



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	H. 3586	Introduced on January 12, 2021
Author:	Sandifer	
Subject:	Insurance Fraud Division	
Requestor:	House Labor, Commerce, and Industry	
RFA Analyst(s):	Miller and Gardner	
Impact Date:	January 28, 2021 Updated for Additional Agency Response	

Fiscal Impact Summary

This bill shifts the Insurance Fraud Division and the corresponding responsibility for investigating insurance fraud from the AG's Office to DOI. The transfer of this division does not equate to an appropriations transfer from the AG's Office to DOI as the division is not a separate program in the Appropriations Act.

This bill will result in an increase of \$1,600,000 in General Fund expenditures and \$400,000 in Other Funds expenditures for FY 2020-21, and \$1,545,000 in General Fund expenditures and \$400,000 in Other Funds expenditures annually, beginning in FY 2021-22, to the Department of Insurance (DOI) to manage the newly acquired responsibilities for investigating insurance fraud. This bill will result in an expenditure savings of between \$100,000 and \$250,000 in Other Funds expenditures for the AG's Office, due to the transfer of the Insurance Fraud Division responsibilities to DOI. Any other expenditures that may have been used by the AG's Office to support the Insurance Fraud Division will be reallocated to other areas of the agency.

This bill will have no revenue impact for DOI, as any penalties, fines or fees collected by the Insurance Fraud Division are anticipated to be minimal. This bill will result in a decrease of between \$100,00 and \$250,000 in Other Funds revenue for the AG's Office from insurance fines to support the Insurance Fraud Division.

This impact has been updated to include additional information from the AG's Office.

Explanation of Fiscal Impact

Introduced on January 12, 2021

Updated for Additional Agency Response

State Expenditure

This bill shifts the Insurance Fraud Division and the corresponding responsibility for investigating insurance fraud from the AG's Office to DOI. Currently, the Insurance Fraud Division is not a separate program listed in the Appropriations Act. Therefore, the transfer of this division does not equate to transfer of appropriations or personnel from the AG's Office to DOI.

Department of Insurance (DOI). This bill shifts the responsibility for investigating insurance fraud to DOI and established the Insurance Fraud Division within DOI. DOI anticipates the need for nine FTE's in the Insurance Fraud Division, with responsibilities as follows:

- (1) Attorney V
- (1) Attorney IV
- (2) Attorney III
- (1) Attorney II
- (1) Program Coordinator I
- (2) Legal Assistant
- (1) Forensic Accountant

DOI believes the expenditures for these nine FTE's, including salary and benefits, will total \$690,000 in General Funds and \$78,000 in Other Funds. These estimates are based on the State's Personnel Classification System.

Additionally, DOI anticipates the following annual expenditures:

- \$25,000 printing for court materials
- \$85,000 promotional (insurance fraud deterrents)
- \$50,000 expert witnesses and other professional services
- \$750,000 five SLED agents
- \$65,000 office space rent
- \$16,000 fees and fines – court fees
- \$90,000 travel
- \$95,700 other miscellaneous expenditures, each totaling less than \$15,000

DOI anticipates \$322,000 of these expenditures will be paid using Other Funds revenue from appointment renewal penalties currently collected bi-annually by DOI. Further DOI anticipates a nonrecurring \$55,000 for the initial purchase of office equipment to set up the Insurance Fraud Division. These expenditure estimates are based on current operating costs for other divisions within DOI, consultation with SLED, and historical information from the Fraud program within the Attorney General's Office. Therefore, DOI anticipates \$1,600,000 in General Fund expenditures and \$400,000 in Other Funds expenditures for FY 2020-21 and \$1,545,000 in General Fund expenditures and \$400,000 in Other Funds expenditures annually, beginning in FY 2021-22.

The Office of the Attorney General (AG). This bill shifts the Insurance Fraud Division and the corresponding responsibility for investigating insurance fraud from the AG's Office to DOI. Currently, the AG's Office is using Other Funds revenue received from insurance fines to support insurance fraud investigations. Annually, the agency received between \$100,000 and \$250,000 in insurance fine revenue to fund these investigations. Therefore, this bill will result in a reduction of expenditures of between \$100,000 and \$250,000 annually, beginning in FY 2021-22. Any other expenditures and personnel that are currently being used to support the investigations of insurance fraud will be reallocated to other areas of the agency.

Also, this bill removes any mention of the Second Injury Fund from the referenced Code Sections. The Second Injury Fund was terminated pursuant to §42-7-320 as of July 1, 2013. Therefore, the removal of the Second Injury Fund from the Code Sections listed in this bill will have no fiscal impact.

State Revenue

This bill shifts the Insurance Fraud Division and the corresponding responsibility for investigating insurance fraud from the AG's Office to DOI.

Department of Insurance (DOI). This bill shifts the Insurance Fraud Division and the corresponding responsibility for investigating insurance fraud from the AG's Office to DOI. DOI anticipates using \$400,000 of current Other Fund revenue from bi-annual collection of appointment renewal penalties to cover the expenditures of one FTE, \$68,000, and \$322,000 in other anticipated expenditures arising from this newly created division within DOI. Covering new expenditures with existing revenue will have no revenue impact for DOI. Additionally, DOI anticipates collecting fines, fees, forfeitures, and penalties stemming from lawsuits. However, based on historical numbers from the AG's Office, these collections have been minimal. Therefore, this bill will have no revenue impact for DOI.

The Office of the Attorney General (AG). This bill shifts the Insurance Fraud Division and the corresponding responsibility for investigating insurance fraud from the AG's Office to DOI. Currently, the AG is using Other Funds revenue received from insurance fines to support insurance fraud investigations. Annually, the agency received between \$100,000 and \$250,000 in insurance fine revenue to fund insurance fraud investigations. Once the responsibility is moved to DOI, the AG will no longer receive this funding. Therefore, this bill will result in a decrease of between \$100,000 and \$250,000 in Other Funds revenue for the AG's Office.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 12, 2021

State Expenditure

This bill shifts the Insurance Fraud Division from the Office of the Attorney General to DOI.

Department of Insurance (DOI). This bill shifts the Insurance Fraud Division to DOI. DOI anticipates the need for nine FTE's as follows:

- (1) Attorney V
- (1) Attorney IV
- (2) Attorney III
- (1) Attorney II
- (1) Program Coordinator I
- (2) Legal Assistant

- (1) Forensic Accountant

DOI believes the expenditures for these nine FTE's, including salary and benefits, will total \$690,000 in General Funds and \$78,000 in Other Funds. These estimates are based on the State's Personnel Classification System.

Additionally, DOI anticipates the following annual expenditures:

- \$25,000 printing for court materials
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DOI anticipates \$322,000 of these expenditures will be paid using Other Funds revenue from appointment renewal penalties currently collected bi-annually by DOI. Further DOI anticipates a nonrecurring \$55,000 for the initial purchase of office equipment. These expenditure estimates are based on current operating costs for other divisions within DOI, consultation with SLED, and historical information from the Fraud program within the Attorney General's Office. Therefore, DOI anticipates \$1,600,000 in General Fund expenditures and \$400,000 in Other Funds expenditures for FY 2020-21 and \$1,545,000 in General Fund expenditures and \$400,000 in Other Funds expenditures annually, beginning in FY 2021-22.

The Office of the Attorney General. This bill shifts the Insurance Fraud Division from the Office of the Attorney General. The expenditure impact of this bill to the AG is pending, contingent upon a response from the agency. We anticipate a savings to the agency as a result of this shift.

Also, this bill removes any mention of the Second Injury Fund from the referenced Code Sections. The Second Injury Fund was terminated pursuant to §42-7-320 as of July 1, 2013. Therefore, the removal of the Second Injury Fund from the Code Sections listed in this bill will have no fiscal impact.

State Revenue

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However, based on historical numbers from the Attorney General's Office, these collections have been minimal. Therefore, this bill will have no revenue impact for DOI.

The Office of the Attorney General. This bill shifts the Insurance Fraud Division from the Office of the Attorney General. The revenue impact of this bill to the AG is pending, contingent upon a response from the agency. We do not anticipate a reduction in revenue as a result of this shift.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director