



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 4656 Introduced on February 8, 2018
Author: Sandifer
Subject: Reinsurance Credits
Requestor: Senate Banking and Insurance
RFA Analyst(s): Gable
Impact Date: February 12, 2018

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	(\$11,000)	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds since the bill requires the Department of Insurance (DOI) to perform activities within the normal course of agency business. The bill will reduce General Fund revenue by approximately \$11,000 annually, beginning in FY 2018-19 due to deletion of the current \$400 submission fee and the annual \$400 fee for accredited reinsurers.

Explanation of Fiscal Impact

Introduced on February 8, 2018

State Expenditure

This bill allows the director of DOI or his designee to adopt by regulation additional specific requirements in relation to the valuation of assets or reserve credits, the amount and forms of security supporting reinsurance arrangements, and the circumstances pursuant to which a credit may be reduced or eliminated. The bill also requires reinsurers to demonstrate adequate financial capacity to meet reinsurance obligations. The bill authorizes the director to allow a reduction in the required trusteed surplus after an assuming insurer has permanently discontinued underwriting new business secured by the trust for at least three years. Credits must be allowed when the reinsurance is ceded to an assuming insurer, and the bill provides the criteria that must be met to be eligible for the certification. The bill allows an association, including incorporated and individual unincorporated underwriters to become certified reinsurers and provides the requirements that must be met in order to be eligible for certification. The director must assign a rating to each certified reinsurer, giving consideration to the financial strength ratings that have been assigned by rating agencies. In order for a domestic ceding insurer to qualify for full

financial statement credit for reinsurance ceded to a certified reinsurer, the certified reinsurer must maintain security in a form acceptable to the director. Further, a certified reinsurer whose certification has been terminated must be treated as a certified reinsurer required to secure 100 percent of its obligations. The bill allows the director to suspend or revoke the reinsurer's accreditation or certification if the reinsurer ceases to meet the requirements for accreditation or certification. The bill authorizes the director to adopt rules and regulations applicable to certain life insurance policies, annuities, and long-term care insurance policies.

DOI indicates that the bill requires the department to perform activities that will be conducted in the normal course of agency business. As a result, the bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

This bill deletes Section 38-9-200(C)(4), which requires accredited reinsurers to pay an initial submission fee of \$400 and an annual \$400 fee to DOI.

DOI indicates that revenue generated from the \$400 submission fee and the annual \$400 fee from accredited reinsurers generates approximately \$11,000 per year. Therefore, deletion of the requirement for these fees will reduce General Fund revenue by approximately \$11,000 annually, beginning in FY 2018-19.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director