

Ways and Means
Transportation & Regulatory Subcommittee
FY 2025 Budget Hearing
Blatt Building Room 318



SC Department of Insurance Budget Presentation

January 16, 2024

1.5 hours after adjournment

Key Officials in the DOI

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HR Manager Grace Godwin: ggodwin@doi.sc.gov

Public Information Director Diane Cooper: dcooper@doi.sc.gov

<http://doi.sc.gov/>

About SCDOI

Organization

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.

SCDOI Leadership

Michael Wise	Agency Director
Diane Cooper	Deputy Director, Product Regulation and Consumer Services
Gwen Fuller-McGriff	Deputy Director, Legal, Legislative, & External Affairs
Geoffrey Bonham	Deputy Director, Financial Regulation and Solvency
Tommy Watson	Deputy Director, Administration

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.

Division Contacts

Licensing & Consumer Services

Consumer Services	803-737-6180 800-768-3467 Email
Individual and Agency Licensing	803-737-6095 Email
Specialty Licensing <ul style="list-style-type: none">◦ Bail Bondsman, Premium Service Companies◦ Private Review Agents, Service Contract Providers, TPAs	803-737-3787 Specialty Licensing Email Bondsman Email
Continuing Education	803-737-6223 Email

Actuarial & Market Services

Rates, Rules, and Form Filings <ul style="list-style-type: none">◦ Life, Accident and Health◦ Property and Casualty◦ Actuarial Services	803-737-6230 LA&H Email P&C Email
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Financial Regulation & Solvency

Captives Licensing	843-577-3415 Email
Captives Financial Analysis, including SPFCs	803-737-0190 Email
Company Licensing	803-737-6221 Email
Traditional Financial Analysis	803-737-6188 Email
Financial Examinations (Captives and Traditional Companies)	803-737-6116 Email

Market Regulation & Public Information

Public Information & Media	803-737-6148 Email
Pharmacy Benefit Manager Oversight	803-734-0398 Email
Volkswagen Environmental Mitigation Trust	803-737-2420 Email

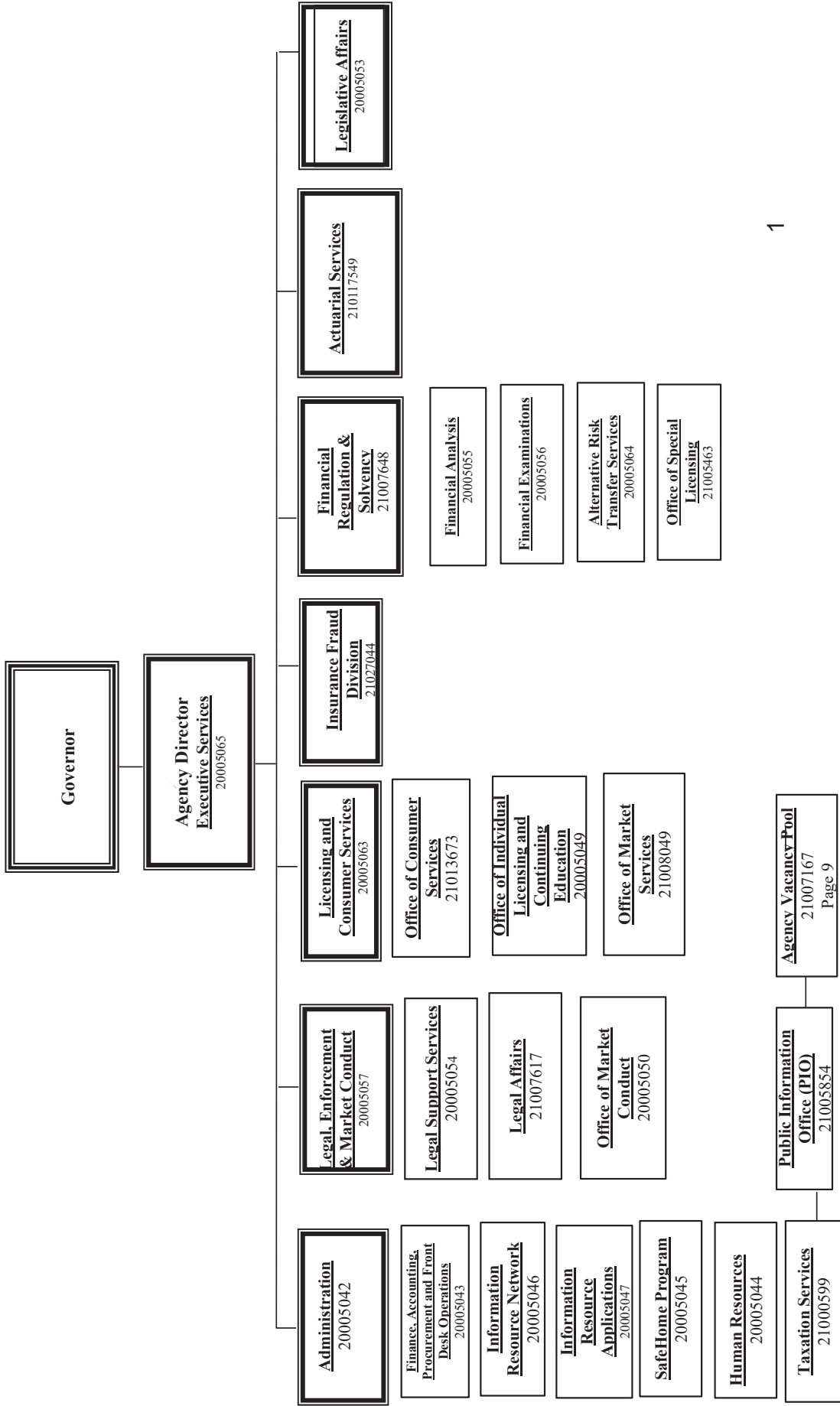
Administration

Human Resources	803-737-6119 Email
Budget and Finance	803-737-6141 Email
SC Safe Home	803-737-6087 Email
Information Resource Management	803-737-6138 Help Desk
Premium Taxation and Audits	803-737-4910 Email

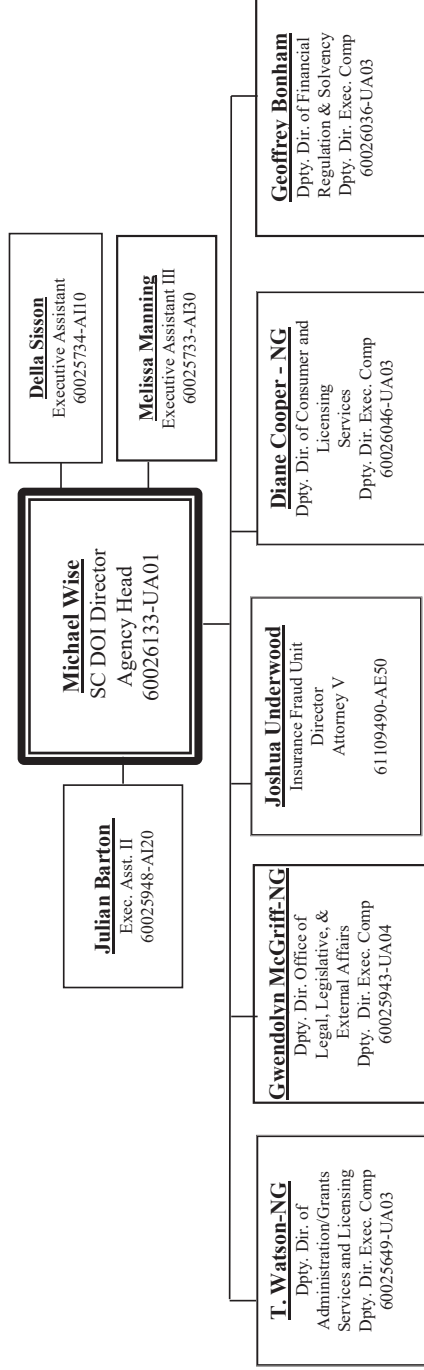
Legal, Legislative & External Affairs

Freedom of Information Act and Service of Process	803-737-6153 Email
Subrogation	803-737-6158 Email
Investigations	803-737-6092 Email
Cybersecurity Event Reporting	803-737-6204 Email
Legislative Affairs	803-737-6124 Email

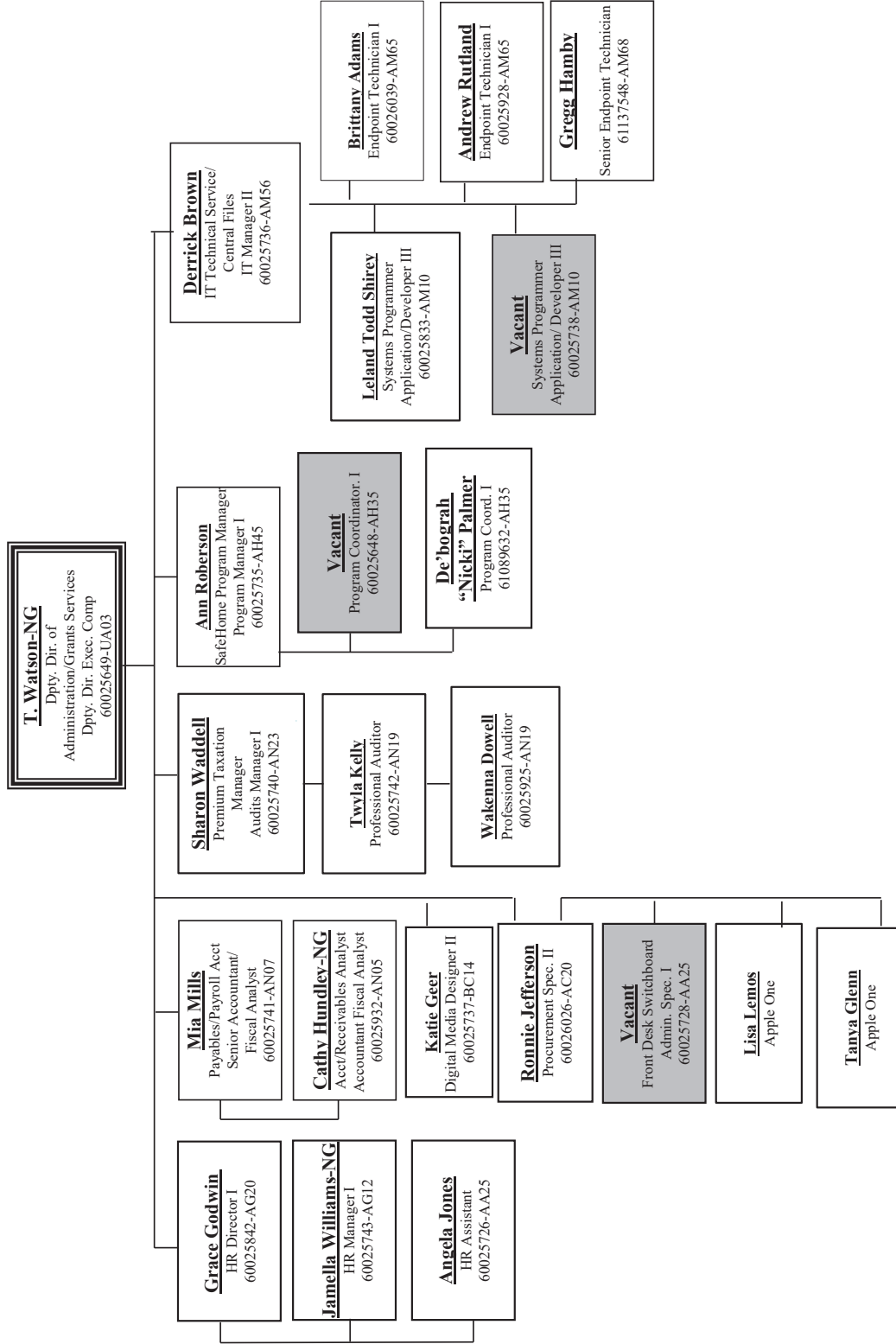
South Carolina Department of Insurance
Organizational Chart



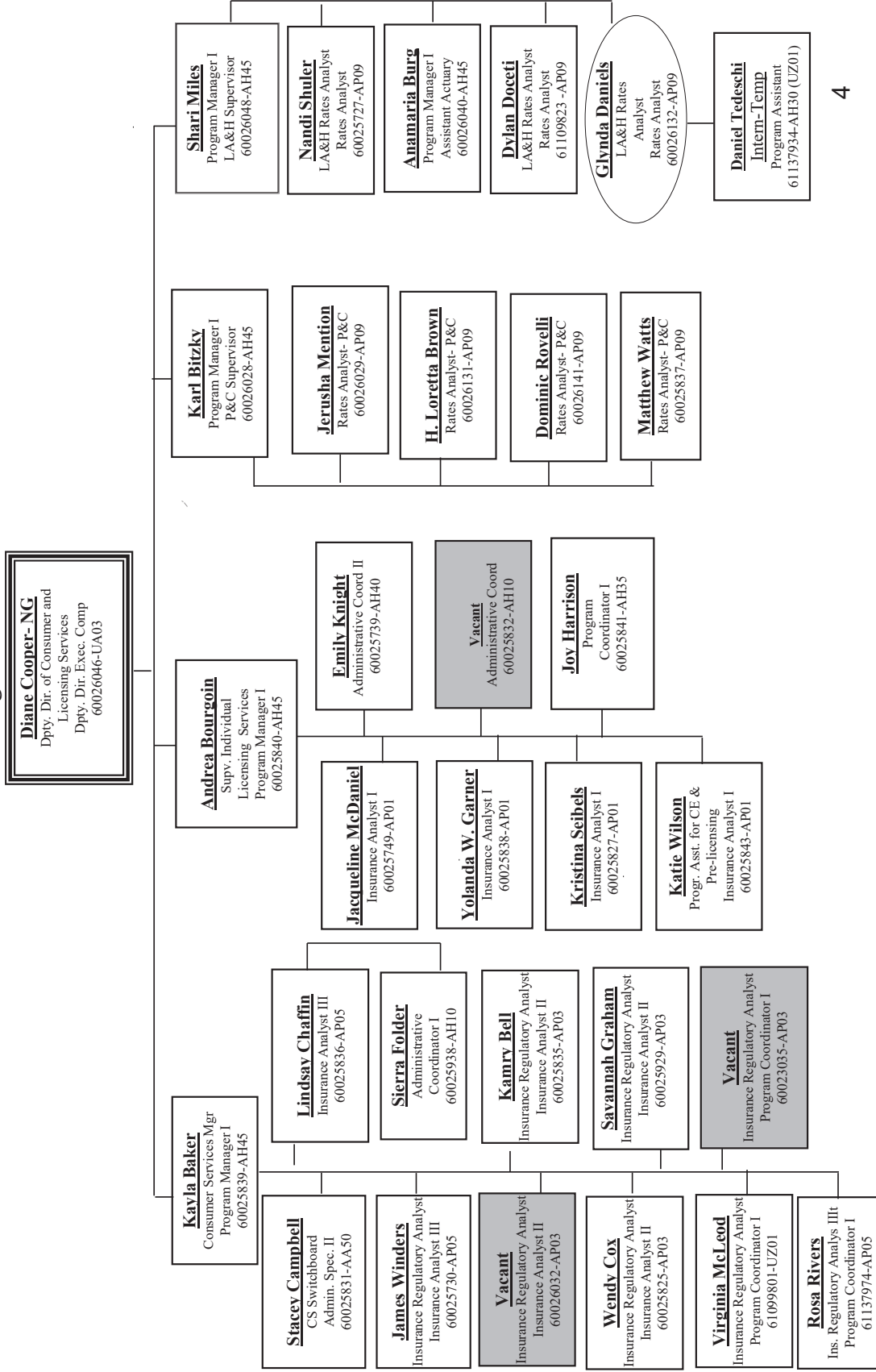
South Carolina Department of Insurance
Executive Services



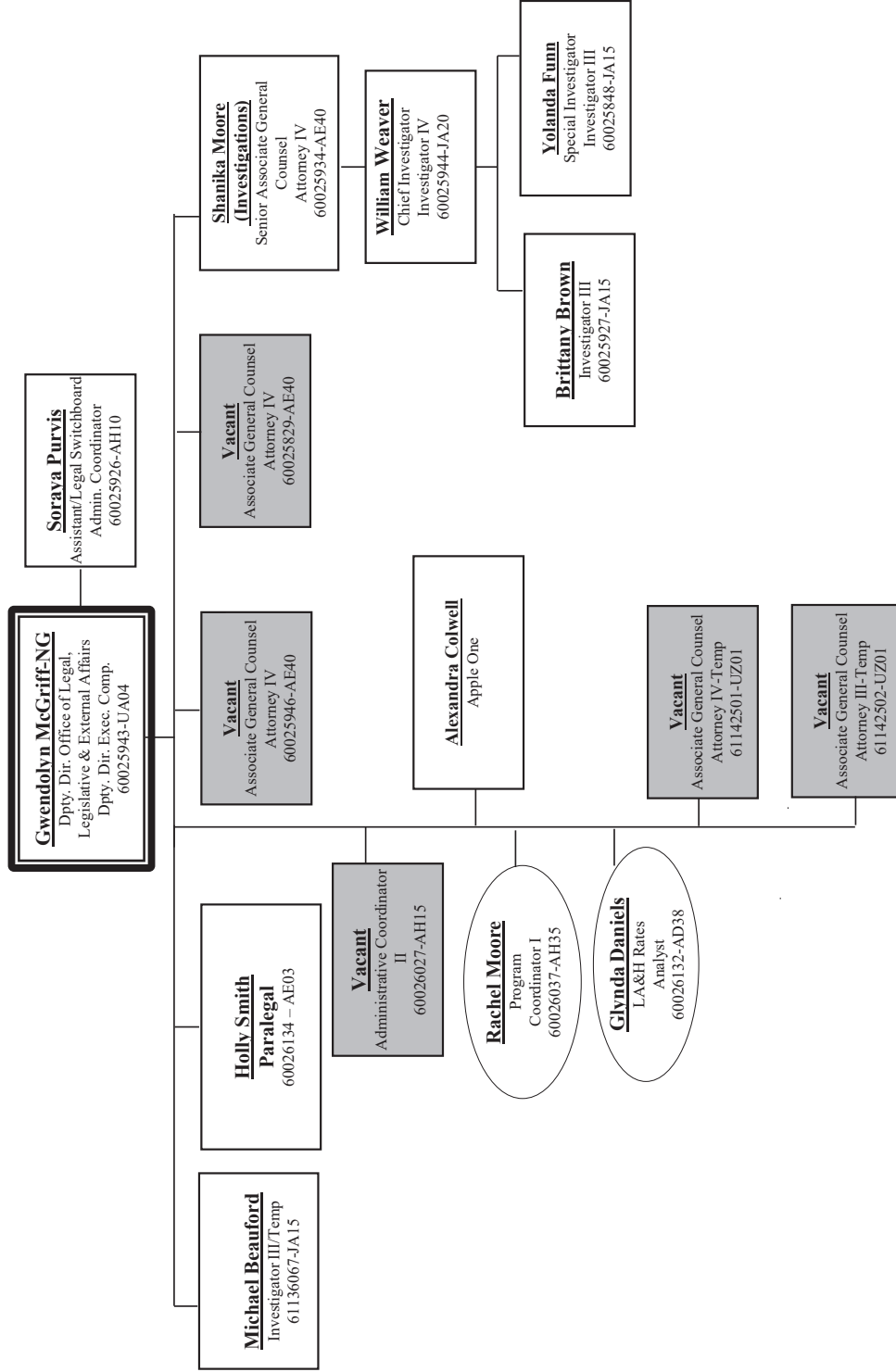
South Carolina Department of Insurance
Division of Administration



South Carolina Department of Insurance
 Division of Licensing and Consumer Services

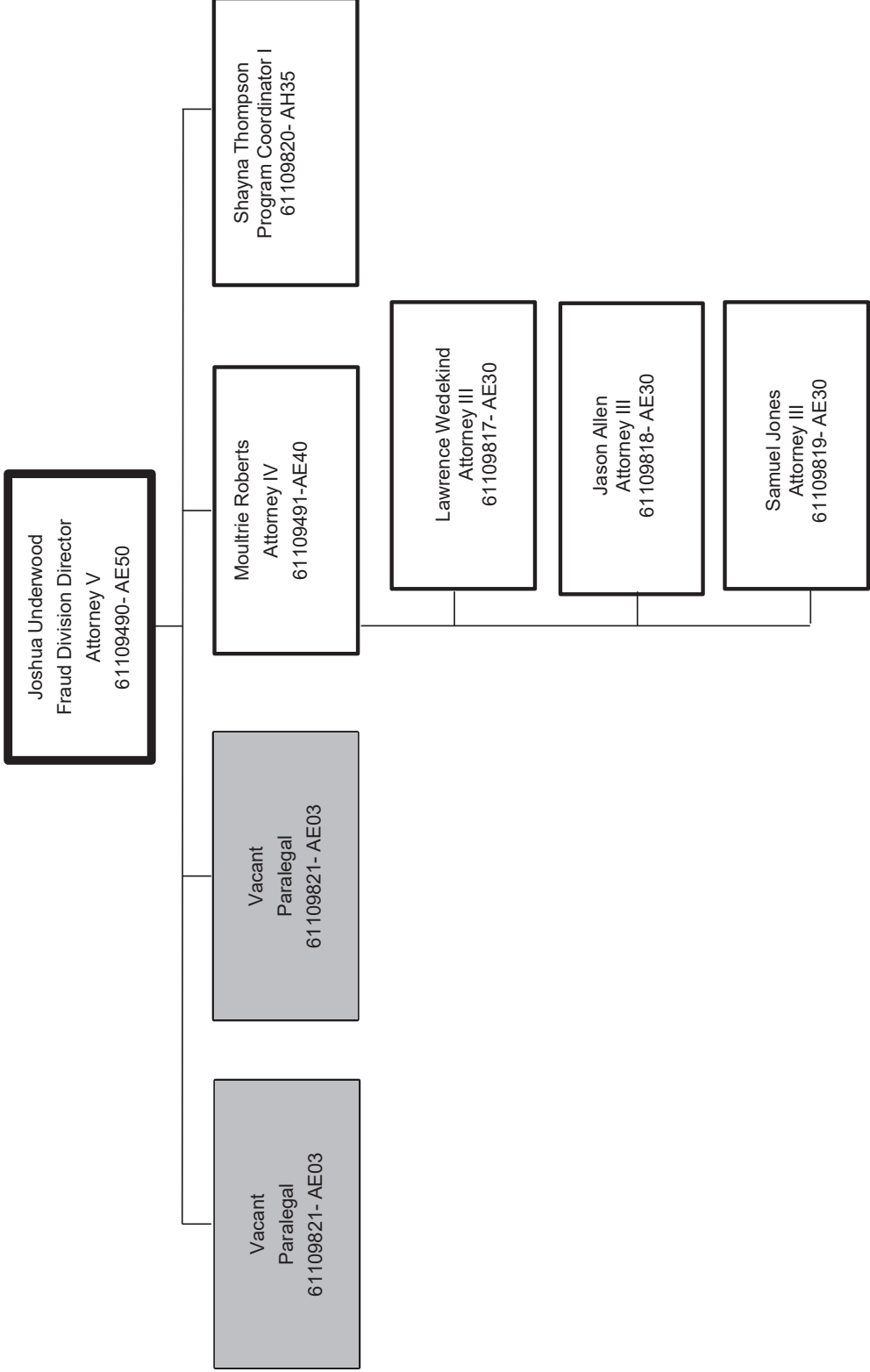


South Carolina Department of Insurance
Office of Legal, Legislative & External Affairs

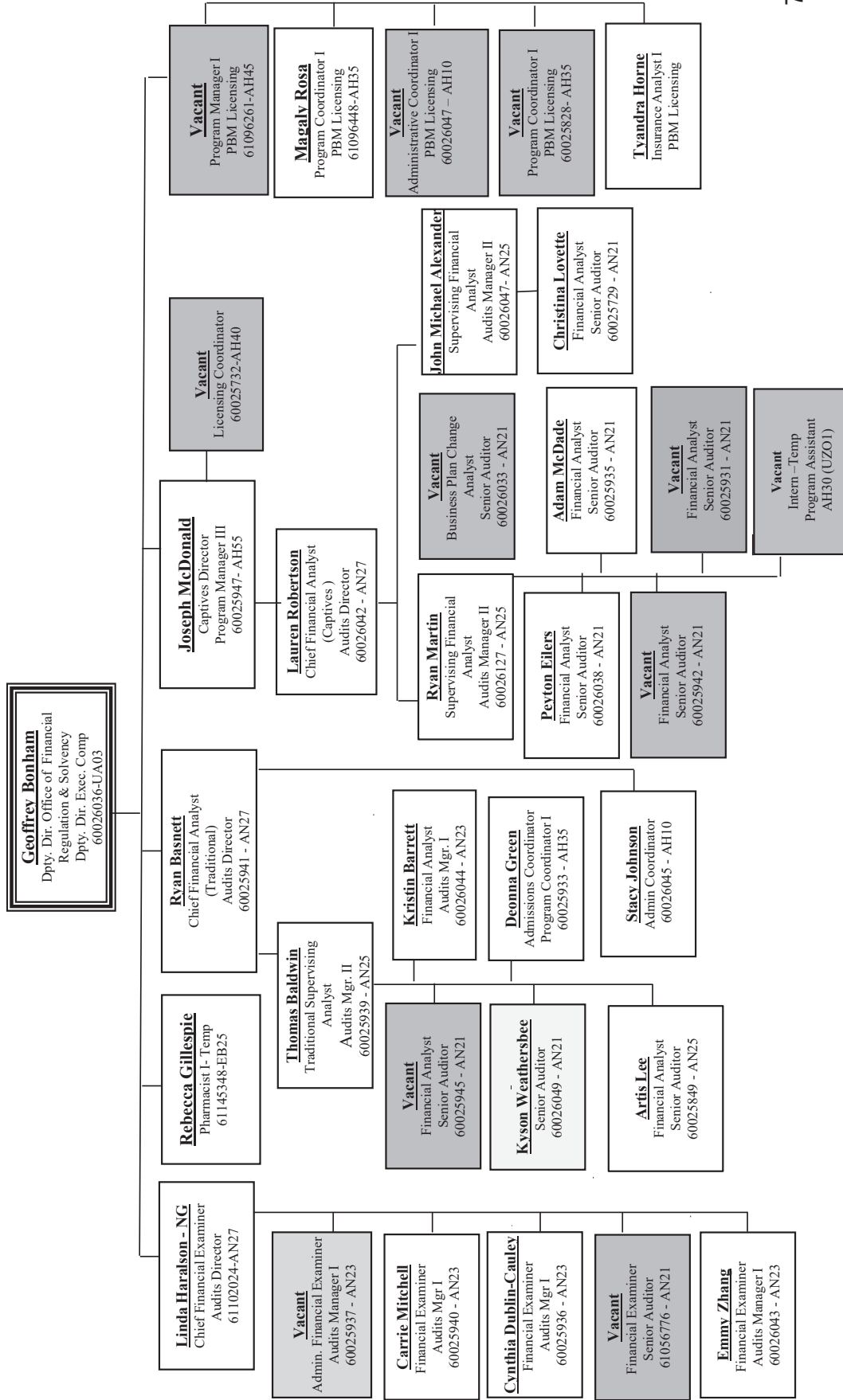


South Carolina Department of Insurance

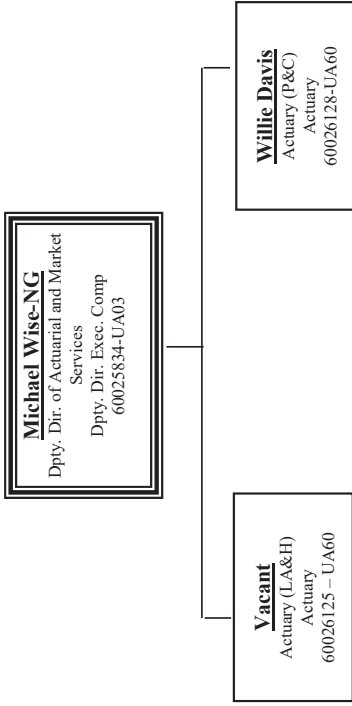
Fraud Division



South Carolina Department of Insurance
Division of Financial Regulation & Solvency



South Carolina Department of Insurance
Division of Actuarial and Market Services



R200: SC Department of Insurance

Authorized FTE Base

Authorized Total FTE	Authorized State FTE	Authorized Federal FTE	Authorized Other FTE
106	47.3		58.7

Currently vacant positions: 21

@ 12/18/23

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AGENCY'S DISCUSSION AND ANALYSIS

Key Strategic Challenges

Much of the work of the Department is influenced by changes in financial markets at the national and international level. Summarized below are the key challenges facing insurance regulation in South Carolina.

Challenge: Increased Federal Involvement in Insurance Regulation

The federal government's role in insurance regulation is increasing. Examples of the heightened federal involvement in insurance regulatory activities include the enactment of the Patient Protection and Affordable Care Act (ACA) and proposals to repeal and replace it, the Wall Street Reform and Consumer Protection Act (commonly referred to as Dodd-Frank), which created the Federal Insurance Office (FIO) within the United States Department of Treasury. FIO continues have a significant impact on U.S. insurance markets and its regulation.

The Federal Insurance Office (FIO) was established by Title V of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) and is charged with providing expertise on insurance matters to the Treasury Department and other federal agencies. It is not a regulatory but an advisory agency. FIO released its most recent report in September 2022. It plans to continue to assess the affordability and availability of insurance products in underserved areas and the role of the insurance industry in addressing and improving cybersecurity and climate related matters.

Challenge: Climate-related Disasters

Climate change risk has been prioritized in the United States as an urgent threat that needs to be addressed, and the insurance industry has a role in the process. The Financial Stability Oversight Council (FSOC) identified climate-related financial risk as an emerging threat to the financial stability of the United States and increasingly spotlighted the administration's efforts to manage its effects and avert a climate disaster on both a market and a humanitarian basis. At some point the Federal Insurance Office (FIO) is expected to produce a report seeking to identify gaps in state-based climate-risk oversight. The FIO intends to collect data from insurers to assess climate risk vulnerabilities to insurers and to the population. This work has the support of the Treasury Secretary who commented that the Treasury wants a better understanding of the insurance market's vulnerabilities to climate change. Additionally, the SEC has promulgated climate disclosure requirements that may eventually impact the insurance industry. The NAIC has also updated its climate risk disclosure requirements as well.

Climate-related disasters such as fires, floods and hurricanes are the perils expected to be more frequent and more severe, according to experts. Consumers and property insurance markets will face insurance availability and affordability issues marked higher prices or inadequate coverage. Insurers should expect more requirements for disclosing climate related claims data from state and federal regulators. To respond to consumer concerns, state policymakers are hosting hearings and town meetings to address property insurance affordability issues due in part to the impact of extreme weather events. The surplus lines market and residual market mechanisms are playing an enhanced role in ensuring the availability of coverage.

Challenge: Data Privacy and Cyber Security

Data privacy and security is not only considered privacy but also a potential national security risk. The insurance sector will also continue to see the expansion of cybersecurity disclosure requirements as technology advances,

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with regulators wanting to keep an eye on companies’ resilience planning, their internal controls, and their cybersecurity training regimens. When so much is at stake for customers with their personally identifiable information (PII) discoverable through breaches, not only have companies’ IT and compliance departments prioritized data privacy hygiene, but leadership also considers it a top priority.

Policymakers are closely monitoring the growing use of artificial intelligence (AI) for potential negative outcomes for large segments among disadvantaged groups due to potential biases that could be embedded in data inputs. The National Association of Insurance Commissioners (NAIC) has resolved to address this through the process of identifying issues that could later involve course correcting at the company level. Regulators are discussing plans to adopt a framework of algorithmic accountability (governance requirements and artificial intelligence protocols) for the use of AI by the insurance industry to help prevent bias and unfair discrimination. Insurers who use third party vendors will be responsible for any violations.

Regulators are concerned about the risk of a growing dependency on critical third-party providers as they assume control over crucial elements of company processes. More oversight and testing of an insurer’s internal controls is expected in the coming fiscal year. Insurers should have already an information security plan in place to sift through their virtual and even physical warehouses containing personally identifiable information PII, including how it is stored, its necessity both currently and going forward, and where it should be housed.

The South Carolina General Assembly enacted an insurance data security law in 2019 and additional state-based legislative activity for privacy laws is rapidly moving forward in other states. Under South Carolina’s data security law, insurers are required to notify the Department of any breaches in their security systems and to certify annually their compliance with the law. On average the Department receives about 4.5 notifications per month through its cyber event portal. A review of the portal reflects that thirty-five (35) notifications were received in calendar year 2020; fifty-five (55) in calendar year 2021; forty-six (46) in calendar year 2022; and currently sixty-two (62) cyber events have been received so far in 2023. Regulatory scrutiny of the insurer’s information security programs and how insurers use, and store data is expected to increase at the state and federal level during the next fiscal year.

What follows is a summary of the impact of these internal and external factors on the various divisions of the Department.

Actuarial and Market Services

Personnel changes continue to present strategic challenges and opportunities for the Actuarial and Market Services Division. The more tenured employees continue to leverage this opportunity to showcase ways that they can contribute to the Division and have taken on training and mentoring of new staff. The Division has also looked internally to further the knowledge base of all employees within the Office of Market Services Division.

Because of the limited control we have over the workload itself, we strive to focus on the areas that are within our control with a continual focus on areas for improvement in our processes. For example, the total turnaround time for insurer rate, rule, and form filings is impacted by the quality of each filing at submission, the number of times we must request additional information, support, or clarification from an insurer, and how quickly an insurer provides such information. As the aforementioned items are only minimally within our control, we have sought to emphasize the state’s review time as this is entirely based upon how long it takes our staff to review a filing after submission and after a company responds to any follow-up inquiries we may have. Of course, we also understand that the total turnaround time directly impacts speed to market initiatives, so we try to balance the two metrics in our focus. Our unit has also focused on embracing the post-pandemic workplace by scheduling virtual meetings with insurance carriers and offering optional part-time telework

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schedules for employees. This adaptation aligns closer with today’s accepted business practices and serves as an additional benefit for Market Services analysts.

To provide greater transparency for consumers, we continue to leverage SERFF Public Access, a no-cost, Internet-based solution for viewing public insurance company rate, rule, and form filings from anywhere at any time. Consumers simply click a link on our website to begin searching for filings and are then able to download the entirety of the filing or select a subset of the filing to review in more detail.

We continue our efforts to enhance our market analysis efforts, which are critical to monitoring insurer trade practices and identifying emerging trends in the market or in a specific insurance carrier/group.

As we strive to focus on ways to improve what is within our control, we continue to emphasize regular updates to our exhibits and filing/reporting resources that we provide to companies to assist them in preparing and submitting a quality filing/report at initial submission. Our goal for Actuarial and Market Services is to provide insurance carriers with as much pertinent and useful information as we can up front to assist them in complying with South Carolina’s insurance laws.

The property and casualty marketplace, specifically automobile insurance, is still dealing with some residual impacts of COVID as the price of vehicles and replacement parts remains elevated. Reports of continued increasing pressure on claims costs have led to significant rate increases being requested from carriers in the personal automobile market. Inflation has impacted the automobile market as well as the homeowner’s insurance market, as necessary coverage amounts continue to rise. While insurer insolvencies have stopped, our coastal property market is still recovering and, as reinsurance costs rise, so do the premiums for coastal insureds. We strive to balance market affordability and the need of insurance carriers to charge an adequate premium to cover claims.

We have identified an issue with and conducted a data call regarding the availability and affordability of liquor liability insurance in South Carolina. Compared to other Southeastern states, South Carolina’s law requires a higher aggregate limit of insurance coverage for retail liquor sales. We will continue to monitor the market and assist both insurance carriers and business owners to facilitate a healthier marketplace.

On the Life, Accident, and Health side, South Carolina withdrew from the Interstate Insurance Product Regulation Compact effective May 16, 2022. In the 2022 to 2023 fiscal year, our Market Services unit received an additional 527 filings, which is an increase of over 20%. In addition to the increase in filings received since the withdrawal from the Compact, our ACA on exchange carriers has also increased. For plan year 2023, we had two additional carriers writing on the exchange and for plan year 2024, we have one additional carrier, a total of six.

The Department was designated as the lead agency for administering South Carolina’s approximately \$34 million allocation as a beneficiary under the Volkswagen Environmental Mitigation Trust. On December 6, 2018, the Department finalized the State’s Beneficiary Mitigation Plan detailing the state’s overall goal for the use of the funds and the categories of eligible mitigation actions the state anticipates to-be appropriate to achieve these goals, among other things. The Department issued a request for applications on March 18, 2019 in order to award up to \$10 million in funding under the state’s allocation. Approximately \$9.33 million in funding was awarded on July 30, 2019 to replace school and transit buses. The Department issued a second request for applications in December 2020 seeking to award up to \$24,622,804 in funding (the remaining balance under the state’s \$34 million allocation). Approximately \$24.54 million in funding was awarded on April 13, 2021 to

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replace school and transit buses. Additional details relating to the awards are available on the www.doi.sc.gov/vwsettlement webpage.

Consumers and Licensing Services

Personnel changes and retention continue to be areas of focus in the Licensing and Consumer Services Division. This past year, one key employee retired but stayed on part-time to assist until a suitable replacement could be found. The depth of talent remains strong, and retention of staff remains key along with knowledge transfer to ensure a solid succession plan. The Division continues to further the knowledge base of all employees within the Licensing and Consumer Services Division. All Consumer Services analysts are currently involved in professional development programs.

Many of the duties and responsibilities of the Licensing and Consumer Services Division are dependent upon external factors; the number of consumer calls, consumer complaints, and licensing applications that Division staff must process is directly correlated to how many consumers contact us for assistance. As a result, it can be challenging from a strategic planning perspective to manage resources effectively while ensuring an efficient turnaround of consumer submissions.

Because of the limited control we have over the workload itself, we strive to focus on the areas that are within our control with a continual focus on areas for improvement in our processes. For example, the total turnaround time for complaint resolution depends on how timely and thoroughly companies respond to consumer complaints. Process and technological improvements implemented over the past several years have resulted in continued improvement in complaint turnaround time while simultaneously improving the quality of complaint files.

Content on our website is updated continuously and now includes complaint summary information for carriers doing business in the state by line of business. Frequently asked questions are also posted and updated on a regular basis.

The Licensing & CE Division continues to work with the NAIC and the National Insurance Producer Registry (NIPR) to modernize and streamline our processes and take steps to improve uniformity and reciprocity with regards to producer licensing. During this past legislative session, legislation was passed requiring bondsmen to pass the property and casualty producer licensing exam to be licensed as a bondsman. Staff is gearing up for this requirement's effective date at the beginning of 2024.

Our offices of specialty licensing and Pharmacy Benefit Manager Oversight will also be affected by legislative changes in the upcoming year. New legislation now provides the SC DOI with oversight of Pharmacy Services Administrative Organizations (PSAO's). Additional staffing needs are currently being addressed and postings have been published for a new analyst, administrative coordinator, and a pharmacist to consult on the implementation of the new legislation. This unit will continue to build out as our regulatory authority over PBMs potentially increases even more. We will continue to tweak these assignments to maximize operational quality, service efficiency, and Departmental productivity, with increased attention to knowledge transfer and the addition of promotable staff to back up existing management.

Financial Regulations & Solvency

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The key strategic challenges confronting the Financial Regulation & Solvency Division involve our ability to effectively regulate the financial solvency of our domestic industry and maintain our NAIC accreditation, license and monitor non-domestic companies writing South Carolina business, implement new regulatory standards in response to legislative changes, respond to systemic financial crises impacting insurers that are members of a holding company system, and grow the domestic captive insurance industry.

The NAIC Accreditation Program was established to develop and maintain standards to promote effective insurance company financial solvency regulation. The purpose of the accreditation program is for state insurance departments to meet baseline standards of solvency regulation, particularly with respect to regulation of multi-state insurers. NAIC accreditation allows non-domestic states to rely on the accredited domestic regulator to fulfill a baseline level of effective financial regulatory oversight. This creates substantial efficiencies for insurance regulators, who are then able to coordinate and rely on each other's work. It also creates far greater efficiencies for insurance companies licensed in accredited states, which are then not subject to financial examinations or other financial oversight by multiple jurisdictions. All fifty states, the District of Columbia, and the U.S. Virgin Islands are currently accredited.

For a state to remain accredited, an accreditation review must be performed at least once every five years with interim annual reviews. The SCDOI completed their last full review in November of 2021 and was reaccredited for another five years. This review entailed a full review of laws and regulations, the financial analysis and financial examinations functions, department oversight, organizational and personnel practices, primary licensing, redomestications, and change of control of domestic insurers to assist in determining our compliance with the accreditation standards.

In addition to licensing domestic insurers and ensuring they remain solvent; the Department is also responsible for taking regulatory action when deemed necessary. Regulatory actions may include administrative supervision, rehabilitation, and/or liquidation, and Department staff may be called upon to serve in any of these capacities. We also have an obligation to ensure that non-domestic entities writing business here are fully able to pay claims when due. While placing a certain amount of reliance on other states pursuant to the accreditation program described above, we also occasionally place restrictions on companies prior to licensing them so we must continually monitor their compliance with said restrictions and take any action, if necessary, usually in conjunction with their domestic state.

The increasing globalization and interconnectedness of financial services firms with other, non-financial firms, has given rise in recent years to systemic risks of a potentially international nature. In response, U.S. insurance regulators continue to reevaluate their group supervisory framework and pay close attention to the risks that are created by activities going on outside of those entities as well as the reputational and contagion issues that could exist. South Carolina, as well as all other U.S. jurisdictions, continues to work to understand the effects of the international discussions on insurance regulation and supervisory standard-setting on the U.S. regulated industry. The Department is actively following these international discussions through the efforts of several different working groups created by the NAIC.

South Carolina is also recognized as a leading onshore domicile for captive insurance companies. Another key challenge for our 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 with the legislature to keep our statutes competitive with other states and offer significant value to captive owners so that they continue to make a material economic impact in the state.

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The Department’s ability to recruit and retain competent and qualified staff continues to be a challenge for the agency. There has been significant turnover recently in this Division. The analysis sections, both captive and traditional, now appear to be adequately staffed. Most problematic is the hiring and retention of qualified Financial Examination staff because State salaries are not comparative nor competitive with other states’ salaries and do not address the depth of work for these positions nor the expertise required. Recruiting efforts must be enhanced and salaries increased to attract needed expertise in the financial and solvency area. The hiring of interns and promotion from within has resulted in limited success for in-house analysts and but has not resulted in any much-needed staffing for financial examinations. To address these concerns, the Division must secure outside consultants during the next year to ensure that financial examinations are performed in a timely manner. Worth noting is that the cost of financial examinations is billed to the company under examination, therefore, funds expended by the State are recouped.

Office of General Counsel, Compliance and Enforcement

The Office of General Counsel provides legal services and advice to the Department of Insurance. Its general practice areas include the following:



The major areas of focus for the past fiscal year included:

- **Technical advice and assistance on issues related to bail bond reform.** The Office of General Counsel assisted with the drafting of SCDOI Order No. 2022-04 which established a process for solicitors and other law enforcement to submit complaints against bondsmen to the Department for regulatory action up to an including revocation of a surety producer’s license. OGC staff continues to work with other stakeholders on enforcement issues related to the commercial bail bond industry.

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- **State and federal legislative or policy changes.** The OGC advised on a number of legislative or policy changes including:
 - **PBM amendments.** OGC staff reviewed the proposed PBM legislation and provided technical comments on the impact of the proposed changes.
 - **Bail Bond Reform Legislation.** OGC staff reviewed bail bond reform legislation and offered technical advice and assistance on the impact of proposed legislation on the commercial bond industry. This office is assisting with the implementation of H.3532 and designing training programs for SCDOI staff on the regulatory changes included in the statute.
 - Bulletins and Orders.
- **Employment Issues.** OGC staff advised on a number of employment related issues ranging from internal investigations to responding to inquiries from external regulatory agencies about employee and consumer complaints. OGC also manages all discrimination-related and employment administrative claims to and investigated by outside agencies. Outside counsel specializing in employment law are associated to review agency counsel responses as needed. The number of external complaints decreased over the past year.
- **Litigation.** OGC staff handles or manages most litigation defense involving the South Carolina Department of Insurance. Most litigation involves insurance company receiverships. Pending receivership litigation includes, but is not limited to:

Name of Receivership	Type	Status
Oceanus Ins. Co., a RRG 2016-CP-40-00034	Liquidation (Med. Mal. RRG)	Pending
South Carolina Health Cooperative, etc. 2014-CP-40-7340	Rehabilitation (SC Co-Op)	Pending
SCIC/CAIC 05-CP-40-1230	Liquidation	Pending
Transportation Insurance Services RRG	Liquidation (Comm. Trucking RRG)	Pending
Senior Health Insurance Company of Pennsylvania	Rehabilitation in State of Domicile (PA); DJ action in SC state court	South Carolina action is pending before the South Carolina Court of Appeals

- **FOIA and Subpoena Requests.** OGC staff processed 76 FOIAs and 4 subpoena requests.
- **Service of Process.** OGC staff processed 4,668 service of process requests compared to 4,864 requests the previous fiscal year.
- **Compliance and Enforcement.** The Department enforces the insurance laws of the State of South Carolina. It is responsible for investigating, examining and resolving cases involving insurance companies, health maintenance organizations (HMOs), producers, agencies, other licensees and applicants. Violations are resolved through consent order, voluntary compliance and through the imposition of administrative disciplinary actions. The Compliance and Enforcement functions consist of investigations and market regulatory oversight. Set forth below is a summary of the investigations conducted over the course of the past fiscal year:

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Investigation Files Opened	558
Investigation Files Closed	624
License Suspensions	0
License Probation	0
Warning Letters	117
License Revocations	66
Cease and Desist Letters	0
Administrative Penalties	\$11,500
Surrendered license(s)	1
AG Referrals	0

Market Regulation

Market regulation refers to regulatory oversight that primarily focuses on regulated entities' compliance with insurance laws and regulations other than those related to financial solvency. Market regulation complements financial solvency regulation. For example, problems spotted during a market conduct review may be a precursor to financial solvency concerns or vice versa. Market regulation also evaluates companies' fulfillment of contractual obligations to their policyholders and claimants. Staff members (2 employees) perform a combination of in-house reviews and on-site, targeted examinations of company submissions, records and operations in order to execute these responsibilities. They also coordinate multi-state examinations through the National Association of Insurance Commissioners (NAIC).

During the past fiscal year, market regulation staff accomplished the following:

- Processed about 20 market conduct annual statement requests and MCAS waivers.
- Responded to NAIC Market Regulation/Market Analysis Bulletin Board inquiries.
- Reviewed quarterly financial reports for South Carolina domestic insurers in conjunction with financial regulation staff for relevant market regulation indicators such as examination reports, fines and penalties, consumer complaints, etc.
- Reviewed 15 complaints/referrals to determine whether there were market conduct related violations of the South Carolina insurance laws.
- Participated in 5 market conduct examinations involving various market related issues.
- Two examinations are pending closure upon adoption of the examination report> The Department also secured additional contract examiners to augment its examination staff.

Insurance Fraud Division

The Insurance Fraud Division was established by the Omnibus Insurance Fraud and Reporting Immunity Act in 1994. This Act created the Division within the Office of the Attorney General to prosecute insurance fraud throughout the State. The Act further requires 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 entered into a Memorandum of Understanding to relocate the Insurance Fraud Division to the Department of Insurance.

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The first challenge faced by the Department is the building of this new Insurance Fraud Division. Shortly after entering the MOU, the Department was able to acquire additional office space to house the new employees of the Division as well as the SLED agents assigned to investigate insurance fraud. Although the Insurance Fraud Division moved from the Attorney General’s Office to the Department of Insurance, the AG employees of the Division remained with that office. The new Director of the Insurance Fraud Division joined the Department of Insurance in September 2021. Despite a competitive job market coming out of the Covid-19 pandemic, the Insurance Fraud Division was staffed by December 2022 with five prosecutors (including the Director), a program coordinator, and two paralegals. One of the paralegals was recently promoted to another position within the agency, creating a vacancy that is expected to be filled in the early fall of 2023. The second paralegal has accepted a position with another agency which will create a second vacancy in mid-September 2023. In addition to filling these paralegal vacancies, the Insurance Fraud Division will also be seeking to hire a law clerk and an intern to both assist with current workload needs and to create a potential pipeline for future full-time employment as new vacancies occur.

A challenge that has persisted since the transition is the vast backlog of cases dating back several years. This backlog includes cases at the prosecution stage and a lengthy list of cases classified as under investigation. While the Attorney General’s Office retained some of the cases at the prosecution stage, many of the cases came to the Department of Insurance. The new insurance fraud prosecutors have been going to court and resolving these older cases by guilty pleas. A significant number of the cases that were pending investigation have been re-examined and declined because they lack prosecutorial merit.

This backlog has presented challenges for three primary reasons. First, the networks and systems of all 3 agencies are not compatible, which has made the transfer of files very cumbersome and time consuming. Second, the flow of new complaints has increased to record highs. This requires a tenuous balance of addressing backlog cases while preventing new cases from becoming part of the backlog. Third, there was no case management system accompanying the backlog of cases nor was there an existing case management system capable of the backlog or new insurance fraud cases in existence at the Department of Insurance.

To address these challenges, the Department of Insurance has been developing a new case management system (HighQ) to track and dispose of cases while recording important reporting and trend data at the same time much more efficiently. This new system will eventually aid in the transfer of files between the Insurance Fraud Division and the assigned SLED agents who will have limited access to the new system. The first phase of this system went into operation in mid-2022. This first phase addresses the input of incoming fraud referrals and preliminary decisions or actions taken on each referral. The second phase is expected to become operational in the early fall of 2023. This second phase will track the matters that have been opened for investigation and prosecution. Once this new case management system is fully in place and the Division is fully staffed, we expect to be able to better address new cases and the backlog at the same time.

Challenge: Cybersecurity and Insurance Regulation in a Digital World

The insurance sector is rapidly shifting to digital platforms or technology and is becoming increasingly reliant on digital technologies for internal operations and customer service. Digital technologies such as social media, mobile telephone applications and data analytics are changing the way consumers interact with insurance companies and driving the industry toward more technological or digital initiatives that make their business more efficient and cost effective.

The increased use of this technology and artificial intelligence means that insurers are prime targets for data/information security breaches. State and federal governments are enacting laws to protect consumer

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information from hackers and from being sold without the consumer’s consent. This technological reliance also brings additional regulatory challenges involving potential unfair discrimination. The NAIC Big Data and Artificial Intelligence (H) Working Group is charged with reviewing existing regulatory frameworks used to oversee the insurers’ use of consumer and non-insurance data.

This Department continues to monitor cybersecurity in the insurance sector closely. In addition, regulators work with insurers to resolve immediate concerns when a data breach occurs at an insurance company. State insurance regulators are also in the unique position of regulating and monitoring the solvency and market activities of insurance carriers underwriting cybersecurity policies.

South Carolina enacted and implemented the first Insurance Data Security Act (modeled on federal law). The reporting requirements went into effect in January 2019 and licensees that are not exempt from the Act were required to have an information security program in place by July 1, 2019. The Department has received 139 notifications to date with 72 of those notices in the past fiscal year. The majority of these notices appear to involve actions by third party vendors.

Congress has considered federal bills that may preempt state laws in this area such as the American Data Privacy and Protection Act (ADPPA). This legislation, if enacted, may preempt state enacted insurance privacy statutes such as the Data Insurance Privacy Act enacted in 2018 by the South Carolina General Assembly and state breach notification laws. A federal framework will impact that states’ ability to protect the personal data of its consumers.

Challenge: Workforce Planning and Capacity

Since Covid, filling vacancies at the department with the State HR guidelines on salary ranges has been more difficult to say the least. Many applicants are demanding higher salaries than the State currently offers and expect full-time remote options. Therefore, we intend to request a reasonable budget increase for the retention of existing employees and hiring of new employees.

Our agency’s workforce risks are not unlike many other organizations when it comes to an increasing number of retirement eligible employees and the potential loss of their expertise and institutional knowledge. Starting with FY20, we have taken more proactive steps toward improving our Workforce Plan. For three years now, every employee has completed an Individual Development Plan (IDP) and the “most urgent” positions held by employees have also completed a Knowledge Transfer Plan (KTP). Both are incorporated into the annual performance review process. These documents capture our most “critical” tasks and establish yearly objectives to document and cross-train others to minimize the number of tasks where institutional and expertise is limited to only a few “key” employees. We are still considering hiring a consultant to review our plan and processes. No other agencies appear to have a model like ours to follow.

The Department’s employees are encouraged to take courses to obtain insurance related designations and certifications to enhance their insurance knowledge and otherwise prepare them for advancement opportunities as they become available within the organization. Employees are being cross-trained, mentored and allowed to shadow employees in positions in which they may have an interest. While no guarantees of promotions or employment are made, these efforts help the Department in the event of an unexpected absence and help prepare the employee should an opportunity become available.

AGENCY NAME:	SC Department of Insurance		
AGENCY CODE:	R20	SECTION:	78

The foregoing discussion summarizes the internal and external factors that impact this agency. It is within this environment that the Department attempts to regulate the South Carolina insurance marketplace. Senior leadership reviews market performance and other regulatory challenges annually. From this, the Department develops its goals and objectives and legislative and other policy recommendations.

Summarized below are the Department’s significant achievements during the fiscal year ending June 30, 2023: Collected \$391,088,869 in revenue from taxes, fees, assessment and fines, etc. Reviewed and analyzed 9,189 rate, rule and form filings. 6,082 were related to property and casualty insurance products and the remaining 3,107 were related to life, accident and health insurance products. The Department’s Office of Consumer Services resolved 4,962 complaints during the fiscal year. Reviewed the South Carolina Code of Laws, Title 38 to determine what, if any, laws that are unnecessary and issued 10 bulletins clarifying issues related to the implementation of South Carolina insurance laws. Implemented a more robust outreach plan which consists of an enhanced website, additional community events, and enhanced market assistance activities in the communities affected by various disasters or other natural events. Enhanced the quality and efficiency of the services provided to stakeholders by automating processes and upgrading technology to enable the Department to be more responsive and to secure the data maintained by the agency.

Risk Assessment and Mitigation Strategies

The mission of the Department is to protect consumers by regulating the insurance industry, promoting a stable and competitive insurance market and enforcing the insurance laws of the state. The Department regulates the industry to assure consumers that insurers transacting business in this state will fulfill their policyholder obligations, i.e., provide the benefits contracted for under the policy. Solvency and market regulation are among the most important consumer protection functions performed by the Department. Market regulation and surveillance activities must also include initiatives to protect consumer information.

Data security and privacy continue to be significant risk factors for most organizations. The more data the Department retains the greater the risk exposure. Emerging data sources such as social media, Office 365, G-mail and cloud-based collaboration applications are targets for hackers. The Department mitigates its risk exposure risk through enforcement of its information policies and procedures and training. Specifically, the Department:

- Limits the amount of PII its collects and maintains, destroying unnecessary files in accordance with state record retention requirements,
- Conducts phishing campaigns regularly.
- Limits employee access to data (least privilege) and
- Requires employees to participate in KnowB4 training modules.

Compliance with Department data security requirements are also included in employee performance appraisals. New employees are also required to participate in training before they can access Department systems.

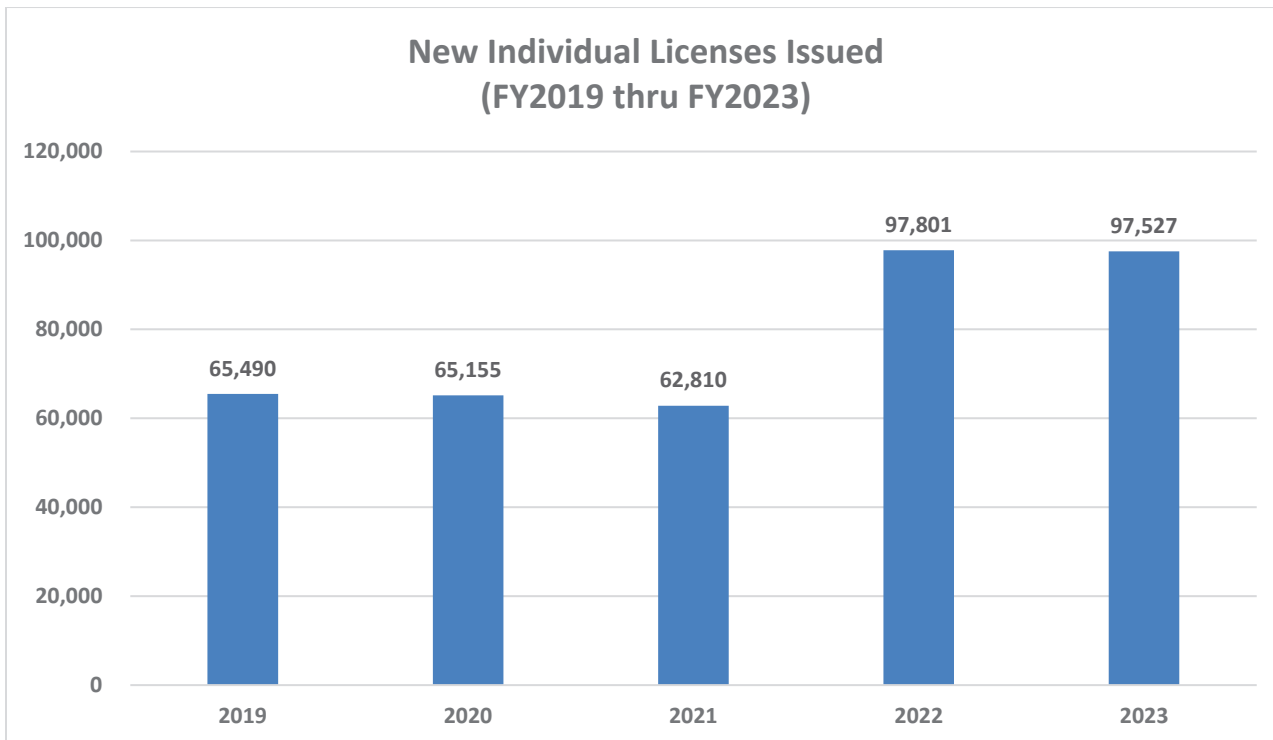
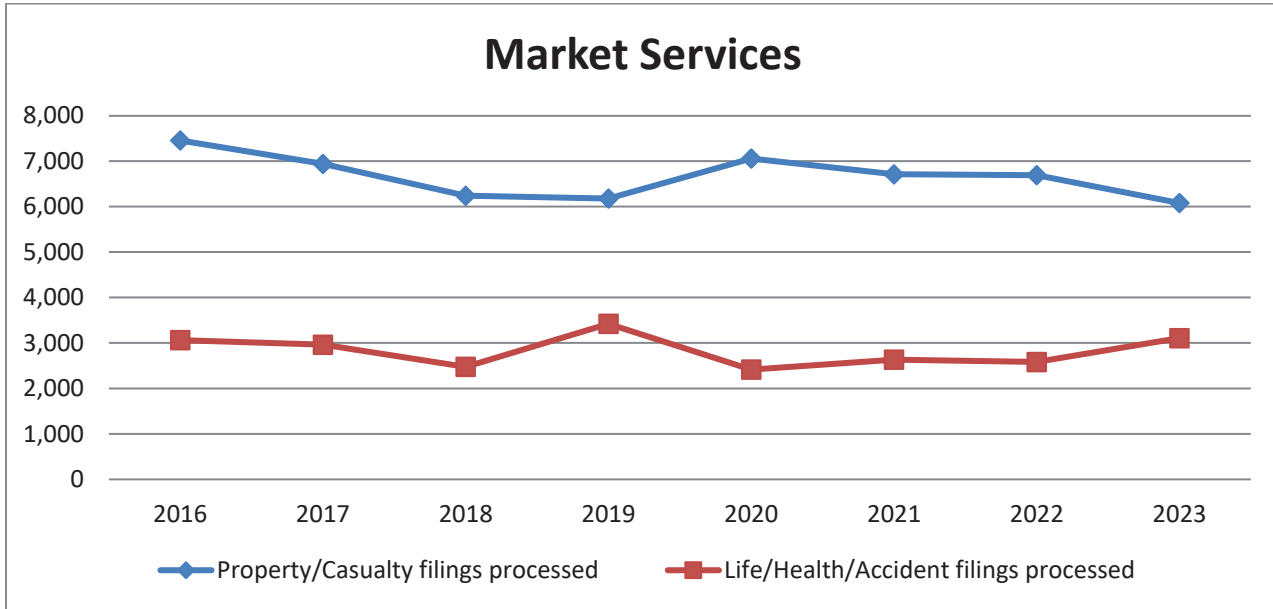
Over the course of the next fiscal year, the Department will continue its efforts to review and update the Department’s data security and privacy policies and procedures as well as its record retention policies and processes and to implement an employee training series that will include additional training on these topics.

Legislatures can help mitigate the risk by:

- Appropriating sufficient funds or providing a dedicated funding source to ensure the Department to enable the Department to attract and retain adequate and competent personnel; and

AGENCY NAME:	SC Department of Insurance		
AGENCY CODE:	R20	SECTION:	78

- Review and enact laws periodically to ensure that they protect the insurance-buying public from improper market practices and are compatible with new electronic delivery platforms and artificial intelligence technologies used by the insurance industry.



Using the Accountability Report to Improve Organizational Performance

AGENCY NAME:	SC Department of Insurance		
AGENCY CODE:	R20	SECTION:	78

The Department uses the Accountability Report to annually evaluate and critique the progress of the agency's strategic plan. The Report is also used to initiate discussion about potential changes or additions to the current year's action plan. Through this process, the performance measures are accurately linked to larger, strategic goals in such a way that promotes the Department's transparency, efficiency, effectiveness and commitment to its stakeholders.

Expenditures/ Appropriations Chart
Base Budget Expenditures and Appropriations

MAJOR BUDGET CATEGORIES	FY 22-23 ACTUAL EXPENDITURES	
	Total Funds	General Funds
Personal Service	\$ 6,228,815	\$3,588,163
Other Operating	\$ 4,184,922	\$1,281,814
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$ 2,153,551	
Fringe Benefits	\$ 2,453,792	\$1,417,015
Non-recurring		
Total	\$15,021,080	\$6,286,992

MAJOR BUDGET CATEGORIES	FY 23-24 APPROPRIATIONS ACT		
	Total Funds	General Funds	Actuals (YTD 12-21-23)
Personal Service	\$ 7,935,574	\$4,007,989	\$3,241,520
Other Operating	\$ 8,476,017	\$1,791,121	\$2,533,988
Special Items			
Permanent Improvements			
Case Services			
Distributions to Subdivisions	\$ 2,155,000		\$2,153,908
Fringe Benefits	\$ 2,950,100	\$1,492,567	\$1,334,326
Non-recurring			
Total	\$21,516,691	\$7,291,677	\$9,263,742

Major Program Areas Chart

Program Number and Title	Major Program Area Purpose	FY 22-23 Budget Expenditures
Administration	Administration: Office of General Counsel, Information Resource Management(IRM), Executive Services	State: 1,721,593 Federal: Other: 685,406 Total: 2,407,000 % of Total Budget: 16%
Solvency	Solvency: Financial Examination, Market Conduct Examinations, Financial Analysis, Securities, Securities Custodian and Historical Databases	State: 438,378 Federal: Other: 937,688 Total: 1,376,066 % of Total Budget: 9%
Licensing	Licensing: Individual Licensing, Companies, Insurer/HMO Licensing, Education, Special Services Division, Third Party Administration Licenses, Utilization Review and Service Contract Providers	State: 211,881 Federal: Other: 577,056 Total: 788,937 % of Total Budget: 5%
Captives	Captives & ARTS MKT SVC's	State: Federal: Other: 983,977 Total: 983,977 % of Total Budget: 7%
Policy	Policy Forms and Rates: Review Financial Condition and Residual Markets, Consumer Assistance	State: 918,269 Federal: Other: 131,682 Total: 1,049,951 % of Total Budget: 7%
Safe Homes	Hurricane Mitigation	State: Federal: Other: 1,707,144 Total: 1,707,144 % of Total Budget: 12%
Fringe Benefits	Employer Fringe Benefits	State: 1,417,015 Federal: Other: 1,036,777 Total: 2,453,792 % of Total Budget: 16%

Remainder of Expenditures (Consumers, Taxation, Fraud & Uninsured Motorist)	State: 1,579,856 Federal: Other: 2,674,357 Total: 4,254,213 % of Total Budget: 28%
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**FY 24-25 Prioritized Budget Request Summary
(R200) SC Department of Insurance**

BUDGET REQUESTS										FUNDING				FTEs		
Priority	Request Type (recurring, non-recurring, capital)	Request Title	Brief Description	General - Recurring	General - Nonrecurring	Other	Federal	Total	State	Other	Federal	Total				
1	Recurring	PBM Legislation	S*0520 (Pharmacy Benefits) was signed into law by the Governor on 5/16/2023. In order for us to properly carryout the new requirements of this legislation, the Agency has determined that these FTE's will be needed. We will need to have our Earned Authority Level increased another \$800,000 where we will invoice companies for market conduct examinations and external reviews performed as apart of this new legislation. We intend to contract these services out via RFP	668907		800000		1468907	6.00			6.00				
2	Recurring	Staff Retention and Recruitment	The recipients will be new and existing employees. Over the last several years, the agency has struggled no different than most trying to attract talent. Many of the salaries posted for positions are met with less than adequate candidates. In fact, many of them do not meet the minimum requirements of the positions being posted. Trying to hold salaries down to maintain equity with existing staff is difficult. The department of insurance requires skillsets with unique "insurance" experience. These skills demand higher salaries than what the State has normally for general classifications. With a increase in resources for retention and recruitment we believe we can attract and maintain a high quality workforce.	325000				325000				0.00				
3								0				0.00				
4								0				0.00				
5								0				0.00				
6								0				0.00				
7								0				0.00				
8								0				0.00				
9								0				0.00				

Agency Name:	Department Of Insurance		
Agency Code:	R200	Section:	78



Fiscal Year FY 2024-2025

Agency Budget Plan

FORM A - BUDGET PLAN SUMMARY

OPERATING REQUESTS <i>(FORM B1)</i>	For FY 2024-2025, my agency is (mark "X"):	
	<input checked="" type="checkbox"/>	Requesting General Fund Appropriations.
	<input checked="" type="checkbox"/>	Requesting Federal/Other Authorization.
	<input type="checkbox"/>	Not requesting any changes.

NON-RECURRING REQUESTS <i>(FORM B2)</i>	For FY 2024-2025, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting Non-Recurring Appropriations.
	<input type="checkbox"/>	Requesting Non-Recurring Federal/Other Authorization.
	<input checked="" type="checkbox"/>	Not requesting any changes.

CAPITAL REQUESTS <i>(FORM C)</i>	For FY 2024-2025, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting funding for Capital Projects.
	<input checked="" type="checkbox"/>	Not requesting any changes.

PROVISOS <i>(FORM D)</i>	For FY 2024-2025, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting a new proviso and/or substantive changes to existing provisos.
	<input type="checkbox"/>	Only requesting technical proviso changes (such as date references).
	<input checked="" type="checkbox"/>	Not requesting any proviso changes.

Please identify your agency's preferred contacts for this year's budget process.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	Tom Watson	(803) 737-6141	twatson@doi.sc.gov
SECONDARY CONTACT:	Mia Mills	(803) 737-6111	mmills@doi.sc.gov

I have reviewed and approved the enclosed FY 2024-2025 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

	<u>Agency Director</u>	<u>Board or Commission Chair</u>
SIGN/DATE:		
TYPE/PRINT NAME:		

This form must be signed by the agency head – not a delegate.

Agency Name:	<u>Department Of Insurance</u>
Agency Code:	R200
Section:	78

BUDGET REQUESTS			FUNDING					FTES				
Priority	Request Type	Request Title	State	Federal	Earmarked	Restricted	Total	State	Federal	Earmarked	Restricted	Total
1	B1 - Recurring	PBM Legislation S*0520 Implementation	668,907	0	800,000	0	1,468,907	6.00	0.00	0.00	0.00	6.00
2	B1 - Recurring	Staff Retention and Recruitment	325,000	0	0	0	325,000	0.00	0.00	0.00	0.00	0.00
TOTALS			993,907	0	800,000	0	1,793,907	6.00	0.00	0.00	0.00	6.00

Agency Name:	Department Of Insurance		
Agency Code:	R200	Section:	78

FORM B1 – RECURRING OPERATING REQUEST

AGENCY PRIORITY	1
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Provide the Agency Priority Ranking from the Executive Summary.

TITLE	PBM Legislation S*0520 Implementation
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Provide a brief, descriptive title for this request.

AMOUNT	General: \$668,907 Federal: \$0 Other: \$800,000 Total: \$1,468,907
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What is the net change in requested appropriations for FY 2024-2025? This amount should correspond to the total for all funding sources on the Executive Summary.

NEW POSITIONS	6.00
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Please provide the total number of new positions needed for this request.

FACTORS ASSOCIATED WITH THE REQUEST	Mark "X" for all that apply:	
	<input checked="" type="checkbox"/>	Change in cost of providing current services to existing program audience
	<input type="checkbox"/>	Change in case load/enrollment under existing program guidelines
	<input type="checkbox"/>	Non-mandated change in eligibility/enrollment for existing program
	<input type="checkbox"/>	Non-mandated program change in service levels or areas
	<input checked="" type="checkbox"/>	Proposed establishment of a new program or initiative
	<input type="checkbox"/>	Loss of federal or other external financial support for existing program
	<input type="checkbox"/>	Exhaustion of fund balances previously used to support program
	<input type="checkbox"/>	IT Technology/Security related
	<input type="checkbox"/>	Consulted DTO during development
<input type="checkbox"/>	Related to a Non-Recurring request – If so, Priority #	

STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES	Mark "X" for primary applicable Statewide Enterprise Strategic Objective:	
	<input type="checkbox"/>	Education, Training, and Human Development
	<input type="checkbox"/>	Healthy and Safe Families
	<input type="checkbox"/>	Maintaining Safety, Integrity, and Security
	<input type="checkbox"/>	Public Infrastructure and Economic Development
<input checked="" type="checkbox"/>	Government and Citizens	

ACCOUNTABILITY OF FUNDS	<p>S*0520 (Pharmacy Benefits) was signed into law by the Governor on 5/16/2023. In order for us to properly carryout the new requirements of this legislation, the Agency has determined that these FTE's will be needed. We will need to have our Earned Authority Level increased another \$800,000 where we will invoice companies for market conduct examinations and external reviews performed as apart of this new legislation. We intend to contract these services out via RFP.</p>
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What specific strategy, as outlined in the most recent Strategic Planning and Performance Measurement template of agency's accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?

RECIPIENTS OF	<p>We actually began starting the program during FY24 utilizing our existing cash balances, authority and vacancies. However, this approach is not sustainable long-term and that is why we are asking for the funding to support the new legislation</p>
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FUNDS

that was just passed and signed by the Governor on 5/16/2023. This request coincides with the fiscal impact provided during legislative review and consideration.

What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing formula, through a competitive process, based upon predetermined eligibility criteria?

**JUSTIFICATION OF
REQUEST**

S*0520 (Pharmacy Benefits) was signed into law by the Governor on 5/16/2023. AN ACT TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING ARTICLE 18 OF CHAPTER 71, TITLE 38, RELATING TO PHARMACY AUDIT RIGHTS, SO AS TO EXPAND THE RIGHTS AND DUTIES OF PHARMACIES DURING AUDITS; BY AMENDING ARTICLE 21 OF CHAPTER 71, TITLE 38, RELATING TO PHARMACY BENEFITS MANAGERS, SO AS TO DEFINE TERMS AND MAKE CONFORMING CHANGES; BY ADDING ARTICLE 23 TO CHAPTER 71, TITLE 38 SO AS TO DEFINE TERMS AND OUTLINE RESPONSIBILITIES AND DUTIES OF PHARMACY SERVICES ADMINISTRATIVE ORGANIZATIONS; AND BY REPEALING SECTION 38-71-147 RELATING TO FREEDOM OF SELECTION AND PARTICIPATION IN HEALTH INSURANCE POLICIES OR HEALTH MAINTENANCE ORGANIZATION PLANS.

These positions are needed to implement the new law.

Pharmacist I (1-FTE) / Program Coordinator I (2-FTE) / Program Coordinator II (1-FTE) / Admin. Coordinator I (1-FTE) / Attorney III (1-FTE)

Salary plus fringe = \$568,907

Operational Cost = \$100,000

TOTAL \$668,907

With an Authority Level increased of \$800,000.

Please thoroughly explain the request to include the justification for funds, potential offsets, matching funds, and method of calculation. Please include any explanation of impact if funds are not received. If new positions have been requested, explain why existing vacancies are not sufficient.

Agency Name:	Department Of Insurance		
Agency Code:	R200	Section:	78

FORM B1 – RECURRING OPERATING REQUEST

AGENCY PRIORITY	2
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Provide the Agency Priority Ranking from the Executive Summary.

TITLE	Staff Retention and Recruitment
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Provide a brief, descriptive title for this request.

AMOUNT	General: \$325,000 Federal: \$0 Other: \$0 Total: \$325,000
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What is the net change in requested appropriations for FY 2024-2025? This amount should correspond to the total for all funding sources on the Executive Summary.

NEW POSITIONS	0.00
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Please provide the total number of new positions needed for this request.

FACTORS ASSOCIATED WITH THE REQUEST	Mark "X" for all that apply:	
	<input checked="" type="checkbox"/>	Change in cost of providing current services to existing program audience
	<input type="checkbox"/>	Change in case load/enrollment under existing program guidelines
	<input type="checkbox"/>	Non-mandated change in eligibility/enrollment for existing program
	<input type="checkbox"/>	Non-mandated program change in service levels or areas
	<input type="checkbox"/>	Proposed establishment of a new program or initiative
	<input type="checkbox"/>	Loss of federal or other external financial support for existing program
	<input type="checkbox"/>	Exhaustion of fund balances previously used to support program
	<input type="checkbox"/>	IT Technology/Security related
	<input type="checkbox"/>	Consulted DTO during development
<input type="checkbox"/>	Related to a Non-Recurring request – If so, Priority #	

STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES	Mark "X" for primary applicable Statewide Enterprise Strategic Objective:	
	<input checked="" type="checkbox"/>	Education, Training, and Human Development
	<input type="checkbox"/>	Healthy and Safe Families
	<input type="checkbox"/>	Maintaining Safety, Integrity, and Security
	<input type="checkbox"/>	Public Infrastructure and Economic Development
<input type="checkbox"/>	Government and Citizens	

ACCOUNTABILITY OF FUNDS	<p>2.2.1 Provide Agency resources for CISR/AFE/APIR/PIR/CPCU/Aer/ACAS/CFE Trainings and designations for all approved staff.</p> <p>4.1.2 Update Succession/Workforce plans with inclusion in staff annual planning stages and evaluations.</p> <p>4.1.3 Periodically throughout the year, communicate and promote wellness benefits & initiatives to employees regularly and ensure they are aware of other wellness resources such as tobacco use programs, employee assistance programs and ergonomics options.</p>
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What specific strategy, as outlined in the most recent Strategic Planning and Performance Measurement template of agency's accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?

	<p>The recipients will be new and existing employees. Over the last several years, the agency has struggled no different than most trying to attract talent. Many of the salaries posted for positions are met with less than adequate candidates. In fact,</p>
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RECIPIENTS OF FUNDS

many of them do not meet the minimum requirements of the positions being posted. Trying to hold salaries down to maintain equity with existing staff is difficult. The department of insurance requires skillsets with unique "insurance" experience. These skills demand higher salaries than what the State has normally for general classifications. With a increase in resources for retention and recruitment we believe we can attract and maintain a high quality workforce.

What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing formula, through a competitive process, based upon predetermined eligibility criteria?

JUSTIFICATION OF REQUEST

Expanding on what was provided above in "Recipient of Funds" above, our department has experienced high turnover over the last several years. Some of this is due to retirements, but much more is related to staff leaving for better paying opportunities and work-life balance. We approved a telecommuting policy in July 2022 where staff who qualify can participate up to 2 days per week. We may increase this to 3 days in the coming year. In FY21 our turnover rate was 20.9% and it continue to climb gradually with a rate of 23.3% at end of FY22.

Please thoroughly explain the request to include the justification for funds, potential offsets, matching funds, and method of calculation. Please include any explanation of impact if funds are not received. If new positions have been requested, explain why existing vacancies are not sufficient.

Agency Name:	Department Of Insurance		
Agency Code:	R200	Section:	78

**FORM E – AGENCY COST SAVINGS AND GENERAL FUND REDUCTION
CONTINGENCY PLAN**

TITLE	Agency Cost Savings and General Fund Reduction Contingency Plan (3% reduction of fiscal year 2024-2025 Recurring General Fund Appropriations based upon guidelines provided)
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AMOUNT	\$193,666
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What is the General Fund 3% reduction amount? This amount should correspond to the reduction spreadsheet prepared by EBO.

ASSOCIATED FTE REDUCTIONS	None expected.
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How many FTEs would be reduced in association with this General Fund reduction?

PROGRAM / ACTIVITY IMPACT	<p>Almost all programs would be impacted by this "proposed" reduction. The Agency would attempt to reduce some of its operating costs in order to meet the mandated reduction.</p> <p><i>What programs or activities are supported by the General Funds identified?</i></p>
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SUMMARY	<p>To accomplish this reduction, we would have to postpone some of our planned IT initiatives; omit our normal advertising campaigns for flood and other disasters; and reduce contract labor. We continue to strive towards increasing our infrastructure as it relates to security and privacy. We continue to implement recommendations provided by the SC Dept. of Administration's Division of Technology (DTO). We also provide critical information to SC citizens regarding protection during disasters.</p>
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Please provide a detailed summary of service delivery impact caused by a reduction in General Fund Appropriations and provide the method of calculation for anticipated reductions. Agencies should prioritize reduction in expenditures that have the least significant impact on service delivery.

**AGENCY COST
SAVINGS PLANS**

We analyze and project all of our major expenditures each fiscal year. This allows us to plan and adjust accordingly to ensure that we are maintaining effectiveness and efficiencies.

What measures does the agency plan to implement to reduce its costs and operating expenses by more than \$50,000? Provide a summary of the measures taken and the estimated amount of savings. How does the agency plan to repurpose the savings?

Agency Name:	Department Of Insurance		
Agency Code:	R200	Section:	78

FORM F – REDUCING COST AND BURDEN TO BUSINESSES AND CITIZENS

TITLE	SCDOI's Efforts to Reduce Cost and Burden to Businesses and Citizens
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Provide a brief, descriptive title for this request.

EXPECTED SAVINGS TO BUSINESSES AND CITIZENS	The Agency routinely reviews all of its regulations to ensure that only minimal requirements are stipulated to carry out Title 38 and other insurance related laws. The savings is not readily quantifiable.
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What is the expected savings to South Carolina's businesses and citizens that is generated by this proposal? The savings could be related to time or money.

FACTORS ASSOCIATED WITH THE REQUEST	Mark "X" for all that apply:	
	X	Repeal or revision of regulations.
		Reduction of agency fees or fines to businesses or citizens.
	X	Greater efficiency in agency services or reduction in compliance burden.
		Other

METHOD OF CALCULATION	N/A
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Describe the method of calculation for determining the expected cost or time savings to businesses or citizens.


REDUCTION OF FEES OR FINES	We annually maintain and update a list of the fines and fees for the previous fiscal year and the associated statute. However, no immediate reductions are planned at this time.
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Which fees or fines does the agency intend to reduce? What was the fine or fee revenue for the previous fiscal year? What was the associated program expenditure for the previous fiscal year? What is the enabling authority for the issuance of the fee or fine?

REDUCTION OF REGULATION	The Department completed its review of regulations within the past few months. Noted by each regulation is the action the Department proposes to take over the next five years if any. This analysis can and will be made available upon request.
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Which regulations does the agency intend to amend or delete? What is the enabling authority for the regulation?

SUMMARY	The South Carolina Department of Insurance is committed to designing and maintaining an insurance regulatory system that protects the public interest without imposing unnecessary costs on its licensees. Accordingly, the agency routinely reviews its processes, procedures and regulatory framework to automate processes that can be automated and to determine which regulations should be modified, streamlined or repealed. It recently completed its annual yearly review. The purpose of the review is to make regulation more effective or less burdensome in achieving regulatory objectives. Modifying regulations to comply with applicable law ensures that our consumers are afforded the protections intended by the legislature. Repealing unnecessary regulations may reduce the costs to licensees which may enable the licensee to provide coverage to the citizens of this state at a reasonable cost.
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Provide an explanation of the proposal and its positive results on businesses or citizens. How will the request affect agency operations?

Transportation and Regulatory Subcommittee					
Proviso Request Summary					
FY 23-24 Proviso #	Renumbered FY 24-25 Proviso #	Proviso Title	Short Summary	FY OF PROVISIO Introduction/ # of years in budget	Recommended Action
78.1	78.1	Examiners Travel/Subsistence Reimbursement	(INS: Examiners Travel/Subsistence Reimbursement) Notwithstanding the limitations in this act as to amounts payable or reimbursable for lodging, meals, and travel, the Department of Insurance is authorized to reimburse department examiners in accordance with guidelines established by the National Association of Insurance Commissioners only when the State is reimbursed by an insurance company for the travel and subsistence expenses of Insurance Department examiners pursuant to Section 38-13-10 of the 1976 Code.		KEEP
78.2	78.2	Reimbursement Carry Forward	(INS: Reimbursement Carry Forward) Reimbursements received for Data Processing Services, Revenue, Miscellaneous Revenue and Sale of Listings and Labels shall be retained for use by the department. These funds may be carried forward in the current fiscal year.		KEEP
78.3	78.3	Fees for Licenses	(INS: Fees for Licenses) The Department of Insurance shall be authorized to charge a twenty-five dollar initial producer license fee; a twenty-five dollar biennial producer license renewal fee; and a two hundred- fifty dollar penalty fee for late appointment renewals. The director shall specify the time and manner of payment of these fees. These fees shall be retained by the department for the administration of Title 38.		KEEP