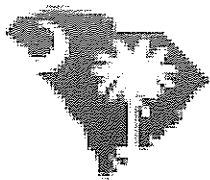


**Ways and Means**  
**Transportation & Regulatory Subcommittee**  
**FY 2022 Budget Hearing**  
**Blatt Building Room 318**



**SOUTH CAROLINA**  
**DEPARTMENT OF INSURANCE**

**SC Department of Insurance Budget Presentation**

**January 12, 2021**

**1.5 hours after adjournment**

## Key Officials in the DOI

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Legislative Liaison Julian Barton: [jbarton@doi.sc.gov](mailto:jbarton@doi.sc.gov) (803) 737-6124

HR Manager Erin Thomas: [elthomas@doi.sc.gov](mailto:elthomas@doi.sc.gov) (803) 737-6119

PIO Officer Katie Geer: [kgeer@doi.sc.gov](mailto:kgeer@doi.sc.gov) (803) 737-5913

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

# About SCDOI

## Organization

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

## SCDOI Leadership and Divisions

Name	Position
Ravind G. Farmer	Agency Director
Kendall Buchanan	Deputy Director, Market Regulation and Public Information
Diane Cooper	Deputy Director, Licensing and Consumer Services
Joe Cregan	Chief Deputy of Insurance Operations
Gwen Fuller-McGriff	Deputy Director, Legal, Legislative and External Affairs
Dan Morris	Deputy Director, Financial Regulation and Solvency
Tommy Watson	Deputy Director, Administration

## Mission

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

## Licensing & Consumer Services

### Consumer Services

### Individual and Agency Licensing

### Specialty Licensing

### Bail Bondsmen, Premium Service Companies

### Private Review Agents, Service Contract Providers, TPAs

### Continuing Education

## Actuarial & Market Services

### Rates, Rules, and Form Filings

Life, Accident and Health  
Property and Casualty  
Actuarial Services

## **Financial Regulation & Solvency**

Captives Licensing

Captives Financial Analysis, including  
SPFGs

Company Licensing

Traditional Financial Analysis

Financial Examinations (Captives and  
Traditional Companies)

## **Market Regulation & Public Information**

Market Analysis and Regulation

Public Information & Media

Pharmacy Benefit Manager Oversight

Volkswagen Environmental Mitigation Trust

## **Administration**

Human Resources

Budget and Finance

SC Safe Home

Information Resource Management

Premium Taxation and Audits

## **Legal, Legislative & External Affairs**

Freedom of Information Act and Service  
of Process

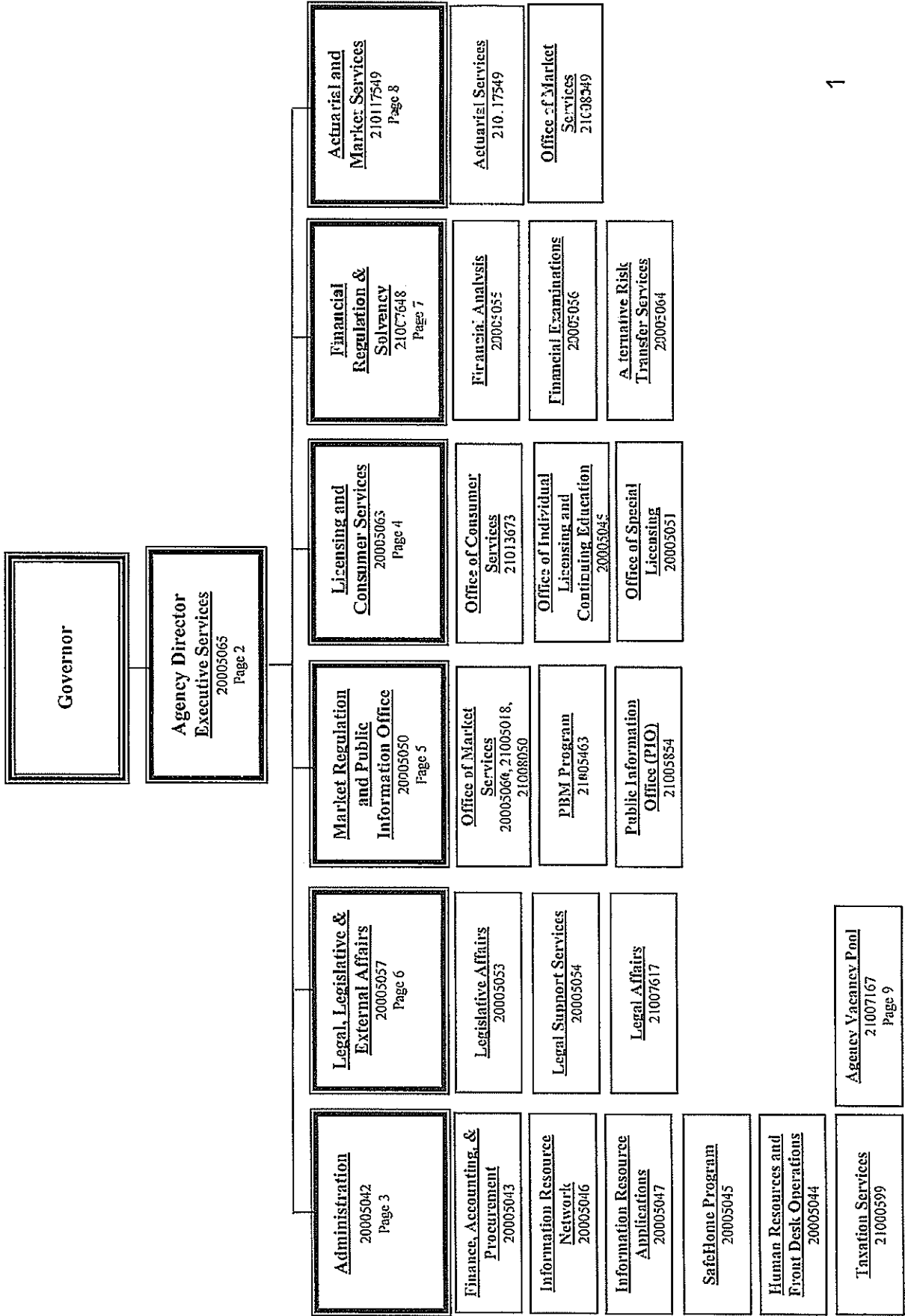
Subrogation

Investigations

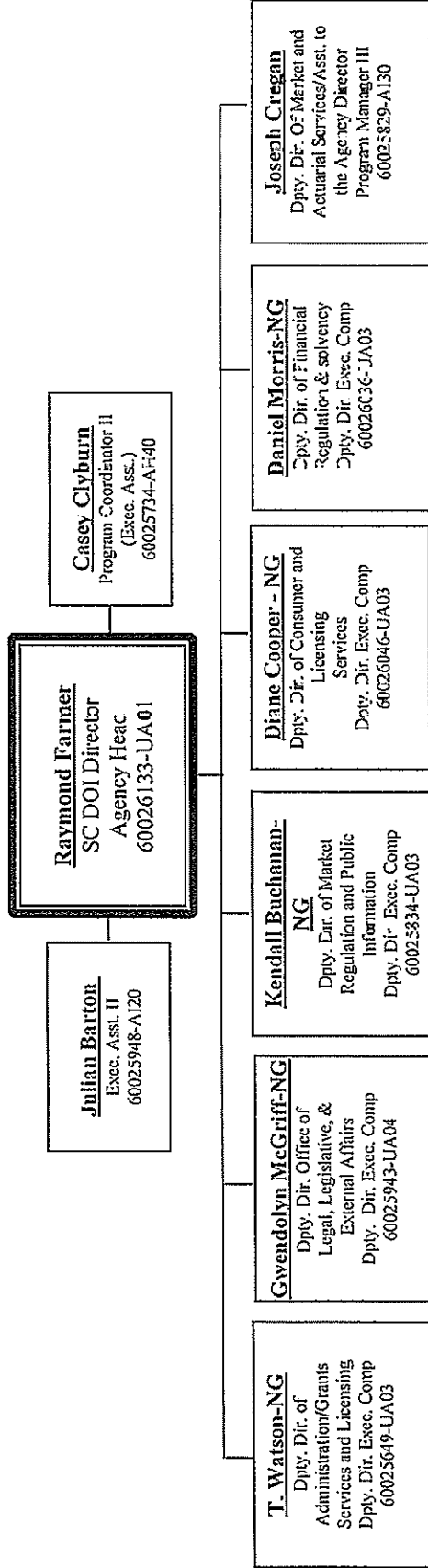
Cybersecurity Event Reporting

Legislative Affairs

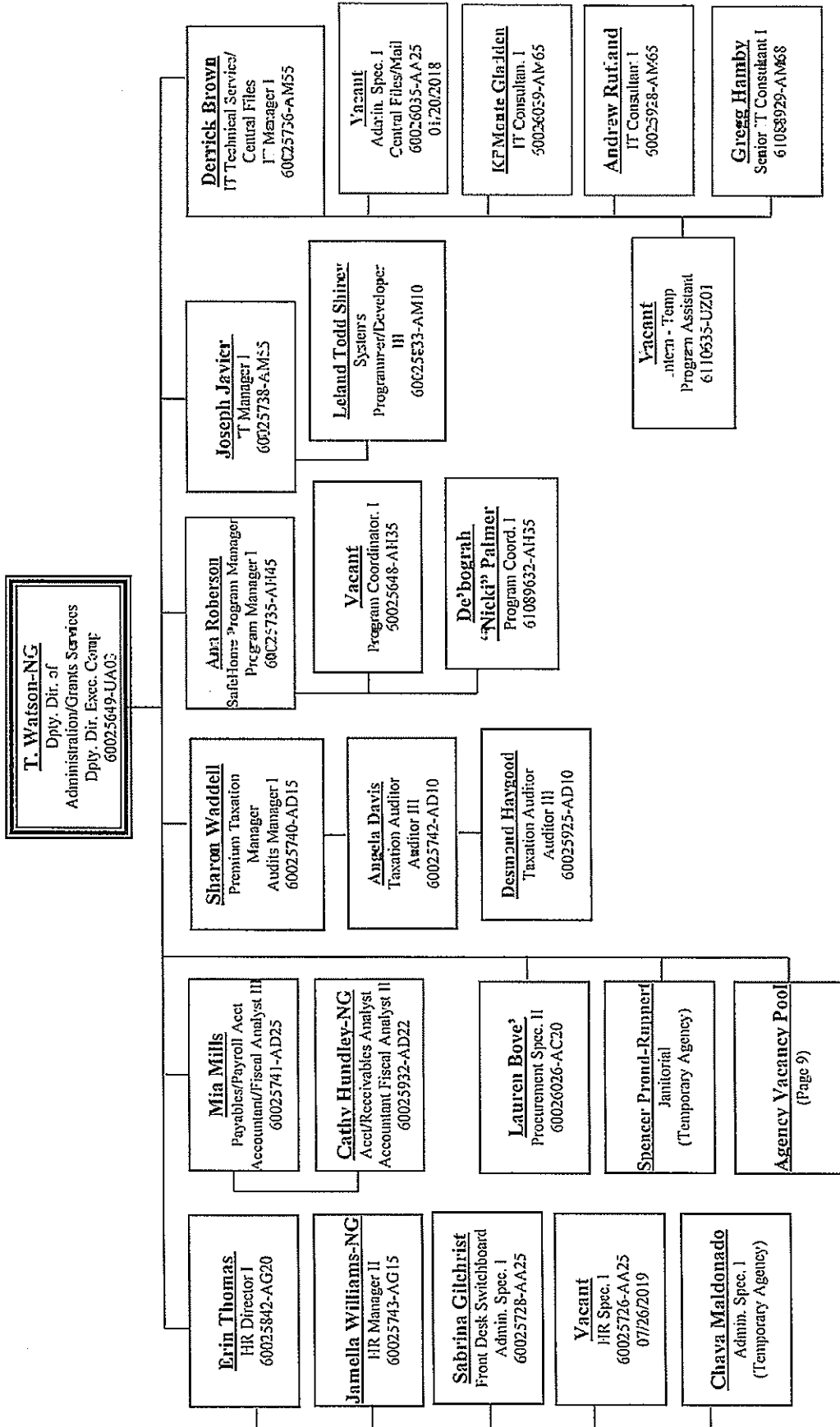
# South Carolina Department of Insurance Organizational Chart



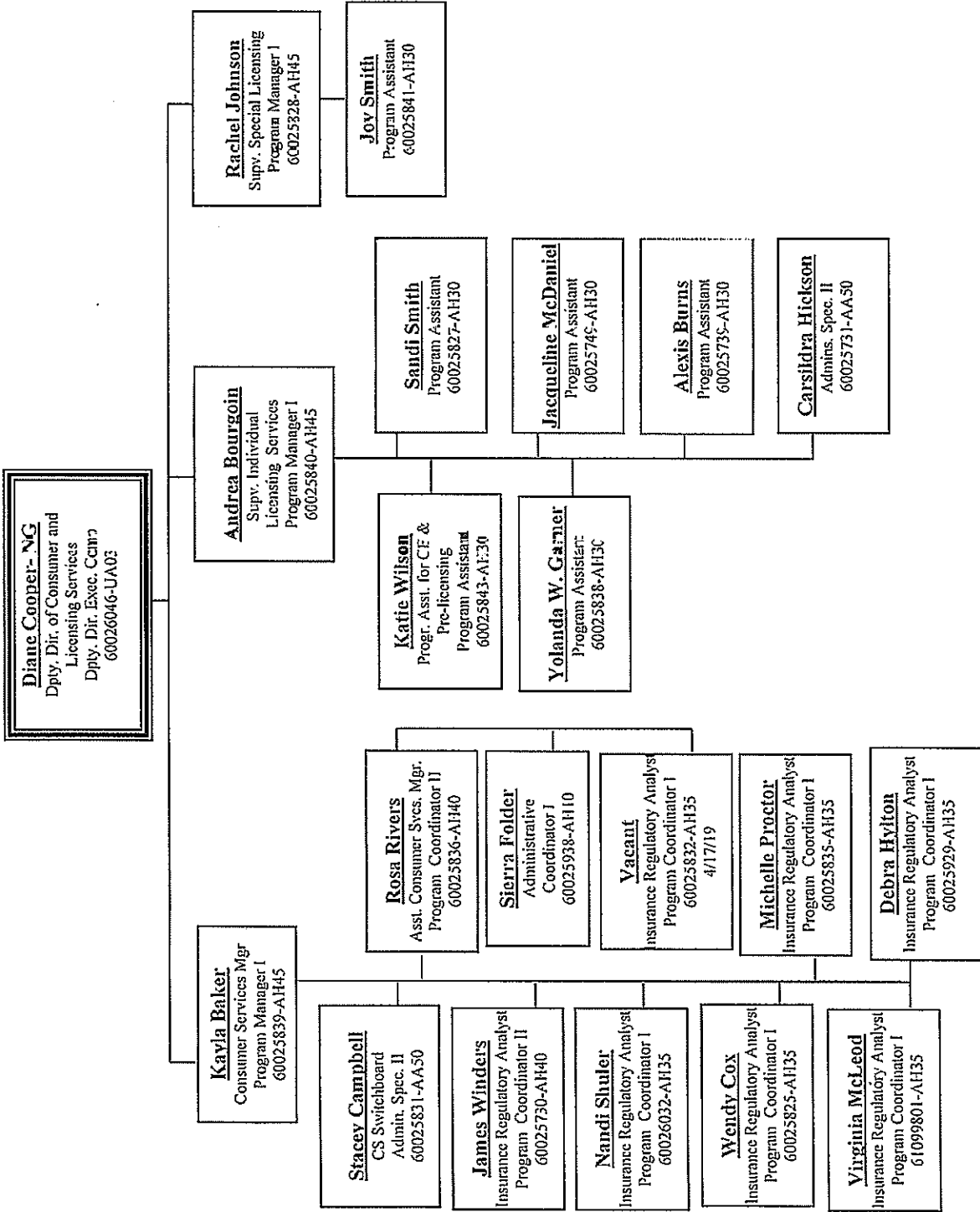
South Carolina Department of Insurance  
Executive Services



South Carolina Department of Insurance  
Division of Administration

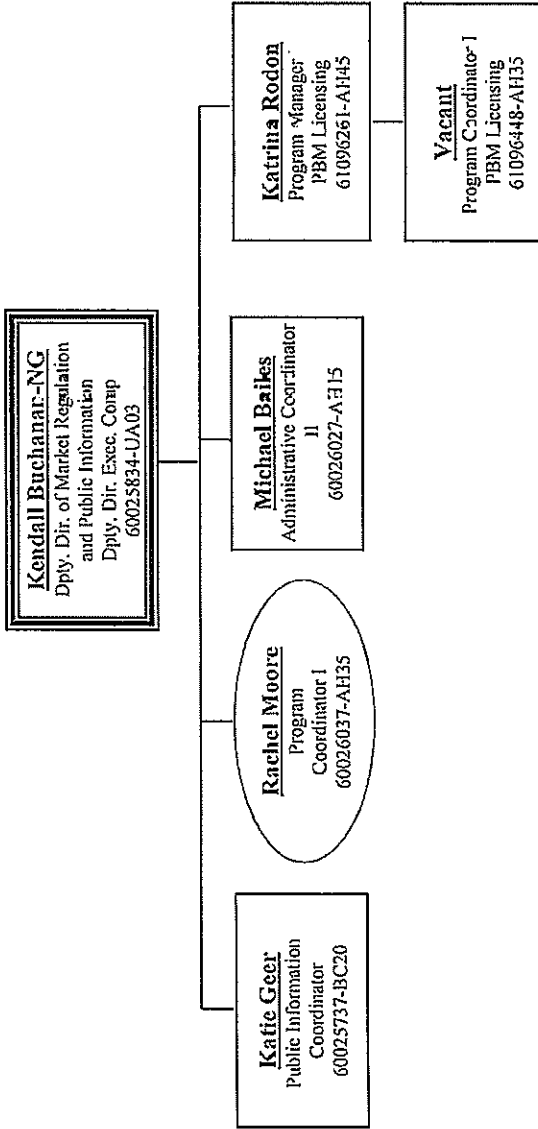


South Carolina Department of Insurance  
Division of Licensing and Consumer Services

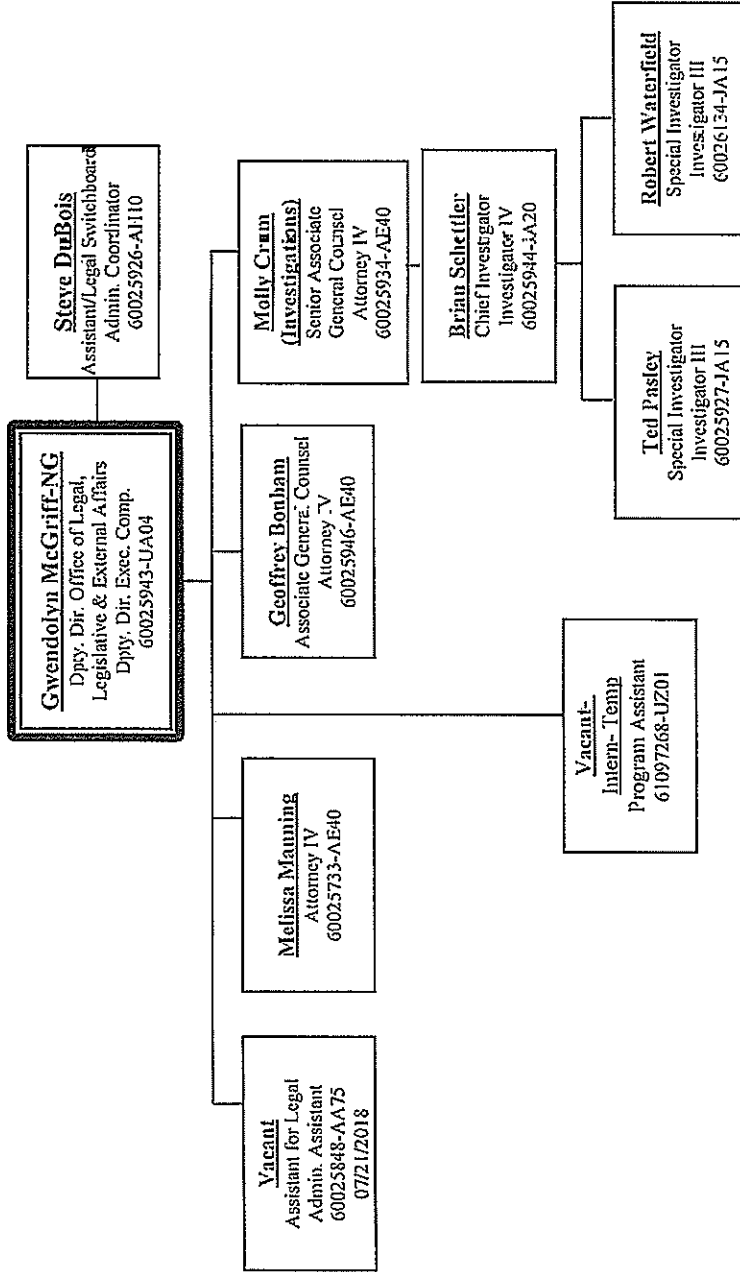




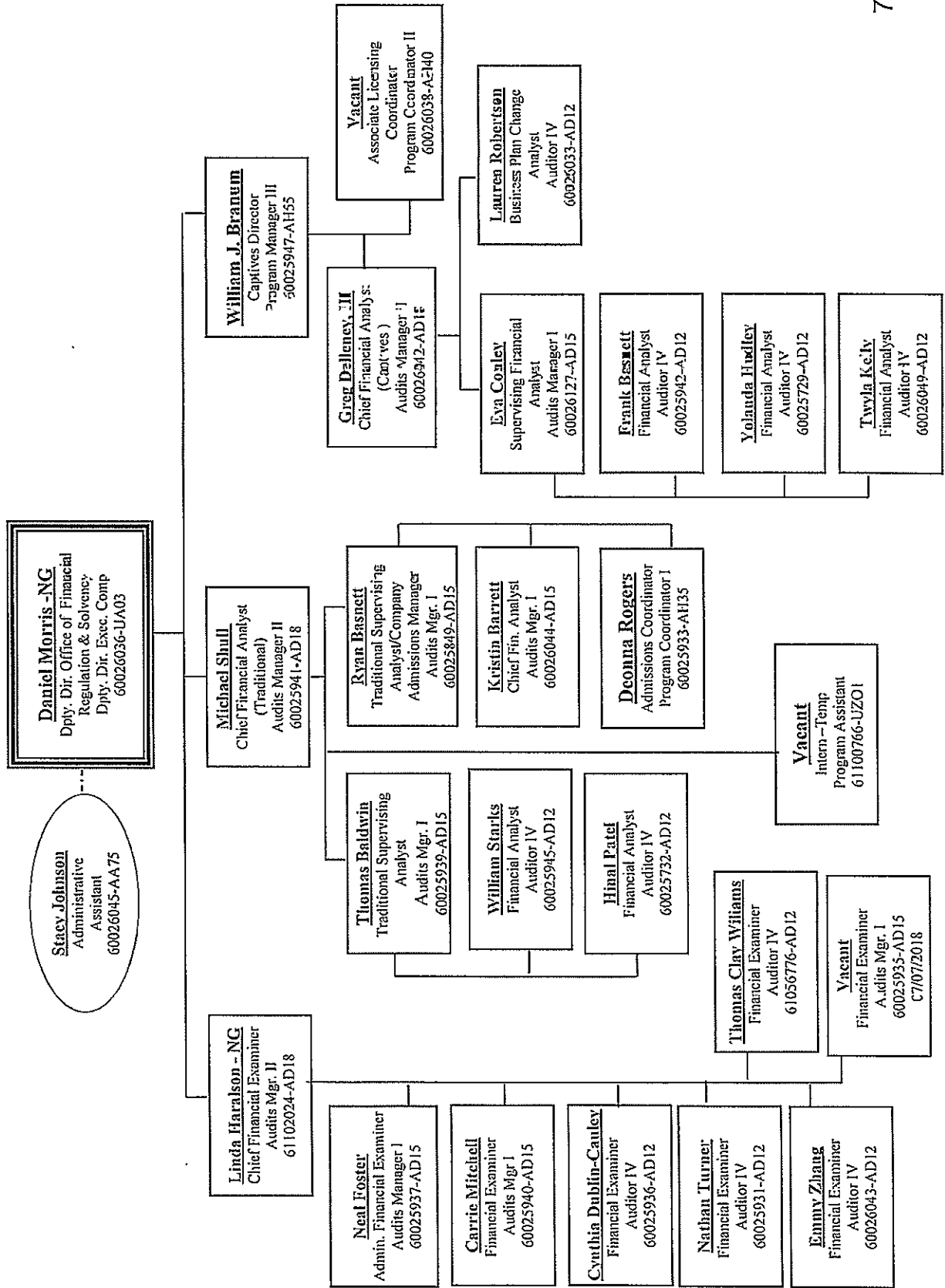
South Carolina Department of Insurance  
Division of Market Regulation and Public Information



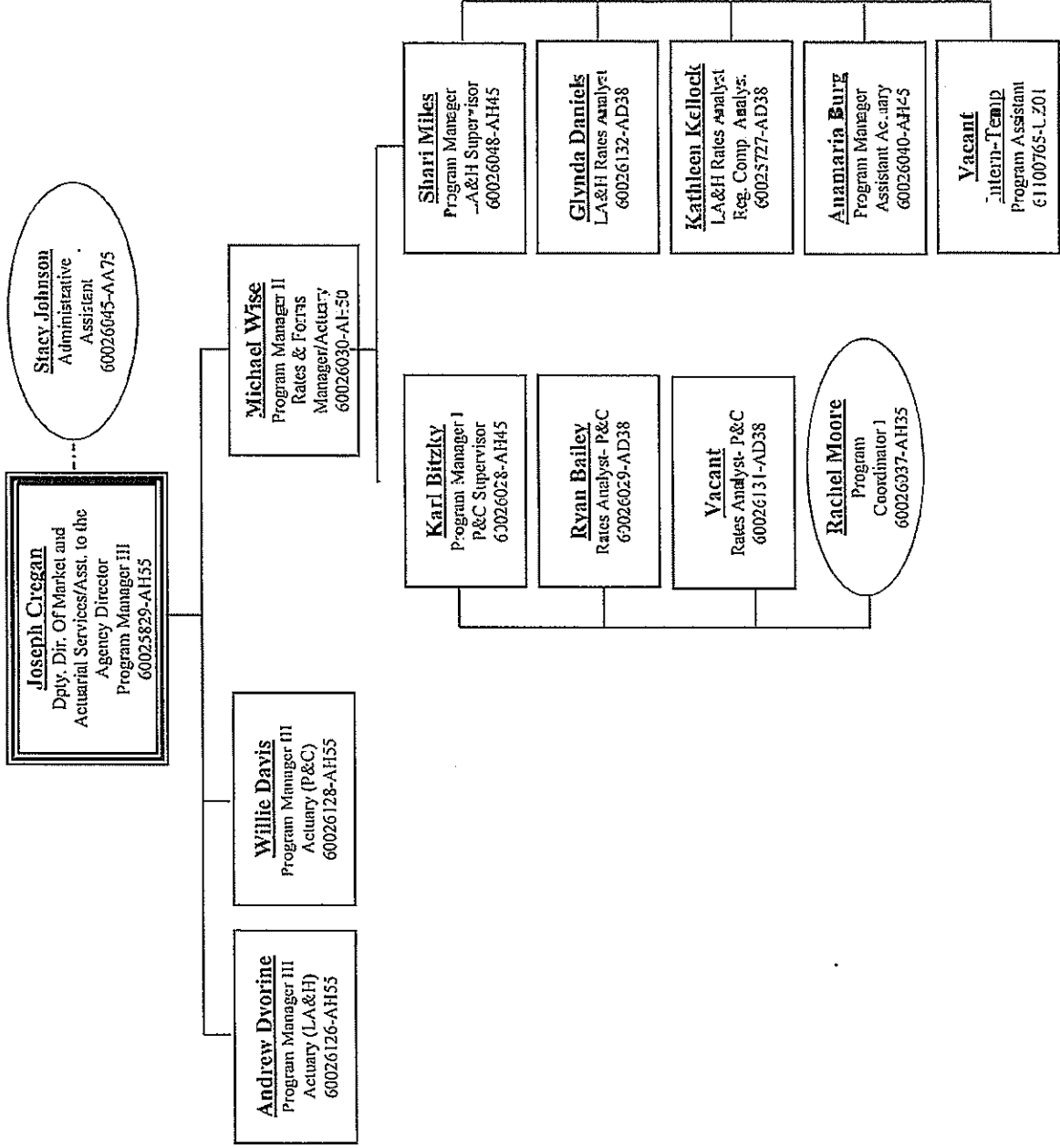
South Carolina Department of Insurance  
Office of Legal, Legislative & External Affairs



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
97	39.3	0	57.7

***Currently vacant: 13***

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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, and most recently, National Association of Registered Agents and Brokers (NARAB II). These Acts have, and will continue to have, a significant impact on U.S. insurance markets and their regulation.

In 2017, the United States Treasury Department (Treasury), the Office of U.S. Trade Representative (USTR) and the European Union (EU) announced they had signed a covered agreement. A covered agreement provides stand-by authority for the Treasury and the USTR to address areas where insurance laws may treat non-US insurers differently than U.S. insurers. Covered agreements could directly impact reinsurance collateral requirements because they may preempt state law. This is important for states with coastal property exposure, like South Carolina, where reinsurance plays a critical role in ensuring the ability of insurers to pay claims after a catastrophe. To avoid pre-emption, states must enact statutory changes that make their reinsurance laws consistent with provisions of covered agreements with the European Union and the United Kingdom. States must comply with the provisions in the covered agreements within five years or face potential preemption.

Additionally, Congress is considering federal data security bills that would mandate uniform national standards in the area of data security. These bills would preempt state insurance laws that protect the privacy of information handled by insurers and may threaten the authority of the states to regulate the business of insurance. The state insurance regulators—led by Director Farmer—have developed their own model data security act. South Carolina passed this important law in the 2018 session and now other states are pursuing it as well. It is hoped that as a majority of states pass the data security model the need for congressional action may diminish.

While the aforementioned legislation and issues, like the covered agreement, originate at the federal level, they impact state laws and regulations. Often the legislation necessary to implement federal initiatives such as these must occur at the state level. Accordingly, states must promulgate or amend legislation to preserve its ability to regulate or prevent preemption. Federal legislation often establishes the minimum level of protection that may be afforded. While it recognizes that states are the primary regulators of insurance, it also establishes the standards with which all insurers must comply. States are charged with enforcement, but if the state does not enforce the provisions of the law, the federal government will effectively preempt state law. The challenge for state and federal regulators is to effectively collaborate and communicate in the performance of their regulatory roles.

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

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***Market Regulation and Public Information***

Personnel changes continue to present strategic challenges and opportunities for the Market and Consumer Services Division. The less 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 Market and Consumer Services Division.

Many of the duties and responsibilities of the Market Regulation Division are dependent upon external factors; the number of insurance rate, rule, and form filings that the Division staff must process is directly correlated to how many consumers contact us for assistance and how many insurance product filings are made by insurance carriers in any given period of time. As a result, it can be challenging from a strategic planning perspective to manage resources effectively while ensuring an efficient turnaround of insurer 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 insurer rate, rule, and form filings is impacted by the quality of the filing at submission, the number of times we must request additional information, support, or clarification from the insurer, and how quickly they provide 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 in our focus.

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 program area, which is 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 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 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. Additional details relating to the awards are available on the [www.doi.sc.gov/vwsettlement](http://www.doi.sc.gov/vwsettlement) webpage.

***Consumers and Licensing Services***

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Personnel changes continue to present strategic challenges and opportunities for the Licensing and Consumer Services Division. The less 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 Licensing and Consumer Services Division. All Consumer Services analysts are currently involved in professional development programs. Additionally, as employees have promoted out of the area, structural/organization changes have been made within the Division to allow for growth at all levels within the Division itself.

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. In order to limit the number of times we have to go back to the company for additional documentation and information, we now provide a coversheet that companies must include with their responses containing a checklist of required supporting documentation. The implementation of this process has greatly contributed to improvement in complaint turnaround time over last year.

We are also continuing our focus on enhancing our customer service. We continue to see increased utilization of our online complaint portal, which allows consumers to file consumer complaints with our Office of Consumer Services through our website. Additionally, we look forward to future enhancements to the NAIC's State Based System which will allow companies to access the portal directly to retrieve complaint notifications and submit their required responses and documentation. This enhancement will greatly streamline current processes.

One area of focus for the Office of Consumer Services continues to be updating our brochures and various printed and web-based materials for consumers. As was noted in prior fiscal years' reports, the agency's Medicare Supplement Insurance Shopper's Guide is one of the most downloaded documents from our website. As a result, staff continues to identify enhancements for this guide and regularly updates the printed and online versions for consumers.

Regulatory challenges facing the Licensing & CE Division involve streamlining the producer-licensing process and achieving licensing uniformity and reciprocity with other states in the U.S. State insurance departments oversee producer activities as part of a comprehensive regulatory framework designed to protect insurance consumer interests in insurance transactions. However, each state traditionally had its own licensing requirements and a producer licensed in one state generally had to meet the separate non-resident licensing requirements in other states to sell, solicit or negotiate insurance in such other states. The Licensing & CE Division has continued 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. The Licensing & CE Division has updated laws, regulations, and business rules to meet technical best practices recommended by NIPR to obtain uniformity with other states and substantially lessen the complexity of the licensing process for our end users (i.e. producers).

The Licensing & CE Division is now paperless and will continue to communicate with our licensees via email when necessary. Further, we have transitioned many of our back-office operations to the NAIC's State Based



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Systems ("SBS"). This web-based application supports insurance regulation functions and offers industry users a new interface and makes it easier for them to manage their license, print their license, look up companies and licensees, etc. These changes have helped reduce our operating costs and increase efficiency here at the Department.

2020 brought unique challenges for our Licensing Division as testing centers closed in the wake of COVID-19. We have since revised procedures, allowing classroom CE to be conducted by webinar and removing proctoring requirements for CE exams. Soon, applicants for licensure will be able to register for remote proctored testing. This will greatly enhance current procedures and allow additional capacity for testing. To maintain the integrity of the testing process, test takers will have to meet certain system requirements for such things as internal memory, systems version, camera pixels and Internet speed. Proctors will require the test taker to scan the entire room via webcam and will visually monitor the candidate during the entire exam. Other states have reported favorably on the online exam experience and we are looking forward to having this option in South Carolina.

***Financial Regulations & Solvency***

The regulatory challenges confronting the Financial Regulation Division involve our ability to effectively implement new regulatory standards in response to federal legislation or financial crises impacting insurers that are members of a holding company system. The contagion effects experienced by U.S. insurers in the AIG holding companies near collapse prompted U.S. insurance regulators to reevaluate their group supervisory framework and pay closer 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. In response, the NAIC voted to adopt a significant new addition to U.S. insurance regulation: the U.S. Own Risk and Solvency Assessment (ORSA). An ORSA requires insurance companies to issue their own assessment of their current and future risk through an internal risk self-assessment process and it allows regulators to form an enhanced view of an insurer's ability to withstand financial stress. Large- and medium-size U.S. insurance groups and/or insurers were required to regularly conduct an ORSA starting in 2017. While few South Carolina domestics are having to conduct this assessment, it is an expensive and time-consuming endeavor for this Department. There is no standard way to conduct an ORSA and it will vary from company to company. The output of the assessment will be a set of documents that demonstrate the results of management's self-assessment.

The ORSA assessment is an accreditation standard. It is a part of an overall regulatory strategy to effectively regulate group activity which also includes supervisory colleges. Supervisory colleges are joint meetings of interested regulators with company officials and include detailed discussions about financial data, corporate governance and enterprise risk management. Solvency regulation has a more global focus than it has in the past. Accordingly, there are ongoing legislative changes necessary for the state to maintain its standing within the group of regulatory jurisdictions that make up the NAIC.

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.

Additionally, the Department participated in discussions involving cybersecurity on a national and international basis through Director Farmer's position as the Chair of the Cybersecurity Working Group, also created by the NAIC. The result of Director Farmer's efforts concerning cyber security was the creation of the NAIC's Insurance Data Security Model Law. This model was introduced, received approval and was ultimately signed into law by Governor McMaster in the 2018 Legislative session. While various aspects of the Legislation are phased in over

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the next two years, effective January 1, 2019, all licensees of the SC Department of Insurance, with some exceptions, must comply with the reporting requirements regarding a cybersecurity event. Several other states have enacted the model law while additional states intend to introduce legislation in the upcoming sessions. At the state level, the Department continues to work with our domestic industry to ensure that each company has in place, not only procedures to mitigate cyber breaches, but equally important, a plan that with assist policyholders should such breaches occur. We believe the entire state domestic industry is currently in full compliance with the South Carolina Insurance Data Security Act.

During the most recent legislative session, the Department introduced an accreditation bill related to credit for reinsurance. The bill would, among other things, adopt the Reciprocal Jurisdiction amendment from the NAIC model law and make other conforming changes to bring SC law in line with the NAIC Model Law. The 2019 revisions to the NAIC Credit for Reinsurance Model Law (#785) and Credit for Reinsurance Model Regulation (#786) outline the requirements for companies to take credit for reinsurance when coded to a Reciprocal Jurisdiction.

These revisions are intended to incorporate the relevant provisions of the "Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance" (Covered Agreement), which was signed on Sept. 22, 2017. On Dec. 18, 2018, a similar Covered Agreement was signed with the United Kingdom (UK). In addition, the 2019 revisions extend similar treatment to Qualified Jurisdictions and accredited NAIC jurisdictions. It should be noted that the Dodd-Frank Wall Street Reform and Consumer Protection Act requires a state insurance measure (i.e. credit for reinsurance requirement) to be "consistent" with the Covered Agreement in order to avoid federal preemption. Therefore, states have been encouraged to adopt the 2019 revisions in close to identical form to the models in order to best avoid the possibility of federal preemption. The accreditation bill passed the SC Senate but was only introduced in the House before the General Assembly had to direct their full attention to matters related to COVID-19. We anticipate bringing the bill back before the General Assembly in the upcoming legislative session.

As with every year, much of the work of the Division has been devoted to ensuring the Department is prepared for accreditation by the NAIC. During June of 2016, an NAIC Accreditation Team spent a week at the Department of Insurance reviewing, in detail, the work that had been performed by the analysts and examiners, as well as each manager, for both the traditional and captive insurance company's domestic to South Carolina for the past five years. Subsequently, during the NAIC National Meeting in August of 2016, the Financial Regulation Standards and Accreditation Committee voted to approve the Accreditation Team's recommendation that the South Carolina Department of Insurance be re-accredited for the full five-year period. This re-accreditation was necessary to allow all states to continue to have confidence in the Department's ability to regulate insurance companies for solvency, to the benefit of all policyholders. Policyholders who are not only South Carolina residents, but residents of all other US jurisdictions which are members of the NAIC. The Accreditation Team will return during the fall of 2021 for the next 5-year review. During this review, the Accreditation Team will review the years 2016 thru 2020. A pre-Accreditation review will occur during the fall of 2020.

The Department's ability to recruit and retain competent and qualified staff continues to be a challenge for the agency. During the past rating period, the Financial Regulation Division has continued to reorganize to enable the Department to meet these new regulatory challenges. Additional reorganization and effective succession planning will continue to be necessary as members of the Division retire or transition to other opportunities. To address these concerns, the Division has hired interns, permitted other employees within the agency to job shadow, and mentored employees who may have an interest in financial regulation to ensure a qualified pool of financial regulators.

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**Legal, Legislative & External Affairs**

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 Investigations Unit within the Office of General Counsel receives referrals from business units throughout the agency. It reviews, investigates or assists with issues related to statutory violations; unauthorized insurance; unfair methods of competition; unfair or deceptive acts or practices in the insurance business; unfair claims settlement practices; and disaster-related claims handling.

Following an investigation, the Office of General Counsel may bring disciplinary actions that result in license application denials; license revocations and suspensions; monitored agent probations; or administrative penalties. Cases involving fraud are referred to the Insurance Fraud Unit of the Attorney General’s Office for review and prosecution. Set forth below are some of the highlights of the Department’s enforcement activities this past fiscal year:

Investigation Files Opened	267
Investigation Files Closed	272
License Suspensions	2
License Probation	0
Warning Letters	64
License Revocations	58
AG Referrals	2
FOIA Requests	89
Service of Process	4,193

The increased federal involvement in insurance has led to a bifurcated enforcement process and issues about the state’s ability to enforce federal laws that impact insurance. Department employees must become experts on federal and state requirements to effectively protect South Carolina consumers. Recent federal laws affecting insurance appear to rely on the states to enforce certain federal provisions.

***Challenge: Cybersecurity and Insurance Regulation in a Digital World***

The insurance sector is rapidly shifting to digital platforms or technology. 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. It is also argued these digital technologies enable companies to better respond to customer trends and buying patterns. The Internet of Things is one of the fastest emerging gateways to customer data and behavioral information. Telematic devices in vehicles, other devices in home appliances, smart watches, and sensors in other consumer products are gathering data and may transform the way insurers do business.

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Proponents of big data contend that data increases the ability of insurers to predict losses which could also aid loss mitigation. This ability arguably will result in insurance rates that better reflect the risk of loss. The challenge for regulators is balancing the benefits of technological innovations with the responsibility to protect the insurance consumer from unfair discrimination. Since much of the data involves consumer behavior, regulators will be required to do more to protect the privacy and data of insurance consumers.

Unlike other countries, there is no single comprehensive national law regulating the collection and use of personal data. The United States regulates personal data privacy on a sectoral level. Accordingly, there are state and federal laws and regulations developed by various governmental agencies that apply to personal data privacy and the security of that information. The EU Data Protection Regulation went into effect in May 2018. Since that happened, members of Congress are calling for a comprehensive GDPR-like regulation for the United States. The Trump Administration reportedly is in the process of talks with industry and consumer advocates on the development of a national privacy framework.

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 thirty-two (32) notifications to date. The majority of these notices involve actions by third party vendors.

Congress is considering federal bills that may preempt state laws in this area. Some members of industry are supporting federal legislation. A federal framework will impact that states' ability to protect the personal data of its consumers.

The outbreak of COVID-19 has caused significant disruption to some businesses and forced others to work remotely to limit the spread of the virus. In a new reality where millions of people are working remotely, secure networks are now more critical than ever. Malicious actors will try to leverage the intense focus placed on the virus and the fear it creates. It is anticipated there will be an increase in the number of phishing emails posing as alerts regarding COVID-19 or other articles that may be of interest. These emails will typically contain attachments which purport to offer information about the outbreak or updates on how recipients may stay safe. In non-work site environments where people are more relaxed and wanting more information, there could be a lack of commitment to security best practices.

### ***Challenge: Workforce Planning and Capacity***

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. Every employee now completes an Individual Development Plan (IDP) and the "most urgent" positions held by employees will also complete a Knowledge Transfer Plan (KTP). Both are incorporated into the annual performance review process. These documents will 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.

All managers were required to have an objective, starting with their FY20 Planning Stage that addresses Workforce Planning performance measures.

Moreover, Department employees are also being encouraged to take courses to obtain insurance related designations and certifications to enhance their insurance knowledge and otherwise prepare them for

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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. Because of these collective efforts, the Department has been able to recruit applicants as well as retain and promote employees with significant insurance knowledge into positions at the Department.

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, 2020: Collected \$263,062,143 in revenue from taxes, fees, assessment and fines, etc. Reviewed and analyzed 9,473 rate, rule and form filings. 7,059 were related to property and casualty insurance products and the remaining 2,414 were related to life, accident and health insurance products. The Department's Office of Consumer Services resolved 3,471 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 14 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.

To protect consumers from insurer insolvencies, most states have enacted laws establishing guaranty associations. Insurance guaranty associations ensure that policyholders will receive some of the benefits contracted for under the policy (e.g.: life, health and annuity policyholders are protected up to \$300,000 for a covered claim).

Legislatures can help mitigate the risk by:

- Appropriating sufficient funds or providing a dedicated funding source to ensure the Department is adequately staffed with competent personnel;
- 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.

**COVID-19 Risk Assessment and Mitigation Strategies**

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The impact of the spread of coronavirus COVID-19 has required agencies to assess its disaster recovery and business continuity plans, resilience, level of exposure, and potential liability risks. Set forth below is a summary of the Department's business risks and the strategies used to address them.

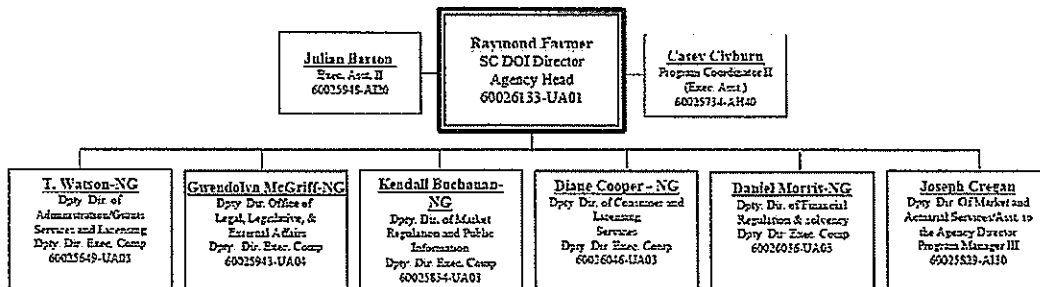
Risk Exposure	Mitigation Strategy
Business Continuity	<ul style="list-style-type: none"> <li>• Identified essential employees and critical agency functions required to maintain business operations <ul style="list-style-type: none"> <li>○ Determined which positions were necessary to ensure the continuity of the Department's operation</li> <li>○ Determined which critical functions could be performed remotely</li> <li>○ Developed back-up strategies</li> </ul> </li> <li>• Trained and prepared the workforce to work remotely when state offices are closed <ul style="list-style-type: none"> <li>○ Established telecommuting policies; flexible (e.g., staggered work) schedules during Phase II</li> <li>○ Equipped staff to work remotely</li> </ul> </li> <li>• Developed an emergency communications strategy to keep employees informed and connected with the worksite by using email and telephone communications as well as electronic meeting platforms</li> <li>• Enhanced communications and information technology resources to enable telecommuting and remote computer access</li> </ul>
Risk of Spread in the Workplace	<ul style="list-style-type: none"> <li>• Developed and disseminated materials concerning COVID-19 (e.g., signs and symptoms, modes of transmission) personal and family protection strategies (e.g., wearing masks, social distancing, coughing and sneezing etiquette)</li> <li>• Developed a SharePoint Page for communicating information to employees related to the Coronavirus</li> <li>• Posted the Department's Plans for Returning to the Workplace and FAQs for supervisors and employees</li> <li>• Contracted with vendors to deep-clean the workplace twice during Phase I and during Phase II</li> <li>• Hired a temporary employee to clean high-touch areas of the Department three times a day</li> <li>• Fog the worksite weekly with antibacterial spray</li> <li>• Require employees who are ill and not feeling well to stay home</li> <li>• Provide PPE to employees</li> <li>• Require visitors to wear masks</li> <li>• Limit in person meetings</li> </ul>
Legal Liability	<ul style="list-style-type: none"> <li>• Follow CDC, state and local guidance</li> <li>• Adopt and enforce social distancing policies</li> <li>• Implement self-monitoring and certification procedures for employees entering the workplace</li> <li>• Required face masks for visitors or provide PPE</li> <li>• Use plexiglass screens in conference rooms</li> </ul>

<b>AGENCY NAME:</b>	SC Department of Insurance		
<b>AGENCY CODE:</b>	R20	<b>SECTION:</b>	78

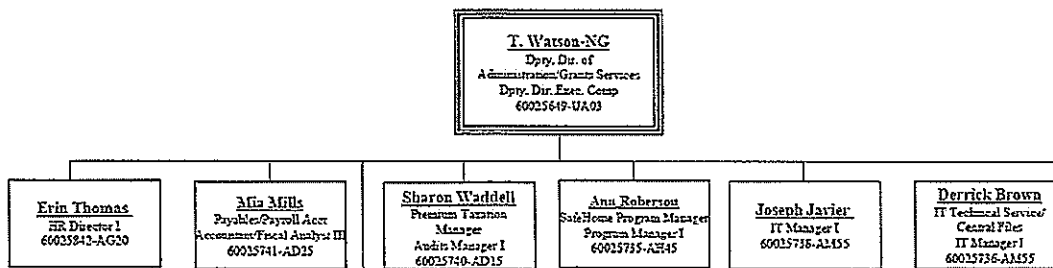
	<ul style="list-style-type: none"> <li>Developed presentations and other training materials for supervisors and managers on the applicable laws</li> <li>Established a centralized system for handling questions related to leave, requests for accommodation and other employee-related issues to prevent employee complaints and ensure consistent application of Department policy</li> </ul>
Cyber risk	<ul style="list-style-type: none"> <li>Reminded employees of the risks associated with opening attachments and links from untrusted sources</li> <li>Updated anti-virus and monitoring tools</li> <li>Use of VPN and multi-factor authentication</li> </ul>

**Organizational Structure:**

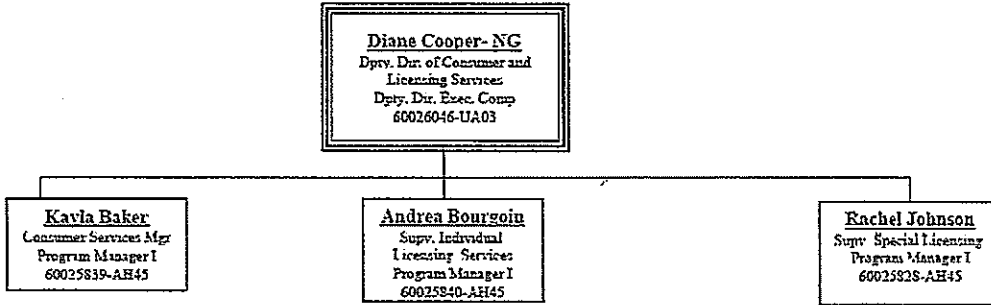
South Carolina Department of Insurance  
Executive Services



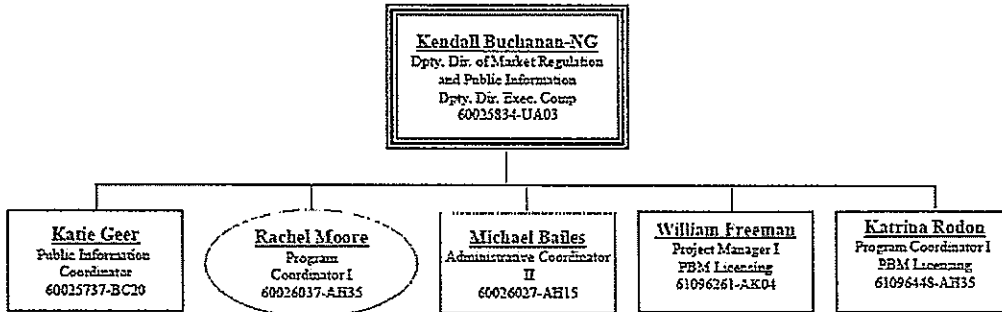
South Carolina Department of Insurance  
Division of Administration



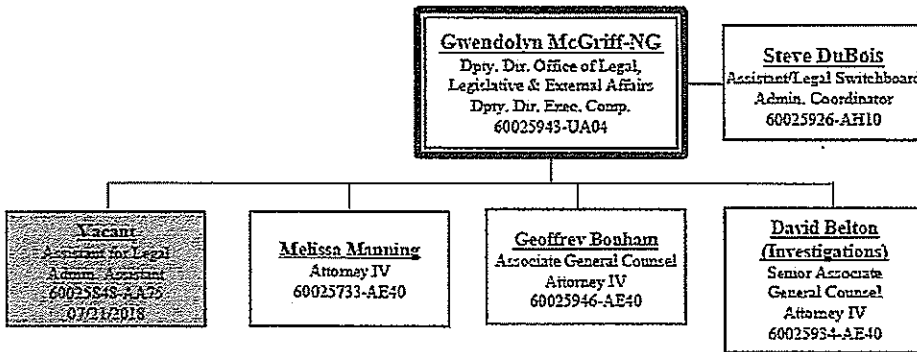
**South Carolina Department of Insurance  
Division of Consumer and Licensing Services**



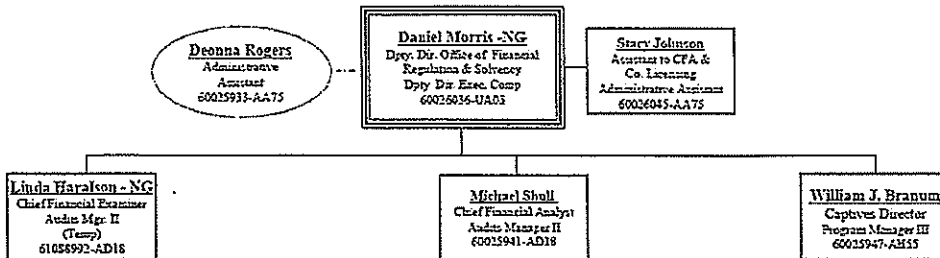
**South Carolina Department of Insurance  
Division of Market Regulation and Public Information**



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

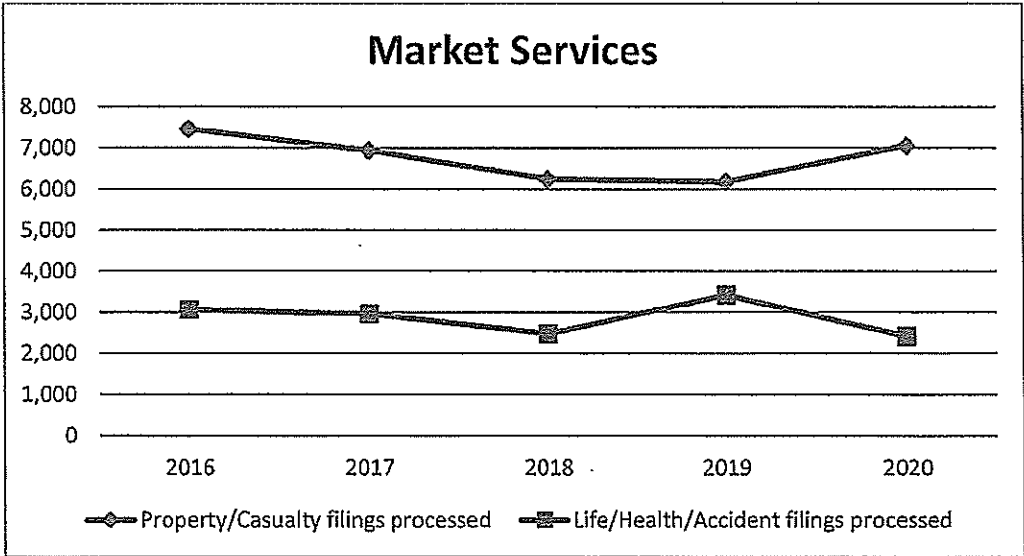
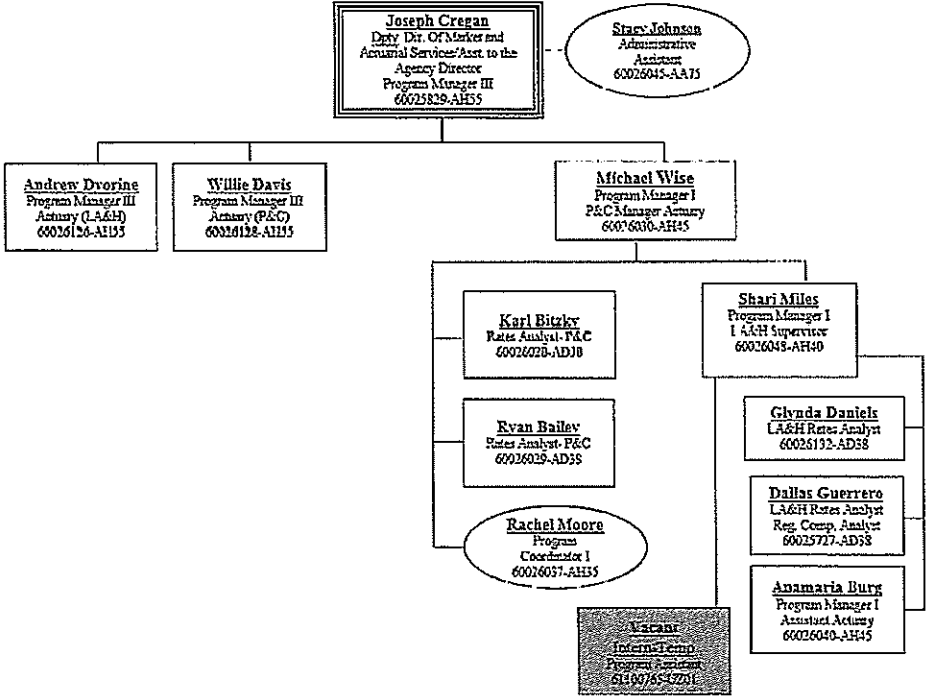


**South Carolina Department of Insurance  
Division of Financial Regulation & Solvency**

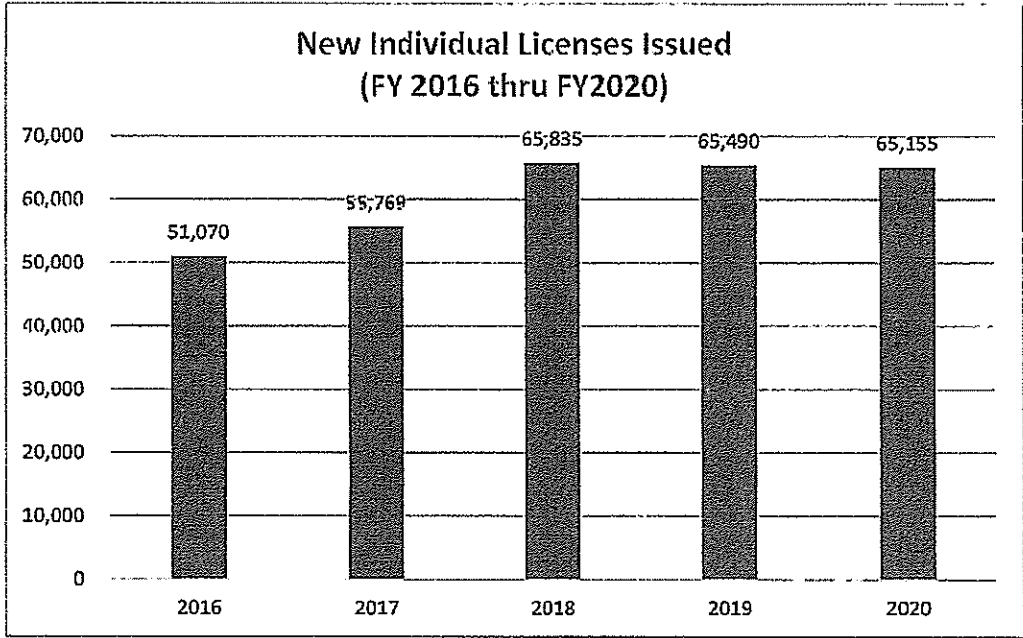




South Carolina Department of Insurance  
Division of Actuarial and Market Services



<b>AGENCY NAME:</b>	SC Department of Insurance		
<b>AGENCY CODE:</b>	R20	<b>SECTION:</b>	78



**Using the Accountability Report to Improve Organizational Performance**

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, and effectiveness and commitment to its stakeholders.

**Expenditures/ Appropriations Chart  
Base Budget Expenditures and Appropriations**

MAJOR BUDGET CATEGORIES	FY 19-20 ACTUAL EXPENDITURES	
	Total Funds	General Funds
Personal Service	\$ 5,485,069	\$2,923,682
Other Operating	\$ 4,343,575	\$ 552,386
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$ 1,998,400	
Fringe Benefits	\$ 2,044,552	\$1,067,948
Non-recurring		
<b>Total</b>	<b>\$13,871,596</b>	<b>\$4,544,016</b>

MAJOR BUDGET CATEGORIES	FY 20-21 APPROPRIATIONS ACT		Actuals (YTD 12-31-20)
	Total Funds	General Funds	
Personal Service	\$ 6,608,340	\$2,862,255	\$2,961,091
Other Operating	\$ 6,751,022	\$ 552,386	\$1,971,588
Special Items			
Permanent Improvements			
Case Services			
Distributions to Subdivisions	\$ 2,155,000		\$1,999,272
Fringe Benefits	\$ 2,645,501	\$1,114,468	\$1,089,041
Non-recurring			
<b>Total</b>	<b>\$18,159,863</b>	<b>\$4,529,109</b>	<b>\$8,020,992</b>

## Major Program Areas Chart

Program Number and Title	Major Program Area Purpose	FY 19-20 Budget Expenditures
Administration	Administration: Office of General Counsel, Information Resource Management(IRM), Executive Services	State: 1,665,115 Federal: Other: 968,823 Total: 2,633,938 % of Total Budget: 19%
Solvency	Solvency: Financial Examination, Market Conduct Examinations, Financial Analysis, Securities, Securities Custodian and Historical Databases	State: 354,759 Federal: Other: 759,850 Total: 1,114,609 % of Total Budget 8%
Licensing	Licensing: Individual Licensing, Companies, Insurer/HMO Licensing, Education, Special Services Division, Third Party Administration Licenses, Utilization Review and Service Contract Providers	State: 125,568 Federal: Other: 545,728 Total: 671,296 % of Total Budget 5%
Captives	Captives & ARTS MKT SVC's	State: Federal: Other: 992,838 Total: 992,838 % of Total Budget 7%
Policy	Policy Forms and Rates: Review Financial Condition and Residual Markets, Consumer Assistance	State: 923,641 Federal: Other: 375,634 Total: 1,299,275 % of Total Budget 9%
Safe Homes	Hurricane Mitigation	State: Federal: Other: 2,328,204 Total: 2,328,204 % of Total Budget 17%
Fringe Benefits	Employer Fringe Benefits	State: 1,067,949 Federal: Other: 976,604 Total: 2,044,553 % of Total Budget 15%

Remainder of Expenditures (Consumers, Taxation & Uninsured Motorist)	State: 406,986 Federal: Other: 2,379,897 Total: 2,786,883 % of Total Budget 20%
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# Carry forward information

The Department of Insurance did not have any carry forward from fiscal year 2020 into fiscal year 2021.

FY 21-22 Prioritized Budget Request Summary

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	Insurance Fraud Division	Insurance fraud is currently the responsibility of the AG's Office. However, insurance fraud continues to be on the rise and the current program housed in the AG's Office does not have adequate resources to combat the ever-increasing number of cases. The backlog continues to grow. Without more resources devoted to this effort, the industry and ultimately the consumers will be adversely impacted. The AG's Office, SLED and the Department of Insurance will prepare MOU's to layout the responsibilities of each to affect this growing trend. If approved for the FY22 budget, the Agency will add several objectives to its Strategic Plan including the reduction of backlog of cases and timeframe from investigation to prosecution among others.	1,600,000		400,000		2,000,000	8.00	1.00		9.00
2								0.00				0.00
3								0.00				0.00
4								0.00				0.00
5								0.00				0.00
6								0.00				0.00
7								0.00				0.00
8								0.00				0.00
9								0.00				0.00
10								0.00				0.00
11								0.00				0.00
12								0.00				0.00
13								0.00				0.00
14								0.00				0.00
15								0.00				0.00
16								0.00				0.00
17								0.00				0.00
18								0.00				0.00
19								0.00				0.00
20								0.00				0.00
<b>TOTAL BUDGET REQUESTS</b>				\$ 1,600,000	\$ -	\$ 400,000	\$ -	\$ 2,000,000	8.00	1.00	0.00	9.00

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



**Fiscal Year FY 2021-2022  
Agency Budget Plan**

**FORM A - BUDGET PLAN SUMMARY**

<b>OPERATING REQUESTS</b>  <i>(FORM B1)</i>	For FY 2021-2022, 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.

<b>NON-RECURRING REQUESTS</b>  <i>(FORM B2)</i>	For FY 2021-2022, 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.

<b>CAPITAL REQUESTS</b>  <i>(FORM C)</i>	For FY 2021-2022, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting funding for Capital Projects.
	<input checked="" type="checkbox"/>	Not requesting any changes.

<b>PROVISOS</b>  <i>(FORM D)</i>	For FY 2021-2022, 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>
<b>PRIMARY CONTACT:</b>	Tom Watson	(803) 737-6141	twatson@doi.sc.gov
<b>SECONDARY CONTACT:</b>	Mia Mills	(803) 737-6111	mmills@doi.sc.gov

I have reviewed and approved the enclosed FY 2021-2022 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

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

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

Agency Name:	Department Of Insurance
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	Insurance Fraud Division	1,600,000	0	400,000	0	2,000,000	8.00	0.00	1.00	0.00	9.00
TOTALS			1,600,000	0	400,000	0	2,000,000	8.00	0.00	1.00	0.00	9.00



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

## FORM B1 – RECURRING OPERATING REQUEST

<b>AGENCY PRIORITY</b>	1
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*Provide the Agency Priority Ranking from the Executive Summary.*

<b>TITLE</b>	Insurance Fraud Division
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*Provide a brief, descriptive title for this request.*

<b>AMOUNT</b>	<p>General: \$1,600,000</p> <p>Federal: \$0</p> <p>Other: \$400,000</p> <p>Total: \$2,000,000</p>
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*What is the net change in requested appropriations for FY 2021-2022? This amount should correspond to the total for all funding sources on the Executive Summary.*

<b>NEW POSITIONS</b>	9.00
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*Please provide the total number of new positions needed for this request.*

<b>FACTORS ASSOCIATED WITH THE REQUEST</b>	<p>Mark "X" for all that apply:</p> <p><input type="checkbox"/> Change in cost of providing current services to existing program audience</p> <p><input type="checkbox"/> Change in case load/enrollment under existing program guidelines</p> <p><input type="checkbox"/> Non-mandated change in eligibility/enrollment for existing program</p> <p><input type="checkbox"/> Non-mandated program change in service levels or areas</p> <p><input checked="" type="checkbox"/> Proposed establishment of a new program or initiative</p> <p><input type="checkbox"/> Loss of federal or other external financial support for existing program</p> <p><input type="checkbox"/> Exhaustion of fund balances previously used to support program</p> <p><input type="checkbox"/> IT Technology/Security related</p> <p><input type="checkbox"/> Consulted DTO during development</p> <p><input type="checkbox"/> Related to a Non-Recurring request – If so, Priority #</p>
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<b>STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES</b>	<p>Mark "X" for primary applicable Statewide Enterprise Strategic Objective:</p> <p><input type="checkbox"/> Education, Training, and Human Development</p> <p><input type="checkbox"/> Healthy and Safe Families</p> <p><input type="checkbox"/> Maintaining Safety, Integrity, and Security</p> <p><input type="checkbox"/> Public Infrastructure and Economic Development</p> <p><input checked="" type="checkbox"/> Government and Citizens</p>
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<b>ACCOUNTABILITY OF FUNDS</b>	<p>Insurance fraud is currently the responsibility of the AG's Office. However, insurance fraud continues to be on the rise and the current program housed in the AG's Office does not have adequate resources to combat the ever increasing number of cases. The backlog continues to grow. Without more resources devoted to this effort, the industry and ultimately the consumers will be adversely impacted. The AG's Office, SLED and the Department of Insurance will prepare MOU's to layout the responsibilities of each to affect this growing trend. If approved for the FY22 budget, the Agency will add several objectives to it's Strategic Plan including the reduction of backlog of cases and timeframe from investigation to prosecution among others.</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?*

<b>RECIPIENTS OF</b>	The Department of Insurance will utilize state appropriations to basically transfer the existing resources (baseline) being utilized by the AG's Office currently. The earned resources/authority will be used expand staffing and operating to increase the
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**FUNDS**

resources devoted towards insurance fraud. Revenues from agency penalties and fees already retained (revenue stream) will be utilized to support these expenditures.

*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**

Insurance fraud is currently the responsibility of the AG's Office. However, insurance fraud continues to be on the rise and the current program housed in the AG's Office does not have adequate resources to combat the ever increasing number of cases. The backlog continues to grow. Without more resources devoted to this effort, the industry and ultimately the consumers will be adversely impacted. The AG's Office, SLED and the Department of Insurance will prepare MOU's to layout the responsibilities of each to affect this growing trend. If approved for the FY22 budget, the Agency will add several objectives to it's Strategic Plan including the reduction of backlog of cases and timeframe from Investigation to prosecution among others.

*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**

<b>TITLE</b>	Agency Cost Savings and General Fund Reduction Contingency Plan (3% reduction of fiscal year 2020-2021 Recurring General Fund Appropriations based upon guidelines provided)
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<b>AMOUNT</b>	\$135,873
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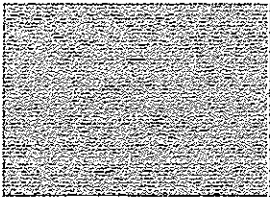
*What is the General Fund 3% reduction amount? This amount should correspond to the reduction spreadsheet prepared by EBO.*

<b>ASSOCIATED FTE REDUCTIONS</b>	None expected
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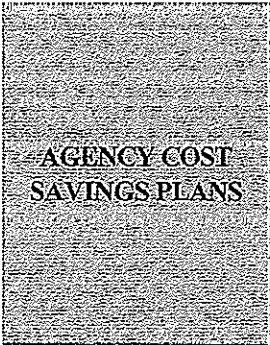
*How many FTEs would be reduced in association with this General Fund reduction?*

<b>PROGRAM / ACTIVITY IMPACT</b>	<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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<b>SUMMARY</b>	<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.*



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

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

<b>EXPECTED SAVINGS TO BUSINESSES AND CITIZENS</b>	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.*

<b>FACTORS ASSOCIATED WITH THE REQUEST</b>	Mark "X" for all that apply:	
	<input checked="" 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

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

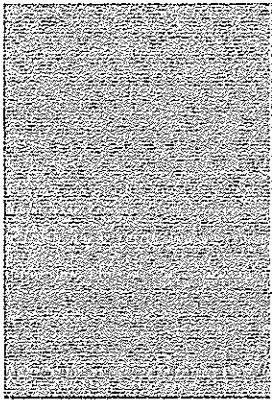
<b>REDUCTION OF FEES OR FINES</b>	We annually maintain and update a list of the fines and fees for the previous fiscal year and the associated statute. However, no immediate reductions are planned at this time.
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*Which fees or fines does the agency 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?*

<b>REDUCTION OF REGULATION</b>	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?*

<b>SUMMARY</b>	<p>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.</p> <p>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.</p>
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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?*



**Expenditures/ Appropriations Chart**  
**Base Budget Expenditures and Appropriations**

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	\$ 352,386
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$ 1,998,740	
Fringe Benefits	\$ 1,856,671	\$ 937,097
Non-recurring		
<b>Total</b>	<b>\$12,970,062</b>	<b>\$4,202,310</b>

MAJOR BUDGET CATEGORIES	FY 18-19 ACTUAL EXPENDITURES	
	Total Funds	General Funds
Personal Service	\$ 3,489,865	\$2,744,254
Other Operating	\$ 4,274,131	\$ 552,386
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$ 1,999,007	
Fringe Benefits	\$ 1,972,657	\$ 972,080
Non-recurring		
<b>Total</b>	<b>\$13,735,660</b>	<b>\$4,268,720</b>

MAJOR BUDGET CATEGORIES	FY 19-20 ACTUAL EXPENDITURES	
	Total Funds	General Funds
Personal Service	\$ 5,485,069	\$2,923,682
Other Operating	\$ 4,343,575	\$ 552,386
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$ 1,998,400	
Fringe Benefits	\$ 2,044,552	\$1,067,948
Non-recurring		
<b>Total</b>	<b>\$13,871,596</b>	<b>\$4,544,016</b>

MAJOR BUDGET CATEGORIES	FY 20-21 APPROPRIATIONS ACT		
	Total Funds	General Funds	Actuals (YTD 12-31-20)
Personal Service	\$ 6,608,340	\$2,862,255	\$2,961,091
Other Operating	\$ 6,751,022	\$ 552,386	\$1,971,588
Special Items			
Permanent Improvements			
Case Services			
Distributions to Subdivisions	\$ 2,155,000		\$1,999,272
Fringe Benefits	\$ 2,645,501	\$1,114,468	\$1,089,041
Non-recurring			
<b>Total</b>	<b>\$18,159,863</b>	<b>\$4,529,109</b>	<b>\$8,020,992</b>



### Major Program Areas Chart

Program Number and Title	Major Program Area Purpose	FY 17-18 Budget Expenditures	FY 18-19 Budget Expenditures	FY 19-20 Budget Expenditures
Administration	Administration: Office of General Counsel, Information Resource Management(IRM), Executive Services	State: 1,652,386 Federal: Other: 677,210 Total: 2,302,596 % of Total Budget: 18%	State: 1,570,651 Federal: Other: 828,487 Total: 2,399,138 % of Total Budget: 17%	State: 1,665,115 Federal: Other: 968,823 Total: 2,633,938 % of Total Budget: 19%
Solvency	Solvency: Financial Examination Market Conduct Examinations, Financial Analysis, Securities, Securities Custodian and Historical Databases	State: 327,944 Federal: Other: 909,069 Total: 1,237,013 % of Total Budget 10%	State: 345,074 Federal: Other: 709,840 Total: 1,054,914 % of Total Budget 8%	State: 354,759 Federal: Other: 759,850 Total: 1,114,609 % of Total Budget 8%
Licensing	Licensing: Individual Licensing, Companies, Insurer/HMO Licensing, Education, Special Services Division, Third Party Administration Licenses, Utilization Review and Service Contract Providers	State: 81,572 Federal: Other: 577,472 Total: 659,044 % of Total Budget 5%	State: 63,213 Federal: Other: 534,145 Total: 597,358 % of Total Budget 4%	State: 125,568 Federal: Other: 545,728 Total: 671,296 % of Total Budget 5%
Captives	Captives & ARTS MKT SVC's	State: Federal: Other: 1,342,722 Total: 1,342,722 % of Total Budget 10%	State: Federal: Other: 1,001,112 Total: 1,001,112 % of Total Budget 7%	State: Federal: Other: 992,838 Total: 992,838 % of Total Budget 7%
Policy	Policy Forms and Rates: Review Financial Condition and Residual Markets, Consumer Assistance	State: 835,117 Federal: Other: 302,689 Total: 1,137,806 % of Total Budget 9%	State: 878,187 Federal: Other: 396,901 Total: 1,275,088 % of Total Budget 9%	State: 923,641 Federal: Other: 375,634 Total: 1,299,275 % of Total Budget 9%
Safe Homes	Hurricane Mitigation	State: Federal: Other: 1,643,661 Total: 1,643,661 % of Total Budget 13%	State: Federal: Other: 2,605,433 Total: 2,605,433 % of Total Budget 19%	State: Federal: Other: 2,328,204 Total: 2,328,204 % of Total Budget 17%
Fringe Benefits	Employer Fringe Benefits	State: 937,097 Federal: Other: 919,574 Total: 1,856,671 % of Total Budget 14%	State: 972,080 Federal: Other: 1,000,577 Total: 1,972,657 % of Total Budget 15%	State: 1,067,949 Federal: Other: 976,604 Total: 2,044,553 % of Total Budget 15%
Remainder of Expenditures (Consumers, Taxation & Uninsured Motorist)		State: 413,194 Federal: Other: 2,377,355 Total: 2,790,549 % of Total Budget 21%	State: 439,515 Federal: Other: 2,390,445 Total: 2,829,960 % of Total Budget 21%	State: 406,986 Federal: Other: 2,379,897 Total: 2,786,883 % of Total Budget 20%

## SC Insurance Fraud – The Coming Epidemic

Insurance fraud authorities are suggesting that the U.S. is on the cusp of the largest spike in Insurance fraud that we have ever seen! The key macro elements of this “perfect storm”, are an international pandemic and a U.S. recession! The uncertainty surrounding these events are likely to seriously impact the stability of the insurance market and in turn negatively impact insurance policy holders. It presents new opportunities for insurance fraud. Regretfully, South Carolina has one of the weakest anti-fraud state programs in the U.S. Why is this the case?

1. Anti-insurance fraud state funding in South Carolina is one, if not the, lowest in the country. Attorney General's office is over whelmed with over 600 cases pending. Prosecution for insurance fraud is underfunded, a few prosecutors are overwhelmed, and the odds for getting caught and successfully prosecuted is low! The welcome mat is out for insurance fraudsters!
2. Sister states, Georgia and North Carolina, have dramatically increased state funding to fight insurance fraud. Over the last several years both of our sister states have dramatically increased funding to fight insurance fraud to around \$5 million/per year! South Carolina is under \$1 million!
3. Insurance Fraud Investigators Overwhelmed. Since the formation of the South Carolina fraud unit in 1994, the level of funding for the unit has never changed while the number of referrals received by the unit has increased by 400%!
4. Insurance Fraud is on the Rise. Several high-profile fraud cases have come to light. Recently on the front of the page of The State newspaper was an article on the prosecution of an organized auto insurance fraud ring. They were staging accidents and generating fraudulent insurance claims – Uber. A similar auto insurance fraud scheme in Sumter was busted the previous year. This is just the tip of a large and growing criminal enterprise in our state! COVID-19 adds just a new path for insurance fraud!
5. Insurance Fraud Has Growing Tentacles. SC has upward trends in the areas of medical fraud, specifically bodily injury abuses and staged auto accident schemes. In addition, problem areas include collusion between fraudulent medical providers, lawyers and runners hired to funnel unsuspecting claimants. Property-related crimes have also increased with schemes using identity theft to victimize policyholders.
6. Insurance Fraud Cost Everyone. The rapid growth of insurance fraud has resulted in skyrocketing insurance claims, and in turn increases in operating costs for insurers. These costs are born by the insurers, and the citizens of our state through higher insurance premiums.

Something must be done now to prevent South Carolina from becoming the number one state in the nation for insurance fraud! Our sister states are stepping up to the plate, and now it is time for South Carolina to do the same. Insurance Director Ray Farmer, Attorney General Alan Wilson, and SLED Chief Mark Keels are combining forces to meet this threat!

“Crime is going to flow like water,” Wilson said. “It follows the path of least resistance. When you have that much enforcement resources in our sister states, criminals knowing that their case in SC is never going to get tried or investigated due to a lack of resources, they’re going to come here.” A modest increase in state funding can bring the citizens of South Carolina great dividends through a reduction in insurance fraud! We must act now before it is too late!

### **Examples of Insurance Fraud Expected**

1. COVID-19: Medical Insurance claims exaggerated or illegitimate
2. Internet Arson: up 125% this year
3. Phishing Scams: up 600% this year
4. Property & Casualty: Towing/Storage of car to "sanitize" it for COVID