

Ways and Means
Transportation & Regulatory Subcommittee
FY 2020 Budget Hearing
Blatt Building Room 318



SC Department of Insurance Budget Presentation

January 9, 2019

9:00 AM

Key Officials in the DOI

Director Raymond Farmer: rfarmer@doi.sc.gov (803) 737-6805

Deputy Director of Financial Services Lee Hill: lhill@doi.sc.gov (803) 737-6199

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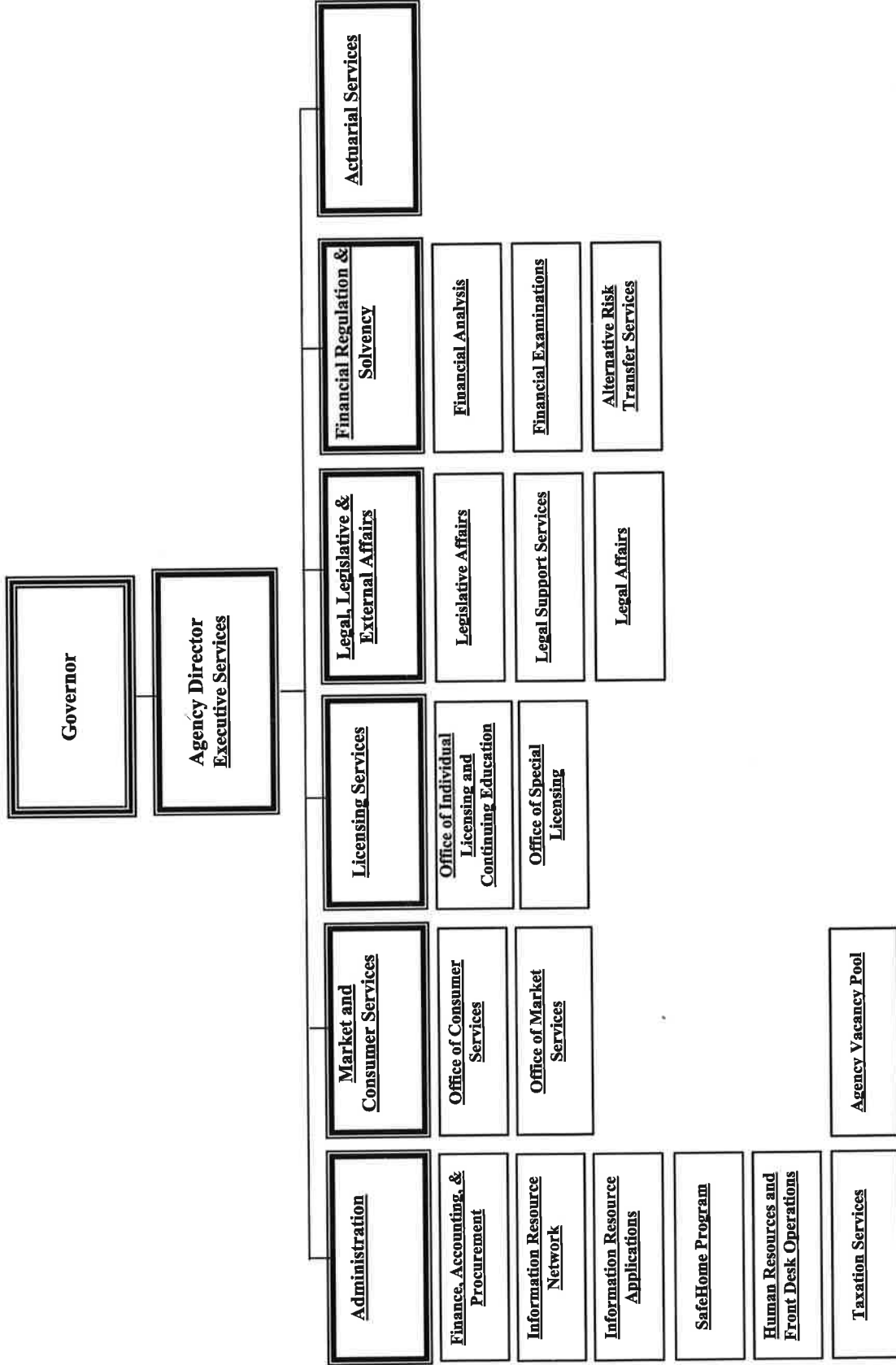
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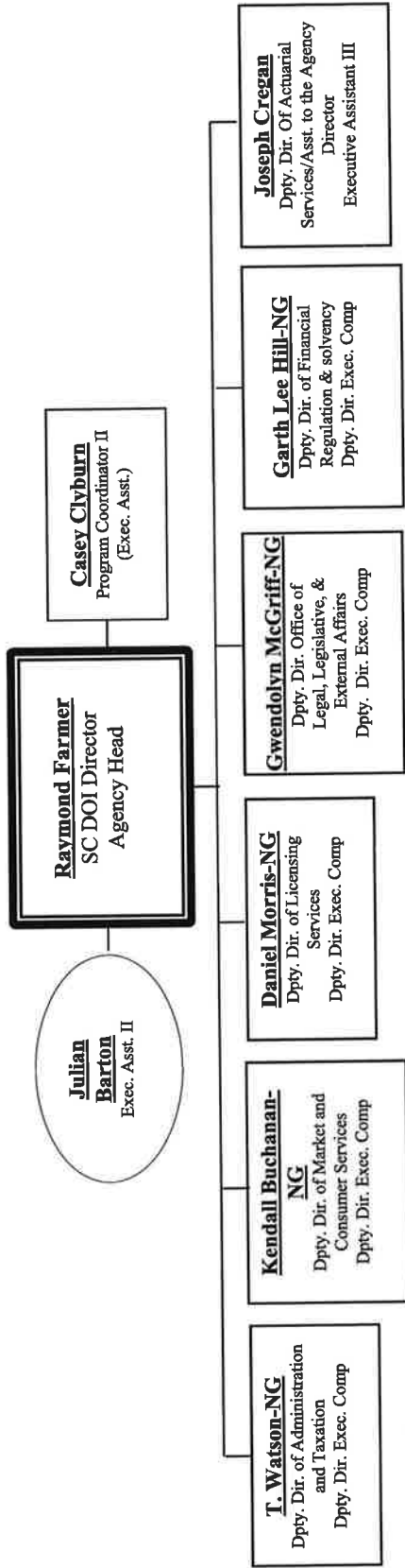
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<http://doi.sc.gov/>

South Carolina Department of Insurance
Organizational Chart



South Carolina Department of Insurance
Executive Services



Fiscal Year 2019-20 Budget Request Executive Summary

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

BUDGET REQUESTS			FUNDING					FTEs				
Priority	Request Type	Request Title	State	Federal	Especially	Restricted	Total	State	Federal	Especially	Restricted	Total
1		N/A - No additional funding requested for FY20					0					0.00

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**Fiscal Year 2019-20
Agency Budget Plan**


FORM A - BUDGET PLAN SUMMARY

OPERATING REQUESTS (FORM B1)	For FY 2019-20, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting General Fund Appropriations.
	<input type="checkbox"/>	Requesting Federal/Other Authorization.
	<input checked="" type="checkbox"/>	Not requesting any changes.
NON-RECURRING REQUESTS (FORM B2)	For FY 2019-20, 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 (FORM C)	For FY 2019-20, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting funding for Capital Projects.
	<input checked="" type="checkbox"/>	Not requesting any changes.
PROVISOS (FORM D)	For FY 2019-20, 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.

	<i>Name</i>	<i>Phone</i>	<i>Email</i>
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 2019-20 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

	<i>Agency Director</i>	<i>Board or Commission Chair</i>
SIGN/DATE:	 9/15/2017	N/A
TYPE/PRINT NAME:	Raymond G. Farmer	N/A

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

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FORM B1 – RECURRING OPERATING REQUEST

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

TITLE
Provide a brief, descriptive title for this request.

AMOUNT
General:
Federal:
Other:
Total:
What is the net change in requested appropriations for FY 2019-20? This amount should correspond to the total for all funding sources on the Executive Summary.

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

FACTORS ASSOCIATED WITH THE REQUEST

Mark "X" for all that apply:

<input 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 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

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ACCOUNTABILITY OF FUNDS

What specific strategy, as outlined in the FY 2018-19 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 FUNDS

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

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.

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FORM B2 – NON-RECURRING OPERATING REQUEST

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

TITLE
Provide a brief, descriptive title for this request.

AMOUNT
What is the net change in requested appropriations for FY 2019-20? This amount should correspond to the total for all funding sources on the Executive Summary.

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

- STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES**
- Mark "X" for primary applicable Statewide Enterprise Strategic Objective:**
- Education, Training, and Human Development
 - Healthy and Safe Families
 - Maintaining Safety, Integrity, and Security
 - Public Infrastructure and Economic Development
 - Government and Citizens

ACCOUNTABILITY OF FUNDS

What specific strategy, as outlined in the FY 2018-19 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

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these funds be evaluated?

RECIPIENTS OF FUNDS

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

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. Does this non-recurring appropriation request create an annualization or need for recurring funds?

FORM C – CAPITAL REQUEST

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

TITLE
Provide a brief, descriptive title for this request.

AMOUNT
How much is requested for this project in FY 2019-20? This amount should correspond to the total for all funding sources on the Executive Summary.

CPIP PRIORITY
Identify the project's CPIP plan year and priority number, along with the first year in which the project was included in the agency's CPIP. If not included in the agency's CPIP, please provide an explanation. If the project involves a request for appropriated state funding, briefly describe the agency's contingency plan in the event that state funding is not made available in the amount requested.

OTHER APPROVALS
What approvals have already been obtained? Are there additional approvals that must be secured in order for the project to succeed? (Institutional board, JBRC, SFAA, etc.)

LONG-TERM PLANNING AND SUSTAINABILITY
What other funds have already been invested in this project (source/type, amount, timeframe)? Will other capital and/or operating funds for this project be requested in the future? If so, how much, and in which fiscal years? Has a source for those funds been identified/secured? What is the agency's expectation with regard to additional annual costs or savings associated with this capital improvement? What source of funds will be impacted by those costs or savings? What is the expected useful life of the capital improvement?

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SUMMARY

Provide a summary of the project and explain why it is necessary. Please refer to the budget guidelines for appropriate questions and thoroughly answer all related items.

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FORM D – PROVISO REVISION REQUEST

NUMBER
Cite the proviso according to the renumbered list for FY 2019-20 (or mark "NEW").

TITLE
Provide the title from the FY 2018-19 Appropriations Act or suggest a short title for any new request.

BUDGET PROGRAM
Identify the associated budget program(s) by name and budget section.

RELATED BUDGET REQUEST
Is this request associated with a budget request you have submitted for FY 2019-20? If so, cite it here.

REQUESTED ACTION
Choose from: Add, Delete, Amend, or Codify.

OTHER AGENCIES AFFECTED
Which other agencies would be affected by the recommended action? How?

SUMMARY & EXPLANATION

Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.

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FISCAL IMPACT

[Empty box for Fiscal Impact]

Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.

**PROPOSED
PROVISO TEXT**

[Empty box for Proposed Proviso Text]

Paste FY 2018-19 text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.

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**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 2018-2019 Recurring General Fund Appropriations based upon guidelines provided.

AMOUNT \$128,062
What is the General Fund 3% reduction amount (minimum based on the FY 2018-19 recurring appropriations)? This amount should correspond to the reduction spreadsheet prepared by EBO.

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

PROGRAM/ACTIVITY IMPACT 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.
What programs or activities are supported by the General Funds identified?

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SUMMARY

To accomplish this reduction, we would have to postpone some of our planned IT initiatives. 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 would also reduce the services provided by the Dept. of Administration as it relates to mail processing communications for our licensees and companies regulated.

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 our major expenditures, mostly IT related, 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?

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FORM F – REDUCING COST AND BURDEN TO BUSINESSES AND CITIZENS

TITLE SCDOI's Efforts to Reduce Cost and Burden to Businesses and Citizens

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.

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:

<input type="checkbox"/>	Repeal or revision of regulations.
<input type="checkbox"/>	Reduction of agency fees or fines to businesses or citizens.
<input checked="" type="checkbox"/>	Greater efficiency in agency services or reduction in compliance burden.
<input type="checkbox"/>	Other

METHOD OF CALCULATION

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.

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.

Which regulations does the agency intend to amend or delete? What is the enabling authority for the regulation?

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SUMMARY

The South Carolina Department of Insurance is committed to designing and maintaining and 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.

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 2018-19				
Proviso # in FY 17-18 Act	Renumbered FY 18-19 Proviso #	Proviso Title	Short Summary	Agency Recommended Action (keep, change, delete, add)
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

Carry forward information, please provide this from SCEIS

The Department of Insurance did not have any carry forward from fiscal year 2018 into fiscal year 2019

R200: SC Department of Insurance

Authorized FTE Base

Authorized Total FTE	Authorized State FTE	Authorized Federal FTE	Authorized Other FTE
94	37.3	0	56.7

Expenditures/ Appropriations Chart
Base Budget Expenditures and Appropriations

MAJOR BUDGET CATEGORIES	FY 15-16 ACTUAL EXPENDITURES	
	Total Funds	General Funds
Personal Service	\$ 5,424,663	\$2,615,880
Other Operating	\$ 5,022,209	\$ 402,386
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$ 1,996,674	
Fringe Benefits	\$ 1,752,222	\$ 820,719
Non-recurring		
Total	\$14,195,768	\$3,838,985

MAJOR BUDGET CATEGORIES	FY 16-17 ACTUAL EXPENDITURES	
	Total Funds	General Funds
Personal Service	\$ 5,389,815	\$2,738,044
Other Operating	\$ 3,837,407	\$ 572,386
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$ 1,996,886	
Fringe Benefits	\$ 1,770,957	\$ 891,975
Non-recurring		
Total	\$12,995,065	\$4,202,405

MAJOR BUDGET CATEGORIES	FY 17-18 ACTUAL EXPENDITURES	
	Total Funds	General Funds
Personal Service	\$ 5,400,295	\$2,730,827
Other Operating	\$ 3,714,356	\$ 552,386
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$ 1,998,740	
Fringe Benefits	\$ 1,856,671	\$ 937,097
Non-recurring		
Total	\$12,970,062	\$4,220,310

MAJOR BUDGET CATEGORIES	FY 18-19 APPROPRIATIONS ACT	
	Total Funds	General Funds
Personal Service	\$ 6,879,989	\$2,797,404
Other Operating	\$ 6,751,022	\$ 552,386
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$ 2,155,000	
Fringe Benefits	\$ 2,113,463	\$ 918,930
Non-recurring		
Total	\$17,899,474	\$4,268,720

Major Program Areas Chart

Program Number and Title	Major Program Area Purpose	FY 15-16 Budget Expenditures	FY 16-17 Budget Expenditures	FY 17-18 Budget Expenditures
Administration	Administration: Office of General Counsel, Information Resource Management(IRM), Executive Services	State: 1,390,664 Federal: Other: 1,120,497 Total: 2,511,161 % of Total Budget: 18%	State: 1,684,765 Federal: Other: 758,719 Total: 2,443,484 % of Total Budget: 19%	State: 1,625,386 Federal: Other: 677,210 Total: 2,302,596 % of Total Budget: 18%
Solvency	Solvency: Financial Examination, Market Conduct Examinations, Financial Analysis, Securities, Securities Custodian and Historical Databases	State: 336,740 Federal: Other: 746,117 Total: 1,082,857 % of Total Budget 8%	State: 291,641 Federal: Other: 826,412 Total: 1,118,053 % of Total Budget 9%	State: 327,944 Federal: Other: 909,069 Total: 1,237,013 % of Total Budget 10%
Licensing	Licensing: Individual Licensing, Companies, Insurer/HMO Licensing, Education, Special Services Division, Third Party Administration Licenses, Utilization Review and Service Contract Providers	State: 69,093 Federal: Other: 458,966 Total: 528,059 % of Total Budget 4%	State: 70,057 Federal: Other: 404,023 Total: 474,080 % of Total Budget 4%	State: 81,572 Federal: Other: 577,472 Total: 659,044 % of Total Budget 5%
Captives	Captives & ARTS MKT SVC's	State: Federal: 1,694,266 Other: 1,694,266 Total: 3,388,532 % of Total Budget 12%	State: Federal: 1,664,370 Other: 1,664,370 Total: 3,328,740 % of Total Budget 13%	State: Federal: 1,342,722 Other: 1,342,722 Total: 2,685,444 % of Total Budget 10%
Policy	Policy Forms and Rates: Review Financial Condition and Residual Markets, Consumer Assistance	State: 804,009 Federal: Other: 304,477 Total: 1,108,486 % of Total Budget 8%	State: 840,032 Federal: Other: 259,210 Total: 1,099,242 % of Total Budget 8%	State: 835,117 Federal: Other: 302,689 Total: 1,137,806 % of Total Budget 9%
Safe Homes	Hurricane Mitigation	State: Federal: 46,340 Other: 2,720,024 Total: 2,766,364 % of Total Budget 19%	State: Federal: 111,289 Other: 1,546,477 Total: 1,657,766 % of Total Budget 13%	State: Federal: Other: 1,643,661 Total: 1,643,661 % of Total Budget 13%
Fringe Benefits	Employer Fringe Benefits	State: 820,719 Federal: Other: 931,503 Total: 1,752,222 % of Total Budget 12%	State: 891,975 Federal: Other: 878,982 Total: 1,770,957 % of Total Budget 13%	State: 937,097 Federal: Other: 919,574 Total: 1,856,671 % of Total Budget 14%
Remainder of Expenditures (Consumers, Taxation & Uninsured Motorist)		State: 417,760 Federal: Other: 2,334,593 Total: 2,752,353 % of Total Budget 19%	State: 423,935 Federal: Other: 2,343,178 Total: 2,767,113 % of Total Budget 21%	State: 413,194 Federal: Other: 2,377,355 Total: 2,790,549 % of Total Budget 21%