

HEALTHCARE AND REGULATORY SUBCOMMITTEE

Department of Insurance

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AGENDA



SOUTH CAROLINA
HOUSE OF REPRESENTATIVES
GOVERNMENT EFFICIENCY &
LEGISLATIVE OVERSIGHT COMMITTEE

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

AGENDA

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
William H. Bailey
Phillip Bowers
Gary S. Brewer Jr.
Kambrell H. Garvin
Leon Douglas “Doug” Gilliam

Wendell K. Jones
Kathy Landing
John R. McCravy III
Annie E. McDaniel
Timothy A. “Tim” McGinnis
Travis A. Moore

Scott Montgomery
Michael Rivers
Richard B. “Blake” Sanders
Marvin “Mark” Smith
Robert Williams
Paul B. Wickensimer

Lewis Carter
Research Director

Cathy Greer
Administrative Coordinator

Roland Franklin
Legal Counsel

Charlie LaRosa
Research Analyst

Riley McCullough
Research Analyst

Post Office Box 11867
Columbia, South Carolina 29211
Telephone: (803) 212-6810 Fax: (803) 212-6811
Room 228 Blatt Building

MEETING MINUTES

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.

Rep. Smith motion to approve meeting minutes.	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 (PBMs) 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

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.

SCDOI Significant Historical Events

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 (PBMs) 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.

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. MCGRUFF AND WALTER "TIMOTHY"
 BAKER (ACTING CO-DIRECTORS) 2004-2005
 ELEANOR KITZMAN 2005-2007
 SCOTT RICHARDSON 2007-2011
 DAVID BLACK 2/2011-12/2011
 GWENDOLYN MCGRUFF (INTERIM) 1/2012- 12/2012
 RAYMOND G. FARMER 2012-2022
 MICHAEL WISE 2023- PRESENT

Federal & Local Counterparts

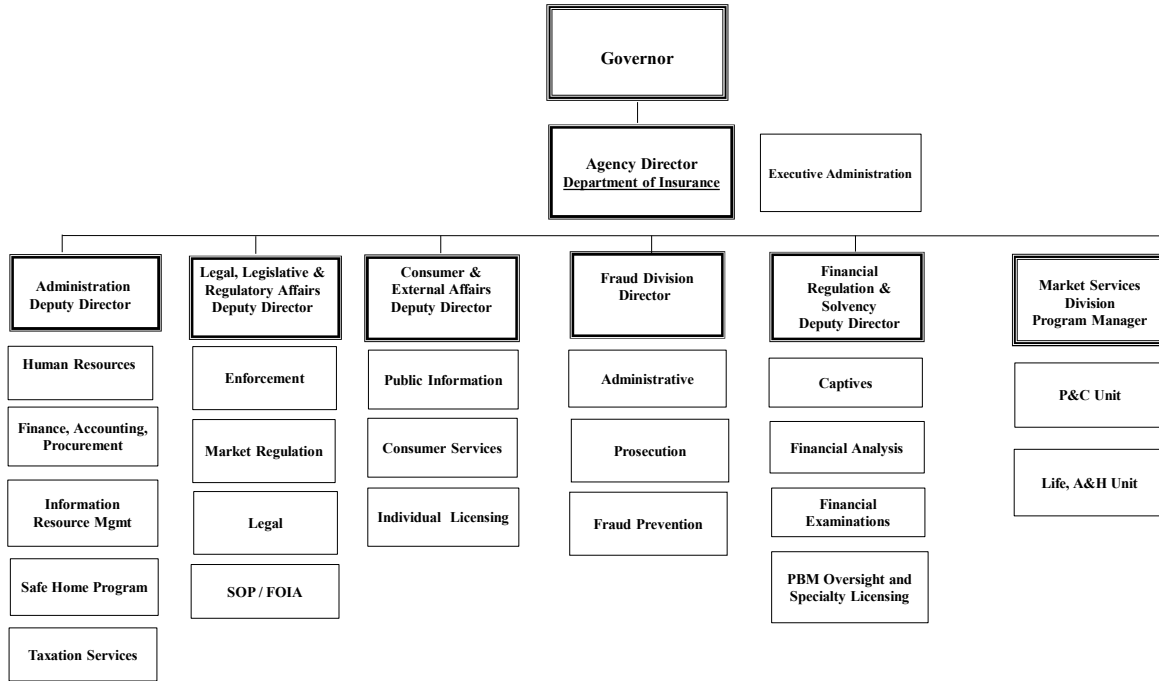
- The McCarran-Ferguson Act, passed in 1945, established the current regulatory regime of state regulation for the insurance industry in the United States.
- The Act reaffirmed the authority of individual states to regulate and tax the insurance industry within their borders. This means insurance companies 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**



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.

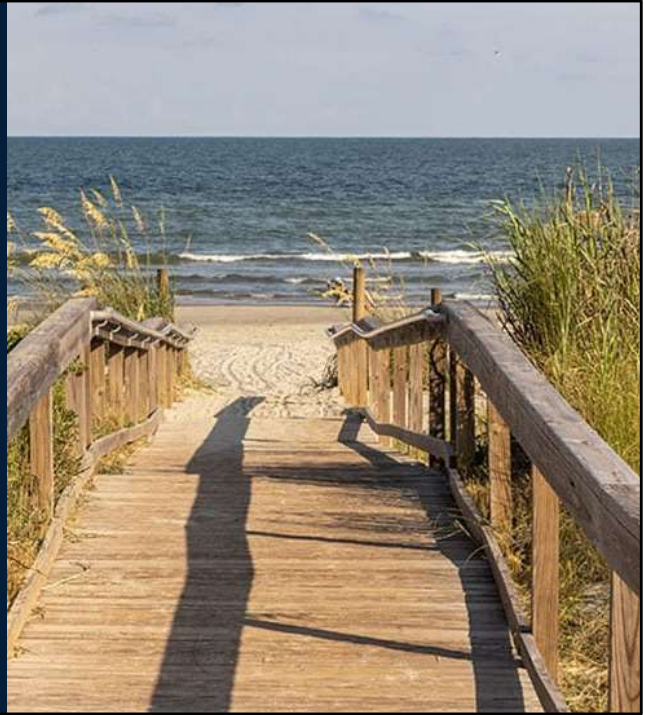
This is driven by several things:

- 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 SCDOT 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		
Total	\$16,224,366	\$ 6,628,045

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			
Total	\$ 26,685,105	\$8,527,826	\$10,678,394

AUTHORIZED FTE BASE

AS OF
01/02/2025

AUTHORIZED TOTAL FTE 112	AUTHORIZED STATE FTE 53.3	AUTHORIZED OTHER FTE 58.7
CURRENT VACANT POSITIONS 21	AUTHORIZED FEDERAL FTE 0	POSITIONS CURRENTLY POSTED 11

FTE Turnover Rates

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

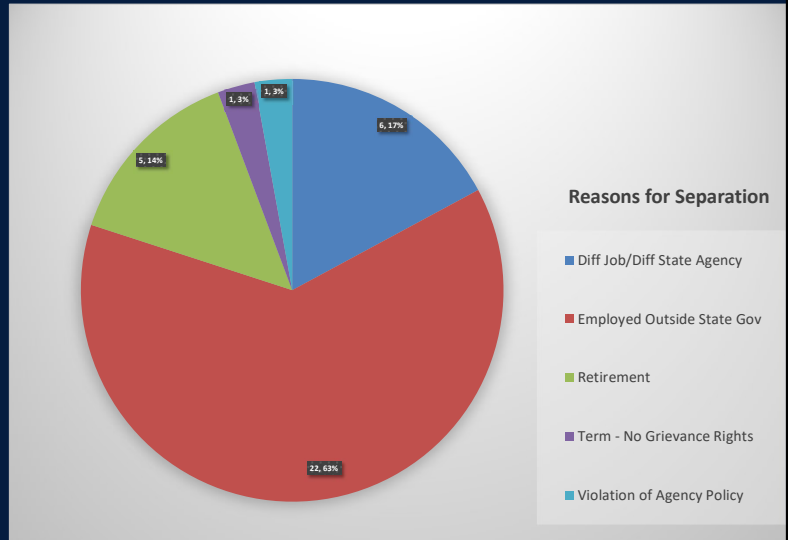
16.3%

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

11.0%

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

12.2%



Administration

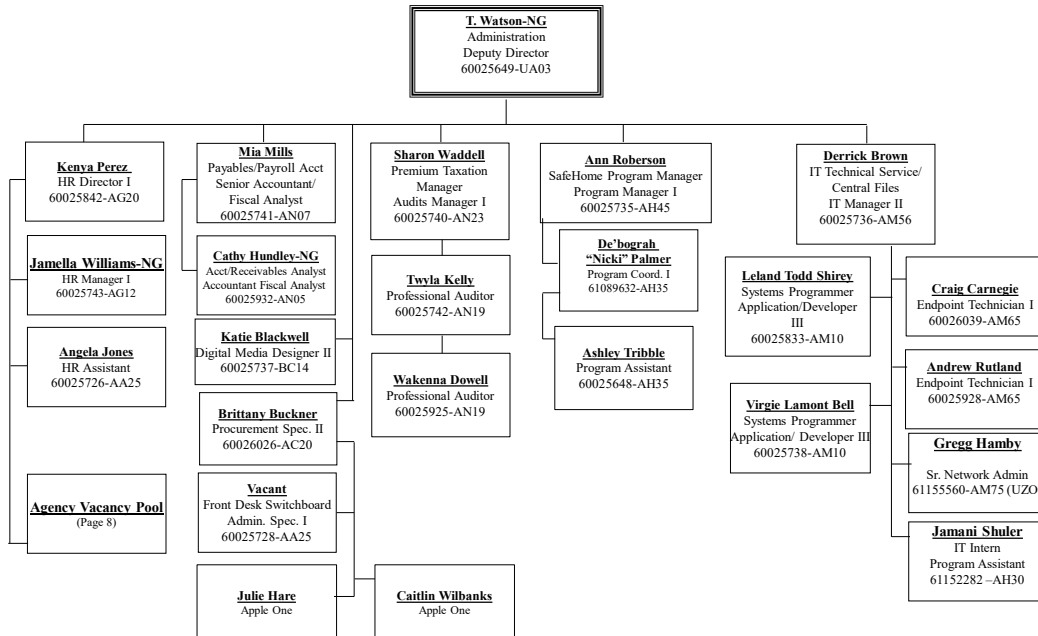
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This division provides human resource management for department personnel, monitors compliance with the department's policies and procedures, provides procurement and fiscal operations services, and maintains department records. Information technology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

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 Matching Grants: \$6,000.00
Sustainable Mitigation Award	Non-matching Grants: \$5,000.00 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:

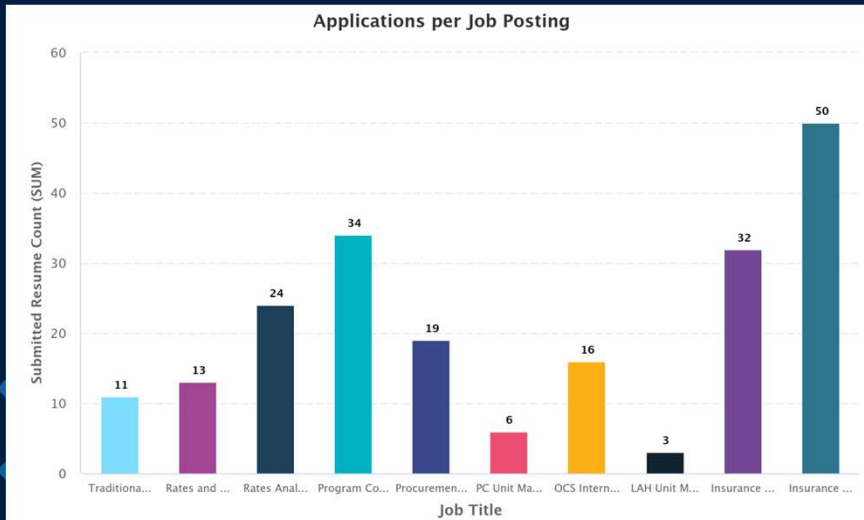
- Insurance companies including captives, producers, brokers, agents, premium tax preparers
- Vendors, homeowners, contractors, inspectors
- State agencies such as Comptroller General's Office, State Legislature, State Treasurer's Office, Human Resources, State Procurement, SC Revenue and Fiscal Affairs, 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

➤ Human Resources

January 2025 - May 2025



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
Totals	921,765,926.78

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%
Totals	1,077,668	156	9,946	0.91%	99.09%

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

05/14/2025 Tax Audits Completed Tracking Summary										% Complete:- 82.49%		1,573	1,907	742	786	2	43		
Current Date--> 05/14/2025										# of Companies Available for Audit: 178		9.33%	Error-->	0					
Audit Period										# of Companies Completed Filing: 1,707		89.51%	<-plus one fake co not marked for fig_cmpit						
Start 03/03/2025				# of Companies Processed Filing: 1,894		99.32%													
End 06/06/2025		Days Left		# of Companies Remaining: 334		17.51%	?? inactives or N/A												
# of Days 95		23																	
Auditor		Assigned		Completed		% Complete	% Work Days Done	% Ahead of Schedule (Behind) Ahead	# of Companies (Behind) Ahead										
[redacted]		936		742		79.27%	76.30%	2.97%	27.81		13 Not Filed/processed Companies								
		926		766		84.88%	76.30%	8.58%	79.44		Total Counts--> Balanced								
		2		2		100.00%	76.30%	23.70%	0.47		Completed Counts--> Balanced								
		43		43		100.00%	76.30%	23.70%	10.19										
Totals		1,907		1573		82.49%	76.30%	6.18%	117.91										
		Balanced																	

Administration's Metrics

➤ Taxation Calendar Year 2024 Premium Tax Audits

State's Recap--->	% 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							
								**					
First		Last		key_indvdl	phn_conta	txt_contact_email	num_tax_y	txt_email_address		From Jan thru Mar	From Apr thru Jun	From Jul thru Sep	From Oct thru Dec
					ct_phn_ex					1st Qtr Balance	2nd Qtr Balance	3rd Qtr Balance	4th Qtr Balance
					tn					(Credit) Owes	YTD (Credit)	(Credit) Owes	YTD Balance
										SCDOI	Owes SCDOI	Owes SCDOI	Owes SCDOI
Totals										233,516.60	16,940,352.27	16,940,352.27	16,940,352.27

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

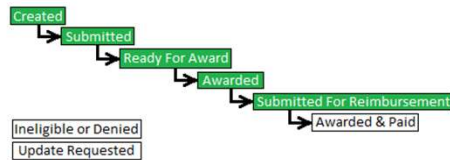
Email Address

Password

[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](#)

Retrofit Type: Resilient Roof Standards (Safe Home and IBHS)



Administration's Metrics

➤ Safe Homes – Online Portal

Assigned To	Task List	Action	Status	Other Information
Homeowner	Application	Edit	Complete	3/6/2025 11:44:39 AM ⓘ
Homeowner	Select Inspector	Change	Complete	Self ⓘ
Homeowner	Approve Home Survey Checklist	Edit	Complete	3/16/2025 4:00:59 PM ⓘ
Homeowner	Approve Recommended Improvements	Edit	Complete	3/17/2025 10:14:09 AM ⓘ
Homeowner	Elevation Certificate / Flood Policy	Upload	Complete	2 file(s) 📎
Homeowner	Proof of Income	Upload	Complete	2 file(s) 📎
Homeowner	Proof of Homeowners Insurance	Upload	Complete	1 file(s) 📎
Homeowner	County Tax Assessment	Upload	Complete	1 file(s) 📎
Homeowner	Request Contractor(s) Estimate(s)	Request	Complete	3/17/2025 12:19:14 PM ⓘ
Homeowner	Select Contractor	Change	Complete	<div></div> ⓘ
Homeowner	Approve Contractor Estimate	Edit	Complete	4/14/2025 9:15:44 PM ⓘ
Homeowner	Approve Reimbursement Form	View	Complete	4/30/2025 3:49:42 PM ⓘ

Administration's Metrics

➤ Safe Homes – Online Portal

Inspector To-do's

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

Contractor To-do's

Assigned To	Task List	Action	Status	Other Information
Contractor	Estimate of Work	<button>Upload</button>	Complete	1 file(s) 📎
Contractor	Signed Contract	<button>Upload</button>	Complete	2 file(s) 📎
Contractor	Building Permit	<button>Upload</button>	Complete	1 file(s) 📎
Contractor	Contractor Invoice	<button>Upload</button>	Complete	1 file(s) 📎
Contractor	Photographs of Retrofit	<button>Upload</button>	Complete	13 file(s) 📎
Contractor	Reimbursement Form	<button>Edit</button>	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
Grand Count	975

Partial Snapshot

Homeowner	Email	Address	County	Family Size	ADI	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		\$18,219.97							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 Pe	Awarded	04/23/2025	21
		Georgetown		1	\$134,657.00	Orion 180	\$6,000.00	\$6,000.00		\$12,879.00							Matching Fun Resilient Roof Standards (Safe Home and IBHS)	Awarded	05/05/2025	8

Administration's Metrics

➤ Information Technology

Unassigned										
ID		Summary	Assignee	Creator	Organization	Priority	Category	Status	Created	Updated
8494			Accept		SCDOI New Employee	Medium		open	11m ago	11m ago
8493			Accept		SCDOI Internal Help Desk	Medium	Unspecified	open	38m ago	38m ago
8488			Accept		SCDOI New Employee	Medium		open	3h ago	3h ago
8457			Accept		SCDOI Internal Help Desk	Medium		open	05/06/2025	05/06/2025
8450			Accept		SCDOI Internal Help Desk	Medium	Applications - TeamMate	open	05/05/2025	05/05/2025
7794			Accept		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!										

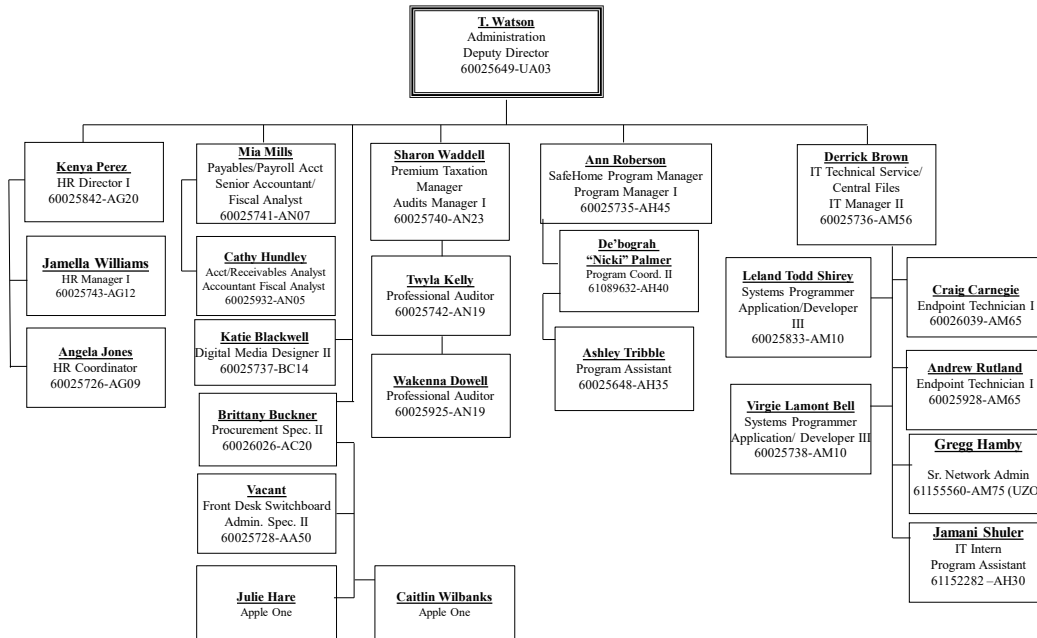
Current Calendar Year - >2025																					signed		Totals
Open	10	0	0	0	5	0	0	4	5	0	0	0	0	4	26								
Closed	82	4	24	0	1	46	0	81	26	105	0	2	0	21	296								
Total	92	4	24	0	6	46	0	85	31	105	0	2	0	26	422								
Percent	21.70%	0.94%	5.66%	0.00%	1.42%	11.32%	0.00%	20.05%	7.78%	24.78%	0.00%	0.47%	0.00%	5.90%	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.

How does your department forecast future human resource needs, and how is this forecast incorporated into agency budget requests or legislative priorities?

Are there specific classifications or positions within the agency that have remained difficult to fill or retain talent? What are the root causes?

How much of your training is conducted in-house vs. using external vendors or third-party providers?

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

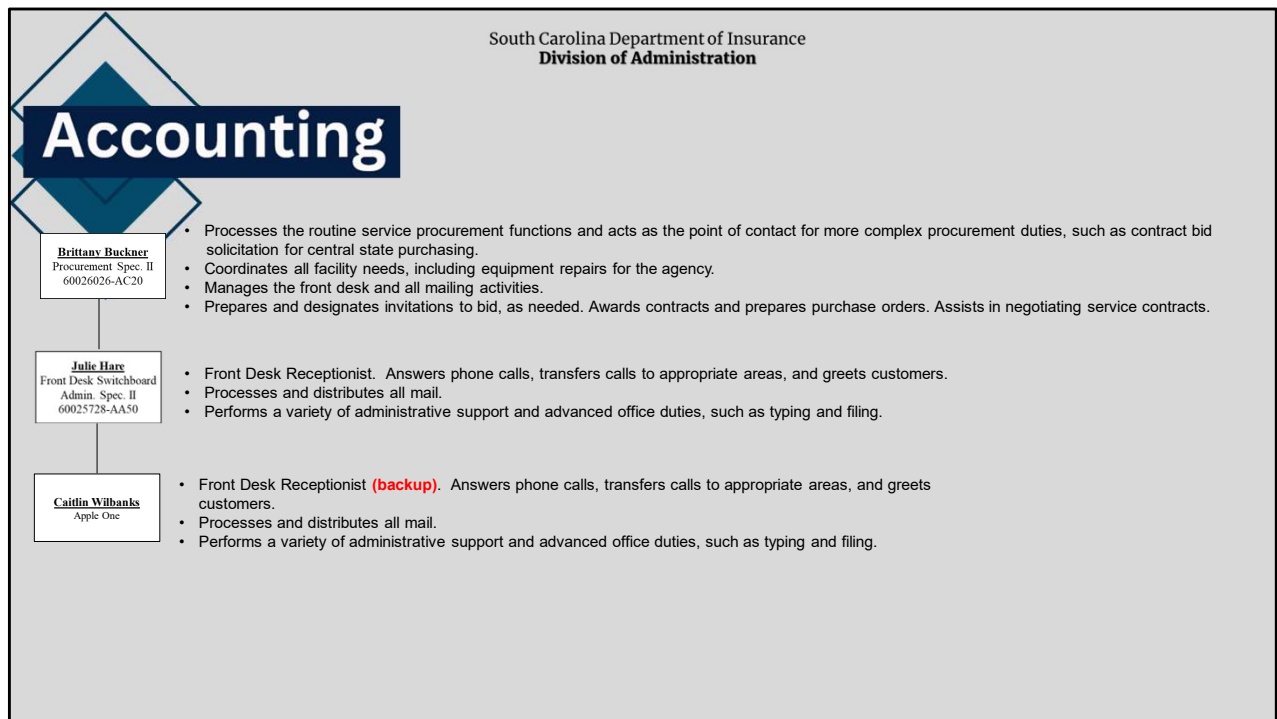
Digital Media Designer II
60025737-BC14

- 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.

What accounting discrepancies or reconciliation issues encountered in the past fiscal year and how they were addressed?

How does the agency evaluate the effectiveness of its financial messaging and engagement through digital communications?

Are there backlogs or delays in generating financial reports or processing financial transactions that could impact regulatory or operational timelines?



How often are procurement practices internally reviewed and what have been the results of any recent procurement audits?

Does the department conduct evaluations to assess vendor effectiveness and cost outcomes, post- contract?

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.

What internal controls exist to ensure that premium tax audits are thorough, unbiased, and properly documented?

What reports does the agency regularly generate regarding premium tax compliance, and are these shared with the General Assembly?

Have there been any significant statutory or regulatory changes in recent years that impacted the scope or methods of auditing insurance entities?

Safe Home

Ann Roberson
Safe Home Program Manager
Program Manager I
60025735-AH45

**De'borah
"Nick" 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.

What are the primary funding sources for the SC Safe Home Program, and has demand for grants exceeded available funding in recent years?

What criteria are used to determine grant eligibility and award amounts, and are there caps or limits based on homeowner income or location?

Does the program maintain a list of approved vendors, and how is contractor performance monitored or evaluated?

What is the average turnaround time from application submission to grant award, and how is that performance tracked and reported?

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

Jamari 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.

What specific measures are in place to secure the agency's systems, data, and digital infrastructure from cyber threats?

How is the Department monitoring the growth and availability of cyber insurance products in the South Carolina insurance marketplace?

What is the agency's current short- and long-term IT strategy, and how is it aligned with the Agency's overall mission and regulatory responsibilities?

Information Technology

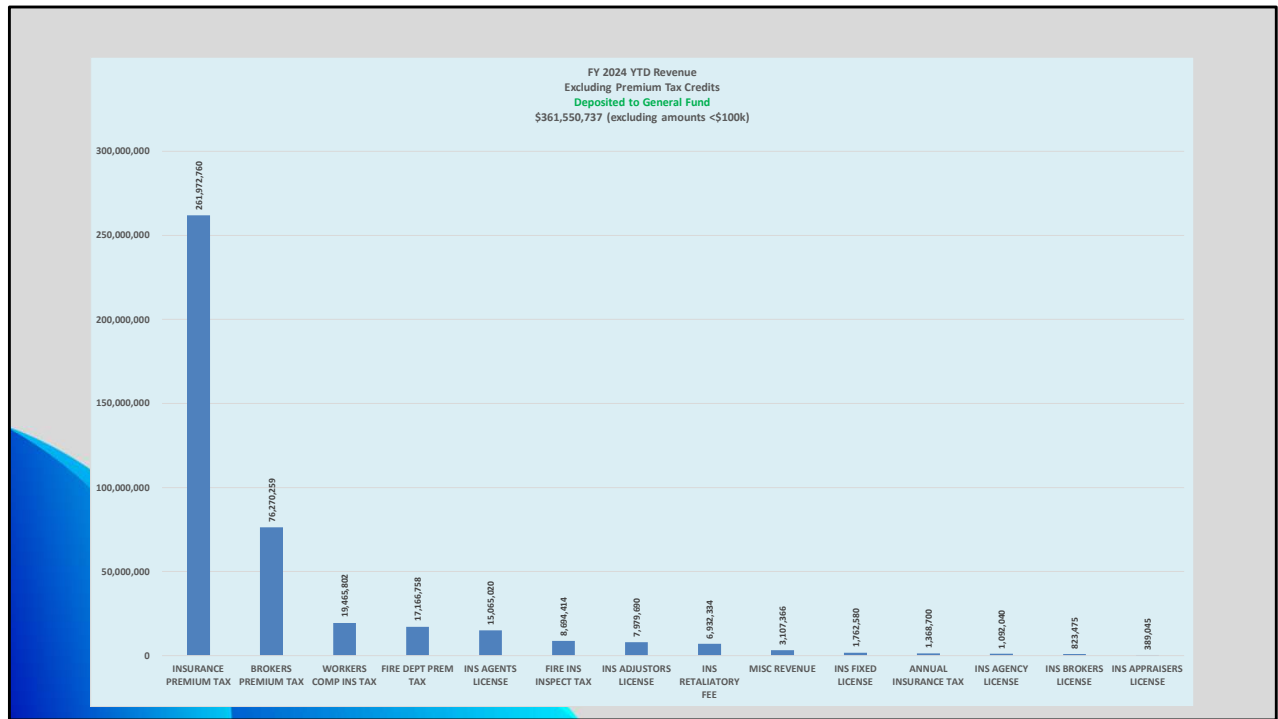
Leland Todd Shirey
Systems Programmer
Application/Developer
III
60025833-AM10

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

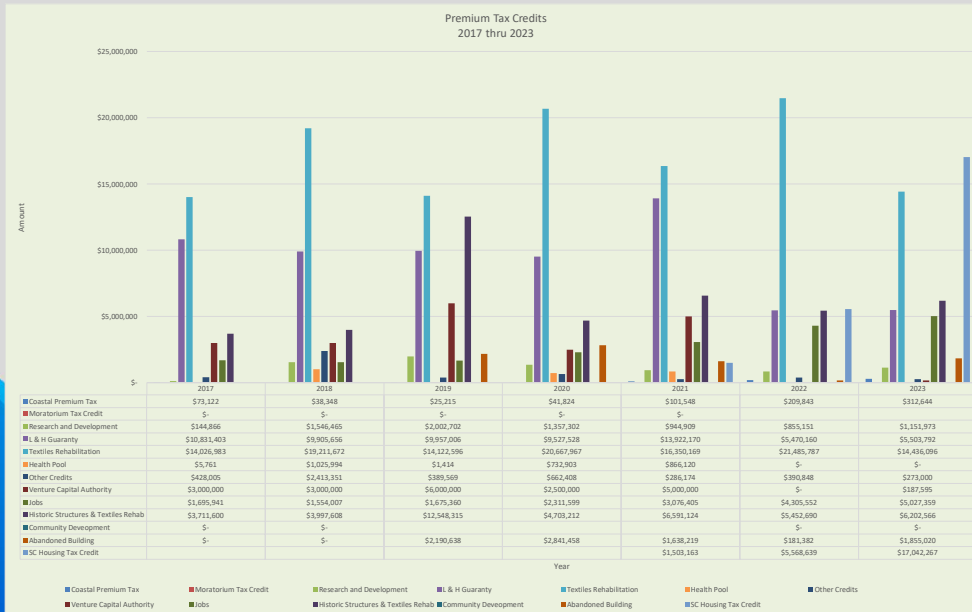
- Maintains applications and databases for the agency.
- Writes, tests, and documents complex computer programs.
- Follows all phases of the development life cycle in order to design, develop, test, deploy, and support complex applications.
- Follows standards and procedures for programming.
- Develops 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.



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



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: 2024 **Statement Color:** Yellow

Company Code: 100372 ... **Name:** [REDACTED]

Form: Property, Casualty, And Allied Lines Ins

Remarks: [REDACTED]

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

FY26 (3%)	\$231,892
FY25 (3%)	\$193,666
FY24 (3%)	\$187,508

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

Can you describe the primary functions or services the chatbot is currently providing to consumers and stakeholders?

How does the Department ensure appropriate human oversight in cases where the AI may provide incorrect or incomplete information?

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	Casualty Actuarial Society	11	<ul style="list-style-type: none"> • 6 Exams (Exams 1-6) • 2 VEE Credits: Corporate Finance and Economics • 2 Online Courses: <ul style="list-style-type: none"> o CAS Online Course 1: Risk Management and Insurance Operations o CAS Online Course 2: Insurance Accounting, Coverage Analysis, Insurance Law, and Insurance Regulation • CAS Course on Professionalism 		\$325 - \$400 / exam + study materials (Exams 1-4) \$625 / exam + study materials (Exams 5-6) \$580 (Online Course 1) \$840 (Online Course 2) \$30 / VEE admin fee + VEE costs (if applicable) \$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	Society of Financial Examiners	4	<ul style="list-style-type: none"> • 4 Exams: <ul style="list-style-type: none"> o AFE1 Life and Health Insurance Fundamentals o AFE2 Property and Liability Insurance Fundamentals o AFE3 Life and Health Insurance Accounting o AFE4 Property and Liability Insurance Accounting 	<ul style="list-style-type: none"> • Imposes education and experience requirements <ul style="list-style-type: none"> 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. o If none of the above, a bachelor's from an accredited college/university with successful completion of certain courses • Experience: be an ins. dept. employee or contractor with 2 continuous yrs experience as a financial examiner 	Must be a General Member in good standing of SOFE. \$200 per exam	120 hours each 3-year cycle. Minimum 20 hours per year.	\$3,000 base salary	\$750	
AIAP	Association in Insurance Accounting and Finance	The Institutes	4	4 Exams: AIAP 114 - Insurer Accounting Management AIAP 115 - Insurer Risk and Capital Management PCU 520 - Insurance Operations PCU 540 - Finance and Accounting for Insurance Professionals Ethics 311 or 312 (Choose One)		1st Test- AIAP 114- Insurer Accounting Management- \$167 AIAP 115 - Insurer Risk and Capital Management- \$167 PCU 520 - Insurance Operations- \$175 PCU 540 - Finance and Accounting for Insurance Professionals- \$175 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 (assignments, coaching, formal training)	MANAGER'S ROLE (or involvement of others, if applicable)	MEASURES	TARGET DATES/ MILESTONES	EVALUATION RESULTS (6/30/YE) (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? Goal 1:	How does this help the division or Department meet its needs?	What steps will I take to achieve this? Remember to use SMART 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 2:						
Goal 3:						
Goal 4:						

Are there any metrics or follow-up processes that measure the long-term impact of these evaluations on overall agency performance?

What is the success rate of the “Yearly Individual Development Plan” for measurable improvements in employee performance and goal achievement?

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

What role do supervisors and managers play in supporting and monitoring the execution of the Knowledge Transfer Plan?

How frequently does leadership receive updates on the progress and challenges of the Knowledge Transfer Plan?

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 [REDACTED] 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

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.

Insurer Licensing

See Chapter 5

Rate Regulation

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

Business entities

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

Consumer Services

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



Mission of the SCDOI

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.



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

Role	
General Counsel	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.
Associate General Counsel	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.
Assistant General Counsel	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

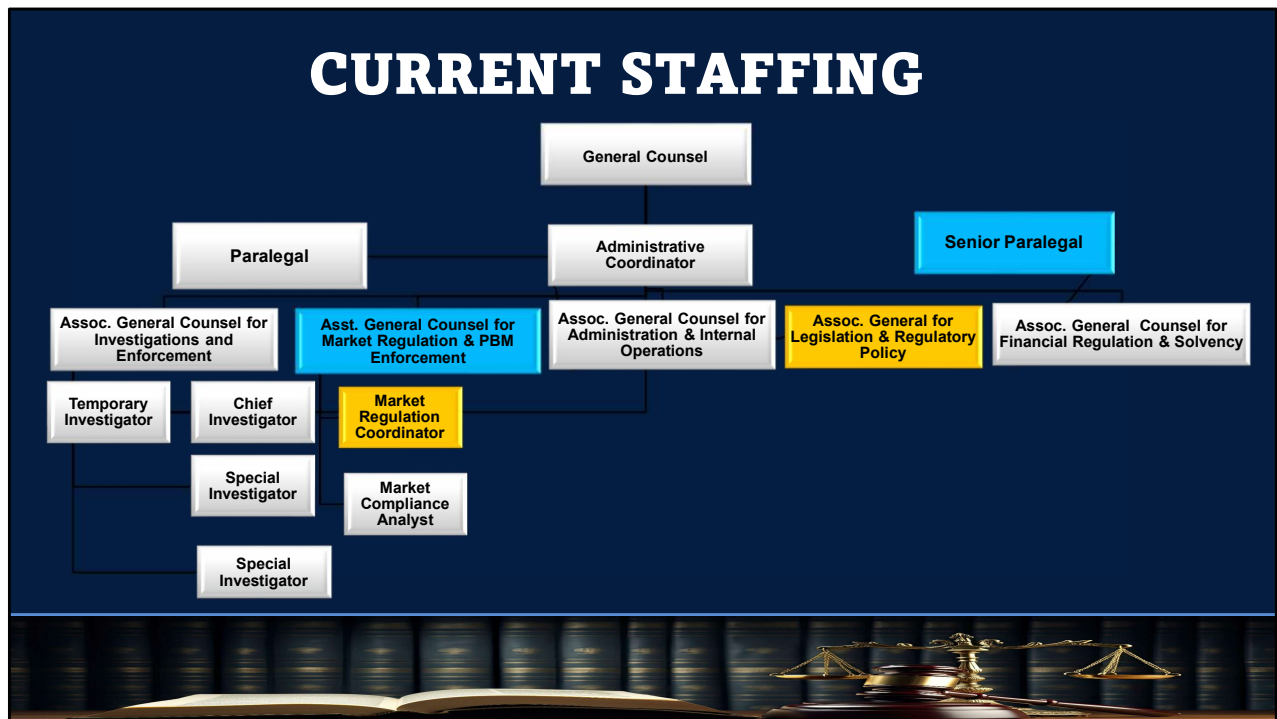
Goal 4: Serve as a resource for informed decision making and creative problem solving to facilitate the Department's mission.

- 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.

What strategies are used to identify emerging legal risks and proactively address them before they lead to compliance violations?

What methods does the Division use to stay informed on evolving state and federal insurance laws and regulations?

How often is legal training provided, and is participation mandatory for certain roles or areas of responsibility?



How many vacancies are there in your division? And how many of these positions are Attorney positions?

How long have these positions been vacant and how many are currently posted?

How have these vacancies impacted the agency's ability to conduct its statutory duties?

RESPONSIBILITIES CHART

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

RESPONSIBILITIES CHART

<ul style="list-style-type: none"> Develop training and guidance for investigator members of the Office of Legal, Legislative and Regulatory Affairs. Identifies and mitigates risks to the Department by providing relevant legal advice and business focused solutions. Provide back-up coverage to other attorneys within the office as assigned. Maintains confidentiality in handling sensitive information and documents. 	<ul style="list-style-type: none"> Maintain confidentiality in handling sensitive information and documents. Provide training and awareness program on data privacy as assigned. Provides monthly statistical reports on work performed for the Office and attaches supporting documentation. Maintains the confidentiality in handling sensitive information and documents. Provide back-up coverage to other attorneys in the office as assigned by the General Counsel. 	<ul style="list-style-type: none"> Monitors legislative activities and political developments to provide accurate and timely information to clients. Assists with the drafting of regulatory and Department policy. Supervises the process for review and approval of Department policy, procedures and guidelines. Maintains official copies of all SCDOI policies. Responsible for managing the promulgation of insurance regulations. 	<ul style="list-style-type: none"> Serves as advice counsel to Actuarial Services and Product Regulation. Handles troubled company and insurance receivership issues. Provide legal counsel and advice on financial examinations. Maintains the confidentiality in handling sensitive information and documents. Provide back-up coverage to other attorneys in the office as assigned by the General Counsel.
Chief Investigator <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. The Chief Investigator works under the general supervision of counsel.</p> <p>This position:</p> <ul style="list-style-type: none"> 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. 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 	Market Regulation Analyst <ul style="list-style-type: none"> 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. Reviews and audits random samples various types of property and casualty (P&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 		

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RESPONSIBILITIES CHART

<p>statements, and supporting documentation;§</p> <ul style="list-style-type: none"> • 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.† • reports monthly on the investigative actions taken by the SCDOI.† • may refer criminal allegations to the Attorney General's Office, SLED or where warranted in accordance with South Carolina law; and† • assists with special projects as assigned.† 	<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"> • 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. § • 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. § • Assist with reviews of insurer compliance with the South Carolina Insurance Data Security Act; maintain records of the Department's actions and follows up with insurers on request for information as needed. § 			
Investigators	Market-Conduct Coordinators			
<ul style="list-style-type: none"> • 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. § 	<ul style="list-style-type: none"> • Serve as the Collaborative Action Designee (CAD). Supervise the Market Regulation Analyst. Overall review of market and timely assessment required. § • Directs and manages the staff regarding Market Regulation in South Carolina; all NAIC Market Regulation guidelines are met; compliance with NAIC Core 			

RESPONSIBILITIES CHART

<ul style="list-style-type: none"> → 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.† 	<p>Competencies: Level 1 and Level 2 reviews are completed in a timely manner; Market Conduct Annual Statement data has been.†</p> <ul style="list-style-type: none"> → 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.† → Assigns 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.† 			
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State Investigator

Director



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"> • Retirements • Voluntary Resignations 	3
2021-2022	5	<ul style="list-style-type: none"> • Retirements • Voluntary Resignations 	3
2022-2023	6	<ul style="list-style-type: none"> • Retirements • Voluntary Resignations 	2
2023-2024	8	<ul style="list-style-type: none"> • Retirements • Voluntary Resignations 	2
2024-2025	8		1



What steps are being taken to ensure the Division has a talent pipeline in place to respond to upcoming retirements or turnover?

Has the hiring process for this Division been evaluated for efficiency in the past three years? If so, what improvements have been implemented?

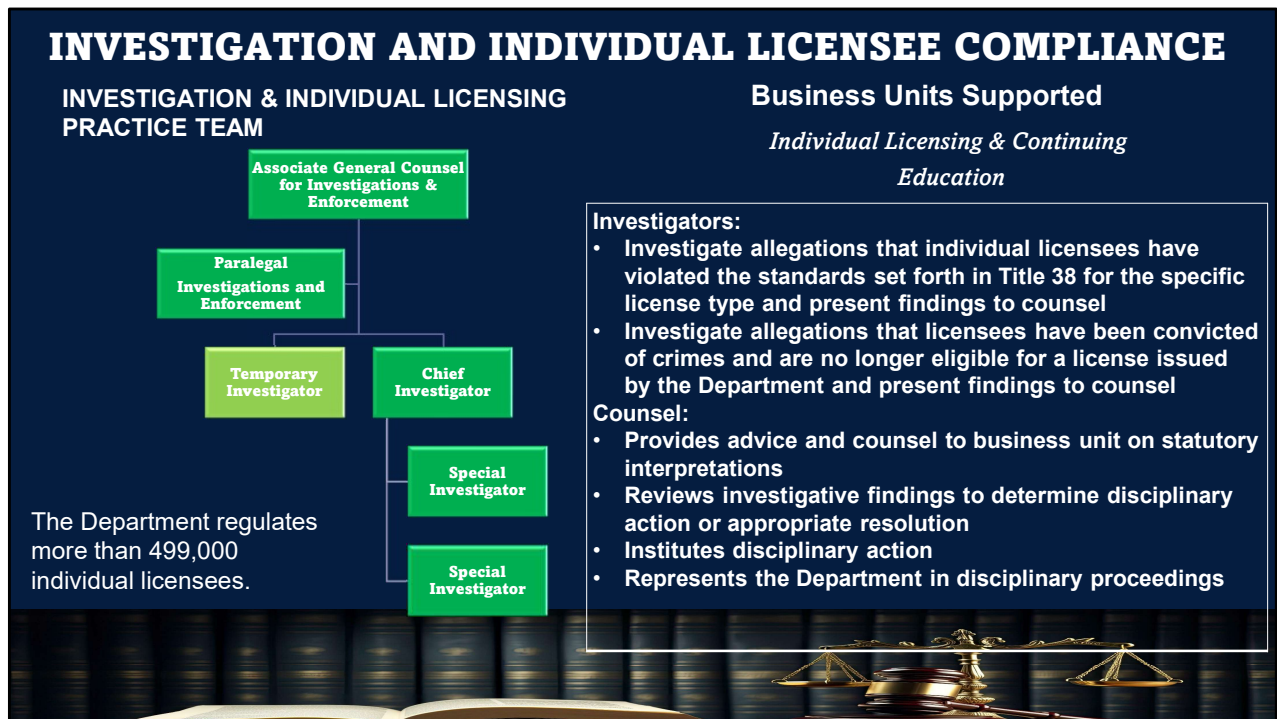
Does the agency participate in legal career fairs, clerkship programs, or state bar initiatives to build awareness of career opportunities?

OVERVIEW OF PRACTICE AREAS AND TEAMS





What steps are you taking to modernize or streamline legal review process and stated practice areas?



With over 499,000 individual licensees regulated by the Department, how does the agency ensure adequate staffing and resources for effective oversight and investigations?

What is the average caseload per investigator, and how has that changed in recent years as the number of licensees has grown?

INVESTIGATIONS AND INDIVIDUAL LICENSEE COMPLIANCE

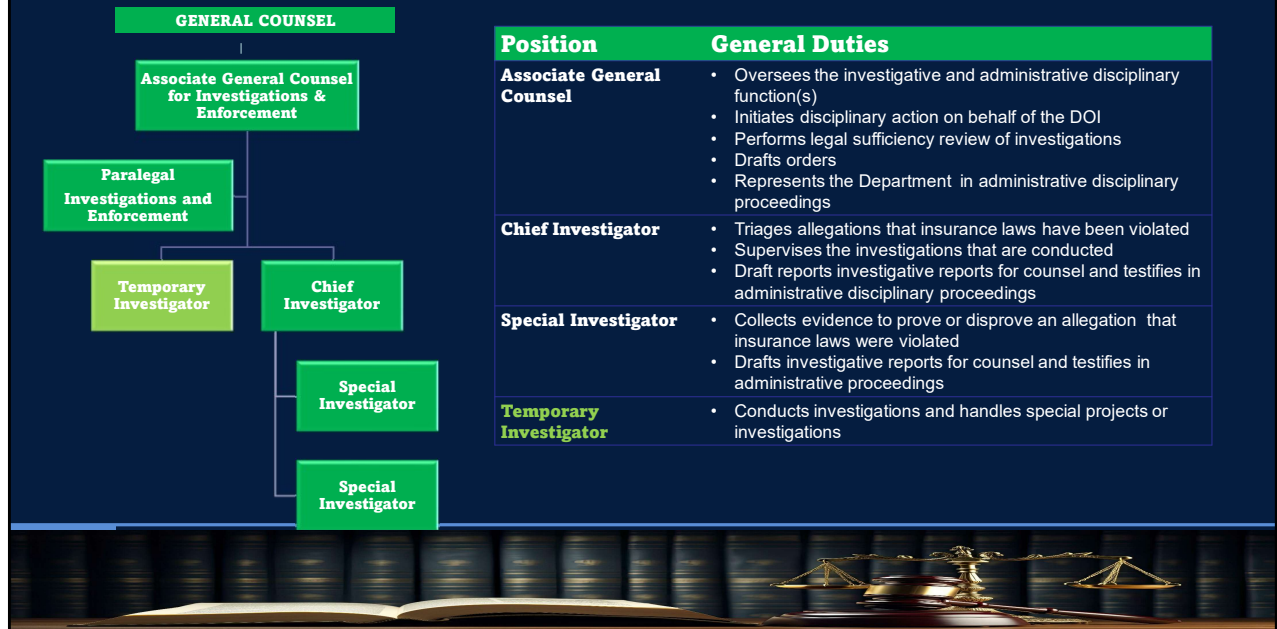
	Strategic Objective(s)	Target Assessment Date
Goal 1	Conduct independent and objective investigations of licensees alleged to have violated the laws of the state of South Carolina and institute administrative disciplinary action where appropriate	June 30 th
Goal 2	Complete the investigation of the majority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

What challenges have impacted the ability to consistently meet the 75% investigation timeliness target, and what corrective actions have been implemented?

What specific technologies or tools are being used to support investigations, including case tracking, data analysis, and management?

What are some objectives to the newly developed training and mentoring plan? And how do you see this plan being implemented?

INVESTIGATIONS AND INDIVIDUAL LICENSEE COMPLIANCE



Can you describe the typical timeline from the conclusion of an investigation to the drafting and issuance of disciplinary orders?

What process does the Chief Investigator use to triage incoming allegations to determine which cases warrant a full investigation?

What training or qualifications are required for Special Investigators to conduct complex investigations of insurance law violations?

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

What constraints are contributing to the length of investigations or the number of open files?

What improvements or innovations are being considered to enhance the efficiency and impact of the investigative and disciplinary process?

What trends, if any, can be identified from the types of disciplinary actions taken, and how do these trends inform future enforcement strategies?

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



How has the division used historical data to identify areas for improvement in complaint investigations, and what actions have been or will be taken to address those areas?

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.



How often does the division review and update its regulatory policies to reflect changes in the insurance market or state 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



Can you describe Market Conduct Examinations?

What steps have been taken to enhance market regulation resources within the Department, and how successful have procurement efforts been in securing necessary examination resources?

What is the status and expected timeline for cross-training investigators to perform market regulation work, and how does this benefit the division?

What progress has been made in hiring an attorney to assist with market regulation activities, and what specific roles will this attorney fill?

SCDOI Divisions with a Market Regulation Mission

Individual Licensing & Consumer Services	Actuarial Services	Product Regulation
Total Staff: 16	Total Staff: 4	Total Staff: 10
Primary Responsibilities:	Primary Responsibilities	Primary Responsibilities
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 	<p>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.</p>



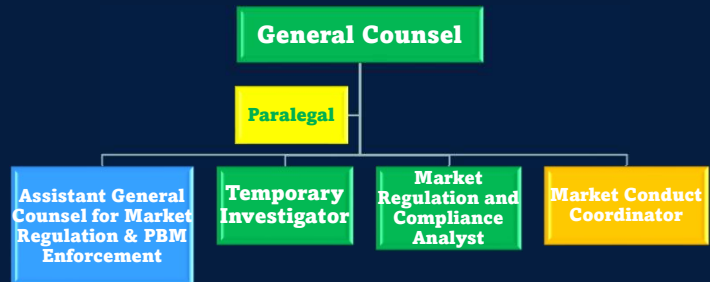
MARKET REGULATION AND COMPLIANCE TEAM

Organizational Structure

Business Units Supported

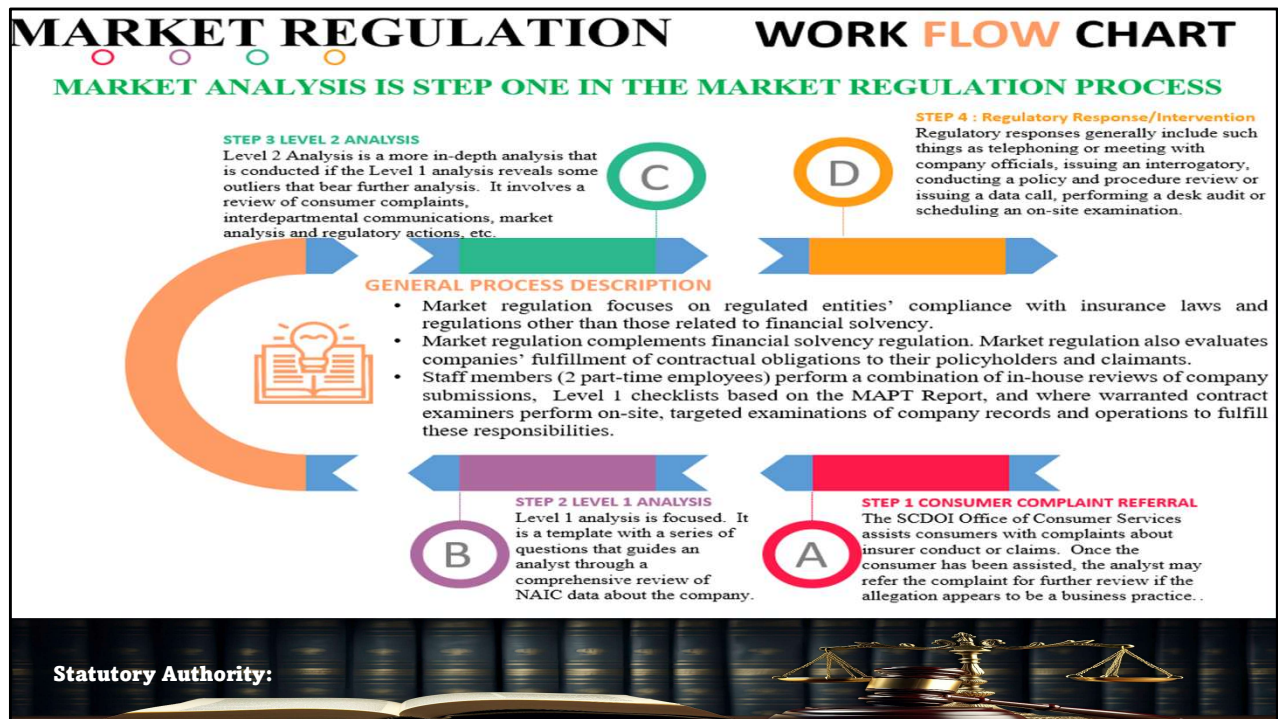
- Office of Consumer Services (Referrals)
- Financial Analysis (Referrals)
- Financial Examinations (Referrals)
- Product Regulation (Referrals)

- 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.

What internal review processes exist to ensure that investigations and market analyses are consistent, objective, and compliant with NAIC standards?



How does the Department evaluate the effectiveness of its market regulation analysis annually or across multi-year periods?

Are trends identified through market analysis or investigations used to make enforcement priorities, or consumer protection initiatives?

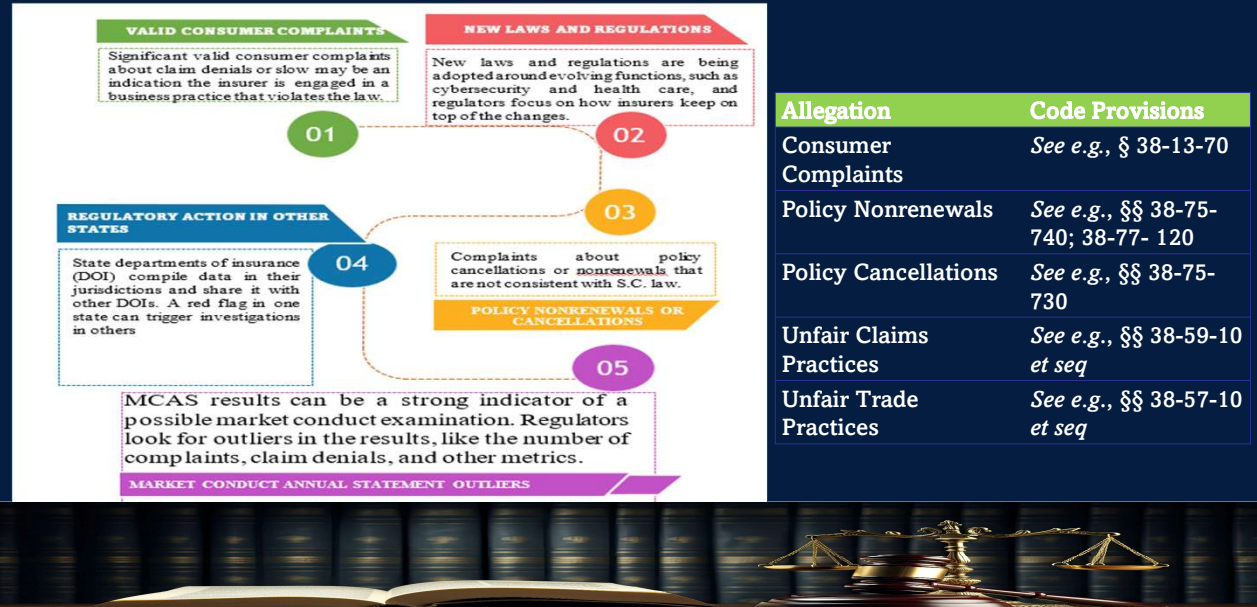
How frequently are insurers subject to market analysis reviews? Is there a risk-based rotation or trigger-based review cycle?



How often are full scope examinations conducted and how long does the examination process typically take?

MARKET REGULATORY ACTION

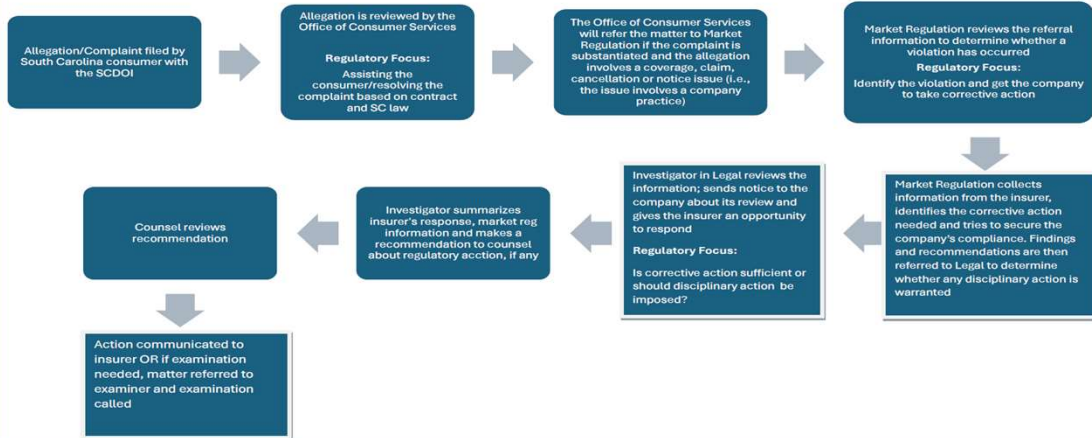
POTENTIAL INDICATORS



When it comes to Market regulatory action, which is the most frequent of the potential indicators?

MARKET REGULATORY ACTION

Market Regulation Investigations Flow Chart (Consumer Referrals)



MARKET REGULATION

5-YEAR PERFORMANCE HIGHLIGHTS

Company Name	Year	Action
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	No Regulatory Penalty
American Association of Insurance Services			
American Family Life Assurance of Columbus (AFLAC) and Affiliates	2/12/18	\$8,293	Regulatory Settlement Agreement
Ameriprise / Riversource Life Insurance Company & Affiliates		\$19,452	
Allstate Life Insurance Company & Affiliates	7/18/2019	\$2,496	Regulatory Settlement Agreement
Great West Life & Annuity Insurance Company and Affiliates	7/18/2019	\$6,953	Regulatory Settlement Agreement
Protective Life Insurance Company	2/12/18	\$4,530	Regulatory Settlement Agreement
State Farm Life Insurance Company & Affiliates	2/12/18	\$4,635	Regulatory Settlement Agreement
Securian Life Insurance Company & Affiliates	9/26/16	\$13,212	Regulatory Settlement Agreement
Hartford Life and Accident & Affiliates	9/26/16	\$27,333	Regulatory Settlement Agreement



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	Regulatory Settlement Agreement
ING Life Insurance and Annuity Company and Affiliates	9/30/2013	\$82,621.04	Regulatory Settlement Agreement
Nationwide Insurance Company and Affiliates	10/10/2012	\$48,893	Regulatory Settlement Agreement
New York Life Insurance Company & Affiliates	12/3/13	\$185,893	Regulatory Settlement Agreement
Prudential Insurance Company of America	2/2/12	\$236,266	Regulatory Settlement Agreement

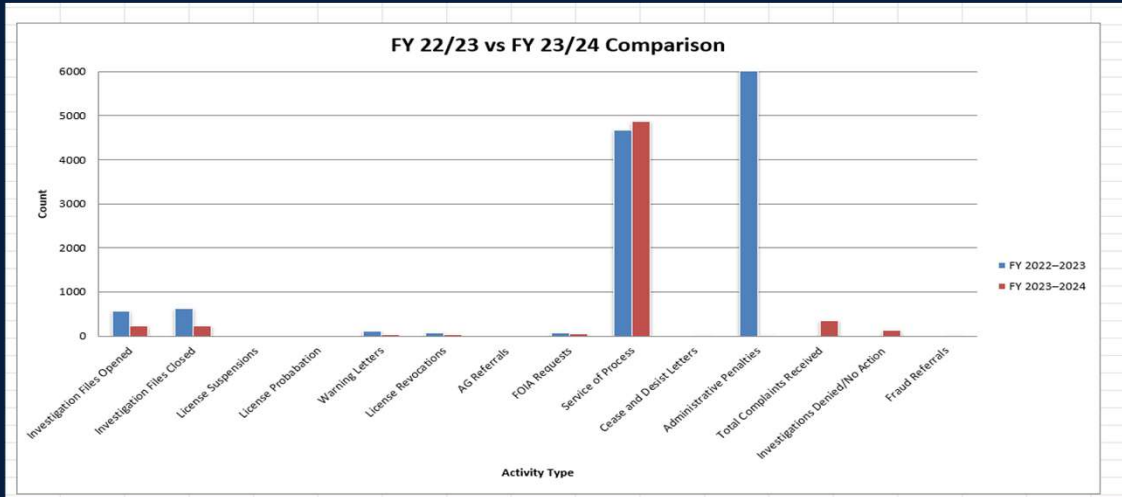


Performance Snapshot

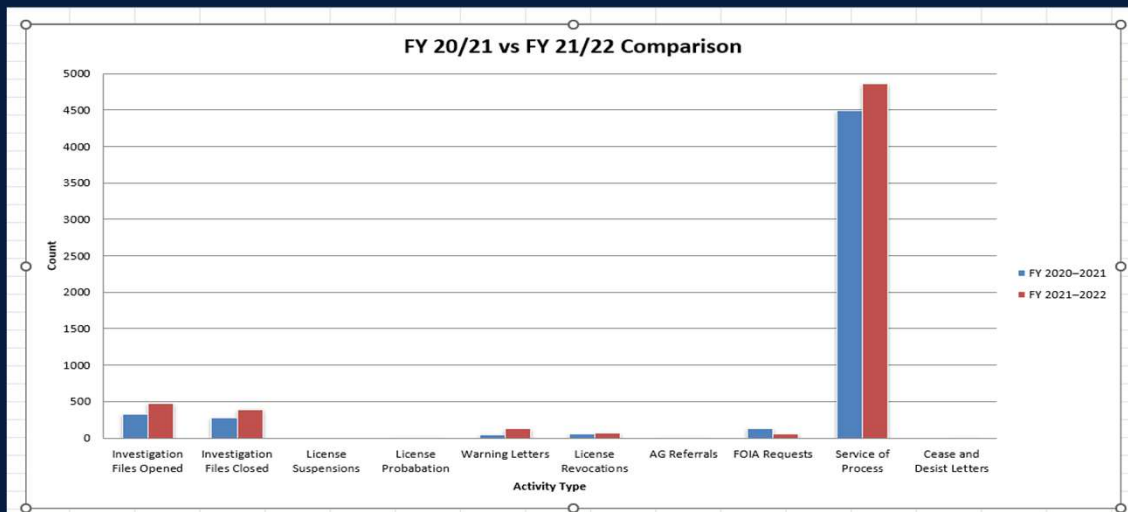
Activity	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
License Suspensions	0	0	0	2	7
License Revocations	22	28	66	71	56
Administrative Fines & Penalties Collected	\$1,594,340	\$66,250	\$1,327,225	\$55,866	\$1,458,472
Other Fees Collected (Receiverships)	\$103,048 (TIS)	\$54,724,553 (Consumers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



Performance Snapshot



Performance Snapshot



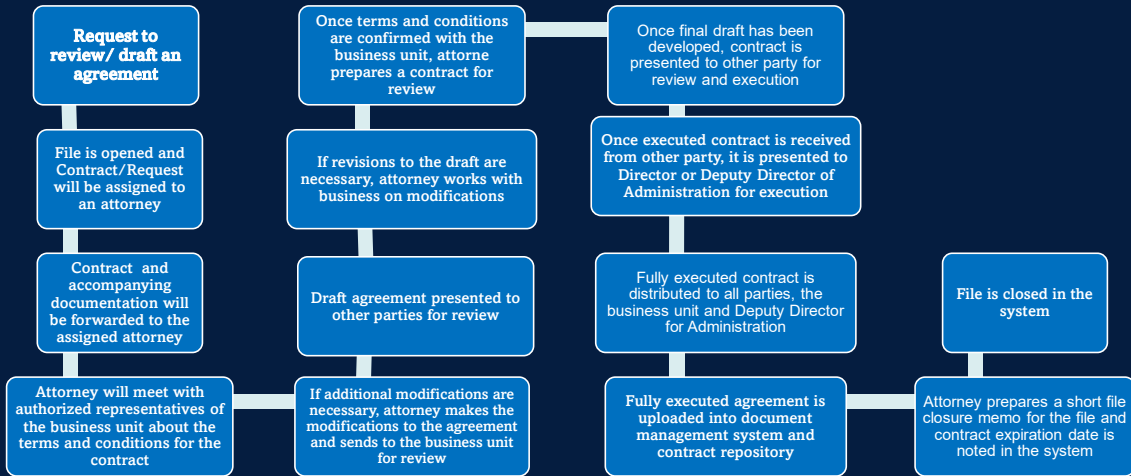
OVERVIEW OF PRACTICE AREAS



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
Contracts Reviewed	2	5	5
Contracts Drafted	11	6	
Requests for Qualifications	1	1	1
MOA b/w State Agencies	1	1	1

To what extent does the Office of General Counsel modify or redraft proposed contracts from external parties? Is there a threshold or criteria used to determine when full redrafting is necessary?

What types of independent contractor agreements are most commonly reviewed by the Office of General Counsel?

Is there a formal training or guidance program for business units on when and how to involve legal counsel in procurement and contracting processes?

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

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.

Code Provision

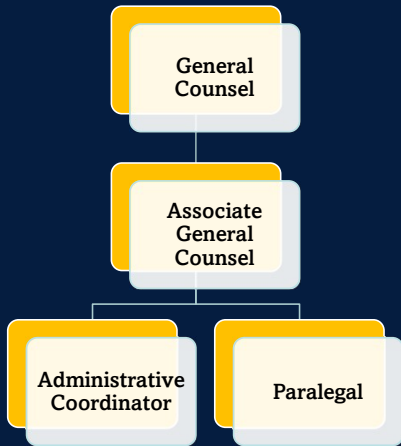
38-5-70	...every insurer shall appoint in writing the director [of the Department of Insurance] to be its lawful attorney upon whom all legal process and action or proceeding against it must be served.
15-9-270	...provides that the summons and any other legal process in any action against it must be served on an insurance company as defined in <u>Section § 38-1-20</u> by delivering two copies of the summons or other legal process to the Director of the Department of Insurance.



On average, how many lawsuits or service of process filings does the Department handle per month or year on behalf of insurers?

Are insurers required to confirm receipt of legal documents once they are forwarded by the Department? If not, would implementing such a protocol help improve accountability?

SERVICE OF PROCESS TEAM

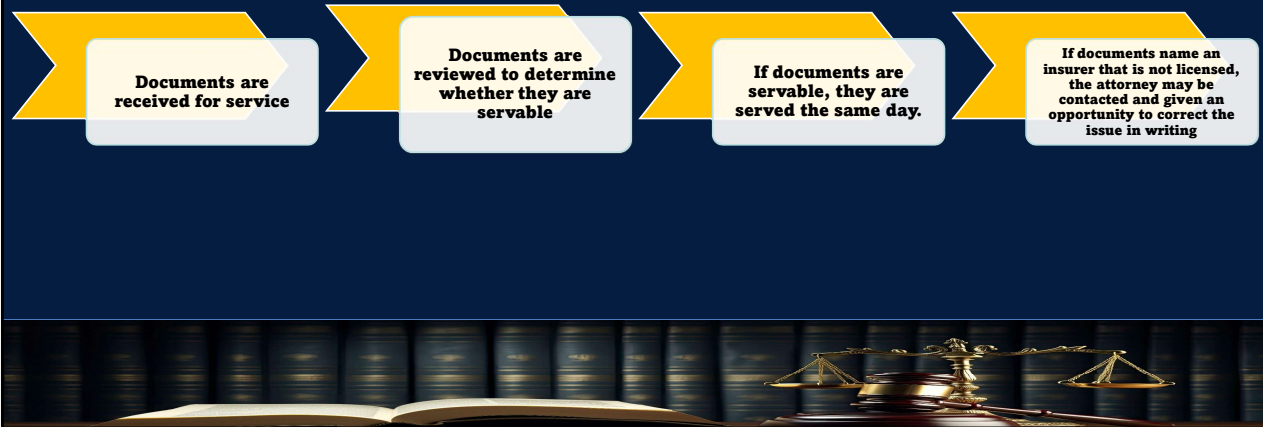


Role	Function
Administrative Coordinator	<ul style="list-style-type: none"> Receives and processes the pleadings in accordance with SC law Serves documents approved by counsel
Associate General Counsel	<ul style="list-style-type: none"> Supervises the process Reviews the processed documents to ensure they comply with applicable SC law and signs the correspondence accepting the documents for service
Paralegal	<ul style="list-style-type: none"> Backs up the Administrative Coordinator as needed

Does the associate general counsel provide routine training or written guidance for the administrative coordinator and paralegal on evolving legal standards or procedural updates?

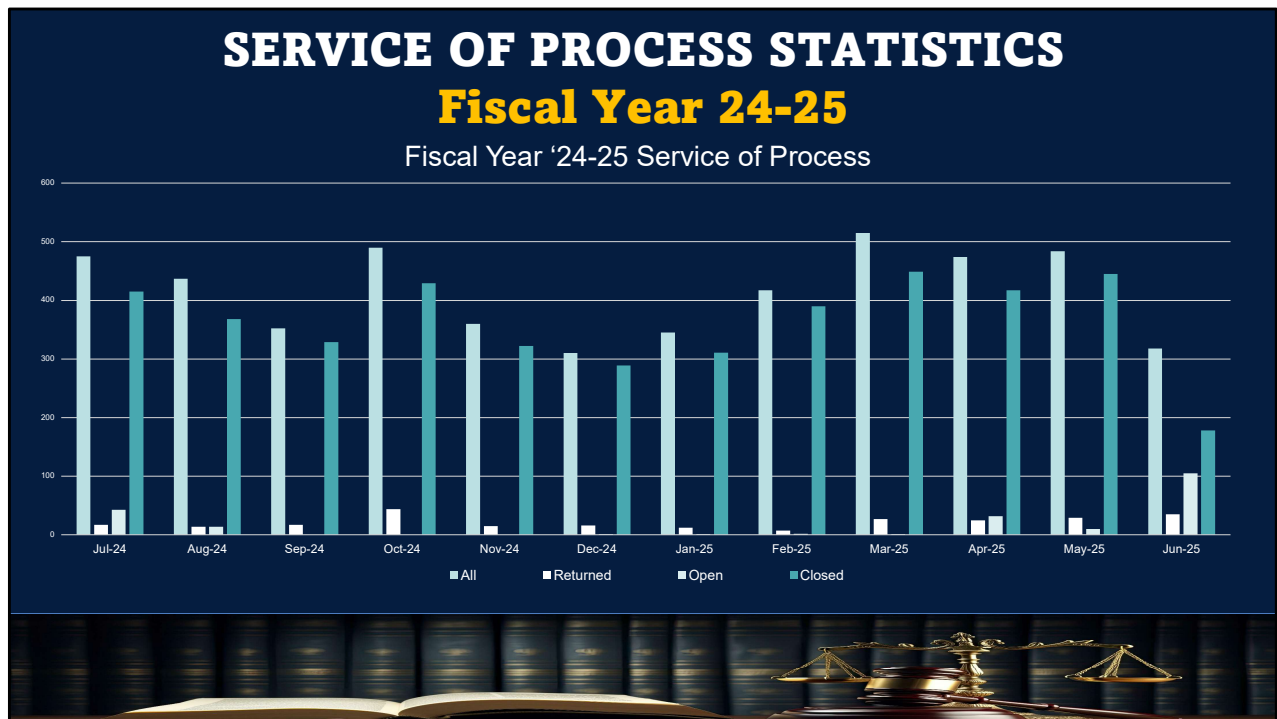
How frequently is the paralegal cross-trained to step in, and are there written standard operating procedures to ensure continuity when coverage is needed?

SERVICE OF PROCESS WORKFLOW



Of those involving non-licensed insurers, how many were corrected and resubmitted by attorneys after notification from the Department?

How often is the workflow chart or process reviewed or updated to reflect changes in law, caseload, or best practices?

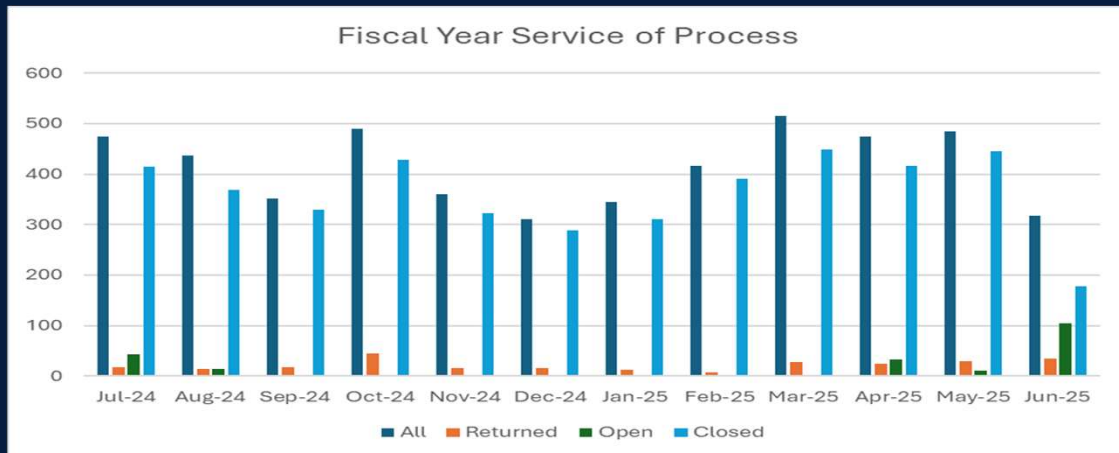


Are service of process statistics regularly reviewed internally for quality assurance or process improvement?

How does the Department use these statistics to inform decisions about staffing, technology needs, or process redesign?

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

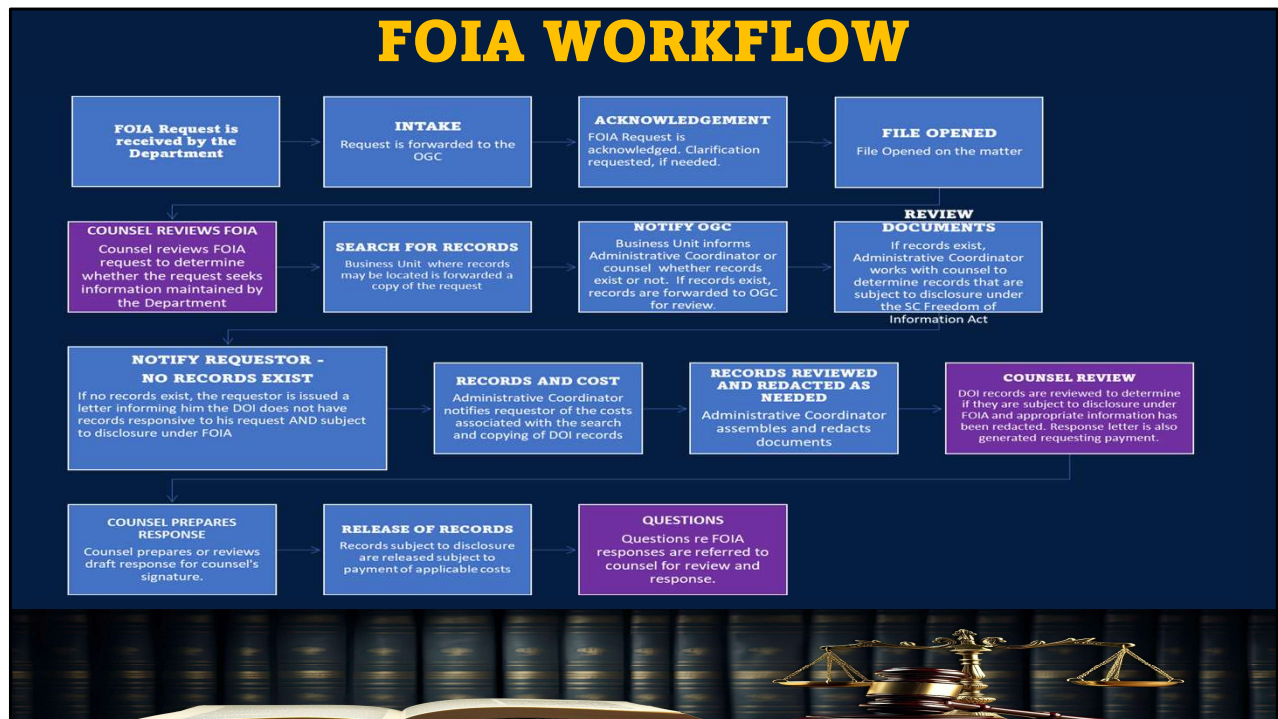
FOIA Requests Received, Processed and Pending

Fiscal Year	Total No# Received in FY	Total No# Processed in FY	Total Number Denied due to Exemption	Requests Pending 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

What are the most common exemptions cited when denying FOIA-requested information?

Does the Department publish frequently requested documents or datasets proactively to reduce repetitive FOIA requests?

What are some reasons as to why FY25 has an increase in requests, compared to the previous years?



Has the Department been subject to litigation related to FOIA denials or delays in the past 3 years? If so, what were the outcomes?

SUBPOENA STATISTICS

Subpoena Requests Received, Processed and Pending

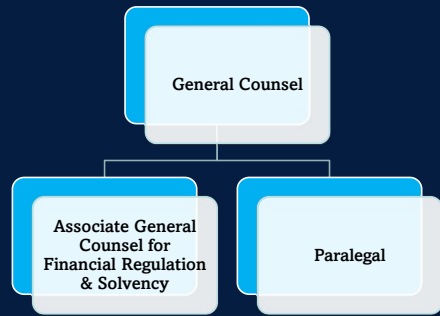
Fiscal Year	Total No# Received in FY	Total No# Processed in FY	Total Number Denied/Motion to Quash	Requests Pending at Year End
2025	2	0	2	1
2024	1	1	0	1
2023	6	5	1	0
2022	4	0	1	0
2021	3	0	1	0



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

How does the Department ensure consistency across states when advising companies on multi-state licensing efforts?

Are there common legal errors or misunderstandings insurers or their counsel make when submitting Forms A through F? Has the Department provided any public-facing guidance to address this?

Has the legal team identified any statutory or regulatory gaps that limit the Department's ability to properly oversee holding companies, re-domestications, or major corporate transactions?

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

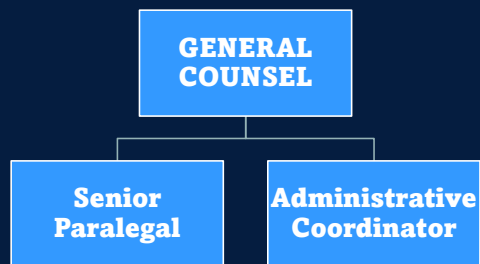
Receivership Name	Docket Number	Date Opened	Date Closed
SCIC/CAIC, In Receivership	05-CP-40-01230	3-21-2005	1-30-2025
Commercial Truckers RRG, In Receivership	01-CP-40-3146	9-21-2001	8/2013
CARRG, In Receivership	2007-CP-40-5987	November 1, 2007	11-29-2017
Jamestown	2012-CP-40-6360	September 24, 2012	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

What is the current status of securing permission to post or fill the Legislative Counsel position, and what has caused any delay in the hiring process?

How does the Department currently monitor legislation at the state and national levels in the absence of a dedicated Legislative Counsel?

Given the policy-heavy nature of this position, What qualifications or experience is required?

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 CSR 44-6 Doc. No. 4931, 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.

Has there ever been a comprehensive, top-down review of the Department's regulations and policies to assess their continued relevance or alignment with current industry practices and standards? If so, when was it last conducted and what were the results?

Has the Department communicated to the General Assembly any proposed changes or recommendations for repealing or updating outdated statutes or regulations? If so, can you provide examples?

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 09-74 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.		

How does the Department prioritize which regulations should be reviewed, updated, or repealed? Are there specific criteria used, such as industry feedback, enforcement challenges, or NAIC model law updates?

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 Training, the Department is conducting the following Leadership Training Series to ensure our growing staff and knowledge of our management team.

Title	Brief Description	Presented (Date)	Audience
Employee Orientation: Overview of Insurance Regulation	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 3/7, 6/2, 9/1 and 12/1 or the next available date as needed.	All new employees
SCDOI Policy Overview: JGR Policies	This session provides an overview of the Department's JGR 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 16, 2025 Fri 11:00 Time: 11 am-2pm	All Employees
Employment Law Basics 101-1: Understanding Supervisors/Manager Roles and Responsibilities	This presentation provides an overview of the rules 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 Fri 11:00 Time: 11 am	Supervisors and Managers
Employment Law Basics 101-2: What Managers Need to Know About Employment Law	This presentation provides an overview of state and federal laws governing the employment relationship. (Estimated length: 1.5-2 hours)	June 4, 2025 Fri 11:00 Time: 1:30 pm	Supervisors and Managers

SCDOI

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



One of the stated functions, is to reduce the agency's risk of legal liability, What types of legal risks are most common or most significant for the Department?

What improvements or updates to the agency's legal risk management approach are currently being considered or implemented?

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



Has the Department explored partnerships with law schools, graduate programs, or professional associations to build a recruitment pipeline into public regulatory law?

What efforts are underway to leverage technology to preserve institutional knowledge, especially as experienced staff retire or transition?

What support does the Division need from the General Assembly to better address these challenges and position itself for future success?

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

Captives Financial Analysis

Supervising Fin. Examiner (1) - Vacant

Supervising Financial Analysts (2)

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

Financial Examiners (4)

Financial Analysts (5)

Financial Analysts (6*)

Administrative Coordinator (1)

*One in Charleston Office

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

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

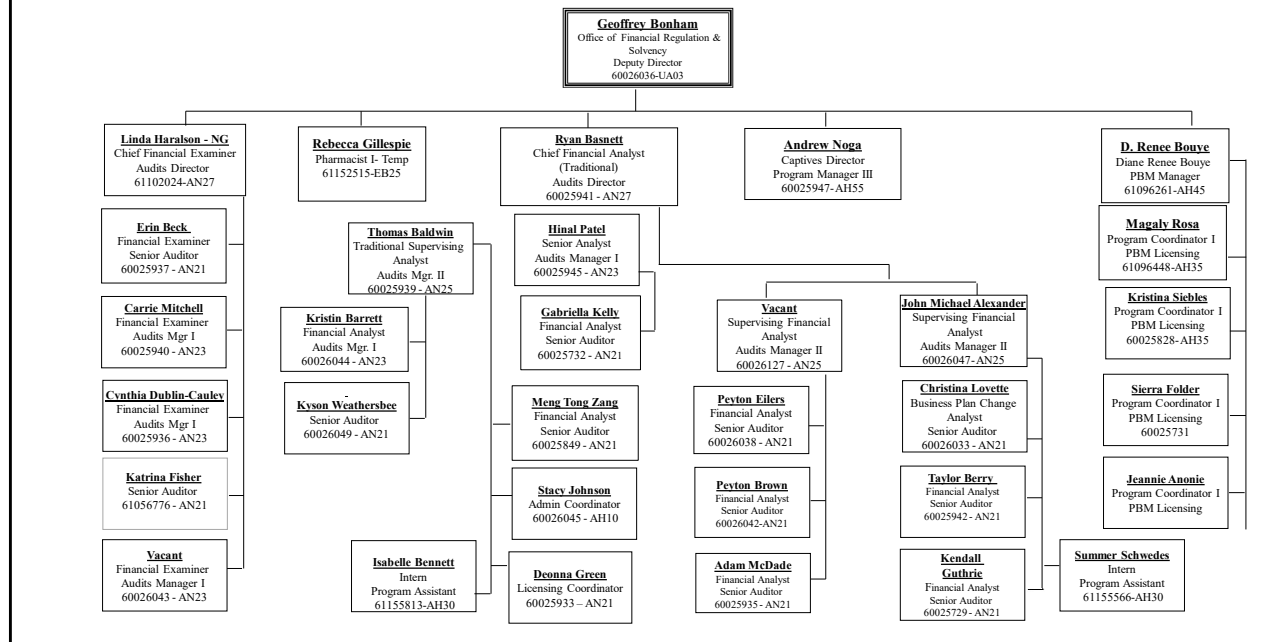
Manager- Renee Bouye

Pharmacist – Rebecca Gillespie, Pharm. D.

Insurance Analyst (1)

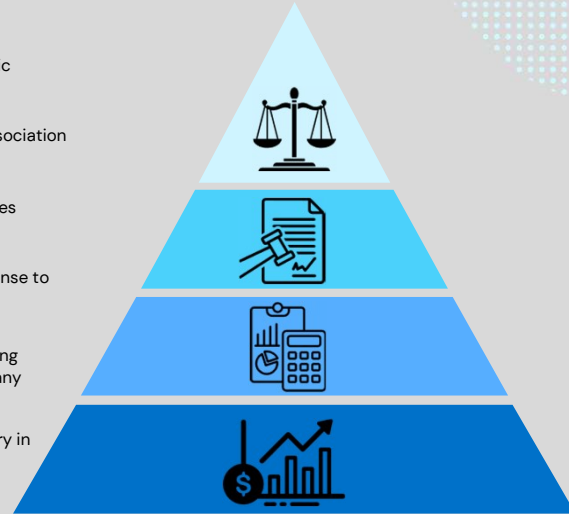
Program Coordinator (3)

**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



Has the Division conducted any outreach or education efforts to increase awareness of solvency issues among consumers or industry stakeholders?

Are there policy or statutory changes under consideration to make South Carolina even more competitive as a captive insurance domicile?

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”).

How does the Division monitor for potential conflicts between South Carolina insurance statutes and emerging federal laws or regulations that may touch on the insurance industry?

Has the Department conducted any internal assessments or legal reviews to test the durability of its regulatory framework in the face of potential federal legal challenges?

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.



How does the lack of a Federal standard in insurance laws affect consumers, particularly those moving across state lines or dealing with insurers licensed in multiple states?

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**

In what ways has participation in the NAIC helped South Carolina ensure consistency with national regulatory standards while maintaining state sovereignty?

Has the Department encountered any challenges in aligning South Carolina statutes or regulations with evolving NAIC accreditation standards?

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).

How does the Department prepare for the five-year NAIC accreditation inspection process? Is there a dedicated team assigned to this effort?

What improvements or changes has the Department implemented since the 2021 accreditation renewal to strengthen readiness for 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**.

How does the Department define “unsound condition” or “hazardous to the general public” in practical terms? Are there internal thresholds or financial indicators that trigger such reviews?

Has the Department proposed any legislative changes in recent sessions to strengthen or clarify its powers under these sections?

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.

How are adverse findings from financial condition exams, market conduct exams, audit reports, or actuarial opinions used in determining whether an insurer is in a hazardous condition?

What public disclosures or notifications are required when the Department determines an insurer is in a hazardous condition?

What thresholds or escalation procedures are in place when insurers repeatedly fail to meet statutory financial or holding company filing requirements?

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.

What is the filing schedule for RBC reports, and what mechanisms does the Department use to verify that the financial data submitted by insurers is reliable and complete?

Given that RBC formulas differ for life, property & casualty, and health insurers, how does the Department ensure consistent oversight across these sectors while accounting for their unique risk exposures?

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 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.

How often do insurers operating in South Carolina fall below the RBC safety threshold of 200%?

If a company's RBC falls below 70%, the law says the Director *must* take control. Has that ever happened in South Carolina? If so, what did the Department do?

What steps does the Department take to protect policyholders when it has to take over an insurer?

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.

Does the Department believe current statutory investment limits are sufficient to protect policyholders in a more unpredictable financial environment?

Given the increasing complexity and unpredictability of financial markets, has the Department assessed whether current investment standards still provide sufficient protection for policyholders?

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.

How does the Department keep the General Assembly informed of major solvency issues uncovered through financial examinations?

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.

What tools or technologies does the Department use to manage the examination process and document submissions to ensure statutory deadlines are met?

How does the Department verify that insurers take corrective action following adverse examination findings or required modifications?

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.



How are insurers engaged throughout the examination process to ensure that findings are understood and that corrective action is achievable?

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.

How does the Department communicate to the public or policyholders that insurance companies operating in South Carolina have undergone thorough financial examinations?

How does the phased examination process ultimately serve to protect South Carolina policyholders?

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.

Are there established procedures guiding when and how analysts and examiners should coordinate during the examination process?

How does the Department measure the effectiveness of this risk-focused approach in identifying and mitigating financial risks?

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.

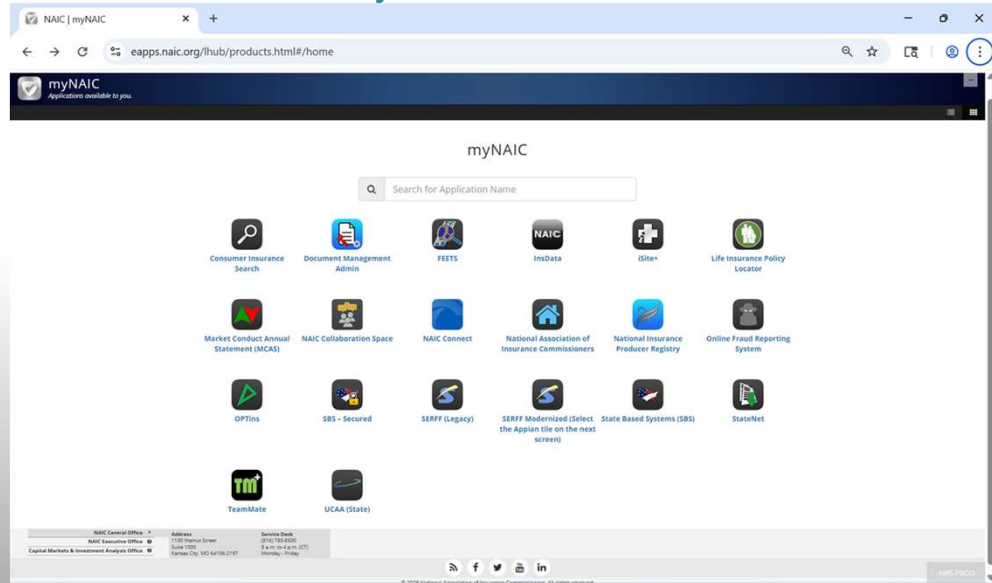
Insurance Retrieval Information System (IRIS)

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.

How does the Department of Insurance utilize NAIC Financial Regulation Tools in its day-to-day regulatory oversight of insurers licensed in South Carolina?

What training or technical assistance does the Department provide to staff to ensure they are using NAIC financial tools effectively?

myNAIC Gateway to NAIC Financial Tools



I-Site Plus - Company/Firm Rep

istepius.naic.org/siteUI/faces/pages/Home.xhtml#_ga=1.187224424.1575720748.1748954609

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

ABOUT HELP Geoffrey

iSite+ Company/Firm Reports

Welcome Tools Bulletin Board Applications Preferences

Company List

0 of 8 Companies Selected

Company Name

No records found.

(1 of 1)

200 Companies per page

Report Categories

Company

Company Demographics

Compliance

Analyst Notes

Audit Trail

Filing AIA Glance

Validation Exceptions

Financial

Filing PDFs

Form F

Live Reports

Pick A Page

Financial Analysis / Examination

Combined Filing Visualization

Financial Exam Electronic Tracking System

RIS Worksheet

IT Technology Summary

Jumpstart

Loss Reserves

Permitted Practices for Accounting

Profiles

RBC Estimation Tool

Scoring

Snapshotted Investment Summary

Licensing

Customized Licensing Report

Licensing Report

Market Analysis

Complaints

Complaints Count Analytics (Tableau)

Complaints Index Analytics (Tableau)

MAIF - 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 Live Reports

MCAS Pick A Page

MCAS Pick A Page - Visualization

MCAS Validation Exceptions

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Monday - Friday

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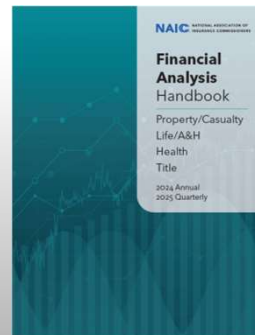
NAIC Financial Analysis Handbook

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):

T	Increasing ↑			
r	Static ↔			
e	Decreasing ↓			
n		No/Minimal Concern	Moderate Concern	Significant Concern
d				

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.

How does the Department ensure that the timelines outlined in the Financial Analysis Master Status Report are consistently met by analysts and supervisors?

What internal controls or quality assurance measures are in place to monitor the accuracy and timely updating of the Master Status Report?

Financial Analysis Master Status Report

Traditional Insurers - 4th Quarter 2024 Analysis										Analyst Review					Supervisor Review				
Company Name	NAIC C	Anal	Int	Single	Super	Final Pr	Book Start	Budget Comp	# Bu	Acti	Superv	Completion and Informed	# De	Plann	Rev	Rev	# Days		
			Pre	St		Pr	Start	Da			Da	Da		Da	Da	Da			
KB				M	TB		03/07/25	03/22/25	13	03/07/25	03/22/25	13	04/18/25	04/18/25	04/18/25	04/18/25	Completed in 11 days		
KB				M	TB		03/28/25	04/17/25	17	04/01/25	04/17/25	13	04/28/25	04/28/25	04/28/25	04/28/25	Completed in 13 days		
KB				M	TB		04/18/25	04/22/25	6	04/18/25	04/28/25	7	05/18/25	05/18/25	05/18/25	05/18/25	Completed in 11 days		
KB				M	TB		04/28/25	05/08/25	9	04/28/25	05/14/25	11	05/30/25	06/02/25	06/02/25	06/02/25	Completed in 19 days		
KB				S	TB		05/19/25	05/20/25	7	05/19/25	05/21/25	5	06/08/25	06/10/25	06/10/25	06/10/25	Completed in 20 days		
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	04/08/25	04/08/25	04/08/25	04/08/25	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	04/28/25	04/28/25	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	04/18/25	04/18/25	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	05/06/25	05/06/25	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	05/12/25	05/12/25	Completed in 18 days		
KW				M	TB		04/23/25	05/03/25	7	04/24/25	05/08/25	9	05/21/25	05/21/25	05/21/25	05/21/25	Completed in 17 days		
KW				S	TB		05/06/25	05/22/25	12	05/21/25									
KW				S	TB		06/06/25	06/11/25	3										
KW				S	KB		06/19/25	06/19/25	3										
GK				M	HP		03/19/25	03/27/25	8	03/19/25	03/28/25	13	05/11/25	04/16/25	04/16/25	04/16/25	Completed in 19 days		
GK				M	HP		03/28/25	04/03/25	7	03/27/25	04/10/25	11	04/28/25	04/28/25	04/28/25	04/28/25	Completed in 19 days		
GK,HP				M	TB		04/08/25	04/18/25	9	04/08/25	04/24/25	13	05/13/25	05/13/25	05/13/25	05/13/25	Completed in 18 days		
GK,HP				M	HP		04/24/25	05/05/25	8	04/24/25	05/07/25	9	05/14/25	05/18/25	05/18/25	05/18/25	Completed in 9 days		
GK				M	HP		05/09/25	05/15/25	5	05/08/25	05/16/25	6	05/21/25	05/20/25	05/20/25	05/20/25	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	06/02/25	06/02/25	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	5/26/2025	7	05/20/25	06/03/25	7					4 days left to review		
DR				S	TB		06/06/25	06/17/25	4	06/06/25									
DR				S	KB		06/17/25	06/19/25	3										
DR				S			06/20/25	06/22/25	3										
HP				M	RB		03/19/25	04/11/25	25	03/11/25	04/13/25	24	04/14/25	04/14/25	04/14/25	04/14/25	Completed in 1 days		
HP				S	RB		04/11/25	04/23/25	11	04/15/25	04/23/25	9	04/23/25	04/28/25	04/28/25	04/28/25	Completed in 3 days		
HP				S															
CZ,TB				M	HP		3/10/2025	3/28/2025	13	3/11/2025	4/1/2025	16	04/01/25	4/21/2025	4/21/2025	4/21/2025	Completed in 20 days		
CZ,TB				M	HP		4/2/2025	4/11/2025	8	04/01/25	04/13/25	11	04/18/25	05/05/25	05/05/25	05/05/25	Completed in 20 days		
CZ,TB				M	HP		4/16/2025	4/18/2025	5	04/11/25	04/14/25	10	04/15/25	05/08/25	05/08/25	05/08/25	Completed in 14 days		
CZ				M	HP		4/24/2025	5/8/2025	9	04/24/25	05/06/25	9	05/13/25	05/14/25	05/14/25	05/14/25	Completed in 8 days		
CZ				S	HP		05/06/25	05/12/25	4	05/07/25	05/13/25	4	05/15/25	05/28/25	05/28/25	05/28/25	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	06/06/25	06/06/25	Completed in 11 days		
CZ				S	HP		05/20/25	05/23/25	6	05/20/25	05/23/25	6	05/30/25	06/03/25	06/03/25	06/03/25	Completed in 8 days		
CZ				S	HP		05/28/25	06/06/25	7	05/28/25	06/08/25	9	06/11/25				4 days left to review		
CZ				S	HP		06/09/25	06/14/25	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 SCDOL, 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.

What are the main advantages of SAP's more conservative approach when it comes to protecting South Carolina policyholders?

What are the risks if an insurance company underestimates its liabilities, and how does the Department guard against this?

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.

What steps does the Department take when a company's surplus starts to decline or falls below expected levels?

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).

Are there any recent trends in the types of insurers applying for licenses in South Carolina (e.g., new lines of business, out-of-state carriers, etc.)?

How does the Department maintain transparency and accountability in its licensing decisions, particularly for first-time entrants to the South Carolina market?

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.

How frequently has the Department had to use Administrative Supervision in recent years?

Under what conditions, if any, is information about a supervised insurer shared with policyholders, the public, or other regulatory agencies?

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 (LRRA), 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 LRRA.
- 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)

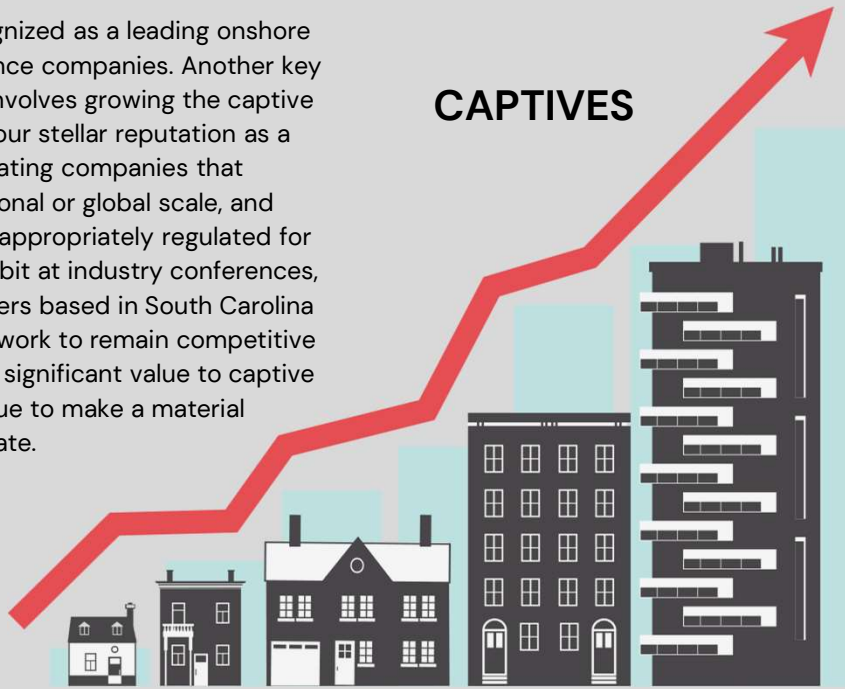
Risk Retention Groups:

- 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



South Carolina is described as a leading onshore domicile for captive insurers. What specific factors contribute to the state's strong reputation in this area?

How does South Carolina remain competitive with other states that are also aggressively courting captive business?

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.

How does the Department monitor or audit the performance and compliance of captive managers listed on its approved roster?

How does the Department evaluate and adapt to changes in the national or international captive landscape to keep South Carolina competitive?

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

What are the types of industries or business sectors that tend to favor specific captive types?

What outreach efforts are made to attract high-value captives, that could have a greater economic impact on the state?

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:

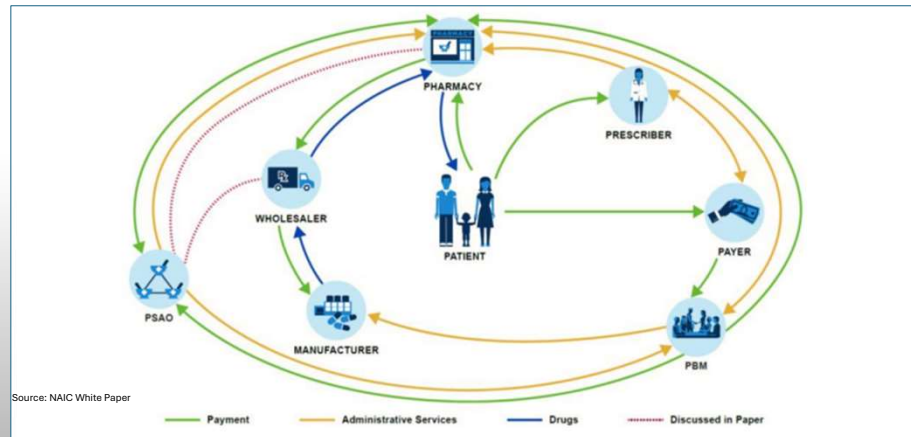
- Formerly, risk retention groups or industrial insured captive insurance companies were to be examined at least once every five years, and "whenever the director determines it to be prudent," while captive insurance companies that were not a risk retention group or industrial insured captive insurance 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.

A hand holding a tablet in front of a pharmacy shelf. The shelf is filled with various boxes of medicine. The text is overlaid on the left side of the image.

Pharmacy Benefits Managers and Pharmacy Services Administrative Organizations

A “Simplified” Illustration of the Pharmaceutical Distribution Chain



How does PBM activity in the distribution chain impact the final out-of-pocket costs to patients and reimbursement rates to pharmacies?

What protections are in place for pharmacies in rural or underserved communities that face challenges in the drug supply chain?

Are there examples where lack of coordination between PBMs, health plans, and pharmacies has resulted in gaps in access for South Carolina patients?

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.

Does the Department maintain a public registry or transparency portal of currently licensed PBMs and PSAOs?

What does a typical PBM or PSAO examination entail, and how long does the process usually take?

Are pharmacy provider complaints or audit disputes used to inform which entities are selected for examination?

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.

Are the outcomes of PBM-related external reviews shared publicly?

How does the Department ensure that both PBMs and IROs are complying with the amended regulation and acting in good faith during disputes?

**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

Has the Department issued any penalties or initiated disciplinary proceedings against a PSAO since the regulation took effect?

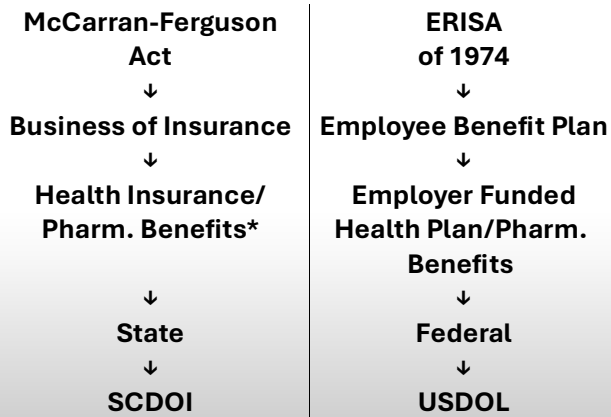
A Word About Preemption

- 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.

Can you provide examples of how federal preemption has limited or overridden South Carolina’s insurance laws or regulations in recent years?

What specific challenges has the Department faced due to ERISA’s preemption of certain state laws regarding employee benefit plans?

**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

Can the Department speak to how it fosters a culture of team growth and employee engagement in a high-turnover or competitive market?

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

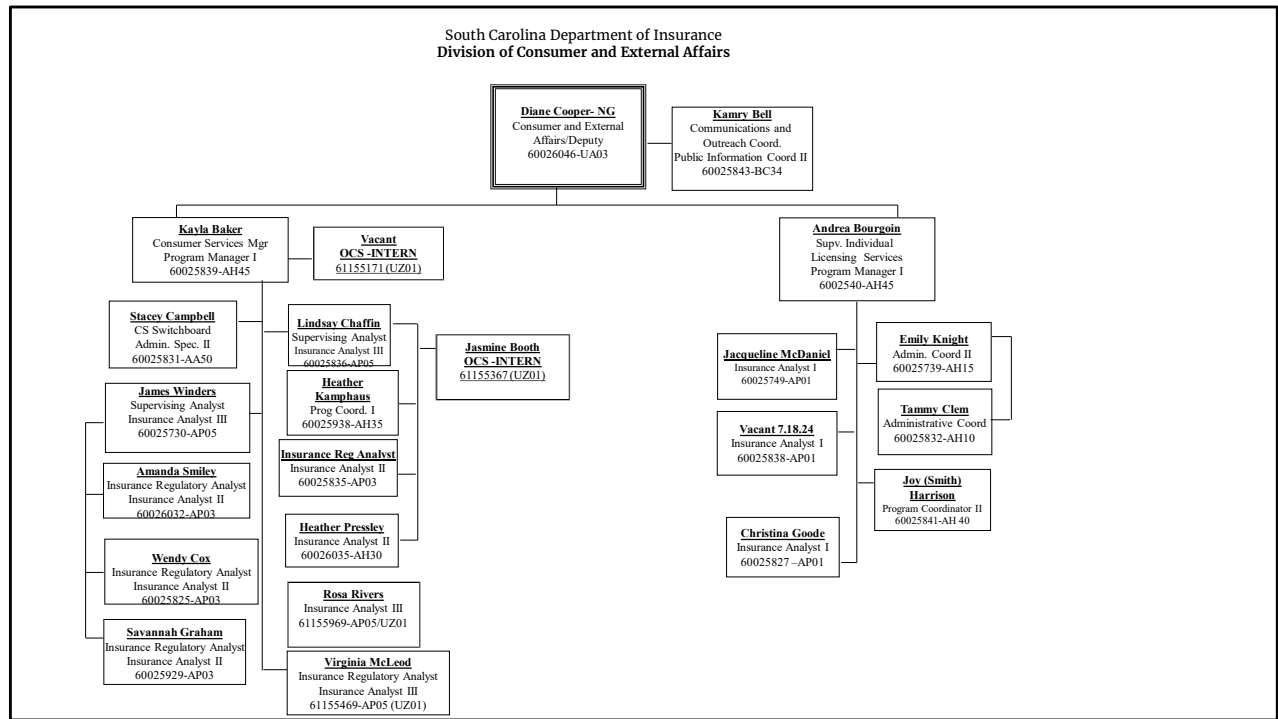
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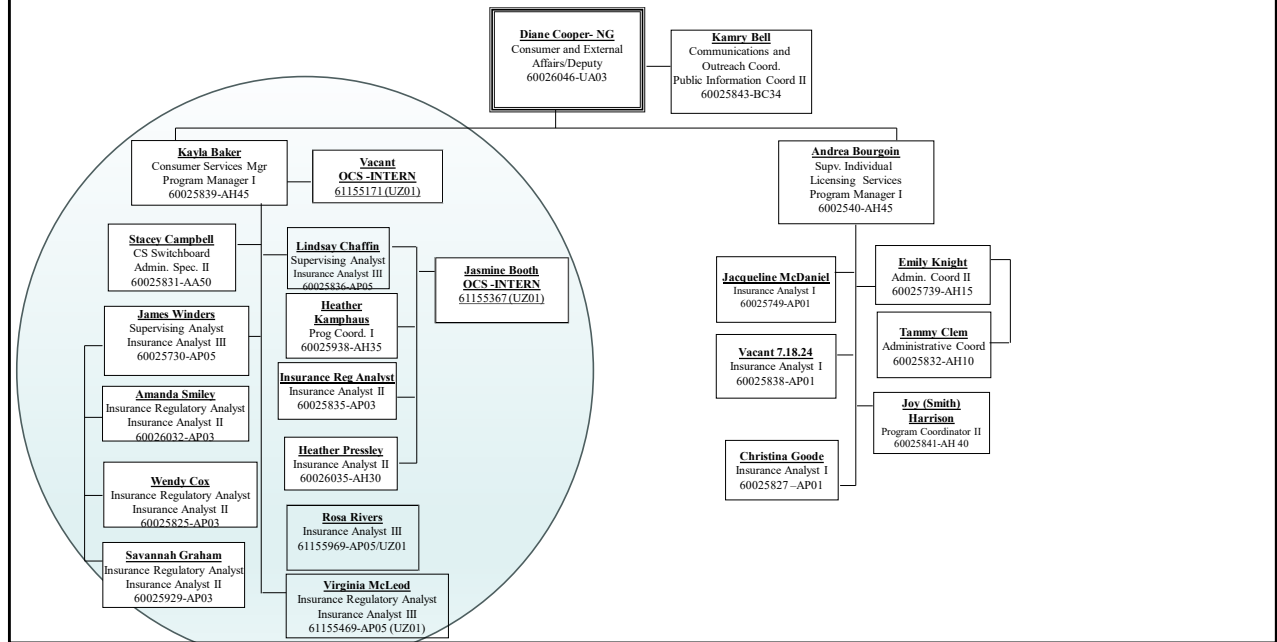
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Diane Cooper, Deputy Director, Consumer & External Affairs

South Carolina Department of Insurance
Division of Consumer and External Affairs



South Carolina Department of Insurance
Division of Consumer and External Affairs



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.



What types of insurance coverage are most commonly considered “hard-to-place” in South Carolina?

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

How long have those positions been vacant? And what is the current progress of filling those positions?

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



What intake forms or documentation are used when a consumer contacts the Department by phone, in writing, or in person with a concern about insurance coverage or claims?

Is there a standardized form or database where consumer interactions are logged, even if no formal complaint is filed?

Consumer Complaints

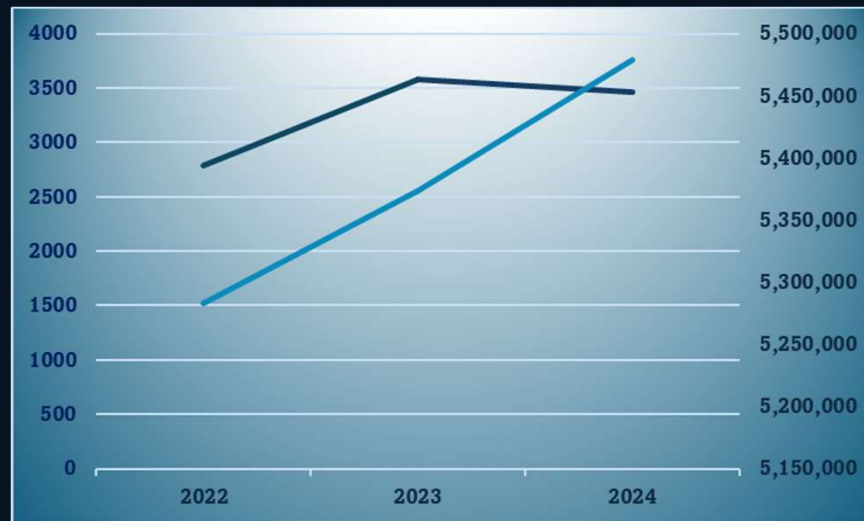
One of the primary missions of the South Carolina Department of Insurance is to serve and protect insurance consumers. To fulfill that mission, the South Carolina Department of Insurance provides the valuable service of working with consumers and insurers to address consumer complaints. Complaints provide 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



How are complaint assignments balanced among analysts to ensure efficiency and avoid backlogs?

Are there seasonal or event-driven surges in complaints (e.g., post-hurricane, policy renewal periods), and how is staffing adjusted in response?

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) 737-6100 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)

☐ Annuity ☐ Disability ☐ Life ☐ Warranty

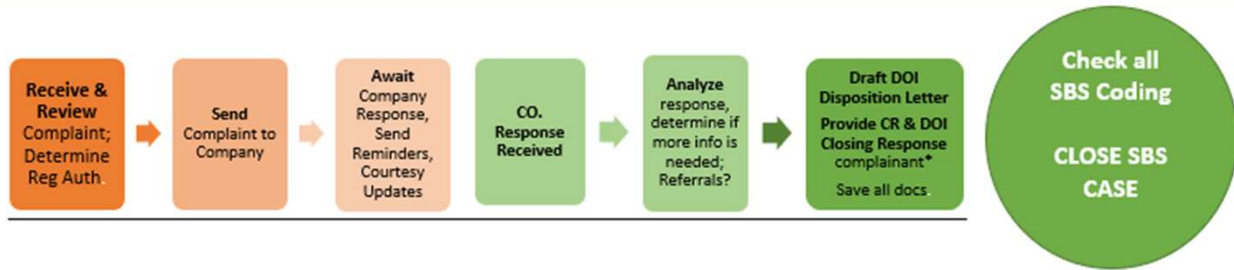
☐ Personal Auto/ Motorcycle ☐ Individual Health ☐ Long Term Care ☐ Workers' Comp

☐ Commercial Auto ☐ Group Health ☐ Medicare Supplement ☐ Other

☐ Dental ☐ Homeowners/ Renters/ Mobile Homeowners ☐ Specify plan A-L

Has the Department considered any automation or system upgrades to enhance complaint processing or consumer communication?

Consumer Complaint Process



What is the Department's current average turnaround time for processing consumer complaints from submission to resolution?

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@dol.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**.

Is the notification letter sent via mail, electronically, or both?

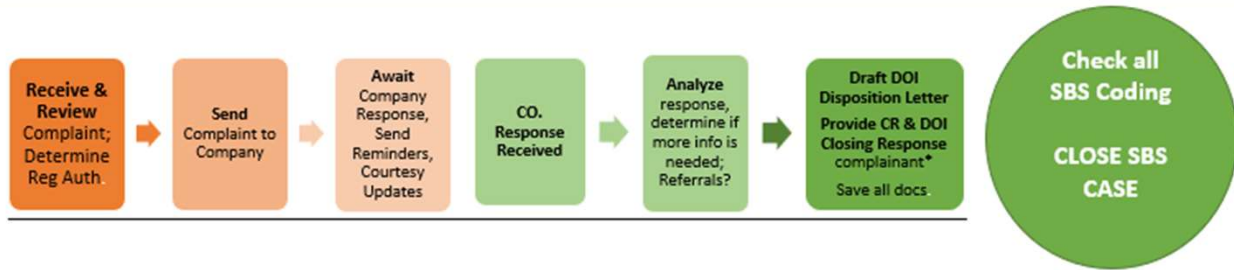
Are follow-up notices or reminders sent if the recipient does not respond within the required timeframe? And, What consequences are in place if the recipient does not respond?

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

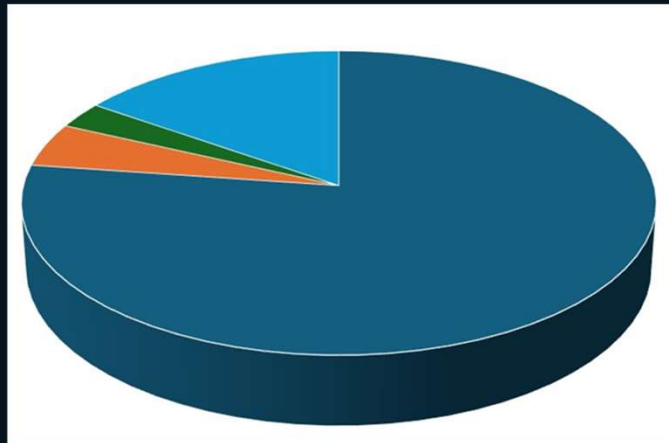


If violation of statute or pattern is discovered, a market conduct referral is made for further investigation and potential enforcement action.

Closing Correspondence with Consumer



Complaint Breakdown by Reason



Consumer Complaint Summary

Complaint Summaries can be found on our website: 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](#)

What is currently in-place to make the public aware that Consumer Complaint Summaries are available?

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.



How does the Department ensure that outreach events cover a broad geographic range — including rural, underserved, or coastal areas at high risk of disasters?

What metrics does the Department use to evaluate the effectiveness of its outreach in increasing public awareness, disaster preparedness, or insurance literacy?

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.



Does the Department have a goal to reach a certain number of stakeholders it engages with regarding insurance education, to include a specific age-range?

Does the Department currently work with the State Department of Education to reach their insurance education objectives state-wide?

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

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Office of Individual Licensing

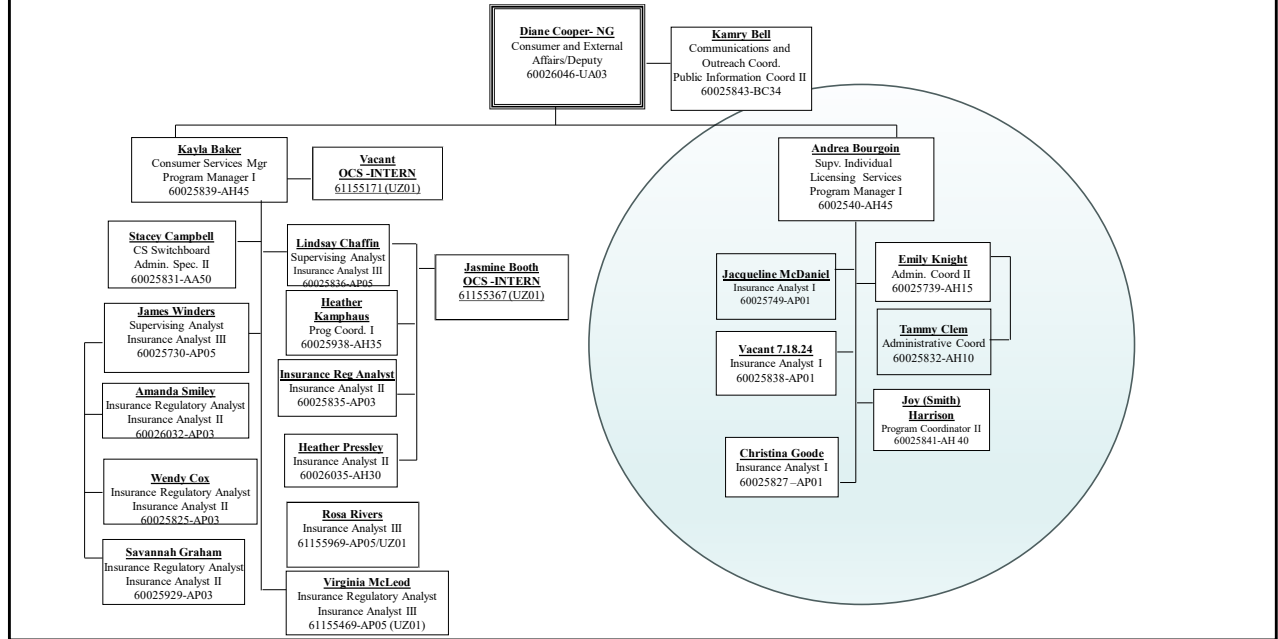


This division licenses the following:

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

Are there any planned improvements to the licensing process, such as digital applications, enhanced customer service, or streamlined procedures, that would benefit both applicants and the Department?

South Carolina Department of Insurance
Division of Consumer and External Affairs



Individual Licensing Staffing

Fully Staffed – 0 Vacancies

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.

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.

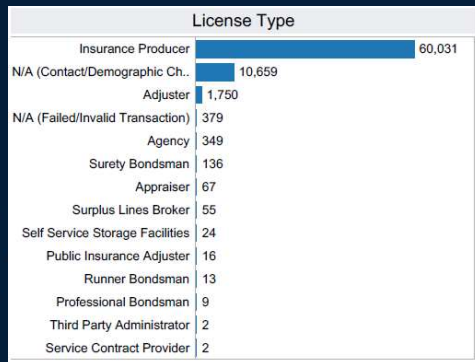
What steps does the Department take to ensure that the licensing process is clear, transparent, and easily accessible for applicants?

For licenses that require ongoing renewal, how does the Department maintain an up-to-date database of active and expired licenses?

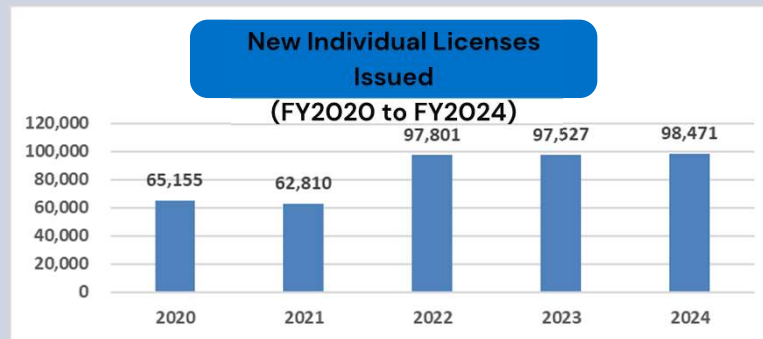
License Class	Resident	Non-Resident	Total
Adjuster	4,218	149,953	154,171
Agency	0	0	0
Appraiser	735	4,814	5,549
Insurance Producer	40,985	292,710	333,695
Motor Vehicle Rental Companies	0	0	0
Portable Electronics	0	0	0
Professional Bondsman	67	0	67
Public Insurance Adjuster	65	775	840
Runner Bondsman	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
<div> <div>Total Individual Licensees</div> <div>As of 05/05/2025</div> </div>			

Transaction Counts April 2025

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



Growth of New Licensees



CONSUMER & EXTERNAL AFFAIRS

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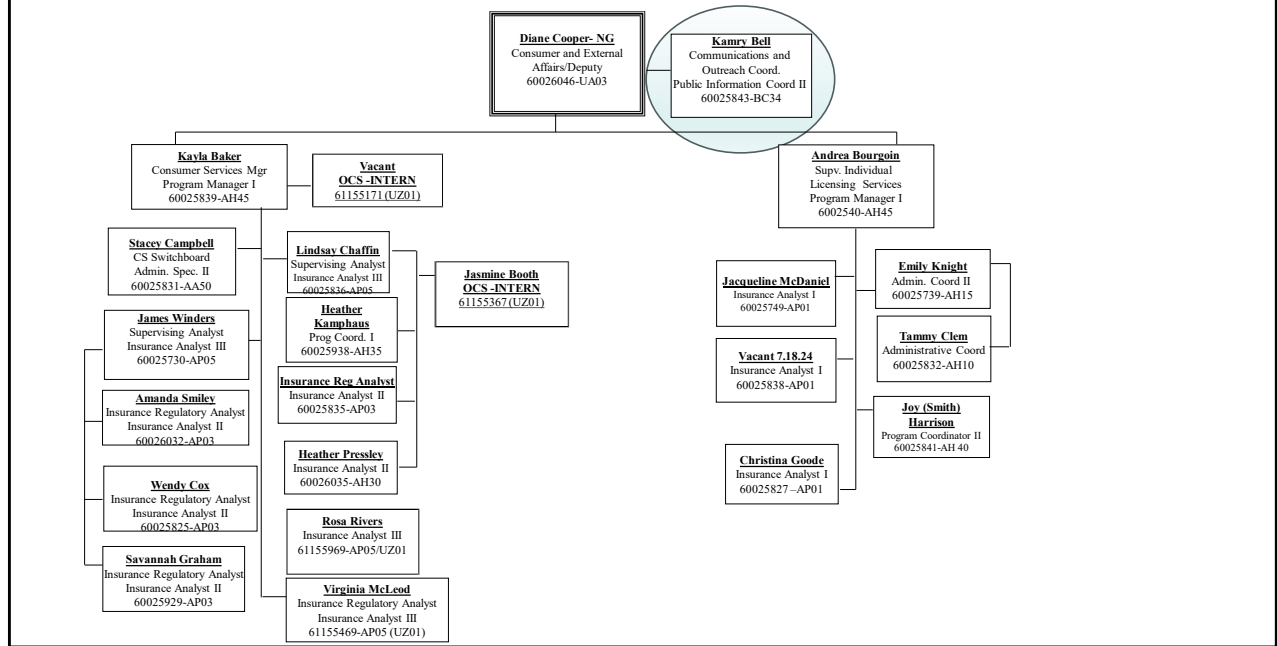
Diane Cooper, Deputy Director, Consumer & External Affairs



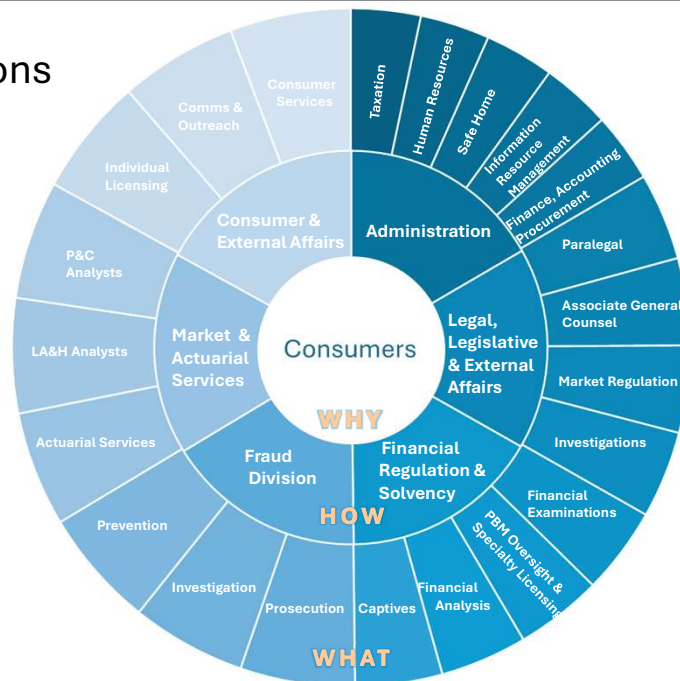
Office of Public Information

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



What communication platforms does the Department currently use to reach the public (e.g., social media, press releases, webinars, town halls, mailers)?

Has the Department conducted any public in-purveys or outreach assessments to measure how well-informed citizens are about its role?

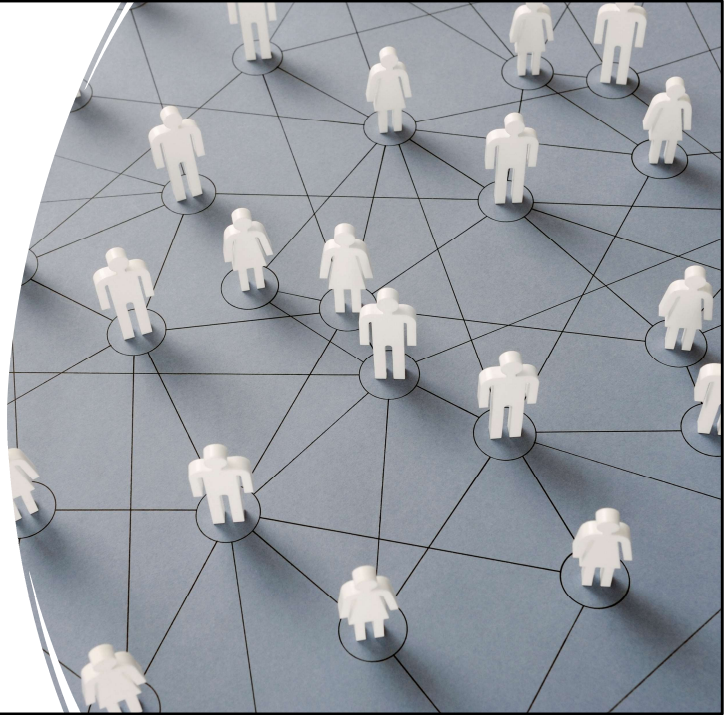


Communications Strategy

Everything we do at the SC DOI revolves around the consumer

Key Audiences

- 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

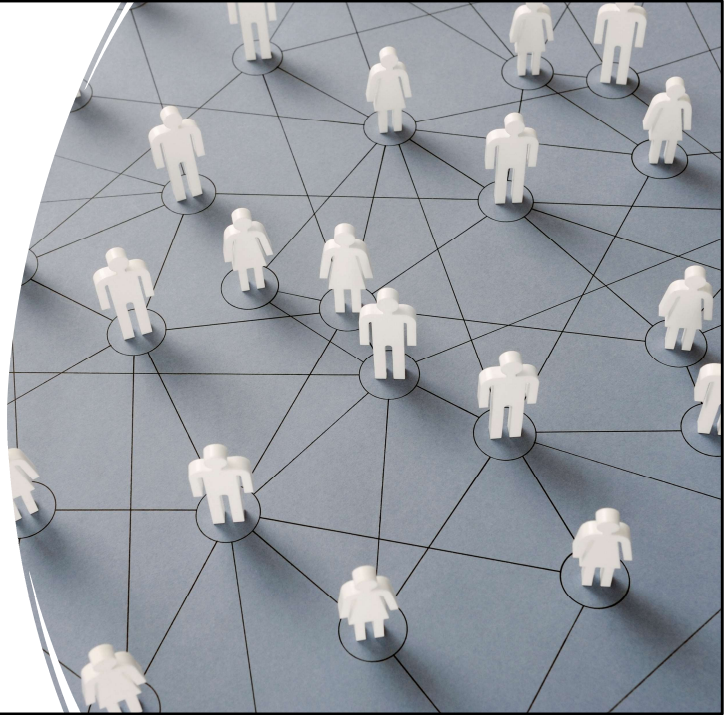


What metrics does the Department use to evaluate the effectiveness of its public outreach and education efforts?

How does the Department ensure that information reaches underserved populations, such as rural communities, and elderly residents?

Strategies

- 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



How often does the Department review and update its public communication strategy?

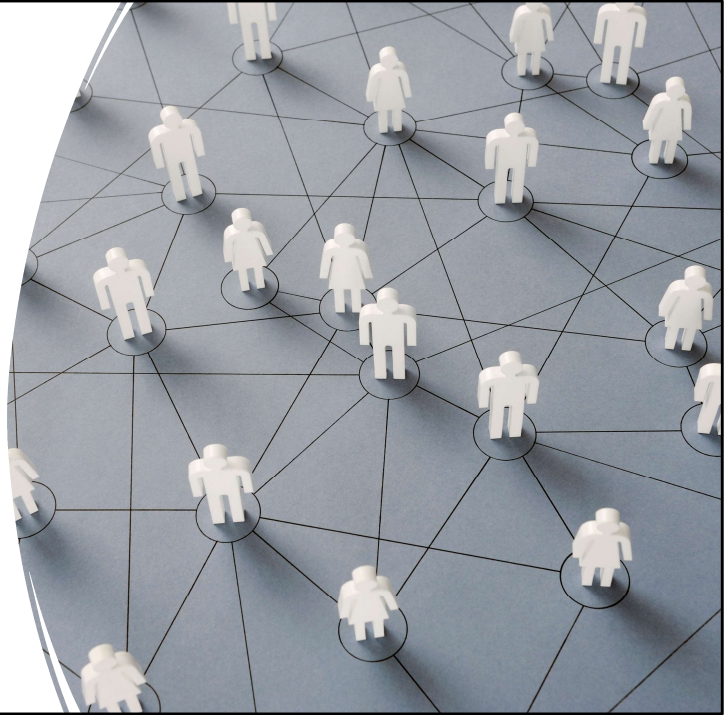
What does the Department believe are the key reasons many residents are unaware of its services — lack of visibility or complexity of insurance?

Staffing

Media & Public Relations

Community Engagement

Education Systems



Quick Links:

- [Sign Up for News Flash](#)



Media Releases

- | | |
|--------|--------|
| • 2024 | • 2016 |
| • 2023 | • 2015 |
| • 2022 | • 2014 |
| • 2021 | • 2013 |
| • 2020 | • 2012 |
| • 2019 | • 2011 |
| • 2018 | • 2010 |
| • 2017 | |



Public Information

[SCDOI Website](#)



Division Challenges & Successes

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

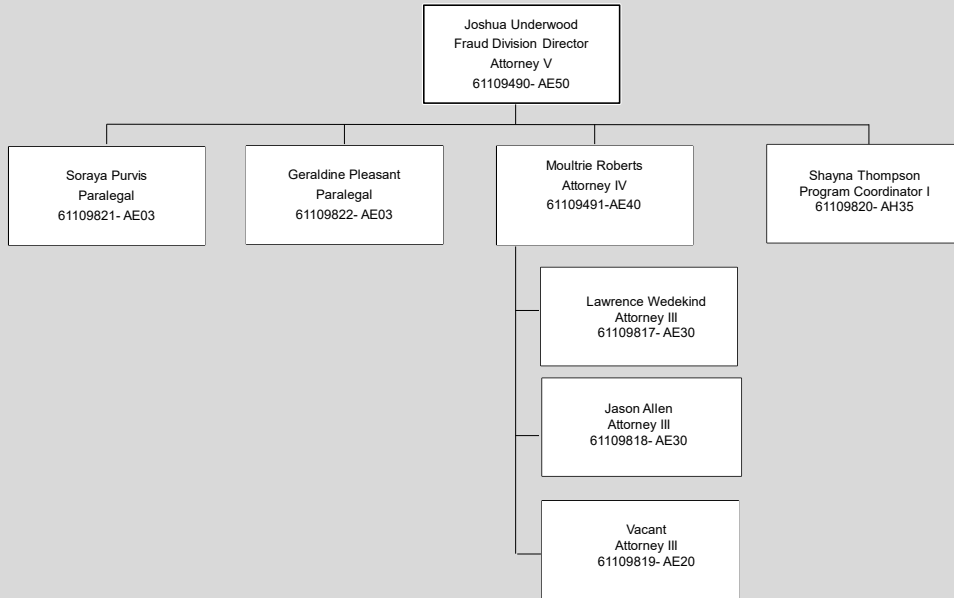
FRAUD DIVISION

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



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



How does your Division coordinate with the Attorney General's Office during investigations and prosecutions?

How do you ensure consistency and accountability in case handling across staff?

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



What systems are in place to ensure all complaints are logged, tracked, and resolved?

Are there trends in the types of complaints being reported (e.g., auto, health, life insurance fraud)?

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



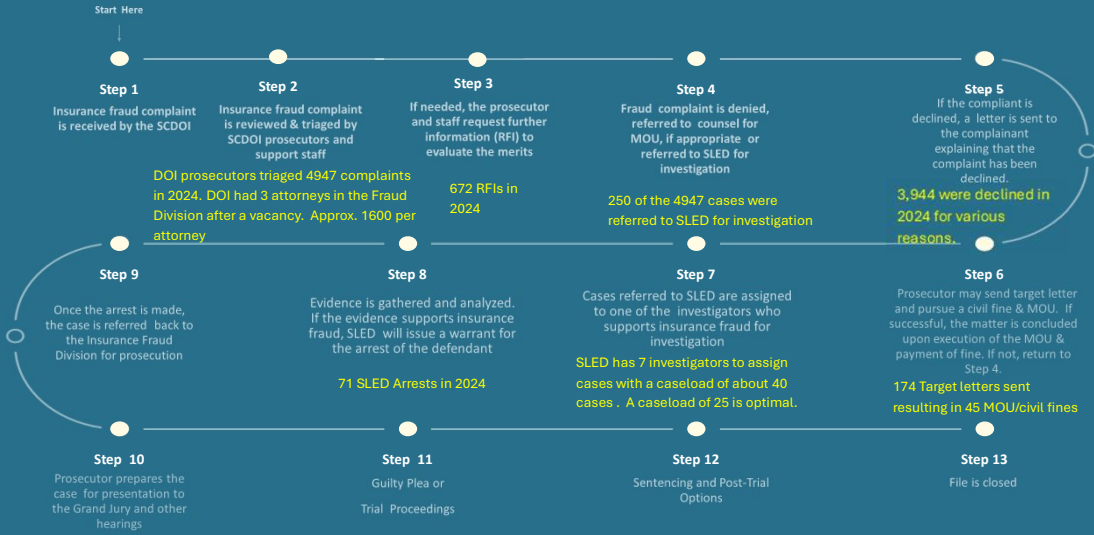
History of the Insurance Fraud Division

- 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.

How has the relocation impacted the Division's efficiency and effectiveness in prosecuting fraud cases?

Can you explain how authority is shared between the Attorney General, the Department of Insurance, and SLED under the current structure?

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

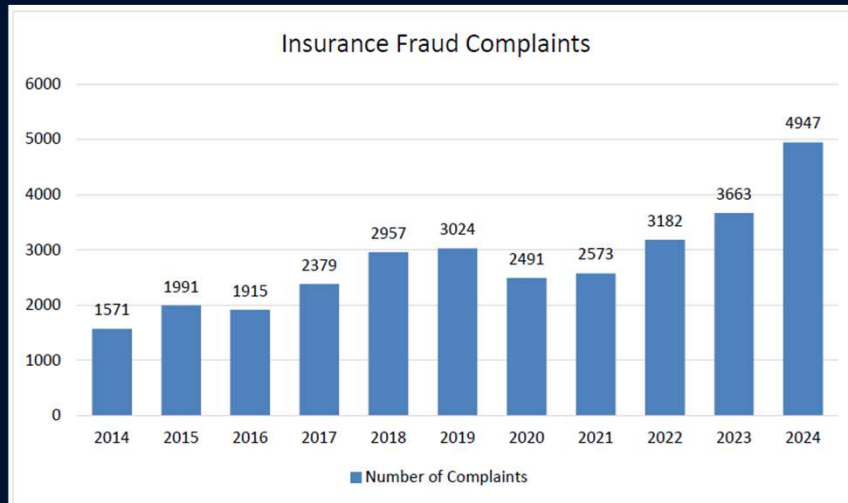


With only five Special Agents designated to insurance fraud, is staffing adequate to manage 150+ new cases per year?

On average, how long does it take to complete an investigation?

How does the Division report outcomes back to victims, the insurance industry, and the public to build trust in enforcement?

INSURANCE FRAUD IS ON THE RISE



Has the rise in new cases been driven by better detection, more public reporting, or increased fraudulent activity?

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

What criteria are used to determine whether a complaint should move forward as an investigation?

How does the Division measure the overall effectiveness of its complaint intake system?

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 st	76	113

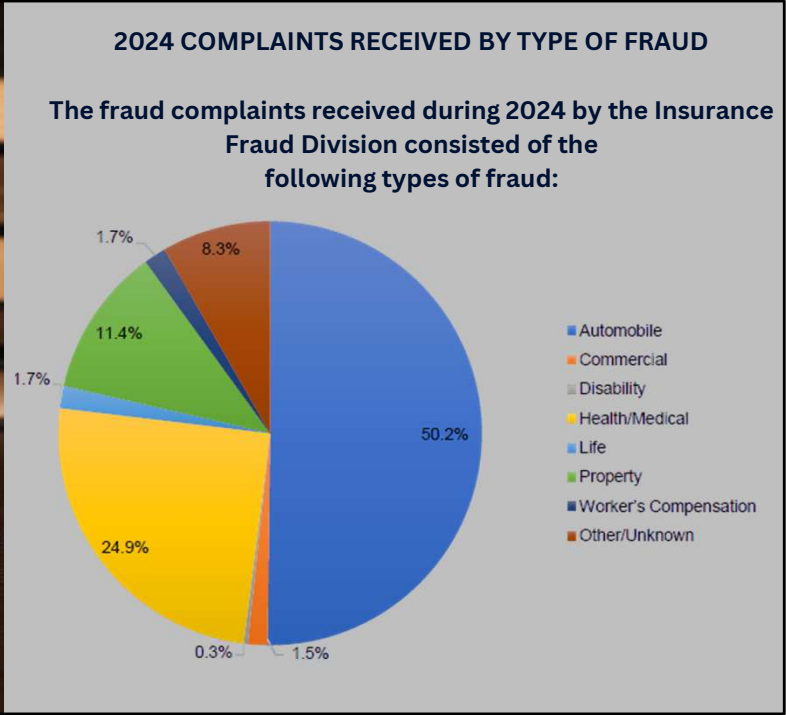
Fines and Restitution in 2024

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
Total Civil Fines Collected	\$12,250	\$60,700
Total Court Ordered Criminal Fines	\$5,250	\$2,000
Total Civil & Criminal Fines	\$17,500	\$62,700

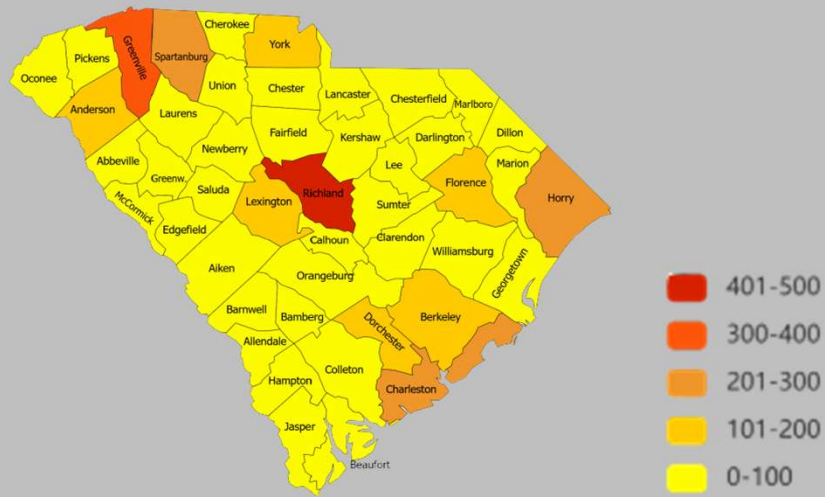
Restitution Ordered or Collected

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
Total Restitution	\$160,844.16	\$1,058,442.32



Are there any emerging fraud types that were not common in previous years?

Complaints by County



Are certain types of fraud concentrated in specific regions or insurance markets within the state?

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



What proactive steps does the division take to educate the public and insurers about staged accident schemes?

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



Has the division noticed an increase or decrease in jump-in fraud cases compared to previous years?

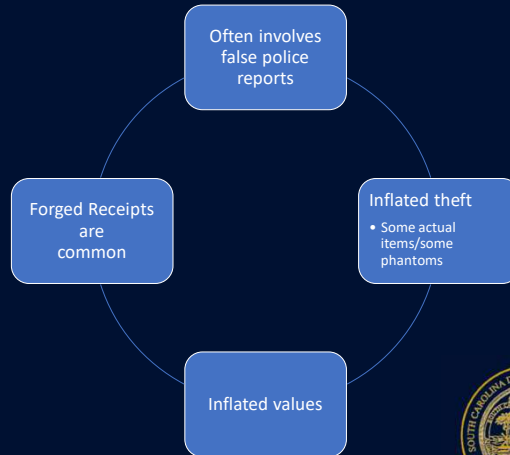
Common Automobile Fraud Schemes

- **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



How does premium fraud relate to coverage fraud, and how often do these schemes overlap?

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

CERTIFICATE OF LIABILITY INSURANCE

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 AVAIL, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELONGING TO THE POLICYHOLDER. THIS CERTIFICATE OF LIABILITY INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE INSURED INSURANCE AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

INSURED: [Name] [Address] [City, State, Zip]

INSURANCE AGENCY: [Name] [Address] [City, State, Zip]

COVERAGES:

COVERAGE	AMOUNT	COVERAGE	AMOUNT
BODILY INJURY AND PROPERTY DAMAGE	\$1,000,000	ADDITIONAL COVERAGES	
PERSONAL AUTO	\$100,000	UTILITY SERVICE	\$100,000
COMMERCE	\$100,000	WARRANTY	\$100,000
GENERAL LIABILITY	\$1,000,000	PRODUCT LIABILITY	\$1,000,000
COMMERCE	\$100,000	ADDITIONAL COVERAGES	
GENERAL LIABILITY	\$1,000,000	UTILITY SERVICE	\$100,000
COMMERCE	\$100,000	WARRANTY	\$100,000
GENERAL LIABILITY	\$1,000,000	PRODUCT LIABILITY	\$1,000,000

CERTIFICATE HOLDER: [Name] [Address] [City, State, Zip]

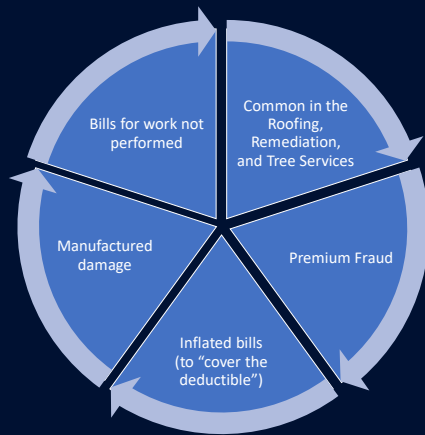
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What percentage of total WC and disability claims in South Carolina are suspected to involve fraudulent activity?

How are such cases tracked, and what steps are taken to prevent or recover improperly paid benefits?

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



Are disaster events (hurricanes, floods, fires) linked to spikes in contractor fraud, and how does the division prepare for this?

What steps are taken to educate the public about contractor fraud schemes?

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.



How does South Carolina's investigative approach compare to other states with similar rankings in vehicle-related fraud?

Which types of insurance fraud result in the highest financial losses to insurers and policyholders in the state?

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 SCDOL – Office of Consumer
Services

Awareness Events

Hurricane Claim Villages



Are there plans to expand outreach efforts in areas with high complaint rates or among populations most vulnerable to insurance fraud?

How often does the Division participate in interagency roundtables, and what tangible outcomes have resulted from these meetings?

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



How often does the Division participate in interagency roundtables, and what tangible outcomes have resulted from these meetings?

Are there plans to formalize interagency collaboration through memoranda of understanding (MOUs) or shared investigative protocols?

INSURANCE FRAUD FORUMS

Spring 2025



- 3 in-person forums since 2024
- Opportunity for collaboration between SCDOI, 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.



Home Repair Scam Brochure – Side 1



Red Flags of Fraud

- Knocks on your door seeking work
- Low price has inflated left from another job
- Demands full payment upfront
- Phonemes you to sign upon contract now
- No license, proof of insurance

LOW PRICE

Fight Back

- Avoid door-to-door sales, use established pros
- Take your repair requests to address
- Get signed contract before work starts
- Check online reviews with your state
- Photograph and report
- Contact your insurer or the right government agency

The Price You Pay

- Monthly, weekly repairs
- Weeks of delay being paid for work
- Claims may be denied for illegal repairs
- You may pay thousands from your own pocket

Biggest Consumer Fears

- 36% Repair costs
- 50% Prior repairs

Biggest Fraud Flags

- 80% Veranda each editor

PROTECT AGAINST HOME REPAIR SCAMS

Don't let anyone give you a home. The most repairs, that contractors are forced – but not for you, but repairs, insurance fraud

The Repair Scams

- Shut your down payment, don't trust repairs
- Refuse repair bill to pay for claims
- Damage your home to repair done
- Close quickly work

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

REPORT INSURANCE FRAUD!

www.doi.sc.gov

South Carolina Department of Insurance

Coalition Against Insurance Fraud

Worst Consumer Complaints

#1 Home improvement contractors



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.
Meet and observe, but always 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. PAs are paid a percentage of your claim recovery or an hourly rate.

HOW DO I FIND A REPUTABLE PA?
SCDI has a directory (www.dia.sc.gov). You can also check the website of the National Association of Public Insurance Adjusters (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.



Beyond raising awareness, what are the measurable objectives the Department hopes to achieve with its prevention initiatives over the next fiscal year?

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



How does the Division ensure quality of investigations is maintained despite higher caseloads and limited staffing?

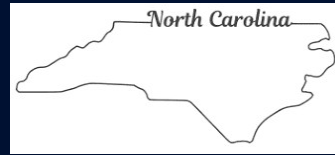
Are current staffing levels sufficient to manage the increasing complaint volume, or are there gaps that need to be addressed?

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



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



STAFFING MAKES A DIFFERENCE IN THE FIGHT AGAINST FRAUD

Has the Division requested additional staffing to align more closely with peer states, and if so, what has been the response?

Are there plans to implement technology, such as data analytics or AI-based fraud detection, to compensate for limited human resources?

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



Have there been any past discussions or threats of termination with the agreement that caused concern about stability?

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



How have similar statutes in New York, Louisiana, Georgia, Colorado, and California impacted insurance fraud enforcement in those states?

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

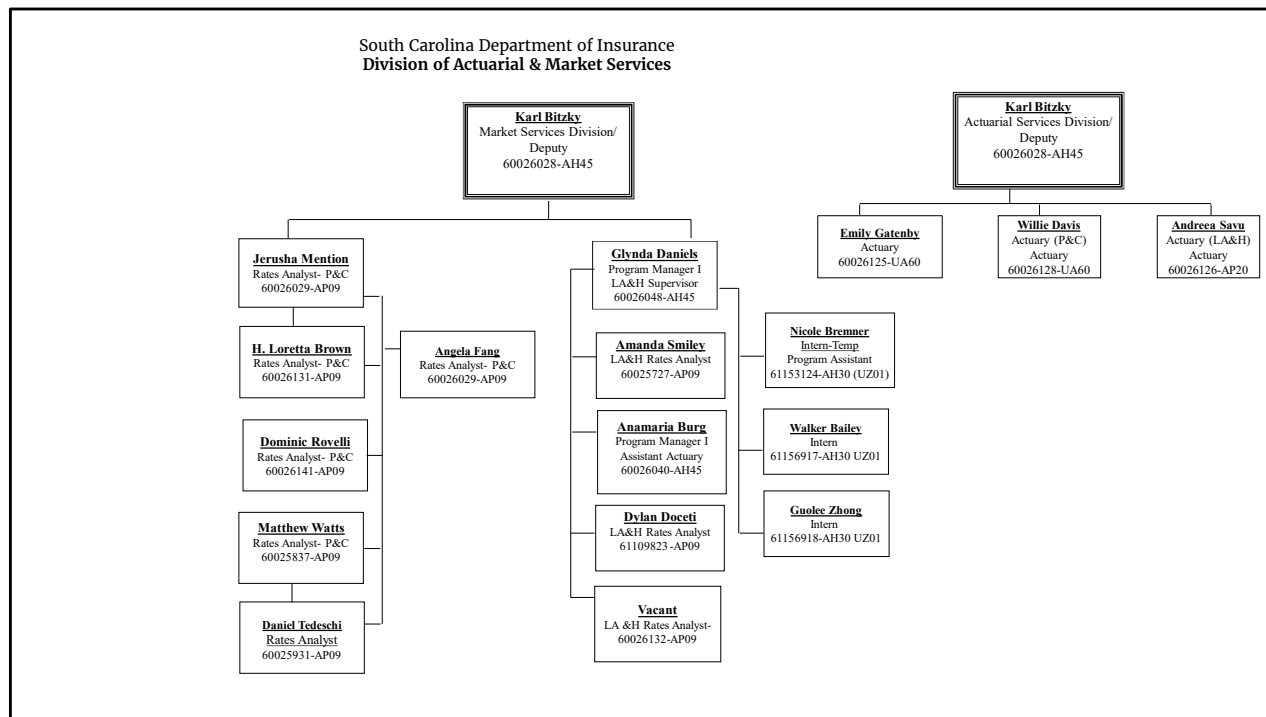


ACTUARIAL & MARKET SERVICES DIVISION

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



Are current staffing levels sufficient to ensure timely actuarial reviews of rate filings and other regulatory submissions?



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.

Has conducting reviews in-house affected efficiency, consistency, or consumer protections compared to the compact process?

How does the Department monitor trends in both units to detect potential areas of concern, such as rising rates or gaps in coverage?

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

How do South Carolina's rate filing systems compare with other Southeastern states?

What categories of insurance products are exempt from filing requirements, and why?

Rate Review Standards

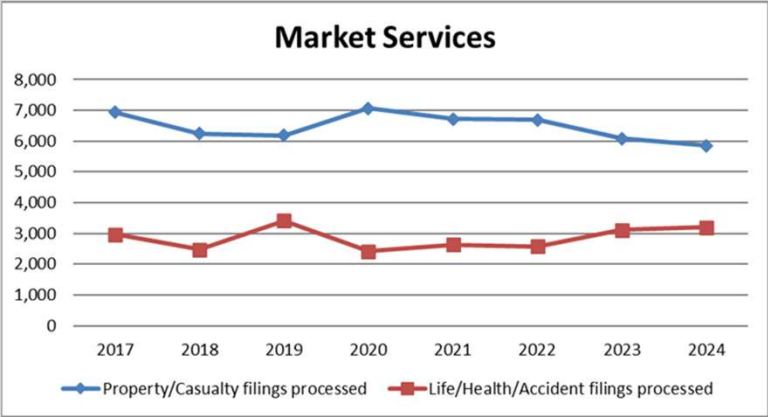
File and Use

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

Why are these limited adjustments only allowable for personal lines such as automobile, fire, allied, and homeowners insurance?

Does the Department believe 30 days is enough time for meaningful consumer awareness or regulatory response?



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

How does the Division balance affordability for consumers with ensuring insurers remain solvent and competitive?

Even though these products are exempt, what kind of review or monitoring does the Department still perform to safeguard consumers?

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.

Are there areas where existing statutes may not provide sufficient authority to address emerging insurance products or practices?

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.

Since medical malpractice and workers' compensation are not personal lines but remain subject to review, what unique challenges do they present compared to standard personal lines filings?

What additional staffing or expertise does the Department need to strengthen reviews of complex lines like medical malpractice or workers' comp?

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.

How often does the Department revisit or reassess whether the list of exempt commercial policies in Regulation 69-64 is still appropriate in today’s market?

How does South Carolina’s approach to exempt commercial policies compare with neighboring Southeastern states?

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.

What impact do these limitations have on consumer premium stability, especially for auto and homeowners insurance, which are the most common policies?

What are the Department's enforcement options if an insurer violates these filing frequency rules?



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

For policyholders who experience increases near the 45% cap, what trends has the Department observed regarding affordability and policy retention?

What role do insurers play in explaining these exposure-driven increases to policyholders, and does the Department audit or review those explanations?

What feedback has the Department received from insurers and consumers on the effectiveness of the +45% limit?

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



What role does the Consumer Advocate's Office play in reviewing rate filings, and how does their perspective differ from the Department's?

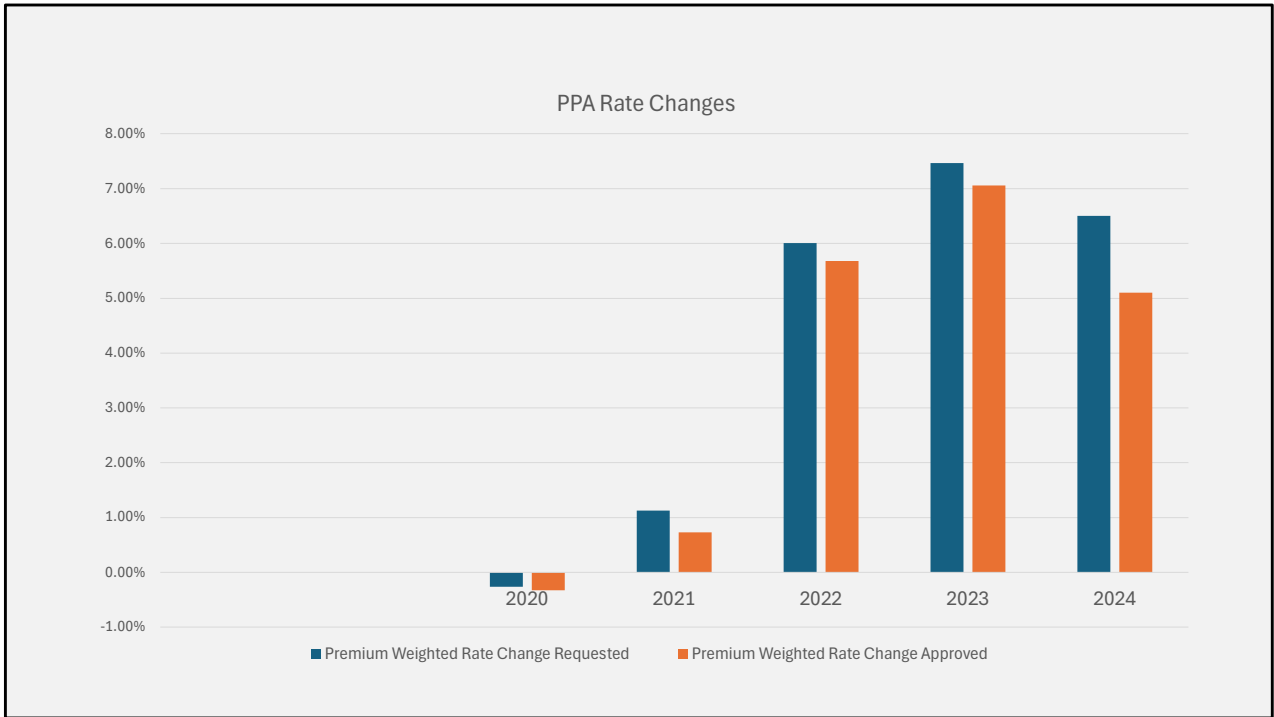
How often does the Consumer Advocate intervene or raise objections to filings, and what outcomes usually result from those interventions?

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

What are the primary factors driving automobile insurance rate increases in South Carolina today?

To what extent are fraudulent claims (like staged accidents or jump-ins) driving auto insurance rates upward in South Carolina?

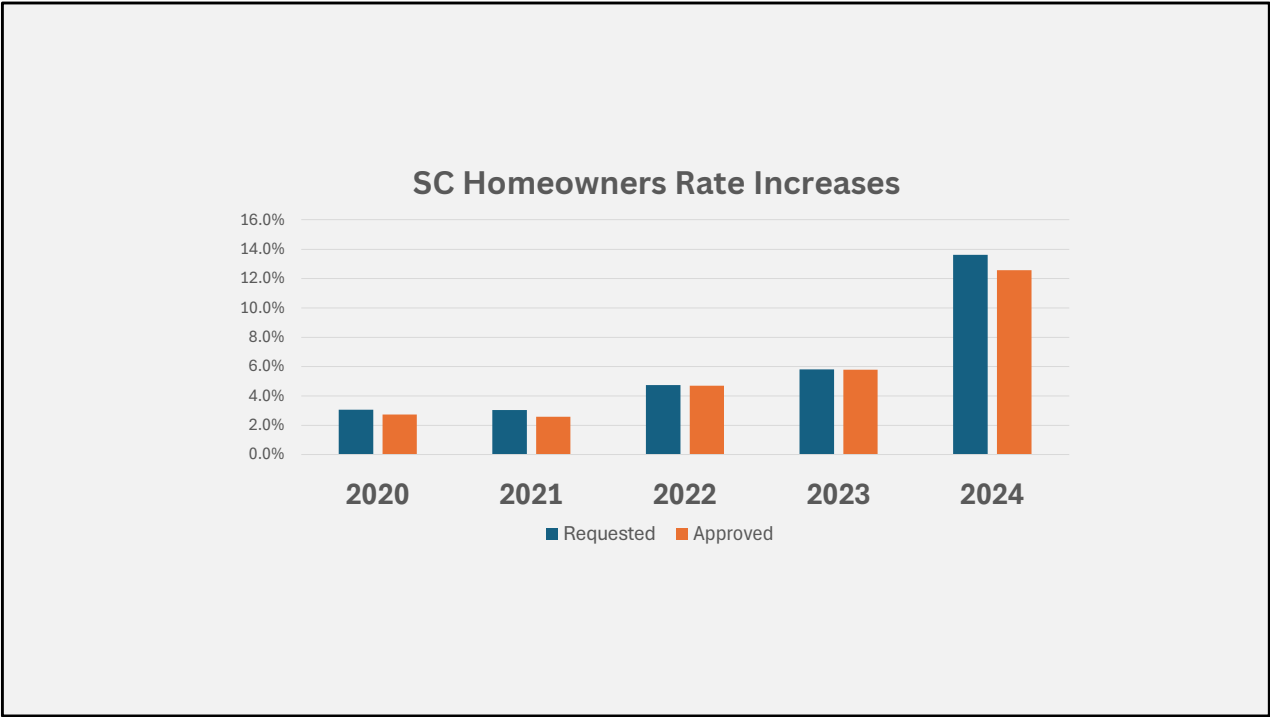


Homeowners Rates

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

Has the Department considered requiring insurers to provide clearer explanations to consumers about why their premiums are rising?

How do catastrophe models (hurricanes, floods, wind) factor into rate filings, and how does the Department validate those assumptions?



How often does the Department report rate increases to the public?

Workers' Compensation Rates

Workers' Compensation			
NCCI LC Filings			Average LCM Change
Year	SERFF #	Rate Change	
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

Year	Number of Companies Requesting LCM Change	Number of Rate Increases Proposed	Number of Rate Decreases Proposed	Number of Filings Approved as Filed	Number of Filings Approved as Amended
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.

How does the Department determine what constitutes a “reasonable profit” in South Carolina?

How does the Department define and measure whether a rate is “inadequate,” “excessive,” or “unfairly discriminatory” under South Carolina law?

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

How have the DOI-developed exhibits improved consistency and comparability across different insurer filings?

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	Effective 4/3/2023	Effective 7/29/2024
	<u>Rate Change</u>	<u>Rate Change</u>	<u>Rate Change</u>
Bodily Injury	-3.0%	5.2%	12.5%
Earned Factor to Current Rate Level ¹			
Calendar Year (CY) Ending 3/31			
<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1.148	1.148	1.175	1.184
			<u>2024</u>
			1.140

Can you explain how historical premiums are adjusted to reflect today's rate levels?
What methodology is used?

PREMIUM TREND ↓

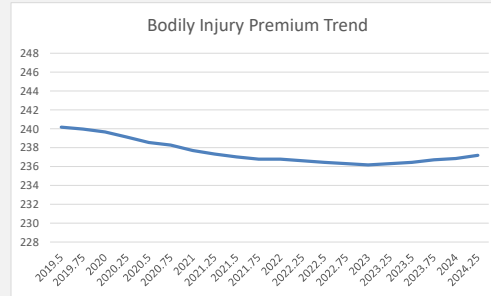
- Historical premium needs to be adjusted to account for the change in average premium level. Changes in average premium can be referred to as shifts in the mix of business.
- To account for these shifts in the portfolio's mix of business, historical premiums must be adjusted to reflect the anticipated 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

How often does the Department review or update its methodology for evaluating historical premiums to reflect changes in insurance market practices or risk profiles?

PREMIUM TREND ↓

Year Ending	Average Written Premium @ C.R.I.
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 ↓

Calendar Year	Selected Historical Premium Trend	Historical Trend Period	Historical Premium Trend Factor	Selected Prospective Premium Trend	Projected Trend Period	Projected Premium Trend Factor	Premium Trend Factor
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

	LIABILITY		
	2021	2022	2023
1. Direct Losses and Allocated Loss Adjustment Expense Incurred	\$ 25,327,617	41,792,859	39,561,668
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%

Are insurers required to provide historical LAE data, and if so, why is 3–5 years of data typically requested?

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.

What controls are in place to prevent errors or manipulation in the historical premium adjustment process?

LOSS DEVELOPMENT FACTOR

CALCULATION OF LOSS DEVELOPMENT FACTORS - LINK RATIO METHOD BODILY INJURY

		Incurred Losses +										
Fiscal Accident	Year Ending 03/31	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	52,199,628	
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	65,574,020	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	68,775,190							
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											
		Link Ratios										
Development	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87	87 to 99	99 to 111	111 to 123			
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	1.063	1.058	1.028	1.019**	1.003	1.001**	1.001**	1.001**			
1st Prior	1.309**	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			
Loss Development Period (months):	15 - 123	27 - 123	39 - 123	51 - 123	63 - 123							
Loss Development Factor:	1.462	1.174	1.078	1.030	1.011							

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.

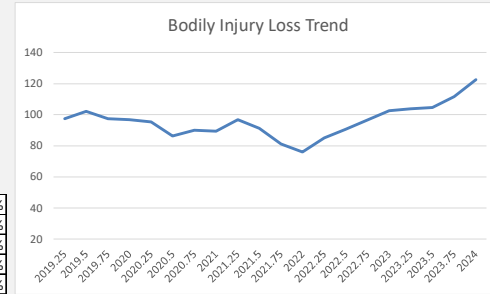
How does the Department assess the potential impact of claim trend errors on policyholders and the overall affordability of insurance in South Carolina?

Are insurers required to provide detailed documentation justifying their assumptions about future claim frequency and severity? How is this documentation reviewed?

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 ↓

Calendar Year	Selected Historical Loss Trend	Historical Trend Period	Historical Loss Trend Factor	Selected Prospective Loss Trend	Projected Trend Period	Projected Loss Trend Factor	Loss Trend Factor
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

Program:

Coverage:

Renewal Effective Date:

Private Passenger Auto

Bodily Injury

3/24/2025

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

Can the Department explain how fixed expenses are defined and categorized in insurer rate filings, and how they are distinguished from variable expenses?

FIXED EXPENSES ←

	OTHER ACQUISITION EXPENSE PROVISION		
	LIABILITY		
	2021	2022	2023
1. Direct Premiums Earned Less 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 ←

	2021	Premium and Fire Tax 2022	2023
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

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

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 $\pm 5\%$ 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

What safeguards exist to prevent insurers from manipulating the complement or net trend assumptions to achieve higher rates than justified by actual risk experience?

How frequently does the Department review its guidance or oversight practices regarding the use of complementary data in rate indications?

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

How frequently does the Department re-examine the credibility thresholds, to ensure they are still protecting consumers while maintaining insurer solvency?

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.

Does segmentation create incentives for safer driving behavior (e.g., fewer violations) or does it merely serve to penalize drivers after the fact without offering opportunities for premium relief?

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

Accident Count	Premiums	Losses	Credibility	Loss Ratio	Indication	Current Factor	Proposed Change	Proposed Factor
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

How do you make sure consumers understand why a single factor, like an accident, can cause a big rate change, even if other parts of their record are good?

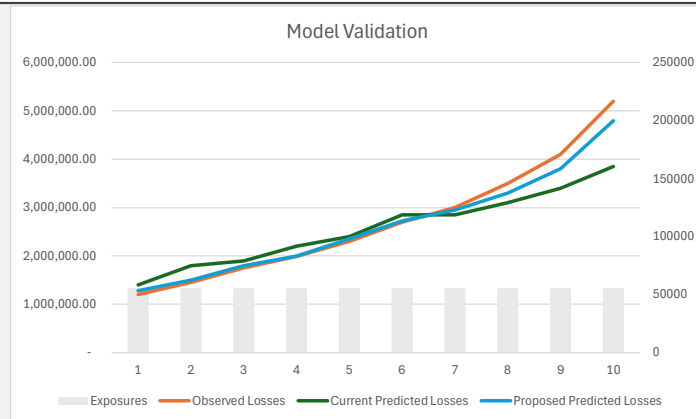
PREDICTIVE MODELING

- 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

Are insurers required to explain predictive modeling results in plain language so policyholders can understand why their premium changed?

Predictive models can be very complex. How do you balance the accuracy they bring with the need for simplicity and transparency in rate-setting?

PREDICTIVE MODELING



ACTUARIAL SERVICES

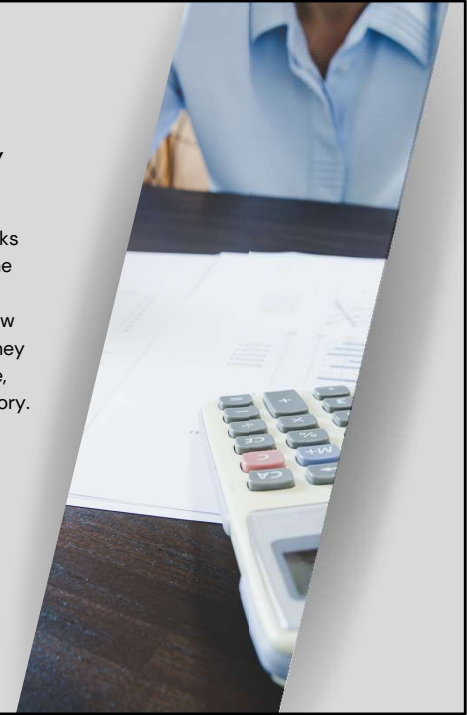
STATUTORY AND LEGISLATIVE REPORTS

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.



How often does your team update the methods they use to calculate reserves or predict losses?

Do you track whether your reviews are helping keep rates more stable and fair over time?

Challenges & Successes

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



Are staffing shortages affecting the speed or quality of rate reviews?

Are there ways the Department is working to improve data quality and availability for oversight purposes?

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.

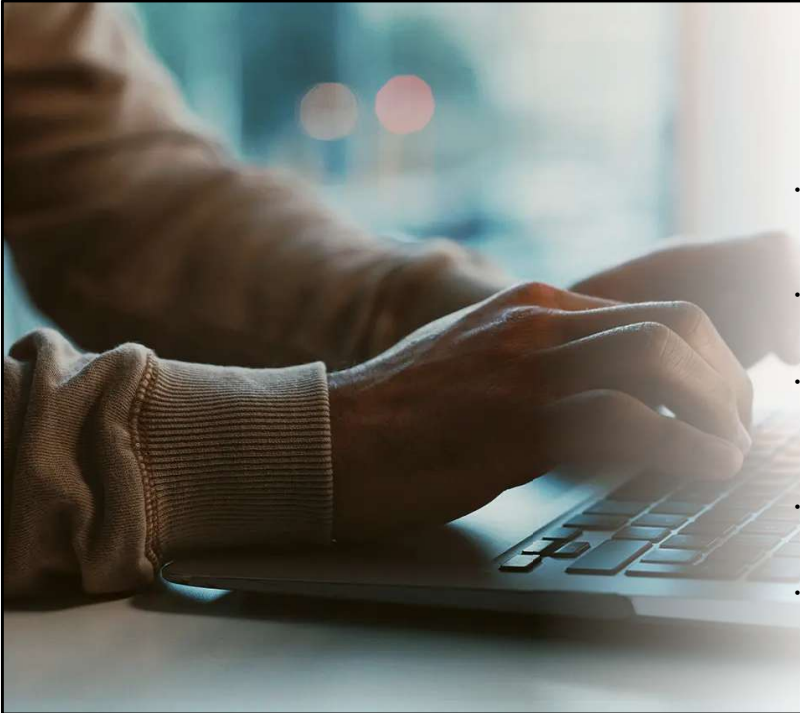
Are there safeguards to prevent insurers from using AI-generated data in ways that could unfairly raise premiums for certain consumers?

How does the Department verify that insurers provide proper actuarial support for any rating factors sourced from AI or big data?

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 and influence premium.
- 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.

Since the Department doesn't track which carriers use drones or satellite imagery, is the Department considering guidance or regulations to protect consumers?



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.

Has the Department evaluated the overall effectiveness of the SC ALIR System in reducing uninsured vehicles since its implementation in 2004?

Are there plans to upgrade or modernize the system to improve efficiency, accuracy, or user experience for insurers, DMV, and consumers?

SC ALIR System

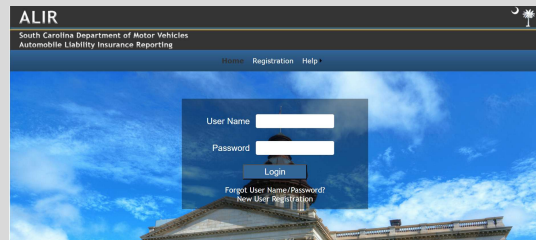
Reporting Requirements for Insurance Companies

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.





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