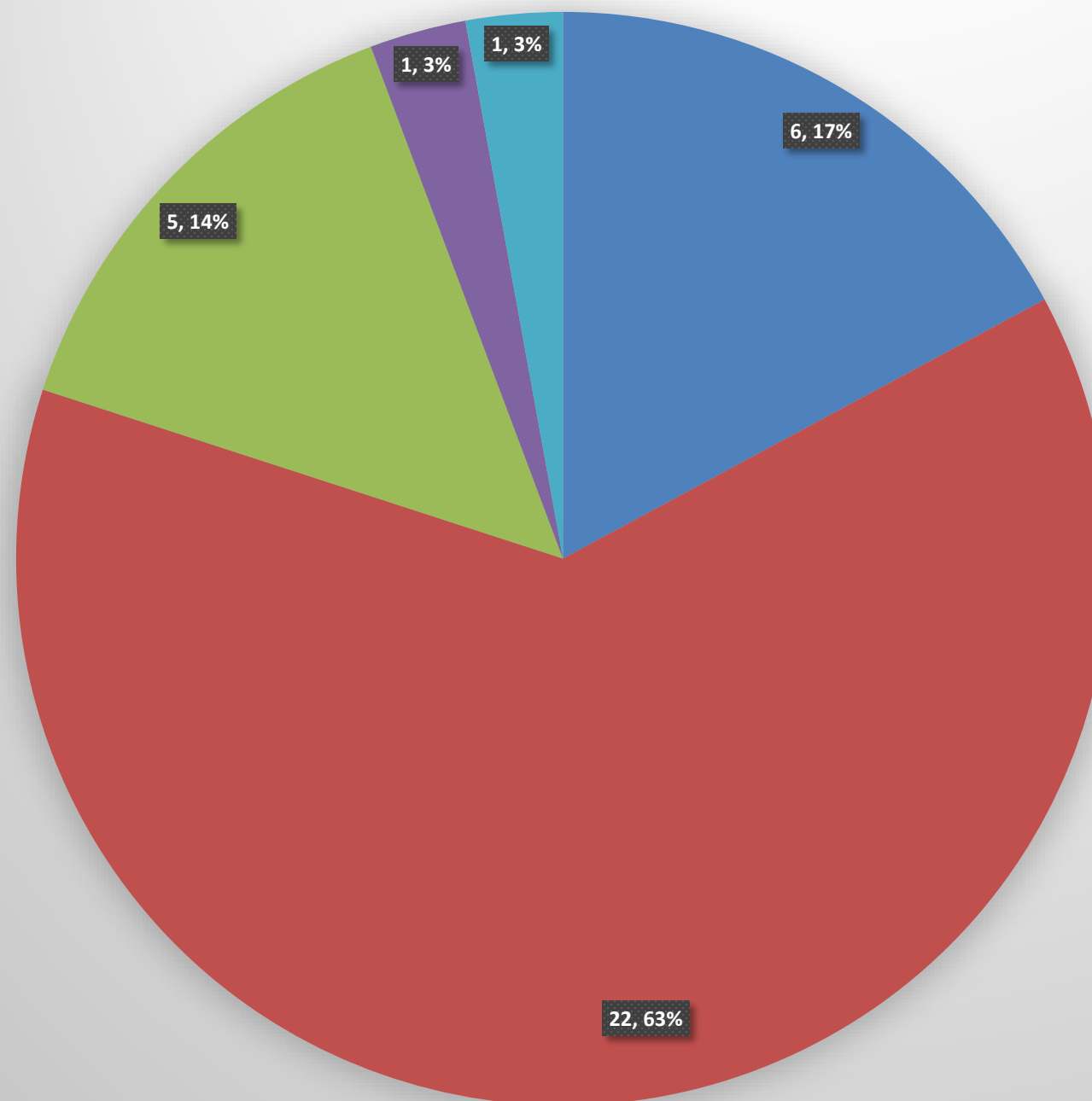
16.3%

7/1/2024 to  
12/31/2024  
**Six Months**

11.0%

1/1/2025 to  
4/30/2025  
**Five Months**

12.2%



## Reasons for Separation

- Diff Job/Diff State Agency
- Employed Outside State Gov
- Retirement
- Term - No Grievance Rights
- Violation of Agency Policy

# Administration

The Administration division provides administrative support to all areas of the Department of Insurance.

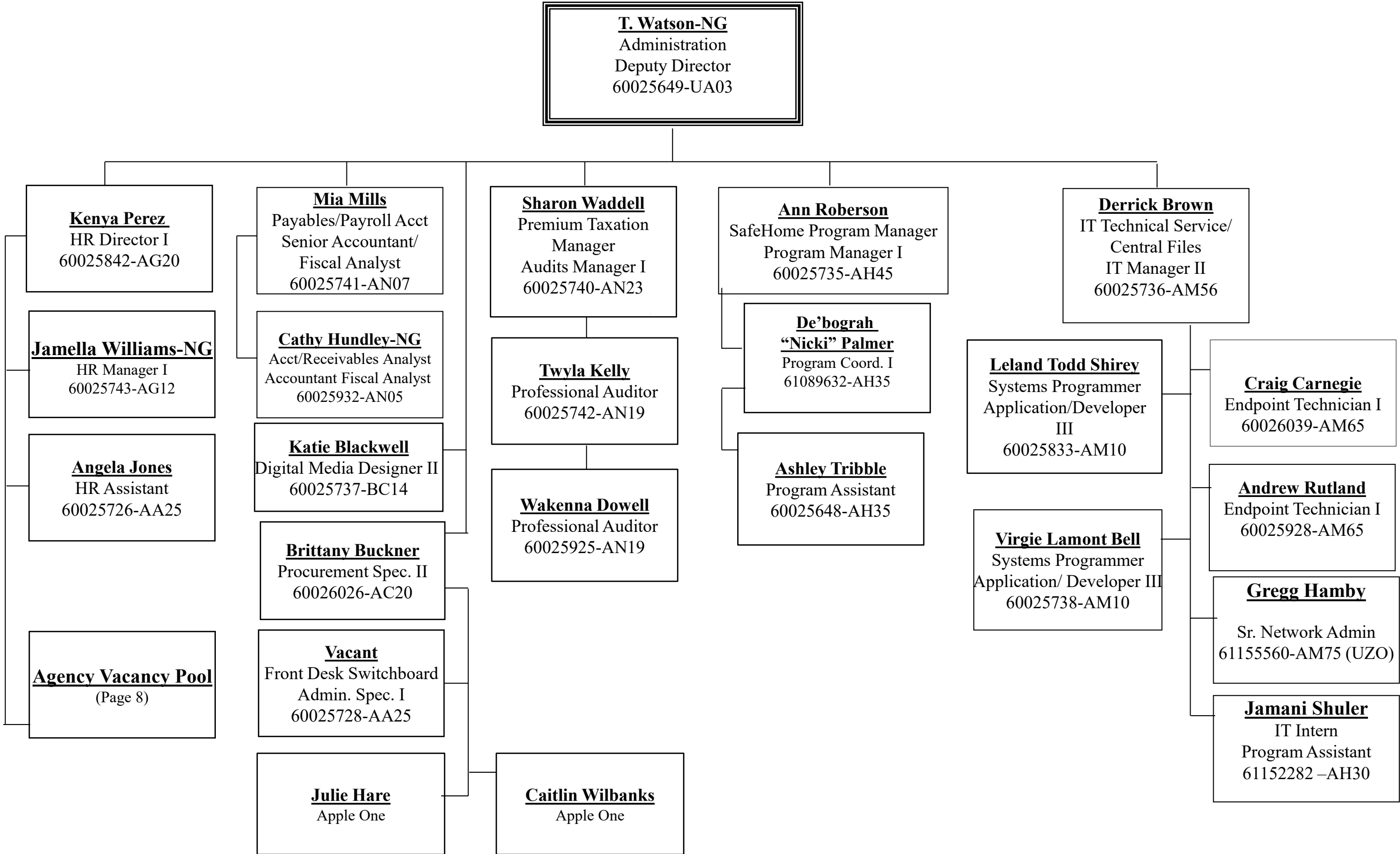
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This division also includes Taxation (premium taxes collected and calendar year audits of tax returns) and SC Safe Home which provides grants to homeowners in SC coastal counties to help retrofit their homes.

Tom Watson, Deputy Director, Administration



**South Carolina Department of Insurance  
Division of Administration**



# Human Resources



Plans and administers workforce planning management programs and procedures for the SC Department of Insurance, including employee relations, classification and compensation, benefits, training, and other human resources programs. Manages the recruitment and selection function, including the hiring levels, posting, and advertising vacancies, evaluating applicant qualifications, coordinating EEO reviews, recommending salaries, and developing or securing supporting documentation for hiring levels. Maintains both federal and state compliance.

# Accounting

Develops and maintains standard accounting systems and internal controls, including recording, processing, and compiling of financial data by normal accounting processes. Responsible for all expenditures and collections. Responsible for preparing and processing payroll. Monitors cash and budget. Prepares weekly, monthly, and yearly reports.



# TAXATION

All insurance companies, including risk retention groups, captive insurance companies, and health maintenance organizations licensed to do business in SC must file their premium tax forms and fees with the Department by March 1 of each year.

Companies that file quarterly estimates must file those with the Department on or before June 1, September 1, and December 1. Taxation performs annual audits of insurance company premium tax filings. We also collect surplus lines premium taxes from Brokers .



# SC SAFE HOME MITIGATION GRANT PROGRAM

The South Carolina Safe Home program provides matching and non-matching grant funds to help coastal property owners retrofit their homes to make them more resistant to hurricanes and high-wind damage. The funds provided by this program are for the sole purpose of retrofitting owner-occupied, single-family homes. SC Safe Home funds may not be used for remodeling, home repair, or new construction.



| Mitigation Award Type                                     | Award Amounts  |
|---|--|
| Resilient Mitigation Award                                | Non-matching Grants: \$7,500.00<br>Matching Grants: \$6,000.00 |
| Sustainable Mitigation Award                              | Non-matching Grants: \$5,000.00<br>Matching Grants: \$4,000.00 |
| Hurricane Shuttering and Protective Barrier Systems Award | Non-matching and Matching: \$3,000.00                          |



# Information Technology

Manages all information technology for the Department including hardware, networks, phones, and applications/software. Provides end-user support. Ensures network and security are current and compliant with standards. Monitors network traffic and applications for suspicious activity.



# Customers

The Administration division provides support to all areas of the Department of Insurance, and serves external customers such as:

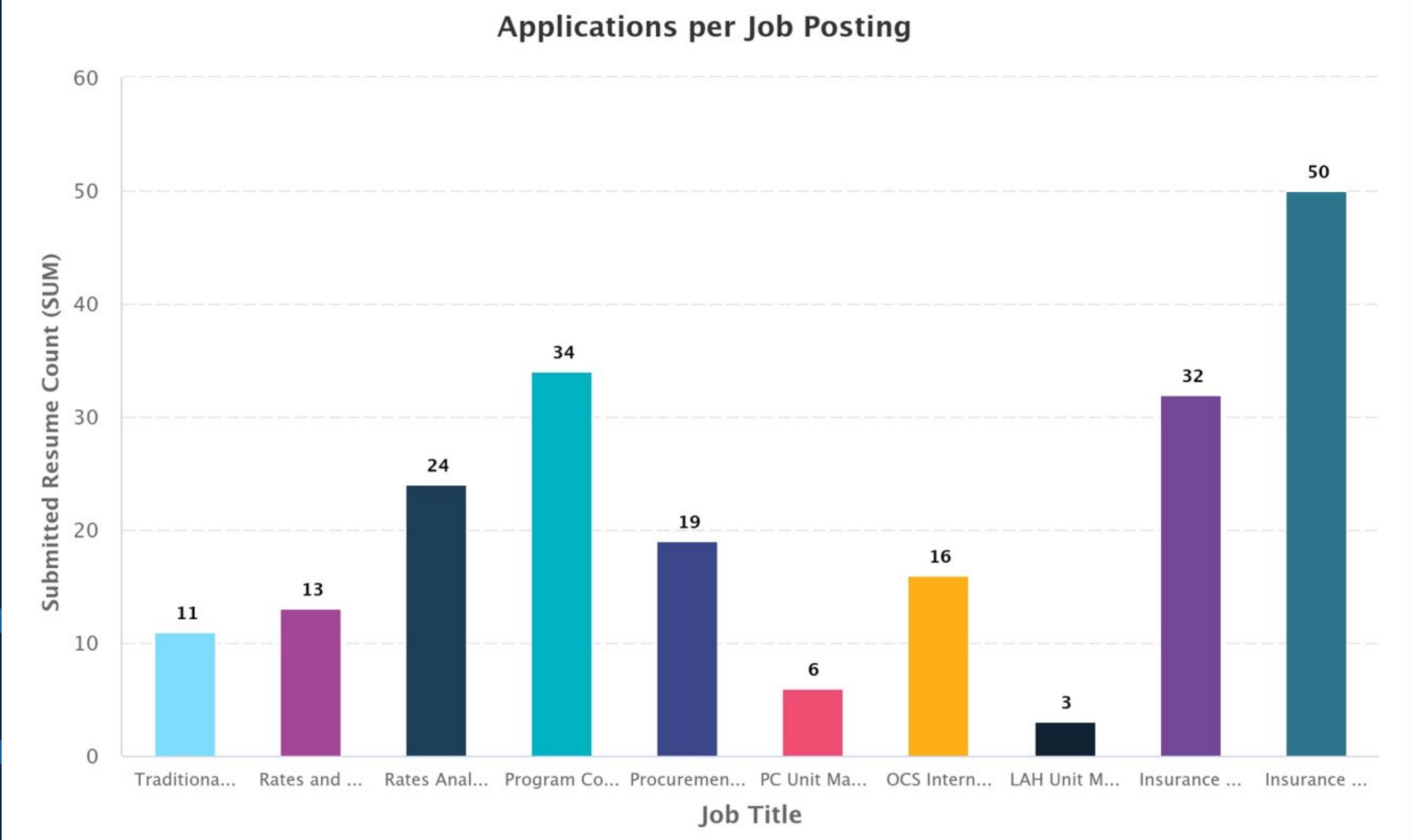
- Insurance companies including captives, producers, brokers, agents, premium tax preparers
- Vendors, homeowners, contractors, inspectors
- State agencies such as Comptroller General's Office, State Legislature, State Treasurer's Office, Human Resources, State Procurement, SC Revenue and Fiscal Affairs, SC Dept. of Admin., State Auditors Office, SFAA - Insurance Reserve, State Accident Fund, SCEIS (Dept. of Admin), Governor's Office, Attorney General's Office
- Municipal Association of SC
- SC Medical Malpractice Association
- Insurance Institute for Business & Home Safety (IBHS)
- Tyler Technologies
- National Association of Insurance Commissioners (NAIC)



# Administration's Metrics

January 2025 - May 2025

➤ Human Resources





# Administration's Metrics

## ➤ Human Resources

### January 2025 - May 2025 Recruitment Summary

Total Job Postings: 25

Total Applications Received: 672

Total Job Posting Views: 1,310



# Administration's Metrics

➤ Accounting – Electronic Payments

| Period            | Revenues Collected    |
|-------------------|-----------------------|
| FY24              | 464,204,294.79        |
| FY25 thru 5-12-25 | 457,561,631.99        |
| <b>Totals</b>     | <b>921,765,926.78</b> |

**Counts of Receipts**

|                   | ACH Payments     | Credit Card Payments | Manual Payments | Manual %     | Electronic %  |
|-------------------|------------------|----------------------|-----------------|--------------|---------------|
| FY24              | 596,137          | 89                   | 5,192           | 0.86%        | 99.14%        |
| FY25 thru 5-12-25 | 481,531          | 67                   | 4,754           | 0.98%        | 99.02%        |
| <b>Totals</b>     | <b>1,077,668</b> | <b>156</b>           | <b>9,946</b>    | <b>0.91%</b> | <b>99.09%</b> |

79% of the manual payments are from Service of Process. A system we will discuss later on in our efforts to automate. The majority of the other 21% are from insurance companies and brokers that have payments exceeding the \$1,000,000 cap for ACH and credit cards.

# Administration's Metrics

## ➤ Accounting FY24 Payables/Invoices, Reporting and Tracking

- FY24 Payables – *invoices are routinely paid within 2 days of receipt*
  - Processed over 1,588 expenditure invoices for a total of \$7,013,773
  - Processed over 300 refunds or revenue payments for a total of \$61,849,135
    - \$ 1,477,468 to SC Medical Malpractice Association
    - \$36,243,992 to Municipal Association of SC
- Reporting Activities
  - Weekly
    - Cash Balances
    - Vendor Payments YTD
    - Common Allocation Splits
  - Monthly
    - Cash and Accounts Receivable Balances
    - Budget to Actual, including Cash Budget
    - Revenues
    - Approved Staff Training
    - Large Vendor Payments (> \$5k) during the month
  - Bi-Monthly
    - Personnel Payroll and Fringe Projections



# Administration's Metrics

➤ Taxation Calendar Year 2024 Premium Tax Audits

|                         |            |            |    |      |       |
|-------------------------|------------|------------|----|------|-------|
| <i>State's Recap---</i> |            | % Complete | 1  | Tot  | 1,907 |
| Latest Count Date       | 05/14/2025 | 82.49%     |    | Done | 1,573 |
|                         |            | % Complete | 1  | Tot  | AK    |
|                         |            | 100.0%     | 1  | Done | AK    |
|                         |            | % Complete | 30 | Tot  | AL    |
|                         |            | 96.7%      | 29 | Done | AL    |
|                         |            | % Complete | 3  | Tot  | AR    |
|                         |            | 100.0%     | 3  | Done | AR    |
|                         |            | % Complete | 42 | Tot  | AZ    |
|                         |            | 95.2%      | 40 | Done | AZ    |
|                         |            | % Complete | 40 | Tot  | CA    |
|                         |            | 100.0%     | 40 | Done | CA    |
|                         |            | % Complete | 0  | Tot  | CN    |
|                         |            | #DIV/0!    | 0  | Done | CN    |
|                         |            | % Complete | 14 | Tot  | CO    |
|                         |            | 100.0%     | 14 | Done | CO    |

Partial Snapshot

# Administration's

# Metrics

➤ Taxation Calendar Year 2025 Brokers - Surplus Lines Premium Tax  
~ 526 Brokers


| Brokers-->Qtrly Taxes - Owed versus Paid |      |            |                      |                   |              | Year--> 2025      | /--Select for "Closed Quarters ONLY"--/ |   |   |   |  |
|--|------|------------|----------------------|-------------------|--------------|-------------------|---|---|---|---|--|
|  |      |            |                      |                   |              | 05/14/2025        | **                                      |   |   |   |  |
|  |      |            |                      |                   |              |                   | From Jan thru Mar                       | From Apr thru Jun                       | From Jul to Sep                         | From Oct thru Dec                       |  |
| First                                    | Last | key_indvdl | phn_contact_phn_extn | txt_contact_email | num_tax_year | txt_email_address | 1st Qtr Balance (Credit) Owes SCDOI     | 2nd Qtr Balance YTD (Credit) Owes SCDOI | 3rd Qtr Balance YTD (Credit) Owes SCDOI | 4th Qtr YTD Balance (Credit) Owes SCDOI |  |
| Totals                                   |      |            |                      |                   |              |                   | 233,516.60                              | 16,940,352.27                           | 16,940,352.27                           | 16,940,352.27                           |  |

\*\* Represents month that payments are due based on current date when generated.

# Administration's Metrics


➤ Safe Homes – Online Portal

The South Carolina Safe Home program is not accepting new applications



Sign In to continue your existing application

Email Address

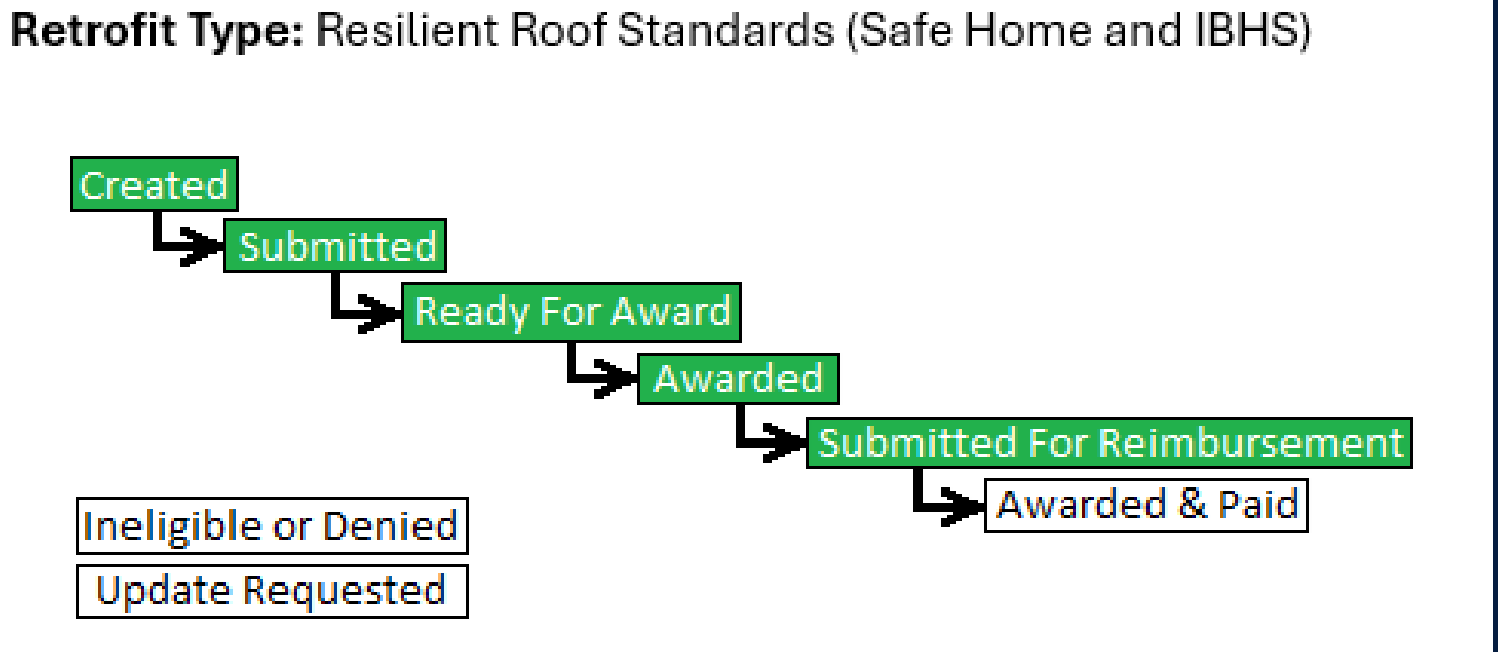
Password  

Log in

[Click Here](#) to be notified when funding is available.  
Having trouble logging in? [Reset Password](#)

Need Help? [Watch the video tutorials](#)  
or [Visit the SC Safe Home webpage](#)

[Privacy](#) | [Disclaimer](#)



# Administration's Metrics

➤ Safe Homes – Online Portal

| Homeowner To-do's  |                                      |                         |               |   |  |
|--------------------|--------------------------------------|-------------------------|---------------|---|--|
| <u>Assigned To</u> | <u>Task List</u>                     | <u>Action</u>           | <u>Status</u> | <u>Other Information</u>  |  |
| Homeowner          | Application                          | <a href="#">Edit</a>    | Complete      | 3/6/2025 11:44:39 AM ⓘ  |  |
| Homeowner          | Select Inspector                     | <a href="#">Change</a>  | Complete      | Self ⓘ  |  |
| Homeowner          | Approve Home Survey Checklist        | <a href="#">Edit</a>    | Complete      | 3/16/2025 4:00:59 PM ⓘ  |  |
| Homeowner          | Approve Recommended Improvements     | <a href="#">Edit</a>    | Complete      | 3/17/2025 10:14:09 AM ⓘ   |  |
| Homeowner          | Elevation Certificate / Flood Policy | <a href="#">Upload</a>  | Complete      | 2 file(s) 📎   |  |
| Homeowner          | Proof of Income                      | <a href="#">Upload</a>  | Complete      | 2 file(s) 📎   |  |
| Homeowner          | Proof of Homeowners Insurance        | <a href="#">Upload</a>  | Complete      | 1 file(s) 📎   |  |
| Homeowner          | County Tax Assessment                | <a href="#">Upload</a>  | Complete      | 1 file(s) 📎   |  |
| Homeowner          | Request Contractor(s) Estimate(s)    | <a href="#">Request</a> | Complete      | 3/17/2025 12:19:14 PM ⓘ   |  |
| Homeowner          | Select Contractor                    | <a href="#">Change</a>  | Complete      | <div style="background-color: #007bff; width: 100px; height: 15px; display: inline-block;"></div> ⓘ |  |
| Homeowner          | Approve Contractor Estimate          | <a href="#">Edit</a>    | Complete      | 4/14/2025 9:15:44 PM ⓘ  |  |
| Homeowner          | Approve Reimbursement Form           | <a href="#">View</a>    | Complete      | 4/30/2025 3:49:42 PM ⓘ  |  |



# Administration's Metrics

➤ Safe Homes – Online Portal

| Inspector To-do's  |                           |                                       |               |                          |  |
|--------------------|---------------------------|---------------------------------------|---------------|--------------------------|--|
| <u>Assigned To</u> | <u>Task List</u>          | <u>Action</u>                         | <u>Status</u> | <u>Other Information</u> |  |
| Inspector          | Uniform Inspection Report | <input type="button" value="Edit"/>   | Complete      | 3/16/2025 1:57:26 PM ⓘ   |  |
| Inspector          | Home Survey Checklist     | <input type="button" value="Edit"/>   | Complete      | 3/16/2025 1:50:33 PM     |  |
| Inspector          | Photographs of Home       | <input type="button" value="Upload"/> | Complete      | 10 file(s) 📎             |  |
| Inspector          | Recommended Improvements  | <input type="button" value="Edit"/>   | Complete      | 3/16/2025 1:54:55 PM ⓘ   |  |

| Contractor To-do's |                         |                                       |               |                          |  |
|--------------------|-------------------------|---------------------------------------|---------------|--------------------------|--|
| <u>Assigned To</u> | <u>Task List</u>        | <u>Action</u>                         | <u>Status</u> | <u>Other Information</u> |  |
| Contractor         | Estimate of Work        | <input type="button" value="Upload"/> | Complete      | 1 file(s) 📎              |  |
| Contractor         | Signed Contract         | <input type="button" value="Upload"/> | Complete      | 2 file(s) 📎              |  |
| Contractor         | Building Permit         | <input type="button" value="Upload"/> | Complete      | 1 file(s) 📎              |  |
| Contractor         | Contractor Invoice      | <input type="button" value="Upload"/> | Complete      | 1 file(s) 📎              |  |
| Contractor         | Photographs of Retrofit | <input type="button" value="Upload"/> | Complete      | 13 file(s) 📎             |  |
| Contractor         | Reimbursement Form      | <input type="button" value="Edit"/>   | Complete      | 4/30/2025 1:37:01 PM ⓘ   |  |

# Administration's Metrics

➤ Safe Homes – Online Portal Activity (FY25 YTD)

| Retrofit Type                     | Status     |
|-----------------------------------|------------|
| Awarded Count                     | 101        |
| Awarded and Paid Count            | 474        |
| Canceled Count                    | 8          |
| Created Count                     | 362        |
| Ineligible or Denied Count        | 4          |
| Ready For Award Count             | 4          |
| Submitted For Reimbursement Count | 2          |
| Update Requested Count            | 20         |
| <b>Grand Count</b>                | <b>975</b> |

**Partial Snapshot**

| Homeowner | Email | Address | County     | Family Size | AGI          | Insurance Company | Homeowner Initial Estimate | Ready For Award Estimate | Final Award Amount | Initial Mitigation Estimate | Final Mitigation Amount | Contractor | Contractor Email | Inspector | Inspector Email | Funds Type   | Retrofit Type   | Status  | Status Changed Date | Age |
|-----------|-------|---------|------------|-------------|--------------|-------------------|----------------------------|--------------------------|--------------------|-----------------------------|-------------------------|------------|------------------|-----------|-----------------|--------------|---|---------|---------------------|-----|
|           |       |         | Berkeley   | 1           | \$45,110.00  | State Farm        | \$7,500.00                 | \$7,500.00               |                    | \$18,819.97                 |                         |            |                  |           |                 | Non-Matching | Resilient Roof Standards (Safe Home and IBHS)         | Awarded | 04/22/2025          | 21  |
|           |       |         | Charleston | 1           | \$33,512.40  | Front Line Ins    | \$7,500.00                 | \$7,500.00               |                    | \$18,336.00                 |                         |            |                  |           |                 | Non-Matching | Resilient Roof Standards (Safe Home and IBHS)         | Awarded | 04/23/2025          | 21  |
|           |       |         | Dorchester | 2           | \$222,245.00 | Allstate Insur    | \$6,000.00                 | \$6,000.00               |                    | \$12,223.72                 |                         |            |                  |           |                 | Matching Fun | Resilient Roof Standards (Safe Home and IBHS)         | Awarded | 05/07/2025          | 7   |
|           |       |         | Beaufort   | 1           | \$30,824.00  | All State         | \$7,500.00                 | \$7,500.00               |                    | \$8,450.00                  |                         |            |                  |           |                 | Non-Matching | Resilient Roof Standards (Safe Home and IBHS)         | Awarded | 05/07/2025          | 7   |
|           |       |         | Charleston | 1           | \$15,476.00  | allstate          | \$5,000.00                 | \$5,000.00               |                    | \$16,689.00                 |                         |            |                  |           |                 | Non-Matching | Sustainable Standards (Safe Home Only) Roof and/or Re | Awarded | 04/23/2025          | 21  |
|           |       |         | Georgetown | 1           | \$134,657.00 | Orion 180         | \$6,000.00                 | \$6,000.00               |                    | \$12,875.00                 |                         |            |                  |           |                 | Matching Fun | Resilient Roof Standards (Safe Home and IBHS)         | Awarded | 05/05/2025          | 8   |

# Administration's Metrics

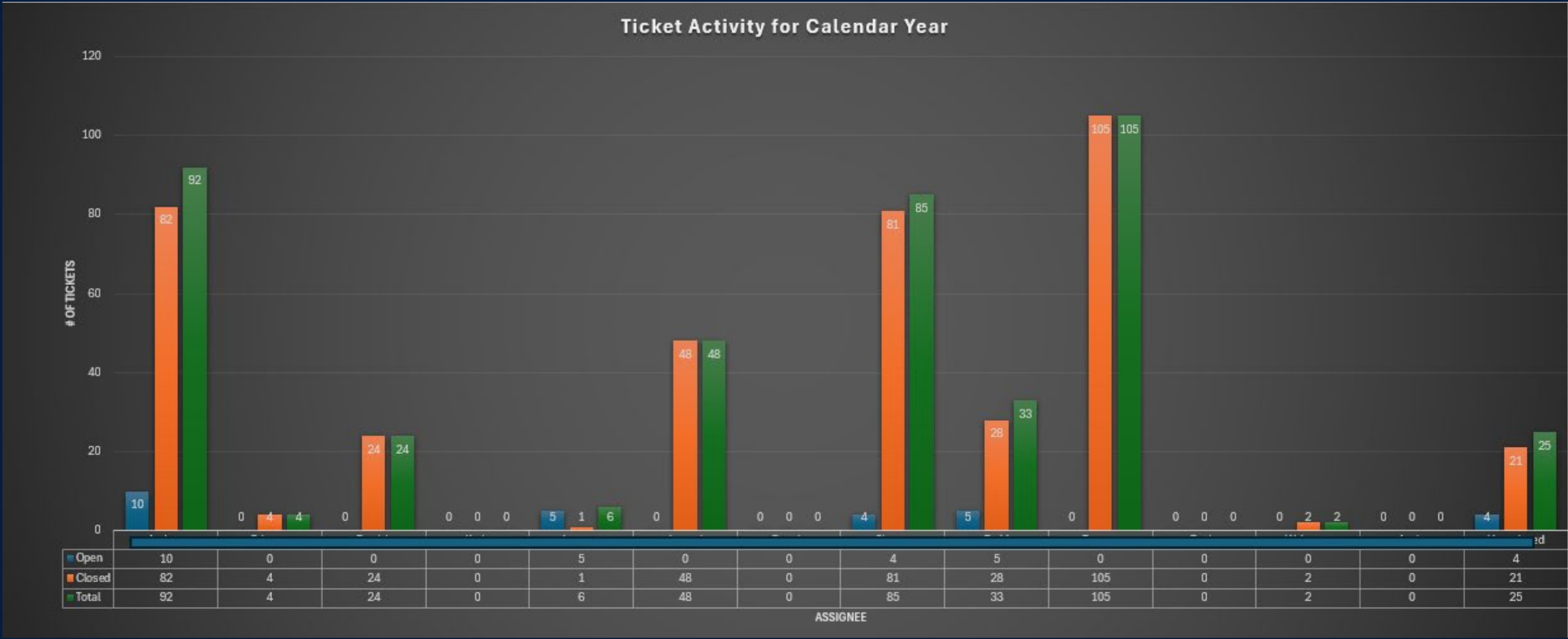
➤ Information Technology

Unassigned ▼ Bulk Update  + New Ticket 1 - 6 of 6 < > ☰

| ID     | Summary    | Assignee               | Creator    | Organization             | Priority | Category                | Status | Created    | Updated    |
|--------|------------|------------------------|------------|--------------------------|----------|-------------------------|--------|------------|------------|
| 8494   | [Redacted] | <a href="#">Accept</a> | [Redacted] | SCDOI New Employee       | Medium   |                         | open   | 11m ago    | 11m ago    |
| 8493   | [Redacted] | <a href="#">Accept</a> | [Redacted] | SCDOI Internal Help Desk | Medium   | Unspecified             | open   | 38m ago    | 38m ago    |
| 8488   | [Redacted] | <a href="#">Accept</a> | [Redacted] | SCDOI New Employee       | Medium   |                         | open   | 3h ago     | 3h ago     |
| ⓘ 8457 | [Redacted] | <a href="#">Accept</a> | [Redacted] | SCDOI Internal Help Desk | Medium   |                         | open   | 05/06/2025 | 05/06/2025 |
| ⓘ 8450 | [Redacted] | <a href="#">Accept</a> | [Redacted] | SCDOI Internal Help Desk | Medium   | Applications - TeamMate | open   | 05/05/2025 | 05/05/2025 |
| ⓘ 7794 | [Redacted] | <a href="#">Accept</a> | [Redacted] | My SCDOI                 | Medium   | General Inquiries       | open   | 11/12/2024 | 11/25/2024 |

# Administration's Metrics

➤ Information Technology



| Status          | 2020 Year | 2021 Year | 2022 Year | 2023 Year | 2024 Year | 2025 Year | 2026 Year |
|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Open or Waiting | 2         | 9         | 1         | 11        | 21        | 28        | 0         |
| Closed          | 552       | 1,752     | 1,390     | 1,172     | 1,309     | 396       | 0         |
| Totals          | 554       | 1,761     | 1,391     | 1,183     | 1,330     | 424       | 0         |
| % Closed        | 99.64%    | 99.49%    | 99.93%    | 99.07%    | 98.42%    | 93.40%    | #DIV/0!   |

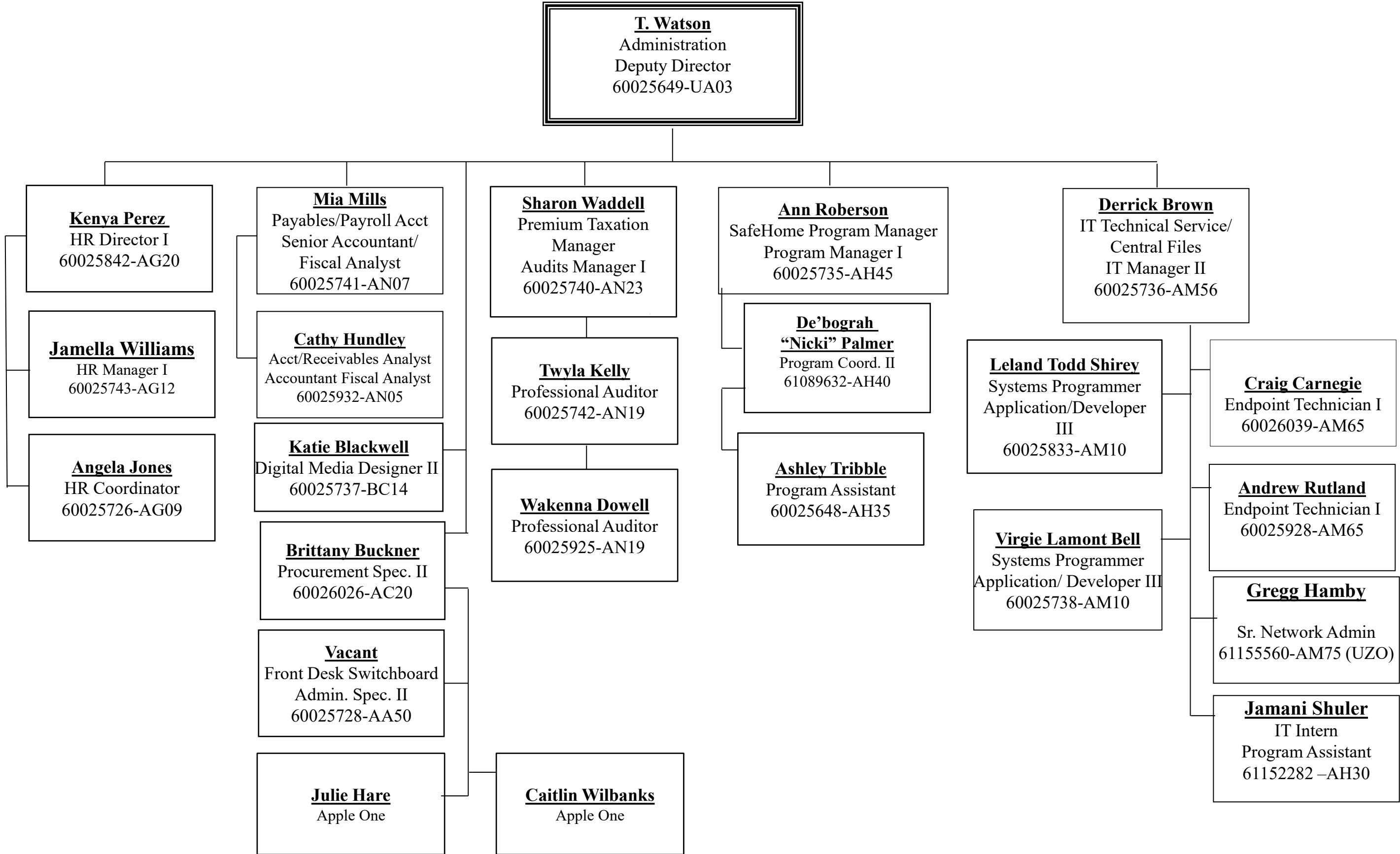
| Current Calendar Year->2025 | Assigned | Totals  |
|-----------------------------|----------|---------|
| Open                        | 10       | 28      |
| Closed                      | 82       | 396     |
| Total                       | 92       | 424     |
| Percent                     | 21.70%   | 100.00% |

# Challenges/Successes/Opportunities

## Challenges for Administration

- Human Resources
  - Handling the volume of employees coming and going. We have fully embraced interns which have resulted in some new hires upon graduation
- Accounting/payables/receivables/procurement
  - Re-write Service of Process (SOP) system to be fully electronic to include payments. Most payments we receive via check are related to this area
  - It would be nice if SCEIS could generate a personnel payroll and fringe projection utilizing vacant positions that are populated with estimated hiring salary
- Taxation
  - Continue to enhance the Taxation applications or replace them with a third-party product
- Safe Homes
  - Receive more funding and expand statewide. The demand appears to exist for homeowners to take advantage of this grant program and remediation reduces the risk for insurance carriers writing homeowner policies
- IT
  - Streamline the effort to remain in compliance with SCDIS-200 Version 2.0 Information Security and Privacy Standards. Agencies with small IT staff have a hard time trying to assign resources to remain compliant

**South Carolina Department of Insurance  
Division of Administration**



# Human Resources

**Kenya Perez**  
HR Director I  
60025842-AG20

**Jamella Williams**  
HR Manager I  
60025743-AG12

**Angela Jones**  
HR Coordinator  
60025726-AG09

- Directs the human resources program by managing functional areas such as recruitment and employment, class and compensation, employee/employer relations, Equal Employment Opportunity/Affirmative Action (EEO/AA), training and development, benefits, and human resources transactions and records.
- Forecasts human resource needs and advises the agency director and the executive management staff of human resource needs. Directs employee training and development.
- Plans, implements, and coordinates classification, employee relations, recruitment and employment, benefits administration and/or records management functions.
- Assist in advising managers and employees in the area(s) of expertise to resolve problems.
- Manages employee participation in preplanned benefits programs covering health care, life insurance, and retirement according to established guidelines.
- Assist with any management reviews, staffing studies, and other human resources-related research.
- Assists in the coordination of classification, compensation, employee relations, recruitment and employment, benefits, and records management functions. Acts as a resource on human resources matters, providing guidance, assistance, and support to management, supervisors and staff.
- Assists with recruitment and may participate in hiring committees.
- Conducts orientation sessions to acquaint new employees with agency policies, procedures, and regulations.
- Assists in the coordination of related programs such as wellness campaigns, employee assistance programs, charity fundraisers, and employee health and safety programs.
- Provides guidance, interpretation, and training related to human resource policies. Maintains human resource records. Accesses human resource data and may compile reports for data-driven decision making by superiors.

# Accounting

**Mia Mills**

Payables/Payroll Acct  
Senior Accountant/  
Fiscal Analyst  
60025741-AN07

- Performs and/or coordinates complex duties in the creation and maintenance of accounting records, the verification and documentation of financial transactions, and assists with the management of the budget.
- Processes all transactions of cash, expense, and revenue using the SCEIS application.
- Prepares appropriate reports and projections. Recommends improvements needed in internal controls. Reconciles situations when files are out of balance and research errors, and ensures corrective action is taken.

**Cathy Hundley**

Acct/Receivables Analyst  
Accountant Fiscal Analyst  
60025932-AN05

- Prepares and reconciles the postings of all payments on accounts, deposit verifications of ACH, credit cards, and manual deposits. Assists in processing payroll for the Department.
- Follows and completes the Agency Payroll checklist for each pay period. Monitors timesheets and leave for timely approval. Processes all refunds and Safe Home grant payments to contractors. Prepares all billings and maintains accounts receivable system.

**Katie Blackwell**

Digital Media Designer II  
60025737-BC14

- Plans, develops, and deploys a comprehensive strategy to facilitate effective, timely, and impactful informational or educational communications that enables the agency to engage with its respective audiences using appropriate digital communications platforms.
- Maintains fluency in current trends and concepts for social media design and maintenance.
- Provides direction for or executes the creation of social media content calendars and social media content, as well as determining the cadence for social media posting. Ensures the prompt, accurate, and appropriate response to comments, questions and inquiries posted on the agency's social media platforms.



# Accounting

**Brittany Buckner**

Procurement Spec. II  
60026026-AC20

- Processes the routine service procurement functions and acts as the point of contact for more complex procurement duties, such as contract bid solicitation for central state purchasing.
- Coordinates all facility needs, including equipment repairs for the agency.
- Manages the front desk and all mailing activities.
- Prepares and designates invitations to bid, as needed. Awards contracts and prepares purchase orders. Assists in negotiating service contracts.

**Julie Hare**

Front Desk Switchboard  
Admin. Spec. II  
60025728-AA50

- Front Desk Receptionist. Answers phone calls, transfers calls to appropriate areas, and greets customers.
- Processes and distributes all mail.
- Performs a variety of administrative support and advanced office duties, such as typing and filing.

**Caitlin Wilbanks**

Apple One

- Front Desk Receptionist (**backup**). Answers phone calls, transfers calls to appropriate areas, and greets customers.
- Processes and distributes all mail.
- Performs a variety of administrative support and advanced office duties, such as typing and filing.

# Taxation

**Sharon Waddell**  
Premium Taxation  
Manager  
Audits Manager I  
60025740-AN23

**Twyla Kelly**  
Professional Auditor  
60025742-AN19

**Wakenna Dowell**  
Professional Auditor  
60025925-AN19

- Directs and manages staff in conducting premium tax audits of insurance companies and surplus lines brokers.
- Directs the day-to-day activities and audit procedures/checklists.
- Determines audit priorities and work assignments of subordinate personnel. Works with agency representatives and taxpayers regarding audit results.
- Conducts reviews of subordinates and results of completed audits to ensure compliance with applicable statutes and regulations.
- Writes or updates procedural and training manuals and assists in training of audit staff.
- Reconciles and prepares reports. Follows up on outstanding taxes due.

- Performs professional auditing/examination duties.
- Examines and analyzes business and individual premium tax returns, electronic data processing systems and/or the organization's activities and operations to ascertain financial status, accuracy of data, efficiency, or compliance with laws and regulations.
- Inspects accounting files to determine the existence of sufficient documentation.

# Safe Home

**Ann Roberson**

Safe Home Program Manager  
Program Manager I  
60025735-AH45

**De'bograh**  
**"Nicki" Palmer**

Program Coord. II  
61089632-AH40

**Ashley Tribble**

Program Assistant  
60025648-AH35

- Directs and manages the SC Safe Home Program, including the online portal workflow and imaging system. This includes the administration and coordination with the SC Safe Home Advisory Committee, fundraising, public relations and communications, and management of the grant program and program staff.
- Coordinates the logistics of contractor and/or inspector training, the annual Safe Home Meeting, and storm ready/preparedness expos. Researches and submits grant applications for mitigation and storm readiness/preparedness efforts
- Provides technical and professional services related to the administration and procedures of the SC Safe Home grant program, including the online portal.
- Supervises the Program Assistant including assignments, workloads, and schedules and the oversight of the daily activities of the SC Safe Home grant portal for in-process and submitted applications.
- Reviews all "ready for award" applications. Ensures grant projects are completed on time and meet grant requirements and quality standards.
- Works with the Program Manager in the coordination of all aspects of the grant program including but not limited to project review, data collection scheduling, and policy development.
- Assists in the preparation of reports to include grants and other activities necessary for the Dept.'s mitigation programs and efforts.
- Provides technical and professional services related to the administration and procedures of the SC Safe Home grant program, including the online portal. Reviews all in-process and submitted applications.
- Ensures grant projects are completed on time and meet grant requirements and quality standards.
- Works with the Program Coordinator II in coordinating all aspects of the grant program including but not limited to project review, data collection scheduling, and policy development.
- Assists in the preparation of reports including grants and other activities necessary for the Dept.'s mitigation programs and efforts.

# Information Technology

**Derrick Brown**

IT Technical Service/  
Central Files  
IT Manager II  
60025736-AM56

- Directs, coordinates, and administers all information technology (IT) related activities, including security for the agency.
- Develops short and long-range technology initiatives.
- Formulates requirement definitions, impact assessments, and capacity planning for proposed new services, technology, or changes to existing services and/or technology. Identifies, prioritizes, and tracks status on IT projects.
- Directs the planning, development, implementation, and modification of information technology related systems and applications for the agency.

**Craig Carnegie**

Endpoint Technician I  
60026039-AM65

**Andrew Rutland**

Endpoint Technician I  
60025928-AM65

**Jamani Shuler**

IT Intern  
Program Assistant  
61152282 -AH30

- Provides customer support for enterprise applications, operating systems, endpoints, and peripheral devices, including installation, maintenance, upgrades, troubleshooting, problem resolution, acquisition, and replacement.
- Troubleshoots, repairs, and resolves moderately complex software and device issues. Serves as technical resource for users.
- Ensures end user information security/information assurance policies, principles, and practices are applied. Includes networks, phone systems, copiers, etc.

# Information Technology

**Leland Todd Shirey**  
Systems Programmer  
Application/Developer  
III  
60025833-AM10

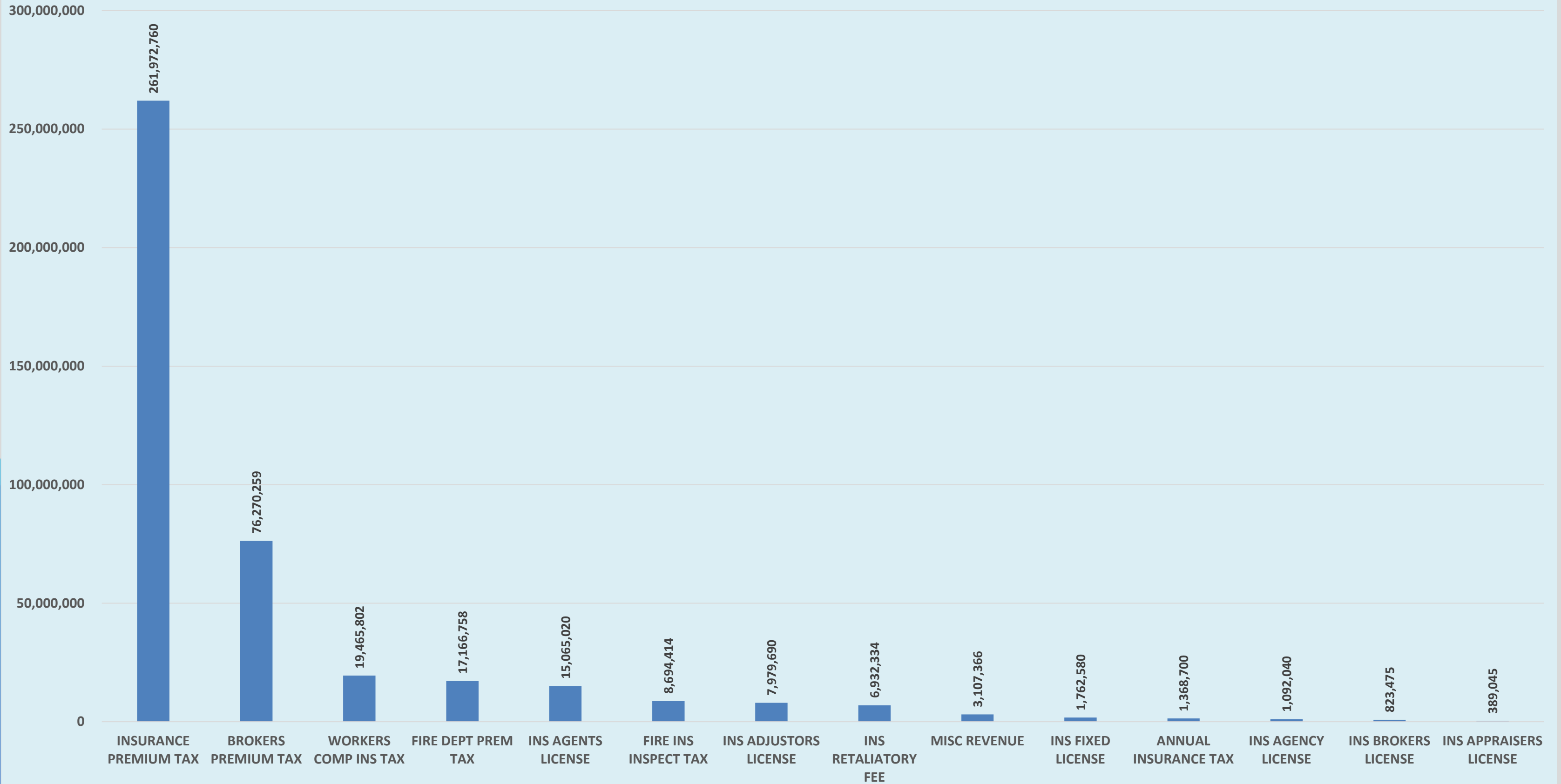
**Virgie Lamont Bell**  
Systems Programmer  
Application/ Developer III  
60025738-AM10

- Maintains applications and databases for the agency.
- Writes, tests, and documents complex computer programs.
- Follows all phases of the development life cycle in order to design, develop, test, deploy, and support complex applications.
- Follows standards and procedures for programming.
- Develops and implements specialized programs to supplement and enhance systems software. Feasibility assessments, designs technical options, authors code, troubleshoots applications, maintains installed systems, and produces and maintains documentation and testing.
- Assists users with application issues. Recommends development of new code or reuse/enhancement of existing code.

**Gregg Hamby**  
Sr. Network Admin  
61155560-AM75 (UZO)

- **Part-Time ONLY** Senior Consultant used sparingly for planning, implementing, designing, analyzing, and maintaining moderately complex network infrastructures.
- Common tasks include network designs including upgrades, expansions, and enhancements. Configures and installs network hardware and software to technical design standards.
- Analyzes network, conduct network tests and running diagnostics to forecast performance thresholds.
- Monitors and reports on network traffic, usage, and performance.
- Reviews network changes and trends in order to forecast future needs. Determines and corrects moderately complex network problems. Determines feasibility, cost, equipment needs, and time constraints/allocations for assigned projects. Assists in the development of strategic direction of the infrastructure for both the current environment as well as anticipating future needs.

FY 2024 YTD Revenue  
Excluding Premium Tax Credits  
Deposited to General Fund  
\$361,550,737 (excluding amounts <\$100k)



| Credits----> Calendar Tax Year | 2017                 | 2018                 | 2019                 | 2020                 | 2021                 | 2022                 | 2023                 |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Totals</b>                  | <b>\$ 33,917,681</b> | <b>\$ 42,693,101</b> | <b>\$ 48,912,815</b> | <b>\$ 45,346,201</b> | <b>\$ 50,280,001</b> | <b>\$ 43,920,052</b> | <b>\$ 51,992,312</b> |

Premium Tax Credits  
2017 thru 2023



- Coastal Premium Tax
- Moratorium Tax Credit
- Research and Development
- L & H Guaranty
- Textiles Rehabilitation
- Health Pool
- Other Credits
- Venture Capital Authority
- Jobs
- Historic Structures & Textiles Rehab
- Community Development
- Abandoned Building
- SC Housing Tax Credit

# TAXATION

The lines of business and corresponding tax rates are as follows:

Life, Accident and Health – .75%

Property – 1.25%

Casualty – 1.25%

Surety – 1.25%

Marine – 1.25%

Fire – 2.35% - Increased from 2.00% in 2001 under Act 60

Workers' Compensation – 2.50% - Decreased from 3.50% in FY 1991-92

Please refer to Sections 38-7-20; 38-7-30; 38-7-49 and Act 60 of 2001

Biennial License Fees - \$800

Biennial Fixed License Fees -\$400 per line of authority

When the MASC tax on gross premiums is added to the state tax rate, the range is 1.50% for life and 3.75% to 4.50% for property and casualty lines



# TAXATION



## Process Annual Tax Returns

Tax Year:

Statement Color:

Company Code:

Name:

Form:

Remarks:

[Schedule 01](#) | [Schedule 02](#) | [Schedule 04](#) | [Schedule 04B](#) | [Schedule 05](#) | [Schedule 06](#)

| Line # | Description of Taxes and Obligations                           | Taxes Due in South Carolina |
|--------|--|-----------------------------|
| 0101   | Biennial License Fee   | 0                           |
| 0102   | Biennial Fixed License Fee (Schedule 03)                       | 0                           |
| 0103   | Insurance Premium Tax - Life (Schedule 05, Ln 0501)            | 0                           |
| 0105   | Insurance Premium Tax - A & H (Schedule 05, Ln 0503)           | 48,475,560                  |
| 0108   | Retaliatory Tax (Foreign Insurers only) (Schedule 02, Ln 0299) | 0                           |
| 0150   | Total allowable Tax Credits (Schedule 06, Ln 0699)             | 9,092,746                   |
| 0160   | Less Amount of Taxes Paid Quarterly                            | 28,658,202                  |
| 0199   | TOTAL AMOUNT OF TAXES DUE WITH THIS RETURN                     | 10,724,612                  |

# TAXATION

## Process Annual Tax Returns

Tax Year:

Statement Color:

Company Code:  ...

Name:

Form:

Remarks:

Schedule 01 | Schedule 02 | Schedule 03 | Schedule 04 | Schedule 04A | Schedule 04C | Schedule 05 | Schedule 06 | Schedule 07 | Schedule 08

| Line # | Description of Taxes and Obligations                           | Taxes Due in South Carolina |
|--------|--|-----------------------------|
| 0101   | Biennial License Fee   | 0                           |
| 0102   | Biennial Fixed License Fee (Schedule 03)                       | 0                           |
| 0104   | Insurance Premium Tax - P & C (Schedule 05, Ln 0502)           | 11,774,173                  |
| 0105   | Insurance Premium Tax - A & H (Schedule 05, Ln 0503)           | 0                           |
| 0106   | Workers Compensation Premium Tax (Schedule 05, Ln 0504)        | 101,041                     |
| 0107   | Fire Insp. / Dept. / Maintenance Tax (Schedule 07, Ln 0799)    | 8,005,783                   |
| 0108   | Retaliatory Tax (Foreign Insurers only) (Schedule 02, Ln 0299) | 0                           |
| 0150   | Total allowable Tax Credits (Schedule 06, Ln 0699)             | 3,977,036                   |
| 0160   | Less Amount of Taxes Paid Quarterly                            | 10,974,114                  |
| 0199   | TOTAL AMOUNT OF TAXES DUE WITH THIS RETURN                     | 4,929,847                   |

# Some Other Fees

## Agents Licensing:

1. Producer License Fees-\$25-birth month odd/even years
2. Adjuster License Fees- \$80-August of odd years
3. Appraiser License Fees- \$80-October of odd years
4. Surplus Lines Broker License Fees- \$200-May of even years
5. Agency License Fees- \$40-January of even years
6. Other Fees collected in this area
  - a. Professional bondsman- \$400-June every year
  - b. Runner bondsman-\$200-June every year
  - c. Portable electronics- \$1,000-July odd years
  - d. Public adjuster- \$80-October even years
  - e. Rental car- \$40-December even years
  - f. Self-service storage- \$40-April odd years
  - g. Appointment fee local -\$40-anytime (renewal September even years)
  - h. Appointment fee general- \$100-anytime (renewal September even years)

# Form E – Agency Cost Savings & General Fund Reduction Contingency Plan

|                  |                  |
|------------------|------------------|
| <b>FY26 (3%)</b> | <b>\$231,892</b> |
| <b>FY25 (3%)</b> | <b>\$193,666</b> |
| <b>FY24 (3%)</b> | <b>\$187,508</b> |

All programs would be impacted by these proposed reductions. The Agency believes it could reduce some of its operating costs in order to meet any mandated reduction of 3%.

We would postpone some of our planned IT initiatives related to security and privacy as recommended by SC Dept. of Admin; omit our normal advertising campaigns for flood, texting and driving, and other disasters; and reduce any contract labor and/or temporaries as needed.

# Agency Efficiency Initiatives

- Automation and artificial intelligence – we do use Chatbot on our website
- Outsourcing and privatization efforts
- Waste reduction initiatives
- Renegotiation of vendor contracts
- Office space consolidation and downsizing
- Elimination of redundant programs or services
- Employee cross-training initiatives – IDP, KPT and designations
- Adjustments to staffing levels

# Agency Approved Designations

27 Insurance Certification Programs available plus a few for non-insurance such as HR, IT, Procurement, etc.

| Designation Acronym | Designation Name                                | Sponsor  | # Courses | Requirements  | Pre-Requisites?  | Designation Costs  | CE Required?  | SCDOI Reward   | Reduction Rate Per Course (for Previously Completed Coursework) | SCDOI Requirement(s)                        |
|---------------------|---|--|-----------|---|--|--|---|--|---|---|
| ACAS                | Associate, Casualty Actuarial Society           | <a href="#">Casualty Actuarial Society</a>     | 11        | <ul style="list-style-type: none"> <li>• 6 Exams (Exams 1-6)</li> <li>• 2 VEE Credits: Corporate Finance and Economics</li> <li>• 2 Online Courses:                             <ul style="list-style-type: none"> <li>o CAS Online Course 1: Risk Management and Insurance Operations</li> <li>o CAS Online Course 2: Insurance Accounting, Coverage Analysis, Insurance Law, and Insurance Regulation</li> </ul> </li> <li>• CAS Course on Professionalism</li> </ul> |  | \$325 - \$400/ exam + study materials (Exams 1-4)<br>\$625/ exam + study materials (Exams 5-6)<br>\$580 (Online Course 1)<br>\$848 (Online Course 2)<br>\$30/ VEE admin fee + VEE costs (if applicable)<br>\$875 Course on Professionalism + travel expenses       | Members must certify compliance with the CAS CE Policy at the end of each calendar year | 5% base salary/ exam level (1st 5 exam levels) + 12% for successful receipt of letters (last exam level) | N/A   | No reward for other requirements (ex. VEEs) |
| AFE                 | Accredited Financial Examiner                   | <a href="#">Society of Financial Examiners</a> | 4         | <ul style="list-style-type: none"> <li>• 4 Exams:                             <ul style="list-style-type: none"> <li>o AFE1 Life and Health Insurance Fundamentals</li> <li>o AFE2 Property and Liability Insurance Fundamentals</li> <li>o AFE3 Life and Health Insurance Accounting</li> <li>o AFE4 Property and Liability Insurance Accounting</li> </ul> </li> </ul>  | <ul style="list-style-type: none"> <li>• Imposes education and experience requirements                             <ul style="list-style-type: none"> <li>o Education: A bachelor's degree, master of science (MS), or M.B.A. in accounting from an accredited college or university or be a Certified Public Accountant.</li> <li>o If none of the above, a bachelor's from an accredited college/university with successful completion of certain courses</li> <li>o Experience: be an ins. dept. employee or contractor with 2 continuous yrs experience as a financial examiner</li> </ul> </li> </ul> | Must be a General Member in good standing of SOFE.<br><br>\$200 per exam   | 120 hours each 3-year cycle. Minimum 20 hours per year.                                 | \$3,000 base salary  | \$750   |   |
| AIAF                | Association in Insurance Accounting and Finance | <a href="#">The Institutes</a>                 | 4         | 4 Exams: AIAF 114 – Insurer Accounting Management<br>AIAF 115 – Insurer Risk and Capital Management<br>CPCU 520 – Insurance Operations<br>CPCU540 – Finance and Accounting for Insurance Professionals<br><br>Ethics 311 or 312 (Choose One)  |  | 1st Test- AIAF 114- Insurer Accounting Management- \$167 AIAF 115 – Insurer Risk and Capital Management: \$167 CPCU 520 – Insurance Operations: \$175 CPCU 540 – Finance and Accounting for Insurance Professionals: \$175<br>Ethics 311 or 312 (Choose One): Free | NA  | \$2,000 base salary  | \$500   |   |

## Yearly Individual Development Plan (IDP)

Employee Name: \_\_\_\_\_ Period From: \_\_\_\_\_ To: \_\_\_\_\_ Today's Date: \_\_\_\_\_

Division/Department: \_\_\_\_\_ Position: \_\_\_\_\_

Position Exposure Level: \_\_\_ Urgent (Red) \_\_\_ High (Orange) \_\_\_ Moderate (Yellow) \_\_\_ Low (White) Supervisor Initials & Date: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_

| CRITICAL BEHAVIORS/GOALS   | CONTRIBUTION TO ORGANIZATION                                  | DEVELOPMENTAL ACTIVITIES/ACTION STEPS<br>(assignments, coaching, formal training)   | MANAGER'S ROLE<br>(or involvement of others, if applicable)      | MEASURES   | TARGET DATES/ MILESTONES           | EVALUATION RESULTS (6/30/YE)<br>(manager and/or employee comments)   |
|--|---|---|--|--|------------------------------------|--|
| What do I want? What do I need to learn? What specific behaviors or skills do I need to model or exhibit to be more productive in my position? | How does this help the division or Department meet its needs? | What steps will I take to achieve this? Remember to use <u>SMART</u> goals. (Specific-Measurable-Achievable-Realistic-Time Bound) | What resources or support will I need? Potential costs involved? | What will my success criteria be? How will I exhibit Knowledge Transfer? | What is my target completion date? | How have I succeeded in adapting my behavior or learning new skills? |
| Goal 1:  |   |   |  |  |                                    |  |
| Goal 2:  |   |   |  |  |                                    |  |
| Goal 3:  |   |   |  |  |                                    |  |
| Goal 4:  |   |   |  |  |                                    |  |

## Knowledge Transfer Plan (KTP)

### Identify Critical Tasks and Activities

- a. There are probably some aspects of your work **that only you know how to address**. Develop a list of those tasks and activities. Use the questions below to help guide you in creating your list.
- b. Ask yourself questions like these:
  - i. **What do only you know how to do?**
  - ii. If you left your position today, what wouldn't get done because no one else knows how to do it?
  - iii. When you return from vacation, what work is usually waiting for you because no one else knows how to do it?
  - iv. When you have to be away from work, what do you worry about (what work isn't getting done or what work isn't being done well)?

| Critical Task | Critical Knowledge, Skills, and Abilities | Importance<br><br>Low-Medium- High<br><br>Gauge the importance of the task identified | Availability<br><br>Is the knowledge and expertise currently available from anyone else in our work area?<br><br><b>Yes, No or Don't Know</b><br>[If yes, who?]<br>[If no, work w/ supervisor and HR to develop strategy(ies) for final column] | Impact<br><br>Low-Medium-High<br><br>[If the task is important and there is no one else who possesses the knowledge, impact is high.] | Resources<br><br>What resources [files, people, web sites, references, etc.] exist to help others learn this task? | Strategy: Potential Employee to Cross-Train 1<br><br>How does the incumbent <u>plan to</u> address this knowledge gap with one potential successor?<br><br><b>How and when?</b> | Strategy: Potential Employee to Cross-Train 2<br><br>How does the incumbent <u>plan to</u> address this knowledge gap with one potential successor?<br><br><b>How and when?</b> | Strategy: <b>No Availability</b><br><br>What can be done to address this knowledge gap until at least one potential cross-trainee exists?<br><br><b>How and when?</b> |
|---------------|---|---|---|---|--|---|---|---|
|               |   |   |   |   |  |   |   |   |



# Office of Legal, Legislative and Regulatory Affairs

## An Overview



Gwendolyn McGriff, Deputy Director, Legal, Legislative & Regulatory  
Affairs

# Role of State Legislatures in Insurance Regulation

- The South Carolina General Assembly is the public policymaker that establishes broad policy for the regulation of insurance by enacting legislation providing the regulatory framework under which insurance regulators operate. The General Assembly establishes the laws which grant regulatory authority to regulators and oversee state insurance. Currently, the SCDOI employs      regulatory personnel (FY 2025 figures).
- Increases in staff and technology have enabled SCDOI personnel to substantially enhance the quality and effectiveness of financial oversight of insurers and expand consumer protection activities through market regulation.



# Laws Impacting the Operation of the S.C. Department of Insurance

| Section Number                    | Jurisdiction | Type of Law | Statutory Requirement/Authority Granted  |
|-----------------------------------|--------------|-------------|--|
| 1-1-110                           | State        | Statute     | Establishes the South Carolina Department of Insurance as a part of the Executive Department           |
| <i>1-23-10 et seq</i>             | State        | Statute     | Sets forth administrative requirements for agencies including rules, regulations and orders            |
| <i>1-30-55</i>                    | State        | Statute     | Transferred all rights and duties to the SCDOI as a part of the 1995 restructuring of state government |
| 38-1-10 et seq.                   | State        | Statute     | This title creates the South Carolina Department of Insurance and includes the insurance laws          |
| S.C. Code Ann. Regs. 69-1 et seq. | State        | Regulations | South Carolina insurance regulations   |
| 15 USCA Section 1101 et seq.      | Federal      | Statute     | McCarran Ferguson Act (gives states the authority to regulate the business of insurance)               |

# Laws Impacting the Operation of the S.C. Department of Insurance

| Section Number        | Jurisdiction | Type of Law | Statutory Requirement/Authority Granted   |
|-----------------------|--------------|-------------|---|
| <i>8-13-10 et seq</i> | State        | Statute     | Sets forth the ethical requirements for public officials and employees; defines appropriate conduct   |
| 8-17-10 et seq        | State        | Statute     | Sets forth the grievance procedures that must be followed by agencies for public employees; it defines those actions that are and are not grievable actions |
| <i>30-2-10 et seq</i> | State        | Statute     | South Carolina Family Privacy Rights Act  |
| 30-4-10 et seq.       | State        | Statute     | This is the South Carolina Freedom of Information Act   |
| 39-1-90               | State        | Statute     |   |

# Laws Impacting the Operation of the S.C. Department of Insurance

| Section Number                  | Jurisdiction | Type of Law | Statutory Requirement/Authority Granted   |
|---------------------------------|--------------|-------------|---|
| Sarbanes-Oxley                  | Federal      | statute     | Set new standards for corporate governance  |
| Terrorism Risk in Insurance Act | Federal      | Statute     | Establishes federal backstop for terrorism insurance  |
| 18 USC Section 1033             | Federal      | Statute     | Individuals convicted of crimes involving breach of trust or dishonesty cannot engage in the business of insurance without the consent of the chief insurance regulatory official |
| Title VII                       | Federal      | Statute     | Federal anti-discrimination   |
| Affordable Care Act             | Federal      | statute     | Established new rules for the private health insurance market   |
| Medicare                        | Federal      | statute     | Licensure of producers; review and approval of Medicare Supplement Insurance policies   |

# General Insurance Regulatory Framework

## Licensing

### Individual Licensing

See, e.g., Chapters 43, 45, 47, 48, 49, 53

### Insurer Licensing

See Chapter 5

## Business entities

See e.g., Chapters 44, 51, 70, 71, 78, 87, 97

## Solvency Regulation

See, e.g., Chapters 5, 9, 11, 12, 13, 17, 19, 21, 44, 90

## Market Regulation

### Insurance Product Regulation:

See, e.g., Chapters 61, 63, 65, 71, 73, 75, 77, etc.

### Rate Regulation

See, e.g., Chapters 73, 75, 77

## Consumer Services

See, e.g., 13, 63, 65, 71, 73, 75, 77



# **Mission of the SCDOl**

**The mission of the State of South Carolina Department of Insurance (SCDOl) is to protect the insurance consumers, the public interest, and the insurance marketplace by ensuring the solvency of insurers; by enforcing and implementing the insurance laws of this State; and by regulating the insurance industry in an efficient, courteous, responsive, fair, and equitable manner.**



# SCDOI Counsel

- The Department has 5 divisions tasked with fulfilling the mission of the agency.
- SCDOI counsel provide various types of legal support to further the Department's mission.
- Each division has dedicated counsel to advise the division and the business units within the division.





# LEGAL, LEGISLATIVE & REGULATORY AFFAIRS

## About the Office

This Division provides a variety of legal and regulatory services to the business units of the Department of Insurance. The office also initiates enforcement or administrative disciplinary action against Department licensees who violate the insurance laws of this state and those entities engaging in unauthorized transaction of insurance business.

## Mission

The mission of the Legal, Legislative & Regulatory Affairs is to promote the integrity, efficiency, and effectiveness of the regulatory programs and operations of the Department and to provide high quality, timely and practical legal, regulatory and enforcement services to the Department. We work collaboratively with management to promote an organizational culture that encourages ethical conduct, compliance with the law and a commitment to advance the Department's mission.

## Values

Members of the Legal, Legislative and Regulatory Affairs are valued, and trusted regulators and legal advisors committed to achieving the agency's mission, goals, and objectives. We realize this vision by being engaged, insightful, proactive, and dedicated to the purpose, mission and vision of the South Carolina Department of Insurance.



Gwendolyn McGriff, Deputy Director, Legal, Legislative & Regulatory  
Affairs

# Roles of Counsel

|                                  |   |
|----------------------------------|---|
| <b>Role</b>                      |   |
| <b>General Counsel</b>           | The General Counsel manages an in-house legal department and is responsible for overseeing all legal matters impacting the agency. The GC reports to the Director. The General Counsel provides strategic guidance on legal issues, manages compliance and risk mitigation, reviews contracts, and handles other legal duties to protect the agency's interests. The General Counsel plays a critical role in aligning the Legal Division's work with the agency's mission. |
| <b>Associate General Counsel</b> | Associate General Counsel positions are assigned to specific divisions as counsel to provide legal support. Associate GCs generally handle the full scope of tasks an in-house legal department is assigned daily, from legal research to litigation advice for the division they are assigned to support.  |
| <b>Assistant General Counsel</b> | The Assistant General Counsel position provides legal support to a specific business unit within a division or divisions.   |



# Legal, Legislative, and Regulatory Services Strategic Objectives

## **Goal 1: Deliver quality, timely and practical legal, investigative and compliance services that promote the integrity, efficiency and effectiveness in the Department's operations**

- Communicate timely and useful information and advice that facilitates and helps accomplish the mission and goals of this agency
- Conduct independent and objective investigations of potential violations of the insurance laws of this state and instituting administrative disciplinary action when appropriate.
- Provide legal advice to ensure compliance with legal requirements and to reduce exposure to legal risks.
- Provide effective and vigorous advocacy for the Department's interests in state and federal tribunals.

## **Goal 2: Plan effectively for the succession of the Office of Legal, Legislative and Regulatory Services**

- Hire, train and retain qualified attorneys, investigators, examiners, paralegals and other support staff to perform the work of the office
- Provide training/cross-training, staffing, equipment and technology to enable OGC staff to provide quality services to the SCDOI
- Use technology to maintain institutional knowledge

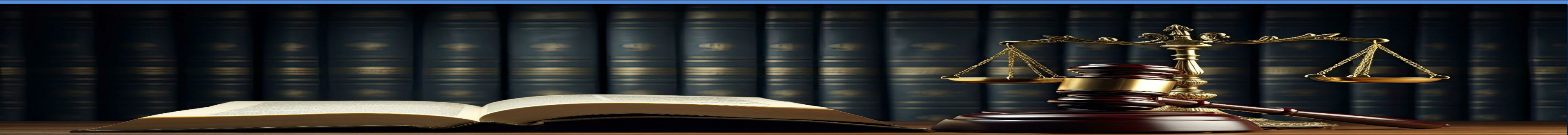
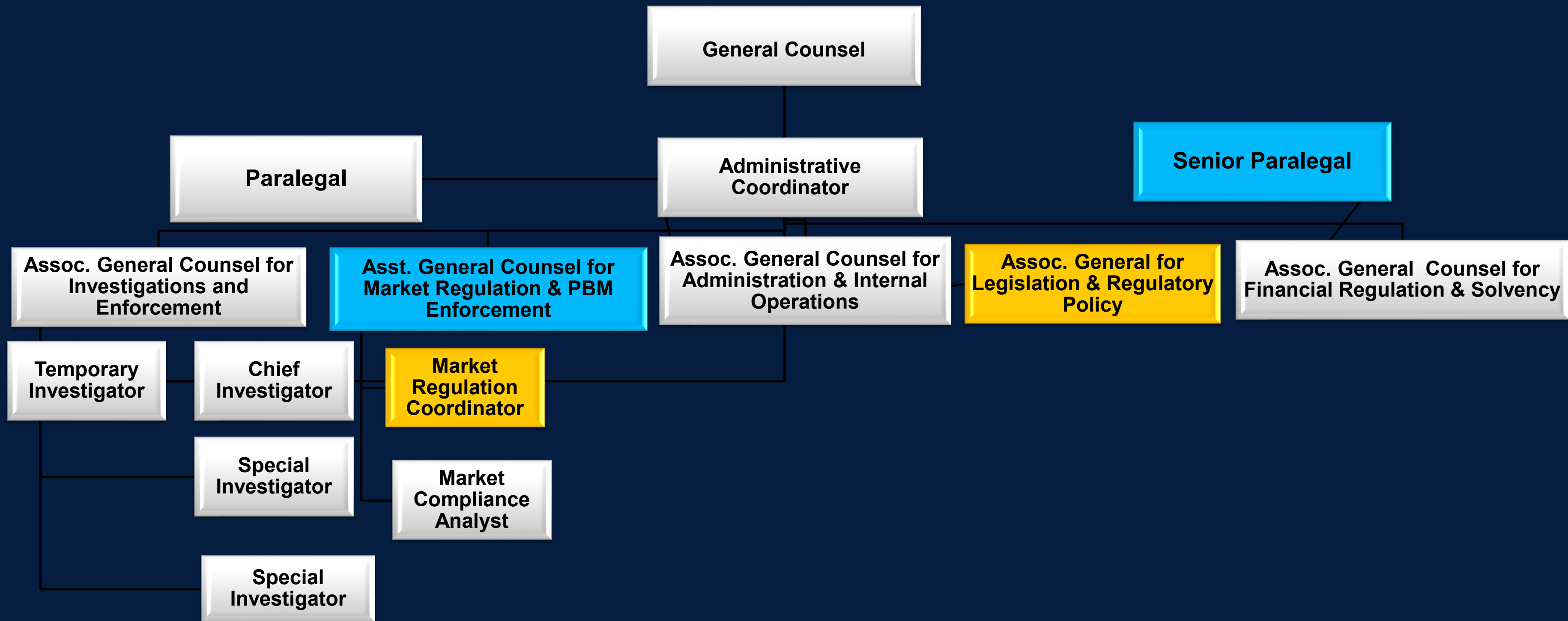
## **Goal 3: Identify risks in SCDOI programs and operations and make legal recommendations to improve operations and mitigate risk.**

- Assist program areas with preventive legal advice
- Stay abreast and keep clients informed on emerging legal and regulatory trends
- Develop and conduct legal training for the various business units

## **Goal 4: Serve as a resource for informed decision making and creative problem solving to facilitate the Department's mission.**

- Coordinate the provision of all legal services for the Department via internal and external counsel
- Serve as a strategic partner to facilitate solutions that are legally compliant and fulfill the agency's mission.

# CURRENT STAFFING



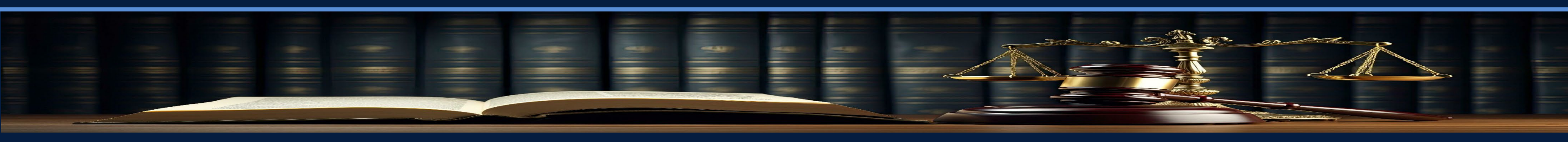
# RESPONSIBILITIES CHART

| DEPUTY DIRECTOR & GENERAL COUNSEL ¶  |  |  |   |  |
|--|--|--|---|--|
| <ul style="list-style-type: none"> <li>→ Risk Assessment &amp; Management ¶</li> <li>→ Serves as Privacy Liaison ¶</li> </ul>  |  | <ul style="list-style-type: none"> <li>→ Manages the SCDOI's legal function and the services provided by counsel ¶</li> <li>→ Coordinates compliance function ¶</li> </ul>   |   | <ul style="list-style-type: none"> <li>→ Serves as SCDOI Ethics Officer ¶</li> <li>→ Oversees the Department's legislative and regulatory policy initiatives ¶</li> </ul>  |
| <p><b>PARALEGAL ¶</b></p> <ul style="list-style-type: none"> <li>→ Secures, logs and distributes the mail ¶</li> <li>→ Provides paralegal support for the investigations and enforcement functions of the Department including Investigations and Market Regulation; ¶</li> <li>→ Opens and closes investigation files; ¶</li> <li>→ Serves as administrative contact for enforcement and investigation instances on HIGHQ; ¶</li> <li>→ Backs up the Administrative Coordinator on FOIAs and Service of Process as assigned by the General Counsel ¶</li> <li>→ Handles record management and retention issues for investigation files ¶</li> </ul>   |  | <p><b>ADMINISTRATIVE COORDINATOR ¶</b></p> <ul style="list-style-type: none"> <li>→ Provides legal support to the administrative and internal operations of the Department ¶</li> <li>→ Handles service of process, Freedom of Information Act Requests and other information requests ¶</li> <li>→ Maintains the Forms and Contracts modules in HIGHQ ¶</li> <li>→ Opens and closes files as needed; backs up the paralegal and performs other duties as assigned by the General Counsel ¶</li> </ul>   |   | <p><b>SENIOR PARALEGAL ¶</b></p> <ul style="list-style-type: none"> <li>→ Provides legal research and drafting assistance with memoranda, reports, pleadings and other legal correspondence ¶</li> <li>→ Prepares trial notebooks and provides other litigation support to counsel; ¶</li> <li>→ Files pleadings and other documents with the court ¶</li> <li>→ Manages and updates the SharePoint sites and other repositories; serves as docket clerk for internal SCDOI hearings; ¶</li> <li>→ Backs up the Paralegal and Administrative Coordinator positions as assigned ¶</li> <li>→ Provides administrative support to Associate General Counsels for Financial Regulation and Regulatory and Legislative Policy ¶</li> </ul>  |
| <p><b>Associate General Counsel for Enforcement &amp; Investigations ¶</b></p> <ul style="list-style-type: none"> <li>→ Supervises the investigative and administrative disciplinary process at the SCDOI ¶</li> <li>→ Reviews investigations and investigative reports for legal sufficiency ¶</li> <li>→ Supervise and manage caseloads of investigators as necessary ¶</li> <li>→ Prepares monthly investigative reports and tracks performance of investigative team members to keep the General Counsel informed on investigative progress and significant case developments ¶</li> <li>→ Drafts consent orders, negotiate fines related to administrative disciplinary actions ¶</li> <li>→ Drafts pleadings, stipulations of dismissal, briefs, motions, etc. ¶</li> <li>→ Reviews 18 USC 1033 actions for legal sufficiency ¶</li> <li>→ Serves as advice counsel for Consumer Services, Individual Licensing, Investigations ¶</li> </ul> | <p><b>Assistant General Counsel for Market Regulation and PBM Enforcement ¶</b></p> <ul style="list-style-type: none"> <li>→ Provides legal support to the market regulation area by providing advice, reviewing market analysis and investigation for legal sufficiency; makes recommendations for market action ¶</li> <li>→ Monitor market conduct examinations; provide legal support for market conduct examinations; review examination reports ¶</li> <li>→ Review Market Conduct Annual Statements and Level 1 analyses for action ¶</li> <li>→ Call and oversee the conduct of market conduct examinations on insurers transacting business in the State of South Carolina as assigned ¶</li> <li>→ Serves as advice counsel for PBM and Specialty Licensing ¶</li> <li>→ Keep the General Counsel informed of important developments, work progress, potential problems and other information related to the assigned job ¶</li> </ul> | <p><b>Associate General Counsel for Information &amp; Internal Operations ¶</b></p> <ul style="list-style-type: none"> <li>→ This position is primarily responsible for providing legal advice and assistance on a variety of information law areas, including the Freedom of Information Act; privacy; records management; collection of information; and litigation support, inquiries, and investigations related to information law. This practice area generally encompasses legal support concerning the creation, collection, use, maintenance, retention, safeguarding, disclosure of data and records. ¶</li> <li>→ Supervises the review and responds to requests for information under the South Carolina Freedom of Information Act, South Carolina Public Records Law, South Carolina Family Privacy Act, etc. ¶</li> <li>→ Oversees and manages the Service of Process function ¶</li> <li>→ Assists with Information Privacy issues including:               <ul style="list-style-type: none"> <li>○ Advise on data privacy laws and regulations. ¶</li> <li>○ Develop, implement, and maintain privacy policies and procedures ¶</li> <li>○ Conduct privacy impact assessments for review by General Counsel ¶</li> <li>○ Review and negotiate data processing agreements and vendor contracts ¶</li> <li>○ Collaborate with cross-functional teams to ensure privacy compliance ¶</li> <li>○ Respond to data subject access requests and regulatory inquiries ¶</li> <li>○ Monitor changes in privacy laws and update internal policies accordingly ¶</li> </ul> </li> </ul> | <p><b>Associate General Counsel for Regulatory &amp; Legislative Policy ¶</b></p> <ul style="list-style-type: none"> <li>→ The Legislative Counsel positions drafts and reviews bills, resolutions, policies and other legal documents assigned by the Director or General Counsel ¶</li> <li>→ Researches and analyzes laws and regulations to inform executive management on potential policy impacts. ¶</li> <li>→ Provides legal advice on legislative matters to the director and deputy director. ¶</li> <li>→ Collaborates with SCDOI staff and stakeholders to develop effective legislation and regulatory policies. ¶</li> <li>→ Attends and summarizes legislative meetings ¶</li> <li>→ Reviews and analyzes proposed legislation to identify potential legal issues or conflicts. ¶</li> <li>→ Helps draft and review amendments to existing laws to ensure consistency and legality. ¶</li> </ul> | <p><b>Associate General Counsel for Financial Regulation &amp; Solvency ¶</b></p> <ul style="list-style-type: none"> <li>→ Provides legal support to the Financial Regulation and Solvency and Actuarial Services Divisions from licensure to dissolution or receivership. ¶</li> <li>→ Identifies and mitigates risks to the Department by providing relevant legal advice and business-focused solutions ¶</li> <li>→ Reviews company license applications as a part of the Committee on Applications ¶</li> <li>→ Reviews the following transactions for legal sufficiency and drafts legal recommendations for approval or disapproval:               <ul style="list-style-type: none"> <li>○ Forms A, B, C, D, E and F ¶</li> <li>○ Release of statutory deposit issues ¶</li> </ul> </li> <li>→ Handles Is it Insurance Issues ¶</li> <li>→ Advises on insurance company redemptions ¶</li> <li>→ Provides coverage support to Consumer Services ¶</li> </ul> |



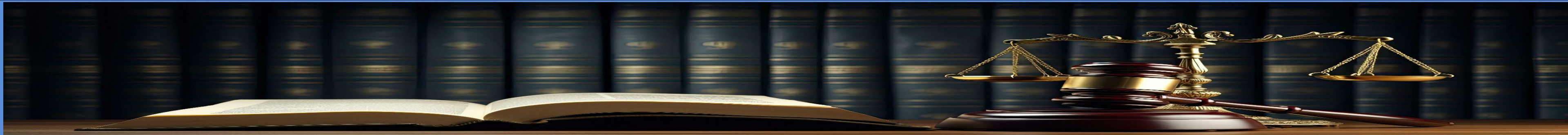
# RESPONSIBILITIES CHART

|   |   |  |  |  |
|---|---|--|--|--|
| <ul style="list-style-type: none"> <li>→ Develop training and guidance for investigator members of the Office of Legal, Legislative and Regulatory Affairs¶</li> <li>→ Identifies and mitigates risks to the Department by providing relevant legal advice and business focused solutions¶</li> <li>→ Provide back-up coverage to other attorneys within the office as assigned¶</li> <li>→ Maintains confidentiality in handling sensitive information and documents.¶</li> </ul>  | <ul style="list-style-type: none"> <li>→ Maintain confidentiality in handling sensitive information and documents.○</li> </ul>  | <ul style="list-style-type: none"> <li>○ → Provide training and awareness programs on data privacy as assigned¶</li> <li>→ Provides monthly statistical reports on work performed for the Office and attaches supporting documentation.¶</li> <li>→ Maintains the confidentiality in handling sensitive information and documents.¶</li> <li>→ Provide back-up coverage to other attorneys in the office as assigned by the General Counsel.¶</li> </ul> | <ul style="list-style-type: none"> <li>→ Monitors legislative activities and political developments to provide accurate and timely information to clients.¶</li> <li>→ Assists with the drafting of regulatory and Department policy.¶</li> <li>→ Supervises the process for review and approval of Department policy, procedures and guidelines.¶</li> <li>→ Maintains official copies of all SCDOI policies.¶</li> <li>→ Responsible for managing the promulgation of insurance regulations.¶</li> </ul> | <ul style="list-style-type: none"> <li>→ Serves as advice counsel to Actuarial Services and Product Regulation¶</li> <li>→ Handles troubled company and insurance receivership issues¶</li> <li>→ Provide legal counsel and advice on financial examination¶</li> <li>→ Maintains the confidentiality in handling sensitive information and documents.¶</li> <li>→ Provide back-up coverage to other attorneys in the office as assigned by the General Counsel.¶</li> </ul> |
| <p><b>Chief Investigator</b> □</p>  | <p><b>Market Regulation Analyst</b> □</p>   | <p>□</p>   | <p>□</p>   | <p>□</p>   |
| <p>The Chief Investigator is responsible for supervising the investigations conducted by the South Carolina Department of Insurance into allegations/complaints that the insurance laws of the State of South Carolina have been violated. This position supervises two investigator positions and is responsible for ensuring that the investigations conducted are thorough and well-documented. <b>The Chief Investigator works under the general supervision of counsel.</b>¶</p> <p><b>This position:</b>¶</p> <ul style="list-style-type: none"> <li>→ reviews and investigates complaints and allegations that the insurance laws have been violated to determine whether the Department has jurisdiction before assigning cases to be investigated;¶</li> <li>→ accurately interprets the facts, circumstances and evidence common to the investigation process;¶</li> <li>→ prepares detailed narrative and evidentiary reports of alleged violations;¶</li> <li>→ gathers on-site evidence including photographs, if applicable, witness</li> </ul> | <ul style="list-style-type: none"> <li>→ Serves as a subject matter expert (SME) in Market Regulation and for property and casualty insurance; assists members of the Department, the insurance industry, and the public by providing technical assistance with questions about filing/reporting procedures, insurance statutes/regulations/bulletins/positions, and the state of the marketplace for the property and casualty insurance line of coverage; handles highly technical consumer referrals involving property and casualty insurance; assists with the review of these complaints and other issues that may require market regulatory action and serves as a resource to staff in the Office of Consumer Services. ¶</li> <li>→ Reviews and audits random samples various types of property and casualty (P&amp;C) insurance filings in accordance with internal filing review policies and procedures to ensure filings comply with statutory requirements and reviews are consistent with internal policies and procedures; prepares a report on review deficiencies for the manager to coach and train</li> </ul> | <p>□</p>   | <p>□</p>   | <p>□</p>   |



# RESPONSIBILITIES CHART

|   |  |  |  |  |
|---|--|--|--|--|
| <p>statements, and supporting documentation;¶</p> <ul style="list-style-type: none"> <li>→ researches issue(s) and confers with counsel to verify alleged violations;¶</li> <li>→ assists with the preparation of cases for administrative hearings and testifies before the Administrative Law Judge Division;¶</li> <li>→ reports monthly on the investigative actions taken by the SCDOI;¶</li> <li>→ may refer criminal allegations to the Attorney General's Office, SLED or where warranted in accordance with South Carolina law; and¶</li> <li>→ assists with special projects as assigned.¶</li> </ul> | <p>employees; provides technical assistance and training to staff and management on issues related to property and casualty insurance; reviews the workload and operating procedures of a designated analyst or business unit and offers recommendations to the manager on how to best handle the filings workload.¶</p> <ul style="list-style-type: none"> <li>→ Serves as the Market Analysis Chief and assists the Market Regulation Coordinator with market regulation activities primarily focusing on property and casualty lines of insurance to ensure compliance with NAIC Core Competencies and Market Regulation guidelines; reviews, evaluates, and reports on market analysis trends; provides analysis feedback to examiners planning and examination of an insurer or other licensee.¶</li> <li>→ Monitor regulatory exam and analysis findings for actions taken by insurers to respond to DOI enforcement reviews or actions; maintain records of market conduct examinations.¶</li> <li>→ Assists with reviews of insurer compliance with the South Carolina Insurance Data Security Act; maintains records of the Department's actions and follows up with insurers on request for information as needed.¶</li> </ul> |  |  |  |
| <p><b>Investigator</b>¶</p>   | <p><b>Market Conduct Coordinator</b>¶</p>  |  |  |  |
| <ul style="list-style-type: none"> <li>→ reviews and investigates complaints and allegations that the insurance laws have been violated to determine whether the Department has jurisdiction before assigning cases to be investigated;¶</li> </ul>   | <ul style="list-style-type: none"> <li>→ Serve as the Collaborative Action Designee (CAD). Supervise the Market Regulation Analyst. Overall review of market and timely assessment required.¶</li> <li>→ Directs and manages the staff regarding Market Regulation in South Carolina; all NAIC Market Regulation guidelines are met; compliance with NAIC Core</li> </ul>  |  |  |  |



# RESPONSIBILITIES CHART

- → accurately interprets the facts, circumstances and evidence common to the investigation process;¶
- → prepares detailed narrative and evidentiary reports of alleged violations;¶
- → gathers on-site evidence including photographs, if applicable, witness statements, and supporting documentation;¶
- → researches issue(s) and confers with counsel to verify alleged violations;¶
- → assists with the preparation of cases for administrative hearings and testifies before the Administrative Law Judge Division;¶

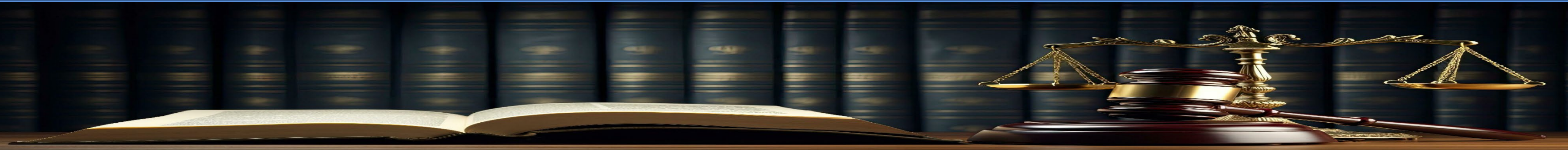
- Competencies; Level 1 and Level 2 reviews are completed in a timely manner; Market Conduct Annual Statement data has been¶
- → reviewed. Also acts as the Collaborative Action Designee (CAD).¶
  - → Serve as an adviser to the Deputy Director/Director on Market Regulation matters as well as to other Divisions of the Department where Market Regulation knowledge is needed.¶
  - → Oversee insurer assignments to analysts and examiners, monitor market conduct activities and quality verification of analysts' work and set standards for analysis and examination procedures.¶
  - → Assign and direct Market Regulation work, instruct, coach, and identify training needs.¶
  - → Approve form and content of Market Conduct examination reports before forwarding reports for approval or adoption.¶
  - → Schedule analyses and examinations in a way that meets statutory requirements and to the extent possible. Participate in coordination/collaboration with other states' analysis and examination.¶
  - → Attend meetings and trainings.¶
  - → As an active participant in NAIC work groups, assist in the development of policy that may affect policy at a nationwide, and potentially international level. This will include participation on all NAIC (D) Committee monthly calls.¶





# Historical Staffing Numbers

| Fiscal Year | Total Number of Office Staff | Turnover Type(s)   | Total Employee Separations during Fiscal year |
|-------------|------------------------------|--|---|
| 2020-2021   | 8                            | <ul style="list-style-type: none"><li>• Retirements</li><li>• Voluntary Resignations</li></ul> | 3   |
| 2021-2022   | 5                            | <ul style="list-style-type: none"><li>• Retirements</li><li>• Voluntary Resignations</li></ul> | 3   |
| 2022-2023   | 6                            | <ul style="list-style-type: none"><li>• Retirements</li><li>• Voluntary Resignations</li></ul> | 2   |
| 2023-2024   | 8                            | <ul style="list-style-type: none"><li>• Retirements</li><li>• Voluntary Resignations</li></ul> | 2   |
| 2024-2025   | 8                            |  | 1   |



# **OVERVIEW OF PRACTICE AREAS AND TEAMS**



# PRACTICE AREAS

Follows and summarizes legislation affecting the Department; Works with the business unit on legislative recommendations aimed at enhancing insurance.

Legislative & Regulatory Policy

Works with the business units of the SCDOI to ensure SCDOI contracts comply with applicable South Carolina law.

Contracts and Procurement

Advises business units on state and federal compliance requirements and the legal risks of employment decisions.

Employment Law

Collaborates with business units to ensure compliant implementation of licensing and other regulatory.

Compliance, Investigation, Market Regulation & Enforcement

SCDOI Mission

Advises and trains employees on the State Ethics Law and DOI policies.

Ethics

Works with the business units to ensure timely and complete analysis for legally appropriate release of information to the public; trains staff of data security and privacy requirements and document retention requirements.

Information Law including Information Requests, Privacy & Data Security and Record Retention

Solvency Regulation

Advises business unit and provides legal support on insurance regulatory requirements affecting the solvency of insurance and the accreditation of the SCDOI.

The Department's mission is at the center of what we do.

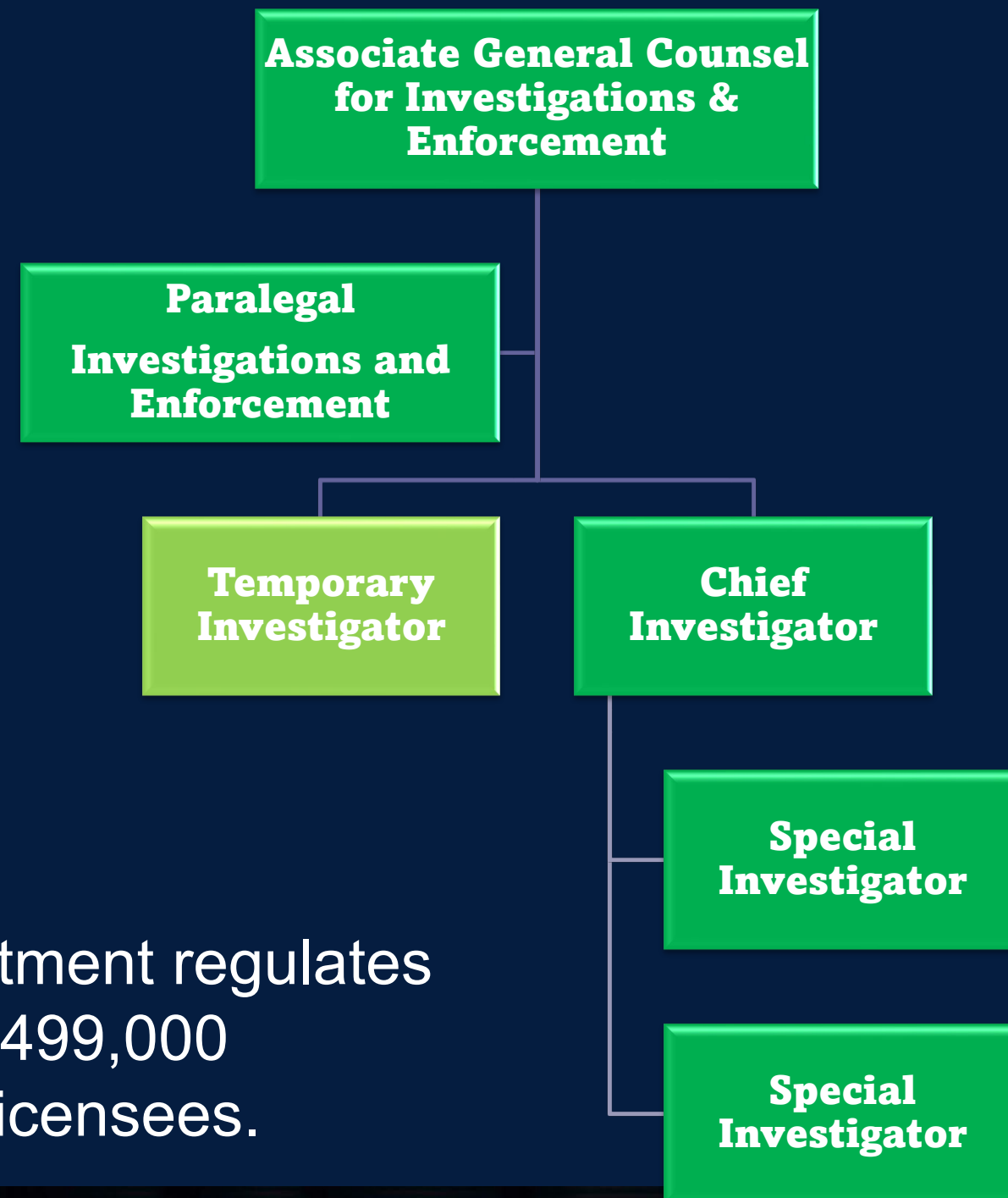


# INVESTIGATION AND INDIVIDUAL LICENSEE COMPLIANCE

## INVESTIGATION & INDIVIDUAL LICENSING PRACTICE TEAM

## Business Units Supported

*Individual Licensing & Continuing Education*



The Department regulates more than 499,000 individual licensees.

### Investigators:

- Investigate allegations that individual licensees have violated the standards set forth in Title 38 for the specific license type and present findings to counsel
- Investigate allegations that licensees have been convicted of crimes and are no longer eligible for a license issued by the Department and present findings to counsel

### Counsel:

- Provides advice and counsel to business unit on statutory interpretations
- Reviews investigative findings to determine disciplinary action or appropriate resolution
- Institutes disciplinary action
- Represents the Department in disciplinary proceedings

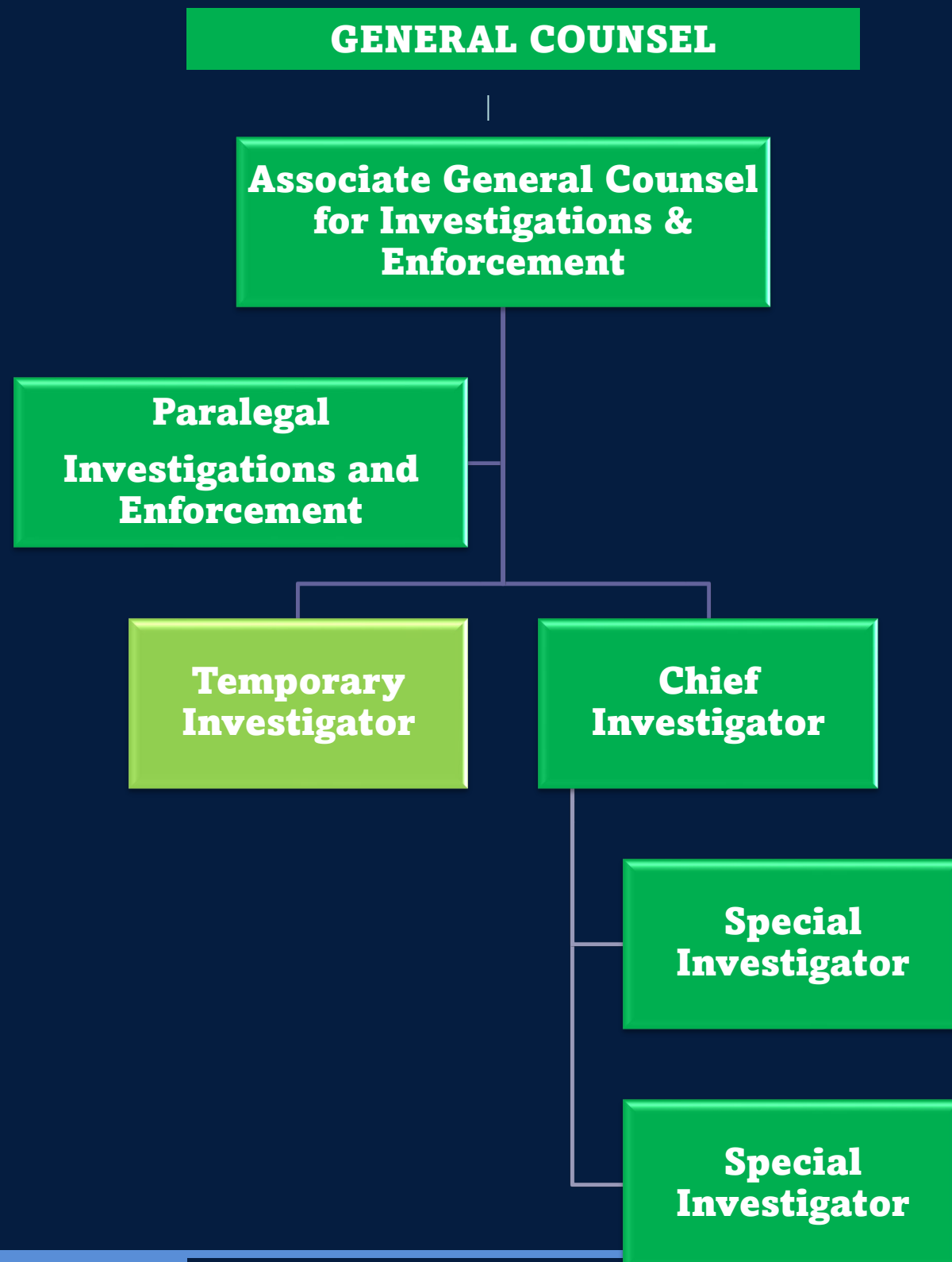


# INVESTIGATIONS AND INDIVIDUAL LICENSEE COMPLIANCE

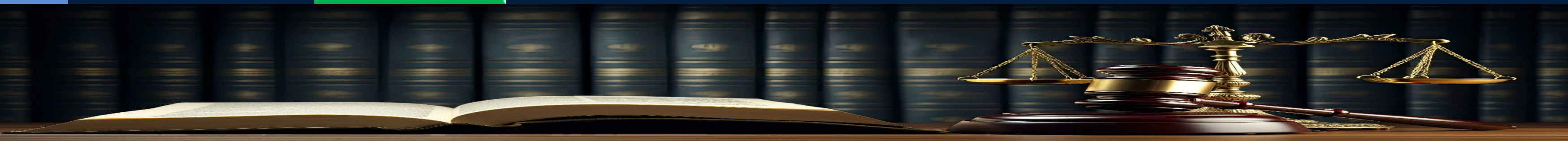
|               | <b>Strategic Objective(s)</b>  | <b>Target Assessment Date</b> |
|---------------|--|-------------------------------|
| <b>Goal 1</b> | <b>Conduct independent and objective investigations of licensees alleged to have violated the laws of the state of South Carolina and institute administrative disciplinary action where appropriate</b> | <b>June 30<sup>th</sup></b>   |
| <b>Goal 2</b> | <b>Complete the investigation of the majority (<i>i.e.</i>, 75%) of investigable allegations within 90 days of assignment or other assigned timeframe</b>  | <b>June 30<sup>th</sup></b>   |
| <b>Goal 3</b> | <b>Utilize technology to strengthen existing investigative framework and data analysis capabilities to identify trends.</b>  | <b>June 30<sup>th</sup></b>   |
| <b>Goal 4</b> | <b>Provide quality investigative reports to Counsel for use in administrative disciplinary matters or regulatory policy development</b>  | <b>June 30<sup>th</sup></b>   |
| <b>Goal 5</b> | <b>Develop a training and mentoring plan for investigative team</b>  | <b>June 30<sup>th</sup></b>   |



# INVESTIGATIONS AND INDIVIDUAL LICENSEE COMPLIANCE



| Position                         | General Duties   |
|----------------------------------|--|
| <b>Associate General Counsel</b> | <ul style="list-style-type: none"> <li>Oversees the investigative and administrative disciplinary function(s)</li> <li>Initiates disciplinary action on behalf of the DOI</li> <li>Performs legal sufficiency review of investigations</li> <li>Drafts orders</li> <li>Represents the Department in administrative disciplinary proceedings</li> </ul> |
| <b>Chief Investigator</b>        | <ul style="list-style-type: none"> <li>Triages allegations that insurance laws have been violated</li> <li>Supervises the investigations that are conducted</li> <li>Draft reports investigative reports for counsel and testifies in administrative disciplinary proceedings</li> </ul>   |
| <b>Special Investigator</b>      | <ul style="list-style-type: none"> <li>Collects evidence to prove or disprove an allegation that insurance laws were violated</li> <li>Drafts investigative reports for counsel and testifies in administrative proceedings</li> </ul>   |
| <b>Temporary Investigator</b>    | <ul style="list-style-type: none"> <li>Conducts investigations and handles special projects or investigations</li> </ul>   |



# INVESTIGATIONS AND INDIVIDUAL LICENSEE COMPLIANCE

## PERFORMANCE METRICS 2024-2025

| Performance Metric   | Number |
|--|--------|
| % of investigations completed within 90 days of assignment | 168    |
| Total # of Files Opened                                    | 334    |
| Total# of Files Closed                                     | 264    |
| Average days to complete an investigation                  | 90*    |
| Total # of Consent Orders Issued                           | 20     |
| Total # of revocations                                     | 22     |
| Total # of Suspensions                                     | 1      |
| Total # of Warning Letters issued                          | 54     |
| Total # of Probation Notices                               | 2      |
| Total # of Disciplinary Hearings                           | 3      |



# INVESTIGATIONS

## Flow Chart





# INVESTIGATIONS AND INDIVIDUAL LICENSEE COMPLIANCE

## Historical Performance

### FY 2022-2023

|                            |          |
|----------------------------|----------|
| Investigation Files Opened | 558      |
| Investigation Files Closed | 624      |
| License Suspensions        | 0        |
| License Probation          | 0        |
| Warning Letters            | 117      |
| License Revocations        | 66       |
| AG Referrals               | 0        |
| Cease and Desist Letter    | 0        |
| Administrative Penalties   | \$11,500 |
| FOIA Requests              | 76       |
| Service of Process         | 4668     |

### FY 2023-2024

|                                 |      |
|---------------------------------|------|
| Total Complaints Received       | 353  |
| Investigation Files Opened      | 228  |
| Investigations Denied/No Action | 125  |
| Investigation Files Closed      | 221  |
| License Suspensions             | 0    |
| License Surrenders              | 11   |
| License Probation               | 0    |
| Warning Letters                 | 30   |
| License Revocations             | 28   |
| Fraud Referrals                 | 3    |
| Cease and Desist Letters        | 3    |
| FOIA Requests                   | 52   |
| Service of Process              | 4859 |



# INVESTIGATIONS AND INDIVIDUAL LICENSEE COMPLIANCE

## Historical Performance

### FY 2020-2021

|                            |      |
|----------------------------|------|
| Investigation Files Opened | 321  |
| Investigation Files Closed | 279  |
| License Suspensions        | 0    |
| License Probation          | 7    |
| Warning Letters            | 38   |
| License Revocations        | 56   |
| AG Referrals               | 2    |
| FOIA Requests              | 126  |
| Service of Process         | 4496 |

### FY 2021-2022

|                            |      |
|----------------------------|------|
| Investigation Files Opened | 468  |
| Investigation Files Closed | 392  |
| License Suspensions        | 0    |
| License Probation          | 2    |
| Warning Letters            | 128  |
| License Revocations        | 71   |
| AG Referrals               | 2    |
| Cease and Desist Letters   | 3    |
| FOIA Requests              | 52   |
| Service of Process         | 4864 |



# MARKET REGULATION AND COMPLIANCE



# PURPOSE OF MARKET REGULATION

- **Market regulation strives to:**

*Ensure consumers are charged rates that are not excessive, inadequate or unfairly discriminatory, have access to compliant insurance products, and that licensees comply with the requirements of South Carolina law.*



# MARKET REGULATION AND COMPLIANCE

## STRATEGIC GOALS & OBJECTIVES

### Goals

- 1. Finalize the Workplan for the upcoming fiscal year by June 30**
  - Review MCAS by the established deadline in accordance with the NAIC Market Conduct Handbook
  - Complete Level 1 Checklists by the established deadlines
  - Complete SCDOI Examination Coordinator templates for market conduct examinations
- 2. Conduct scheduled examinations in accordance with SCDOI policies and procedures**
- 3. Schedule back-end audits for exempt products to ensure compliance with applicable South Carolina laws.**
- 4. Enhance the market regulation resources within the South Carolina Department of Insurance**
  - Secure market conduct examination resources through the state procurement process
  - Secure opportunities for existing market regulation staff to shadow contractors
  - Cross-train investigators to do market regulation work
  - Reclass the market conduct coordinator position to a higher level to attract qualified applicants
  - Hire an attorney to assist with market regulation activities



# SCDOI Divisions with a Market Regulation Mission

## Individual Licensing & Consumer Services

Total Staff: 16

### Primary Responsibilities:

- The Department's regulation involves implementing and enforcing the requirements for individuals who sell, solicit or negotiate insurance. Applicants for licensure must comply with licensing and continuing education requirements to be eligible to transact business in this state.

## Actuarial Services

Total Staff: 4

### Primary Responsibilities

- Reviews rate filing to ensure they are actuarially supported
- Analyze data to determine the financial risk of insurance policies and investments on the financial health or condition of the insurer
- Review and analyze the sufficiency of reserves

## Product Regulation

Total Staff: 10

### Primary Responsibilities

This division implements and helps enforce the laws and guidelines pertaining to the insurance products that are offered for sale in this state. Products must comply with coverage requirements set forth in statute. They also review and approve rates as required by SC law to ensure they are not excessive, inadequate or unfairly discriminatory.



# MARKET REGULATION AND COMPLIANCE TEAM

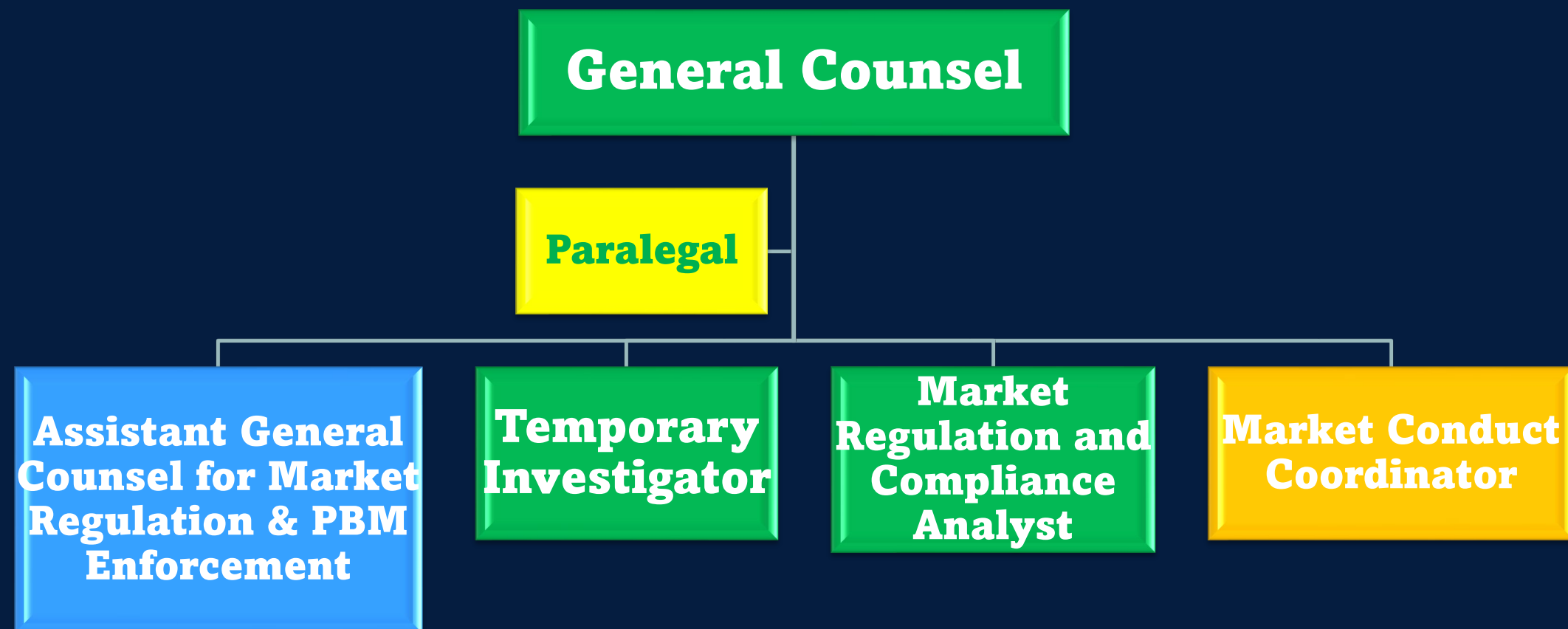
## Organizational Structure

### Business Units Supported

- Office of Consumer Services (Referrals)
- Financial Analysis (Referrals)
- Financial Examinations (Referrals)
- Product Regulation (Referrals)

➤ Market Analysts perform market analysis of insurer performance in accordance with SC law and NAIC guidelines.

➤ Referrals from the Office of Consumer Services and other business units are investigated and if warranted other regulatory action including a market conduct examination may be conducted.



Most of the employees in this area perform these functions in addition to other responsibilities. The work for this regulatory function has been consistently supported by contract examination firms and regulators from other states.



# MARKET REGULATION

# WORK FLOW CHART

## MARKET ANALYSIS IS STEP ONE IN THE MARKET REGULATION PROCESS

### STEP 3 LEVEL 2 ANALYSIS

Level 2 Analysis is a more in-depth analysis that is conducted if the Level 1 analysis reveals some outliers that bear further analysis. It involves a review of consumer complaints, interdepartmental communications, market analysis and regulatory actions, etc.



### STEP 4 : Regulatory Response/Intervention

Regulatory responses generally include such things as telephoning or meeting with company officials, issuing an interrogatory, conducting a policy and procedure review or issuing a data call, performing a desk audit or scheduling an on-site examination.

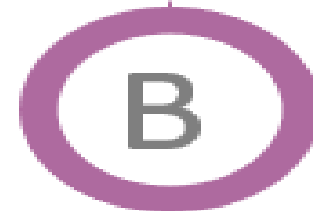
### GENERAL PROCESS DESCRIPTION

- Market regulation focuses on regulated entities' compliance with insurance laws and regulations other than those related to financial solvency.
- Market regulation complements financial solvency regulation. Market regulation also evaluates companies' fulfillment of contractual obligations to their policyholders and claimants.
- Staff members (2 part-time employees) perform a combination of in-house reviews of company submissions, Level 1 checklists based on the MAPT Report, and where warranted contract examiners perform on-site, targeted examinations of company records and operations to fulfill these responsibilities.



### STEP 2 LEVEL 1 ANALYSIS

Level 1 analysis is focused. It is a template with a series of questions that guides an analyst through a comprehensive review of NAIC data about the company.



### STEP 1 CONSUMER COMPLAINT REFERRAL

The SCDOI Office of Consumer Services assists consumers with complaints about insurer conduct or claims. Once the consumer has been assisted, the analyst may refer the complaint for further review if the allegation appears to be a business practice.



**Statutory Authority:**







**Full Scope Examinations**

Full scope examinations include a full review of the company's business practices including operations and management, complaint handling, producer licensing, marketing and sales, policyholder service, underwriting and claims.

**Targeted/Limited Scope Exams**

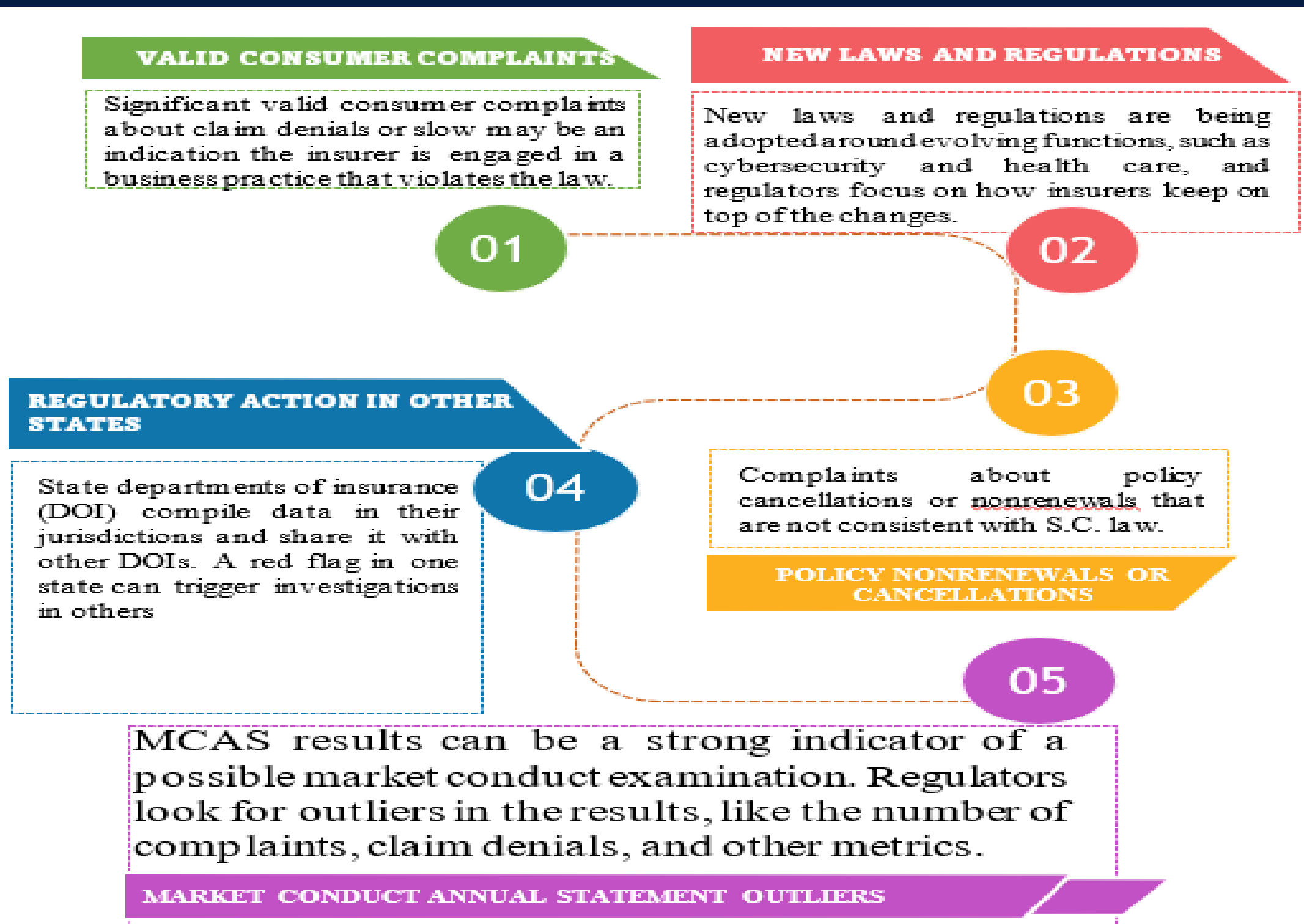
Targeted examinations focus on the area of concern and may be called by a jurisdiction without notice. Target examinations are usually conducted on-site. A limited scope examination generally involves use of alternative examination methods other than, or in addition to a traditional on-site examination. A desk examination by the insurance department (where a company provides materials to a state insurance department by mail or electronically) is an example of a limited scope examination.

**Statutory Authority:** S.C. Code Ann. § 38-13-10 *et seq*

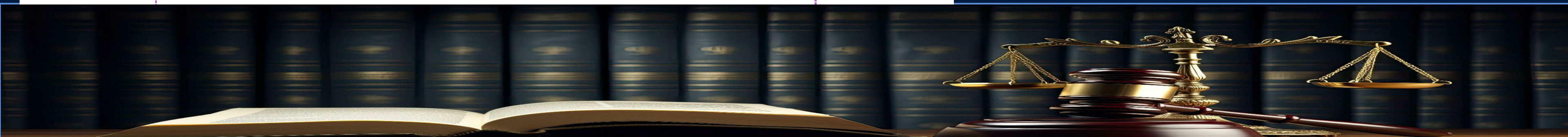


# MARKET REGULATORY ACTION

## POTENTIAL INDICATORS

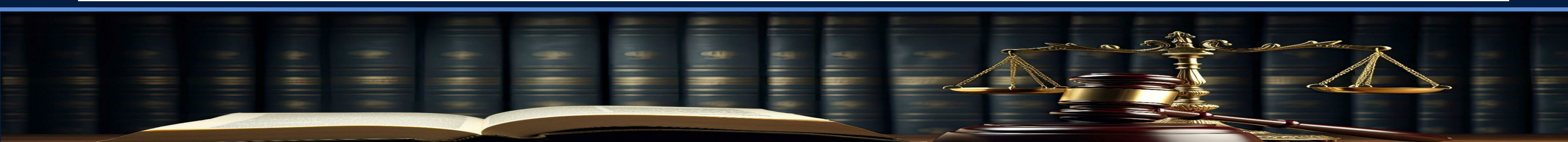
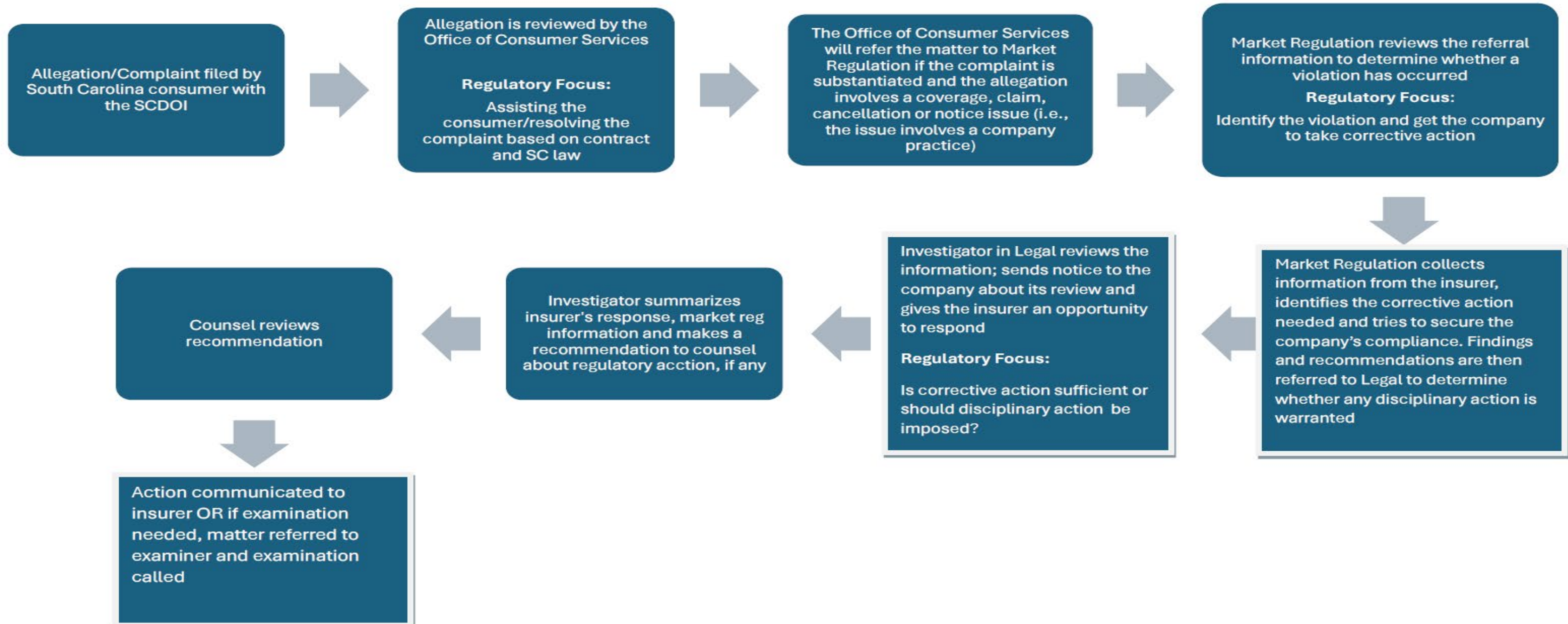


| Allegation              | Code Provisions                          |
|-------------------------|--|
| Consumer Complaints     | <i>See e.g., § 38-13-70</i>              |
| Policy Nonrenewals      | <i>See e.g., §§ 38-75-740; 38-77-120</i> |
| Policy Cancellations    | <i>See e.g., §§ 38-75-730</i>            |
| Unfair Claims Practices | <i>See e.g., §§ 38-59-10 et seq</i>      |
| Unfair Trade Practices  | <i>See e.g., §§ 38-57-10 et seq</i>      |



# MARKET REGULATORY ACTION

## Market Regulation Investigations Flow Chart (Consumer Referrals)



# MARKET REGULATION

## 5-YEAR PERFORMANCE HIGHLIGHTS

| <b>Company Name</b>                              | <b>Year</b> | <b>Action</b> |
|--|-------------|---------------|
| Companion Life Insurance Company                 | 2023        | \$45,750      |
| Insurance Services Office, Inc. (ISO)            | 2023        | No penalty    |
| American Association of Insurance Services       | 2022        | No penalty    |
| National Council on Compensation Insurance, Inc. | 2021        | No penalty    |
| Freedom Life Insurance Company of America        | 2021        | \$10,423      |
| Principal Life Insurance Company of America      | 2020        | \$5,453       |



# MARKET CONDUCT EXAMINATION

## Historical Information

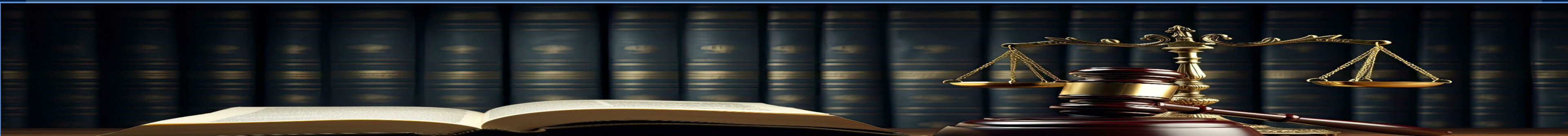
| Company Name                                      | Sign-On Date | SC's Payment | Regulatory Settlement Agreement        |
|---|--------------|--------------|--|
| American Association of Insurance Services        |              | NA           | No Regulatory Penalty                  |
| NCCI  | 2021         |              | No Administrative Penalty              |
| Principal Life Insurance Company                  | 2020         | \$5,453      |  |
| AXA Equitable Life Insurance Company & Affiliates | 6/15/2016    | \$44,738     | <u>Regulatory Settlement Agreement</u> |



# MARKET CONDUCT EXAMINATION

## Historical Information

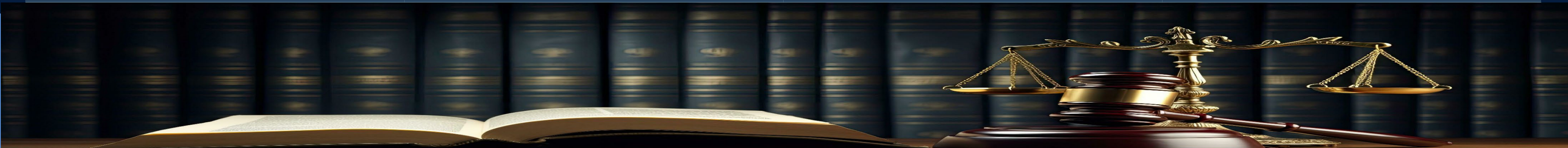
| Company Name  | Sign-On Date | SC's Payment | Regulatory Settlement Agreement        |
|---|--------------|--------------|--|
| Freedom Life Insurance Company                                    | 9-7-2023     | \$52,497     |  |
| American Association of Insurance Services                        |              |              | No Regulatory Penalty                  |
| American Family Life Assurance of Columbus (AFLAC) and Affiliates | 2/12/18      | \$8,293      |  |
| Ameriprise / Riversource Life Insurance Company & Affiliates      |              | \$19,452     | <u>Regulatory Settlement Agreement</u> |
| Allstate Life Insurance Company & Affiliates                      | 7/18/2019    | \$2,496      | <u>Regulatory Settlement Agreement</u> |
| Great West Life & Annuity Insurance Company and Affiliates        | 7/18/2019    | \$6,953      | <u>Regulatory Settlement Agreement</u> |
| Protective Life Insurance Company                                 | 2/12/18      | \$4,530      | <u>Regulatory Settlement Agreement</u> |
| State Farm Life Insurance Company & Affiliates                    | 2/12/18      | \$4,635      | <u>Regulatory Settlement Agreement</u> |
| Securian Life Insurance Company & Affiliates                      | 9/26/16      | \$13,212     | <u>Regulatory Settlement Agreement</u> |
| Hartford Life and Accident & Affiliates                           | 9/26/16      | \$27,333     | <u>Regulatory Settlement Agreement</u> |



# MARKET CONDUCT EXAMINATION

## Historical Information

| Company Name  | Sign-On Date | SC's Payment   | Regulatory Settlement Agreement        |
|---|--------------|----------------|--|
| AIG and Affiliates                                    | 6/14/2012    | \$1,648,129.95 | <u>Regulatory Settlement Agreement</u> |
| ING Life Insurance and Annuity Company and Affiliates | 9/30/2013    | \$82,621.04    | <u>Regulatory Settlement Agreement</u> |
| Nationwide Insurance Company and Affiliates           | 10/10/2012   | \$48,893       | <u>Regulatory Settlement Agreement</u> |
| New York Life Insurance Company & Affiliates          | 12/3/13      | \$185,893      | <u>Regulatory Settlement Agreement</u> |
| Prudential Insurance Company of America               | 2/2/12       | \$236,266      | <u>Regulatory Settlement Agreement</u> |



# Performance Snapshot

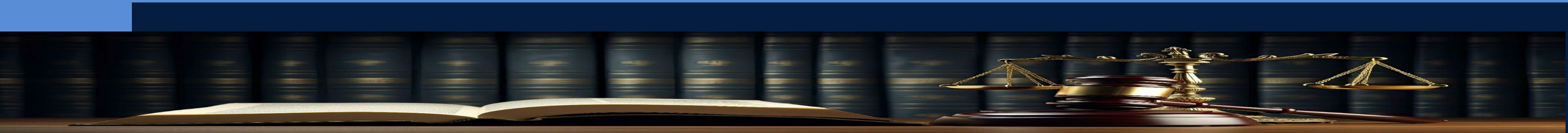
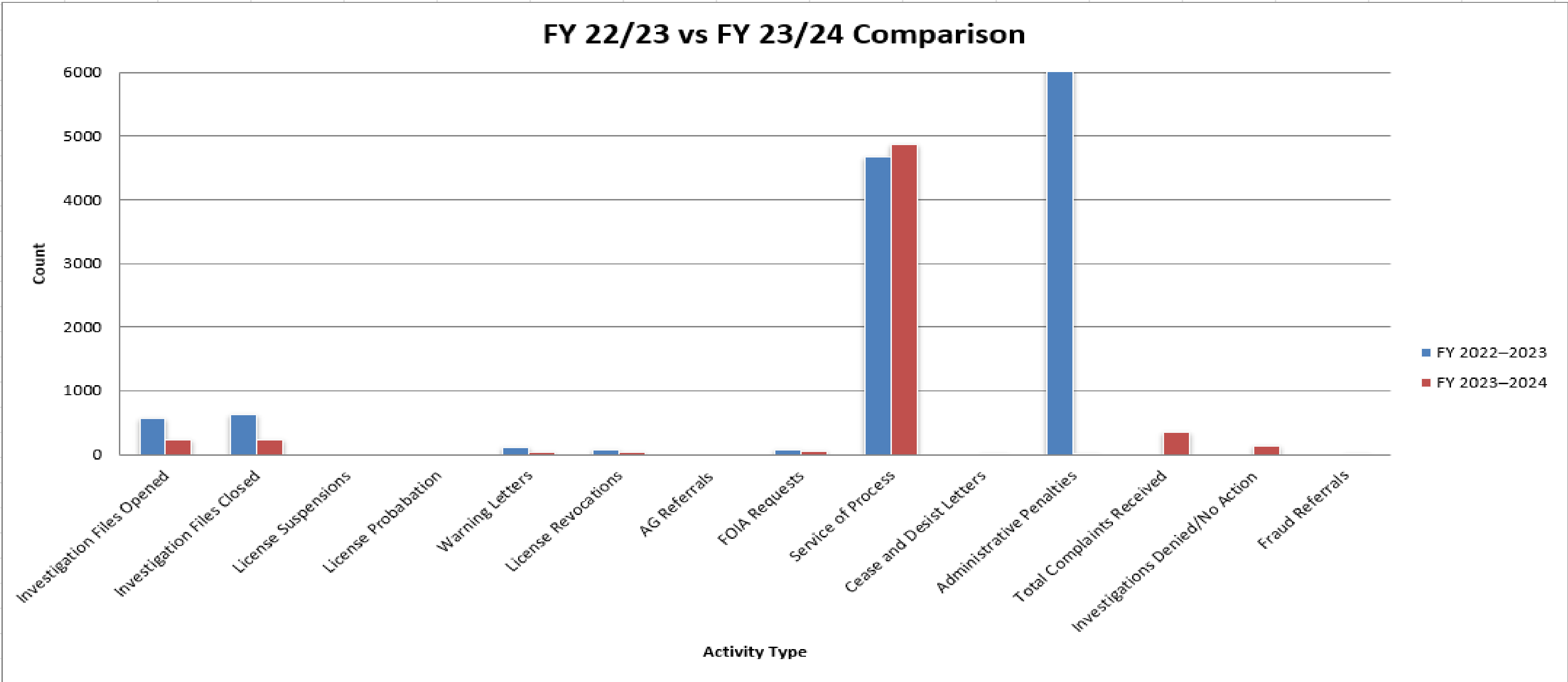
| Activity                                   | FY 2024-25      | FY 2023-24   | FY 2022-23       | FY 2021-22 | FY 2020-21    |
|--|-----------------|--|------------------|------------|---------------|
| License Suspensions                        | 0               | 0  | 0                | 2          | 7             |
| License Revocations                        | 22              | 28   | 66               | 71         | 56            |
| Administrative Fines & Penalties Collected | \$1,594,340     | \$66,250   | \$1,327,225      | \$55,866   | \$1,458,472   |
| Other Fees Collected (Receiverships)       | \$103,048 (TIS) | \$54,724,553 (Consumers Choice)<br>\$2,800,000 (Oceanus) | \$369,000 (SCHC) | \$394,033  | Not available |



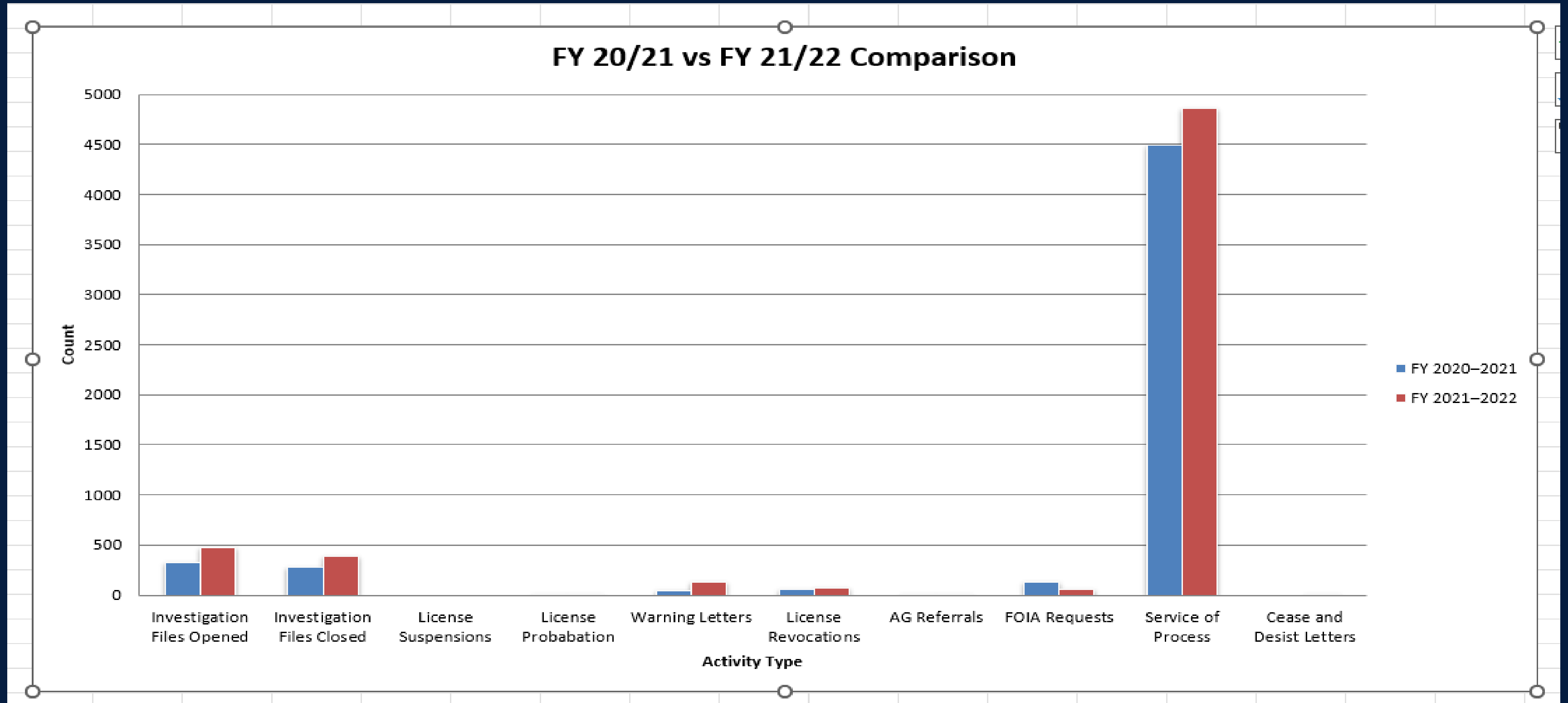


# Performance Snapshot

## FY 22/23 vs FY 23/24 Comparison



# Performance Snapshot



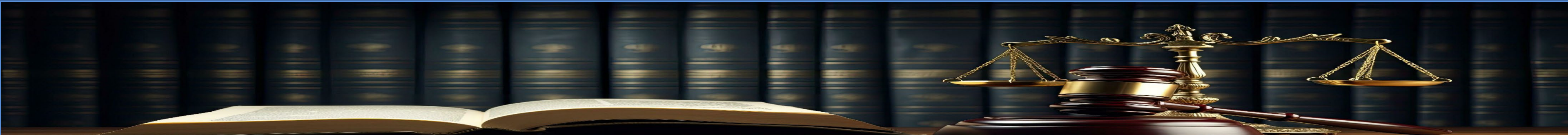
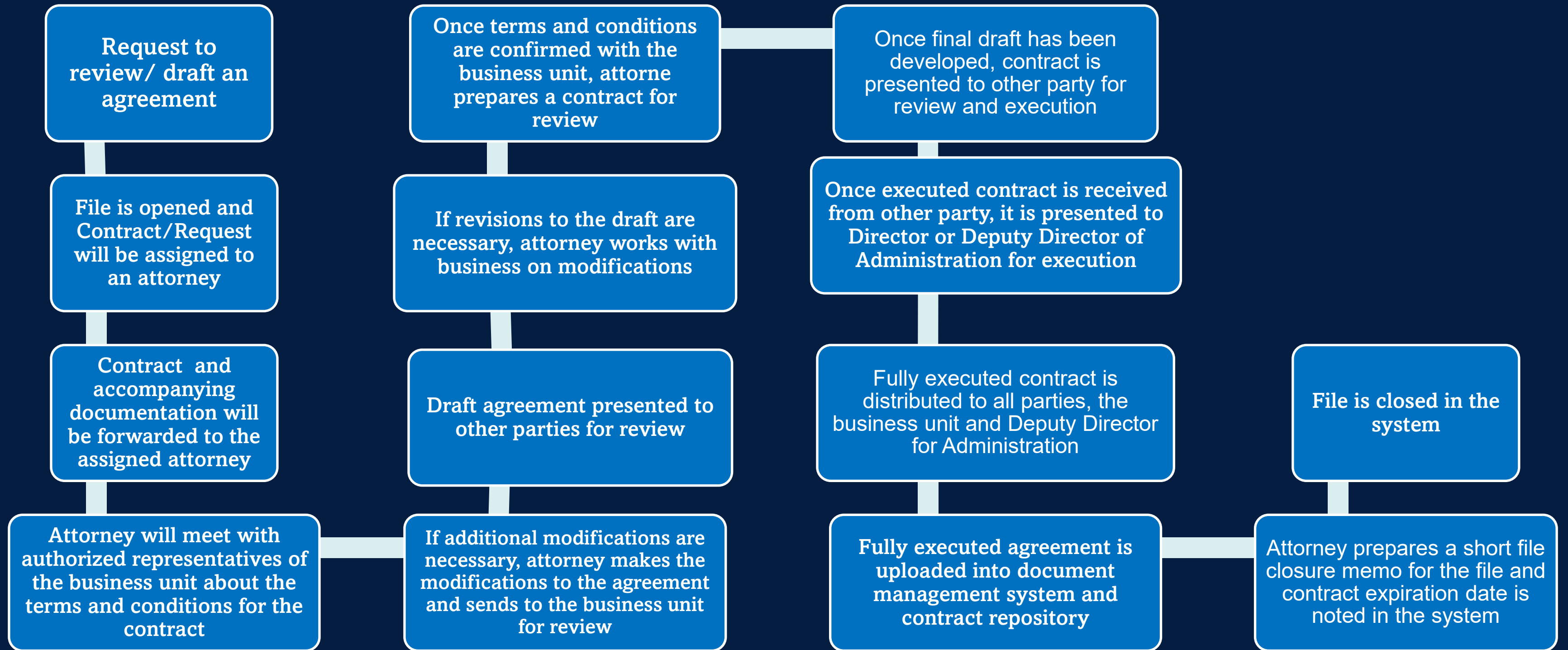
# OVERVIEW OF PRACTICE AREAS



**LEGAL PRACTICE AREA**  
**CONTRACTS AND PROCUREMENT**



# CONTRACT WORKFLOW



# CONTRACTS

- Contracts involving the Department as a party or work of the Department should be forwarded to the Office of General Counsel for review.
- Counsel may propose modifications, suggest changes and create contract drafts.
- Counsel also offers legal guidance to business units including agreements involving independent contractors.
- Counsel also assists with procurement related matters as needed.

| Activity                           | 2025 | 2024 | 2023 |
|------------------------------------|------|------|------|
| <b>Contracts Reviewed</b>          | 2    | 5    | 5    |
| <b>Contracts Drafted</b>           | 11   | 6    |      |
| <b>Requests for Qualifications</b> | 1    | 1    | 1    |
| <b>MOA b/w State Agencies</b>      | 1    | 1    | 1    |



**LEGAL PRACTICE AREA**  
**SERVICE OF PROCESS**



- “Service of process” is the legal process for formally delivering certain legal documents (including lawsuits, subpoenas, or other legal processes or notices). An agent for service of process can accept the legal documents on behalf of a person or business.





# SERVICE OF PROCESS

## Lawsuits Against Insurers Must be Served on the Director of Insurance

### Code Provision

38-5-70

...every insurer shall appoint in writing the director [of the Department of Insurance] to be its lawful attorney upon whom all legal process and action or proceeding against it must be served.

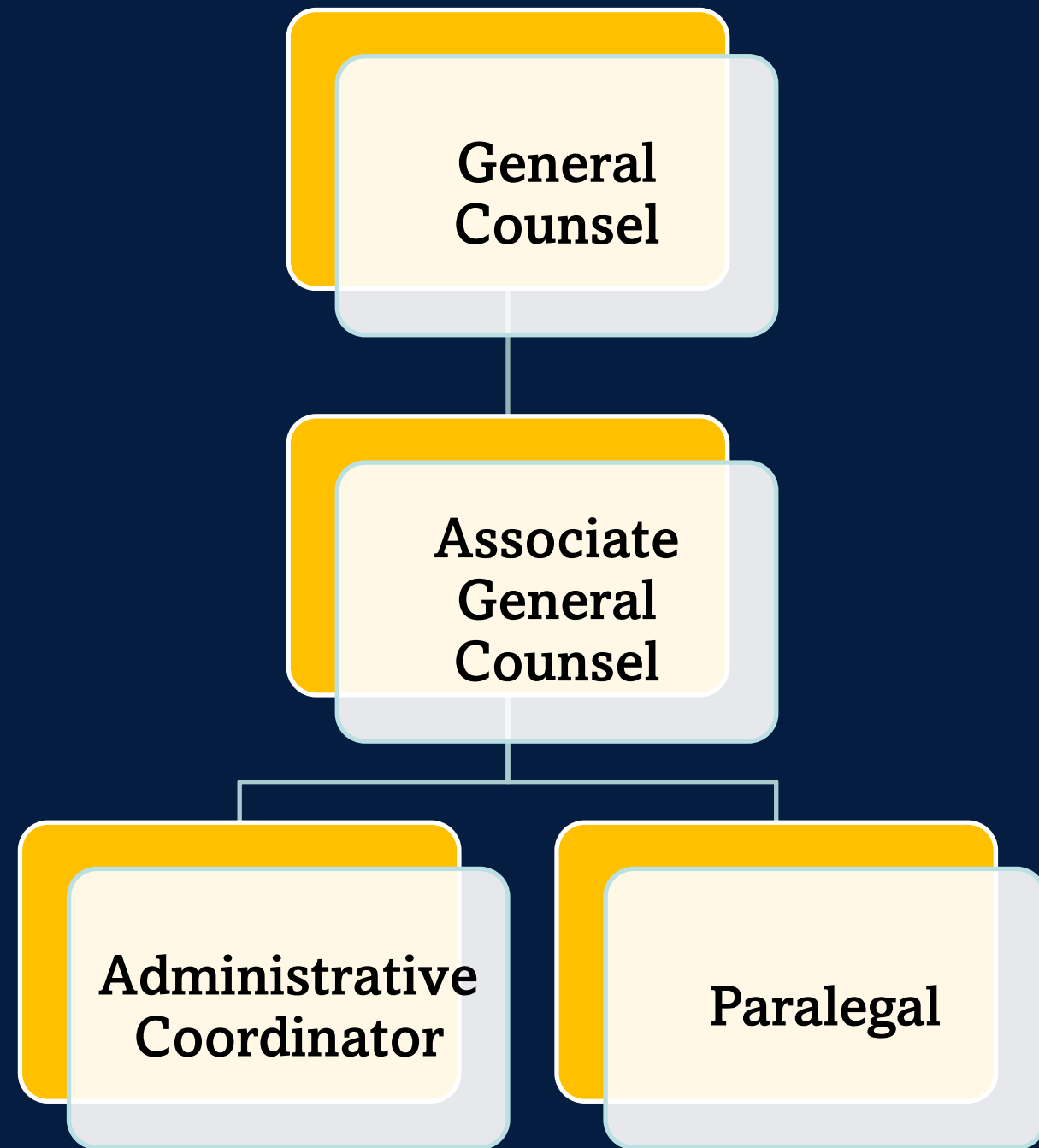
15-9-270

...provides that the summons and any other legal process in any action against it must be served on an insurance company as defined in Section § 38-1-20 by delivering two copies of the summons or other legal process to the Director of the Department of Insurance.

Under South Carolina law, the Director is the lawful attorney for service of process. This means that every lawsuit against an insurance company is served upon the Department, and the Department forwards it to the appropriate address for the insurer.



# SERVICE OF PROCESS TEAM



## Role

## Function

### Administrative Coordinator

- Receives and processes the pleadings in accordance with SC law
- Serves documents approved by counsel

### Associate General Counsel

- Supervises the process
- Reviews the processed documents to ensure they comply with applicable SC law and signs the correspondence accepting the documents for service

### Paralegal

- Backs up the Administrative Coordinator as needed



# SERVICE OF PROCESS WORKFLOW

**Documents are  
received for service**

**Documents are  
reviewed to determine  
whether they are  
servable**

**If documents are  
servable, they are  
served the same day.**

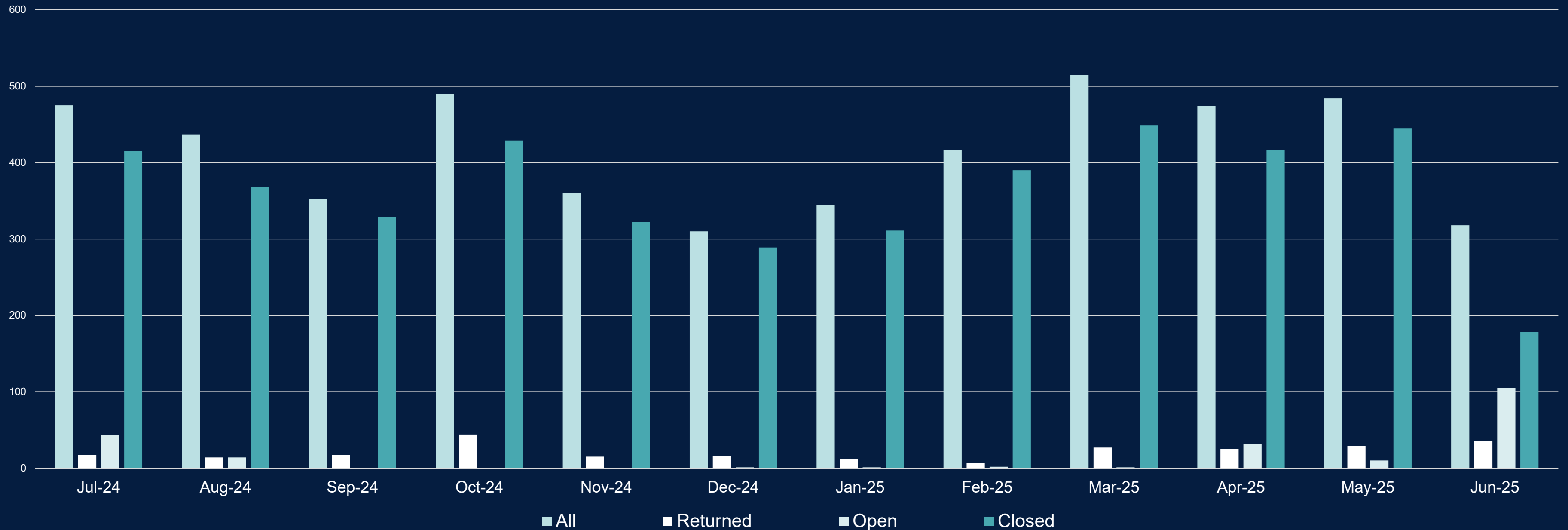
**If documents name an  
insurer that is not licensed,  
the attorney may be  
contacted and given an  
opportunity to correct the  
issue in writing**



# SERVICE OF PROCESS STATISTICS

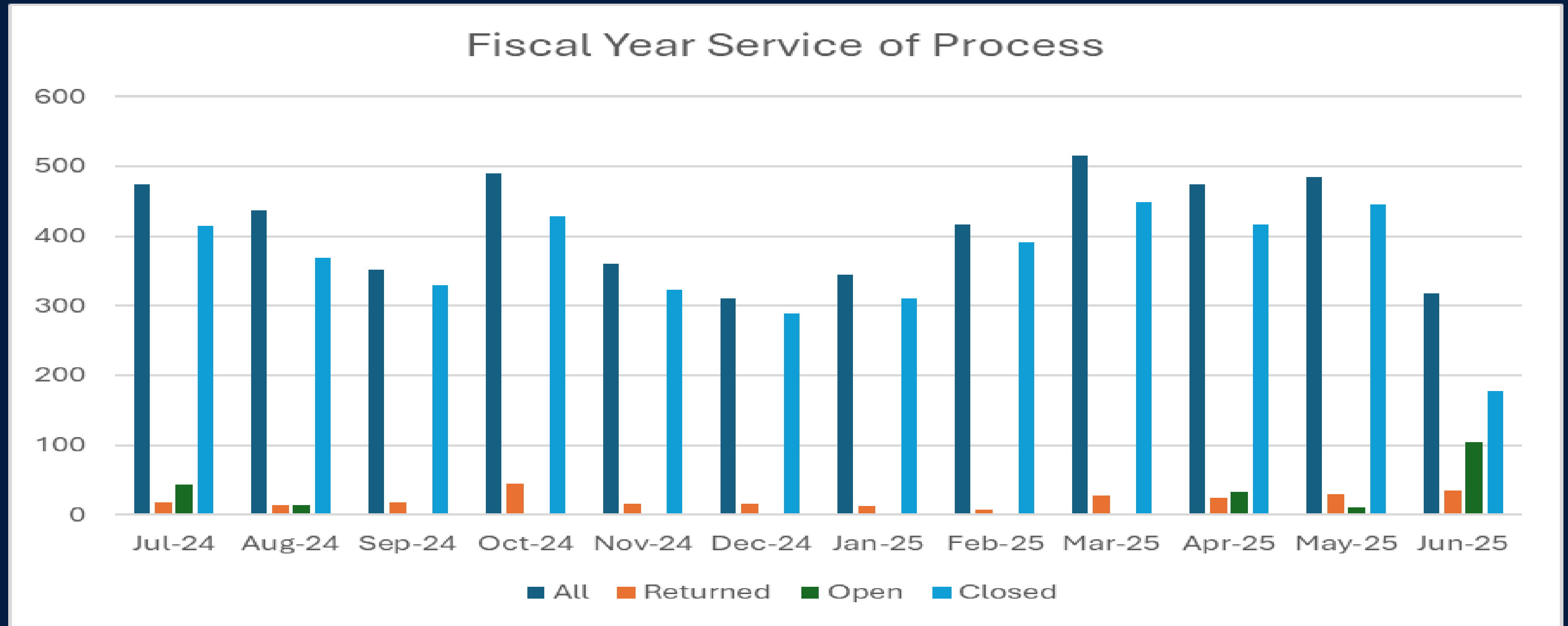
## Fiscal Year 24-25

Fiscal Year '24-25 Service of Process



# SERVICE OF PROCESS STATISTICS

## Fiscal Year 21-25

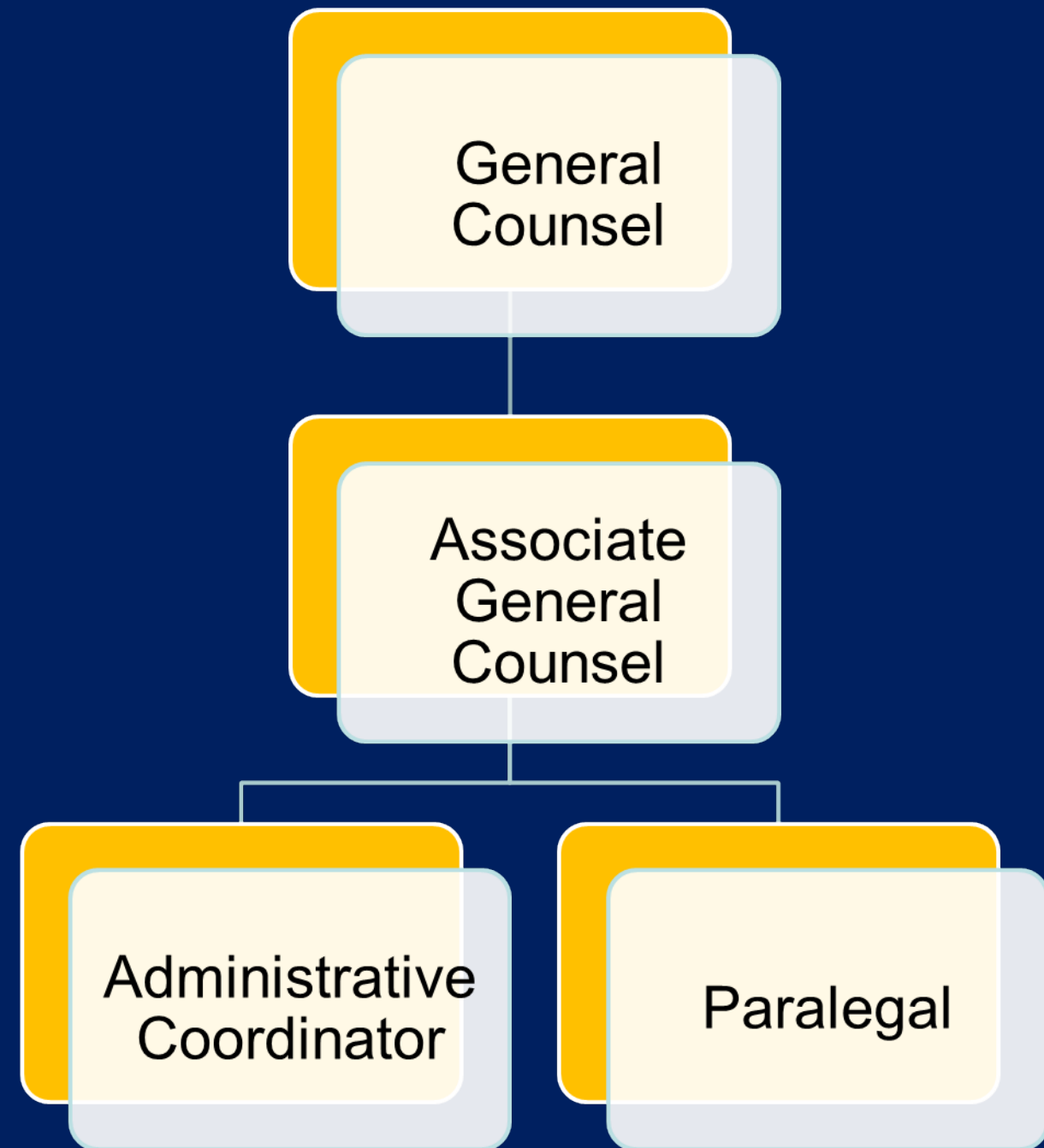


**LEGAL PRACTICE AREA**  
**INFORMATION LAW AND DATA PRIVACY**



# INFORMATION LAW & INTERNAL OPERATIONS

## PERFORMANCE METRICS



- **Business Units Supported:**
  - Administration & Strategic Planning
    - Information Technology
    - Records Management
- **Provides the following Legal Services:**
  - Service of Process
  - FOIA Requests & Subpoenas
  - IT Legal support



# FOIA STATISTICS

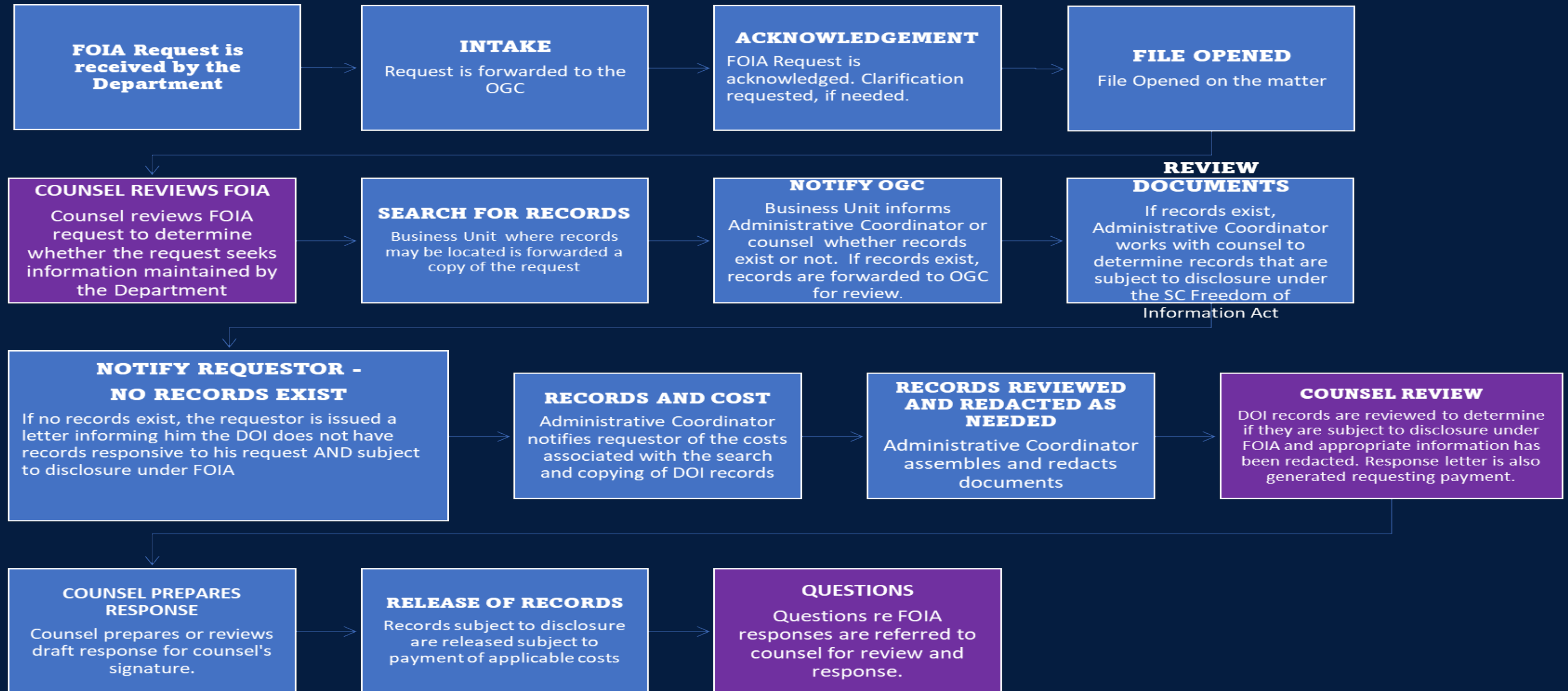
## FOIA Requests Received, Processed and Pending

| Fiscal Year | Total No#<br>Received in FY | Total No#<br>Processed in FY | Total Number<br>Denied due to<br>Exemption | Requests Pending<br>at Year End |
|-------------|-----------------------------|------------------------------|--|---------------------------------|
| 2025        | 73                          | 63                           | 10   | 11                              |
| 2024        | 42                          | 42                           | 2  | 0                               |
| 2023        | 26                          | 26                           | 1  | 0                               |
| 2022        | 62                          | 62                           | 4  | 0                               |
| 2021        | 56                          | 56                           | 3  | 0                               |





# FOIA WORKFLOW



# SUBPOENA STATISTICS

## Subpoena Requests Received, Processed and Pending

| Fiscal Year | Total No#<br>Received in FY | Total No#<br>Processed in FY | Total Number<br>Denied/Motion to<br>Quash | Requests Pending<br>at Year End |
|-------------|-----------------------------|------------------------------|---|---------------------------------|
| 2025        | 2                           | 0                            | 2   | 1                               |
| 2024        | 1                           | 1                            | 0   | 1                               |
| 2023        | 6                           | 5                            | 1   | 0                               |
| 2022        | 4                           | 0                            | 1   | 0                               |
| 2021        | 3                           | 0                            | 1   | 0                               |

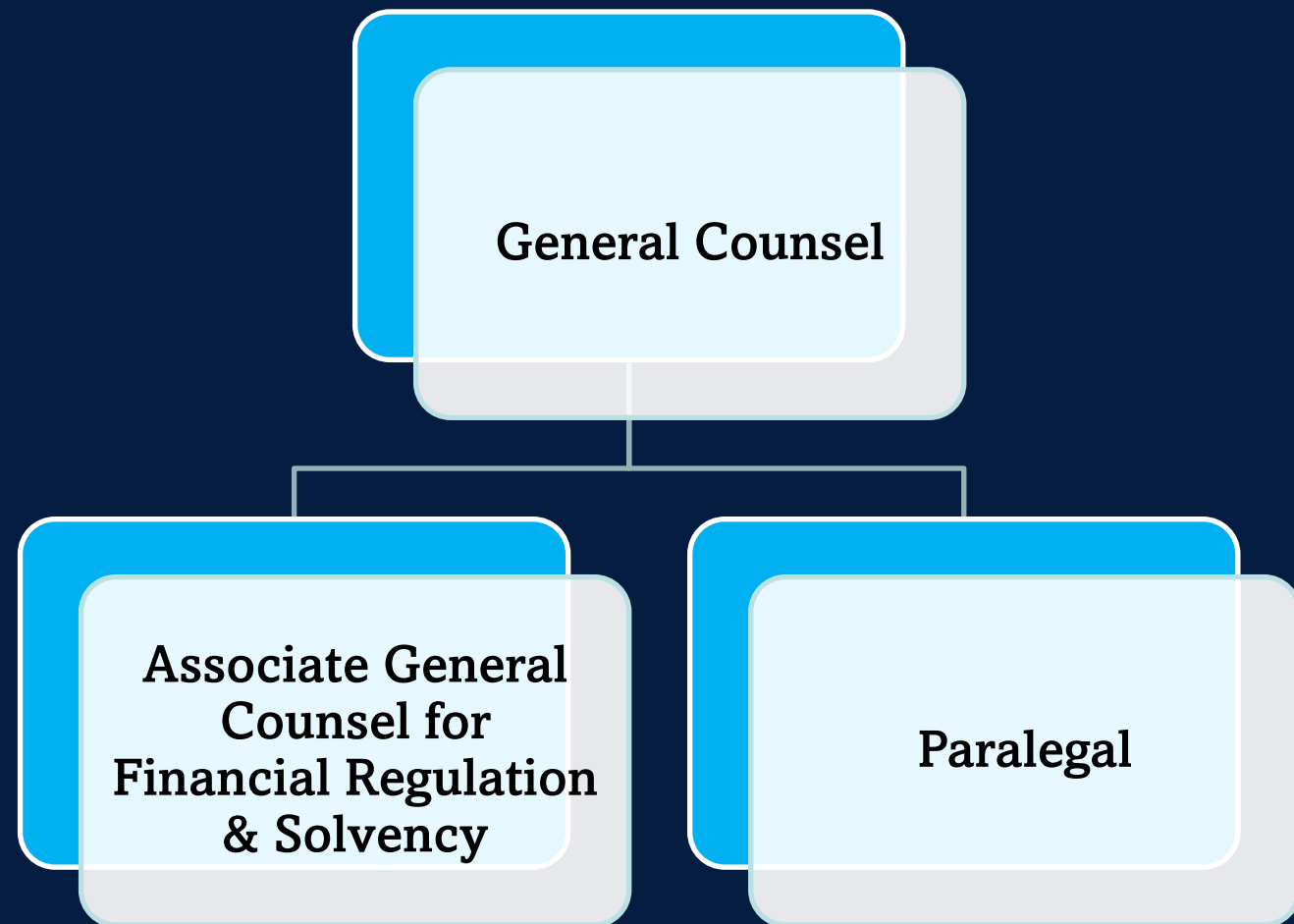


**LEGAL PRACTICE AREA**  
**FINANCIAL AND SOLVENCY REGULATION**



## LEGAL PRACTICE AREA

# Financial Regulation & Solvency Regulation Team



Counsel reviews and drafts legal documents pertaining to the following:

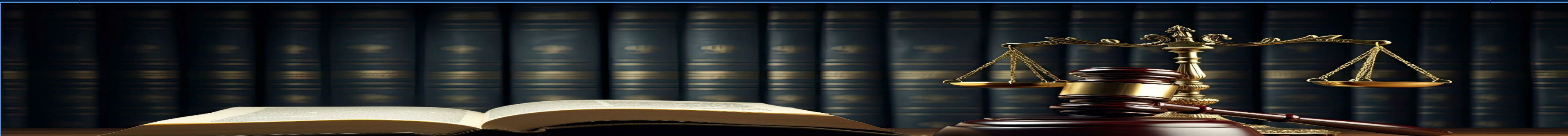
- Insurance company licensing, including licensing of traditional insurance companies in their state of domicile and additional states, and drafting corporate formation documents
- Redomestication from one domicile to another
- Fundamental transactions of mutual insurance companies, including conversion to stock insurance companies and bulk reinsurance and assumption agreements.
- Representation of Department of Insurance in legal proceedings or adjudications by other tribunals.
- Insurance Holding Company Regulatory Act compliance through drafting and coordination of:
  - Review of applications for acquisitions of insurance companies through the Form A process
  - Review of annual insurance company registration process, including submission of Form B, Annual Registration Statement; Form C, Changes in Annual Registration Statement; and Form F, Enterprise Risk Management
  - Submission and regulatory approval of material inter-company transactions on Form D, Prior Notice of a Transaction
  - Submission of disclaimers of affiliation



# LEGAL PRACTICE AREA

## Financial Regulation and Solvency Statistics

| Receivership Name                                   | Docket Number    | Date Opened | Date Closed              |
|---|------------------|-------------|--------------------------|
| Momentum Insurance Company, In Receivership         | 2024-CP-06937    | 1/21/2025   | Pending                  |
| Farmer v. Altman                                    | 2020-CP-40-05802 |             | Stipulation of Dismissal |
| Oceanus Insurance Company, In Receivership          | 2017-CP-40-05195 | 9/21/2017   | Pending                  |
| Transportation Insurance Company, In Receivership   | 2020-CP-10276    | 4-13-2020   | 10/2024                  |
| Consumers Choice Insurance Company, In Receivership | 2016-CP-40-00034 | 3/28/2016   | 1/26/23                  |



# LEGAL PRACTICE AREA

## Financial Regulation and Solvency Statistics

| Receivership Name                                   | Docket Number   | Date Opened | Date Closed |
|---|-----------------|-------------|-------------|
| Continental Life Insurance Company, In Receivership | 2009-CP-40-1895 |             |             |
| Employers Life Insurance Company, In Receivership   | 2005-CP-40-0203 | 8-1-2005    | 12-5-16     |
| Guardian Healthcare, In Receivership                | 2010-CP-40-7093 | 10-12-2010  | 11-14-2014  |
| Gulf Builders Insurance Company, In Receivership    | 2010-CP-40-2805 |             | 12-9-2013   |
| Piedmont Insurance Company, In Receivership         | 2002-CP-40-4909 | 11-27-2002  | 10-26-2009  |



# LEGAL PRACTICE AREA

## Financial Regulation and Solvency Statistics

| Receivership Name                        | Docket Number   | Date Opened        | Date Closed |
|--|-----------------|--------------------|-------------|
| SCIC/CAIC, In Receivership               | 05-CP-40-01230  | 3-21-2005          | 1-30-2025   |
| Commercial Truckers RRG, In Receivership | 01-CP-40-3146   | 9-21-2001          | 8/2013      |
| CARRG, In Receivership                   | 2007-CP-40-5987 | November 1, 2007   | 11-29-2017  |
| Jamestown                                | 2012-CP-40-6360 | September 24, 2012 | 2017        |
| First Keystone RRG                       | 2014-CP-40-5987 | October 21, 2014   | 10/15/19    |
| Taurus Insurance Company                 | 2014-CP-40-6596 | 2014               | 8-1-2017    |
|  |                 |                    |             |
|  |                 |                    |             |



LEGAL PRACTICE AREA  
**LEGISLATIVE & REGULATORY POLICY**





# Legislative & Regulatory Policy

- **The Office is in the process of securing permission to post the Legislative Counsel's position**
- **The responsibilities performed by this position include:**
  - Monitoring legislation that impacts insurance regulation at a state and national level
  - Monitor NAIC model laws that affect the Department's accreditation
  - Work with the business units on legislative recommendations to 1) add additional code provisions and 2) to repeal or modify existing statutes or regulations.
  - Review bills that are filed that impact the business of insurance
  - Prepare legislative summaries of bills impacting the South Carolina Department of Insurance
  - Maintain a repository of legislation recommended by the Department and their summaries.
  - Maintain the official repository of Department policies, procedures, guidelines and handbooks

**GENERAL  
COUNSEL**

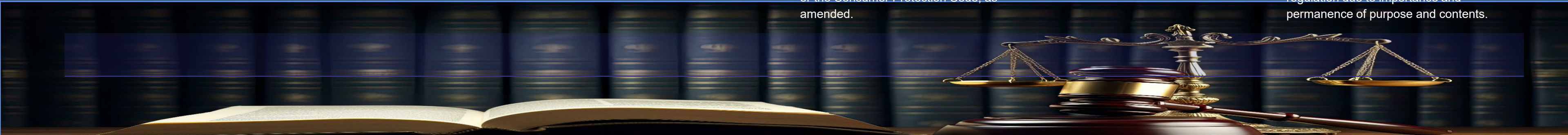
**Senior  
Paralegal**

**Administrative  
Coordinator**



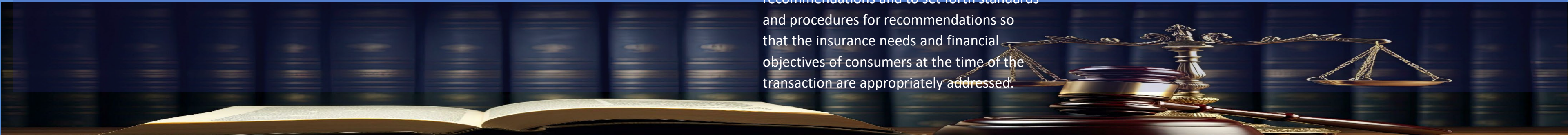
# Preliminary Examples of Proposed Regulation Changes

| Reg#    | Purpose   | Division Responsible   | Regulation Purpose   | Preliminary Needs Analysis   | Proposed Action   |
|---------|---|--|--|--|---|
| 69-3    | This regulation contains definitions of terms used in Title 38. | All Divisions  | This regulation defines terms used throughout Title 38.  | The regulation needs to be modified. It contains references to terms that are no longer used in the Code. For example, the regulation defines Chief Insurance Commissioner. The term "Director of Insurance" replaced Chief Insurance Commissioner " in 1995. There are other examples such as agent which has been replaced in the Code with the term "producer." | See Exhibit 1 with proposed changes.  |
| 69-5.1  | Sets for insurance policy readability standards                 | Actuarial/Market Services                                    | This regulation is aimed at consumer protection and sets forth the readability standards insurers must comply with in the drafting of insurance policies. The amendments give the insurer the option of providing a certification that the form meets the Flesch Kincaid readability standard or to provide the actual score to the Department for its review and approval | This regulation was last amended in 2020. See <b>CSR 44-6 Doc. No. 4931</b> . reviewing this matter.   | Regulation is still applicable and is being followed by the Department; no amendments are necessary.  |
| 69-7    | Minimum Reserve Standards                                       | Actuarial & Market Services; Financial Regulation & Solvency | This impacts the reserves insurers must hold for certain insurance products.   | This regulation is still needed. It was last amended in 1997. The reserve tabulations may need to be updated. The Department is currently reviewing this matter.   |   |
| 69-11.1 | Regulation of Credit Insurance                                  | Actuarial  | This regulation replaces Regulation 69-11 and provides one comprehensive regulation for all insurance sold in connection with the Consumer Finance Act or the Consumer Protection Code, as amended.  | This regulation is still needed and applicable.  | Regulations require Basic Statistical plan to be filed with an annual statement. Filing requirements and compliance may be overseen by Financial. Suggestion to codify regulation due to importance and permanence of purpose and contents. |



# Preliminary Examples of Proposed Regulation Changes

| Reg#    | Purpose   | Division Responsible         | Regulation Purpose  | Preliminary Needs Analysis   | Proposed Action   |
|---------|---|------------------------------|---|--|---|
| 69-13.3 | Uniform Class and Territorial Plans-Motorcycles | Actuarial/Product Regulation | <p>The purpose of this regulation was to amend portions of Order O9-74 which promulgated a uniform class plan and territory plan for motorcycle risks.</p> <p>For physical damage insurance purposes, the subgroups are discontinued and the class plan is amended to provide for a rate per \$100.00 of the original cost new for all physical damage coverages.</p>   | This regulation is outdated and should be withdrawn. Regulation adopted in 1976              | The deductible options and sole segmentation on age are obsolete. Many insurance companies have much more robust rating algorithms that better capture risk for motorcycle coverage. The department is not currently following enforcement of the regulation due to being obsolete. Suggest to withdraw the regulation. |
| 69-17   | Advertising of Accident and Health Insurance    | Actuarial/Product Regulation | The purpose of these rules is to assure truthful and adequate disclosure of all material and relevant information in the advertising of accident and sickness insurance   | This regulation was last amended in 1974. It is still needed but does require some updating. | This regulation may require updating. It was last updated in 2011.  |
| 69-29   | Suitability in Annuity Transactions             | Actuarial/Market Services    | The purpose of this regulation is to require producers, as defined in this regulation, to act in the best interest of the consumer when making a recommendation of an annuity and to require insurers to establish and maintain a system to supervise recommendations and to set forth standards and procedures for recommendations so that the insurance needs and financial objectives of consumers at the time of the transaction are appropriately addressed. |  |   |



# **LEGAL PRACTICE AREA**

## **RISK MANAGEMENT**



# RISK MANAGEMENT

## Leadership Training Series



### PLEASE MARK YOUR CALENDARS May 2025-August 2025

The South Carolina Department of Insurance considers its employees to be its most valuable resource and strives to provide opportunities to facilitate their growth and development. Our managers and supervisors plan and direct the work of their units necessary for the accomplishment of the Department's mission. For this reason, we view our supervisors and managers as leaders within the organization. In partnership with the State Office of Human Resources and counsel, the Department is scheduling the following educational training series to enhance the leadership skills and knowledge of our management team. Sessions are scheduled for Wednesdays from 9:30 a.m. -11:30 a.m. unless otherwise announced. All supervisors and managers

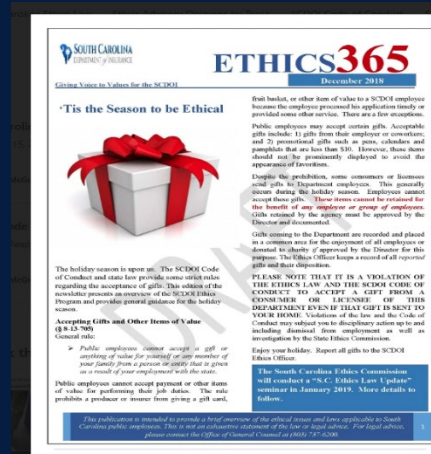
| Title   | Brief Description  | Proposed Date(s)   | Audience                 |
|---|--|--|--------------------------|
| <b>Employee Orientation: Overview of Insurance Regulations</b>                                  | This presentation provides an overview of the South Carolina Department of Insurance for new employees. It highlights the Department's mission and its regulatory role in the business of insurance. The work of the each of the Department's divisions is highlighted in this hour-long presentation. | This presentation will be included as a part of the onboarding process for new employees. It will take place once a quarter on or about 3/1; 6/1; 9/1 and 12/1 or the next available date as needed. | All new employees        |
| <b>SCDOI Policy Overview: HR Policies</b>   | This session provides an overview of the Department's HR policies and procedures. It will highlight the policies required by the State of South Carolina including attendance and leave, anti-discrimination, compensation, employee conduct, ethics and professionalism and remote working.           | May 28, 2025<br>Rm 1160<br>Time: 11 am; 2pm  | All Employees            |
| <b>Employment Law Basics 101-1: Understanding Supervisor/Manager Roles and Responsibilities</b> | This presentation provides an overview of the roles and responsibilities of new managers. It highlights the sources of potential liability and the importance of proper documentation. It also provides guidance on how to avoid liability. (Estimated length 1.5-2 hours)                             | June 4, 2025<br>Rm 1160<br>Time: 11 am   | Supervisors and Managers |
| <b>Employment Law Basics 101-2: What Managers Need to Know About Employment Law</b>             | This presentation provides an overview of state and federal laws governing the employment relationship. (Estimated length: 1.5-2 hours)  | June 4, 2025<br>Rm 1160<br>Time: 1:30 pm   | Supervisors and Managers |



One of the primary functions of the Office is to help reduce the agency's risk of exposure to legal liability. Counsel engages in the practice of preventive law through tory decisions. Providing advice in advance of decisions through participation in proactive planning and the pre-decision phases of regulatory decisions may avoid or mitigate legal action.

These are some of the risk management strategies we have employed.

## Ethics Training & Newsletters



## Privacy Training & Newsletters



**Challenges & Opportunities**  
**OFFICE LEGAL, LEGISLATIVE &**  
**REGULATORY AFFAIRS**



# Challenges & Opportunities

- Attracting, recruiting and retaining qualified employees committed to the Department's mission and public service
- Increasing office efficiency by effectively leveraging technology to preserve institutional knowledge
- Understanding the generational differences in the workplace to promote the success of the agency
- Training a workforce that can think beyond the checklist or the technology



# Organization of the Financial Regulation & Solvency Division (31)

**Deputy Director** Geoffrey R. Bonham, JD, PIR

## **Chief Financial Analyst**

Ryan Basnett, ARM, PIR, CISR

## **Captives Director (Charleston)**

Andrew Noga, JD

## **Chief Financial Examiner**

Linda G. Haralson, CFE, FLMI, CIE, ARE,  
CPCU, CFE

### **“Traditional” Insurers Analysis**

**Supervising Financial Analysts (2)**

**Financial Analysts (5)**

### **Captives Financial Analysis**

**Supervising Financial Analysts (2\*) –  
1 Vacant (Chas.)**

**Financial Analysts (6\*)**

**Administrative Coordinator (1)**

**Supervising Fin. Examiner (1) - Vacant**

**Financial Examiners (4)**



# **Organization of the Financial Regulation & Solvency Division (Cont'd)**

## **Office of Pharmacy Benefit Manager Oversight & Specialty Licensing**

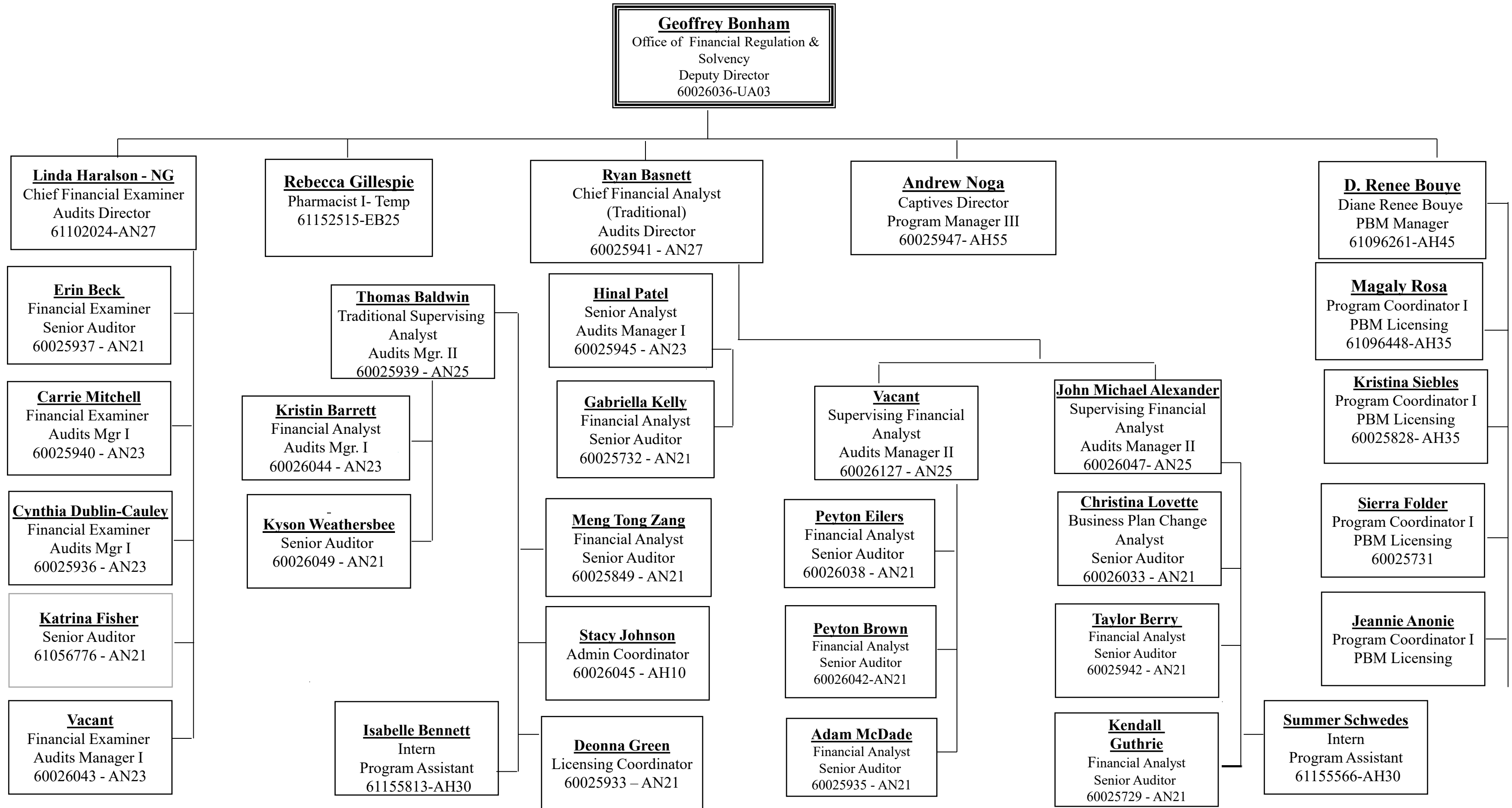
**Manager-** Renee Bouye

**Pharmacist** – Rebecca Gillespie, Pharm. D.

**Insurance Analyst (1)**

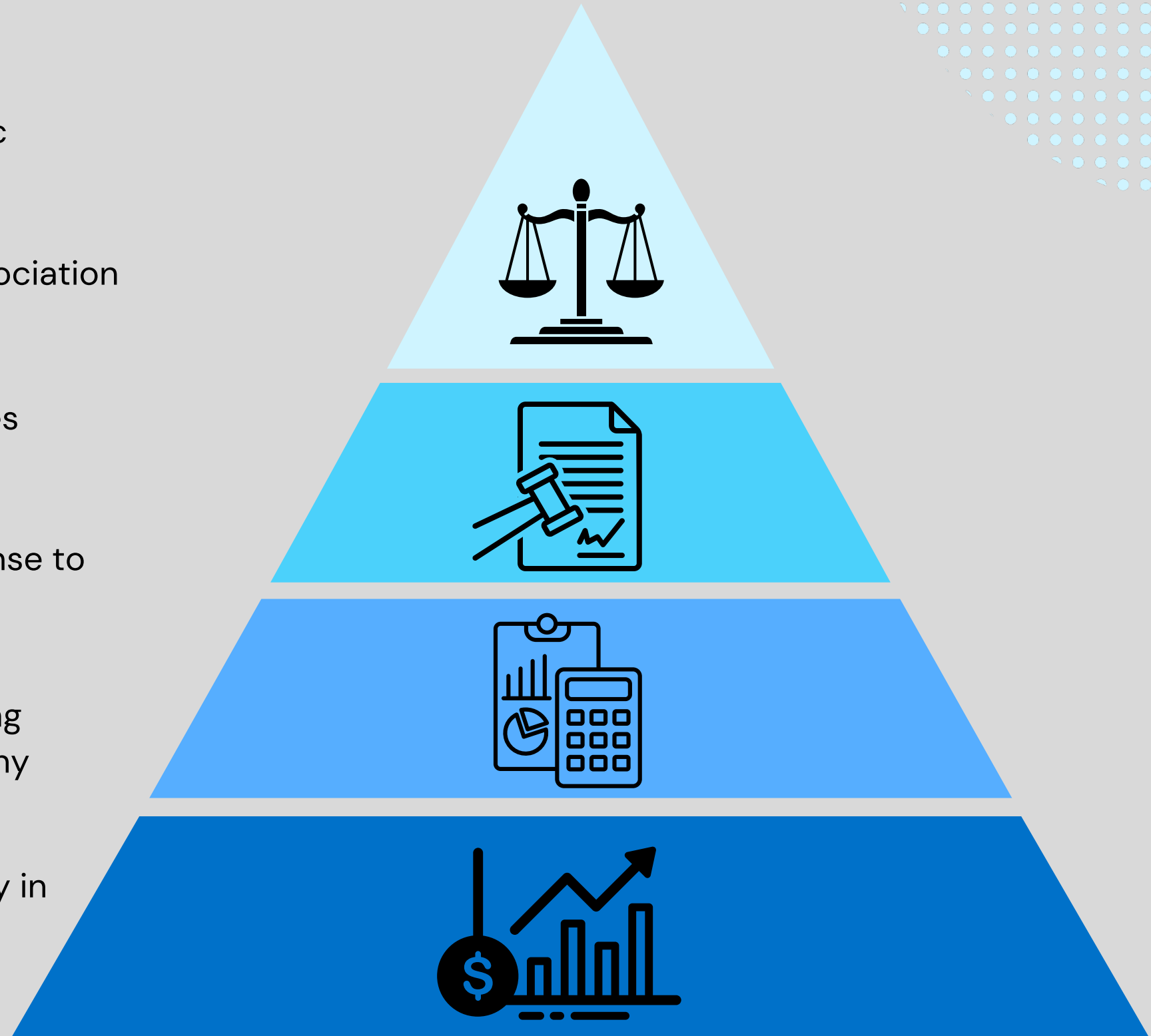
**Program Coordinator (3)**

# South Carolina Department of Insurance Division of Financial Regulation & Solvency



# The Division of Financial Regulation and Solvency oversees many key areas of responsibility for the Department.

- 01** Regulates the financial solvency of our domestic industry
- 02** Maintains our accreditation by the National Association of Insurance Commissioners
- 03** Licenses and monitors non-domestic companies writing business in South Carolina
- 04** Implements new regulatory standards in response to legislative changes
- 05** Responds to systemic financial crises impacting insurers that are members of a holding company system
- 06** Grows the domestic captive insurance industry in SC



# The State-Based Insurance Financial Regulatory Framework

## *United States v. South-Eastern Underwriters Association, 322 U.S. 533 (1944)*

Historically, insurance policies were not considered interstate commerce, allowing states to regulate the industry; however, the High Court concluded that insurance transactions across state lines constitute interstate commerce and fall under federal jurisdiction pursuant to the Commerce Clause of the U.S. Constitution.

In response, Congress enacted the **McCarran-Ferguson Act** in 1945, reaffirming state authority over the “business of insurance”:

### **15 U.S. Code § 1011 - Declaration of policy**

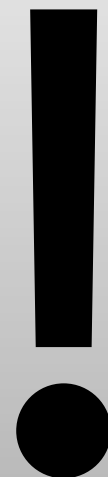
Congress hereby declares that the continued regulation and taxation by the several States of the **business of insurance** is in the public interest, and that silence on the part of the Congress shall not be construed to impose any barrier to the regulation or taxation of such business by the several States.

## *Department of Treasury v. Fabe, 508 U.S. 491 (1993)*

Normally, if a state law conflicts with a federal law, the federal law prevails under the Supremacy Clause. However, because of the McCarran-Ferguson Act, **when a federal statute conflicts with a state law protecting or regulating, directly or indirectly, the “policy relationship between insurer and insured,” the federal statute “must yield.”** (“Reverse federalism”).

## Problem

With no controlling federal standard, the legislatures of each state pass their own laws governing the “business of insurance” within their borders, and absent coordination and uniformity between and among the states, insurance companies would be subject to dozens of different statutory and regulatory requirements and standards .



# Solution

## The National Association of Insurance Commissioners (NAIC)

- **NAIC facilitates confidential communication between state insurance regulators**
- **NAIC serves as a central filing facility for financial reports**
- **NAIC financial analysis and examination handbooks and tools**
- **NAIC Model Laws and Regulations**
  - **Recent adoption of model laws and regulations:**
    - **S.C. Act No. 17 of 2025** (Amendments to the Insurance Holding Company Regulatory Act to conform to amendments to NAIC Model Act #440)
    - **Amendments to Regulation 69-14** (Amendments to the Insurance Holding Company Regulation to conform to amendments to NAIC Model Regulation #450)
- **NAIC Accreditation**

## NAIC Accreditation

- Accreditation assures that all other states can rely on the insurance company financial regulation efforts of any single state with regard to insurance companies domiciled in the latter, so that the non-domiciliary states are not surprised by a sudden and unforeseen insurance company insolvency adversely affecting policyholders residing in each of their states.
- Entails a detailed review of statutes and regulations, financial analysis, financial examinations, experience and ability of staff and more.
- Examination and inspection by NAIC accreditation team every five years (South Carolina's accreditation was renewed in 2021, is up for review in 2026).

# **Key Statutory Authority**



# Title 38 of the Code of Laws of South Carolina

## “The Insurance Law”

### **Section 38-3-110(2)** Duties of Director of the Department of Insurance

The director or his designee has the following duties . . . (2) see that all laws of this State governing insurers or relating to the business of insurance are faithfully executed and make regulations to carry out this title and all other insurance laws of this State, the enforcement or administration of which is not otherwise specifically provided for;

### **Section 38-5-120** Revocation or suspension of certificate of authority; publication of notice; hearing.

(A)The director or his designee shall revoke or suspend certificates of authority granted to an insurer and its officers and agents if he is of the opinion **upon examination or other evidence** that one or more of the following exist:

(1) The insurer is in an **unsound condition**.

(2) The insurer has not complied with the law or with the provisions of its charter.

(3) The officers or agents of an insurer **refuse to submit to examination** or to perform a legal obligation relative to an examination.

(4) The insurer has not complied with a lawful order of the director or his designee.

(5) The condition of the insurer renders the continuance of its business **hazardous to the general public, its creditors, or its policyholders**.

Note: Under Subsection(A)(5), in determining whether “the continued operation of an insurer transacting insurance business in this State is hazardous to the general public, its creditors, or its policyholders,” the director or his designee may consider certain enumerated factors, including

- Adverse findings reported in financial condition and market conduct examination reports, audit reports, and actuarial opinions, reports, or summaries;
- The National Association of Insurance Commissioners Insurance Regulatory Information System (IRIS), and its other financial analysis solvency tools (FAST) and reports;
- Whether management of an insurer has filed a false or misleading sworn financial statement, released a false or misleading financial statement to lending institutions or to the general public, made a false or misleading entry, or omitted an entry of a material amount in the books of the insurer;
- Whether the insurer has failed to meet financial and holding company filing requirements in the absence of a reason satisfactory to the director or his designee;
- Whether the insurer has grown so rapidly and to an extent that it lacks adequate financial and administrative capacity to meet its obligations in a timely manner;
- Whether the insurer has experienced or will experience in the foreseeable future cash flow or liquidity problems;
- Whether management has established reserves that do not comply with minimum standards established by state insurance laws, regulations, statutory accounting standards, sound actuarial principles, and standards of practice;
- Whether management persistently engages in material underreserving that results in adverse loss development;
- Whether transactions among affiliates, subsidiaries, or controlling persons for which the insurer receives assets or capital gains, or both, do not provide sufficient value, liquidity, or diversity to assure the ability of the insurer to meet its outstanding obligations as they mature; and
- Any other finding determined by the director or his designee to be hazardous to the insurer's policyholders, creditors, or general public.

## CHAPTER 9

### Capital, Surplus, Reserves, and Other Financial Matters

- Capital and Surplus Requirements (Section 38-9-10 through -60)
- Special Deposits (Sections 38-9-70 through -160)
- Loss and Claim Reserves (Section 38-9-190)
- Credit for Reinsurance (Section 38-9-200 through -220. See also S.C. Code Regs 69-53)
  - “Insurance for Insurers”
  - Means that an insurer can treat amounts due from reinsurers as assets or reductions of liabilities.
  - Conditions for doing so depend on the status of the reinsurer.
- Confidentiality of Actuarial Documents Accompanying Financial Statements (Section 38-9-230)
  - Statement of Actuarial Opinion treated as a public document
  - Actuarial Report and Actuarial Opinion Summary are confidential and privileged, are not subject to subpoena, and are not subject to discovery or admissible in evidence in any private civil action.

## Article 3 of Chapter 9: Risk-Based Capital

### A Key Tool of Insurance Financial Regulators

- One important tool used by state insurance regulators for ensuring that insurance companies are solvent and thus can fulfill their financial obligations to policyholders is the statutorily-prescribed risk-based capital (RBC) requirement.
- The RBC requirement is a statutory minimum level of capital that is based on two factors: 1) an insurance company's size; and 2) the inherent **riskiness** of its **financial assets** and **operations**.
- Separate RBC formulas are used for each of three primary insurance lines of business: life and fraternal, property and casualty, and health. The differences in RBC across lines of business reflect differences in the economic environments facing these companies; however, the formulation is roughly the same. All add up the main risks insurance companies commonly face, considering potential dependencies among these risks, and allowing for the benefits of diversification.
- **For example**, RBC requirements in **life insurance** are based on five categories of risk:
  - **Insurance affiliates and Misc. Other-** risk from declining value of insurance subsidiaries as well as risk from off-balance sheet and other misc. accounts (e.g., DTAs).
  - **Asset risk-** risks associated with investments held by the insurer, including bond default or equity (stocks) loss of market value.
  - **Underwriting risk** - the amount of surplus (assets – liabilities) available to offset possible losses from excess claims.
  - **Interest rate risk** - risk from potential losses due to changing interest rates.
  - **Business risk-** operational risks, e.g., the potential for losses or insolvency due to poor management.

## Risk-Based Capital (Continued)

- The health and property and casualty RBC formulas are similar but there are variances, e.g., interest rate risk is included only in the life formula.
- Under the statutory RBC scheme, the Department is given the legal authority to take preventive and corrective measures, the intrusiveness of which depends on the level of capital deficiency indicated by the RBC ratio.
- The RBC ratio itself is typically expressed as the total capital of the company (as determined by the RBC formula) divided by the company's risk-based capital (as determined by the formula).

If the RBC ratio is at or above 200%, no regulatory intervention is needed. Below that, four levels of regulatory intervention are prescribed:

**Company Action Level:** Less than 200% but greater than or equal to 150%

- Company submits Company Action Plan to the Department for approval

**Regulatory Action Level:** Less than 150% but greater than or equal to than 100% ensuring that insurance companies can fulfill their financial obligations to policyholders

- Minimally intrusive regulatory action by Department authorized

**Authorized Control Level:** Less than 100 but greater than or equal to 70%

- Regulatory control, i.e., supervision, rehabilitation or liquidation – is authorized but not mandated

**Mandatory Control Level:** Less than 70%

- Supervision, rehabilitation or liquidation is *mandatory*. Director “must” take control.

# Chapter 12 of Title 38

## Investments of Insurers Act

**Act No. 319 of 2002, § 1 – “The **legislative intent** of this chapter is to protect the interests of the insured in this State by promoting insurer solvency and financial strength, to be accomplished through the application of investment standards that facilitate a reasonable balance of the following objectives”**

**(1) Preserving principal**

**(2) Assuring **reasonable diversification** as to type of investment, issuer, and credit quality**

**(3) Allowing insurers to **allocate investments** in a manner **consistent with principles of prudent investment management to achieve a return adequate to meeting obligations to insureds** and financial strength sufficient to cover reasonably foreseeable contingencies.**

**NEW:** Act No. 17 of 2025, §§ 9-11 – Clarifies “**single issuer**” limitation

**Amends definition of “person” to include its affiliates and subsidiaries and limits concentration in investments issued by a single person to five percent.**

## Chapter 13 of Title 38

### Examinations, Investigations, Records and Reports

#### S.C. Code Ann. § 38-13-10(A) - Examination of Insurers

“The director or his examiners may conduct a financial examination under this chapter of an insurer or health maintenance organization (HMO) or other licensee as authorized by this title as often as the director or his designee consider appropriate but, at a minimum, shall conduct a financial examination of every insurer licensed in this State not less frequently than once every five years. When the director or his designee considers it prudent for the protection of policyholders in this State, he may examine or have examined an insurer applying for admission in this State. In scheduling and determining the nature, scope, and frequency of the examinations, the director or his designee shall consider compliance with relevant South Carolina laws and regulations, the results of financial statement analyses and ratios, changes in management or ownership, actuarial opinions, reports of independent certified public accountants, and other criteria set forth in the Financial Condition Examiners' Handbook adopted by the National Association of Insurance Commissioners and in effect when the director or his designee exercises his authority under this subsection.”

#### S.C. Code Ann. § 38-13-30 - Procedures for Examination Report and Order of Director

The examiner in charge files with the Department a verified written report of examination under oath no later than sixty days following completion of the examination.

Upon receipt of the verified report, the Department transmits the report to the insurer, affording the insurer not more than thirty days to make a written submission or rebuttal.

**Upon the expiration of the thirty-day period** allowed for receipt of written submissions or rebuttals, **the Director** or his designee **shall consider and review the report with written submissions or rebuttals and** relevant portions of the examiner's work papers and **enter an order** either (1) **adopting the examination report** as filed or with modification or corrections, (2) **rejecting** the examination report with directions to the examiners to reopen the examination, or (3) **calling for an investigatory hearing** with **no less than twenty days' notice to the insurer** to obtain additional documentation, data, information, and testimony.

**The order may be served upon the insurer by certified mail or electronic mail, with a copy of the adopted examination report.**

**Within thirty days of the issuance of the adopted report, the insurer shall file affidavits executed by each of its directors** under oath **affirming receipt.**

### **Confidentiality**

**Upon completion of the examination report the Director** or his designee **holds the** content of the examination report as **private and confidential** information for the **thirty-day period** provided for written submissions or rebuttals.

**If after thirty days after the examination report has been submitted to the insurer it has neither notified the Director of its acceptance** and approval of the report **nor requested a hearing**, the **report** must be filed as a **public document.**

Subject to certain specified exceptions, **all work papers, recorded information, documents “produced by, obtained by, or disclosed”** in the course of an examination are **confidential and not subject to subpoena, and must not be made public without consent or court order.**



# The Seven Phases of Insurance Company Financial Examinations

## Phase 1 – Understand the Company and Identify KFAs to be Reviewed

In Phase 1 of a risk-focused examination, the insurer's key functional activities (KFAs) are identified using background information gathered on the company from various sources. In addition, the insurer's corporate governance processes and practices are evaluated and assessed.

## Phase 2 – Identify and Assess Inherent Risk in Activities

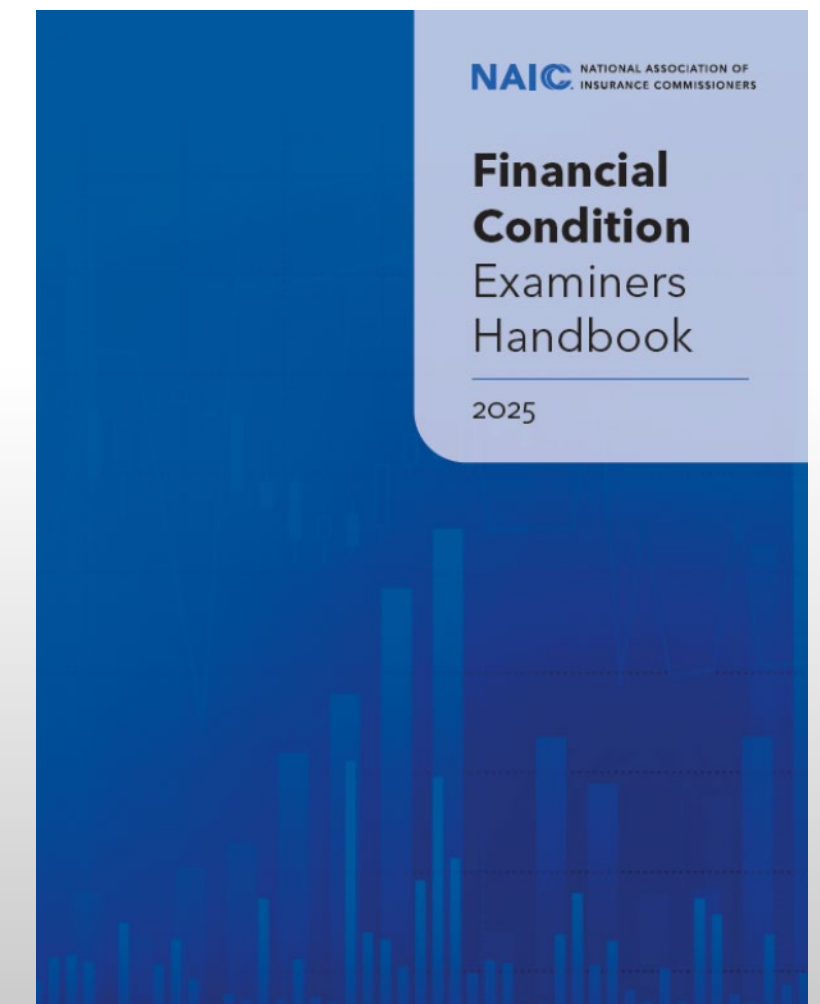
Phase 2 requires the examiner to identify specific risks within the key functional activities, including business and prospective risks. The examiner should consider potential events that, if they occur, may affect the entity when determining risks.

## Phase 3 – Identify and Evaluate Risk Mitigation Strategies

Phase 3 requires the identification and evaluation of the insurer's risk mitigation strategies/controls that are in place to mitigate the inherent risks identified in Phase 2. The exam team should focus on identifying and understanding controls/strategies that the insurer has in place and consider whether they appear to be designed appropriately to mitigate risk. If so, the exam team should test the controls/strategies for operating effectiveness and conclude on whether they effectively mitigate the inherent risks identified.

## Phase 4 – Determine Residual Risk

Residual Risk is assessed by determining how well the risk mitigation strategies/controls mitigate the level of inherent risk in the insurer's activities. In limited circumstances it may be appropriate to adjust the calculated residual risk by applying examiner judgment.



# The Seven Phases of Insurance Company Financial Examinations (cont'd)

## Phase 5 – Establish/Conduct Detail Examination Procedures

In Phase 5, the nature and extent of detail testing to address residual risks is determined and testing is conducted and documented to support exam findings and conclusions.

## Phase 6 – Update Prioritization and Supervisory Plan

Relevant and material findings resulting from the risk assessment effort and other examination activities should be utilized and incorporated into determining (or validating) the priority of the insurer, as well as establishing the ongoing Supervisory Plan. **The examination team should utilize the Summary Review Memorandum to communicate key findings and recommendations to the assigned financial analyst.**

## Phase 7 – Draft Examination Report and Management Letter

The Examination Report should cover significant findings of fact, as well as general information about the insurer and its financial condition as outlined in the Handbook. The Management Letter (if used) should communicate significant results and observations noted during the examination that are not appropriate or necessary for inclusion in the public report.

## Risk-Focused Financial Examination

- The primary purpose of a risk-focused examination is to review and evaluate an insurer's business processes and controls (including the quality and reliability of corporate governance) to assist in assessing and monitoring its current financial condition and prospective **solvency**.
- As part of this process, the examiner identifies and evaluates risks that could cause an insurer's surplus to be materially misstated both currently and prospectively. To perform this task efficiently and effectively, examinations are planned in advance.
- **The risk-focused surveillance framework** is designed to provide continuous regulatory oversight, which **includes both the financial analysis function and the financial examination function. Coordination between the two functions is vital** to ensure appropriate oversight is maintained in an effective and efficient manner.
- **The analyst continuously monitors the company and, at the beginning of an examination, can identify possible risk areas for the examiner to explore in more detail.** In addition, the examiner can gain a fuller understanding of the insurer by, among other things discussing relevant issues with the analyst and reviewing the Insurer Profile Summary (IPS) prepared by the analyst.
- **Similarly, at the conclusion of the examination, the examiner should have gained enough knowledge to pass along valuable insights and recommendations for follow-up to the analyst.**

**THUS, THE TWO FUNCTIONS OF ANALYSIS AND EXAMINATION, WHILE SEPARATE, ARE COMPLEMENTARY AND SHARE THE COMMON GOAL OF ENSURING THAT THE INSURER CAN PAY ALL CLAIMS WHEN DUE.**

## Financial Analysis

### **S.C. Code Ann. § 38-13-80**

Requires insurers to submit annual and quarterly financial statements

Financial analysts at the Department analyze

# Some Key Elements of the Insurance Company Financial Statement (Property & Casualty Co.)

**Jurat Page** (signature page, basic directory information)

**Assets**

**Liabilities, Surplus and Other Funds**

**Statement of Income**

**Cash Flow**

**Underwriting and Investment Exhibit**

- Part 1- Earned Premium
- Part 1B – Premiums Written
- Part 2 – Losses Paid and Incurred
- Part 3 – Expenses

**Schedules D, DA and DB** - Schedules D, DA and DB help with the evaluation of yield and top-performing securities, as well as short- and long-term investment activity.

## Financial Statement (cont'd)

**Schedule F** – Reinsurance (“Insurance for insurers”)

**Schedule P** – Analysis of losses and loss expenses, with 10 years of premiums earned, losses unpaid, and claims reported and outstanding. Losses are broken down for all lines of business, including:

- Homeowners
- Farmowners
- Commercial Auto/Truck Liability/Medical
- Private Passenger Auto Liability/Medical
- Workers' Compensation
- Commercial Multi-Peril
- Medical Malpractice
- Auto Physical Damage
- Mortgage Guaranty

## **Financial Statement (cont'd)**

**Schedule T** – Exhibit of Premiums Written (Allocated by States and Territories)

**Schedule Y** – Information Concerning Activities of Insurer Members of a Holding Company Group

Note: Some specifics will vary depending on the type of company (life, health, property and casualty, etc.)

# NAIC Financial Regulation Tools

Financial data submitted by insurance companies and aggregated at the NAIC is the foundation for the Financial Regulation tools.

Financial data is available in its basic form through **these tools**.

- **Company Demographics** is an accumulation of data gathered from various forms of the annual financial statement.
- **Filing PDFs** provide access to electronic documents stored by the NAIC for a specific insurance company's filing. The Filing PDF reports are in Adobe PDF format.
- **Pick-a-Page** reports provide financial information from selected pages of an insurance company's annual and quarterly statements.



# NAIC Financial Regulation Tools

## Other Financial Tools

Additional financial tools are available in **iSite+** to assist analysts and examiners and to share information among states:

**Financial Exam Electronic Tracking System (FEETS)** assists examiners in the coordination of risk-focused financial condition examinations. It allows state insurance regulators to call an examination of a multistate insurer, facilitate coordination, communicate the completion of an examination and share the completed version of the department's examination report.

**myNAIC** is a gateway for state regulators and insurance industry users to access the numerous technology products offered. By logging into myNAIC, users can quickly see and access with one click the individual applications which they are currently set up to use.

## **Financial Analysis Solvency Tools (FAST)**

FAST is a collection of analytical tools designed to provide state insurance departments an integrated approach to screening and analyzing the financial condition of insurance companies. In addition, FAST assists state insurance departments in determining allocation of department resources to those insurers in greatest need of regulatory attention, targeting those specific aspects of an insurer's financial position that could put the insurer at risk of future insolvency.

## NAIC Financial Regulation Tools (cont'd)

**Global Receivership Information Database (GRID)** allows the regulator to review the status of a receivership (e.g., conservatorship, rehabilitation or liquidation). GRID information includes contacts, company demographics, post receivership data, creditor class/claim data, legal data, financial data and reporting data.

### **Insurance Retrieval Information System (IRIS)**

IRIS assists in the prioritization of insurers for regulator review. The calculated results for each insurer are compared to the usual range of results for each ratio.

# myNAIC

## Gateway to NAIC Financial Tools

The screenshot displays the myNAIC web application interface. At the top, a browser window shows the URL `eapps.naic.org/lhub/products.html#/home`. Below the browser, a dark blue header contains the myNAIC logo and the text "Applications available to you." The main content area features the myNAIC logo and a search bar labeled "Search for Application Name". A grid of application tiles is displayed, each with an icon and a label:

- Consumer Insurance Search
- Document Management Admin
- FEETS
- InsData
- iSite+
- Life Insurance Policy Locator
- Market Conduct Annual Statement (MCAS)
- NAIC Collaboration Space
- NAIC Connect
- National Association of Insurance Commissioners
- National Insurance Producer Registry
- Online Fraud Reporting System
- OPTins
- SBS - Secured
- SERFF (Legacy)
- SERFF Modernized (Select the Appian tile on the next screen)
- State Based Systems (SBS)
- StateNet
- TeamMate
- UCAA (State)

At the bottom, a footer contains contact information for NAIC Central Office, NAIC Executive Office, and Capital Markets & Investment Analysis Office, along with social media icons and the text "AWS-PROD".

Welcome | **Tools** | Bulletin Board | Applications | Preferences

Company List: [Dropdown] | Data Year: 2025 | Format Type: HTML

0 of 0 Companies Selected

| Cocode            | Stmnt | Company Name |
|-------------------|-------|--------------|
| No records found. |       |              |

(1 of 1) | 200 Companies per page

### Report Categories

- Company**
  - Company Demographics
- Compliance**
  - Analyst Notes
  - Audit Trail
  - Filing At A Glance
  - Validation Exceptions
- Financial**
  - Filing PDFs
  - Form F
  - Line Reports
  - Pick A Page
- Financial Analysis / Examination**
  - Combined Filing Visualization
  - Financial Analysis Handbook
  - Financial Exam Electronic Tracking System
  - IRIS Worksheet
  - IT Technology Summary
  - Jumpstart
  - Loss Reserves
  - Permitted Practices for Accounting Profiles
  - RBC Estimation Tool
  - Scoring
  - Snapshot Investment Summary
- Licensing**
  - Customized Licensing Report
  - Licensing Report
- Market Analysis**
  - Complaints
  - Complaints Count Analytics (Tableau)
  - Complaints Index Analytics (Tableau)
  - MAP - Demographics
  - Market Action Tracking System
  - Market Analysis Profile
  - Market Analysis Review System
  - Regulatory Actions
  - Regulatory Action Count Analytics (Tableau)
- Market Conduct Annual Statement**
  - MCAS Audit Trail
  - MCAS Company Specific Report
  - MCAS Company Specific Ratio Review - Visualization
  - MCAS Company Waivers and Extensions Report
  - MCAS Company Waivers and Extensions - Visualization
  - MCAS Line Reports
  - MCAS Pick A Page
  - MCAS Pick A Page - Visualization
  - MCAS Validation Exceptions

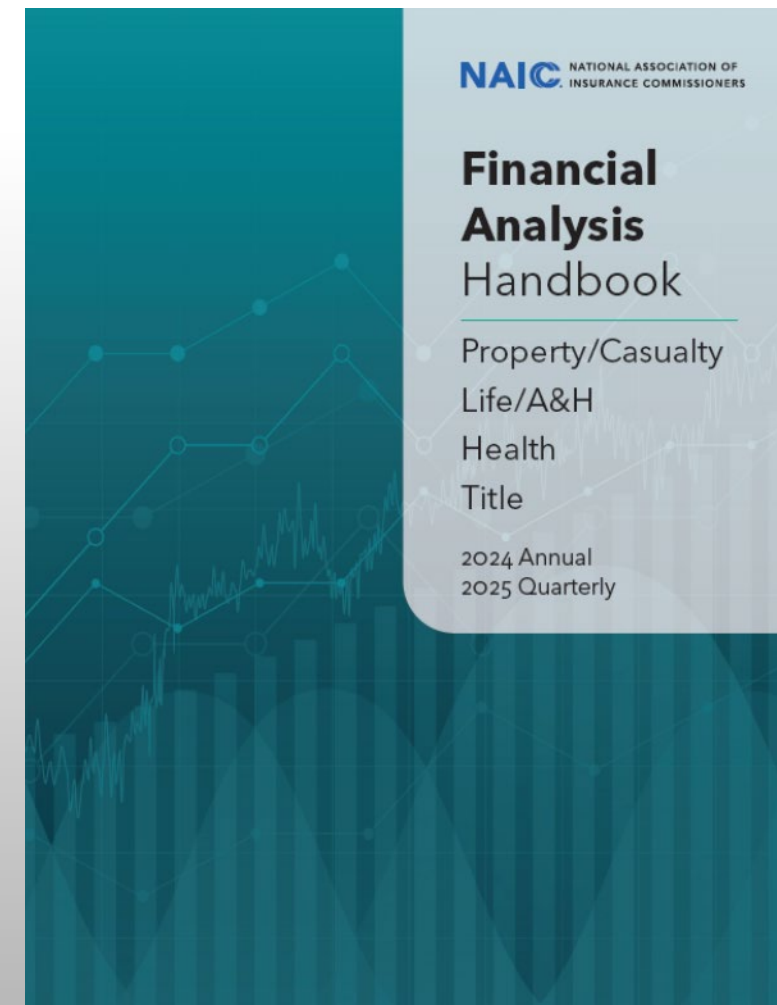
# NAIC Financial Analysis Handbook

The NAIC Financial Analysis Handbook (Handbook) is to be used in conjunction with the 2024 Annual and 2025 Quarterly Financial Statements.

In 2017, the Handbook was revised to incorporate a risk-focused framework approach for financial analysis. This analysis framework identifies and assesses risks based on the **nine branded risk classifications** to complete and document an overall assessment of the financial solvency condition of the insurer (**Insurer profile summary - IPS**) and insurance holding company group (**group profile summary - GPS**).

## The Nine Branded Risks are:

1. Credit
2. Legal
3. Liquidity
4. Market
5. Operational
6. Pricing/Underwriting
7. Reputation
8. Reserving
9. Strategic



## The Branded Risk Classification Heat Map

The nine branded risks (credit, legal, liquidity, market, operational, pricing/underwriting, reputation, reserving and strategic) are rated along two axes: **Assessment** (No/Minimal Concern, Moderate Concern and Significant Concern); and **Trend** (Increasing, Static and Decreasing):

|          |                        |                           |                         |                            |
|----------|------------------------|---------------------------|-------------------------|----------------------------|
| <b>T</b> | <b>Increasing</b><br>↑ |                           |                         |                            |
| <b>r</b> | <b>Static</b> ↔        |                           |                         |                            |
| <b>e</b> | <b>Decreasing</b><br>↓ |                           |                         |                            |
| <b>n</b> |                        | <b>No/Minimal Concern</b> | <b>Moderate Concern</b> | <b>Significant Concern</b> |
| <b>d</b> |                        |                           |                         |                            |

**Assessment**

# Financial Analysis Master Status Report

All domestic insurers are tracked on the Financial Analysis Master Status Report, an internal DOI document, which shows budget dates for when the analyst is to complete each assigned company. It also shows when the supervisor has completed their review and ensures the timelines defined by the NAIC are met.

After each filing of a financial statement by a domestic insurer, depending on the priority of the company, there is a defined time limit for reviewing the company.

## **The analysis of priority insurers (1-2) should be completed by the analyst and reviewed by the supervisor by:**

- Annual statements and actuarial-related filings: End of April.
- Quarterly statements: Within 60 days from receipt of filing.
- Supplemental filings (excluding holding company filings): Within 60 days from receipt of filing.
- Holding company filings: by Oct. 31st for analysis conducted by the lead state; by Dec. 31st for analysis conducted by the domestic state.

## **The analysis of non-priority insurers (3-4) should be completed by the analyst and reviewed by the supervisor by:**

- Annual statements and actuarial-related filings: End of June or if a preliminary analysis, as outlined in the NAIC Financial Analysis Handbook (Analysis Handbook), indicates no immediate concerns, then by the end of July. — Preliminary analysis performed and relied upon for analysis completion dates should be completed within two weeks from receipt of filing.
- Quarterly statements: Within 90 days from receipt of filing.
- Supplemental filings (excluding holding company filings): Within 120 days from receipt of filing.
- Holding company filings: by Oct. 31st for analysis conducted by the lead state; by Dec. 31st for analysis conducted by the domestic state.

# Financial Analysis Master Status Report

| Traditional Insurers - 4th Quarter 2024 Analysis |        |       |           |              |       |           | Analyst Review |                   |         |            |                                      | Supervisor Review |               |           |         |                       |
|--|--------|-------|-----------|--------------|-------|-----------|----------------|-------------------|---------|------------|--------------------------------------|-------------------|---------------|-----------|---------|-----------------------|
| Company Name                                     | NAIC C | Anal  | Init Prio | Single ti-St | Super | Final Pri | Budg Start     | Budget Compl Date | # Bu Da | Actu Start | Completion and Informed Supervi Date | # Da              | Planne Review | Rev Da    | Revis B | # Days                |
|  |        | KB    |           | M            | TB    |           | 03/07/25       | 03/25/25          | 13      | 03/07/25   | 03/31/25                             | 17                | 04/16/25      | 04/17/25  | TB      | Completed in 17 days  |
|  |        | KB    |           | M            | TB    |           | 03/26/25       | 04/17/25          | 17      | 04/01/25   | 04/17/25                             | 13                | 04/29/25      | 04/30/25  | TB      | Completed in 13 days  |
|  |        | KB    |           | M            | TB    |           | 04/18/25       | 04/25/25          | 6       | 04/18/25   | 04/28/25                             | 7                 | 05/16/25      | 05/16/25  | TB      | Completed in 18 days  |
|  |        | KB    |           | M            | TB    |           | 04/28/25       | 05/09/25          | 9       | 04/29/25   | 05/14/25                             | 11                | 05/30/25      | 06/02/25  |         | Completed in 19 days  |
|  |        | KB    |           | M            | TB    |           | 05/12/25       | 05/20/25          | 7       | 05/15/25   | 05/21/25                             | 5                 | 06/09/25      | 06/10/25  |         | Completed in 20 days  |
|  |        | KB    |           | S            | TB    |           | 06/18/25       | 06/20/25          | 3       |            |                                      |                   |               |           |         |                       |
|  |        | KB    |           | S            | TB    |           | 06/20/25       | 06/23/25          | 2       |            |                                      |                   |               |           |         |                       |
|  |        | KB    |           | S            | HP    |           | 06/23/25       | 06/26/25          | 4       |            |                                      |                   | 06/23/25      |           |         |                       |
|  |        | KB    |           | S            | TB    |           | 06/27/25       | 06/30/25          | 2       |            |                                      |                   |               |           |         |                       |
|  |        | KW    |           | M            | TB    |           | 03/10/25       | 03/20/25          | 9       | 03/11/25   | 03/20/25                             | 8                 | 04/09/25      | 04/09/25  | TB      | Completed in 20 days  |
|  |        | KW    |           | M            | TB    |           | 03/21/25       | 03/31/25          | 7       | 03/24/25   | 04/07/25                             | 11                | 04/28/25      | 04/28/25  | TB      | Completed in 21 days  |
|  |        | KW    |           | M            | TB    |           | 04/01/25       | 04/07/25          | 5       | 03/28/25   | 04/03/25                             | 5                 | 04/18/25      | 04/18/25  | TB      | Completed in 15 days  |
|  |        | KW    |           | M            | TB    |           | 04/08/25       | 04/16/25          | 7       | 04/08/25   | 04/16/25                             | 7                 | 05/01/25      | 05/06/25  | TB      | Completed in 20 days  |
|  |        | KW    |           | M            | TB    |           | 04/17/25       | 04/24/25          | 6       | 04/17/25   | 04/24/25                             | 6                 | 05/12/25      | 05/12/25  | TB      | Completed in 18 days  |
|  |        | KW    |           | M            | TB    |           | 04/25/25       | 05/05/25          | 7       | 04/24/25   | 05/06/25                             | 9                 | 05/23/25      | 05/23/25  | TB      | Completed in 17 days  |
|  |        | KW    |           | S            | TB    |           | 05/06/25       | 05/22/25          | 12      | 05/21/25   |                                      |                   |               |           |         |                       |
|  |        | KW    |           | S            | TB    |           | 06/09/25       | 06/11/25          | 3       |            |                                      |                   |               |           |         |                       |
|  |        | KW    |           | S            | KB    |           | 06/12/25       | 06/18/25          | 5       |            |                                      |                   |               |           |         |                       |
|  |        | GK    |           | M            | HP    |           | 03/12/25       | 03/21/25          | 8       | 03/12/25   | 03/28/25                             | 13                | 03/31/25      | 04/16/25  | HP      | Completed in 19 days  |
|  |        | GK    |           | M            | HP    |           | 03/26/25       | 04/03/25          | 7       | 03/27/25   | 04/10/25                             | 11                | 04/28/25      | 04/29/25  | HP      | Completed in 19 days  |
|  |        | GK/HP |           | M            | TB    |           | 04/08/25       | 04/18/25          | 9       | 04/09/25   | 04/24/25                             | 12                | 05/12/25      | 05/12/25  | TB      | Completed in 18 days  |
|  |        | GK/HP |           | M            | HP    |           | 04/24/25       | 05/05/25          | 8       | 04/25/25   | 05/07/25                             | 9                 | 05/12/25      | 05/16/25  | HP      | Completed in 9 days   |
|  |        | GK    |           | M            | HP    |           | 05/08/25       | 05/15/25          | 5       | 05/08/25   | 05/16/25                             | 6                 | 05/27/25      | 05/30/25  | HP      | Completed in 14 days  |
|  |        | GK    |           | M            | HP    |           | 05/21/25       | 05/30/25          | 7       | 05/21/25   | 05/29/25                             | 6                 | 05/29/25      | 06/02/25  | HP      | Completed in 4 days   |
|  |        | GK    |           | S            | HP    |           | 05/30/25       | 06/05/25          | 5       | 05/30/25   | 06/10/25                             | 8                 | 06/02/25      |           |         | 4 days left to review |
|  |        | GK    |           | S            | HP    |           | 06/02/25       | 06/06/25          | 5       | 06/02/25   |                                      |                   | 06/10/25      |           |         |                       |
|  |        | GK    |           | S            | KB    |           | 06/09/25       | 06/13/25          | 5       | 06/09/25   |                                      |                   | 06/18/25      |           |         |                       |
|  |        | DR    |           | M            | TB    |           | 05/19/25       | 5/28/205          | 7       | 05/22/25   | 06/02/25                             | 7                 |               |           |         | 4 days left to review |
|  |        | DR    |           | S            | TB    |           | 06/06/25       | 06/12/25          | 5       | 06/06/25   |                                      |                   |               |           |         |                       |
|  |        | DR    |           | S            | KB    |           | 06/17/25       | 06/19/25          | 3       |            |                                      |                   |               |           |         |                       |
|  |        | DR    |           | S            |       |           | 06/20/25       | 06/27/25          | 3       |            |                                      |                   |               |           |         |                       |
|  |        | HP    |           | M            | RB    |           | 03/10/25       | 04/11/25          | 25      | 03/11/25   | 04/13/25                             | 24                | 04/14/25      | 04/14/25  | RB      | Completed in 1 days   |
|  |        | HP    |           | S            | RB    |           | 04/11/25       | 04/25/25          | 11      | 04/15/25   | 04/25/25                             | 9                 | 04/25/25      | 04/28/25  | RB      | Completed in 3 days   |
|  |        | HP    |           | S            |       |           |                |                   |         |            |                                      |                   |               |           |         |                       |
|  |        | CZ/TB |           | M            | HP    |           | 3/10/2025      | 3/26/2025         | 13      | 3/11/2025  | 4/1/2025                             | 16                | 04/01/25      | 4/21/2025 | HP      | Completed in 20 days  |
|  |        | CZ/TB |           | M            | HP    |           | 4/2/2025       | 4/11/2025         | 8       | 04/01/25   | 04/15/25                             | 11                | 04/03/25      | 05/05/25  | HP      | Completed in 20 days  |
|  |        | CZ/TB |           | M            | HP    |           | 4/14/2025      | 4/18/2025         | 5       | 04/11/25   | 04/24/25                             | 10                | 04/15/25      | 05/08/25  | HP      | Completed in 14 days  |
|  |        | CZ    |           | M            | HP    |           | 4/24/2025      | 5/6/2025          | 9       | 04/24/25   | 05/06/25                             | 9                 | 05/13/25      | 05/14/25  | HP      | Completed in 8 days   |
|  |        | CZ    |           | S            | HP    |           | 05/06/25       | 05/12/25          | 4       | 05/07/25   | 05/13/25                             | 4                 | 05/15/25      | 05/29/25  | HP      | Completed in 16 days  |
|  |        | CZ    |           | S            | KB    |           | 05/13/25       | 05/20/25          | 6       | 05/13/25   | 05/19/25                             | 5                 | 05/07/25      | 06/06/25  | KB      | Completed in 18 days  |
|  |        | CZ    |           | S            | HP    |           | 05/20/25       | 05/28/25          | 6       | 05/20/25   | 05/28/25                             | 6                 | 05/30/25      | 06/05/25  |         | Completed in 8 days   |
|  |        | CZ    |           | S            | HP    |           | 05/29/25       | 06/06/25          | 7       | 05/28/25   | 06/09/25                             | 9                 | 06/11/25      |           |         | 4 days left to review |
|  |        | CZ    |           | S            | HP    |           | 06/09/25       | 06/16/25          | 6       | 06/10/25   |                                      |                   | 06/18/25      |           |         |                       |



# Insurance Accounting Basics

## Statutory Accounting (Regulation 69-70)

When filing their annual and quarterly financial reports with state insurance departments, including SCDOI, insurers in all states are required to use a special accounting system as **statutory accounting principles (SAP)**.

**SAP accounting** is **more conservative** than generally accepted accounting principles (GAAP) and is designed to **ensure that insurers have sufficient capital and surplus to cover all anticipated insurance-related obligations**.

**SAP and GAAP differ principally in matters of timing** of expenses, tax accounting, the treatment of capital gains and accounting for surplus.

**SAP recognizes liabilities earlier** or at a higher value and **recognizes assets later** or at a lower value.

While **GAAP** accounting focuses on a business as a **going concern**, SAP accounting treats insurers as if they were about to be **liquidated**.

## Reserves

Reserves are **liabilities**. They reflect an insurer's financial obligations with respect to the insurance policies it has issued.

An insurer's two major liabilities are **loss reserves** and **unearned premium reserves**.

- Loss Reserves: an insurance company's best estimate of what it will pay in the future for claims.
- Unearned Premium Reserves: Premiums paid for coverage that has not yet been used because the policy has not expired. E.g. policyholder pays in advance for one-year policy but cancels after three months; insurance company must refund premium attributable to the unused nine months of coverage.

## Insurance Accounting Basics (cont'd)

**Note:** Serious under-reserving may cause an insurer to overestimate its policyholder surplus (below), making its financial health appear better than it is.

### Investments And Investment Income

Insurers' investment income is made up of two main items: (1) interest, dividends and other investment earnings; and (2) realized capital gains from selling assets.

Property and casualty insurers in particular hold a large percentage of their investments in the form of bonds, to protect their assets against precipitous stock market declines, and because they can be more easily liquidated to pay claims in a major disaster than real estate and stocks. The Department regulates investments under Chapter 12 of Title 38.

### Policyholder Surplus

**Insurance companies are required to have a minimum level of capital and policyholder surplus** before they can open their doors for business and must maintain certain levels relative to the business they assume.

**Policyholder surplus is the amount of money remaining after an insurer's liabilities are subtracted from its assets. Policyholder surplus is a financial cushion that protects a company's policyholders in the event of unexpected or catastrophic losses.** (In other industries it is known as "net worth" or "owners equity.")

**Consequences of weakened surplus are ratings downgrades, regulatory action** and ultimately, **if the situation is serious enough, insolvency.**

# Chapter 21 of Title 38

## Insurance Holding Company Regulatory Act

### (S.C. Code Regs. 69-14)

#### Selected Code Provisions

- **S.C. Code Ann. § 38-21-10(2)**

“The term ‘control’ (including the terms ‘controlling’, ‘controlled by’, and ‘under common control with’) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control is presumed to exist if any person, directly, or indirectly, owns, controls, holds with the power to vote, or holds proxies representing ten percent or more of the voting securities of any other person. This presumption may be rebutted by a showing made in the manner provided by Section 38-21-220 [disclaimer of affiliation] that control does not exist in fact. The director or his designee may determine, after furnishing all persons in interest notice and opportunity to be heard and making specific findings of fact to support his determination, that control exists in fact, notwithstanding the absence of a presumption to that effect.”

## Chapter 21 (cont'd)

- **S.C. Code Ann. § 38-21-60(A) (“The Form A”)**

“No person, other than the issuer, may make a tender offer for or a request or invitation for tenders of, or enter into any agreement to exchange securities for, seek to acquire or acquire, in the open market or otherwise, any voting security of a domestic insurer if, after the consummation of the agreement, the person would directly, indirectly, by conversion, or by exercise of any right to acquire, be in control of the insurer. No person may enter into an agreement to merge with or otherwise to acquire control of a domestic insurer unless, at the time the offer, request, or invitation is made or the agreement is entered into, or before the acquisition of the securities if no offer or agreement is involved, the person has filed with the department a statement containing the information required by this section and the offer, request, invitation, agreement, or acquisition has been approved by the director or his designee in the manner prescribed in this chapter.”

- **S.C. Code Ann. § 38-21-90 – Approval of Director of Acquisition of Control and Provision for Hearing**
- **S.C. Code Ann. § 38-21-100 – Exemptions**

## Chapter 21 (cont'd)

- **S.C. Code Ann. § 38-21-250(A) (“The Form D”):**

“Transactions within an insurance holding company system to which an insurer subject to registration is a party are subject to the following standards:

- (1) The terms must be fair and reasonable.
- (2) Agreements for cost-sharing services and management must include provisions required by regulation promulgated by the department.
- (3) Charges or fees for services performed must be reasonable.
- (4) Expenses incurred and payment received must be allocated to the insurer in conformity with customary insurance accounting practices consistently applied.
- (5) The books, accounts, and records of each party to all transactions must be so maintained as to clearly and accurately disclose the nature and details of the transactions including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties.
- 6) The insurer's surplus as regards policyholders following any dividends or distributions to shareholder affiliates must be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.”

## Chapter 21 (cont'd)

### **S.C. Code Ann. § 38-21-270(A) Notice and approval of extraordinary dividends or distributions required.**

“No domestic insurer may pay an extraordinary dividend or make another extraordinary distribution to its shareholders until the director or his designee:

(1) has approved the payment, or

(2) has not disapproved the payment within fifteen days after receiving notice of the declaration.”

## Act # 17 of 2025 - Amendments to Chapter 21 of Title 38

### Insurance Holding Company Regulatory Act

- Implemented a **group capital calculation (GCC)** and **liquidity stress test (LST)** framework to provide U.S. insurance company solvency regulators with additional tools for conducting group-wide financial oversight.
- The **GCC** provides regulators with an additional analytical tool for conducting group-wide supervision and assists regulators in holistically understanding the financial condition of non-insurance entities. It provides key financial information on the insurance group; quantifies risk across the insurance group; supports transparency into how capital is allocated; and aids in understanding whether and to what degree insurance companies are supporting the operations of non-insurance entities.
- The **LST** was developed to provide state insurance regulators with insights into a key macroprudential risk monitored by the federal Financial Stability Oversight Council (FSOC)\* and other jurisdictions internationally; it also enhances group supervision. The LST requires insurers to file the results of a specific year's liquidity stress test to the lead state insurance commissioner.

## Amendments to Chapter 21 of Title 38 (cont'd)

- Established receivership provisions to ensure the continuity of essential services and functions to an insurer in receivership by affiliated entities and further clarify ownership of data and records of the insurer within the holding company.
- Revisions were also made to Holding Company Act's provisions regarding "Confidential Treatment."

\*Established in 2010 under the Dodd-Frank Wall Street Reform and Consumer Protection Act, FSOC is chaired by the U.S. Secretary of the Treasury



# Company Licensing

## **S.C. Code Ann. § 38-25-110**

“It is unlawful for an insurer to transact insurance business in this State without a certificate of authority from the director or his designee.”

## **NAIC Uniform Certificate of Authority Application**

“The Uniform Certificate of Authority Application (UCAA) is a uniform process used only for risk-bearing entities to obtain or amend a certificate of authority (license). A risk-bearing entity is an insurance carrier that writes and pays claims on the policies written. The UCAA electronic portal allows insurers to file their certificate of authority applications directly to the state.”

**Licensing Committee** – Reviews applications and meets to determine whether applicant should be issued certificate of authority (COA).

# Regulatory Control: Administrative Supervision, Rehabilitation & Liquidation

## Administrative Supervision - Chapter 26 of Title 38

- Least intrusive of the levels of regulatory control provided by the Insurance Law
- Does not involve the judicial system
- Normally confidential
- Initiated by order of the Director
- Conditions warranting supervision (S.C. Code Ann. § 38-26-40)
  - (1) The insurer's condition renders the continuance of its business hazardous to the public or to its insureds.
  - (2) The insurer has exceeded its powers granted under its certificate of authority and applicable law.
  - (3) The insurer has failed to comply with a provision of the insurance laws of this State.
  - (4) The business of the insurer is being conducted fraudulently.
  - (5) The insurer gives its consent.

## Chapter 26 (cont'd)

- Director may appoint supervisor – Department employee or outside consultant
- Costs of supervision borne by company
- Preserves assets by limiting expenditures or the taking on of additional liabilities without approval of the supervisor
- Administrative Supervision is terminated when none of the conditions giving rise to the supervision exist

## Rehabilitation and Liquidation - Chapter 27 of Title 38

**Because the U.S. Bankruptcy Code does not apply to insurance companies and regulation of the business of insurance is left to the individual states, troubled company and insolvency proceedings of South Carolina are conducted in the Court of Common Pleas for Richland County:**

- 11 U.S. Code § 109(b)(2) & (d) defines who may be a “debtor” for the purposes of United States Bankruptcy Proceedings
- A person may be a debtor under Chapter 7 (liquidation) only if such person is not a domestic insurance company
- “Only a railroad, a person that may be a debtor under chapter 7 of this title (except a stockbroker or a commodity broker), and an uninsured State member bank, or a corporation organized under section 25A of the Federal Reserve Act, which operates, or operates as, a multilateral clearing organization pursuant to section 409 of the Federal Deposit Insurance Corporation Improvement Act of 1991” may be a debtor under Chapter 11 (reorganization).
- The McCarran Ferguson Act, 15 U.S.C. §§ 1011-1015
- S.C. Code Ann. § 38-27-60 (Jurisdiction and venue)

## Chapter 27 (cont'd)

However, insurance company rehabilitation *resembles* bankruptcy reorganization (Chapter 11) proceeding, and liquidation resembles Chapter 7 proceedings:

“While ‘liquidation’ contemplates the end of corporate existence, ‘rehabilitation’ involves the continuance of corporate life and activities, and is an effort to restore and reinstate the corporation to its former condition of successful operation and solvency.”

- *Smalls v. Weed*, 293 S.C. 364, 360 S.E.2d 531 (Ct. App. 1987)

The Insurers Rehabilitation and Liquidation Act (1982) is codified in Chapter 27 and is based on the NAIC Model adopted in 1969, which in turn was based on a Wisconsin legislation passed in 1967.

Unlike administrative supervision, rehabilitation and liquidation involves the judiciary and is normally public. Costs are borne by the company in rehabilitation or the liquidation estate.

The Act provides that the Director may petition the court for an order for rehabilitation or liquidation, and specifies the grounds for both, as well as the powers of the rehabilitator or liquidator.

For liquidation proceedings, it prescribes detailed procedures for filing, adjudication and priority of payment of claims of policyholders and creditors from liquidation estate assets, with top priority (after costs of administration) given to claims on policies.

## Chapter 27 (cont'd)

**The Director or his designee serves as the court-appointed receiver (and may appoint a deputy) and the Court of Common Pleas sits as the supervising court:**

**“Presumably, the statute provides for the appointment of the [Director as receiver] because of his expertise required by § 38-3-[10] . . . . He serves as an arm of the court [and] is answerable to the court, as is a receiver in other ordinary insolvency matters. . . . No doubt the statute recognizes the fact that the court has neither the expertise nor the time for operating an insurance company receivership. It accordingly required the appointment of the [Director], who has the expertise in the insurance field. At most, the court can be expected to act in a general supervisory capacity, approving or disapproving the recommendations and actions of the [receiver]. In like fashion, the court must resolve any disputes arising from conflicting interests of the various parties.”**

***Insurance Comm’n v. New South Life Insurance Co.*, 270 S.C. 612, 244 S.E.2d 289 (1978)**

# Regulation and Taxation of Risk Retention Groups (RRG) – Chapter 87

- Risk Retention Groups (RRGs) are alternative insurance entities authorized by Congress to expand insurance supply through a simplification of insurance regulation.
- Although the McCarran-Ferguson Act of 1945 generally leaves the regulation and taxation of the business of insurance to the individual states, with the Liability Risk Retention Act (LRRRA), 15 U.S.C. §§ 3901-3906, Congress crafted a narrow exception for risk retention groups, generally exempting them from multiple state oversight. Chapter 87 contains provisions of South Carolina that parallel the LRRRA.
- Unlike traditional insurance companies, which must be licensed in each state in which it conducts business, a RRG must only obtain a license in its state of domicile, which is almost exclusively responsible for its regulation, and once so licensed, can do business in any state simply by registering there. The domiciliary state thus acts as something akin to a federal licensing agency.
- Membership in risk retention and purchasing groups is typically limited to commercial enterprises and governmental bodies, and the risks insured by these groups are limited to liability risks.

# Chapter 87 (cont'd)

## U.S. Code definition of Risk Retention Group (15 U.S.C. §3901(a)(4)):

“Risk retention group” means any corporation or other limited liability association—

(A) whose primary activity consists of assuming, and spreading all, or any portion, of the liability exposure of its group members;

(B) which is organized for the primary purpose of conducting the activity described under subparagraph (A);

(C) which—

(i) is chartered or licensed as a liability insurance company under the laws of a State and authorized to engage in the business of insurance under the laws of such State; or

(ii) before January 1, 1985, was chartered or licensed and authorized to engage in the business of insurance under the laws of Bermuda or the Cayman Islands and, before such date, had certified to the insurance commissioner of at least one State that it satisfied the capitalization requirements of such State, except that any such group shall be considered to be a risk retention group only if it has been engaged in business continuously since such date and only for the purpose of continuing to provide insurance to cover product liability or completed operations liability (as such terms were defined in this section before October 27, 1986);

(D) which does not exclude any person from membership in the group solely to provide for members of such a group a competitive advantage over such a person;

(E) which—

(i) has as its owners only persons who comprise the membership of the risk retention group and who are provided insurance by such group; or

(ii) has as its sole owner an organization which has as—

(I) its members only persons who comprise the membership of the risk retention group; and

(II) its owners only persons who comprise the membership of the risk retention group and who are provided insurance by such group;

(F) whose members are engaged in businesses or activities similar or related with respect to the liability to which such members are exposed by virtue of any related, similar, or common business, trade, product, services, premises, or operations;

(G) whose activities do not include the provision of insurance other than—

(i) liability insurance for assuming and spreading all or any portion of the similar or related liability exposure of its group members; and

(ii) reinsurance with respect to the similar or related liability exposure of any other risk retention group (or any member of such other group) which is engaged in businesses or activities so that such group (or member) meets the requirement described in subparagraph (F) for membership in the risk retention group which provides such reinsurance; and

(H) the name of which includes the phrase "Risk Retention Group".



## Chapter 87 (cont'd)

**For purposes of the LRRRA “liability” means “legal liability for damages (including costs of defense, legal costs and fees, and other claims expenses) because of injuries to other persons, damage to their property, or other damage or loss to such other persons resulting from or arising out of . . . any business . . . trade, product, services . . . premises, or operations, or . . . any activity of any State or local government, or any agency or political subdivision thereof.” 15 U.S.C. § 3901(a)(2)**

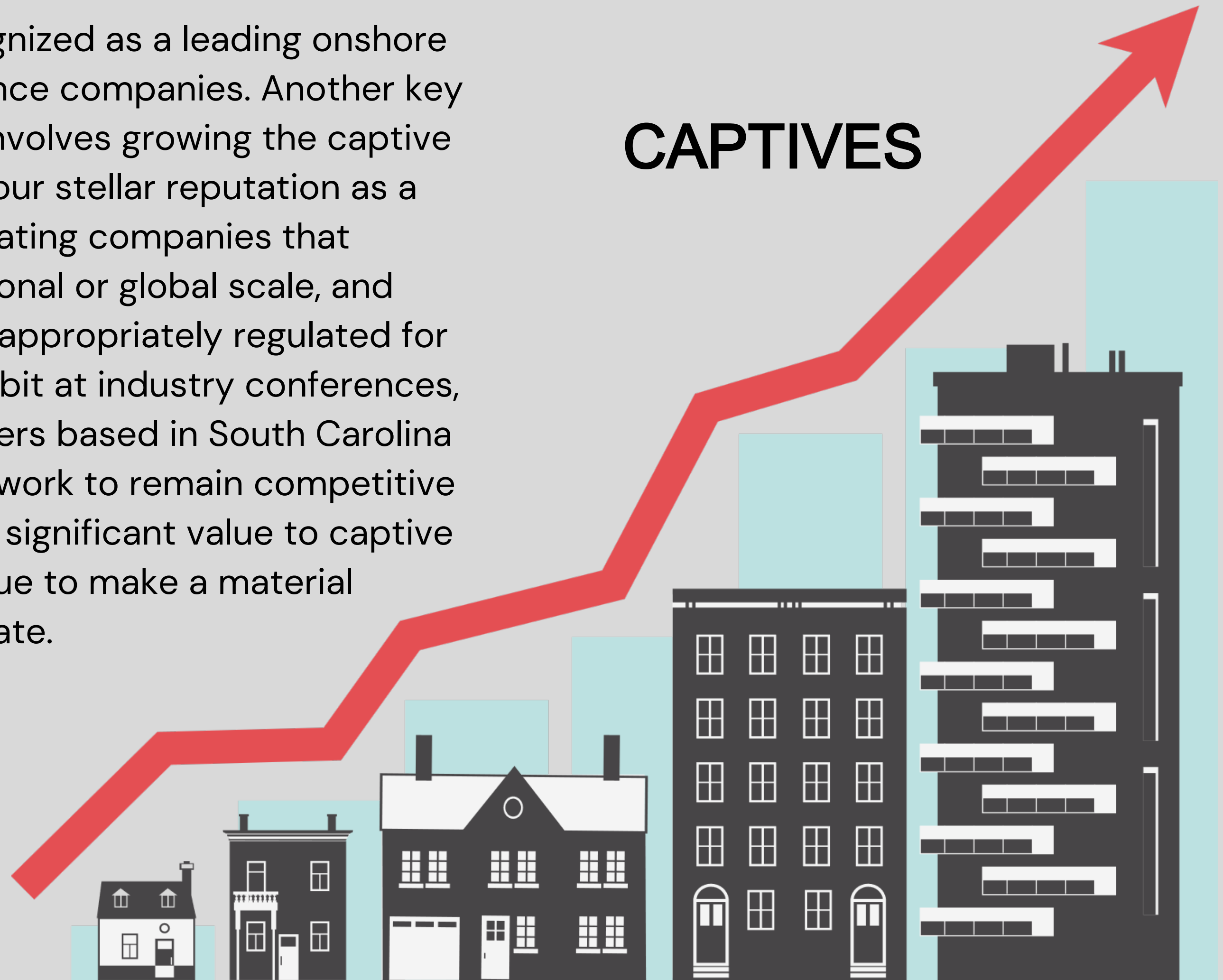
### **Risk Retention Groups:**

- Are owned by their members (“member-insureds”).
- Are subject to some, but not all, of the provisions of Title 38, including laws governing financial reporting, RBC and investments.
- Use generally accepted accounting principles, or GAAP, as opposed to statutory accounting principles, or (SAP). The latter is more conservative and is used by “traditional” insurers
- In South Carolina, they are all licensed as captive insurance companies
- Policies issued by RRGs are NOT protected by guaranty association coverage S.C. Code Ann. § 38-87-50

**State insurance departments’ financial analysis and examination of RRGs is reviewed by the NAIC for the purposes of accreditation**

South Carolina is also recognized as a leading onshore domicile for captive insurance companies. Another key challenge for this division involves growing the captive industry while maintaining our stellar reputation as a domicile of choice for operating companies that conduct business on a national or global scale, and ensuring these entities are appropriately regulated for solvency. We routinely exhibit at industry conferences, partner with service providers based in South Carolina to license new companies, work to remain competitive with other states, and offer significant value to captive owners so that they continue to make a material economic impact in this State.

## CAPTIVES



# Chapter 90 of Title 38

## Captive Insurance Companies

### (Regulation 69-60)

The Department regulates and promotes the captive insurance industry in South Carolina through its Captives Division, which is overseen by the Deputy Director, Financial Regulation and Solvency

#### What is a captive insurance company?

- A captive is a wholly owned subsidiary created to provide insurance to its non-insurance parent company (or companies). Captives are essentially a form of self-insurance in which the insurer is owned by the insured and their day-to-day operations are normally handled by professional captive managers. The Department maintains a list of approved captive managers on its website.
- Captives can help meet the unique risk-management needs of the owners or members and may provide tax advantages.
- The competition among captive domiciles is quite competitive: more than 70 jurisdictions have some form of captive legislation. Bermuda is the largest single jurisdiction in terms of number of captives and Vermont, which was a pioneer in the captive industry, is the largest United States domicile. South Carolina remains competitive in sheer numbers; however, our focus is on licensing high-quality captive insurers.

# Types of Captives

**Pure Captive:** Insures the risks of its parent and affiliated companies or controlled unaffiliated business.

**Association Captive:** Any company that insures risks of the member organizations of the association, and their affiliated companies

**Branch Captive:** An alien captive insurance company licensed by the Director to transact the business of insurance in this State through a business unit with a principal place of business in this State.

**Industrial Insured Captive:** A company that insures risks of the industrial insureds that comprise the industrial insured group and their affiliated companies. An “industrial insured” means an insured that procures insurance by use of the services of a full-time employee acting as a risk manager or insurance manager or utilizing the services of a regularly and continuously qualified insurance consultant, that has aggregate annual premiums for insurance on all risks total at least twenty-five thousand dollars; and that has at least twenty-five full-time employees.

**Sponsored Captive:** A captive insurance company in which the minimum capital and surplus required by applicable law is provided by one or more sponsors; that is formed or licensed under Chapter 90, segregates liability through one or more protected cells; and insures the risks of participants through participant contracts.

**Protected Cell** – A “protected cell” is an identified pool of assets and liabilities of a sponsored captive insurance company for one or more participants that is segregated and insulated from the remainder of the sponsored captive insurance company's assets and liabilities as set forth in this chapter. A protected cell may be unincorporated or incorporated.

**Risk Retention Groups:** Captive insurer organized under the Liability Risk Retention Act, 15 U.S.C. §§3901 *et seq.*

**Special Purpose Captive Insurance Company:** One that is formed or licensed under South Carolina law but that does not meet the definition of any other type of captive insurance company defined in the Code

# S.C. Act No. 62 of 2025

## Amendments to Chapter 90

### **Highlights:**

- Creates more flexible board meeting requirements.
- Grants greater discretion to the Director relating to capitalization requirements.
- Modifies reporting deadline provisions.
- Allows sponsored captive insurance companies to file single actuarial opinion.

Makes the examination of some captive insurance companies optional:

- Formerly, risk retention groups or industrial insured captive insurance companies were to be examined at least once every five years, and “whenever the director determines it to be prudent,” while captive insurance companies that were not a risk retention group or industrial insured captive insurance company were to be examined three years following the date of licensure and at the discretion of the director thereafter.
- Now, although the requirements for RRGs and industrial insured captives are the same, any captive that is not a risk retention group or industrial insured captive insurance company may be examined at the discretion of the Director.
- Simplifies tax payment provision for sponsored captive insurance companies.

The Department has a new Captives Director, [Andrew Noga](#), who started on April 2, 2025. Reporting to the Deputy Director, Financial Regulation & Solvency, the Captive Director heads the Captives Division and is located in the Charleston Office. This places him in close proximity to captive managers and other providers of services to the South Carolina captives industry. A retired general counsel for an insurance company, Mr. Noga brings a wealth of experience and a broad knowledge of insurance and risk transfer and first-hand experience with captives.

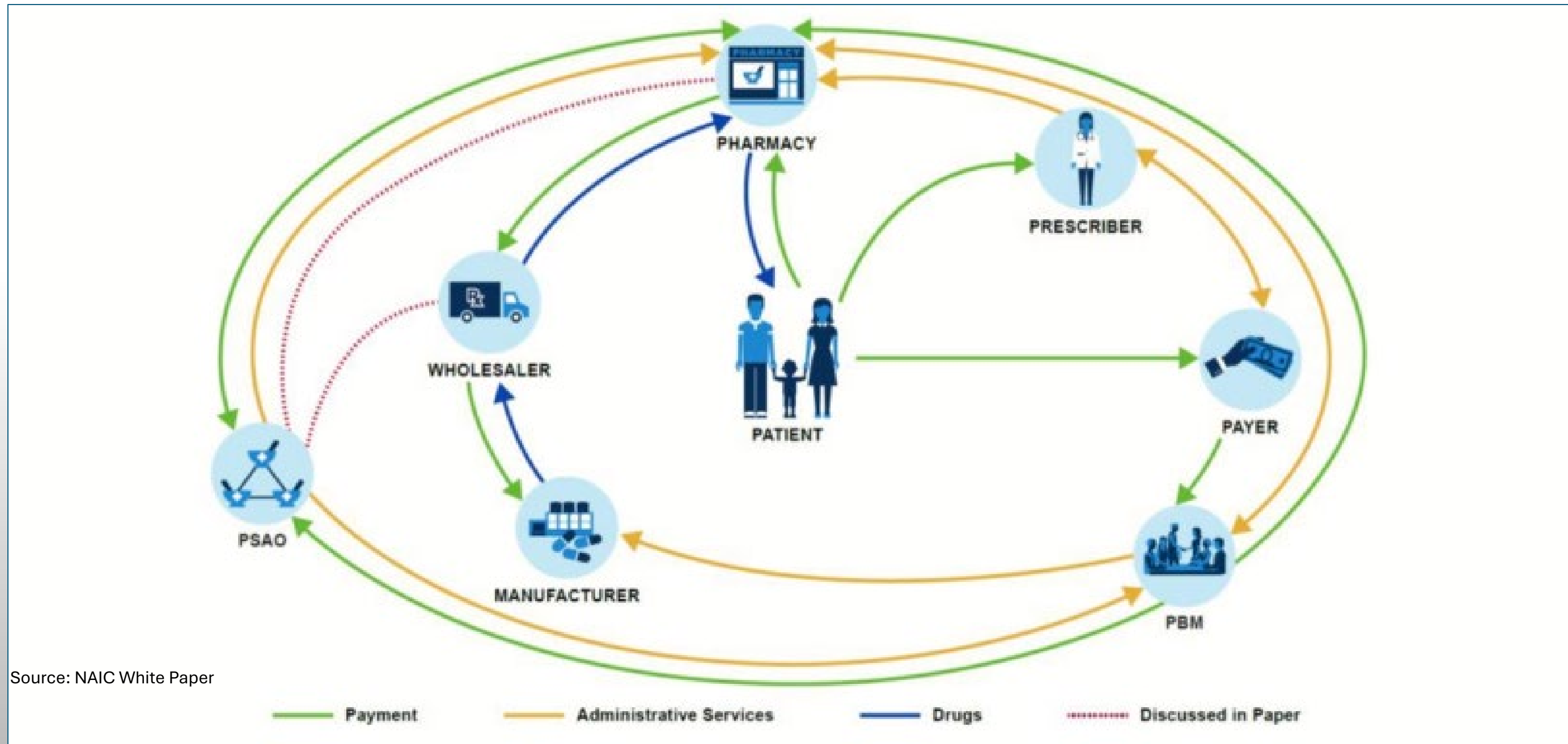


# Pharmacy Benefits Managers and Pharmacy Services Administrative Organizations

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# A “Simplified” Illustration of the Pharmaceutical Distribution Chain



## Act No. 30 of 2023

Amends Chapter 71 of Title 38

Codified in Articles 18, 21 and 23 of Chapter 71

### Highlights:

- Expanded the rights of pharmacy providers during an audit.
- Allows pharmacists 30 days to submit records in response to an audit request, with a possible 30-day extension.
- Pharmacists are entitled to have the audit limited to claims identified by prescription number or range of prescription numbers if the audit is conducted for an identified problem.
- Audits for reasons other than an identified problem are limited to 100 selected prescriptions per pharmacy benefit manager.
- Pharmacists also have the right to an external review, requested through the SCDOI, following an audit or for any denied appeals of recoupments.



## Regulation of Pharmacy Benefits Managers and Pharmacy Services Administrative Organizations

- The Department's Office of PBM Oversight & Specialty Licensing licenses and regulates Pharmacy Benefit Managers (PBMs) and Pharmacy Services Administrative Organizations (PSAOs).
- The Department must conduct examinations of PBMs and PSAOs to ensure compliance with the law at least once every five years. Currently, there are **five** examinations underway **(Four PBMs and one PSAO)**.
- Act No. 30 also charged the Department with promulgating regulations to establish an external review process to facilitate the review of a pharmacy provider's denied internal appeal or audit finding. This resulted in amendments to Regulation 69-77.

## Summary of 2024 Amendments to Regulation 69-77

- Implements that portion of Act No. 30 of 2023 providing for external review of certain Pharmacy Benefits Manager (PBM) decisions and PBM operations
- Effective as of May 24, 2024
- Establishes procedures for the approval of independent review organizations (IROs) and the initiation and conduct of PBM-related external reviews
- Prescribes certain recordkeeping and reporting requirements for IROs conducting those reviews
- Provides for regular, periodic examinations of PBMs
- Effectuates other changes regarding the regulation of PBMs

Note: IROs that were already approved by the Department to conduct external reviews in South Carolina were required to amend their existing application to receive approval to conduct PBM external reviews under Regulation 69-77.

## **Beginning January 1, 2024, the Department Began Licensing of Pharmacy Services Administrative Organizations Operating in this State**

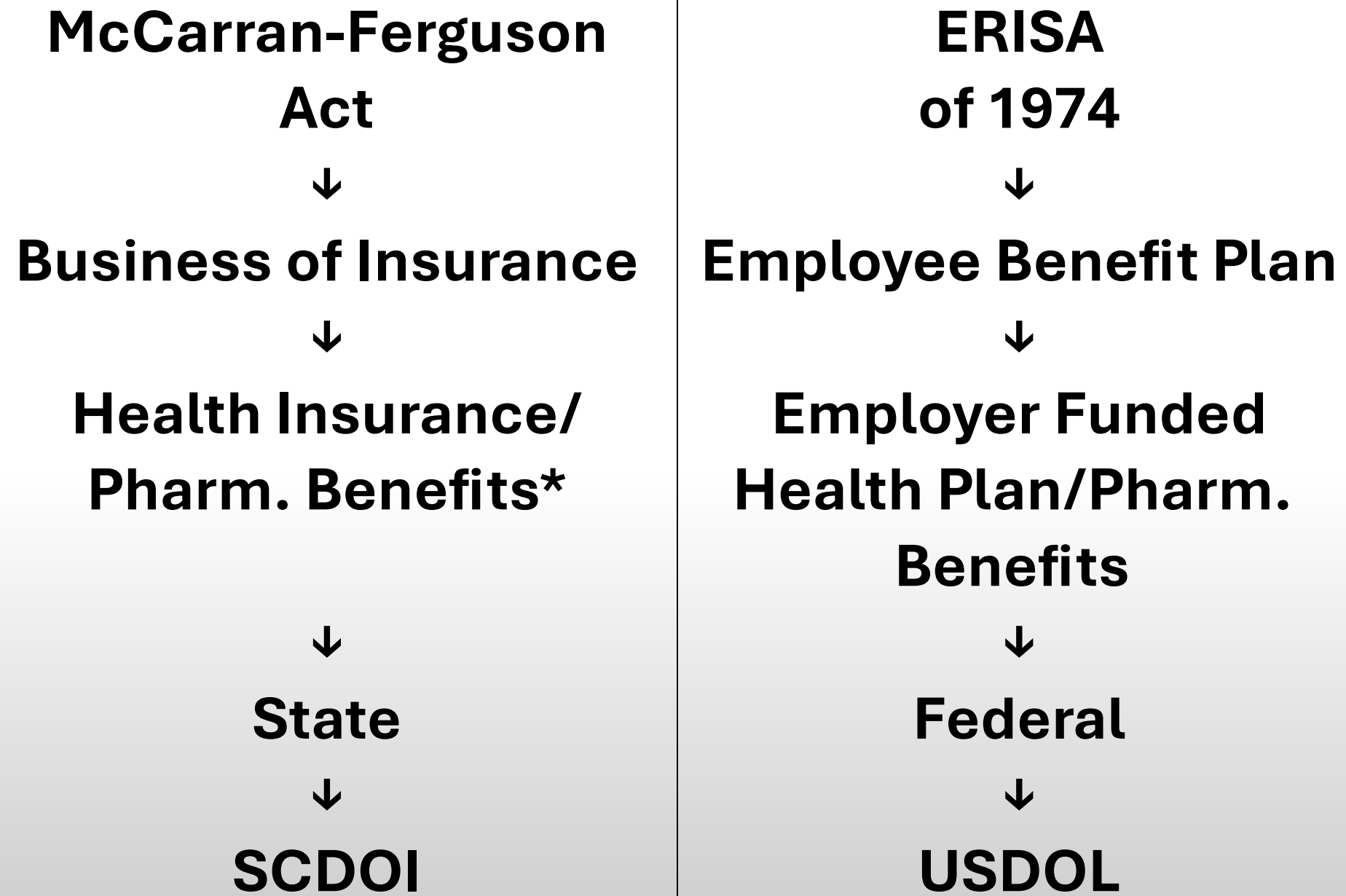
Regulation 69-78, which took effect on May 24, 2024, was added to provide licensing, reporting and activity standards for PSAOs.

- Describes the requirements for initial licensure and annual license renewal for PSAOs
- Provides for review of contracts to ensure they do not contain prohibited language and prohibited waivers
- Provides for examination of PSAOs for compliance with the requirements of S.C. Act No. 30 of 2023, as amended (“the Act”) and other applicable South Carolina law
- Prescribes record-keeping requirements of PSAOs
- Sets confidentiality requirements
- Provides for penalties for violations of the regulation

## A Word About Preemption

- Federal preemption is a legal doctrine that allows a higher level of government to limit or even eliminate the power of a lower level of government to regulate a specific issue. If a state law conflicts with a federal law, under the Supremacy Clause, the federal law controls. Preemption may be expressed (explicit preemptive language in the federal statute) or implied.
- The Employee Retirement Income Security Act of 1974 (ERISA) can impose a substantial limitation on state regulation of PBMs and PSAOs.
- ERISA supersedes any and all State laws insofar as they relate to any employee benefit plan covered by ERISA. A state law “relates to” an ERISA plan if that law has (1) a “connection with” or (2) a “reference to” an ERISA plan.

# Jurisdiction and Preemption at a Glance State vs. Federal



\*Unless the state law “relates to” any employee benefit plan. A state law relates to an ERISA plan if the law has (1) a connection with or (2) a reference to an ERISA plan.

**In *Rutledge v. Pharm. Care Mgmt. Ass'n*, 592 U.S. 80 (2020) the Pharmacy Care Management Association challenged an Arkansas law requiring PBMs to reimburse pharmacies at a rate equal to or greater than the pharmacies' acquisition costs, arguing that the law was preempted by ERISA. The U.S. Supreme Court held that states may regulate PBMs (although the extent remains disputed) and may regulate the price at which PBMs must reimburse pharmacies.**

**But . . .**

**. . . in *Pharm. Care Mgmt. Ass'n v. Mulready*, 78 F.4th 1183 (10th Cir. 2023), the U.S. Court of Appeals held that an Oklahoma law that prescribed certain geographic criteria for pharmacy networks, prohibited restrictions on an individual's choice of in-network provider and on participation by providers in a pharmacy network and also limited the ability of PBMs to place certain restrictions in their contracts regarding pharmacists on probation, struck "at the heart of network and benefit design," which is "a central matter of [ERISA] plan administration." The Court of Appeals also held that the law forced ERISA plans to adopt a particular scheme of substantive coverage and was thus preempted by ERISA.**

**So, the extent to which states may regulate PBMs is still uncertain and the subject of ongoing litigation. (The *Mulready* case is pending in the U.S. Supreme Court)**

## **Specialty Licensing**

**The Office of PBMs and Specialty Licensing also licenses and regulates:**

**Insurance Premium Service Companies - Chapter 39 of Title 38**

**Third Party Administrators (“Administrators of Insurance Benefit Plans”) -  
Chapter 51 of Title 38**

**Service Contract Providers - Chapter 78 of Title 38**



# Specialty Licensing

## Potential Items for Legislative Action

**Third Party Administrators, Chapter 51:** Update chapter to enact provisions from NAIC model (non-mandatory for accreditation purposes).

**Service Contract Providers, Chapter 78:** This chapter needs some technical updates; *e.g.*, (1) add renewal applications and any documents the Director may require in addition to the annual fee; (2) add prohibition on certain contract language, such as using the term “warranty” -- a service contract is *not* a warranty; (3) eliminate cash deposits because SCDOI cannot adequately safeguard cash deposits, and define funded reserve account (type of liquid accounts that qualify); (4) add provisions like those found in 38-78-40(B) and 38-78-55 to 38-78-50 as requirements in the service agreement with consumers; (5) add a provision that the Director will not accept a licensee surrender until it provides satisfactory evidence that all obligations to contract holders have been met.

**Premium Service Companies, Chapter 39:** Update chapter to better address license renewal.

# Challenges/Successes/Opportunities

## Maintaining an Experienced and Well-Trained Staff

- Retirement – generational change as “Baby Boomers” (1945-1964) continue to leave workforce, others reach retirement age, others reach years of service requirement for SRS
- Competition from Private Sector – salary competition, recruitment and retention
- Knowledge transfer
- Growing as a team
- Training

## Private Equity

- PE firms/holding companies acquiring life insurers in large numbers
- Annuities
- Large amounts of capital
- Offshoring, riskier investments, investment management fees

# CONSUMER & EXTERNAL AFFAIRS

**The Office of Consumer Services (OCS)** provides assistance to consumers on a wide range of insurance claim and policy issues. The office responds to inquiries, market assistance requests, and consumer complaints. Members of the OCS team travel around the state participating in educational and hurricane preparedness events.

**The Office of Individual Licensing** oversees the licensure of individuals and agencies conducting the business of insurance in South Carolina. They process applications, monitor CE requirements for agents, manage producer appointment renewals, process 1033 waiver applications, and manage the licensure of bondsmen.

**The Public Information Office** is responsible for disseminating information to the public using various mediums. The office responds to media inquiries and ensures that information is shared between different divisions.

Diane Cooper, Deputy Director, Consumer & External Affairs

# CONSUMER & EXTERNAL AFFAIRS

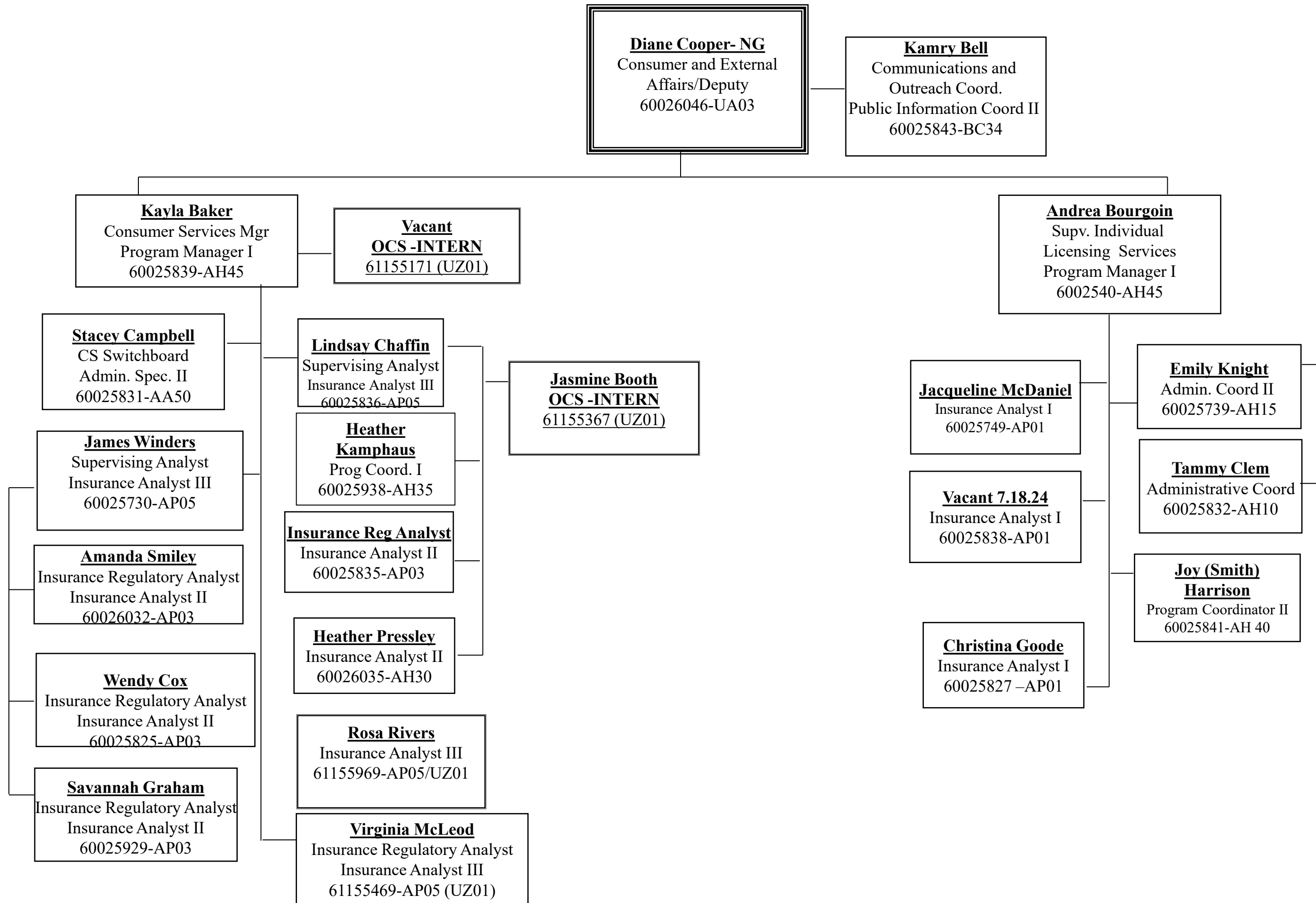
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Diane Cooper, Deputy Director, Consumer & External Affairs

South Carolina Department of Insurance  
Division of Consumer and External Affairs



South Carolina Department of Insurance  
Division of Consumer and External Affairs

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**Heather Pressley**  
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**Wendy Cox**  
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**Rosa Rivers**  
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60025929-AP03

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**Emily Knight**  
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**Vacant 7.18.24**  
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Administrative Coord  
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**Christina Goode**  
Insurance Analyst I  
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**Joy (Smith) Harrison**  
Program Coordinator II  
60025841-AH 40

# Office of Consumer Services

The Office of Consumer Services (OCS) provides assistance to consumers on a wide range of insurance claim and policy issues. The Consumer Services staff responds to consumer needs relating to auto, health, homeowners, and life insurance; provides consumers with market assistance by helping to identify hard-to-place insurance coverage within the insurance market; and assists consumers following a catastrophic event.



# Consumer Services Full -Time Staffing

|   |                             |   |  |
|---|-----------------------------|---|--|
| 1 | Program Manager I           | → | Responsible for overseeing the daily operations of the OCS. Trains and onboards new staff, motivates team and monitors industry trends, approves legal/enforcement referrals while handling small caseload.                          |
| 2 | Insurance Analyst III       | → | Serve as supervising analysts and subject matter experts for other OCS staff. Handle caseload while supervising, auditing and managing small staff.  |
| 6 | Insurance Analyst II        | → | Responsible for front-line consumer assistance. Handle telephone and in-person inquiries from consumers, investigate complaints against carriers & referrals to legal when further investigation or enforcement action is warranted. |
| 1 | Program Coordinator I       | → | Responsible for entry of consumer complaint data into State Based System, sends complaint notification to carriers & assigns complaint to appropriate analyst. Runs various reports.   |
| 1 | Administrative Specialist I | → | Responsible for OCS switchboard and triage of phone calls. Handles assignment of external reviews and home warranty complaints.  |

2 Vacancies - Insurance Analyst II's due to internal promotions



# Consumer Services Supplemental Staffing

2

Part-time Analysts



Retirees of the OCS who help with heavy call volume hours and handle a small caseload of complaints as needed.

2

Interns



Interns assist with outreach efforts, scheduling venues and prepping supplies as well as with administrative functions within the office of consumer services (switchboard, scanning, etc.)

1 intern vacancy

# Consumer Assistance

Each day, we assist consumers that write, call, or visit our office.

We help consumers with coverage questions, claim disputes, and requests for market assistance.

Many consumer concerns are resolved without filing a formal complaint.



| Yearly Totals |       |
|---------------|-------|
| 2022          | 9224  |
| 2023          | 11087 |
| 2024          | 13022 |

# Consumer Complaints

One of the primary missions of the South Carolina Department of Insurance is to serve and protect insurance consumers. To fulfill that mission, the South Carolina Department of Insurance provides the valuable service of working with consumers and insurers to address consumer complaints. Complaints provide a great deal of information about the industry, individual insurers, and real-time consumer concerns, including emerging issues in the marketplace. The complaints received by the Department are analyzed, recorded, and tracked.

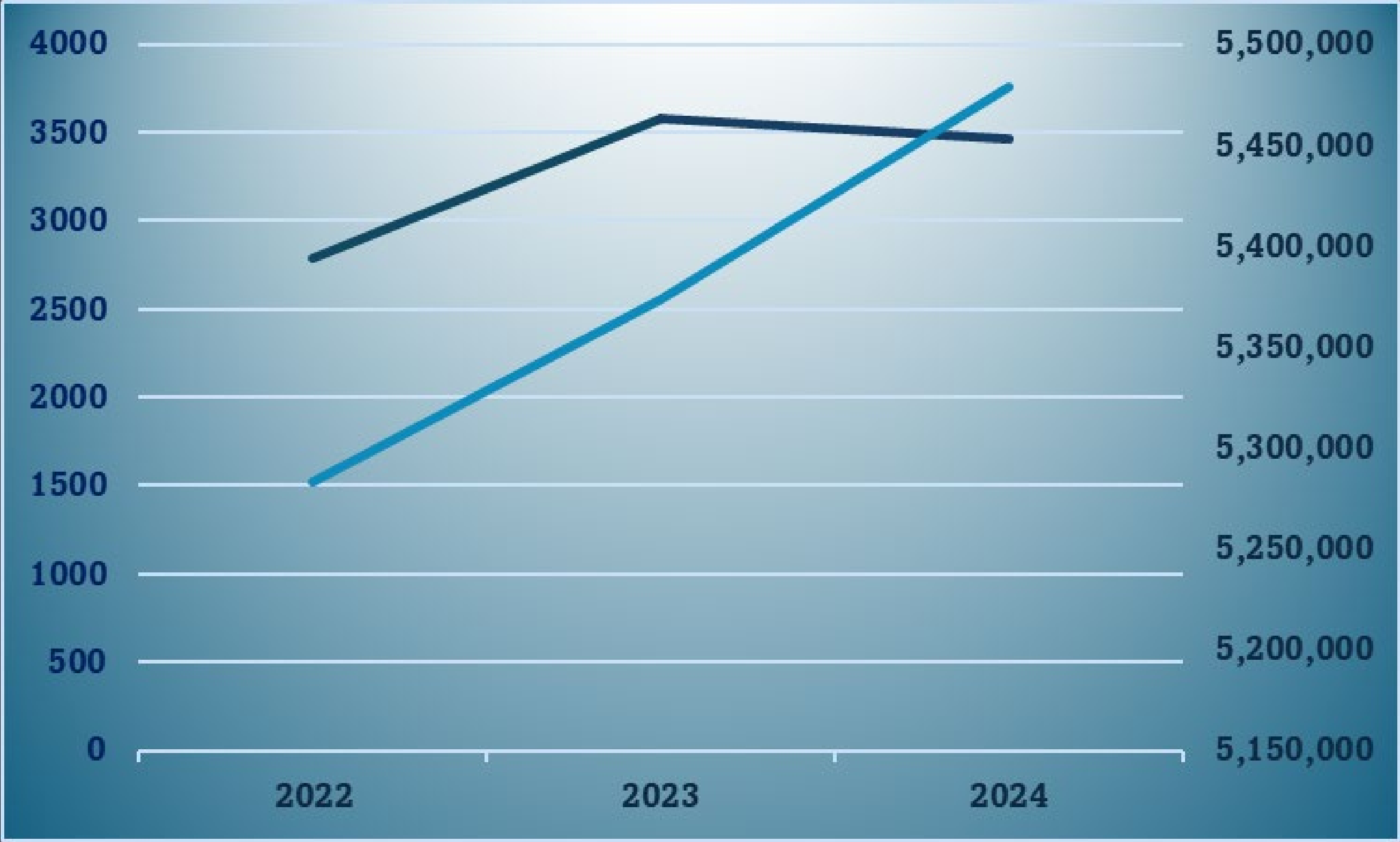
| Year | Total Complaints | Amount Recovered |
|------|------------------|------------------|
| 2022 | 2791             | \$ 9,995,929     |
| 2023 | 3578             | \$12,007,792     |
| 2024 | 3467             | \$ 8,313,818     |



# Consumer Complaints

Number of  
Complaints  
VS  
Total  
Population

- Total Population
- Complaints



# Complaint Form



## South Carolina Department of Insurance

### Office of Consumer Services

Street Address: 1201 Main Street, Suite 1000, Columbia SC 29201

Mailing Address: P.O. Box 100105, Columbia, S.C. 29202-3105

Telephone: (803) 737-6180 or 1 (800) 768-3467

Fax: (803) 737-6231 | Email: consumers@doi.sc.gov

DOI use only

File#

Analyst

## Consumer Complaint Form

My complaint is against (one or more):  Insurance Company  Agent/Broker  Other

Please complete all information and enclose copies of correspondence and other papers that will help us investigate your complaint. Sign and date on back side at the bottom. **Please Note:** a copy of this form and any enclosed information will be sent to the party you are complaining about.

### Section 1. Info of Person Filing Complaint (Complainant)

Mr.  Ms. Name \_\_\_\_\_

Street/Mailing Address \_\_\_\_\_

City \_\_\_\_\_ County \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone: (Home) \_\_\_\_\_ (Cell) \_\_\_\_\_ (Work) \_\_\_\_\_ Email \_\_\_\_\_

### Section 2. Policyholder Info

Age  1-24  25-49  50-64  65+

Policyholder's Name \_\_\_\_\_

Policy # \_\_\_\_\_ Claim # \_\_\_\_\_ Date of Loss \_\_\_\_\_

Name of the Insurance Company You are Complaining About \_\_\_\_\_

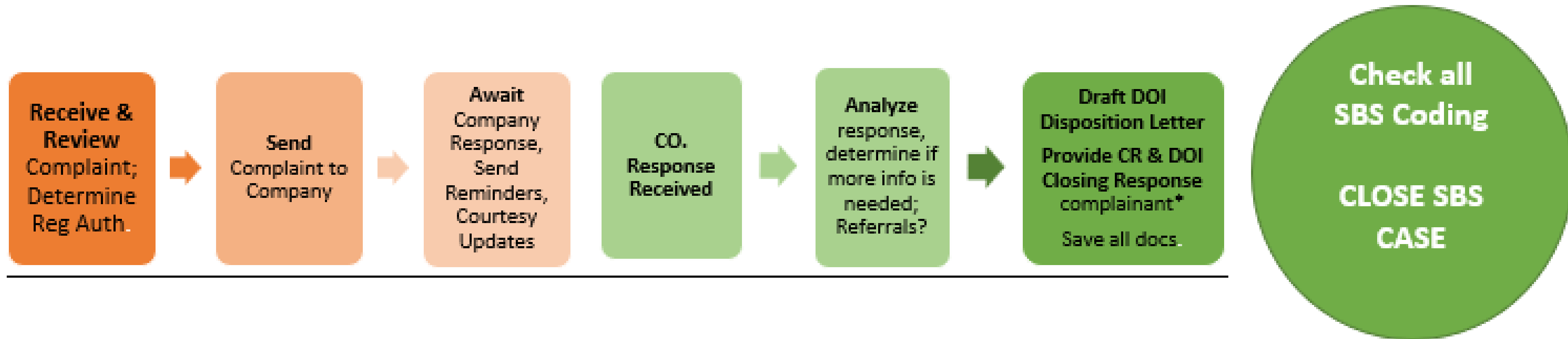
Name of Agent/Agency/Adjustor \_\_\_\_\_

If Group Health Policy: Name of Employer \_\_\_\_\_ Group # \_\_\_\_\_

### Section 3. Type of Policy (check one)

|  |   |  |  |
|--|---|--|--|
| <input type="checkbox"/> Annuity                   | <input type="checkbox"/> Disability                             | <input type="checkbox"/> Life                | <input type="checkbox"/> Warranty      |
| <input type="checkbox"/> Personal Auto/ Motorcycle | <input type="checkbox"/> Individual Health                      | <input type="checkbox"/> Long Term Care      | <input type="checkbox"/> Workers' Comp |
| <input type="checkbox"/> Commercial Auto           | <input type="checkbox"/> Group Health                           | <input type="checkbox"/> Medicare Supplement | <input type="checkbox"/> Other         |
| <input type="checkbox"/> Dental                    | <input type="checkbox"/> Homeowners/ Renters/ Mobile Homeowners | Specify plan A-L: _____                      |  |

# Consumer Complaint Process



# Notification Letter

Dear Sir or Madam:

A request for assistance has been filed by the above-named complainant, a copy of which is attached for your review. Your response to this Department should contain the following:

1. Completed Complaint Response Coversheet (see the following page).
2. Formal response letter on company letterhead suitable for sharing with the complainant. The letter should include the following:
  - Underwriting company name and NAIC number, License Number, or National Producer Number-NPN, if applicable.
  - Circumstances surrounding the complainant's allegation(s),
  - Company's position on the issues(s) raised in the complaint,
  - Steps taken to resolve the matter (including any payment amounts made or due), and
  - Corrective action taken (if no corrective action is necessary, explain why).
3. Documentation in support of your position (required documents are listed on the Complaint Response Coversheet).
4. Please provide an Agent, Adjuster, and/or an Appraiser's response, if applicable.
5. If the complaint involves an approved rate increase, please confirm the SERFF tracking number.

The above items should be combined into a single PDF and must be emailed directly to the undersigned with a copy to [consumers@doi.sc.gov](mailto:consumers@doi.sc.gov). The complaint number should be referenced in the subject line. If any documentation cannot be shared with the complainant, please attach it in a separate PDF labeled "confidential" and include an explanation as to why this information is not subject to release under the South Carolina Freedom of Information Act.

In accordance with the authority granted under S.C. Code of Laws Section 38-13-70, your response should be received at this Department **on or before March 4, 2025.**

# Complaint Checklist

| COMPLAINT CATEGORY (select one)   |   |   |   |
|---|---|---|---|
| ( ) UNDERWRITING  | ( ) MARKETING & SALES   | ( ) CLAIM HANDLING  | ( ) POLICYHOLDER SERVICES                                     |
| <input type="checkbox"/> Formal response letter   | <input type="checkbox"/> Formal response letter                             | <input type="checkbox"/> Formal response letter   | <input type="checkbox"/> Formal response letter               |
| <input type="checkbox"/> Copy of notice of cancellation or nonrenewal   | <input type="checkbox"/> Signed, dated agent statement on agency letterhead | <input type="checkbox"/> Timeline of claim handling   | <input type="checkbox"/> Copies of billing notices            |
| <input type="checkbox"/> Proof of mailing   | <input type="checkbox"/> Copy of signed application                         | <input type="checkbox"/> Certified copy of policy (if denial or payment based on policy language) | <input type="checkbox"/> Premium payment/ transaction history |
| <input type="checkbox"/> Include the SERFF or SC State tracking number of approved rate increase in the formal response letter. | <input type="checkbox"/> Other  | <input type="checkbox"/> Copies of estimates  | <input type="checkbox"/> Other                                |
| <input type="checkbox"/> Other  |   | <input type="checkbox"/> Evidence of payment  |   |
|   |   | <input type="checkbox"/> Copy of engineer report if applicable                                    |   |
|   |   | <input type="checkbox"/> Other  |   |
|   |   |   |   |
|   |   |   |   |

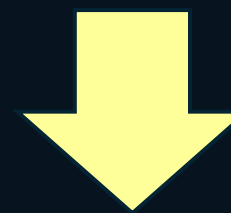
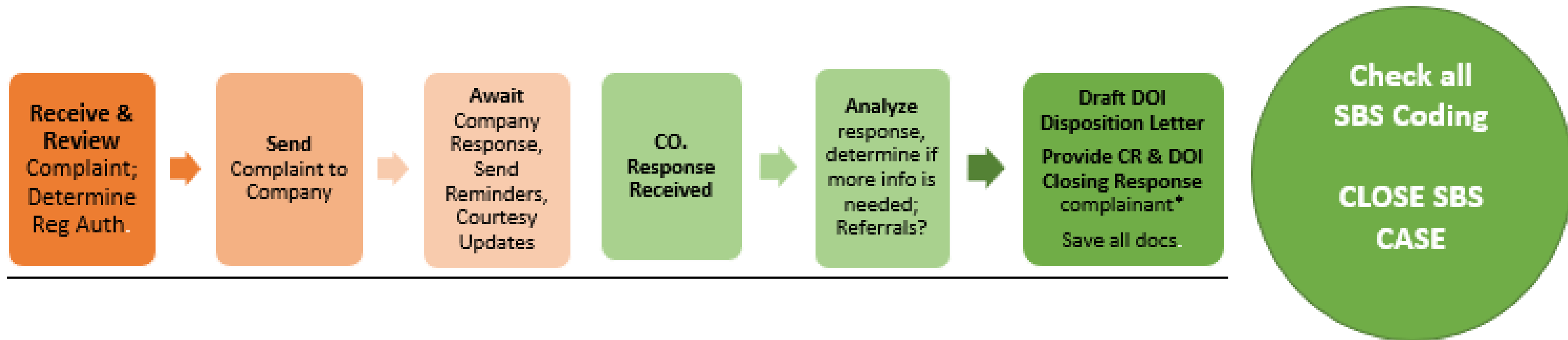
**Response Format Requirement**

Complaint response must be emailed as a single PDF document containing the following in order:

- 1.) This coversheet (completed)
- 2.) Formal response letter
- 3.) Supporting documentation (if documentation cannot be shared with the complainant, attach it in a separate PDF labeled "confidential" and provide FOIA exemption per instructions on prior page)



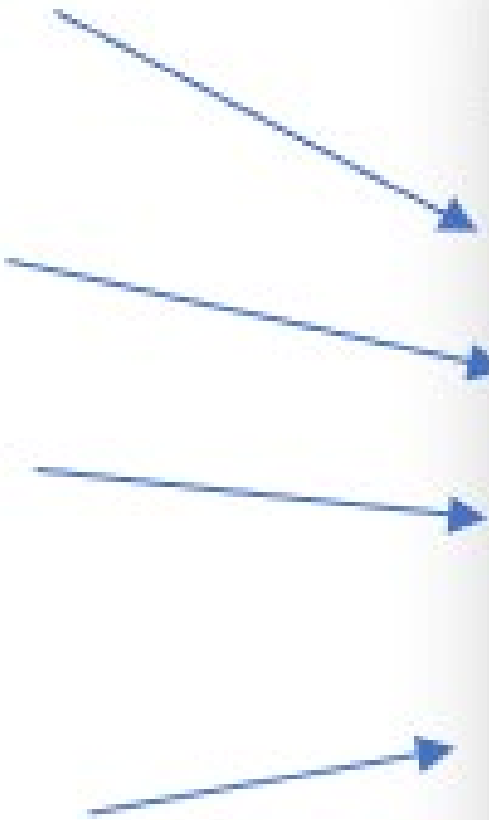
# Consumer Complaint Process



If violation of statute or pattern is discovered, a market conduct referral is made for further investigation and potential enforcement action.

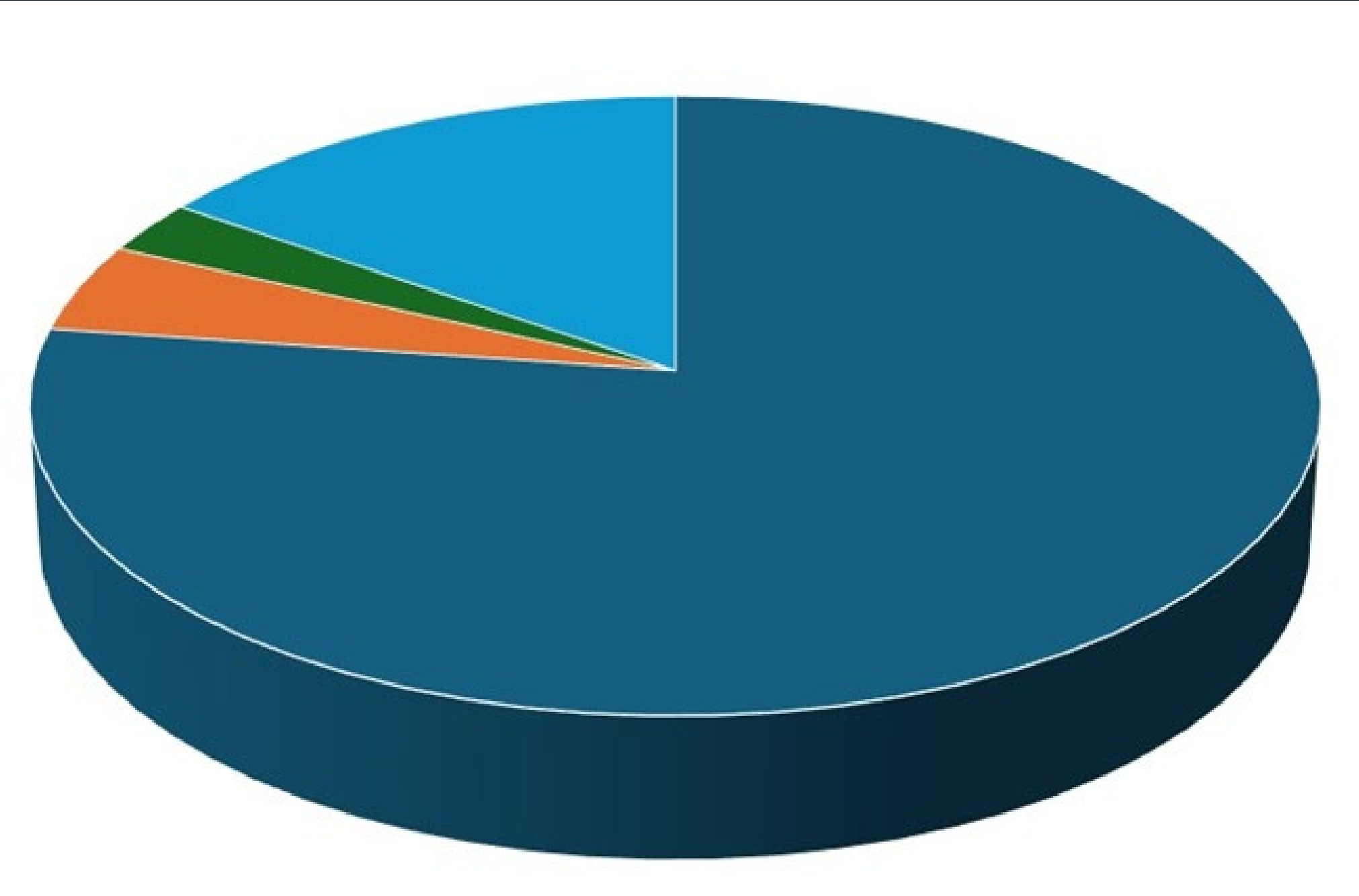
# Closing Correspondence with Consumer

Opening  
Company Position  
Our Regulatory Review/Statutes Cited  
Recommendations



# Complaint Breakdown by Reason

- Claim Handling
- Underwriting
- Marketing & Sales
- Policyholder Service



# Consumer Complaint Summary

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Complaint Summaries can be found on our website: [doi.sc.gov](http://doi.sc.gov).

The following links provide the Complaint Summaries by type of coverage:

[Auto Insurance](#) | [Homeowner's Insurance](#) | [Title Insurance](#) | [Workers Comp Insurance](#)

[Group Accident & Health Insurance](#) | [Individual Accident & Health Insurance](#) | [Group Annuity Insurance](#)

[Individual Annuity Insurance](#) | [Group Life Insurance](#) | [Individual Life Insurance](#)

[Long-Term Care Insurance](#)

# Consumer Complaint Summary

| Group Code | Code  | Company Name                      | Total Complaints | Confirmed Complaints | Confirmed Complaints as % of Total Complaints | U.S. Market Share | Premiums         |
|------------|-------|-----------------------------------|------------------|----------------------|---|-------------------|------------------|
| 176        | 25118 | State Farm Indem & Ins Co         | 234              | 33                   | 14%   | 21%               | \$ 1,267,256,786 |
| 155        | 38628 | Progressive Northern Ins Co       | 107              | 19                   | 18%   | 10%               | \$ 610,236,497   |
| 155        | 10322 | Progressive Direct Ins Co         | 127              | 17                   | 13%   | 9%                | \$ 537,166,330   |
| 8          | 19769 | Allstate Fire & Cas Ins Co        | 113              | 8                    | 7%  | 7%                | \$ 415,965,198   |
| 31         | 22063 | Government Employees Ins Co       | 61               | 4                    | 7%  | 6%                | \$ 339,333,207   |
| 3548       | 36161 | Travelers Prop Cas Ins Co         | 39               | 4                    | 10%   | 3%                | \$ 207,894,657   |
| 200        | 25941 | United Serv Automobile Assn       | 35               | 5                    | 14%   | 3%                | \$ 203,547,858   |
| 176        | 25143 | State Farm Fire & Cas Co          | 34               | 4                    | 12%   | 3%                | \$ 177,128,086   |
| 200        | 25968 | USAA Cas Ins Co                   | 45               | 9                    | 20%   | 3%                | \$ 171,948,243   |
| 200        | 18600 | USAA Gen Ind Co                   | 36               | 10                   | 28%   | 3%                | \$ 153,522,969   |
| 31         | 14137 | CEICO Secare Ins Co               | 24               | 4                    | 17%   | 2%                | \$ 148,044,382   |
| 31         | 22635 | Celco Ind Co                      | 19               | 2                    | 11%   | 2%                | \$ 139,535,469   |
| 280        | 32760 | Owners Ins Co                     | 21               | 1                    | 5%  | 2%                | \$ 120,858,437   |
| 8          | 22772 | Integon Ind Corp                  | 31               | 9                    | 13%   | 2%                | \$ 110,803,445   |
| 200        | 21133 | Continental Indem & Ins Co        | 19               | 5                    | 26%   | 1%                | \$ 85,295,253    |
| 111        | 21264 | Travelers Indem & Ins Co          | 19               | 2                    | 9%  | 1%                | \$ 81,614,028    |
| 8          | 19232 | Allstate Ins Co                   | 8                | 0                    | 0%  | 1%                | \$ 77,421,885    |
| 483        | 18325 | Southern Farm Bureau Cas Ins Co   | 2                | 0                    | 0%  | 1%                | \$ 68,878,992    |
| 483        | 14114 | South Carolina Farm Bureau Ins Co | 9                | 2                    | 22%   | 1%                | \$ 59,156,775    |
| 140        | 23787 | Nationwide Mut Ins Co             | 11               | 2                    | 18%   | 1%                | \$ 52,209,291    |

• The Consumer Complaint Summary is an annual report that provides a list of companies with more than \$100,000 in written premium by line of business, the total number of complaints received by our Department, the number of confirmed complaints analyzed by our Department, the confirmed complaints as a percentage of total complaints, and the U.S. Market Share.

# Consumer Outreach

We believe that getting out into the communities we serve helps build a stronger and more resilient South Carolina.

We participate in many types of outreach opportunities: job fairs, school appearances, speaking engagements, hurricane expos and helping the community with recovery after a disaster strikes.



# Hurricane Preparedness

We protect South Carolina consumers by providing them with resources that enable them to be prepared before a disaster strikes.

We provide consumers with helpful resources through:

- Social Media
- SCDOI Website
- Collaborating with organizations like SCEMD and SC Department of Aging
- Attending Hurricane Expos throughout SC



# Insurance Education

The Department understands the importance of financial literacy.

We have begun initiatives to introduce the concept of insurance to elementary, middle, and high school students.

The Department also works with colleges and universities in South Carolina to provide insurance presentations to students and local community members.





# Hurricane Helene

Following Hurricane Helene's impact on the upstate of South Carolina, the Department helped set up insurance villages. The Department set up booths alongside insurance carriers to answer consumers' questions and distributed helpful information about the claims process.



In addition, the insurance fraud unit was available to educate the public about insurance scams they should look out for following a catastrophic event .

# 2025 CONSUMER OUTREACH EVENTS

January 8- DOI Informational Meeting at Gill  
Creek Church- **Richland**

March 5- NABIP SC Symposium- **Richland**

March 16- Saluda River Academy for the Arts-  
**Richland**

April 2- Highway Safety Law Enforcement  
Awards Ceremony- **Richland**

April 4- Senior P.R.E.P- **Lexington**

April 5- Cheraw Spring Festival- **Chesterfield**

April 8- Newberry Senior Center Luncheon-  
**Newberry**

April 12- Saluda County Health Fair- **Saluda**

April 16- Senior Circle- **Marlboro**

May 1- Colleton Business Preparedness  
Workshop- **Colleton**

May 12- Florence Rotary Club- **Florence**

May 15- Governor's Coastal Tour- **Charleston**

May 20- Senior P.R.E.P- **Cherokee**

May 29- Senior. P.R.E.P- **Darlington**

May 31- Dorchester Hurricane Expo- **Dorchester**

# 2025 CONSUMER OUTREACH EVENTS

June 12- Edgefield Senior Center- **Edgefield**

June 14- Todd's Hurricane Expo- **Horry**

June 21- Hilton Head Hurricane Expo- **Beaufort**

June 28- Charleston EMD Hurricane Expo-  
**Charleston**

July 8- Kershaw County Library- **Kershaw**

September 4- Orangeburg-Calhoun Technical  
College- **Orangeburg**

Week of September 15 - Claflin University-  
**Orangeburg**

Additional events being scheduled  
for remainder of the year.

# CONSUMER & EXTERNAL AFFAIRS

**The Office of Consumer Services (OCS)** provides assistance to consumers on a wide range of insurance claim and policy issues. The office responds to inquiries, market assistance requests, and consumer complaints. Members of the OCS team travel around the state participating in educational and hurricane preparedness events.

**The Office of Individual Licensing** oversees the licensure of individuals and agencies conducting the business of insurance in South Carolina. They process applications, monitor CE requirements for agents, manage producer appointment renewals, process 1033 waiver applications, and manage the licensure of bondsmen.

**The Public Information Office** is responsible for disseminating information to the public using various mediums. The office responds to media inquiries and ensures that information is shared between different divisions.

Diane Cooper, Deputy Director, Consumer & External Affairs

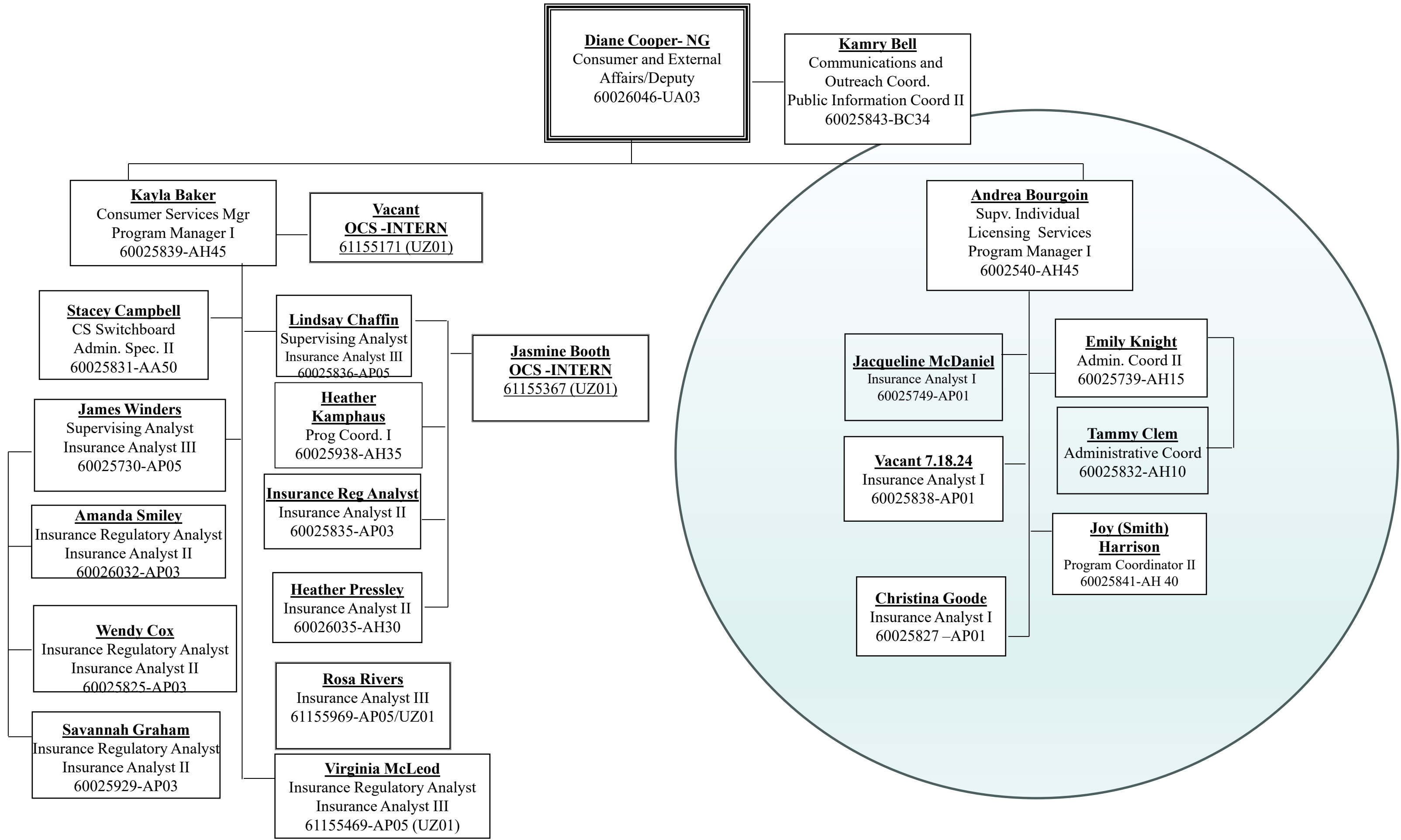
# Office of Individual Licensing



This division licenses the following:

- Producers
- Brokers
- Agencies
- Adjusters
- Public Adjusters
- Portable Electronics
- Self-Service Storage and Rental Car Companies
- Appraisers
- Bondsmen

South Carolina Department of Insurance  
**Division of Consumer and External Affairs**



# Individual Licensing Staffing

|   |                        |   |   |
|---|------------------------|---|---|
| 1 | Program Manager I      | → | Directs, coordinates, and administers Individual Licensing and Continuing Education. Applies knowledge of complex laws and regulations. Represents the Department at speaking engagements and industry events.  |
| 1 | Admin Coordinator II   | → | Acts as Assistant Manager of Individual Licensing and Continuing Education. Oversees staff in Manager's absence, manages the processing of fingerprints and 1033 applications, supervises the Admin Coordinator I.  |
| 1 | Program Coordinator II | → | Manages and oversees Bondsman Licensing. Reviews complaints against bondsmen while applying complex knowledge of state laws and regulations.  |
| 1 | Admin Coordinator I    | → | Covers licensing switchboard, answers questions regarding licensing requirements and continuing education in accordance with state laws and regulations. Manages responses for licensing chatbot, assigns daily pending to staff. Reviews PICS from NIPR. |
| 2 | Insurance Analyst I    | → | Processes applications for licenses ensuring all licensing requirements are met and requests additional documentation as needed, ensuring all applications are responded to and approved within 1-3 business days.  |



# LICENSING

## Licenses and Renewals

The Individual Licensing Office processes new and renewal applications, collects the associated fees, and assists licensees with questions and concerns.

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## Continuing Education

Many of the licenses that the Department processes have a continuing education requirement. The Department approves these programs for accreditation and monitors its licensees to make sure this requirement is fulfilled.

---



| License Class                   | Resident | Non-Resident | Total   |
|---------------------------------|----------|--------------|---------|
| Adjuster                        | 4,218    | 149,953      | 154,171 |
| Agency                          | 0        | 0            | 0       |
| Appraiser                       | 735      | 4,814        | 5,549   |
| Insurance Producer              | 40,985   | 292,710      | 333,695 |
| Motor Vehicle Rental Companies  | 0        | 0            | 0       |
| Portable Electronics            | 0        | 0            | 0       |
| Professional Bondsman           | 67       | 0            | 67      |
| Public Insurance Adjuster       | 65       | 775          | 840     |
| Runner Bondsman                 | 115      | 0            | 115     |
| Self Service Storage Facilities | 0        | 0            | 0       |
| Surety Bondsman                 | 376      | 0            | 376     |
| Surplus Lines Broker            | 1,321    | 3,008        | 4,329   |
| Totals:                         | 47,882   | 451,260      | 499,142 |

**Total Individual Licensees**

As of 05/05/2025

# Transaction Counts

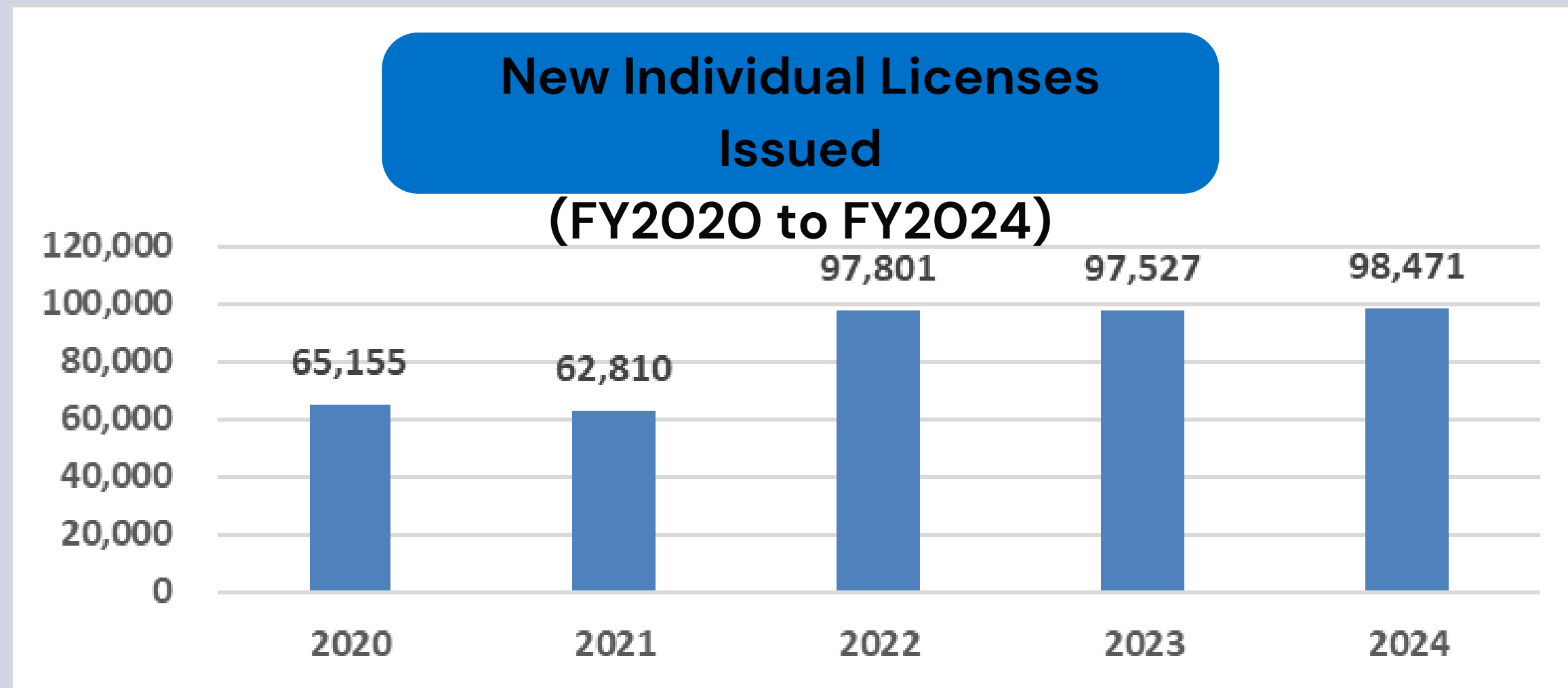
## April 2025

| Total Transaction Count | Auto-Processed Percentage | Avg Days to Process |
|-------------------------|---------------------------|---------------------|
| 73,492                  | 97.7%                     | 3.63                |

| License Type                     |        |
|----------------------------------|--------|
| Insurance Producer               | 60,031 |
| N/A (Contact/Demographic Ch..)   | 10,659 |
| Adjuster                         | 1,750  |
| N/A (Failed/Invalid Transaction) | 379    |
| Agency                           | 349    |
| Surety Bondsman                  | 136    |
| Appraiser                        | 67     |
| Surplus Lines Broker             | 55     |
| Self Service Storage Facilities  | 24     |
| Public Insurance Adjuster        | 16     |
| Runner Bondsman                  | 13     |
| Professional Bondsman            | 9      |
| Third Party Administrator        | 2      |
| Service Contract Provider        | 2      |

| Transaction Type               |        |
|--------------------------------|--------|
| Original Appointment           | 27,970 |
| Appointment Termination        | 19,908 |
| Contact Change Request         | 10,390 |
| Original/Reinstatement License | 8,505  |
| License Renewal                | 6,380  |
| Demographics Update            | 269    |
| License Update                 | 70     |

# Growth of New Licensees



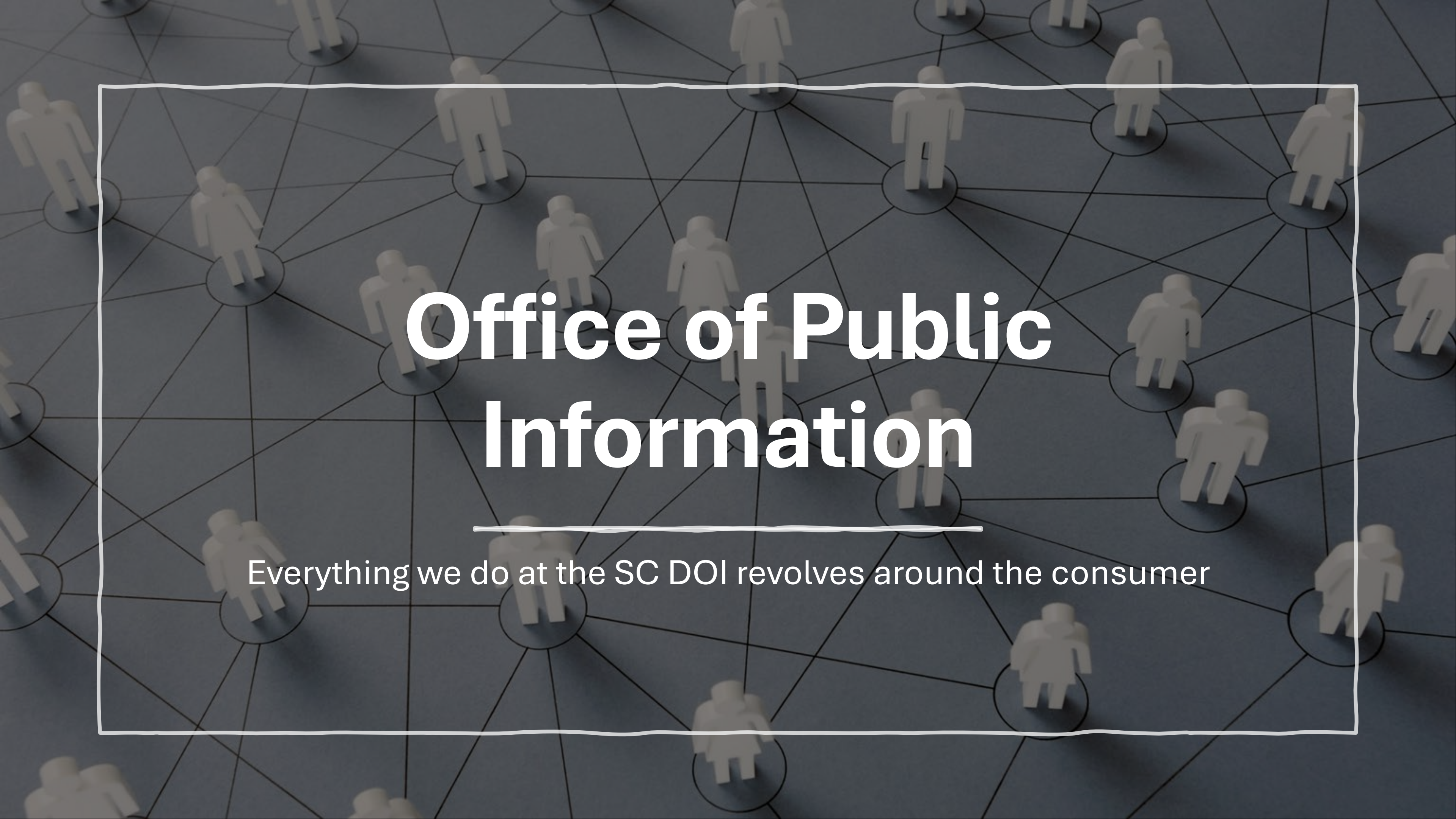
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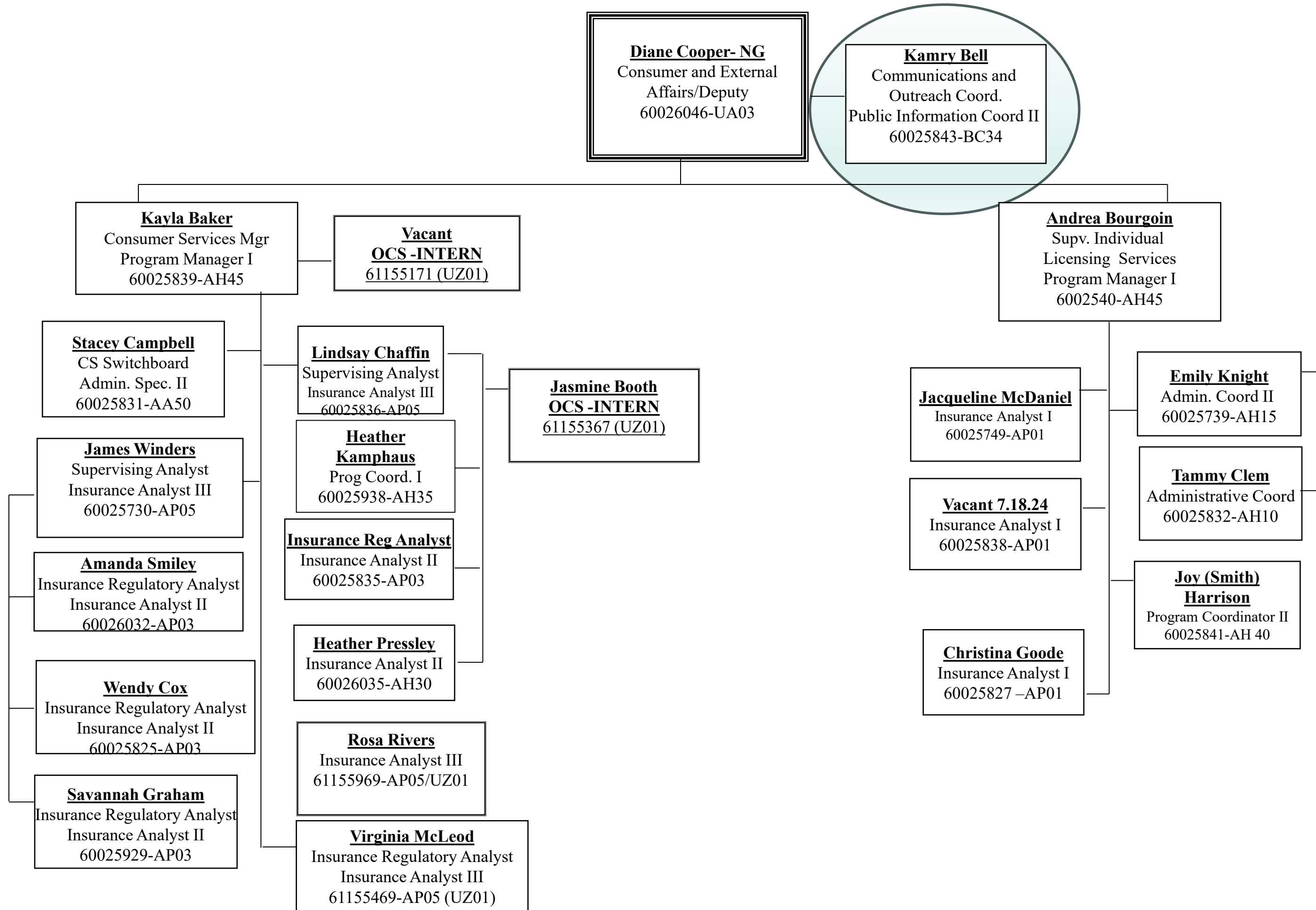


# Office of Public Information

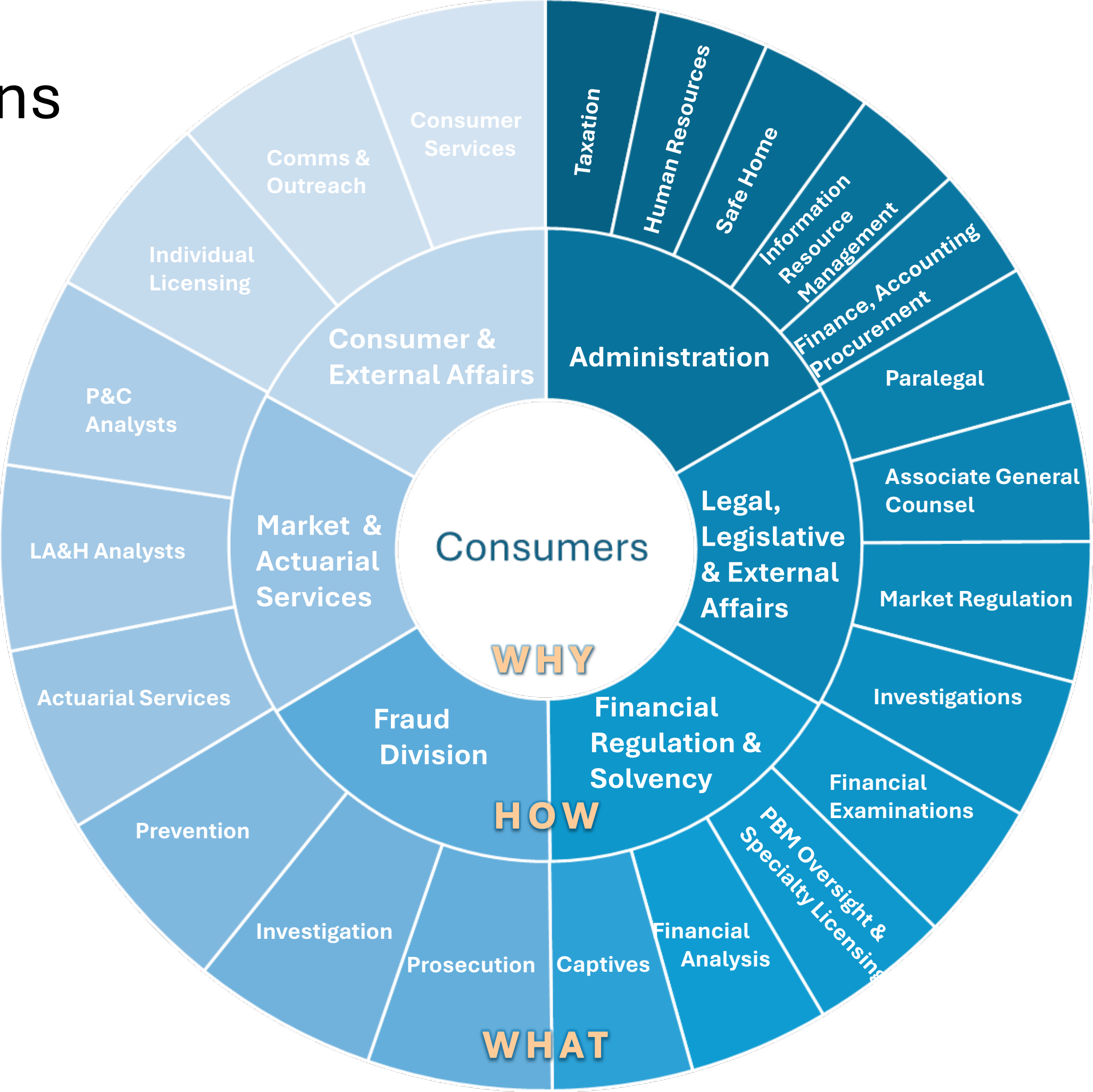
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Everything we do at the SC DOI revolves around the consumer

South Carolina Department of Insurance  
**Division of Consumer and External Affairs**



# Communications Strategy Development





# Communications Strategy

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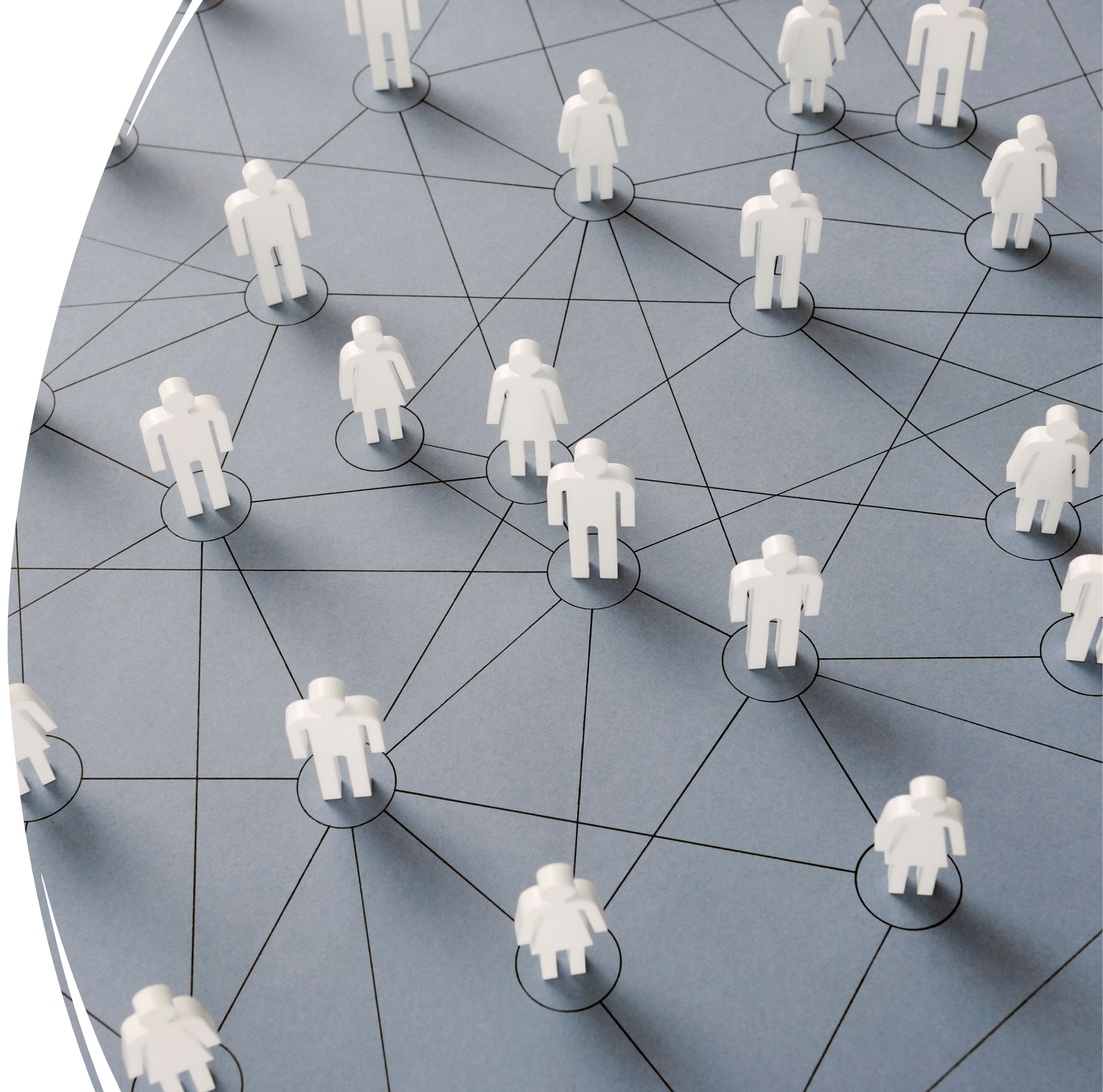
Everything we do at the SC DOI revolves around the consumer



# Key Audiences

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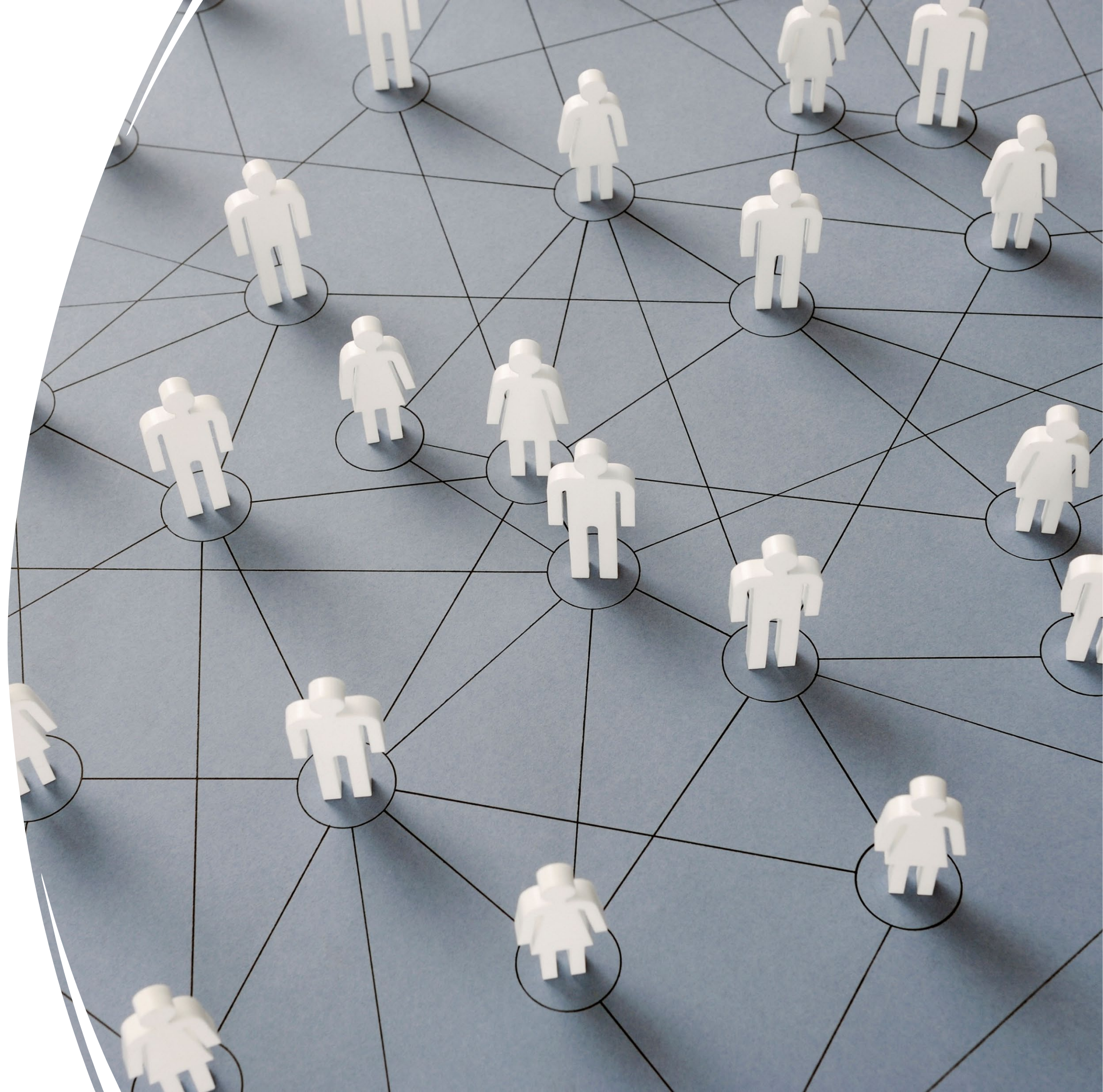
- Consumers in 46 Counties
- Legislators
- Local & National Media
- Licensees of the Department
- Associations & Trade Groups
- Educators at various levels & their students
- Healthcare Providers
- Real Estate Agents & Brokers
- Other State Agencies
- State, City & Town Officials



# Strategies

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- Media Coverage of an issue or event
- Outreach through educators and schools
- Identifying influencers through community forums and organized events
- Leveraging the internet for outreach and education
- Partnering with local business, such as real estate or insurance agencies, to spread messaging
- Partnering with other state agencies for outreach events and remote office days

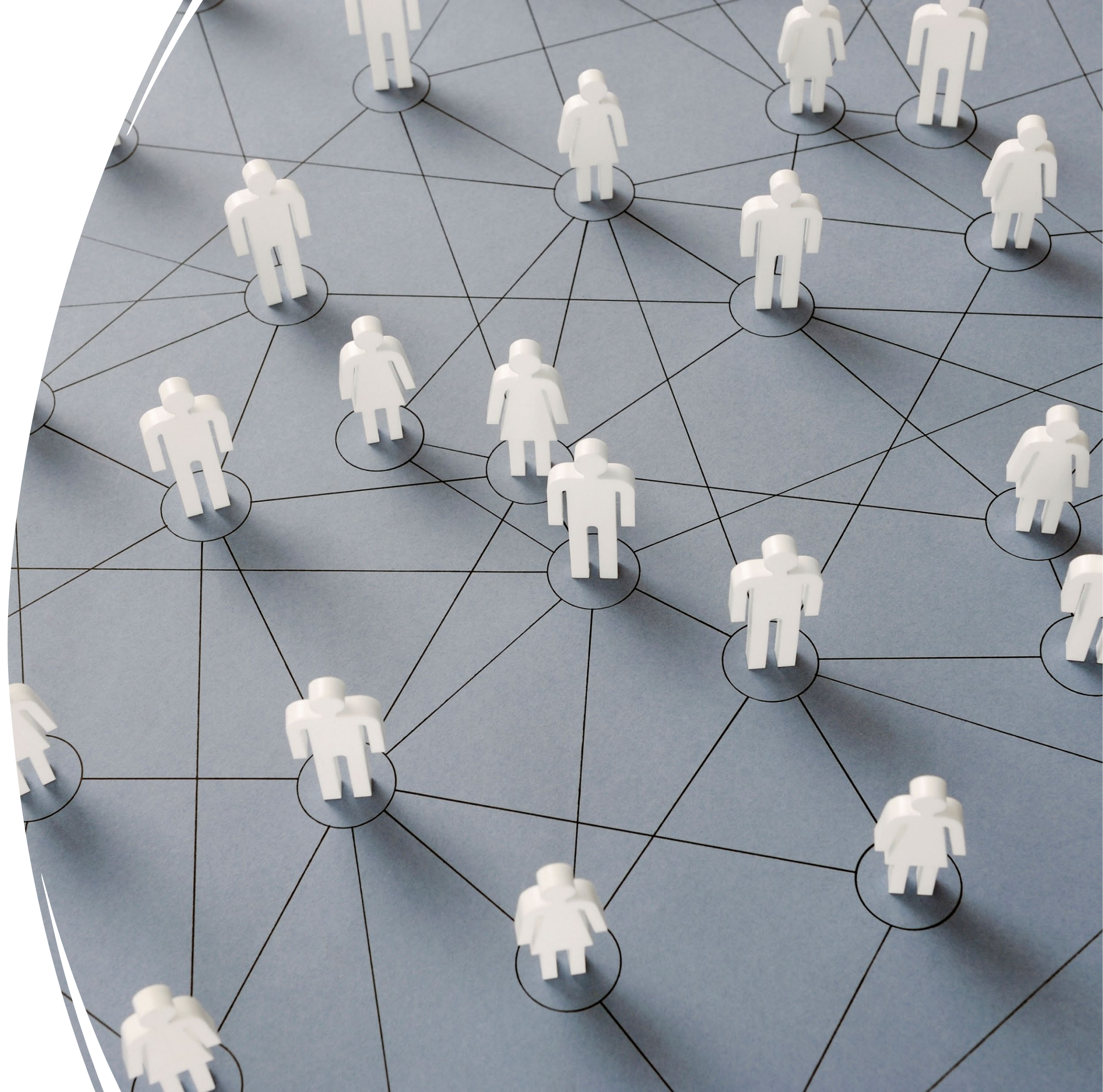


# Staffing

Media & Public Relations

Community Engagement

Education Systems



## Quick Links:

- [Sign Up for News Flash](#)



### Media Releases

- [2024](#)
- [2023](#)
- [2022](#)
- [2021](#)
- [2020](#)
- [2019](#)
- [2018](#)
- [2017](#)
- [2016](#)
- [2015](#)
- [2014](#)
- [2013](#)
- [2012](#)
- [2011](#)
- [2010](#)

# Public Information

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[SCDOI Website](#)



# Division Challenges & Successes

- **Hiring Salaries**
- **Competition From Other Divisions**
- **Professional Development**
- **Career Paths**

# FRAUD DIVISION

The Insurance Fraud Division works to raise consumer awareness of the various forms of insurance fraud and investigates and prosecutes perpetrators of insurance fraud in South Carolina.

Joshua R. Underwood, Special Assistant Attorney General  
Director, Insurance Fraud Division

# South Carolina Department of Insurance

## Fraud Division

Joshua Underwood  
Fraud Division Director  
Attorney V  
61109490- AE50

Soraya Purvis  
Paralegal  
61109821- AE03

Geraldine Pleasant  
Paralegal  
61109822- AE03

Moultrie Roberts  
Attorney IV  
61109491-AE40

Shayna Thompson  
Program Coordinator I  
61109820- AH35

Lawrence Wedekind  
Attorney III  
61109817- AE30

Jason Allen  
Attorney III  
61109818- AE30

Vacant  
Attorney III  
61109819- AE20

# CURRENT INSURANCE FRAUD DIVISION STAFF (as of June 19, 2025)

1 Director (Attorney V): Joshua Underwood

Attorney IV: Moultrie Roberts

Attorney III: Lawrence Wedekind

Attorney III: Jason Allen

Attorney III: Vacant (Expect position to be filled by August 4, 2025)

Program Coordinator: Shayna Thompson

Paralegal: Geraldine Pleasant

Paralegal: Soraya Purvis

\*2 Part-time/Temporary Law Clerks began work in mid-June 2025





# Director of the Insurance Fraud Division

- Responsible for the hiring and supervision of all Insurance Fraud Division staff
- Liaison to the Attorney General's Office
- Develops internal procedures and policies
- Represents the Division at outreach events
- Collaborates with outside agencies and other stakeholders to detect, mitigate, and prevent insurance fraud
- Manages an individual case load
- Assists subordinate attorneys with difficult or complex cases and decisions
- Prepares Division's Annual Report



# Insurance Fraud Coordinator

- Processes all incoming fraud complaints
- Primary employee to answer all incoming calls and emails to the Ins. Fraud Division
- Sends requests for information (RFI) to insurance carriers
- Processes information received for review by prosecutor
- Performs administrative duties for the Ins. Fraud Division
- Assists with outreach events and activities
- Compiles data for reporting
- Assists the Division Director with drafting and publishing the Insurance Fraud Division's Annual Reports



# Paralegals

- Assembles and organizes prosecution case files
- Redacts case files and completes the criminal discovery process
- Assists with preparing and filing motions with the appropriate courts
- Assists with case status updates for case management
- Administratively closes files
- Assist sprogram coordinator with answering the Insurance Fraud Hotline and joint email account
- Assists with administrative duties
- Other duties as needed



# Attorney IV

- Assists with the supervision of the Insurance Fraud Division
- Primarily as an intermediate supervisor for the remaining attorneys in the Division
- Conducts periodic case reviews with other attorneys in the Division
- Reviews indictments before submission to Division Director and then to the AG
- Handles an individual caseload

*Conducts prosecutorial reviews of complaints and additional information*

Pursues civil fines when appropriate

Refers matters to SLED

Advises SLED Agents

Prosecutes criminal cases of insurance fraud and related crimes



# Attorney III

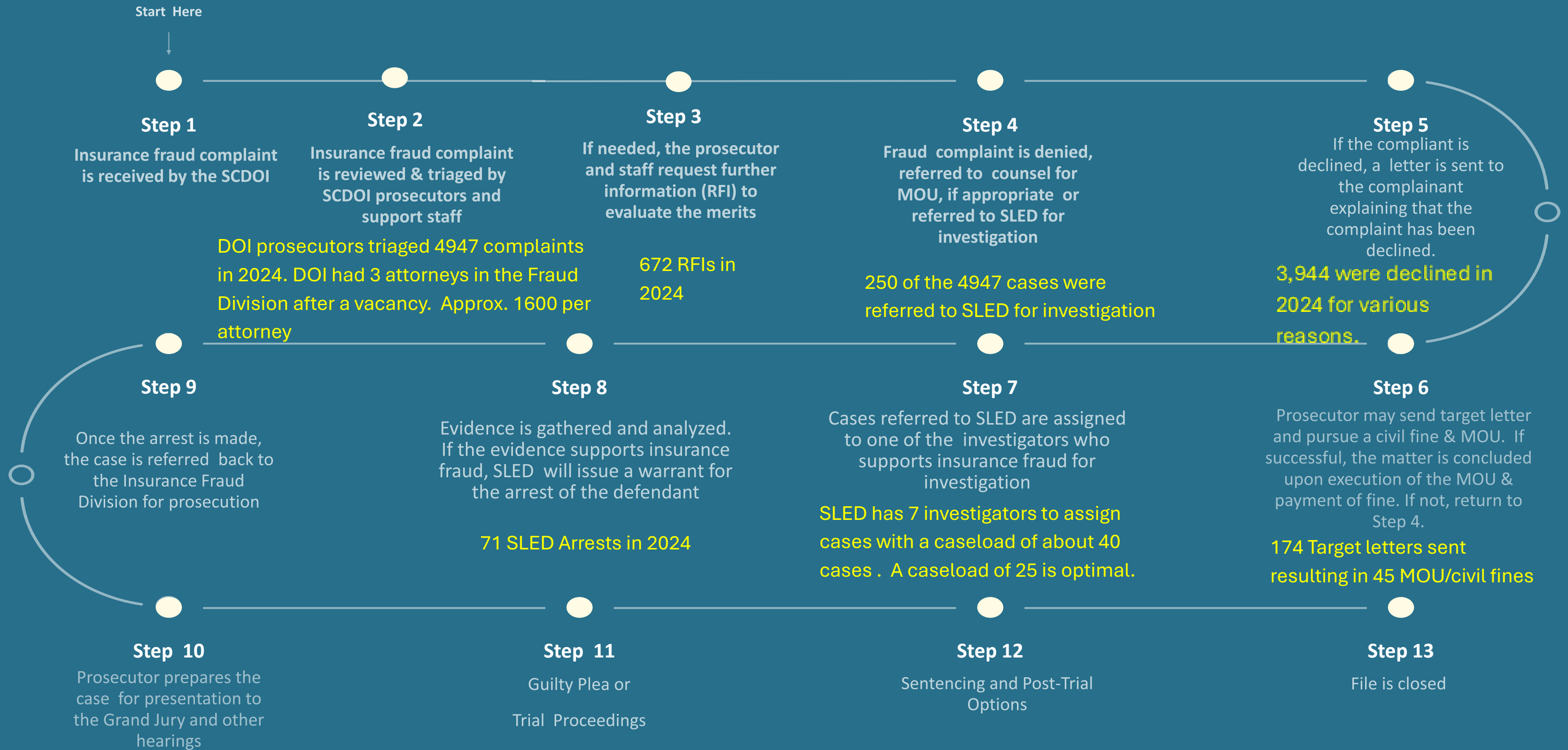
- Conducts prosecutorial reviews of complaints and additional information
- Pursues civil fines when appropriate
- Refers matters to SLED
- Advises SLED Agents
- Prosecutes criminal cases of insurance fraud and related crimes
- \*Jason Allen has taken on additional duties related to developing and using technology to improve workflow and case management



# History of the Insurance Fraud Division

- **The Insurance Fraud Division was first created by the Legislature in 1994 with the passage of the Omnibus Insurance Fraud and Reporting Immunity Act.**
- **This Act created the Division within the Office of the Attorney General to prosecute insurance fraud throughout the State. The Act further required the South Carolina Law Enforcement Division (SLED) to investigate allegations of insurance fraud.**
- **In 2021, the Office of the Attorney General, SLED, and the Department of Insurance executed a Memorandum of Understanding to relocate the Insurance Fraud Division to the Department of Insurance.**
- **Pursuant to this agreement, the Attorney General appoints certain attorneys, hired by the Department of Insurance, as Special Assistant Attorneys General to prosecute insurance fraud related crimes under the general supervision and control of the Attorney General.**
- **SLED continues to investigate insurance fraud as a partner with the Insurance Fraud Division. The Department of Insurance employs and houses the staff of the Insurance Fraud Division.**
- **The Department of Insurance also provides office space and equipment for SLED's insurance fraud investigators and their supervising lieutenant to facilitate the partnership between the investigators and the prosecutors.**

# PROCESS FOR INVESTIGATION AND PROSECUTION OF INSURANCE FRAUD



# INVESTIGATING INSURANCE FRAUD

## 2022

62 new Insurance Fraud cases assigned  
72 old Insurance Fraud cases closed  
53 arrests for Insurance Fraud related offenses

## 2023

SLED had 5 Special Agents designated to investigate Insurance Fraud (1 was a new hire)  
157 cases opened  
22 old cases closed

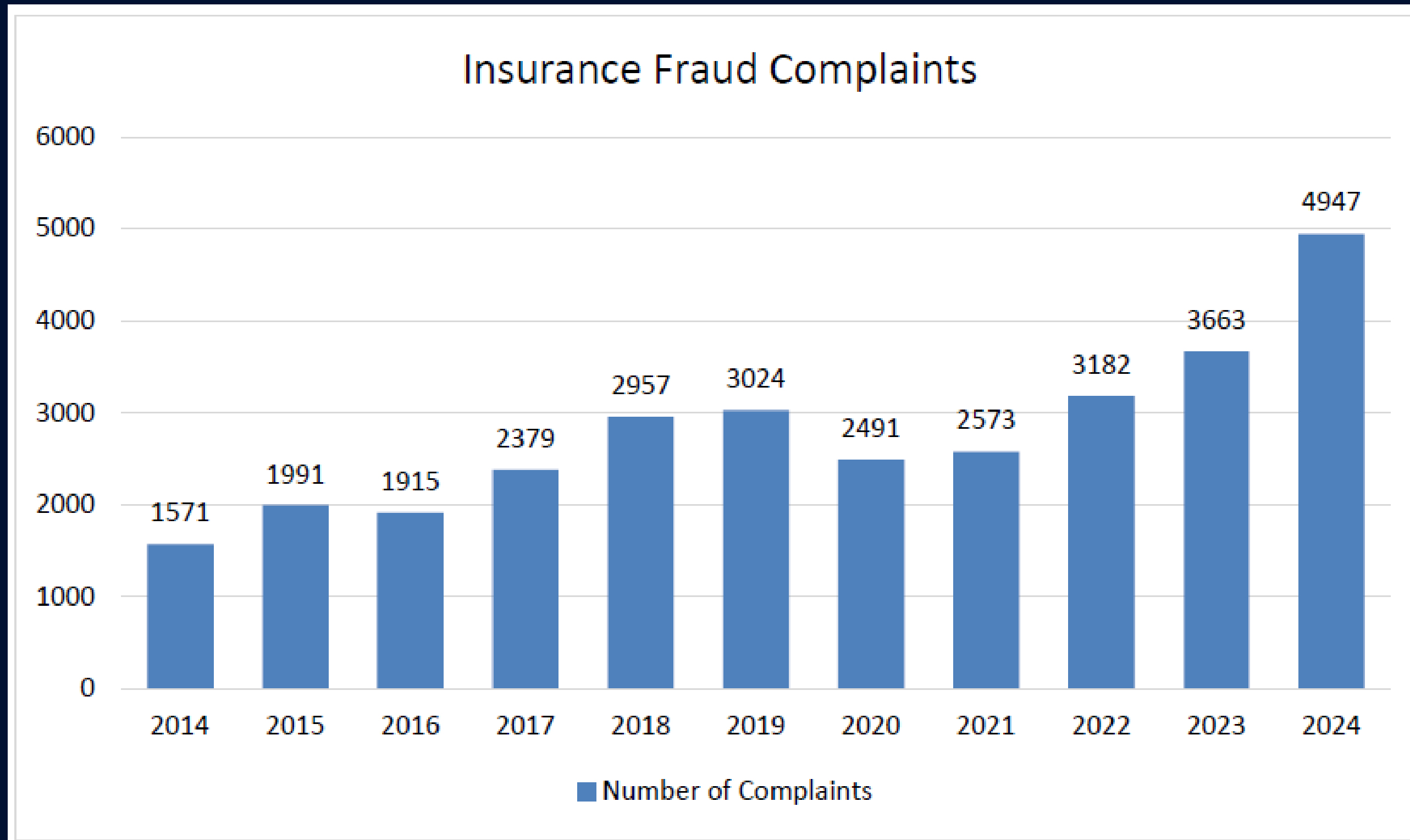
## 2024

SLED had 5 Special Agents designated to investigate Insurance Fraud for most of the year.  
152 new Insurance Fraud cases opened  
102 old cases closed  
71 suspects arrested on 152 warrants





# INSURANCE FRAUD IS ON THE RISE



# 2024 Annual Report Summary

## Total Complaints

|  | 2023  | 2024  |
|--|-------|-------|
| Complaints received  | 3,663 | 4,947 |
| Complaints referred to SLED for investigation                              | 184   | 250   |
| Complaints resolved by consent agreement (MOU)                             | 9     | 45    |
| Complaints referred to other agencies                                      | 99    | 67    |
| Complaints declined for prosecution (includes complaints from prior years) | 3,321 | 3,944 |
| Complaints Related to Healthcare Market Place Unauthorized Transfers*      | n/a   | 1,107 |
| Complaints pending at end of year  | 1,673 | 1,207 |

# 2024 Annual Report Summary

## Disposition of Cases

| <u>Insurance Fraud Division Case Files</u>         |      |      |
|--|------|------|
|  | 2023 | 2024 |
| Arrests by SLED in 2024                            | 43   | 71   |
| Arrests by Other Law Enforcement Agencies          | 2    | 5    |
| Defendants Resolved by MOU                         | 9    | 1    |
| Defendants Convicted in General Sessions Court     | 11   | 34   |
| Defendants Convicted in Magistrate/Municipal Court | n/a  | 1    |
| Cases Dismissed by Prosecutor                      | 2    | 3    |
| Total Cases Closed                                 | 22   | 39   |
| Cases Pending as of December 31 <sup>st</sup>      | 76   | 113  |

# Fines and Restitution in 2024

## Civil and Criminal Fines Ordered and/or Collected

| Source of Fines                               | 2023 Amount     | 2024 Amount     |
|---|-----------------|-----------------|
| Civil Fines Collected by Consent (MOU)        | \$6,250         | \$40,700        |
| Civil Fines Collected Pursuant to Court Order | \$6,000         | \$18,000        |
| <b>Total Civil Fines Collected</b>            | <b>\$12,250</b> | <b>\$60,700</b> |
| <b>Total Court Ordered Criminal Fines</b>     | <b>\$5,250</b>  | <b>\$2,000</b>  |
| <b>Total Civil &amp; Criminal Fines</b>       | <b>\$17,500</b> | <b>\$62,700</b> |

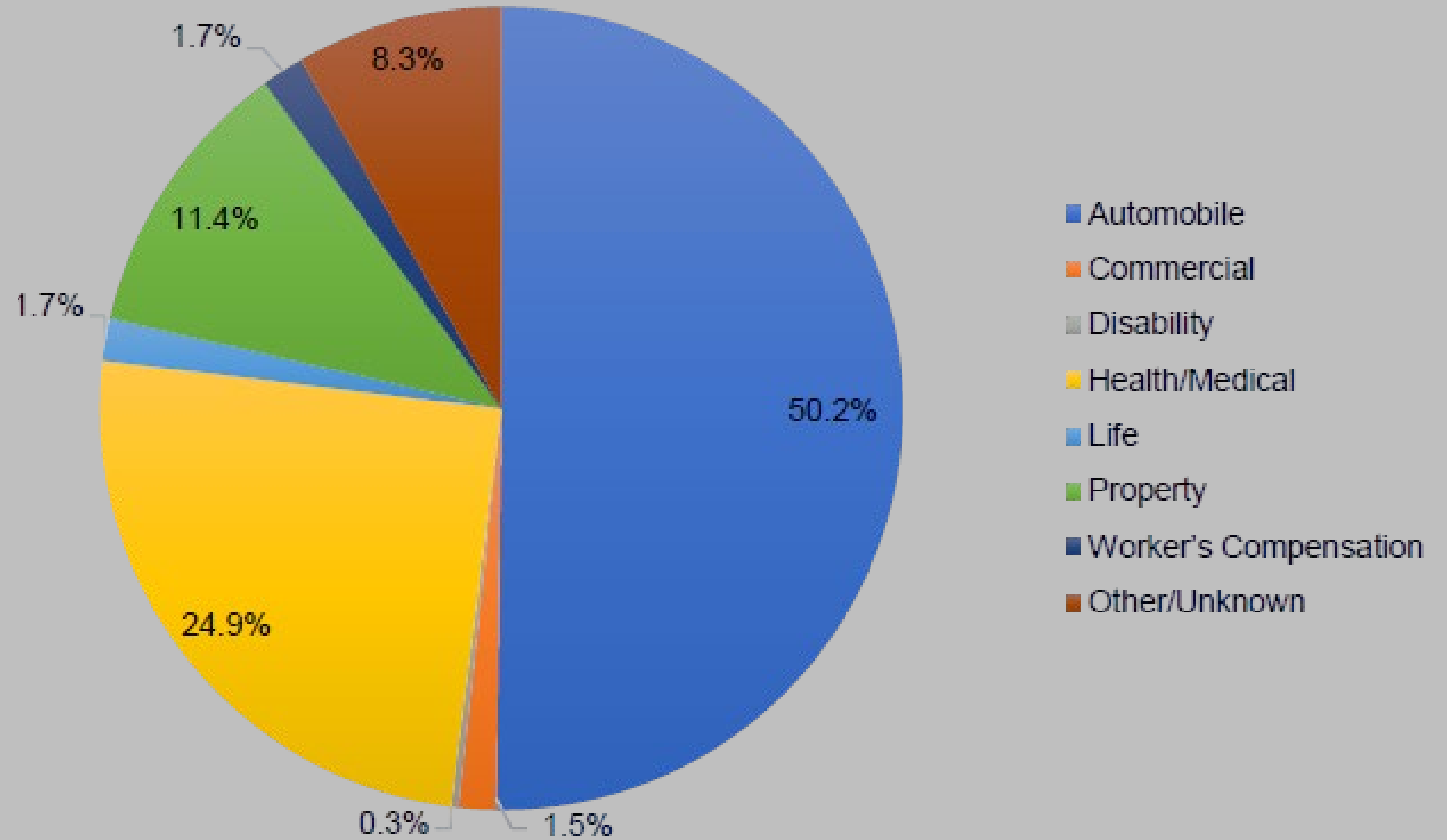
## Restitution Ordered or Collected

| Restitution                       | Amount              | Amount                |
|-----------------------------------|---------------------|-----------------------|
| Restitution Ordered by Court      | \$82,500.00         | \$1,025,964.92        |
| Restitution Paid Outside of Court | \$78,344.16         | \$32,477.40           |
| <b>Total Restitution</b>          | <b>\$160,844.16</b> | <b>\$1,058,442.32</b> |

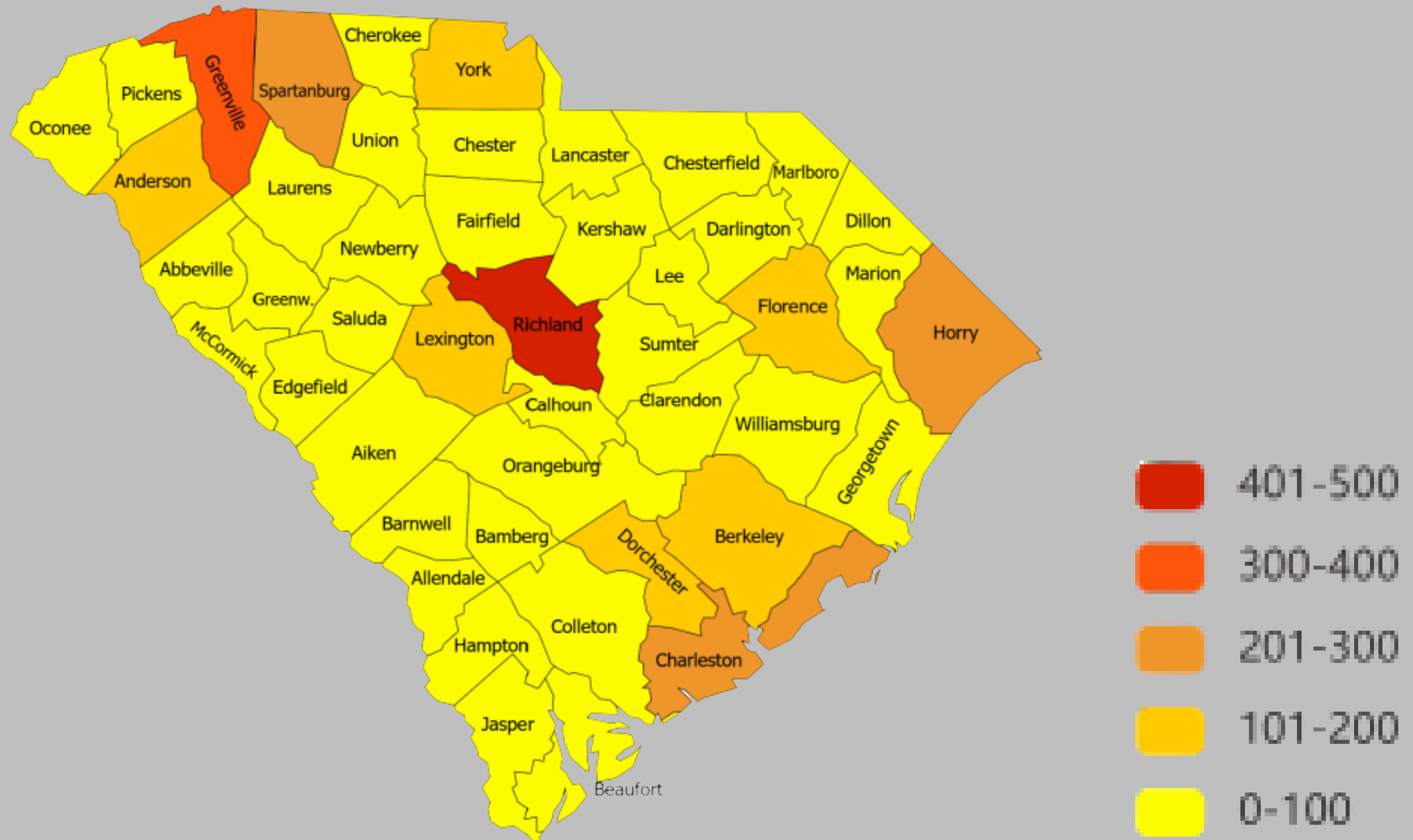


## 2024 COMPLAINTS RECEIVED BY TYPE OF FRAUD

The fraud complaints received during 2024 by the Insurance Fraud Division consisted of the following types of fraud:



# Complaints by County



# Common Automobile Fraud Schemes

- STAGED ACCIDENTS
  - Intentional Collisions
    - All-in vs. Stranger Danger
    - Conspirators often claim not to know each other – red flag
  - Manufactured Damage
  - Phantom Collisions
  - Often involves ring activity
  - Uhauls, Rentals, Uber, Lyft, etc.
- *State v. Cornelius Jones*
  - Targeted elderly victims in parking lots. As they were backing out of parking spaces, he'd drive or walk into their car and then claim injuries.
  - Pled Guilty to Presenting False Claims for Payment
  - Sentenced to 18 months in prison followed by probation and \$15,983 in restitution



# Common Automobile Fraud Schemes

- JUMP-INS

- An actual vehicle collision occurs
  - Someone or a group of people claim injuries as a result, even though they weren't in the car.
- Often includes questionable medical treatment
  - Many times, the medical bills submitted are altered or complete forgeries
- Often involves ring activity
- Sometimes it is a crime of opportunity

- *State v. Quanshae Abram & Quatell McDaniel-Abrams*

- Parking-lot dispute began investigation
- Abram told police that dispute involved the division of proceeds from ins. fraud
- Defendants falsely claimed to be in a total of 3 incidents
- Abram even submitted medical bills on behalf of a child who was not in the car
- Both pled guilty to Presenting False Claims for Payment
- Sentenced to probation and to pay restitution of \$13,289 and \$5,902, respectively





# Common Automobile Fraud Schemes

- **COVERAGE FRAUD**

- Providing false info to make a non-covered loss appear as if it is a covered loss
- Common Example: Date of Loss

- **DUPLICATE DAMAGE**

- Presenting pre-existing damage as if it is a new loss
- Sometimes involves coverage fraud
- Sometimes it's a repeat scam to keep getting paid
- Sometimes combined with staged or manufactured damage

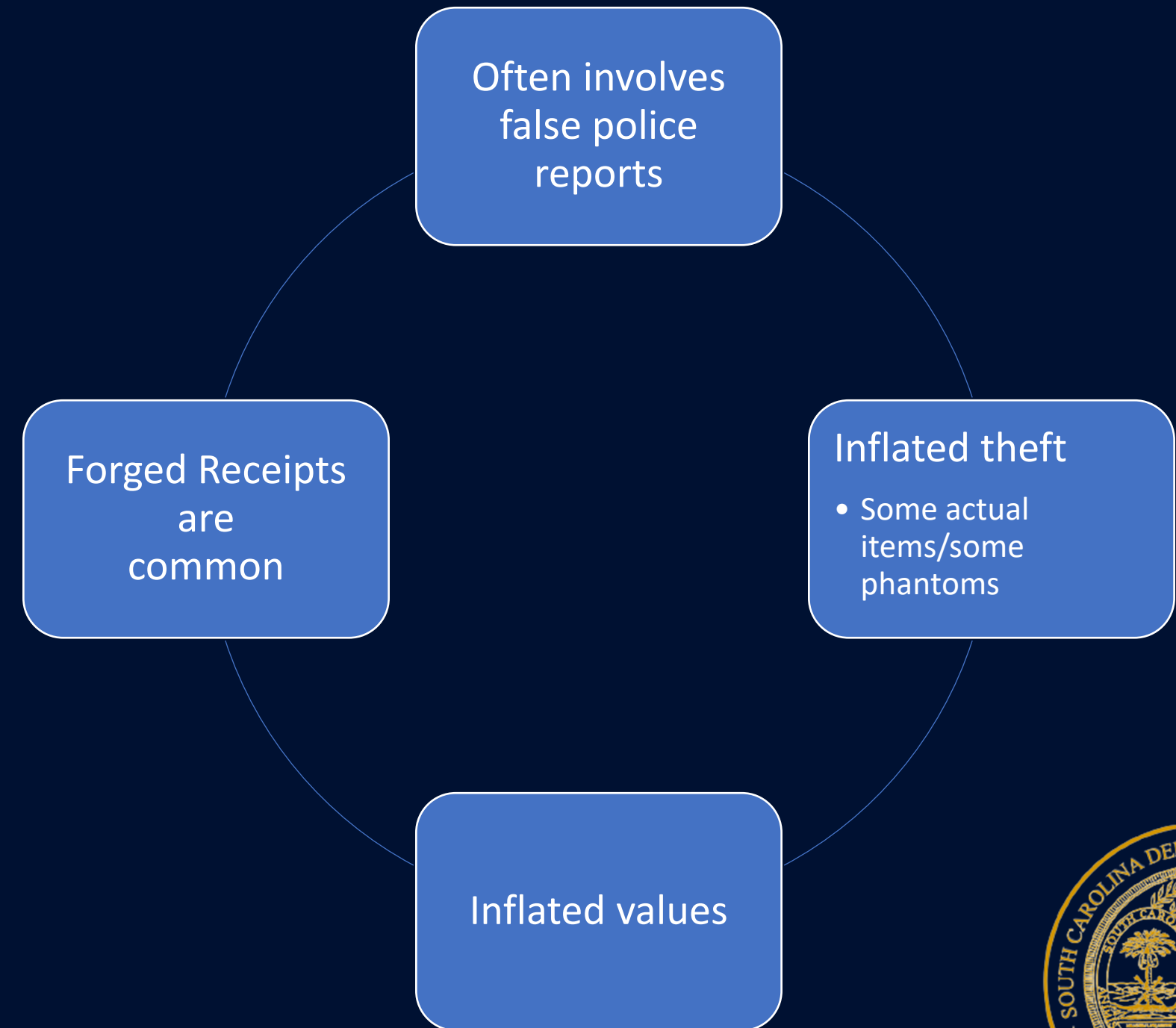
- *State v. Donovan Brantley*

- Repeatedly made claims for the same damage on the same vehicle without ever conducting any repairs
- Continued to make claims after no longer owning or possessing the car
- Pled Guilty, as a Youthful Offender, to Presenting False Claims for Payment.
- Sentenced to probation and \$22,119 in restitution



# Common Fraud Schemes – False Thefts

- Items NOT stolen
  - Hidden during claim
  - Sold before claim
- Vehicles are common, especially when underwater or damaged
  - Often associated with arson
- Items not actually owned
  - Completely false theft



# Common Premium Fraud Schemes

- PREMIUM FRAUD

- Auto: Garage Location, Unlisted Drivers, Mileage, Condition of Vehicle/Title
- Prior Medical Conditions
- Loss History
- Nature of work or number of employees (Ghost Policies)
- Stolen/Synthetic Identity – Relates to Coverage Fraud too
- Sometimes it is hard to establish a value - depends on underwriting

## *State v. Richard Coker*

- Operated a tree-cutting service
- Only insured as a landscaping business
- The misrepresentation allowed him to avoid almost \$30,000 in WC premiums.
- Pled guilty. Sentenced to time-served after paying \$28,708 in restitution.



# Common Agent Fraud Schemes

## COMMISSION CHURNING

- Identity Theft
- Premium Kiting
- Fake Policies
- Unauthorized Policy changes, “upgrades,” and additions
- Upstream Effects
- ACA

## MARKETPLACE/ENROLLMENT FRAUD

- Relatively new problem which seems to be tapering off

- *State v. David Fowler*
- *Fowler was an insurance producer who wrote fictitious policies*
- *Accepted at least \$49,000 in “premium payments”*
- *Paid restitution of \$49,000 before being sentenced to probation*



# Common WC & Disability Fraud Schemes

- Fake Injury
- Malingering
- Prior Injury
- Working Under the Table
- False & Inflated Medical Bills or Records
- Forged Certificate Cases
  - Usually contractors forge these to satisfy WC & Liability requirements
  - Agents may furnish these so that they can pocket the premiums

**ACORD** **CERTIFICATE OF LIABILITY INSURANCE** DATE (MM/DD/YYYY)  
8/5/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

|                       |                |                                   |               |
|-----------------------|----------------|-----------------------------------|---------------|
| PRODUCER              | CONTACT NAME   | PHONE (A/C, No, Ext)              | FAX (A/C, No) |
| INSURANCE AGENCY HERE | E-MAIL ADDRESS | INSURER(S) AFFORDING COVERAGE     |               |
|                       |                | INSURER A: INSURANCE COMPANY HERE |               |
| INSURED               | INSURER B:     |                                   |               |
| CONTRACTORS NAME HERE | INSURER C:     |                                   |               |
|                       | INSURER D:     |                                   |               |
|                       | INSURER E:     |                                   |               |
|                       | INSURER F:     |                                   |               |

**COVERAGES** CERTIFICATE NUMBER: CL12103100605 REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| INSR LTR | TYPE OF INSURANCE   | ADDL SUBR INSR WORD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS  |
|----------|---|---------------------|---------------|-------------------------|-------------------------|---|
| A        | <input checked="" type="checkbox"/> GENERAL LIABILITY<br><input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY<br><input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR<br>GENL AGGREGATE LIMIT APPLIES PER:<br><input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC | X                   | SAMPLE        |                         |                         | EACH OCCURRENCE \$ 1,000,000<br>DAMAGE TO RENTED PREMISES (Per occurrence) \$ 300,000<br>MED EXP (Any one person) \$ 5,000<br>PERSONAL & ADV INJURY \$ 1,000,000<br>GENERAL AGGREGATE \$ 2,000,000<br>PRODUCTS - COMP/OP AGG \$ 2,000,000 |
|          | AUTOMOBILE LIABILITY<br><input type="checkbox"/> ANY AUTO<br><input type="checkbox"/> ALL OWNED AUTOS<br><input type="checkbox"/> Hired AUTOS<br><input type="checkbox"/> SCHEDULED AUTOS<br><input type="checkbox"/> NON-OWNED AUTOS   |                     |               |                         |                         | COMBINED SINGLE LIMIT (Per accident) \$<br>BODILY INJURY (Per person) \$<br>BODILY INJURY (Per accident) \$<br>PROPERTY DAMAGE (Per accident) \$  |
|          | UMBRELLA LIAB<br><input type="checkbox"/> EXCESS LIAB<br><input type="checkbox"/> OCCUR<br><input type="checkbox"/> CLAIMS-MADE   |                     |               |                         |                         | EACH OCCURRENCE \$<br>AGGREGATE \$  |
|          | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY<br>ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Stand-alone in NH)<br>If yes, describe under DESCRIPTION OF OPERATIONS below  | Y/N<br>N            | N/A           | SAMPLE                  |                         | <input checked="" type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER<br>E.L. EACH ACCIDENT \$ 500,000<br>E.L. DISEASE - EA EMPLOYEE \$ 500,000<br>E.L. DISEASE - POLICY LIMIT \$ 500,000                              |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)  
(Description of your Business)

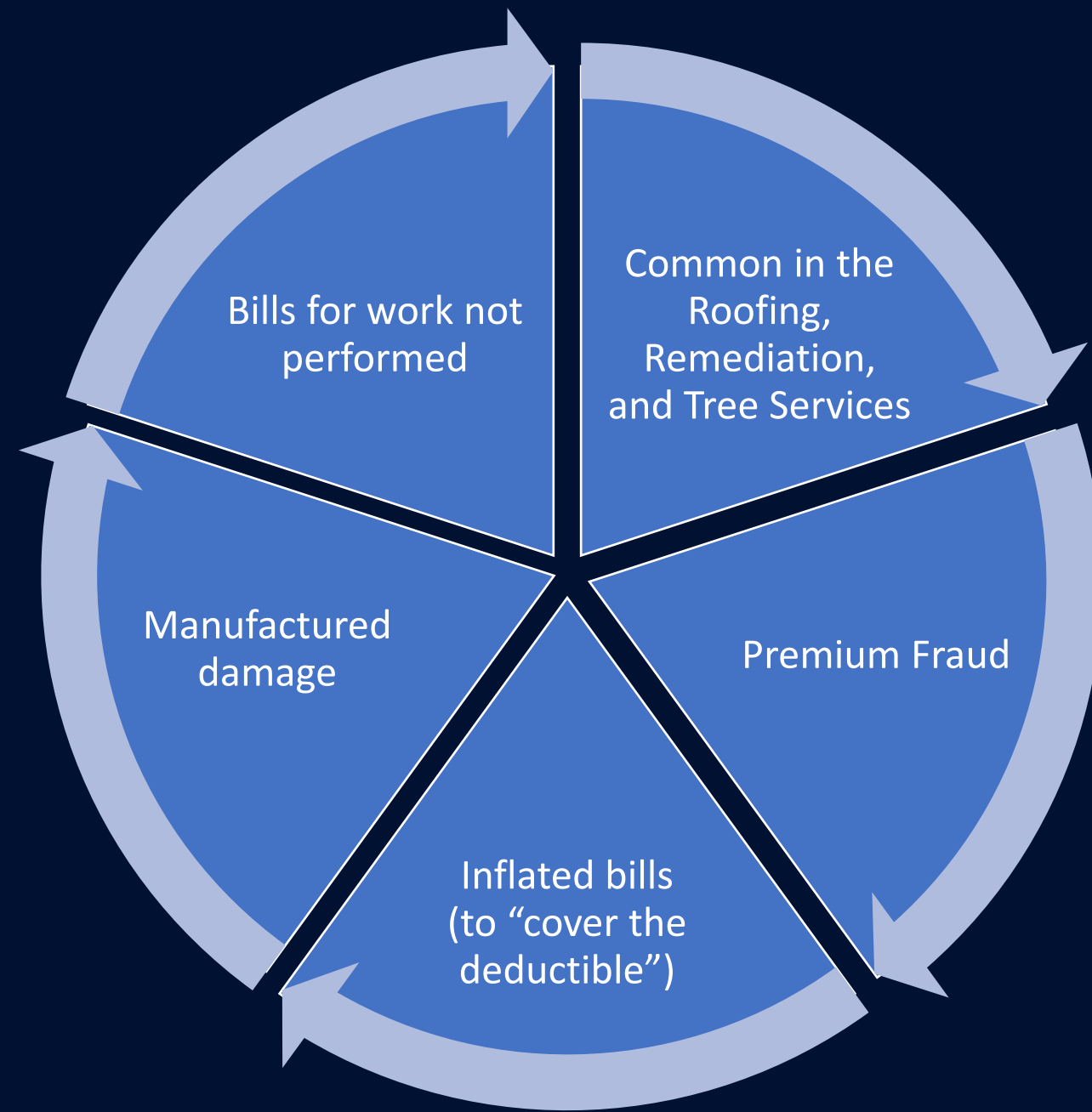
It is agreed and understood that (NAME OF HOMEOWNER) is an additional insured for both on-going as well as products & completed operations.

|                                      |  |
|--------------------------------------|--|
| CERTIFICATE HOLDER                   | CANCELLATION   |
| SAMPLE NAME AND ADDRESS OF HOMEOWNER | SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. |
|                                      | AUTHORIZED REPRESENTATIVE  |

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# Contractor Fraud Schemes



- Can involve public adjusters or people acting as unlicensed public adjusters
- Obtaining by False Pretense Scams
  - Often targeting vulnerable adults or disaster victims



# Important Points From The 2024 Annual Report

- This past year revealed that insurance fraud continues to persist and grow in South Carolina. In 2024, the Insurance Fraud Division received a combined total of 4,947 complaints of suspected insurance fraud, a significant increase from the previous year. This represents the largest number of insurance fraud complaints ever received in South Carolina in a single calendar year.
- A recent study conducted by the Colorado State University Global White Collar Task Force, in partnership with the Coalition Against Insurance Fraud, estimates that the annual cost of insurance fraud in the U.S. is approximately 308 billion dollars. When it is broken down per capita, South Carolina's share of that cost is 4.9 billion dollars.
- Despite South Carolina ranking 23rd in population, NICB reported in 2023 that we ranked 16th in the country for questionable insurance claims. More importantly, South Carolina ranked 13th in questionable vehicle-related insurance claims.



# OUTREACH, EDUCATION, AND MITIGATION

Interagency Cooperation and Roundtables

Insurance Fraud Forums

Law Enforcement Training w/ National Insurance Crime Bureau (NICB)

Speaking Engagements w/industry and law enforcement groups

Website Improvements

Partnership with SCDOI – Office of Consumer Services

Awareness Events

Hurricane Claim Villages





# INSURANCE FRAUD ROUNDTABLE

- Inspired by observing several other agency presentations to the Legislative Oversight Committee's Insurance Fraud Ad Hoc Committee
- Held December 2024 with participation from SCDOI, SLED, DDSN, SCAG, SAF, WCC, Dept. of Consumer Affairs
- Discussion of how the different agencies have overlapping interests and how we can improve future collaboration
- All present agreed to hold another meeting with several additional agencies to be invited for participation



# INSURANCE FRAUD FORUMS

Spring 2025



- 3 in-person forums since 2024
- Opportunity for collaboration between SCDO, SLED, and investigators for the insurance industry.
- Open discussion of fraud trends, unit updates, and ways for all stakeholders to improve
- A virtual forum is being planned for Summer 2025



# Insurance Fraud Awareness Brochure

This 2-sided brochure and the following 2-sided, trifold brochure are handed out at SCDOI Awareness and Disaster Relief Events.

## WHAT IS INSURANCE FRAUD?



**INSURANCE FRAUD IS A CRIME!**

\$308.6 Billion is lost to insurance fraud each year!

**IT'S A CRIME WE ALL PAY FOR!**

Insurance fraud costs consumers approximately \$900 a year in additional premiums!

**REPORT INSURANCE FRAUD!**

If you believe someone's committing insurance fraud - REPORT IT!



[www.doi.sc.gov](http://www.doi.sc.gov)

## INSURANCE FRAUD COSTS THE U.S. \$308.6 BILLION A YEAR!

LET'S PUT THIS INTO PERSPECTIVE



**HOW LONG TO SAVE?**  
Saving \$10,000 every single day, would take 82,192 years.



**WHAT DOES IT WEIGH?**  
That number of one-dollar bills would weigh more than 11 tons.



**TRAVELING THAT MANY MILES**  
Equals 12 million trips around the world.

OR



628,000 trips to the moon and back.



**HOW LONG?**  
If you lived for 300 billion minutes, you would be 570,776 years old.

Insurance Fraud is the crime we all pay for.

[www.doi.sc.gov](http://www.doi.sc.gov)

# Home Repair Scam Brochure – Side 1

### Red Flags of Fraud

- ?
- Knocks on your door, seeking work
- Demands full payment upfront
- Pressures you to sign repair contract now
- LOW PRICE**  
Low price has material left from another job
- No license, proof of insurance

### The Price You Pay

- Shoddy, unsafe repairs
- Weeks of stress fixing botched work
- Claim may be denied for bogus repairs
- You may pay thousands from your own pocket

#### Biggest Consumer Fears

- 36% Repair scam
- 50% Poor repairs

#### Biggest Fraud Flags

- 80% Demands cash upfront

### PROTECT AGAINST HOME REPAIR SCAMS

Storm damages your home. You need repairs. Most contractors are honest — but watch for cons, bad repairs, insurance fraud.

### The Repair Scams

- Steals your downpayment, doesn't finish repairs
- Inflates repair bill to pump up claim
- Damages your home to boost claim
- Does shoddy work

### Fight Back

- Avoid door-knocking contractors ... use established pros
- Have your insurer approve repairs in advance
- Get signed contract before work starts
- Check license, insurance with your state
- Photograph bad repairs
- Contact your insurer or the right government agency

Stay alert ... Work with your insurer so your repairs & claims are handled right.

### REPORT INSURANCE FRAUD!

[www.doi.sc.gov](http://www.doi.sc.gov)

South Carolina Department of Insurance

Coalition Against Insurance Fraud

### Worst Consumer Complaints

#1 Home improvement-construction

Data sources: Consumer Federation of America, HomeAdvisor



# Home Repair Scam Brochure – Side 2

## Roofing Scams?

Don't get blown away by fraud.

Check references, licensing and get competitive estimates  
Always make sure you know who you are dealing with and charges are fair.

Be cautious about promises of quick service and stocked materials for savings, especially after major storms  
Scammers know what to say in desperate times, avoid promises sounding too good to be true.

Offering to waive deductibles may be illegal  
Know your state laws, don't let a desperate situation turn into a permanent nightmare for you or your family.

Avoid demands for high advance payments for work  
Reasonable advance payments are normal, demands for high up-front deposits warn of fraud.

Some contractors will actually cause or try to increase damage  
Most are honest, but shady contractors may try to take advantage of the situation.

Read contracts carefully and avoid signing away your rights to your insurance coverage to third parties. You may find yourself in a lawsuit you never authorized.  
Take the time to look over and understand the contract before signing it, it will be to your advantage to do so.

## Water Mitigation Scams?

Don't get soaked by fraud.

KNOW WHAT IT IS GOING TO COST BEFORE YOU SIGN!  
When you are signing a contract that says they can't tell you what it is going to cost however, "you are responsible for all costs that your insurance company does not pay." This could cost you thousands of dollars.

DON'T RELY ON YOUR PLUMBER OR ANYONE ELSE WHO REFERS A WATER MITIGATION COMPANY.  
Find out if your plumber will receive a referral fee. Some plumbers have received as much as \$1,000 for a referral.

DON'T ACCEPT REFERRALS FOR SERVICES BLINDLY.  
Call your insurance company for a list of "preferred" companies. These companies have been vetted by your insurance company. A preferred vendor company knows the processes and will be fair to you and your insurance company. Search social media, search engines, and the Better Business Bureau for complaints.

BE AWARE OF EQUIPMENT USED  
Pay attention to the numbers and size of equipment being used by contractors to help you identify if you are being billed appropriately and retain records of any communication with vendors, including text messages, call logs, and emails.

## Public Adjusters and Your Claim

Know and check before you sign!

WHAT IS A PUBLIC ADJUSTER?  
Public Adjusters (PA) are professional claims adjusters who represent the policyholder in their insurance claim. PA's are paid a percentage of your claim recovery or an hourly rate.

HOW DO I FIND A REPUTABLE PA?  
SCDOI has a directory ([www.doi.sc.gov](http://www.doi.sc.gov)). You can also check the website of the National Association of Public Insurance Adjusters ([www.napia.com](http://www.napia.com)).

CHECK AND VERIFY  
First, decide if you need a PA to assist or if you want to work directly with your insurer. If you do hire a PA, ask for references. Search social media, search engines, and the Better Business Bureau for complaints.

HOW DO I PROTECT MYSELF?  
PA's help adjust your claim only. They should not also do the repairs or be your contractor. In some states doing so is illegal.

WE ALL PAY FOR INSURANCE FRAUD.  
CHECK AND VERIFY BEFORE YOU SIGN ANY CONTRACT!



# Insurance Fraud Prevention Strategies

Prevention and awareness are key components of the fight against insurance fraud.

Effective prevention strategies will help maintain a competitive and stable insurance market for insurance consumers.

Over the next fiscal year, the Department will enhance its initiatives involving:

**Consumer Education:** Raising awareness among policyholders about the various forms of insurance fraud and the consequences.

*The Department will conduct a public awareness campaign that*

Educates consumers on the types of insurance fraud;

Teaches consumers how to spot insurance fraud; and

The impact of insurance fraud on insurance premiums and coverage availability.

*Partner with other state agencies such as the Department of Consumer Affairs, the South Carolina Department of Motor Vehicles, Office of Aging, etc. to share information with their stakeholders about fraud education and best practices for fraud prevention.*



# INSURANCE FRAUD STAFFING CHALLENGES

## Insurance Fraud Division in 2009

- 1 Director
- 4 Attorneys
- 3 AG Support Staff
- 1 SLED Supervisor
- 4 SLED Agents
- 1 Admin for SLED

**834 Complaints**

## Insurance Fraud Division in 2024

- 1 Director
- 4 Attorneys
- 3 DOI Support Staff
- 1 SLED Supervisor
- 5 SLED Agents
- No Admin for SLED

**4,947 Complaints**



# INSURANCE FRAUD STAFFING COMPARISONS WITH OTHER SOUTHEASTERN STATES

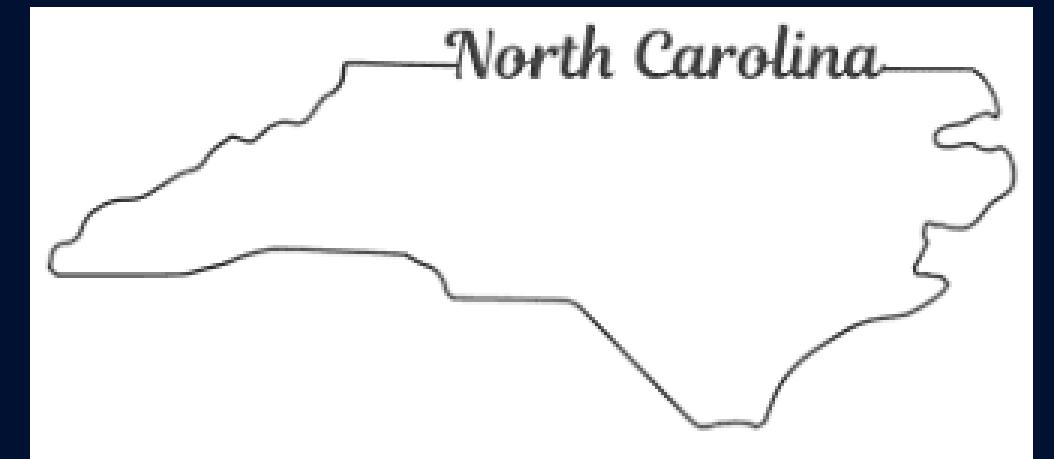


- POPULATION: 5 MILLION PEOPLE
- INVESTIGATING FRAUD: 7 AGENTS (5 in 2024)
- 4,947 Complaints received in 2024
- 152 SLED cases opened in 2024
- 71 Arrests in 2024

VS.



- POPULATION: 8 MILLION PEOPLE
- INVESTIGATING FRAUD: 28 AGENTS
- 1,416 Cases received in 2023
- 380 Investigations initiated in 2023
- 52 Arrests in 2023



- POPULATION: 10 MILLION PEOPLE
- INVESTIGATING FRAUD: 51 AGENTS
- 6,992 Complaints received in 2024
- 2,162 Cases opened in 2024
- 408 Arrests in 2024

**STAFFING MAKES A DIFFERENCE IN THE FIGHT AGAINST FRAUD**





# PERSONNEL NEEDED TO EFFECTIVELY FIGHT INSURANCE FRAUD IN SOUTH CAROLINA

## SCDOI – INSURANCE FRAUD DIVISION

- 1 Director
- 9-12 Prosecutors
- 3-4 Legal Support Staff
  - paralegals, legal assistant
- 4 Program Staff including:
  - a data analyst
  - education/outreach coordinator
  - forensic investigator

## SLED – INSURANCE FRAUD UNIT

- 1 Captain
- 3 Lieutenants
- 21-25 Special Agents
- 1-2 Admin/Program Coordinators



# LEGISLATIVE SOLUTIONS

- Update the Omnibus Insurance Fraud and Reporting Immunity Act to codify the intent of the Insurance Fraud Division MOU
- Permanent funding and creation of needed FTE positions for SLED and SCDOI
- New insurance fraud related statutes and investigative authority



# THE MOU IS A TEMPORARY SOLUTION

- Codification of the MOU to make permanent the current location of the Insurance Fraud Division is our utmost legislative priority
- 90 DAYS NOTICE BY ANY OF THE 3 AGENCIES CAN END THE ARRANGEMENT
- The MOU arrangement is subject to non-recurring funding



# ADDITIONAL STAFF FOR DOI & SLED

- Additional staff for SLED and DOI are needed to:
- Increase capacity for proactive vs. reactive investigations
- Increase public awareness about insurance fraud
- Increase efforts for deterrence
- Maximize prosecution results



# ADDITIONAL STATUTORY TOOLS

- New criminal offense for staging vehicle collisions
- Civil forfeitures
- State Grand Jury jurisdiction
- Recidivism Statute



# ADDITIONAL STATUTORY TOOLS

- Proposed Section 38-55-171 to create new felony offenses of “Staging a Motor Vehicle Collision” and “Aggravated Staging a Motor Vehicle Collision”
- New York, Louisiana, Georgia, Colorado, and California have all passed statutes making it a crime to stage an automobile accident for insurance fraud



# ADDITIONAL STATUTORY TOOLS

- Proposed Section 38-55-173
- This proposed statute would authorize and create procedures for the confiscation and forfeiture of property used to commit or facilitate the commission of violations of Sections 38-55-170; 38-55-540, and the proposed Section 38-55-171.
- The risk of property confiscation will serve as a deterrent and make future fraud attempts more difficult.



# ADDITIONAL STATUTORY TOOLS

- Grant of State Grand Jury subject matter jurisdiction for insurance fraud by amending Section 14-7-1630(A) to include:

“(14) a crime involving insurance fraud including, but not limited to, a violation of the statutes under the South Carolina Omnibus Insurance Fraud and Reporting Immunity Act or a crime arising out of or in connection with insurance fraud.”





# ADDITIONAL STATUTORY TOOLS

- Amend Section 17-25-45(B)(2)(b) to define the following offenses as “Serious” Offenses:
  - Presenting False Claims for Payment, Section 38-55-170(1)
  - Making False Statement or Misrepresentation, Sections 38-55-540(3) - 540(5)
- This change will deter recidivism and allow for appropriate punishment for defendants who continually commit higher dollar-value levels of insurance fraud



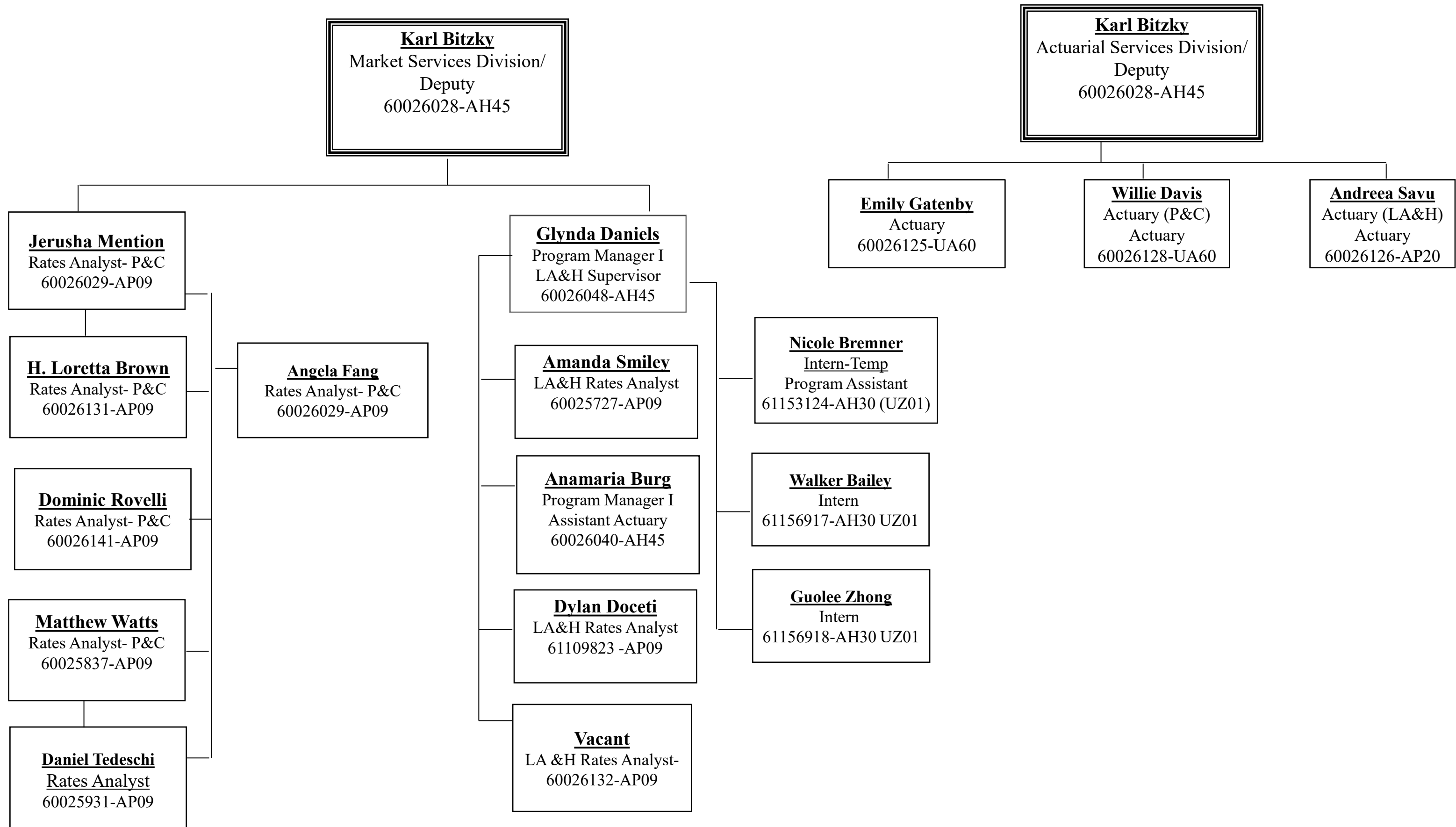
# ACTUARIAL & MARKET SERVICES DIVISION

This Division is responsible for reviewing policy form, rate, and rule filings from insurers that provide property, casualty, life, accident and health products.

This Division also provides actuarial analyses to all program areas, notably ratemaking and reserving.

Karl Bitzky , Deputy Director, Actuarial & Market  
Services

**South Carolina Department of Insurance  
Division of Actuarial & Market Services**





# RATES AND FORMS

## Life, Accident & Health

The Life, Accident and Health Unit reviews and analyzes rates, rules, forms, and certifications for life, accident, and health insurance products including products offered by health maintenance organizations (HMOs).

In 2022, the Department withdrew from the Interstate Insurance Product Regulation Compact. The Department now conducts reviews in-house.

## Property & Casualty

The Property and Casualty Unit reviews and analyzes rates, rules, and forms for property and casualty insurance products such as automobile, workers' compensation, and homeowners insurance.

# Rate Review Standards

## File and Use

Insurers file rate changes with the Department and the changes take effect unless the DOI rejects them.

## Prior Approval

Insurers must obtain approval from the Department before implementing any rate changes.

## Exempt

The statute doesn't require insurers to file their rates with the Department, or they are not considered subject to Prior Approval

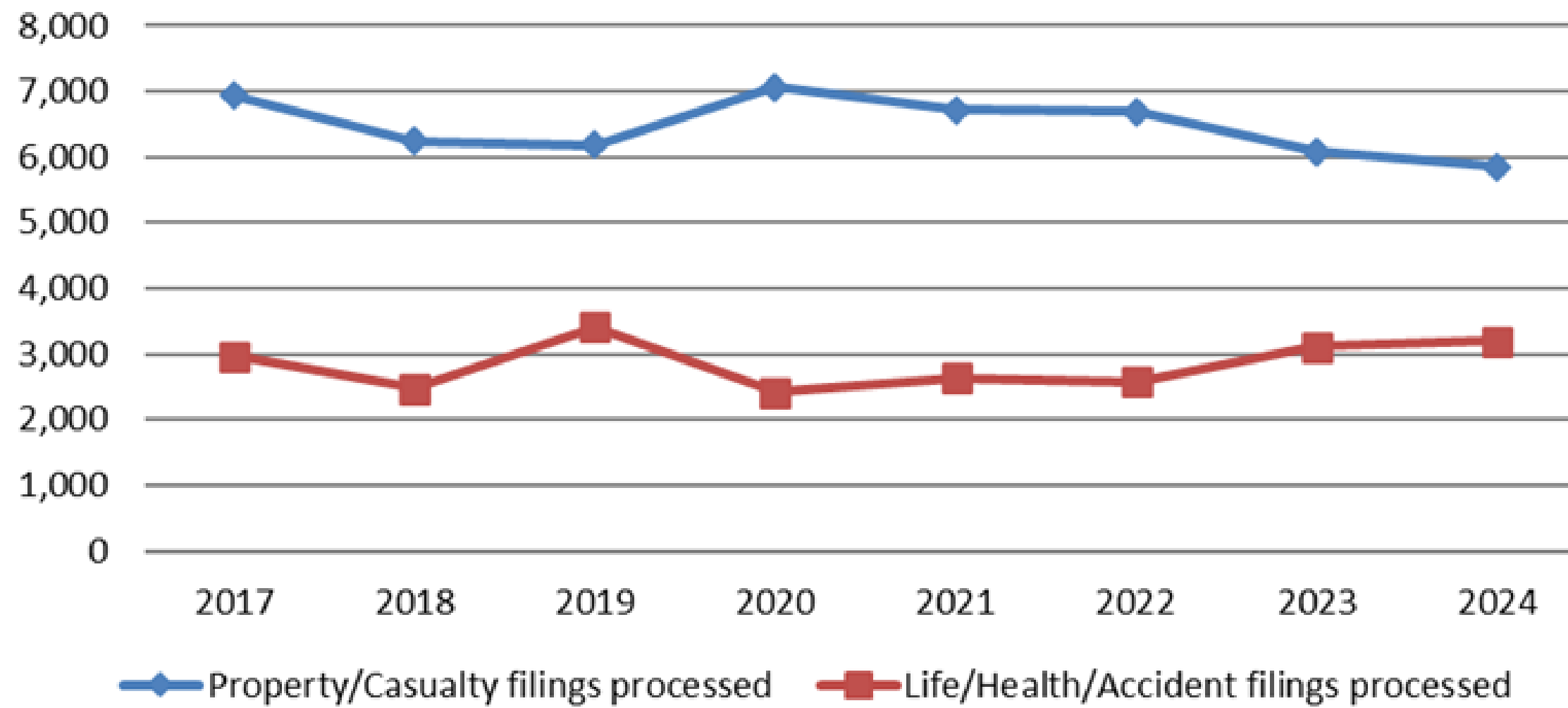
# Rate Review Standards

## File and Use

Insurers file rate changes with the Department and the changes take effect unless the DOI rejects them.

- Only allowable on personal lines  
Automobile, Fire, Allied, Homeowners
- Must be between +/-7% overall rate change
- Must provide an effective date at least 30 days after submission
- May only be used once in a twelve-month period

## Market Services



**The LAH Division reviews and approves the rates for individual and group accident and health products. This includes:**

- Major Medical (Individual and Group)
  - Medicare Supplement (Individual and Group)
  - Individual Supplemental Accident and Health policies (i.e. Specified Disease Policies, Accidental Death and Dismemberment, Disability Income)
  - Long Term Care (Individual and Group)
- 
- SC Bulletin 2003 -13 exempts some rates and forms from prior approval. These still have to be filed, but do not undergo the same level of review as the lines above.
    - These lines include life forms, annuity forms, group supplemental products, and individual supplemental product forms.
    - These are exempt from prior approval due to the general uniformity of the policy forms for the products.
- 
- Life and Annuity rates are not filed as the market generally regulates these due to market/investment conditions and morbidity tables



## Code of Laws and Regulations used for review of Life, Accident, and Health products:

- Title 38, Chapter 71: Accident and Health Insurance (Individual and Group)
  - SC Regulation 69 -46 is used as well for Medicare Supplement Insurance
  - Federal regulations are used as required for compliance with Affordable Care Act laws and directives
- Title 38, Chapters 63 & 65: Individual and Group Life Insurance
- Title 38, Chapter 69: Individual Annuities
  - Group Annuities do not have to be filed in South Carolina as most of these are group retirement plans and are regulated at the federal level by the SEC
- Title 38, Chapter 72 & Regulation 69 -44: Long Term Care Insurance
- Title 38, Chapter 103: Paid Family Leave Insurance
- This list is not exhaustive as various other statutes and regulations may also apply to a filing.
- Review checklists are based on the applicable statutes and regulations and are continually being updated to reflect current and emerging changes and trends.

The P&C Division reviews and approves the rates for personal lines products and other lines as required by statute. This includes:

- Property and Dwelling
  - Personal Farmowners
  - Homeowners
  - Inland Marine – (pet insurance, travel coverage, boatowners)
  - Medical Malpractice
  - Personal Earthquake
  - Workers' Compensation
  - Personal Umbrella
  - Private Passenger Automobile
- 
- SC Code of Laws Section 38 -73-340 and 38 -73-520 outline rate filings required. These code sections exclude inland marine risks which by general custom are not written according to manual rates or rating plans and exempt commercial policies from the filing requirements.
  - Medical Malpractice and Workers Compensation are not generally considered personal lines but are subject to rate review per SC Code of Regulations 69 -64 and SC Code of Laws Section 38 -73-525, respectively.

## Exempt Lines of Business

- Commercial rates are largely exempt from the rate review process.
  - SC Code of Regulations 69 -64 provides the following definition: “Exempt commercial policies” means all policies for commercial lines, as opposed to personal lines, insurance issued to commercial insureds, including all lines of commercial fire and allied insurance, inland marine insurance, commercial multi-peril insurance, casualty insurance including workers’ compensation insurance, fidelity insurance and commercial automobile insurance. Insurance related to credit transactions written through financial institutions is not included within the definition of “exempt commercial policies.” Professional liability insurance for physician and health care providers is not included within the definition of “exempt commercial policies.”
- As noted previously, Workers’ Compensation was later made subject to Prior Approval in SC Code Section 38 -73-525.
- We believe the consensus was that commercial insureds tend to be more sophisticated, have greater access to resources, and require less regulator protection. The Department’s complaint reporting services are still available to these insureds and commercial insurers are still subject to the laws in Title 38.

# Rate Filing Frequency

- The number of rate increases that an insurer may file are limited by statute.
- Medicare Supplement products are required to file annually per SC Code of Regulations 69-46.
- Other Life and Health products are generally limited to one rate increase in a twelve-month period.
- Most Property and Casualty lines of insurance are restricted to one rate increase in a twelve-month period by SC Code of Laws Section 38-73-920.
- Personal Automobile and Homeowners/Property lines of insurance can request up to two rate increases, though there are some limitations.
  - SC Code of Laws 38-73-905(C) allows automobile insurers to file for two rate increases in a twelve-month period (law change in 2021)
  - SC Code of Laws Sections 38-73-220 and 38-73-260 allow fire, allied lines, and homeowners insurers to file for two rate increases in a twelve-month period only if both requests are less than +7%. If the insurer requests a rate increase that exceeds +7% overall, they are limited to one increase in the twelve-month period
- There are no limits on the number of rate decreases that an insurer may file.



## Rate Filing Frequency

- Homeowners and Property insurers may not submit a rate filing that results in a policyholder receiving more than a +45% at renewal
- This applies whether the insurer files for one or two rate increases in a twelve-month period
- An insured's premium may increase more than +45% at renewal if there are other exposure changes, such as an increase in coverage amount or the aging of the roof

# SC Department of Consumer Affairs

SC Code of Laws 38-73-240, 38-73-260, and 38-73-525 require certain filings to also be sent to the Consumer Advocate's office

Workers Compensation

Any Loss Cost Multiplier change

Fire, Allied Lines, and Homeowners

Rate increases above +7%

More than \$10 million in earned premium

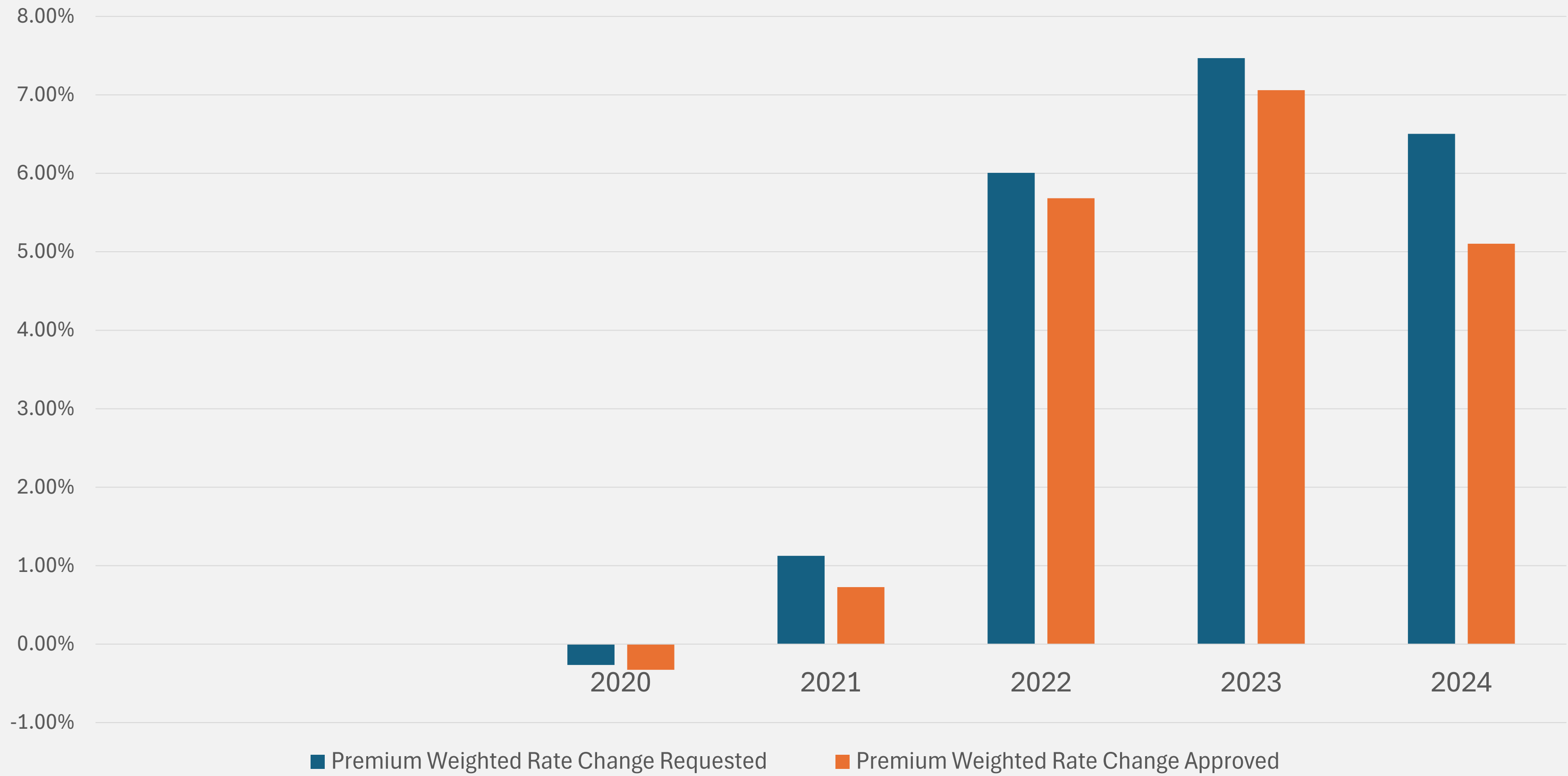
Reviews are conducted simultaneously but separately



# Automobile Rates

| Automobile             |  |                                       |  |   |  |  |  |                                |
|------------------------|--|---------------------------------------|--|---|--|--|--|--------------------------------|
| Year                   | Premium Weighted Rate Change Requested | Premium Weighted Rate Change Approved | Unique Company Count Submitting Rate Change Requests | Number of Company Rate Change Requests Approved | Number of Companies w/ Rate Increases Approved | Number of Companies w/ Rate Decreases Approved | Number of Companies w/ Rate Neutral Approved | Number of Filings Not Approved |
| 2020                   | -0.3%                                  | -0.3%                                 | 83   | 137   | 46   | 22   | 69   | 5                              |
| 2021                   | 1.1%                                   | 0.7%                                  | 93   | 227   | 36   | 18   | 173  | 12                             |
| 2022                   | 6.0%                                   | 5.7%                                  | 96   | 197   | 108  | 7  | 82   | 3                              |
| 2023                   | 7.5%                                   | 7.1%                                  | 102  | 188   | 110  | 3  | 75   | 5                              |
| 2024                   | 6.5%                                   | 5.1%                                  | 95   | 211   | 95   | 2  | 114  | 6                              |
|                        |  |                                       |  |   |  |  |  |                                |
| Cumulative Rate Change | 22.4%                                  | 19.4%                                 | 469  | 960   | 395  | 52   | 513  | 31                             |

# PPA Rate Changes

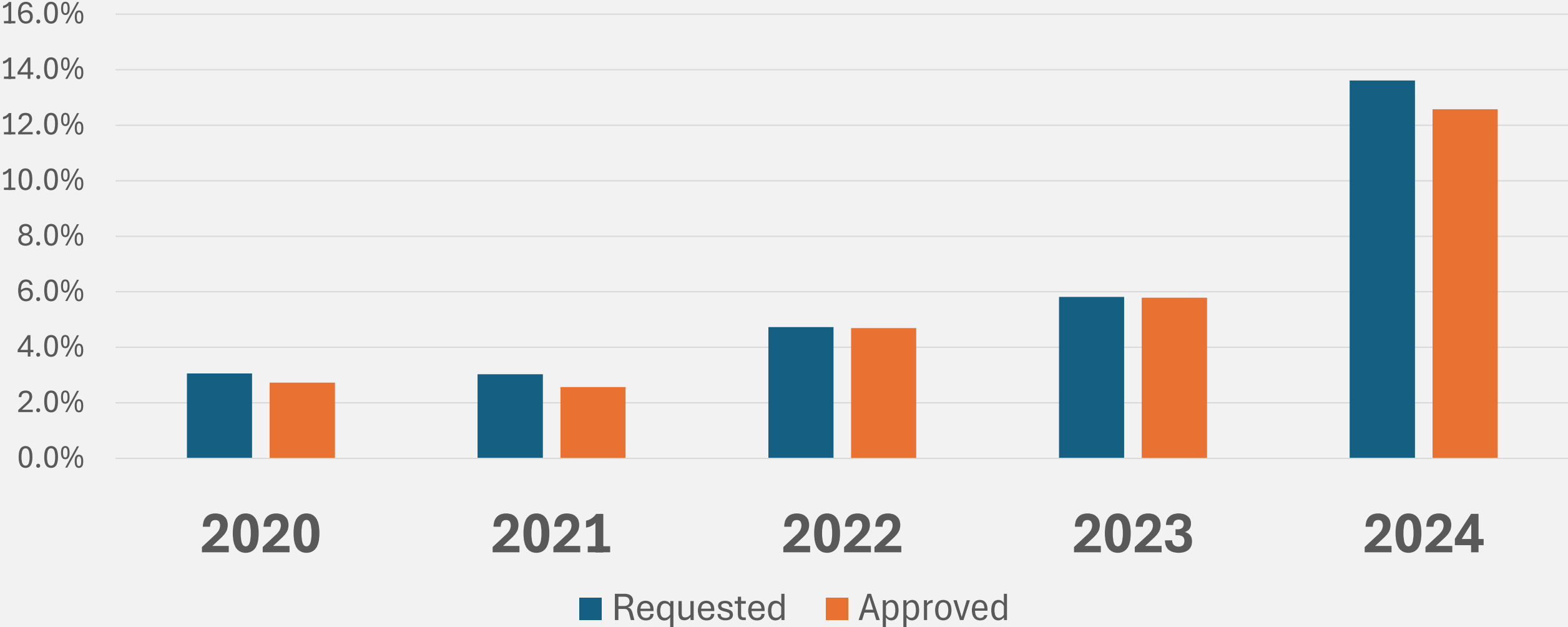




# Homeowners Rates

| Homeowners             |  |                                       |  |   |  |  |  |                                |
|------------------------|--|---------------------------------------|--|---|--|--|--|--------------------------------|
| Year                   | Premium Weighted Rate Change Requested | Premium Weighted Rate Change Approved | Unique Company Count Submitting Rate Change Requests | Number of Company Rate Change Requests Approved | Number of Companies w/ Rate Increases Approved | Number of Companies w/ Rate Decreases Approved | Number of Companies w/ Rate Neutral Approved | Number of Filings Not Approved |
| 2020                   | 3.1%                                   | 2.7%                                  | 73   | 92  | 50   | 8  | 34   | 6                              |
| 2021                   | 3.0%                                   | 2.6%                                  | 79   | 98  | 50   | 13   | 35   | 16                             |
| 2022                   | 4.7%                                   | 4.7%                                  | 67   | 84  | 55   | 3  | 26   | 15                             |
| 2023                   | 5.8%                                   | 5.8%                                  | 69   | 91  | 63   | 8  | 20   | 8                              |
| 2024                   | 13.6%                                  | 12.6%                                 | 54   | 60  | 56   | 1  | 3  | 4                              |
| Cumulative Rate Change | 33.7%                                  | 31.4%                                 | 342  | 425   | 274  | 33   | 118  | 49                             |

# SC Homeowners Rate Increases



# Workers' Compensation Rates

| <b>Workers' Compensation</b>                       |                |                    |                           |
|--|----------------|--------------------|---------------------------|
| <b>NCCI LC Filings</b>                             |                |                    | <b>Average LCM Change</b> |
| <b>Year</b>  | <b>SERFF #</b> | <b>Rate Change</b> |                           |
| 2020   | NCCI-132118927 | -10.50%            | 4.45%                     |
| 2021   | NCCI-132562537 | -6.60%             | 1.44%                     |
| 2022   | NCCI-133015767 | -9.80%             | 0.70%                     |
| 2023   | NCCI-133422787 | -9.70%             | 4.37%                     |
| 2024   | NCCI-133852302 | -4.80%             | -0.94%                    |
| 2025   | NCCI-134288206 | 0.00%              | Undetermined              |
| Cumulative Adoption Impact X Cumulative LCM Impact |                |                    | -3.7%                     |

# Workers' Compensation Rates

| <b>Year</b> | <b>Number of Companies Requesting LCM Change</b> | <b>Number of Rate Increases Proposed</b> | <b>Number of Rate Decreases Proposed</b> | <b>Number of Filings Approved as Filed</b> | <b>Number of Filings Approved as Amended</b> |
|-------------|--|--|--|--|--|
| 2020        | 107  | 91                                       | 16                                       | 95   | 12   |
| 2021        | 89   | 62                                       | 27                                       | 74   | 15   |
| 2022        | 91   | 55                                       | 36                                       | 87   | 4  |
| 2023        | 18   | 16                                       | 2  | 17   | 1  |
| 2024        | 25   | 13                                       | 12                                       | 24   | 1  |

# RATEMAKING CASE STUDY

# INTRODUCTION

## Goal of Ratemaking

- To set insurance rates such that the premium charged will cover anticipated losses and expenses while allowing for a reasonable profit

## Fundamental Insurance Equation

- $\text{Premium} = \text{Losses} + \text{Expenses} + \text{Profit}$

Review to ensure rates are not inadequate, excessive, or unfairly discriminatory.

# RATE LEVEL INDICATION

What the DOI receives and reviews when an insurance carrier submits a rate change request.

# RATE LEVEL INDICATION

- The goal of the rate level indication calculation is to determine the appropriateness of the company's current rates.
- It takes into account the company's premium, losses, expenses, and profit.
- Ratemaking is prospective, but based on a company's historical data that has been adjusted for changes such as:
  - Present Level Premium
  - Trend
  - Loss Development
  - Loss Adjustment Expenses
- These adjustments are needed to bring all data to the same level.



## RATE LEVEL INDICATION

- The DOI developed exhibits for companies to utilize if they desire
- The exhibits allow for a uniform presentation of material which aids the review process
- The review process involves verification of the various adjustments and ensuring adequate support and justification has been provided

Program: Private Passenger Auto  
 Coverage: Bodily Injury  
 Renewal Effective Date: 3/24/2025

| Year End Date (DD/MM/YYYY) | Earned Premium       | Present Level Factor | Premium Trend Factor | Earned Premium at Current Rate Level | Accident Year Incurred Losses and ALAE | LAE Factor | Direct Incurred Loss Ratio | Loss Development Factor | Loss Trend Factor | Projected Accident Year Incurred Losses | Projected Loss Ratio | Individual Year Weights |
|----------------------------|----------------------|----------------------|----------------------|--------------------------------------|--|------------|----------------------------|-------------------------|-------------------|---|----------------------|-------------------------|
| 3/31/2020                  | \$ 21,649,046        | 1.148                | 0.995                | \$ 24,728,839                        | \$ 14,533,634                          | 1.057      | 71.0%                      | 1.011                   | 1.507             | \$ 23,405,268                           | 94.6%                | 15.0%                   |
| 3/31/2021                  | \$ 20,019,592        | 1.148                | 0.998                | \$ 22,936,527                        | \$ 14,656,109                          | 1.057      | 77.4%                      | 1.030                   | 1.449             | \$ 23,120,609                           | 100.8%               | 15.0%                   |
| 3/31/2022                  | \$ 17,869,797        | 1.175                | 1.001                | \$ 21,021,586                        | \$ 10,248,471                          | 1.057      | 60.6%                      | 1.078                   | 1.393             | \$ 16,266,868                           | 77.4%                | 20.0%                   |
| 3/31/2023                  | \$ 16,289,356        | 1.184                | 1.004                | \$ 19,355,567                        | \$ 10,540,151                          | 1.057      | 68.4%                      | 1.174                   | 1.340             | \$ 17,526,480                           | 90.6%                | 25.0%                   |
| 3/31/2024                  | \$ 15,730,484        | 1.140                | 1.007                | \$ 18,056,697                        | \$ 9,277,144                           | 1.057      | 62.3%                      | 1.462                   | 1.288             | \$ 18,465,137                           | 102.3%               | 25.0%                   |
| <b>Total</b>               | <b>\$ 91,558,275</b> |                      |                      | <b>\$106,099,216</b>                 | <b>\$ 59,255,509</b>                   |            | <b>68.4%</b>               |                         |                   | <b>\$ 98,784,363</b>                    | <b>93.1%</b>         | <b>100.0%</b>           |

|  |       |   |  |  |  |  |  |  |  |  |  |  |
|--|-------|---|--|--|--|--|--|--|--|--|--|--|
| <b>Weighted Projected Loss Ratio</b>         | 93.0% |   |  |  |  |  |  |  |  |  |  |  |
| <b>Fixed Expense Ratio</b>                   | 11.7% | ← |  |  |  |  |  |  |  |  |  |  |
| <b>Variable Expense Ratio</b>                | 13.0% | ← |  |  |  |  |  |  |  |  |  |  |
| <b>Profit and Contingencies Provision</b>    | 5.0%  |   |  |  |  |  |  |  |  |  |  |  |
| <b>Indicated Change</b>                      | 27.7% |   |  |  |  |  |  |  |  |  |  |  |
| <b>Credibility Percentage</b>                | 97.1% | ← |  |  |  |  |  |  |  |  |  |  |
| <b>Complement of Credibility</b>             | 11.7% | ← |  |  |  |  |  |  |  |  |  |  |
| <b>Credibility Weighted Indicated Change</b> | 27.2% |   |  |  |  |  |  |  |  |  |  |  |
| <b>Proposed Change</b>                       | 11.6% |   |  |  |  |  |  |  |  |  |  |  |

|                      | Historical | Prospective |
|----------------------|------------|-------------|
| <b>Premium Trend</b> | -0.3%      | 0.3%        |
| <b>Loss Trend</b>    | 4.0%       | 12.0%       |
| <b>Net Trend</b>     | 4.3%       | 11.7%       |

# PRESENT LEVEL FACTOR



- Historical premiums may have been written at different rate levels due to rate changes.
- Since we are evaluating the current rates, historical premiums must be adjusted to look as if they were written at today's rates.

| <u>Coverage</u> | Effective 3/21/2021<br><u>Rate Change</u> | Effective 4/3/2023<br><u>Rate Change</u> | Effective 7/29/2024<br><u>Rate Change</u> |
|-----------------|---|--|---|
| Bodily Injury   | -3.0%                                     | 5.2%                                     | 12.5%                                     |

| Earned Factor to Current Rate Level <sup>1</sup> |             |             |             |             |
|--|-------------|-------------|-------------|-------------|
| Calendar Year (CY) Ending 3/31                   |             |             |             |             |
| <u>2020</u>                                      | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
| 1.148  | 1.148       | 1.175       | 1.184       | 1.140       |



## PREMIUM TREND ↓

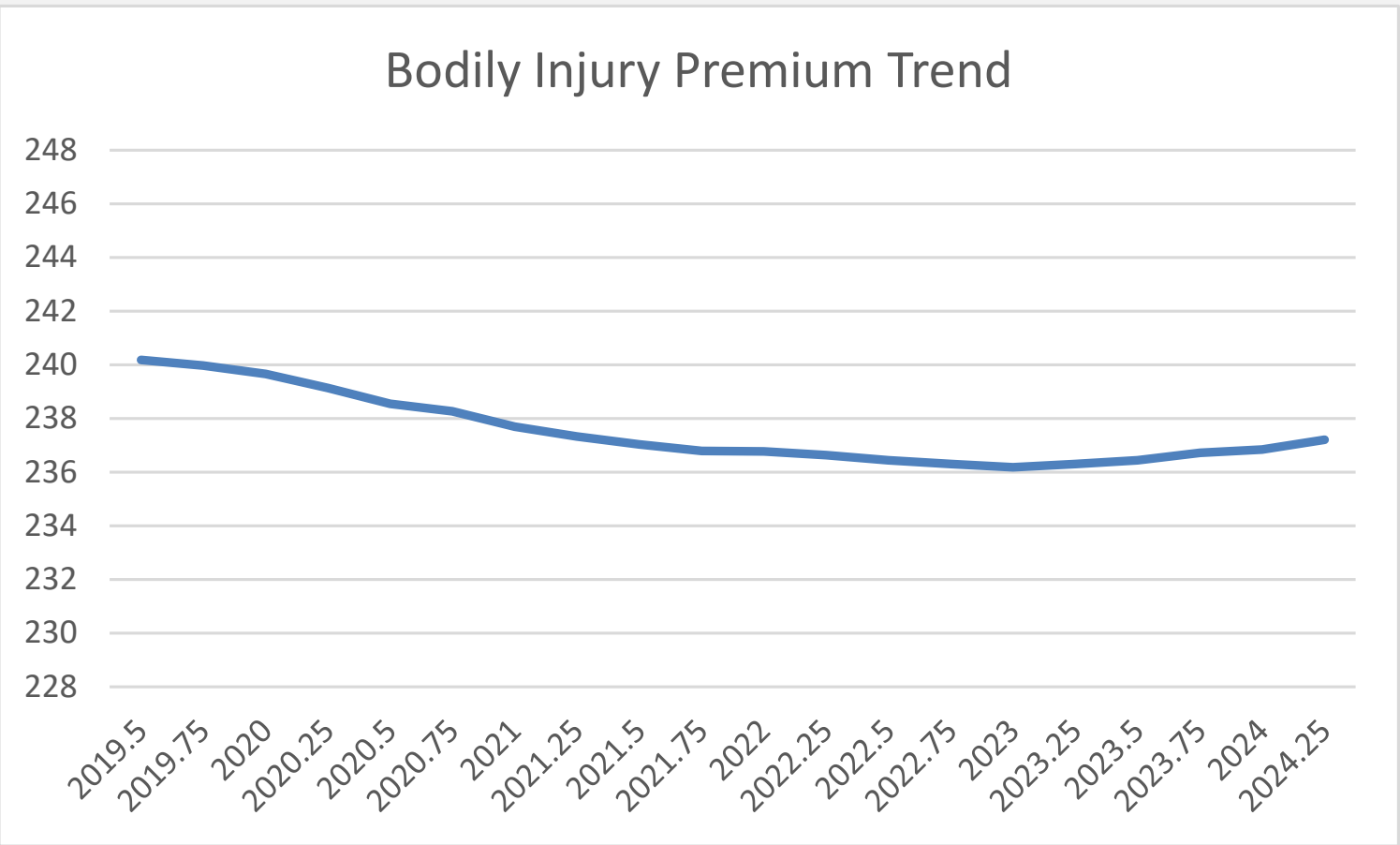
- Historical premium needs to be adjusted to account for the change in average premium level. Changes in average premium can be referred to as shifts in the mix of business.
- To account for these shifts in the portfolio's mix of business, historical premiums must be adjusted to reflect the anticipated mix.
- This could be due to more insureds purchasing higher limits, a higher percentage of the book of business moving toward multi-driver/multi-vehicle, or the acquisition of an agent's book that contains risks different from what the company was previously writing

# PREMIUM TREND



| Year Ending | Average Written Premium @ CRL |
|-------------|-------------------------------|
| 09/19       | \$240.18                      |
| 12/19       | 239.98                        |
| 03/20       | 239.66                        |
| 06/20       | 239.15                        |
| 09/20       | 238.55                        |
| 12/20       | 238.28                        |
| 03/21       | 237.70                        |
| 06/21       | 237.33                        |
| 09/21       | 237.04                        |
| 12/21       | 236.80                        |
| 03/22       | 236.78                        |
| 06/22       | 236.64                        |
| 09/22       | 236.45                        |
| 12/22       | 236.30                        |
| 03/23       | 236.19                        |
| 06/23       | 236.30                        |
| 09/23       | 236.45                        |
| 12/23       | 236.73                        |
| 03/24       | 236.84                        |
| 06/24       | 237.21                        |

|      |       |
|------|-------|
| 4pt  | 0.4%  |
| 8pt  | 0.2%  |
| 12pt | 0.0%  |
| 16pt | -0.2% |
| 20pt | -0.3% |



# PREMIUM TREND



| <b>Calendar Year</b> | <b>Selected Historical Premium Trend</b> | <b>Historical Trend Period</b> | <b>Historical Premium Trend Factor</b> | <b>Selected Prospective Premium Trend</b> | <b>Projected Trend Period</b> | <b>Projected Premium Trend Factor</b> | <b>Premium Trend Factor</b> |
|----------------------|--|--------------------------------|--|---|-------------------------------|---------------------------------------|-----------------------------|
| 3/31/2020            | -0.3%                                    | 4                              | 0.988                                  | 0.3%                                      | 2.25                          | 1.007                                 | 0.995                       |
| 3/31/2021            | -0.3%                                    | 3                              | 0.991                                  | 0.3%                                      | 2.25                          | 1.007                                 | 0.998                       |
| 3/31/2022            | -0.3%                                    | 2                              | 0.994                                  | 0.3%                                      | 2.25                          | 1.007                                 | 1.001                       |
| 3/31/2023            | -0.3%                                    | 1                              | 0.997                                  | 0.3%                                      | 2.25                          | 1.007                                 | 1.004                       |
| 3/31/2024            | -0.3%                                    | 0                              | 1.000                                  | 0.3%                                      | 2.25                          | 1.007                                 | 1.007                       |





# LAE PROVISION

- Amounts paid by the insurance company to investigate and settle claims are called loss adjustment expenses (LAE)
- We must account for the costs incurred by a company during the claim settlement process.
- Companies typically provide 3 or 5 years of data

|   | UNALLOCATED LOSS ADJUSTMENT EXPENSE (ADJUSTING AND OTHER EXPENSE) PROVISION LIABILITY |            |            |
|---|---|------------|------------|
|   | 2021  | 2022       | 2023       |
| 1. Direct Losses and Allocated Loss Adjustment Expense Incurred | \$ 25,327,617   | 41,792,859 | 39,561,608 |
| 2. Direct Unallocated Loss Adjustment Expense Incurred          | \$ 2,346,434  | 2,040,785  | 1,786,577  |
| 3. 3 Year Average   |   |            | 0.0579     |
| 4. Adjustment for One - Time Expenses*                          |   |            | -0.0008    |
| 5. Adjusted 3 Year Average (3) + (4)                            |   |            | 0.0571     |
| 6. Proposed Provision   |   |            | 5.7%       |

Program: Private Passenger Auto  
 Coverage: Bodily Injury  
 Renewal Effective Date: 3/24/2025

| Year End Date (DD/MM/YYYY) | Earned Premium       | Present Level Factor | Premium Trend Factor | Earned Premium at Current Rate Level | Accident Year Incurred Losses and ALAE | LAE Factor | Direct Incurred Loss Ratio | Loss Development Factor | Loss Trend Factor | Projected Accident Year Incurred Losses | Projected Loss Ratio | Individual Year Weights |
|----------------------------|----------------------|----------------------|----------------------|--------------------------------------|--|------------|----------------------------|-------------------------|-------------------|---|----------------------|-------------------------|
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| 3/31/2021                  | \$ 20,019,592        | 1.148                | 0.998                | \$ 22,936,527                        | \$ 14,656,109                          | 1.057      | 77.4%                      | 1.030                   | 1.449             | \$ 23,120,609                           | 100.8%               | 15.0%                   |
| 3/31/2022                  | \$ 17,869,797        | 1.175                | 1.001                | \$ 21,021,586                        | \$ 10,248,471                          | 1.057      | 60.6%                      | 1.078                   | 1.393             | \$ 16,266,868                           | 77.4%                | 20.0%                   |
| 3/31/2023                  | \$ 16,289,356        | 1.184                | 1.004                | \$ 19,355,567                        | \$ 10,540,151                          | 1.057      | 68.4%                      | 1.174                   | 1.340             | \$ 17,526,480                           | 90.6%                | 25.0%                   |
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|  |       |   |  |  |  |  |  |  |  |  |  |  |
|--|-------|---|--|--|--|--|--|--|--|--|--|--|
| <b>Weighted Projected Loss Ratio</b>         | 93.0% |   |  |  |  |  |  |  |  |  |  |  |
| <b>Fixed Expense Ratio</b>                   | 11.7% | ← |  |  |  |  |  |  |  |  |  |  |
| <b>Variable Expense Ratio</b>                | 13.0% | ← |  |  |  |  |  |  |  |  |  |  |
| <b>Profit and Contingencies Provision</b>    | 5.0%  |   |  |  |  |  |  |  |  |  |  |  |
| <b>Indicated Change</b>                      | 27.7% |   |  |  |  |  |  |  |  |  |  |  |
| <b>Credibility Percentage</b>                | 97.1% | ← |  |  |  |  |  |  |  |  |  |  |
| <b>Complement of Credibility</b>             | 11.7% | ← |  |  |  |  |  |  |  |  |  |  |
| <b>Credibility Weighted Indicated Change</b> | 27.2% |   |  |  |  |  |  |  |  |  |  |  |
| <b>Proposed Change</b>                       | 11.6% |   |  |  |  |  |  |  |  |  |  |  |

|                      | Historical | Prospective |
|----------------------|------------|-------------|
| <b>Premium Trend</b> | -0.3%      | 0.3%        |
| <b>Loss Trend</b>    | 4.0%       | 12.0%       |
| <b>Net Trend</b>     | 4.3%       | 11.7%       |

## LOSS DEVELOPMENT FACTOR



- Historical claims are at varying levels of maturity. Some are settled, some have been opened for a while, some have only recently been opened, and some losses have occurred but not yet been reported to the insurer.
- Over time, the losses attributed to claims may change several times before settlement as additional information becomes available.
- The indication needs to estimate all the losses that will be incurred, it is necessary to project historical losses to their ultimate value.

# LOSS DEVELOPMENT FACTOR



## CALCULATION OF LOSS DEVELOPMENT FACTORS - LINK RATIO METHOD BODILY INJURY

| Fiscal Accident<br>Year Ending 03/31       | Incurred Losses †  |                 |                 |                 |                 |                 |                 |                  |                   |              |
|--|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-------------------|--------------|
|  | 15 Months          | 27 Months       | 39 Months       | 51 Months       | 63 Months       | 75 Months       | 87 Months       | 99 Months        | 111 Months        | 123 Months ‡ |
| 2010                                       |                    |                 |                 |                 |                 |                 |                 |                  |                   | 48,486,627   |
| 2011                                       |                    |                 |                 |                 |                 |                 |                 |                  | 52,191,479        | 52,193,028   |
| 2012                                       |                    |                 |                 |                 |                 |                 |                 | 50,449,118       | 50,452,993        | 50,455,583   |
| 2013                                       |                    |                 |                 |                 |                 |                 | 53,275,870      | 53,290,583       | 53,298,001        | 53,342,361   |
| 2014                                       |                    |                 |                 |                 |                 | 60,977,548      | 61,031,290      | 61,068,318       | 61,154,191        | 61,179,830   |
| 2015                                       |                    |                 |                 |                 | 66,471,077      | 66,907,441      | 66,635,830      | 66,699,828       | 66,675,173        | 66,643,734   |
| 2016                                       |                    |                 |                 | 73,510,275      | 74,303,406      | 74,672,872      | 74,930,827      | 75,138,007       | 74,977,630        |              |
| 2017                                       |                    |                 | 65,798,390      | 67,848,707      | 68,644,216      | 69,922,925      | 70,216,604      | 70,483,183       |                   |              |
| 2018                                       |                    | 57,322,480      | 62,210,634      | 65,074,020      | 66,912,465      | 68,116,978      | 68,304,356      |                  |                   |              |
| 2019                                       | 44,695,041         | 54,186,085      | 58,042,161      | 61,386,188      | 64,826,923      | 65,068,747      |                 |                  |                   |              |
| 2020                                       | 45,631,439         | 56,203,192      | 61,439,663      | 65,155,324      | 66,775,190      |                 |                 |                  |                   |              |
| 2021                                       | 42,688,598         | 53,134,836      | 60,560,289      | 63,560,147      |                 |                 |                 |                  |                   |              |
| 2022                                       | 48,756,080         | 63,374,201      | 70,115,482      |                 |                 |                 |                 |                  |                   |              |
| 2023                                       | 55,209,962         | 71,475,330      |                 |                 |                 |                 |                 |                  |                   |              |
| 2024                                       | 68,136,453         |                 |                 |                 |                 |                 |                 |                  |                   |              |
|  | <b>Link Ratios</b> |                 |                 |                 |                 |                 |                 |                  |                   |              |
| <u>Development</u>                         | <u>15 to 27</u>    | <u>27 to 39</u> | <u>39 to 51</u> | <u>51 to 63</u> | <u>63 to 75</u> | <u>75 to 87</u> | <u>87 to 99</u> | <u>99 to 111</u> | <u>111 to 123</u> |              |
| 4th Prior                                  | 1.212              | 1.085           | 1.031           | 1.011           | 1.007           | 1.001           | 1.000           | 1.000            | 1.000             |              |
| 3rd Prior                                  | 1.232              | 1.071           | 1.046           | 1.012           | 1.005           | 0.996           | 1.001           | 1.000            | 1.000             |              |
| 2nd Prior                                  | 1.245              | 1.093           | 1.058           | 1.028           | 1.019**         | 1.003           | 1.001           | 1.001**          | 1.001**           |              |
| 1st Prior                                  | 1.300**            | 1.140**         | 1.060**         | 1.056**         | 1.018           | 1.004**         | 1.003           | 1.000            | 1.000             |              |
| Latest                                     | 1.295              | 1.106           | 1.050           | 1.025           | 1.004           | 1.003           | 1.004**         | 0.998            | 1.000             |              |
| 5 Year Straight Avg                        | 1.257              | 1.099           | 1.049           | 1.026           | 1.011           | 1.001           | 1.002           | 1.000            | 1.000             |              |
| Selected:                                  | 1.246              | 1.089           | 1.046           | 1.019           | 1.009           | 1.001           | 1.001           | 1.000            | 1.000             |              |
| <b>Loss Development Period ( months ):</b> | <u>15 - 123</u>    | <u>27 - 123</u> | <u>39 - 123</u> | <u>51 - 123</u> | <u>63 - 123</u> |                 |                 |                  |                   |              |
| <b>Loss Development Factor:</b>            | 1.462              | 1.174           | 1.078           | 1.030           | 1.011           |                 |                 |                  |                   |              |

Program: Private Passenger Auto  
 Coverage: Bodily Injury  
 Renewal Effective Date: 3/24/2025

| Year End Date (DD/MM/YYYY) | Earned Premium       | Present Level Factor | Premium Trend Factor | Earned Premium at Current Rate Level | Accident Year Incurred Losses and ALAE | LAE Factor | Direct Incurred Loss Ratio | Loss Development Factor | Loss Trend Factor | Projected Accident Year Incurred Losses | Projected Loss Ratio | Individual Year Weights |
|----------------------------|----------------------|----------------------|----------------------|--------------------------------------|--|------------|----------------------------|-------------------------|-------------------|---|----------------------|-------------------------|
| 3/31/2020                  | \$ 21,649,046        | 1.148                | 0.995                | \$ 24,728,839                        | \$ 14,533,634                          | 1.057      | 71.0%                      | 1.011                   | 1.507             | \$ 23,405,268                           | 94.6%                | 15.0%                   |
| 3/31/2021                  | \$ 20,019,592        | 1.148                | 0.998                | \$ 22,936,527                        | \$ 14,656,109                          | 1.057      | 77.4%                      | 1.030                   | 1.449             | \$ 23,120,609                           | 100.8%               | 15.0%                   |
| 3/31/2022                  | \$ 17,869,797        | 1.175                | 1.001                | \$ 21,021,586                        | \$ 10,248,471                          | 1.057      | 60.6%                      | 1.078                   | 1.393             | \$ 16,266,868                           | 77.4%                | 20.0%                   |
| 3/31/2023                  | \$ 16,289,356        | 1.184                | 1.004                | \$ 19,355,567                        | \$ 10,540,151                          | 1.057      | 68.4%                      | 1.174                   | 1.340             | \$ 17,526,480                           | 90.6%                | 25.0%                   |
| 3/31/2024                  | \$ 15,730,484        | 1.140                | 1.007                | \$ 18,056,697                        | \$ 9,277,144                           | 1.057      | 62.3%                      | 1.462                   | 1.288             | \$ 18,465,137                           | 102.3%               | 25.0%                   |
| <b>Total</b>               | <b>\$ 91,558,275</b> |                      |                      | <b>\$106,099,216</b>                 | <b>\$ 59,255,509</b>                   |            | <b>68.4%</b>               |                         |                   | <b>\$ 98,784,363</b>                    | <b>93.1%</b>         | <b>100.0%</b>           |

|                                       |       |   |  |  |  |  |  |  |  |  |  |  |
|---------------------------------------|-------|---|--|--|--|--|--|--|--|--|--|--|
| Weighted Projected Loss Ratio         | 93.0% |   |  |  |  |  |  |  |  |  |  |  |
| Fixed Expense Ratio                   | 11.7% | ← |  |  |  |  |  |  |  |  |  |  |
| Variable Expense Ratio                | 13.0% | ← |  |  |  |  |  |  |  |  |  |  |
| Profit and Contingencies Provision    | 5.0%  |   |  |  |  |  |  |  |  |  |  |  |
| Indicated Change                      | 27.7% |   |  |  |  |  |  |  |  |  |  |  |
| Credibility Percentage                | 97.1% | ← |  |  |  |  |  |  |  |  |  |  |
| Complement of Credibility             | 11.7% | ← |  |  |  |  |  |  |  |  |  |  |
| Credibility Weighted Indicated Change | 27.2% |   |  |  |  |  |  |  |  |  |  |  |
| Proposed Change                       | 11.6% |   |  |  |  |  |  |  |  |  |  |  |

|               | Historical | Prospective |
|---------------|------------|-------------|
| Premium Trend | -0.3%      | 0.3%        |
| Loss Trend    | 4.0%       | 12.0%       |
| Net Trend     | 4.3%       | 11.7%       |

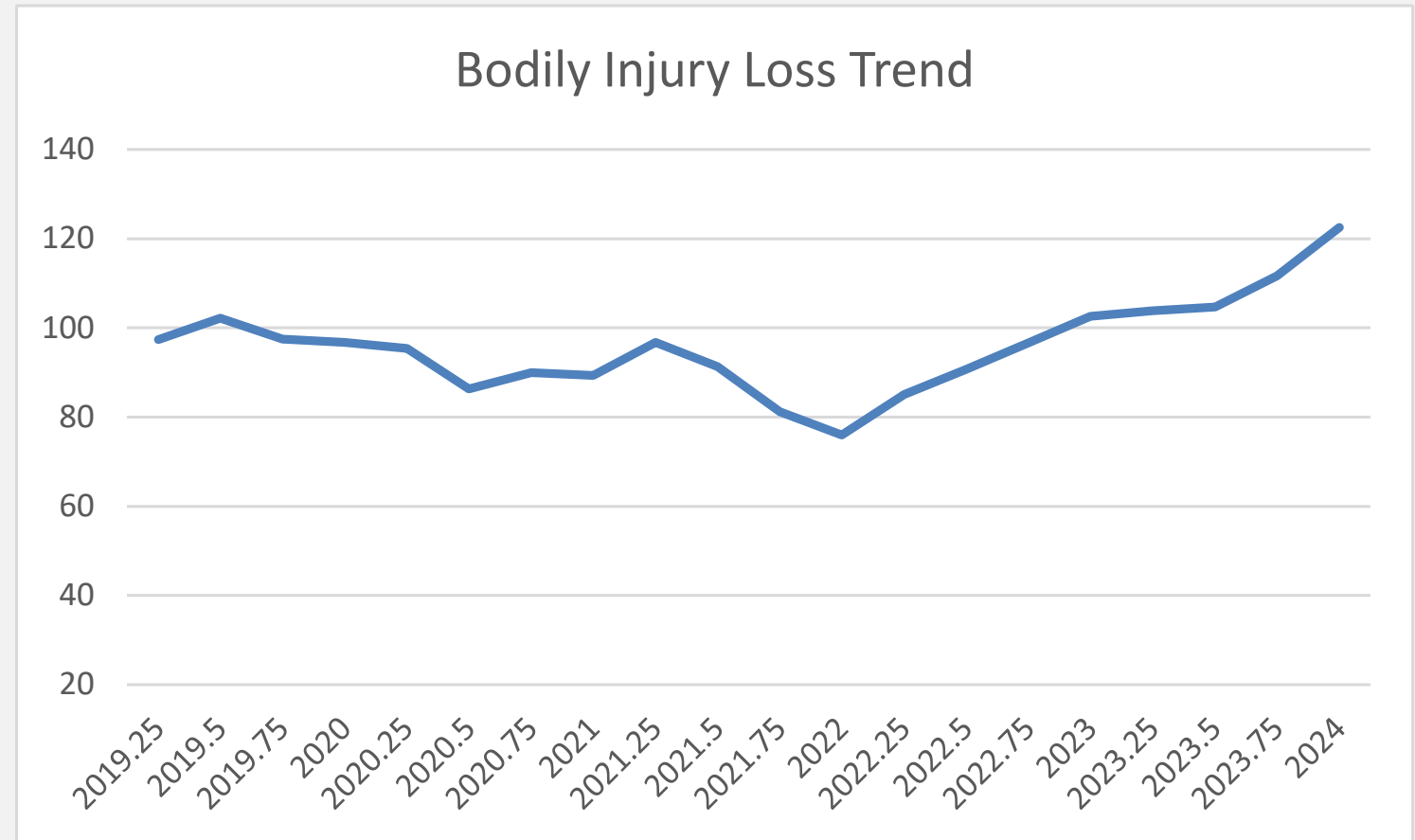
## LOSS TREND ↓

- Also referred to as Pure Premium Trend.
- A measure of changes in the rate at which claims occur (frequency) and the average cost of claims (severity).
- Claim frequencies and severities are both impacted by underlying factors such as monetary inflation, increasing repair costs or medical costs, or advancements in safety technology that may influence total costs over time.

# LOSS TREND ↓

| Accident Year Ending | Actual Incurred Pure Premium † |
|----------------------|--------------------------------|
| 06/19                | \$97.36                        |
| 09/19                | \$102.20                       |
| 12/19                | \$97.48                        |
| 03/20                | \$96.78                        |
| 06/20                | \$95.42                        |
| 09/20                | \$86.36                        |
| 12/20                | \$89.95                        |
| 03/21                | \$89.33                        |
| 06/21                | \$96.79                        |
| 09/21                | \$91.34                        |
| 12/21                | \$81.17                        |
| 03/22                | \$75.98                        |
| 06/22                | \$85.05                        |
| 09/22                | \$90.68                        |
| 12/22                | \$96.68                        |
| 03/23                | \$102.61                       |
| 06/23                | \$103.86                       |
| 09/23                | \$104.72                       |
| 12/23                | \$111.64                       |
| 03/24                | \$122.51                       |

|      |       |
|------|-------|
| 4pt  | 25.1% |
| 8pt  | 20.1% |
| 12pt | 12.4% |
| 16pt | 6.8%  |
| 20pt | 2.6%  |



# LOSS TREND ↓

| <b>Calendar Year</b> | <b>Selected Historical Loss Trend</b> | <b>Historical Trend Period</b> | <b>Historical Loss Trend Factor</b> | <b>Selected Prospective Loss Trend</b> | <b>Projected Trend Period</b> | <b>Projected Loss Trend Factor</b> | <b>Loss Trend Factor</b> |
|----------------------|---------------------------------------|--------------------------------|-------------------------------------|--|-------------------------------|------------------------------------|--------------------------|
| 3/31/2020            | 4.0%                                  | 4                              | 1.170                               | 12.0%                                  | 2.25                          | 1.290                              | 1.510                    |
| 3/31/2021            | 4.0%                                  | 3                              | 1.125                               | 12.0%                                  | 2.25                          | 1.290                              | 1.452                    |
| 3/31/2022            | 4.0%                                  | 2                              | 1.082                               | 12.0%                                  | 2.25                          | 1.290                              | 1.396                    |
| 3/31/2023            | 4.0%                                  | 1                              | 1.040                               | 12.0%                                  | 2.25                          | 1.290                              | 1.342                    |
| 3/31/2024            | 4.0%                                  | 0                              | 1.000                               | 12.0%                                  | 2.25                          | 1.290                              | 1.290                    |





## FIXED EXPENSES ←

- Fixed expenses are assumed to be the same for each risk and do not vary with premium
- Typically costs associated with overhead; commonly categorized as Other Acquisition Expenses and General Expenses.
  - Other Acquisition - expenses that are paid to acquire business other than commissions and brokerage expenses. Costs associated with media advertisements, mailings to prospective insureds, and salaries of sales employees who do not work on a commission basis are included in this category.
  - General - include the remaining expenses associated with insurance operations and any other miscellaneous costs, excluding investment income expenses

# FIXED EXPENSES ←

## OTHER ACQUISITION EXPENSE PROVISION

|  | LIABILITY     |            |            |
|--|---------------|------------|------------|
|  | 2021          | 2022       | 2023       |
| 1. Direct Premiums Earned Less<br>PAYG Technology Premium* | \$ 39,520,202 | 35,751,092 | 36,702,293 |
| 2. Other Acquisition Expense Incurred                      | \$ 2,706,241  | 2,144,858  | 1,740,792  |
| 3. Ratio (2) / (1)   | 0.0685        | 0.0600     | 0.0474     |
| 4. One-Time Expense Adjustment**                           | -0.0013       |            |            |
| 5. Adjusted Ratio (3) + (4)                                | 0.0672        | 0.0600     | 0.0474     |
| 6. 3 Year Average  |               |            | 0.0582     |
| 7. Installment Fee 3 Year Average                          |               |            | 0.0119     |
| 8. Write-Off 3 Year Average                                |               |            | 0.0005     |
| 9. Policy Fees 3 Year Average                              |               |            | 0.0012     |
| 10. Adjusted 3 Year Average***                             |               |            | 0.0456     |
| 11. Proposed Provision                                     |               |            | 4.6%       |

# FIXED EXPENSES ←

## GENERAL EXPENSE PROVISION

|   | LIABILITY     |            |            |
|---|---------------|------------|------------|
|   | 2021          | 2022       | 2023       |
| 1. Direct Premiums Earned Less PAYG Technology Premium*       | \$ 39,520,202 | 35,751,092 | 36,702,293 |
| 2. General Expense Incurred Excluding PAYG Technology Expense | \$ 3,134,429  | 2,495,897  | 2,337,969  |
| 3. Ratio (2) / (1)  | 0.0793        | 0.0698     | 0.0637     |
| 4. 3 Year Average   |               |            | 0.0709     |
| 5. Proposed Provision   |               |            | 7.1%       |



## VARIABLE EXPENSES ←

- Variable expenses vary directly with premium; the expense is a constant percentage of the premium.
- The most common examples are taxes and commissions.
  - Taxes, Licenses, and Fees - include all taxes and miscellaneous fees due from the insurer excluding federal income taxes.
  - Commissions and Brokerage - amounts paid to agents or brokers as compensation for generating business.

## VARIABLE EXPENSES ←

|                            | <u>2021</u> | <b>Premium and Fire Tax</b><br><u>2022</u> | <u>2023</u> |
|----------------------------|-------------|--|-------------|
| 1. Direct Premiums Written | 38,439,654  | 34,977,027                                 | 37,947,430  |
| 2. Taxes*                  | 660,009     | 611,748                                    | 655,352     |
| 3. Ratio (2)/(1)           | 0.01717     | 0.01749                                    | 0.01727     |
| 4. 1 Yr Avg                |             |  | 1.727%      |

# VARIABLE EXPENSES ←

## COMMISSION AND BROKERAGE EXPENSE PROVISION 2021 - 2023

|  | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--|-------------|-------------|-------------|
| <b>1. Direct Premiums Written</b>                                      | 84,539,943  | 79,688,258  | 77,483,253  |
| <b>2. Commission and Brokerage</b>                                     | 9,986,287   | 9,296,865   | 8,741,667   |
| <b>3. Ratio (2) / (1)</b>  | 0.11813     | 0.11667     | 0.11282     |
| <b>4. 3 Year Average</b>   |             |             | 0.11587     |
| <b>5. Selected Commission and Brokerage Provision (1 Year Average)</b> |             |             | 11.3%       |



Program: Private Passenger Auto  
 Coverage: Bodily Injury  
 Renewal Effective Date: 3/24/2025

| Year End Date (DD/MM/YYYY) | Earned Premium       | Present Level Factor | Premium Trend Factor | Earned Premium at Current Rate Level | Accident Year Incurred Losses and ALAE | LAE Factor | Direct Incurred Loss Ratio | Loss Development Factor | Loss Trend Factor | Projected Accident Year Incurred Losses | Projected Loss Ratio | Individual Year Weights |
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| 3/31/2020                  | \$ 21,649,046        | 1.148                | 0.995                | \$ 24,728,839                        | \$ 14,533,634                          | 1.057      | 71.0%                      | 1.011                   | 1.507             | \$ 23,405,268                           | 94.6%                | 15.0%                   |
| 3/31/2021                  | \$ 20,019,592        | 1.148                | 0.998                | \$ 22,936,527                        | \$ 14,656,109                          | 1.057      | 77.4%                      | 1.030                   | 1.449             | \$ 23,120,609                           | 100.8%               | 15.0%                   |
| 3/31/2022                  | \$ 17,869,797        | 1.175                | 1.001                | \$ 21,021,586                        | \$ 10,248,471                          | 1.057      | 60.6%                      | 1.078                   | 1.393             | \$ 16,266,868                           | 77.4%                | 20.0%                   |
| 3/31/2023                  | \$ 16,289,356        | 1.184                | 1.004                | \$ 19,355,567                        | \$ 10,540,151                          | 1.057      | 68.4%                      | 1.174                   | 1.340             | \$ 17,526,480                           | 90.6%                | 25.0%                   |
| 3/31/2024                  | \$ 15,730,484        | 1.140                | 1.007                | \$ 18,056,697                        | \$ 9,277,144                           | 1.057      | 62.3%                      | 1.462                   | 1.288             | \$ 18,465,137                           | 102.3%               | 25.0%                   |
| <b>Total</b>               | <b>\$ 91,558,275</b> |                      |                      | <b>\$106,099,216</b>                 | <b>\$ 59,255,509</b>                   |            | <b>68.4%</b>               |                         |                   | <b>\$ 98,784,363</b>                    | <b>93.1%</b>         | <b>100.0%</b>           |

|  |       |   |  |   |                      |  |                   |                    |
|--|-------|---|--|---|----------------------|--|-------------------|--------------------|
| <b>Weighted Projected Loss Ratio</b>         | 93.0% |   |  |   |                      |  | <b>Historical</b> | <b>Prospective</b> |
| <b>Fixed Expense Ratio</b>                   | 11.7% | ← |  | → | <b>Premium Trend</b> |  | -0.3%             | 0.3%               |
| <b>Variable Expense Ratio</b>                | 13.0% | ← |  | → | <b>Loss Trend</b>    |  | 4.0%              | 12.0%              |
| <b>Profit and Contingencies Provision</b>    | 5.0%  |   |  |   | <b>Net Trend</b>     |  | 4.3%              | 11.7%              |
| <b>Indicated Change</b>                      | 27.7% |   |  |   |                      |  |                   |                    |
| <b>Credibility Percentage</b>                | 97.1% | ← |  |   |                      |  |                   |                    |
| <b>Complement of Credibility</b>             | 11.7% | ← |  |   |                      |  |                   |                    |
| <b>Credibility Weighted Indicated Change</b> | 27.2% |   |  |   |                      |  |                   |                    |
| <b>Proposed Change</b>                       | 11.6% |   |  |   |                      |  |                   |                    |

## INDICATED CHANGE

- Considered the raw indication, before assigning credibility
- Projected losses plus fixed expenses, divided by one minus variable expense and profit
- Indication =  $\frac{(93\% + 11.7\%)}{(1 - 13.0\% - 5\%)} - 1 = 27.70\%$
- This demonstrates the amount the company would need to increase the rates to cover their expected losses and expenses



# CREDIBILITY ←

- Actuarial Standards of Practice (ASOP) No. 25 defines credibility as “measure of the predictive value in a given application that the actuary attaches to a particular set of data (*predictive* is used here in the statistical sense and not in the sense of predicting the future).”
- The goal is to limit the effect of random fluctuations in the data set
- A widely used industry standard for full credibility is 1,082 claims
- This standard establishes that 90% of the time, the observed experience is within +/-5% of its expected value
- In the given example, there have been 1,020 claims in the data set, resulting in a credibility of 97.1%



## COMPLEMENT OF CREDIBILITY ←

- Related experience that represents the weight given to other sources of information, as the credibility percentage is applied to the company's data
- In situations of low credibility, the complement receives most of the weight in the indication
- In situations of full credibility, the company's data is the only source that is considered, and the complement does not impact the indication
- Net trend is often used as a complement, as it measures the net impact of premium and loss trend patterns



## CREDIBILITY WEIGHTED INDICATED RATE CHANGE

- Assigns the credibility weight (97.1%) to the company's data and indicated change and assigns the remaining weight (2.9%) to the complement, in this case net trend of 11.7%
- Results in a Credibility Weighted Indicated Rate Change of +27.2%
- The company's proposed change must be between 0% and the credibility weighted indicated rate change of +27.2%
- In the example, the company is requesting a proposed change of +11.6% which would fall in the acceptable range



# PROPOSED FACTOR CHANGES

- Outside of base rate changes which impact all insureds, some companies will file to adjust segmentation.
- Segmentation is the process of grouping risks with similar loss potential and charging different manual rates to reflect differences in loss potential among the groups.
- Common examples are accident count, minor and major violations, age, model year, and territory.

# PROPOSED FACTOR CHANGES

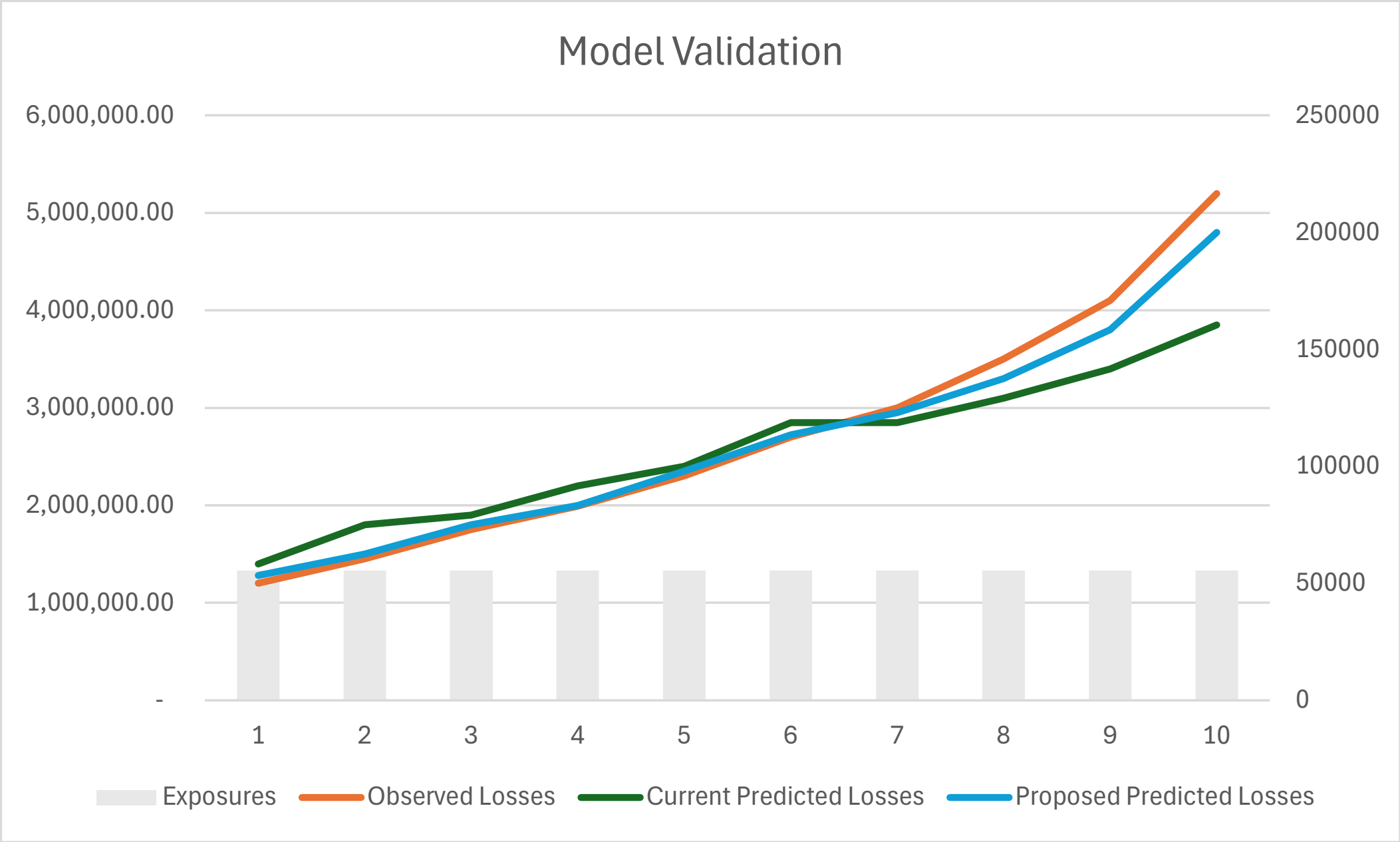
- When a singular factor or a small number of factors are changed, it is often through a process called a univariate analysis
- Generally considered easy to demonstrate the relationship to losses
- However, they do not take into account the interaction of the selected variables
- Below is an example of a univariate analysis for accident count

| <b>Accident Count</b> | <b>Premiums</b> | <b>Losses</b> | <b>Credibility</b> | <b>Loss Ratio</b> | <b>Indication</b> | <b>Current Factor</b> | <b>Proposed Change</b> | <b>Proposed Factor</b> |
|-----------------------|-----------------|---------------|--------------------|-------------------|-------------------|-----------------------|------------------------|------------------------|
| 0                     | 125,980,924.00  | 56,169,055.00 | 100%               | 44.6%             | 100.0%            | 1.0                   | 0.00                   | 1.0                    |
| 1+                    | 19,531,048.00   | 10,182,799.00 | 100%               | 52.1%             | 116.9%            | 1.1                   | 10%                    | 1.155                  |

# PREDICTIVE MODELING

- When multiple rating variables or the whole rating plan is revised, it is often with the use of a predictive model, such as a generalized linear model (GLM)
- The term “predictive model” refers to a set of models that use statistics to predict outcomes
- These models simultaneously solve for the most accurate factor and automatically adjust for correlations among the variables.
- However, it is not always easy to understand the model output
- Validation of the models are provided, showing pricing improvements over the current rating plan

# PREDICTIVE MODELING



# ACTUARIAL SERVICES

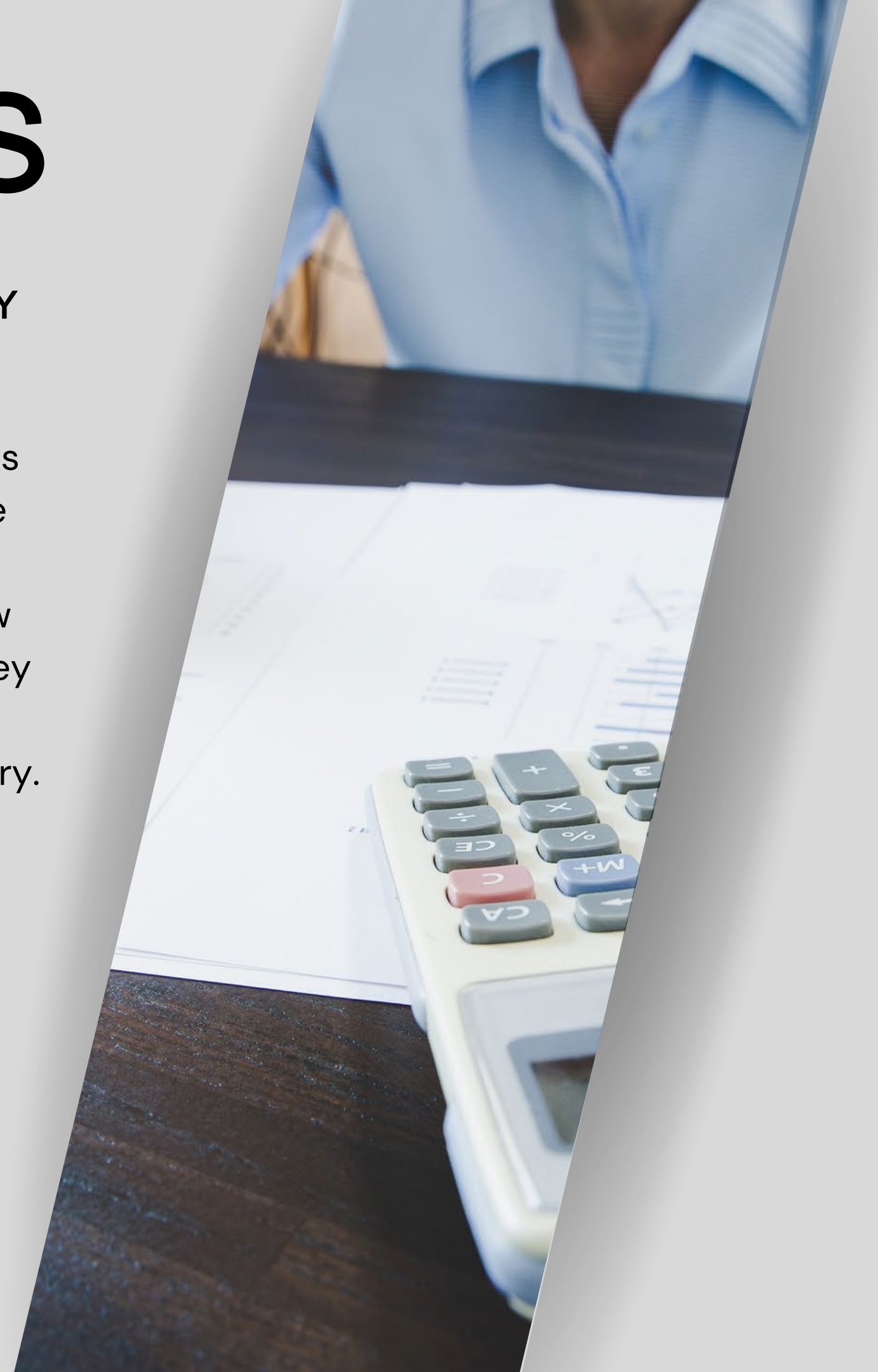
## STATUTORY AND LEGISLATIVE REPORTS

The Actuarial team assists with the production of several annual reports including:

- Coastal Property Report
- Workers' Compensation Report
- Effects of Changes to Tort Law Report (Medical Malpractice)
- Family Leave Report
- Liability Report

## ENSURING REGULATORY COMPLIANCE

The Actuarial team also works with different divisions of the department to assess risk, evaluate reserves, and review proposed rates to ensure they are adequate, not excessive, and not unfairly discriminatory.



# Challenges & Successes

- Recruitment and retention
- Advancements in technology and artificial intelligence
- Data collection challenges
- Increasing complexity of insurance rating structures



# Key Topics

# AI & Data Mining

- Insurance companies, just like the companies in any industry, can pull mass quantities of information together about consumers. For an element to be approved in a rating plan, relevant actuarial support must be provided that proves the characteristics measured are statistically significant.
- Cancellation and non-renewal notices require the specific reason for the action taken to be listed, and we have not received any complaints or inquiries regarding AI or data mining sourced information as the cause of action to be taken against a consumer.
- Per SC Code of Laws Section 38-73-80, no organization may willfully or knowingly give false or misleading information to the department which will affect the rates or premiums chargeable. The use of any fraudulent information to generate a rate increase is illegal.



# Drones/Satellite Imagery

- Our department does not track which carriers do or do not utilize drones or satellite imagery to determine an insured's risk premium. and influence
- The use of a drone for roof inspection has the potential to reduce the risk of bodily harm to an individual who otherwise would be required to climb the roof and perform a manual inspection.
- Insurance companies that utilize satellite imagery to score a roof or otherwise influence an insured's premium are asked to explain how they communicate the use of the technology to the insured and how they outline the dispute process to an insured.
- Our department requests insurers to be transparent with the use of such methods, but our department has no regulatory authority over third party data providers.
- Insurance companies are required to file their underwriting guidelines with our department upon request, per SC Code of Laws 38-75-1240, and they are not public information. An insurance company that wishes to switch their UW guidelines to utilize these tools for UW purposes does not require the approval of the department.
- There are no South Carolina laws governing the use of drones or satellite imagery. SC Code of Laws Section 38-75-1210 prohibits the following items from being considered when determining the premium rates for a property policy: race, color, creed, religion, sex, national origin, ancestry, economic status, or income level.
- However, 38-75-1210(A)(4) states that nothing in this section prohibits an insurer from setting rates in accordance with relevant actuarial data.

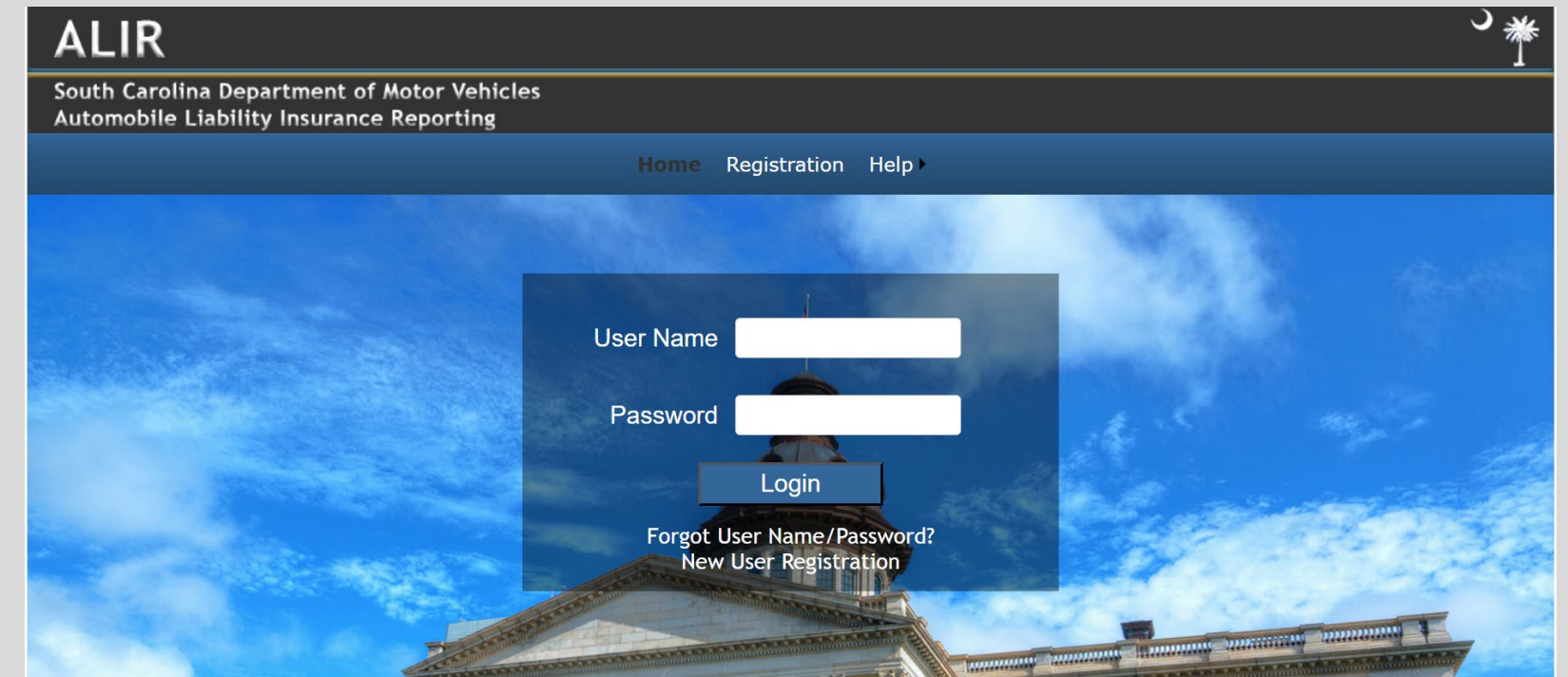


# SC ALIR System

- The South Carolina (SC) Department of Motor Vehicles (DMV) originally implemented the South Carolina Automobile Liability Insurance Reporting (SC ALIR) System in March 2004.
- This system collects automobile liability insurance information from insurers that are licensed to provide automobile liability insurance in the state.
- The DMV cross -references the collected information to South Carolina driver and vehicle data to identify registered vehicles that do not meet the minimum automotive liability insurance requirements of the state.
- The SC legislature passed the law requiring insurers to submit insurance information to SC DMV.
- The SC ALIR Working Group oversees the system and decides on various issues concerning the implementation of the SC ALIR System.

# SC ALIR System

## Reporting Requirements for Insurance Companies



### Web services :

- Insurance companies insuring more than five hundred (500) vehicles in SC shall make their insurance verification web service available to SC ALIR.
- The web services should follow the specifications and standards of the IICMVA.
- The web services requirement applies to personal lines only, but insurance companies may make their commercial lines available voluntarily.

### Book of Business :

- Insurance companies insuring vehicles in SC shall provide their Book of Business (BOB) data to SC ALIR on a weekly basis.
- The BOB data format should follow the IICMVA's standards and specifications.
- Insurance companies submitting BOB data to SC ALIR must use the secure file transfer protocol.
- Both personal and commercial lines auto should be reported.



**SC  
DOI**

**South Carolina Department of  
Insurance**

**1201 Main Street, Suite 1000  
Columbia, South Carolina 29201**