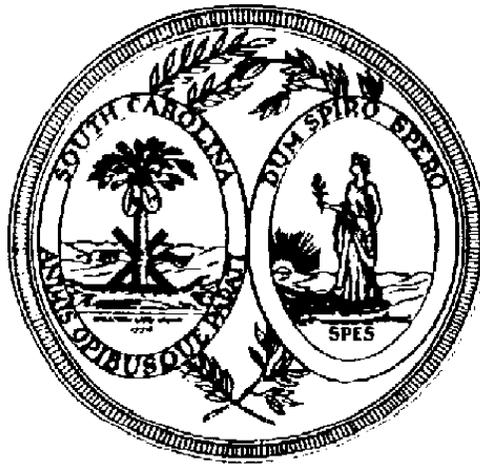


ANNUAL ACCOUNTABILITY REPORT  
1999-2000  
SOUTH CAROLINA DEPARTMENT OF INSURANCE  
- LETTER OF TRANSMITTAL -

The South Carolina Department of Insurance Accountability Report for Fiscal Year 1999-2000 is enclosed. The Department developed its Strategic Plan during FY 1997-1998. During that time the Agency's mission statement, overall objectives, and performance measures were established. A series of off-site meetings were held with executive staff members and a contract facilitator was hired to guide the agency in establishing its criteria and performance indicators. The agency continues to use those standards today.

**Contact Person**  
**Tim Baker**  
**Deputy Director of Insurance**  
**(803) 737-6130**

**SOUTH CAROLINA  
DEPARTMENT OF  
INSURANCE**



**ANNUAL  
ACCOUNTABILITY  
REPORT  
Fiscal Year**

# 1999-00

## SOUTH CAROLINA DEPARTMENT OF INSURANCE 1999-00 ACCOUNTABILITY REPORT

### EXECUTIVE SUMMARY

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. The Department of Insurance accomplishes this mission through professional services, which include, but which are not limited to, examinations and audits of insurance underwriters; consumer education, outreach, and assistance; premium tax and fee collection on behalf of the State and its subdivisions; prior review of insurance premium rates and insurance policy forms; and licensure of insurers and insurance-related individuals and entities. The Department of Insurance was created by S.C. Code Ann. Section 38-3-10, *et seq.* (1976, as amended, and Supp. 1997). It is managed and operated by a director appointed by, and serving at the will of, the Governor upon the advice and consent of this State's Senate. Our mission is accomplished through the administration of several program areas, which we have included.

The 1999-00 Accountability Report was compiled through a joint effort involving management and staff. Our first step was to identify the critical components of each program area and determine the overall impact of each in the accomplishment of the agency's mission. Management and staff believed that it was imperative to go through this process before establishing goals, objectives and performance measures or determining priority.

Insurer Solvency is given the highest priority of the Department's programs. The heart of our responsibility to regulate the insurance industry is assuring insurance company solvency and compliance with related state laws and regulations. Staff in this program area is responsible for monitoring, within the South Carolina insurance laws, rules and regulations, all companies licensed or approved to conduct business in this State. They do so to assure that each company will be able to meet its financial responsibilities and obligations to policyholders and creditors. Financial examinations and financial analysis audits help reduce the number of insolvencies in the insurance industry thereby reducing the cost of insurance to the citizens of this State.

Second priority is given to Consumer Services and Public Information. The Department is charged under a statutory mandate to provide effective and efficient regulation of insurance in the public interest. In this regard the Consumer Services and Public Information program is responsible for protecting policyholders and claimants against unfair sales, advertising, underwriting, claims handling and premium service practices. The program provides information to the general public on claims, complaints and other insurance related matters and needs. This program has the highest profile with the public of all our program areas. The consumers know that we provide a source of reinforcement for protection of their rights under insurance contracts and the State statutes governing the insurance industry.

While the solvency of insurers and access to consumers are high priority programs, it is also critical that the products sold by insurers are in compliance with the laws of South Carolina. Our third priority program, Policy Forms and Rates, ensures that forms, rules and rates used by all lines of insurance in South Carolina meet the statutory requirements. This program provides public representation in the insurance process, assuring that the laws of the State are adhered to and that insurance contracts are fair and equitable to all parties. This program also guards against provisions in policy forms, which may restrict the consumer's rights under the law. Not always having the knowledge of the law, the consumer may not know to raise questions regarding various policy form provisions. In addition, rate regulation results in the consumer being provided with the necessary insurance products at an equitable price.

The remaining four program areas have been assigned a fourth priority rating. While each is critical to the mission of the Department, their impact on consumers is less direct than the other programs. The Individual and Company Licensing program is responsible for administering statutes and regulations governing the initial and continued licensing of companies, agents and other regulated individuals such as brokers and bail bondsmen. Licenses are issued after careful review of applications and qualifications to determine statutory and regulatory compliance.

The Taxation program generates over 102 million in revenue through the collection of broker and insurer premium taxes. Of this amount approximately 7.0 million is distributed to local subdivisions with the balance retained in the general fund.

State Rating and Statistical is the program area responsible for collecting automobile statistical data from companies that write automobile insurance in the State. The collection of this data is mandated by state statute and provided to insurers, governmental agencies and others. After calendar year 1999 this program area was dissolved due to the implementation of the Automobile Insurance reform legislation.

Administration primarily provides management and operations support for the Department. The functions of this program include human resources, fiscal operations and information resources. Administration also includes the Office of General Counsel. The general counsel represents the Department in legal actions filed by it or against it and investigates allegations that state insurance laws have been violated. Administration is also charged with the coordination of the Department's Quality Management program.

Other projects given Department of Insurance program areas status include:

- **Held In Trust** – The South Carolina Department of Insurance through a grant from the Department of Public Safety has offered an educational awareness program entitled *Held In Trust* since February of 2000. This program provides educational and instructional information regarding the need for and proper installation of child safety seats. As the *first* program available in South Carolina that specifically targets prenatal classes in hospitals throughout South Carolina, *Held in Trust* was incorporated at the program's initial target hospitals in Greenville, Spartanburg, Charleston and Richland counties. The program is offered at no charge to the hospital and class participants. Additionally, the program provides free informational brochures and infant items, to include one approved child safety seat per class.
- Since the class schedule began, *Held in Trust* has instructed over 250 people through 35 classes held in 10 hospitals throughout the target counties. At each class, a child safety seat is given away by random drawing along with promotional items and educational brochures. The project coordinator has also attended three maternity fairs to promote the class and the importance of properly installed safety seats. As a certified child passenger safety technician, the project coordinator has instructed parents how to properly install their children's safety seats at four car seat safety clinics held at various locations throughout South Carolina. Since only 15% of South Carolinians know how to install their safety seats properly, *Held in Trust* has started and will continue throughout this next year to make sure that the awareness increases.
- **Hazard Mitigation Awareness** – The South Carolina Department of Insurance has partnered with Home Depot Inc. to organize and hold four Hazard Mitigation Awareness Expositions. The Expos have been held at various Home

Depot locations in Bluffton, Myrtle Beach, and Charleston, South Carolina. These free outdoor events offer the public an opportunity to meet with representatives from state, federal and local agencies to include FEMA and US Army Corps. Of Engineers, home mitigation equipment vendors and insurance companies to discuss methods and strategies for mitigating their homes against threats of natural disaster. This forum also offers individuals the opportunity to discuss insurance coverage issues. These events have been very successful; the Home Depot has asked that we work together to organize events for next year's upcoming storm season.

The Georgia Department of Insurance requested the Department's assistance in organizing their first Hazard Mitigation Awareness Expo in partnership with the Home Depot, Inc., which was held this past August in Savannah, Georgia. The Department assisted in organizing the event.

**PROGRAM: INSURER LICENSING AND SOLVENCY**

PRIORITY # 1

Fees)

Costs: \$404,869 State  
\$834,670 Other (Exam  
\$1,239,539 Total  
No. Of Employees: 20.75

**FINANCIAL EXAMINATIONS**

Examinations Completed 12  
Examinations in Progress 4

## GOAL

To perform a full scope financial examination as required by statute, on each domestic insurer no less than once every five years, and each domestic health maintenance organization no less than once every three years. To perform target examinations from time to time on all companies licensed in this state (both domestic and non-domestic) as conditions dictate.

## OBJECTIVE

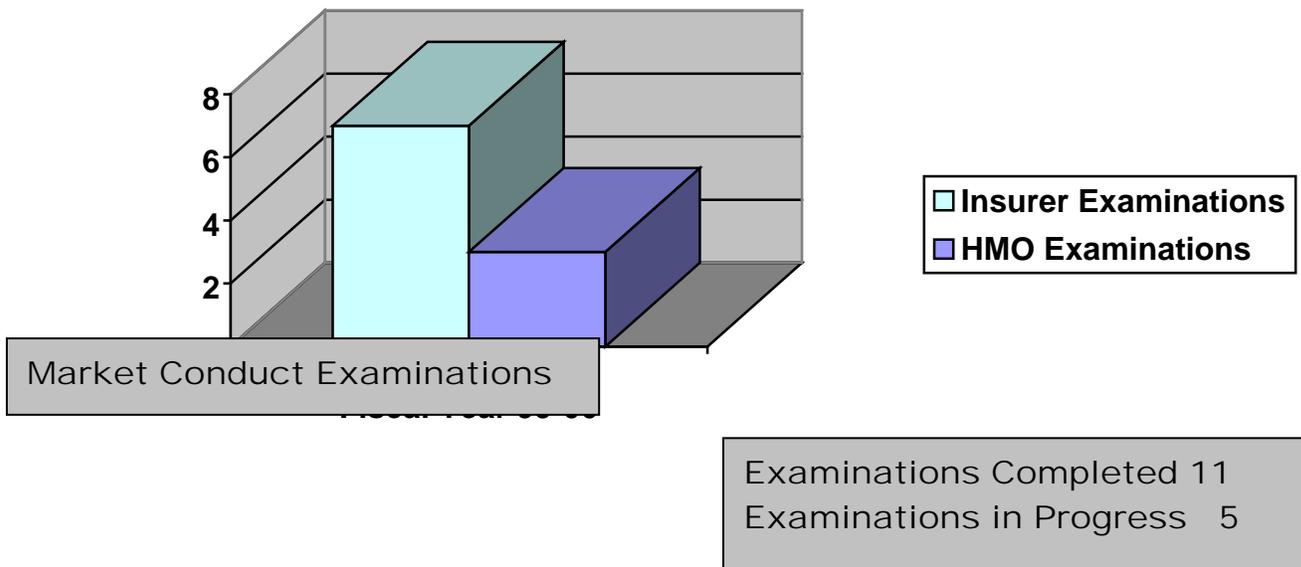
To detect as early as possible those insurers and health maintenance organizations which are in financial trouble or which are in violation of state statutes or engaging in unlawful or improper marketing activities.

## PERFORMANCE MEASURES

Seven financial examinations of insurers were commenced during the period from July 1, 1999 to June 30, 2000. One examination was based on a one-year schedule, one examination was based on a two year schedule, two examinations were based on a three-year schedule, two examinations were based on a four-year schedule, and one examination was based on a five-year schedule. Three examinations of health maintenance organizations were commenced during the period from July 1, 1999 to June 30, 2000. One examination was based on a one-year schedule, and two examinations were based on a three-year schedule. An examination of two priority companies was completed during the period. No later than sixty days following the completion of each examination, information was developed for timely, appropriate regulatory action where necessary. Ten insurers and health maintenance organizations were deemed to be in substantial compliance with South Carolina insurance or health maintenance organizations statutes, financially sound, and able to meet their obligations to its South Carolina policyholders or enrollees.

## TREND DATA

# FINANCIAL EXAMINATIONS



## GOAL

To perform full scope or limited scope Market Conduct examinations as required by statute, on each domestic insurer no less than once every five years, and each domestic health maintenance organization no less than once every three years. To perform target examinations from time to time on all companies licensed in this state (both domestic and non-domestic) as conditions dictate.

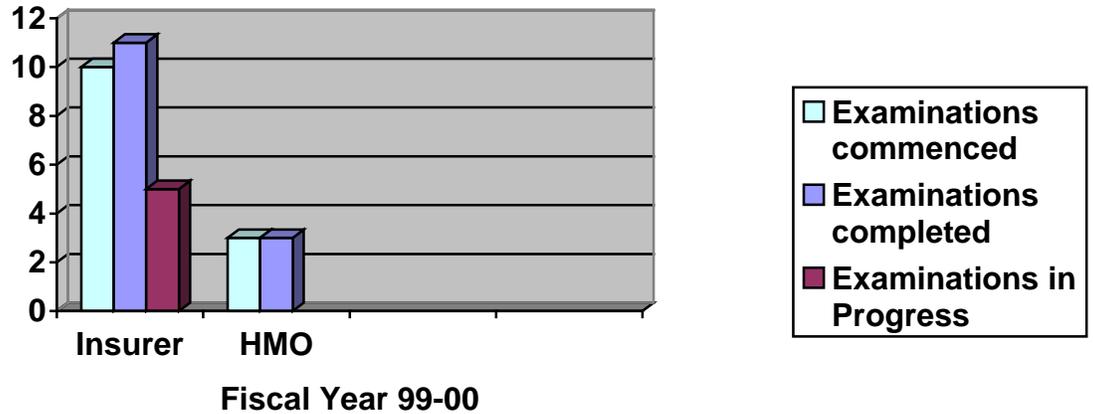
## OBJECTIVE

To detect as early as possible those insurers and health maintenance organizations which are in financial trouble or which are in violation of state statutes or engaging in unlawful or improper marketing activities.

## PERFORMANCE MEASURES

Ten (10) examinations of insurers were commenced during the period July 1, 1999, to June 30, 2000. Six (6) examinations were based on a one-year schedule, three (3) examinations were based on a four-year schedule, and one (1) examination was based on a five-year schedule. Seven (7) target examinations were conducted. Three (3) examinations of health maintenance organizations were commenced and completed during the period from July 1, 1999 to June 30, 2000. One (1) examination was based on a one-year schedule and two (2) examinations were based on a three-year schedule. Eighteen (18) examinations were conducted and completed of premium service companies and five (5) examinations were conducted and completed of bail bondsmen. No later than sixty days following completion of an examination of an insurer or a health maintenance organization, information was developed for timely, appropriate regulatory action where necessary.

## MARKET CONDUCT EXAMINATIONS



### FINANCIAL ANALYSIS

No. Of Financial Statements Analyzed: 2006

#### GOAL

To monitor the financial condition and operations of insurers, eligible surplus lines insurers, and health maintenance organizations conducting business in this State which have been licensed or approved by this Department under the provisions of the South Carolina insurance and health maintenance organization statutes.

#### OBJECTIVE

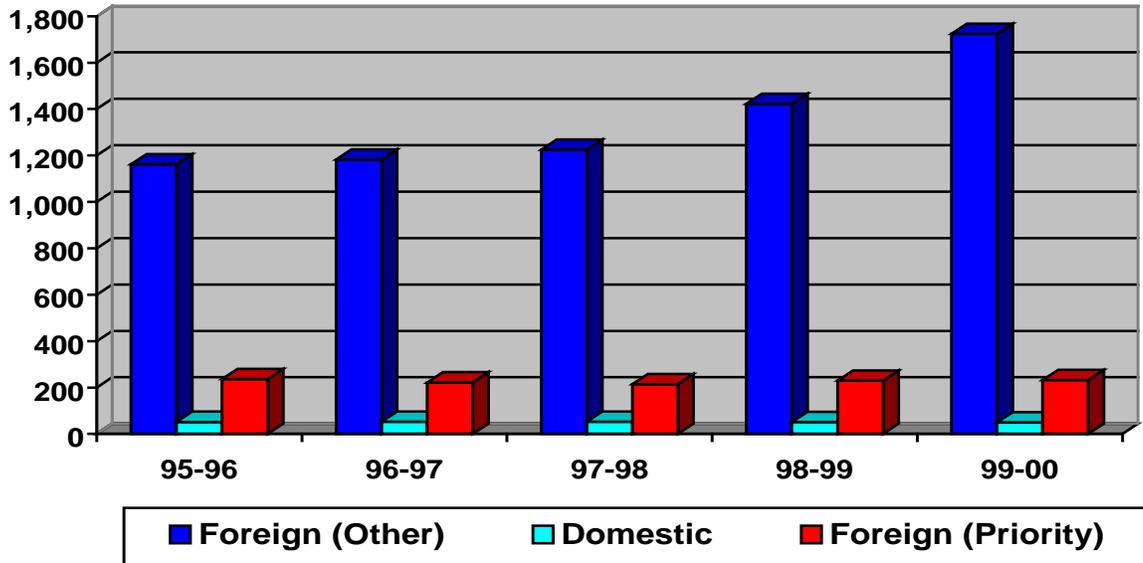
To analyze, within the guidelines of South Carolina insurance and health maintenance organization statutes, financial and other information available, of all insurers, eligible surplus lines insurers, and health maintenance organizations which have been licensed or approved by this Department to conduct business in this State in order to ensure that each will be able to meet its financial responsibilities and obligations to policyholders, enrollees, and creditors. Commencing March 1 each year, the financial statements of 1) all domestic insurers and health maintenance organizations are reviewed by April 1 each year; 2) all foreign priority insurers and health maintenance organizations are reviewed by June 1 each year; and 3) all remaining insurers and health maintenance organizations are reviewed by September 15 each year.

## PERFORMANCE MEASURES

Commencing March 1, 2000, the financial statements of: 1) fifty domestic insurers and health maintenance organizations were reviewed by April 1, 2000; 2) two hundred and thirty-two foreign priority insurers, eligible surplus lines insurers, and health maintenance organizations were reviewed by June 1, 2000; and 3) one thousand, seven hundred and twenty-four remaining insurers, eligible surplus lines insurers, and health maintenance organizations were reviewed by September 15, 2000. Between July 1, 1999 and June 30, 2000, thirteen insurers were requested to, and did, place an additional deposit with this Department for the protection of South Carolina policyholders; seven insurers voluntarily agreed to cease writing new business in South Carolina; the certificates of authority of three insurers were suspended by the Director of Insurance; and the certificates of authority of four insurers were revoked by the Director of Insurance.

## TREND DATA

## ANNUAL STATEMENTS ANALYZED



### SECURITIES CUSTODIAN

\$354,220,818.51

Total Security Deposits:

No. Of Transactions: 1,002

#### GOAL

To receive, verify, deposit, withdraw, and maintain control of all securities on deposit with this Department for the protection of the South Carolina policyholders, enrollees, and creditors of insurers, eligible surplus lines insurers, and health maintenance organizations conducting business in this State.

#### OBJECTIVE

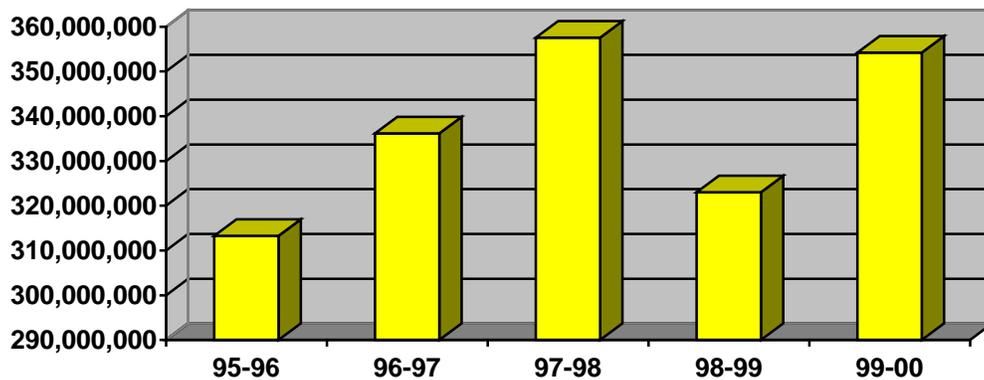
To accurately maintain the deposits of domestic and foreign insurers, domestic and foreign health maintenance organizations, eligible surplus lines insurers, premium service companies, and third party administrators.

## PERFORMANCE MEASURES

Deposits totaling \$354,220,818.51 were held by the Director of Insurance on behalf of 1,002 licensed insurers, eligible surplus lines insurers, and health maintenance organizations, premium service companies, and third party administrators as of June 30, 2000. The type and market values of the securities placed by each entity was verified for compliance with South Carolina insurance statutes and regulations. Transactions to the Department's Company Securities System during the period from July 1, 1999 to June 30, 2000 totaled 788 - 371 deposits and 417 withdrawals.

## TREND DATA

### SECURITIES DEPOSITS



INSURER AND HEALTH MAINTENANCE ORGANIZATION  
LICENSING

No. Of Applications Reviewed &  
Analyzed: 51

## GOAL

To timely review financial and other pertinent information submitted by insurers, eligible surplus lines insurers, and health maintenance organizations applying to conduct business in this State in order to determine compliance with South Carolina insurance and health maintenance organization statutes.

## OBJECTIVE

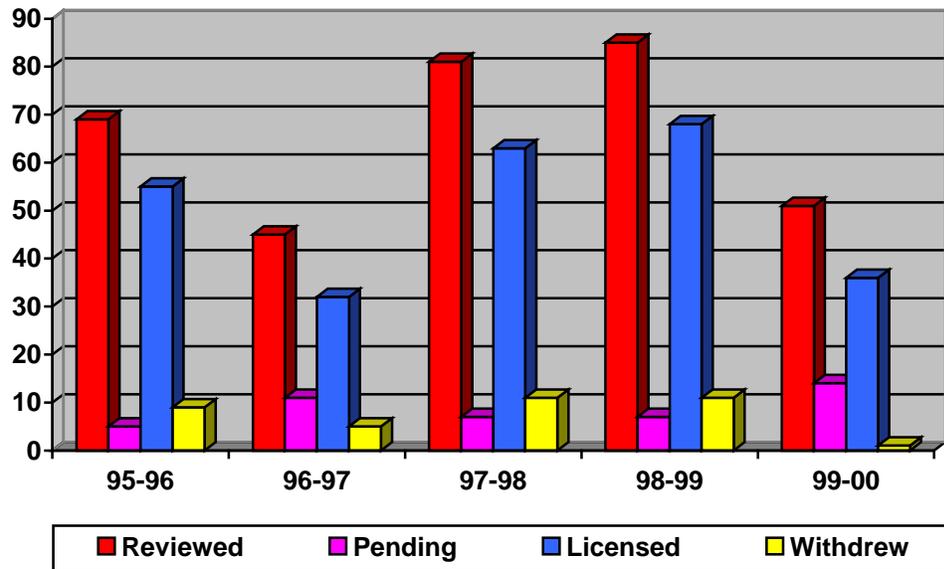
To analyze, within the guidelines of South Carolina insurance and health maintenance organization statutes, financial and other information submitted by insurers, eligible surplus lines insurers, and health maintenance organizations applying to conduct business in this State in order to ensure that each will be able to meet its financial responsibilities and obligations to policyholders, enrollees, and creditors. All insurers, eligible surplus lines insurers, and health maintenance organizations that submit properly completed applications and which comply with South Carolina insurance and health maintenance organization statutes should be licensed within sixty days from receipt of the application.

#### PERFORMANCE MEASURES

From July 1, 1999 to June 30, 2000, applications from fifty-one insurers, eligible surplus lines insurers, and health maintenance organizations were received, reviewed, and analyzed. Thirty-six of the applications were deemed to be in compliance with South Carolina insurance, eligible surplus lines insurer, and health maintenance organization statutes and were licensed or approved, on the average, within sixty days from the receipt of the application. As of June 30, 2000, fourteen of the applications remained pending and one was withdrawn due to its failure to be in compliance with South Carolina insurance statutes.

#### TREND DATA

## Applications Status



MAINTAINING AND RESPONDING TO INQUIRIES REGARDING THE DEPARTMENT'S HISTORICAL DATABASES

No. Of Transactions Performed: 429  
No. Of Telephone Calls: Approx.

18,000

### GOAL

To timely review transactions involving insurers, eligible surplus lines insurers, risk purchasing groups, health maintenance organizations, and other entities licensed in this State by this Department in order to document those transactions on the Department's Company Licensing System and to respond to inquiries regarding historical information.

### OBJECTIVE

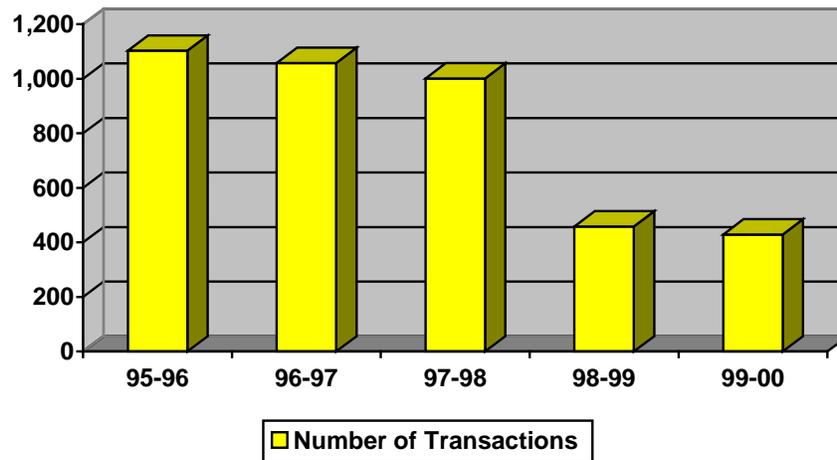
To receive information regarding insurers, eligible surplus lines insurers, risk purchasing groups, health maintenance organizations, and other licensed entities' transactions within thirty days of their effective dates, and to review and record the transactions within five working days from date of receipt of the information.

## PERFORMANCE MEASURES

From July 1, 1999 to June 30, 2000, four hundred and twenty-nine transactions were reviewed and recorded on this Department's databases. Approximately eighteen thousand telephone inquiries (1,500/month) requesting information found on the Department's Company Licensing System were responded to during the period.

## TREND DATA

### Transactions



**PROGRAM: CONSUMER SERVICES AND PUBLIC INFORMATION**

## PRIORITY #2

Costs: \$536,827 State  
\$4,167 Federal  
\$540,994 Total  
No. Of Employees - 14

## RESPONSE TO CONSUMER COMPLAINTS

3,810

No. Of Written Requests:

41,480

No. Of Telephone Requests:

GOAL

To act with dispatch in the protection of members of the consuming public who may be policyholders or claimants against unfair sales and advertising, underwriting, and claims handling practices.

#### OBJECTIVE

To resolve and respond to consumer complaints/inquiries within thirty days of receipt within the Department's Office of Consumer Services.

#### PERFORMANCE MEASURES

During fiscal year 1999-2000, the Office of Consumer Services received 3,810 written complaints from South Carolina citizens. In addition, the Division handled a total of 41,480 telephone inquiries filed with the Department by individuals who experienced concern or had problems related to an insurance product. Approximately 55% of written and telephone requests for assistance continued to involve life, accident and health Insurance while 45% involved automobile and other property lines of insurance.

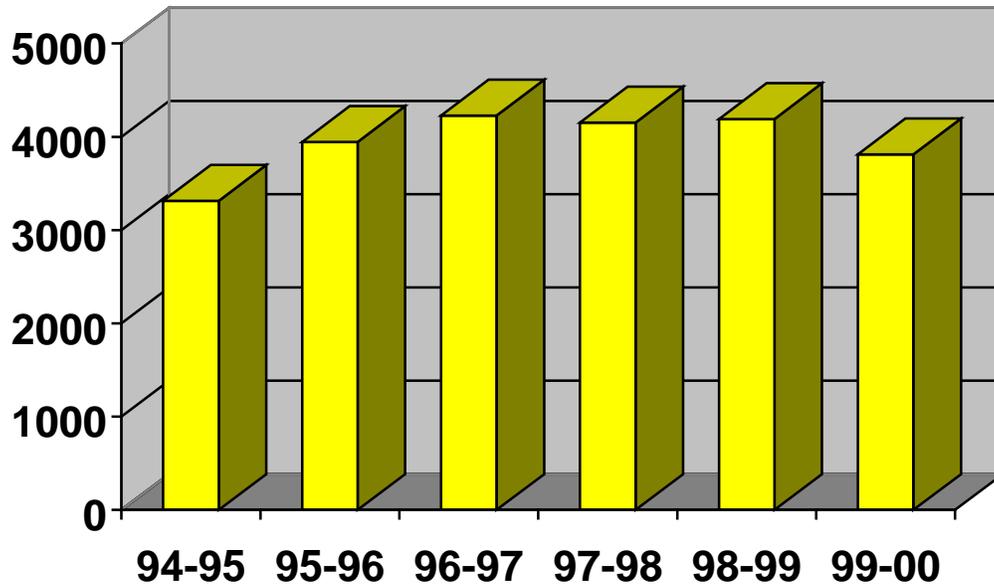
During this fiscal year period, the Division concluded approximately 95% of all written requests for assistance within the first 15 days of receipt. The Division also concluded approximately 98% of all telephone requests for assistance within the same day of receipt. The Division's quick handling of written requests for assistance received from consumers was a slight improvement over prior year by approximately 11%.

As a result of procedural requirements for insurers and licensed individuals to respond to the Office of Consumer Services within fifteen (15) days notice of a request for response, the Office of Consumer Services is able to conclude a majority of consumer's written request for assistance within an average of fifteen (15) days. This is significantly less than the average closure rate for other insurance departments across the country. A random sampling survey of other state's insurance departments around the country reflects that the average closure rate is approximately 30 or more days.

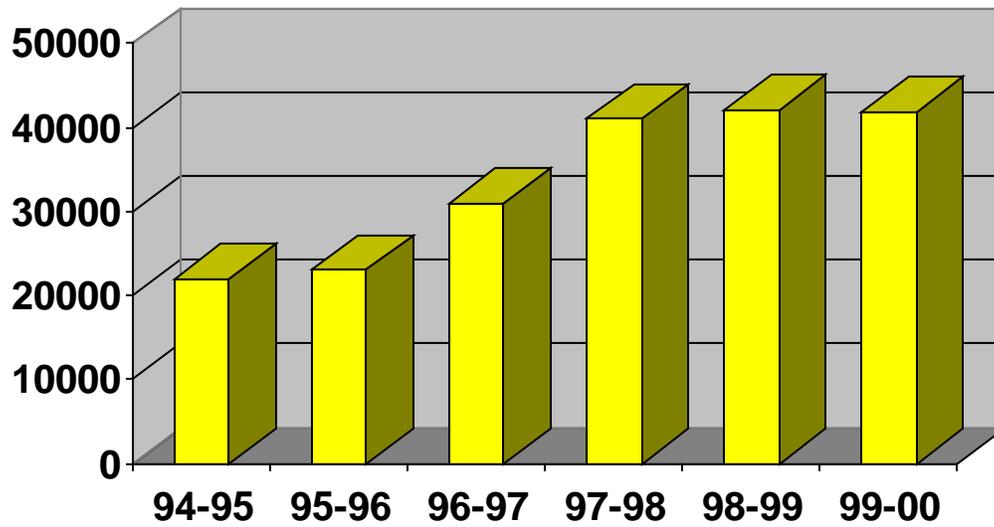
Since 1994, consumers written requests for the Department's assistance have increased by 501 or 15.1%. From fiscal year 1994-1995 to 1999-2000, the number of telephone inquiries received in the Office of Consumer Services has increased by 16,930 or 68.9%.

#### TREND DATA

### WRITTEN COMPLAINTS



### TELEPHONE INQUIRIES



No. Of Outreach Engagements

100+

GOAL

To improve the consumers' knowledge of the insurance products marketed in South Carolina.

OBJECTIVE

To establish, within the Consumer Services Section, ongoing programs of consumer insurance education via brochures and public appearances regarding various lines of insurance (auto, fire, homeowners, health and life insurance coverage).

PERFORMANCE MEASURES

During this fiscal year period, the Department's proactive consumer education objective was to continue previous years' efforts to educate consumers and industry representatives regarding insurance related matters. As a result, the Department's staff completed approximately 100 speaking and other outreach engagements. In addition, approximately 75,000 brochures and other consumer information pamphlets were distributed to the public and the insurance industry. Since fiscal year 1998-1999, the number of brochures distributed has increased 10,000 or 15%. Further, educational brochures were provided to consumers in addition to the Department's normal response to their written requests for assistance.

Through collaborative efforts with the South Carolina Wind and Hail Underwriting Association and the South Carolina Insurance News Services, over 30,000 brochures involving disaster preparation and recovery efforts were distributed to that group's policyholders. This has resulted in a better-informed public with a more thorough understanding of insurance issues.

MARKET ASSISTANCE

No. Of MAP Requests

158

## GOAL

To assist consumers in their efforts to locate hard-to-place insurance coverage within the insurance market through the Department's Market Assistance Program (MAP).

## OBJECTIVE

To use a market assistance program to assist consumers in locating required insurance coverage that is difficult to find within the insurance marketplace.

## PERFORMANCE MEASURES

The MAP is a multi-line insurance program utilized through the Office of Consumer Services to help stakeholders locate accident and health and property and casualty lines of insurance.

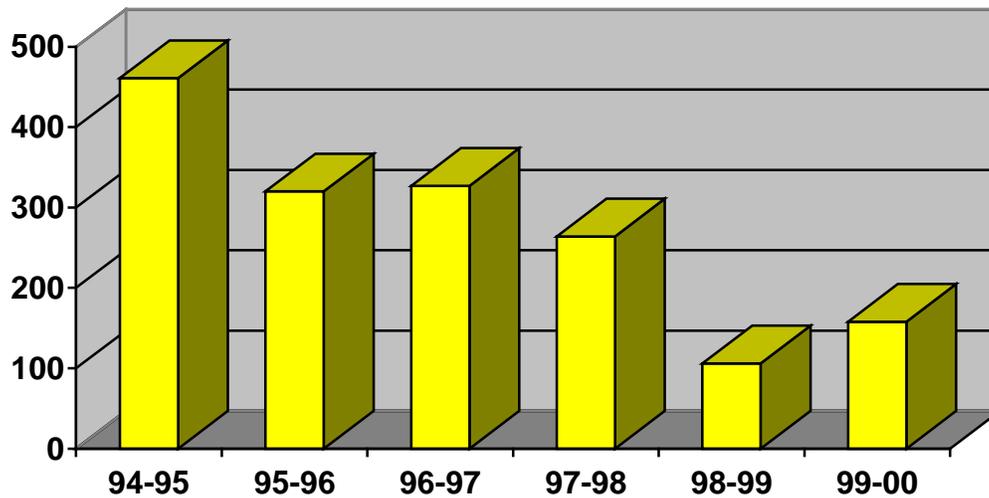
During fiscal year 1999-2000, a total of 158 consumers contacted the Office of Consumer Services seeking assistance finding health insurance and, or property insurance related coverage. The Insurance Regulatory Analysts in the Office of Consumer Services processed all 158 requests for assistance within the same day received. All consumers who contacted the Department were connected with a reliable marketing outlet to resolve their respective insurance availability concerns. This fiscal year's activity represents a 49% increase in MAP requests from the previous fiscal year. The increased activity during this period was related to consumers seeking homeowners and business owners insurance in the coastal area of the state. This analysis shows that the Department's outreach efforts and consumer education activities involving insurance are making a difference in getting the public's attention that MAP services are available for their use. The Department's efforts to recruit new insurers to the state have also been an asset to reducing the number of market voids that existed in the past. During the next fiscal year period, the Office of Consumer Services will conduct a field survey of available markets in order to identify new markets that might be available for consumer use.

Since the fiscal year 1994-1995, the number of requests for assistance through the Department's MAP has decreased by 303 requests or 66%.

The following graph reflects the downward trend of usage of the Department's MAP:

## TREND DATA

## MARKET ASSISTANCE PROGRAM



### DISASTER RESPONSE

#### GOAL

To immediately respond to consumer needs following natural disasters.

#### OBJECTIVE

To establish, within the Office of Consumer Services, an initial action unit to respond to special and immediate consumer concerns during times of natural disasters.

#### PERFORMANCE MEASURES

During fiscal year 1999-2000, there continued to be tropical storms, tornadoes and flooding incidents that required the Office of Consumer Services involvement.

In response to these natural disasters, the Office of Consumer Services provided telephone support and on the scene services to the public. The Department has been very proactive in outreach efforts to educate consumers living in and around the coastal area of the state. In addition, the Office of Consumer Services continues to work closely with licensed

insurers in the State to insure that policyholder's claims are receiving quick services during a natural disaster. Consistent demand for quick turn around services throughout the year in processing consumers' request for assistance helps to set the stage for prompt services to the public during disastrous conditions.

## SOUTH CAROLINA REINSURANCE FACILITY

### GOAL

To assure that the activities of the South Carolina Reinsurance Facility (SCRF) comply with the statutes.

### OBJECTIVE

To monitor the activities of the SCRF in order to assure its actions comply with state statutes. Regulation will be extended to include oversight action taken by the SCRF Board and its auxiliary services.

### PERFORMANCE MEASURES

During fiscal year period 1999-2000, the SCRF has been involved in a runoff of risk insured through that mechanism. Due to a court decision regarding the constitutional construction of the board, the SCRF Board of Governors was abolished and placed under the leadership of the Department to handle administrative matters until such time as that board can be legally reconstituted. This added responsibility has increased the Department's representative's time requirement to carry out the functions of the SCRF's Board.

The Department's representative attended all Operating committee meetings and most of the sub-committee meetings. There were no changes to the SCRF's manual regarding Plan and Rules of Operation. The SCRF's policy in force count at the end of this fiscal year period decreased from 750,000 to 37,000 policies in force.

The oversight of this \$350,000,000 operation by the Department assured that action taken by the SCRF complied with statute and was in the best interest of the public and all insurer's licensed to sell automobile liability insurance in South Carolina. By the end of the 2000 – 2001 fiscal year, it is anticipated that less than half of the policies in force will not be renewed through the SCRF operation. Depopulation of the Facility will lessen the chances that good risk drivers will have to continue subsidizing of bad/high risk drivers.

## SOUTH CAROLINA ASSOCIATED AUTO INSURANCE PLAN

## GOAL

To ensure that the activities of the South Carolina Associated Auto Insurance Plan comply with the state of South Carolina's insurance statutes.

## OBJECTIVE

To monitor the activities of the SCAAIP in order to assure its actions comply with state statutes. Regulatory oversight will be extended to include monitoring action taken by the SCAAIP Board and its auxiliary services.

## PERFORMANCE MEASURES

During this fiscal year period, the SCAAIP completed its first full year as the new automobile insurance residual market mechanism designed to insure the state's high-risk automobile insurance market. The SCAAIP was also designed to replace the South Carolina Reinsurance Facility. It was anticipated that the SCAAIP would insure several hundred thousand auto risks normally that would have been insured through the SCRF. However, only 164 risks are actually insured through the SCAAIP. This is good news for South Carolina drivers as competition in the market -place is helping to drive down the cost of insurance. According to experts in the property and casualty insurance industry, the new automobile insurance law that took effect March 1, 1999 has helped control market prices and use of the SCAAIP as a market of last resort.

The Department's representatives attended all board and executive committee meetings and most of the sub-committee meetings. The Director of Insurance, chairman of the board, was elected by the membership of the board, but has no vote.

Projections are that by the end of fiscal year 2001-2002, the SCAAIP will take on a greater volume of risk, due to the abolishment of the SCRF.

Costs: \$853,355 State  
\$853,355 Total  
No. Of Employees 18.5

## POLICY FORMS REVIEW

Filings Received:

12,864

### GOAL

To protect the insurance buying public by ensuring that policy forms are in compliance with the laws and regulations of South Carolina.

### OBJECTIVE

Review property, casualty, life, accident and health insurance policy forms to ensure that they are in compliance with the laws and regulations of South Carolina and that they do not contain provisions which are unfair, deceptive, ambiguous, misleading or unfairly discriminatory. Our objective is to perform accurate and thorough reviews and to complete these reviews within a reasonable length of time. The length of time varies between 30 and 60 days depending on the type of policy form.

### PERFORMANCE MEASURES

There are several performance measures for the review of policy forms: number of policy forms received, the number of forms approved, the number of forms received for information only, the number of forms disapproved, the number of forms pending and the average date of the forms on which the analysts are currently working.

For the Life, Accident and Health division, during Fiscal Year 1999-2000 the division received 5,630 new filings. At the end of Fiscal Year 1999-2000, the policy forms analysts, on average, were beginning the review of forms received 30 days prior to the end of the year.

During fiscal year 1999-2000, the Property and Casualty Division received a total of 7,234 new form, rule and rate filings. At the end of Fiscal Year 1999-2000, the forms and rates analysts, on average, were beginning the review of form; rule and rate filings received 30 days prior to the end of the year.

## POLICY RATES REVIEW

### GOAL

To ensure that benefits under Individual Accident and Health insurance policies are not unreasonable in relation to premiums charged and to ensure that rates for Property and Casualty insurance are neither excessive, inadequate nor unfairly discriminatory.

### OBJECTIVE

Review individual accident and health insurance rates and individual health maintenance organization rates to ensure that benefits provided in the policies are not unreasonable in relation to the premiums charged. Our objective is to perform accurate and thorough reviews and to complete these reviews within a reasonable length of time. The length of time varies between 30 and 90 days depending on the type of policy form. In addition to reviewing rates for new policy forms and requests for rate increases, several other duties are performed to ensure that benefits provided in the policies are not unreasonable in relation to the premium charged.

The Property and Casualty Division, a notice of filing is required when the written premium is \$2,000,000, and an increase in a policyholder's rate. The notice of filing is published in statewide newspapers. A public hearing is required when someone intervenes on the notice of filing.

### PERFORMANCES MEASURES

There are several performance measures for the review of policy forms: total number of rate filings reviewed, the number rate filings reviewed for new policy forms, the number of rate filings reviewed for rate increases requests, average date of the rate filings for new policy forms on which the analysts are currently working and the average date of filings for rate increases on which the analysts are currently working.

During fiscal year 1999-2000, the Life, Accident and Health Division reviewed 875 rate filings. Of those filings, 826 were rate filings for new forms and 875 were rate increase requests. The performance measures for the review of property and casualty insurance rates are included in the previous section labeled policy forms review.

The measure for fiscal year 1999-2000 indicates that a large number of reviews were performed in a timely fashion. This helps the consumer by ensuring that insurers are not charging rates that are unreasonable in relation to the benefits provided.

## ASSISTANCE AND TRAINING

### TRAINING

#### GOAL

To provide technical assistance and training on Property, Casualty, Life, Accident and Health insurance issues to the Director of Insurance, to other divisions of the Department, and to consumers.

#### OBJECTIVE

Train and assist volunteers in the I-Care program with respect to Medicare supplement insurance and other forms of health insurance. Educate and inform members of the insurance industry of changes to laws, regulations and bulletins that affect the insurance industry.

#### PERFORMANCE MEASURES

Six presentations were given to train and assist volunteers in the I-Care program with respect to Medicare Supplement insurance and other forms of health insurance. Our participation in this program helps elderly consumers make better-informed decisions about purchasing health insurance.

One presentation was given to train insurance agents and insurer personnel on the changes to health insurance laws.

Five presentations were given to assist consumers and government entities on understanding Long Term Care.

Three members of the Life, Accident & Health staff attended and presented seminars for the Life and Health Compliance Association in Charlotte, NC.

Five members of the Life, Accident & Health staff attended the Southeastern Regulators Association in Savannah, GA.

One life and health analyst attended and presented a seminar at the Association of Insurance Compliance Professionals annual meeting in San Antonio, Texas.

Four members of the Property and Casualty staff attended the Southeastern Regulators Association in Savannah, GA.

Two members of the Property & Casualty staff attended a Flood Seminar in Charleston, SC.

## CONSUMER ASSISTANCE

### GOAL

To provide accurate, timely, courteous and professional assistance to consumers with respect to technical issues and support our Office of Consumer Services with respect to rating issues.

### OBJECTIVE

Maintain an accurate consumer guide for Medicare supplement insurance that contains premium rates for all standardized plans of all insurers approved for sale in South Carolina and update this guide quarterly.

Assist with technical consumer complaints and problems with respect to life, accident and health insurance in a courteous and timely fashion.

Assist with technical consumer complaints and problems with respect to property and casualty insurance in a courteous and timely fashion.

### PERFORMANCE MEASURES

The Medicare supplement premium comparison guide was updated and published on November 1, 1999 and June 16, 2000.

The Life, Accident and Health Division processed approximately 110 consumer complaints involving rating issues while the Property and Casualty Division processed 54 consumer complaints involving rating issues.

## LEGISLATIVE

### GOAL

Provide assistance to the legislative and executive branches of government regarding the creation of new statutes or the amending of existing statutes.

### OBJECTIVE

Provide technical assistance in the drafting of proposed legislation. Such assistance is provided to the Director, legislators and to legislative committee staff who have requested assistance from the Director.

## PERFORMANCE MEASURES

Request for technical assistance on proposed or current legislation come from the Director or his executive assistants. Each request has a time frame for completion of the request and the time frame varies from several hours to several months.

Bills for which the Department participated and testified include:

<b><u>Bills</u></b>	<b><u>Subject</u></b>
S. 494	Further clarifies diabetes mellitus mandate
S. 1026	Commercial Lines Deregulation
H. 4442	Protected Cell Legislation P&C
H. 3295	Fraternal Modernization
Legislation	
H. 3914	Pro Rata Return of Premiums
S. 437	Garris Decision Cleanup
H. 1262	Department Clean Up Bill
H. 4026	Hurricane Deductible Regulation
S. 1282	Medical Malpractice PCF
S. 1039	Service Contracts
S. 721	Second Injury Fund
H. 4467	Captives
H. 4939	Pre-Paid Legal
S. 1166	Bail Bondsmen

## FINANCIAL CONDITION AND RESIDUAL MARKETS

### FINANCIAL CONDITION

#### GOAL

Provide technical expertise regarding actuarial principles involved in measuring the financial condition of insurers.

#### OBJECTIVE

Assist in financial condition examinations by providing actuarial opinions on loss reserves, assessing company practices with regard to claims operations, and evaluating market conduct practices.

## PERFORMANCE MEASURES

Insurers where examinations were completed include:

South Carolina Insurance Company  
Catawba Insurance Company  
South Carolina Farm Bureau Insurance Company  
Capital City Insurance Company

Financial condition exams are scheduled months in advance. For most companies, the actuarial work requires fifteen to forty hours of work. For troubled companies, the actuarial work becomes very involved and can take a lengthy period of time. The time allowed is constrained by the completion date scheduled for the examination. Effective financial condition examinations prevent insurer insolvency. This protects the policyholders from default and citizens from paying for insolvencies.

## RESIDUAL MARKETS

### GOAL

Represent the Department of Insurance on the boards of various mechanisms for residual markets in South Carolina and ensure their orderly operation.

### OBJECTIVE

The Department is charged with supervision of several residual market mechanisms in order to ensure their adequate performance and solvency. Residual market mechanisms include the following:

South Carolina Associated Auto Insurers  
South Carolina Wind and Hail Underwriting Association  
South Carolina Reinsurance Facility  
South Carolina Medical Malpractice Joint Underwriting Association  
South Carolina Property and Casualty Guaranty Association  
South Carolina Life, Accident and Health Guaranty Association  
South Carolina Health Insurance Pool  
South Carolina Workers' Compensation Assigned Risk Plan  
South Carolina Small Employer Insurer Reinsurance Program

## PERFORMANCE MEASURES

The staff has attended many of the meetings held as well as participated in committee work. Each residual market mechanism performed adequately with staff involvement in all phases of their activities.

## INDIVIDUAL LICENSING AND EDUCATION

### PRIORITY # 4

Fees)

Costs: \$323,363 - State  
\$69,571 - Other (Course Approval  
\$392,934 - Total  
Telephone Inquiries/Visitors: 47,540  
No. Of Employees - 12

## LICENSING OF INDIVIDUALS

### GOAL

To accurately and efficiently issue agent, agency, broker, adjuster and appraiser licenses.

### OBJECTIVES

To administer the licensing of: insurance agents and agencies in accordance with Chapters 3, 43 and Regulation 69-23; Insurance adjusters in accordance with Chapter 47; motor vehicle physical damage appraisers in accordance with Chapter 49; and surplus lines brokers in accordance with Chapter 45, of Title 38, of the South Carolina Code of Laws. To accurately and efficiently issue agent, agency, broker, adjuster and appraiser licenses within 24 to 72 hours of the receipt of properly completed licensing paperwork, following a careful review of applications and qualifications and to maintain a record of those licenses. To process biennial renewals of licenses and to collect the appropriate fees.

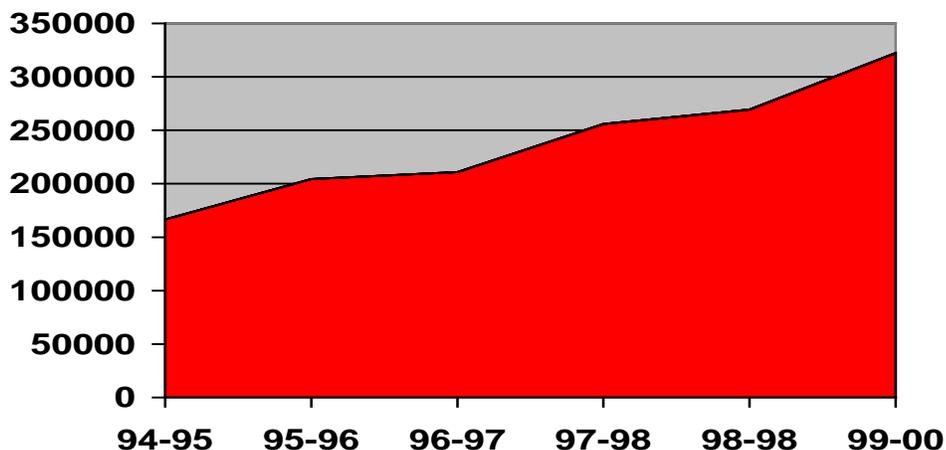
### PERFORMANCE MEASURES

A total of 4,390 agency licenses were in force as of June 30, 2000, compared to 3,895 as for June 30, 1999, a 12.7% increase. Agency licensing renewals are on an even year basis.

A total of 322,899 appointments for agents, brokers, adjusters and appraisers were in force as of June 30, 2000. These results are up 19.9% from FY 1998-1999. In addition, a total of 31,512 new agent, agency, adjuster, appraiser and broker appointments were issued between July 1, 1999 and June 30, 2000. Approximately 98% of all properly completed license application paperwork was issued within 24 to 72 hours of receipt in the Individual Licensing Division. This turnaround time continues to be a substantial improvement from FY 94-95, when it took on average of 6 weeks to issue a license upon the receipt of the paperwork. Further, 73 applications submitted by agents, adjusters, appraisers and brokers, to be licensed to transact insurance in South Carolina, were denied. As of June 30, 2000, 5,244 licensing packets were returned to the insurer and/or applicant as being incomplete. Compared against previous year results, the number of returned applications has decreased by 1,823 or 34.7%

#### TREND DATA

##### APPOINTMENTS HELD BY LICENSEES



For individual licenses, as of June 30, 2000: 59,863 individuals held licenses; 10,113 adjusters held licenses; 1,196 motor vehicle physical damage appraisers held licenses, and 1,409 brokers held licenses.

Prior to the 1997-1998 fiscal year, there had been no real accounting of the number of telephone and visitor inquiries that had been handled by the entire Program area. The leadership system determined that this should be tracked and instituted a process for this accounting. During the period July 1, 1999 through June 30, 2000, telephone inquiries to this area alone totaled 38,708. This activity represents a 2.0% increase over the FY

period 1998-99. In addition, 2, 571 visitors were assisted during this fiscal year period.

Licensing and renewal fees collected for the general fund as of June 30, 2000 were as follows:

Agent-\$4,071,100; Adjuster-\$1,039,484; Broker-\$306,970; Agency-\$199,025; and Appraiser-\$104,245. It is important to note that individual licenses are renewed on a biennial basis. Agents', Brokers', and agency licenses are renewed during even years, while Adjusters and Appraisers are renewed during the odd years. As an example of how much fees fluctuate, the following comparison of fees are provided for fiscal years' 1998-1999 versus 1999-2000.

Agent Fees-(\$12,167,625-1998-99) vs. (\$4,071,100-1999-00) a difference of (\$8,096,525) or 0.66.5 % decrease from prior year.

Adjuster Fees-(\$218,700-1998-99) vs. (\$1,039,484-1999-00) a difference of \$820,784 or a 375.3% increase over prior year.

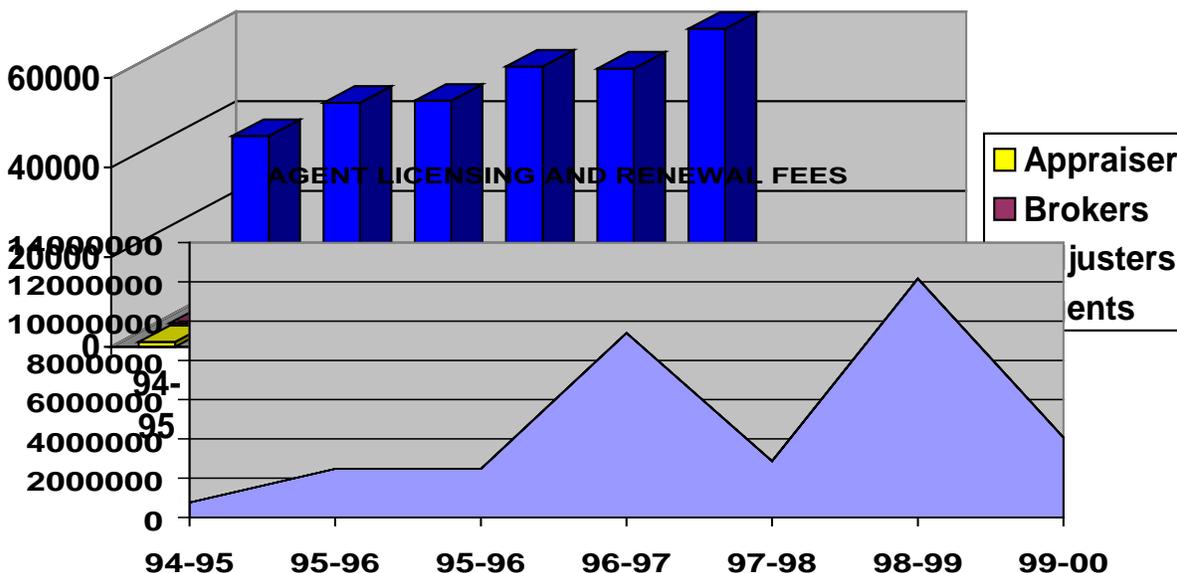
Broker Fees-(\$27,140-1998-99) vs. (\$306,970-1999-00) a difference of \$279,830 or 1,131.1% decrease from prior year.

Agency Fees-(\$30,020-1998-99) vs. (\$199,025-1999-00) a difference of \$169,005 or 562.9% increases over prior year.

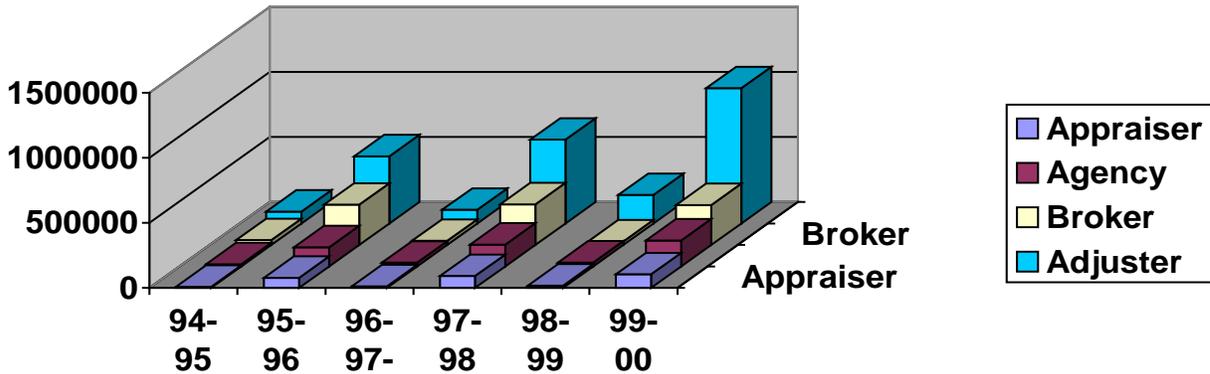
Appraiser Fees-(\$17,325-1998-99) vs. (\$104,245-1999-00) a difference of \$86,920 or 501.7% increases over prior year.

### TREND DATA

#### LICENSED INDIVIDUALS



## OTHER LICENSING AND RENEWAL FEES



### Non-Insurer Entity Licensing

#### GOAL

To accurately and efficiently issue bail bondsmen licenses following a careful review of applications and qualifications and to maintain a record of those licenses. To process annual renewals of licenses and to collect the appropriate fees.

#### OBJECTIVE

To administer the licensing of professional bail bondsman and runners in accordance with Chapter 53, of Title 38, of the South Carolina Code of Laws. Licenses will be issued within ten days following individual clearance from state and federal authorities. Licensing records will be accurately maintained for proper policing and enforcement of the professional bail bondsman, runner laws.

#### PERFORMANCE MEASURES

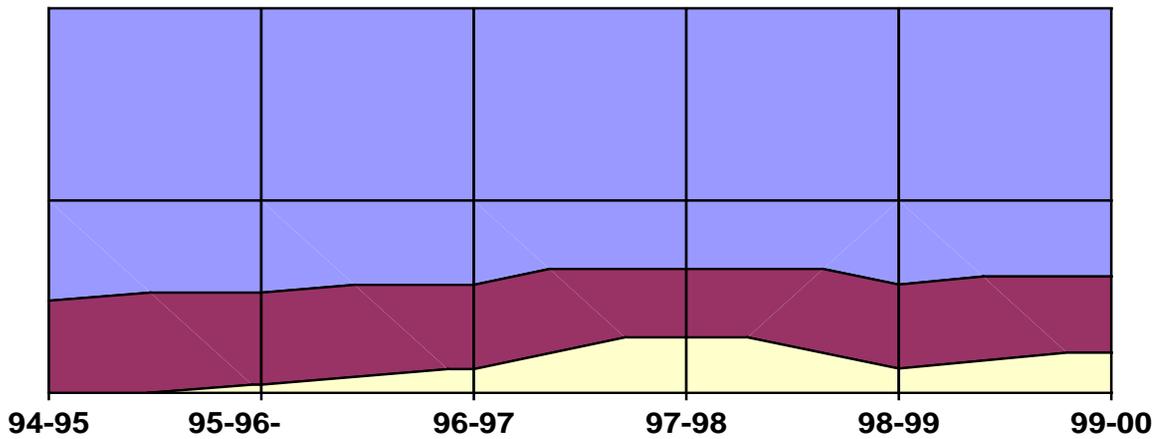
As of June 30, 2000, 419 professional bail bondsman, runners, and surety bondsman were licensed by this Department to conduct the activities of bail bondsman and runners as specified by statute. License and renewal fees collected as of June 30, 2000 were \$50,600. These fees are collected on an annual renewal basis and represent an increase of \$4,800 or almost 10.5% from the year ending June 30, 1999. It should be noted that licensing surety bondsmen requires as much time and resources as licensing professional bail bondsmen and professional runner bondsmen, but no fee is collected for that license. On average, these licenses were issued within the projected ten-day period, after receipt of correct information qualifying the applicant for licensure. Department bailbonds runner records reflect that accurate record keeping was maintained which

allowed the Department to avoid licensing non-qualified applicants. This strict policy has allowed only those individuals meeting the moral standards established by statute to be licensed.

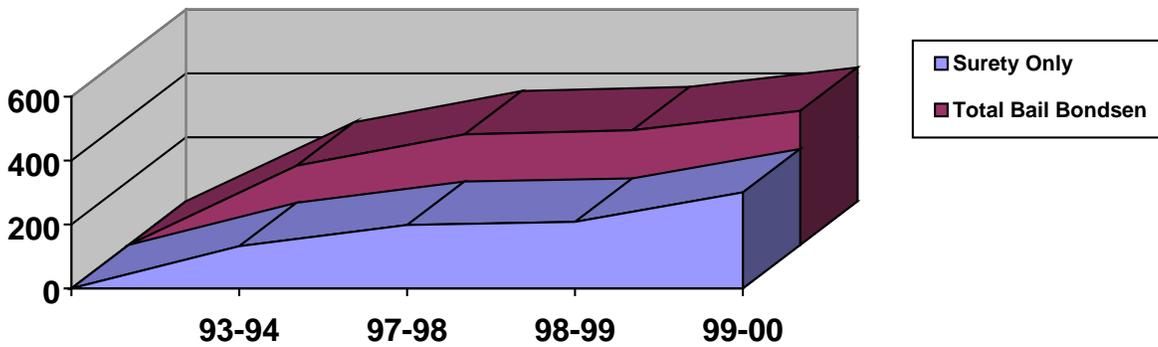
During the June 2000 annual renewal, 390 renewals were processed, with a 94.3% renewal rate.

### TREND DATA

#### LICENSING AND RENEWAL FEES



#### LICENSED BAIL BONDSMEN



## GOAL

To accurately and efficiently issue Third Party Administrator Licenses following a careful review of applications and qualifications and to maintain a record of those licenses. To process annual renewals of licenses and to collect the appropriate fees.

## OBJECTIVE

To administer the licensing of third-party administrators in accordance with Chapter 51, of Title 38, of the South Carolina Code of Laws. Licenses will be issued within ten days after the applicant meets required statutory requirements. Licensing records will be accurately maintained for proper policing and enforcement of statute.

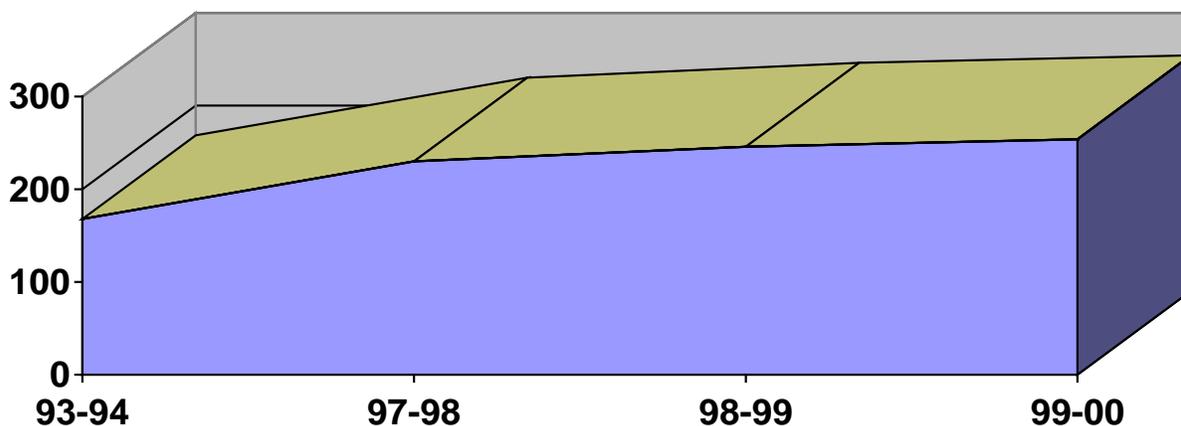
## PERFORMANCE MEASURES

As of June 30, 2000, 254 Third Party Administrators were licensed, which represents a 3.2% increase over prior year. On average, these licenses were issued within the projected ten-day period. Strict adherence to statutory requirements for licensure as a third-party administrator allowed for reputable entities to become licensed within the State.

During the March 2000 annual renewal, 216 renewals were processed, with an 87.8% renewal rate.

## TREND DATA

### THIRD PARTY ADMINISTRATOR LICENSES



## GOAL

To accurately and efficiently issue Premium Service Company Licenses following a careful review of applications, approval of forms and to maintain a record of those licenses. To process annual renewals of licenses and to collect the appropriate fees.

## OBJECTIVE

To administer the licensing of premium service companies in accordance with Chapter 39, of Title 38, of the South Carolina Code of Laws. Licenses will be issued after the applicant meets required statutory requirements and the forms are reviewed and approved by the Office of Actuarial Services. Licensing records will be accurately maintained for proper policing and enforcement of statute. To review and analyze the financial and other information available, within the guidelines of the South Carolina insurance laws, rules and regulations, of all premium service companies which have been licensed to conduct business in this State in order to ensure that each is able to meet its financial responsibilities and obligations to its customers. All premium service company annual statements are to be reviewed each year by April 1.

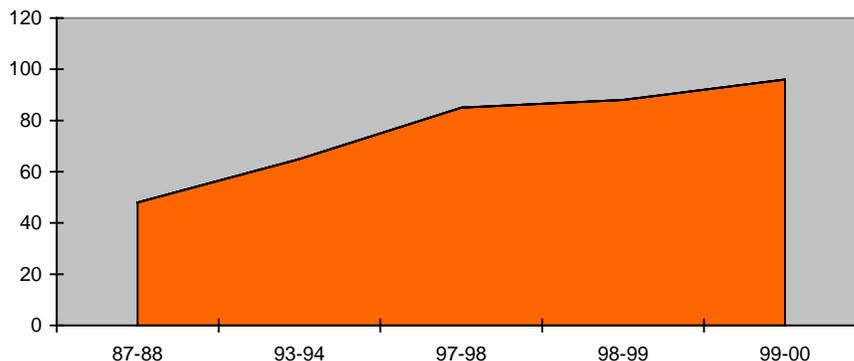
## PERFORMANCE MEASURES

As of June 30, 2000, 96 Premium Service Companies were licensed, which represents a 9.1% increase over prior year. On average, these licenses were issued within a thirty-day period following the receipt of the properly completed application and forms. Strict adherence to statutory requirements for licensure as a premium service company allowed for reputable entities to become licensed within the State.

During the March 2000 annual renewal, 93 renewals were processed, with a 97% renewal rate. The financial statements of all 93 premium service companies renewed were reviewed by March 27, 1999. This process has inured to the benefit of the business community as well as the public, as only qualified entities were approved to finance premiums for the citizens in South Carolina in 1999.

## TREND DATA

**PREMIUM SERVICE COMPANY LICENSES**



## GOAL

To accurately and efficiently issue Private Review Agent (Utilization Review Companies) Licenses following a careful review of applications and qualifications and to maintain a record of those licenses. To process biennial renewals of licenses and to collect the appropriate fees.

## OBJECTIVE

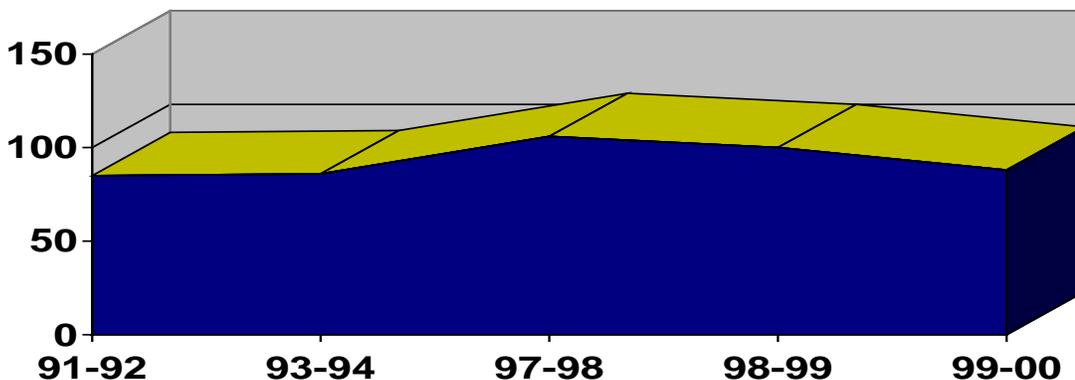
To administer the licensing of utilization review companies in accordance with Chapter 70, of Title 38, of the South Carolina Code of Laws. Licenses will be issued after the applicant meets required statutory requirements and the forms are reviewed and approved by the Office of Actuarial Services. Licensing records will be accurately maintained for proper policing and enforcement of statute.

## PERFORMANCE MEASURES

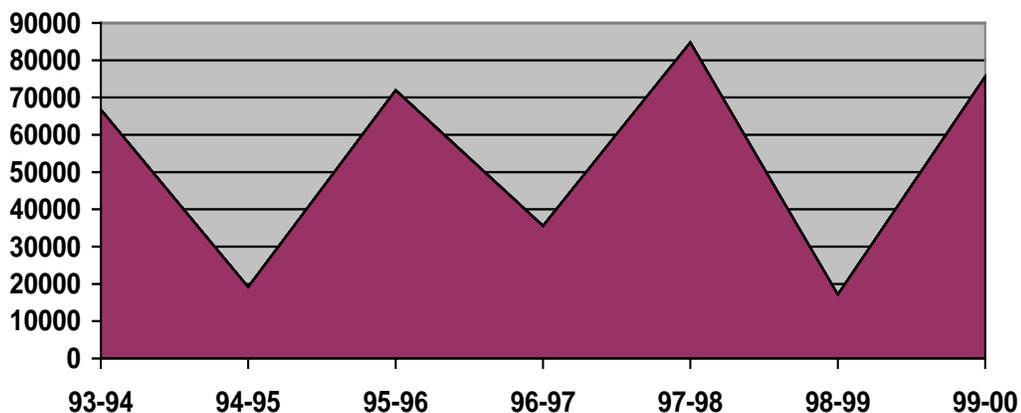
As of June 30, 2000, 88 Utilization Review Companies were licensed in the state of South Carolina. Beginning with the year ending June 30, 1990, the Department began licensing Utilization Review Companies. During the period July 1, 1999 through June 30, 2000, the number of Utilization Review Companies licensed in the state of South Carolina declined by 9.1%. On average, these licenses were issued within a fifteen-day period following the receipt of the properly completed application and attachments. Strict adherence to statutory requirements for licensure as a utilization review company allowed for reputable entities to become licensed within the State. License and renewal fees collected as of June 30, 2000 for the general fund were \$75, 600. Because calendar year 2000 is a planned cycle renewal year, results reflect a 339.5% increase in licensing fees collected over prior year. This process has inured to the benefit of the business community as well as the citizens in South Carolina.

## TREND DATA

UTILIZATION REVIEW COMPANY LICENSES



## LICENSING AND RENEWAL FEES



### EDUCATION

#### GOAL

To accurately and efficiently review and approve sponsors, instructors and courses for prelicensing and continuing education.

#### OBJECTIVES

To administer the review and approval of sponsors, instructors and courses for prelicensing and continuing education in accordance with Chapter 43, of Title 38 and Regulations 69-23 and 50, of the South Carolina Code of Laws.

#### PERFORMANCE MEASURES

As of June 30, 2000, 503 sponsors, 4160 instructors and 3,756 courses for continuing education were approved in South Carolina. During fiscal year 1999-2000, 656 new and 150 renewal continuing education courses were approved, 597 continuing education instructors were approved and 61 continuing education sponsors were approved.

As of June 30, 2000, there were 14 pre-licensing courses for life, accident and health insurance, which were being offered, and 13 pre-licensing courses for property and casualty insurance, and 2 pre-licensing courses for bailbondsmen. One new provider applied for life, accident and health

insurance approval and two providers applied for bail bondsman approval during fiscal year 1999-2000.

#### GOAL

To administer the state of South Carolina Department of Insurance examination process.

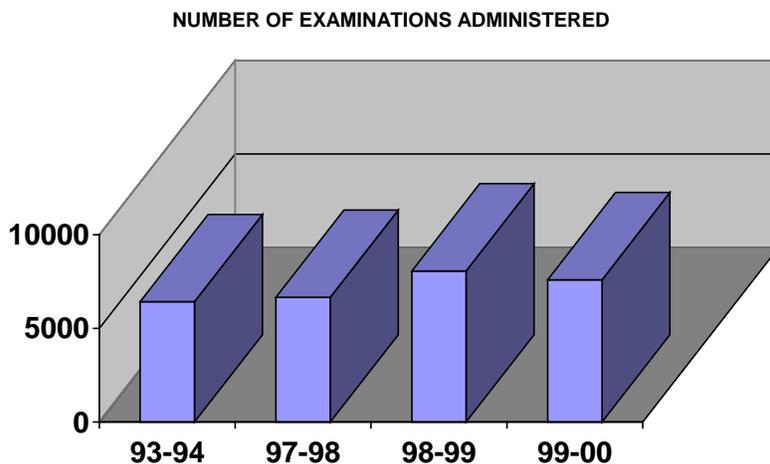
#### OBJECTIVES

To oversee the administration of the state insurance examination by the six technical colleges charged with responsibility of administering the 24 insurance examinations by providing examinations and answer keys and updating the examination and to ensure the integrity of the examination questions and administration.

#### PERFORMANCE MEASURES

As of June 30, 2000, various state insurance examinations were administered to 7,596 stakeholders, with an 86% pass rate. As the results indicate, 1999-2000 results reflect there were 471 or a 6% decrease in the number of examinations administered from prior year.

#### TREND DATA



## PROGRAM: TAXATION

PRIORITY #4

Costs: \$246,269 State  
\$246,269 Total  
No. Of Employees: 4

### COLLECTION OF PREMIUM TAXES

Revenue Collected: \$102 million

Tax Returns Audited: 1,662

#### GOAL

To collect and to timely deposit into the State's General Fund premium taxes due from insurers and brokers, a percentage of which will be distributed to county governments

#### OBJECTIVE

Insurers' premium taxes are to be collected by March 1, and deposited in the General Fund. Each of the 1,662 premium tax returns is to be audited and the total premium taxes collected balanced to the general ledger by June 30. Premium taxes collected from 414 fire insurance companies are to be distributed to the counties by July 20.

#### PERFORMANCE MEASURES

Premium taxes were collected, audits were completed, a listing of taxes for distribution to the counties was compiled and the taxes were balanced to the general ledger by July 14.

#### OBJECTIVE

Brokers' premium taxes are to be collected by January 30 and deposited in the General Fund. Each of the Summary of Transactions is to be reconciled to the brokers' detail records, and the total premium taxes collected are balanced to the general ledger by June 30.

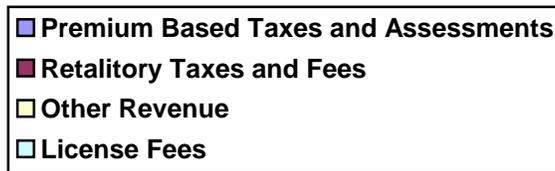
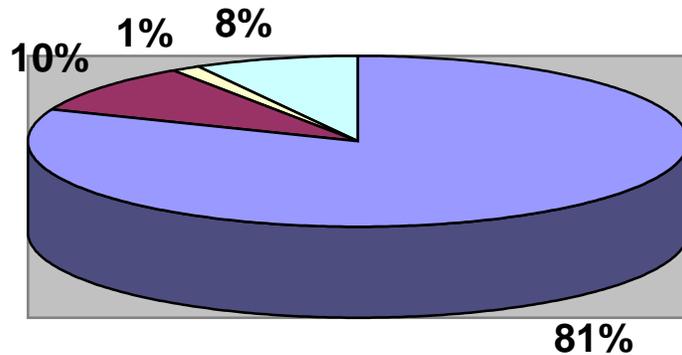
#### PERFORMANCE MEASURES

Brokers' premium taxes were collected and all Summaries of Transactions were reconciled by July 14 for the 183 brokers doing business in the State.

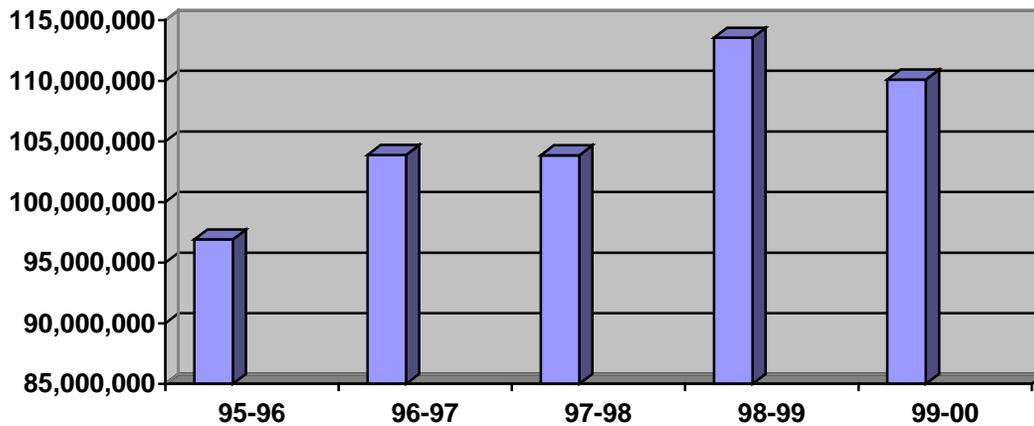
The Department collected over \$102 million in insurer and broker premium taxes of which approximately **\$7.0 million was distributed to county governments** with the balance retained in the General Fund. This represented **an increase of \$4 million over the previous year** and continued a trend of increases in collected revenue begun in FY 1992-93.

TREND DATA

**GROSS REVENUE COLLECTED  
1999-2000 FISCAL YEAR**



## GROSS REVENUE COLLECTIONS ALL SOURCES



### PROGRAM: STATE RATING AND STATISTICAL

PRIORITY #4

Cost:	\$71,017
State	
	\$71,017

Total

No. Of Employees: 1

ACTING AS AUTOMOBILE STATISTICAL AGENT FOR THE STATE OF SOUTH CAROLINA

#### Program Narrative

Revisions to South Carolina automobile laws have led to changes in the way automobile statistics are reported to the Department of Insurance by South Carolina Casualty Insurers. Each Casualty Company is allowed to develop its own Statistical Plan and may report automobile statistics to one of three approved Statistical Agents. The three organizations that have been approved for the State of South Carolina are National Association of Independent Insurers (NAII), National Independent Statistical Service (NISS) and Insurance Services Office, Inc. (ISO). These statistical agents will be responsible for collecting, processing and validating South Carolina automobile statistics and making this information available to the Department.

The last annual reports produced by the State Rating and Statistical Program is the 1998 reports, which were available in November 1999.

Since that time the State Rating and Statistical Program's primary duties have been to answer questions regarding the new reporting requirements and to comply with requests for automobile statistics.

Due to the legislatively initiated changes mentioned above, this program has been in a winding down mode in the current fiscal year. In the next fiscal year, this program will be deleted and remaining activities related to this program will be absorbed in the Property and Casualty Section of the Forms and Rates Program.

## PROGRAM: ADMINISTRATION

### PRIORITY #4

Fees

Costs: \$4,504,071 State
\$ 96,714 Other (Miscellaneous
and Reimbursements)
\$4,600,785 Total
No. of Employees: 36.75

### FISCAL AND HUMAN RESOURCES

#### GOAL

To provide fiscal, human resources, and procurement services to the Department.

#### OBJECTIVE

To develop and administer, in accordance with the various statutes and regulations, Departmental policies and procedures in the areas of fiscal operations, human resources and procurement. To coordinate the Department's Total Quality Management goals and programs and assure

that the programs address identifying customer needs and responding with services that efficiently meet those needs.

## PERFORMANCE MEASURES

Completion of the Fiscal and Human Resources goals and objectives were accomplished by monitoring compliance with stated Departmental policies and procedures. Compliance with the policies and procedures was achieved through the guidance and interpretation provided to the Department's program areas by the Fiscal and Human Resources staff.

During 1997-98 the Department furthered its commitment to Quality Management with the formation of a strategic planning committee to work with consultants from the University of South Carolina on the development of **the first comprehensive strategic plan in the Department's history**. The development of the plan was funded with quality proviso funding the Department applied for and received the previous fiscal year. During this fiscal year internal assessments and the stakeholder analysis phases of the planning process were completed. New **mission and vision statements** were drafted and put into place clearly stating our purpose and identifying our customers and our responsibilities to them. The vision statement also describes what the Department wishes to become over the next five to ten years. While the Department realizes that it is unable to accomplish this vision alone, the strategic plan will address issues that the Department can impact in order to make this vision reality.

The Department's Quality Council remained active during the year. All members attended Principles of Quality Training. This provided the members a knowledge of the basics of quality in order to provide leadership on quality issues to the entire Department staff. The council also appointed the first cross-functional team charged with the development of a market assistance program for insurance consumers needing hard-to-find coverage.

The key to providing the best possible service to our customer base is a well-trained staff dedicated to providing a quality product. To provide maximum participation in the development of a training curriculum for the staff, the Director appointed a Training Advisory Committee to assure a planned approach with the objectives of increasing efficiency in Department operations and the delivery of quality services to our customers. In addition, all supervisors are required to attend the Associate Public Manager Program sponsored by the Center for Education, Quality and Assessment. Participation by our supervisors in this program provides them with the opportunity to acquire and practice leadership skills that will envelope the entire staff and result in the offering of quality services and products.

The results of our customer satisfaction surveys discussed elsewhere in this report indicate that our efforts in quality management are bearing positive results.

## INFORMATION RESOURCE MANAGEMENT

### GOAL

To provide, operate, and manage data processing, communications, and printing services for end-users within and outside the agency.

### OBJECTIVE(S)

To understand end-user needs, and provide cost effective and efficient solutions and services to satisfy their needs;

Provide effective and efficient electronic processing of all forms of information;

Support strategic agency objectives and accommodate growth and change in technology and the business environment; and

Provide an environment in which creativity and improved quality of work is encouraged.

### PERFORMANCE MEASURES

Services offered by the Information Resources staff were driven to achieve end-user satisfaction. Staff directed its efforts toward desired output reflecting both accuracy and efficiency. Accomplishment of these measures assured that Department staff and consumer needs related to licensing, solvency and premium tax collection were met.

Staff worked with outside consultants to re-engineer and then migrate the Department's application systems from mainframe to Year 2000 compliant client-server systems. System development was completed and the system was in production by October 1999, as projected.

The agency's information technology infrastructure was upgraded to accommodate growth and change in technology. Assisted with the automation and streamlining of several processes in the agency.

## GENERAL COUNSEL

### ACCEPTANCE OF SERVICE OF PROCESS

### GOAL

To review summons and complaints served upon the Director of Insurance in his capacity as the agent for service of process for insurers transacting the business of insurance within the State of South Carolina and to accept service if pleadings are served in accordance with South Carolina law.

#### OBJECTIVE

To accept or reject service of process on the same day the Office of General Counsel receives the summons and complaints.

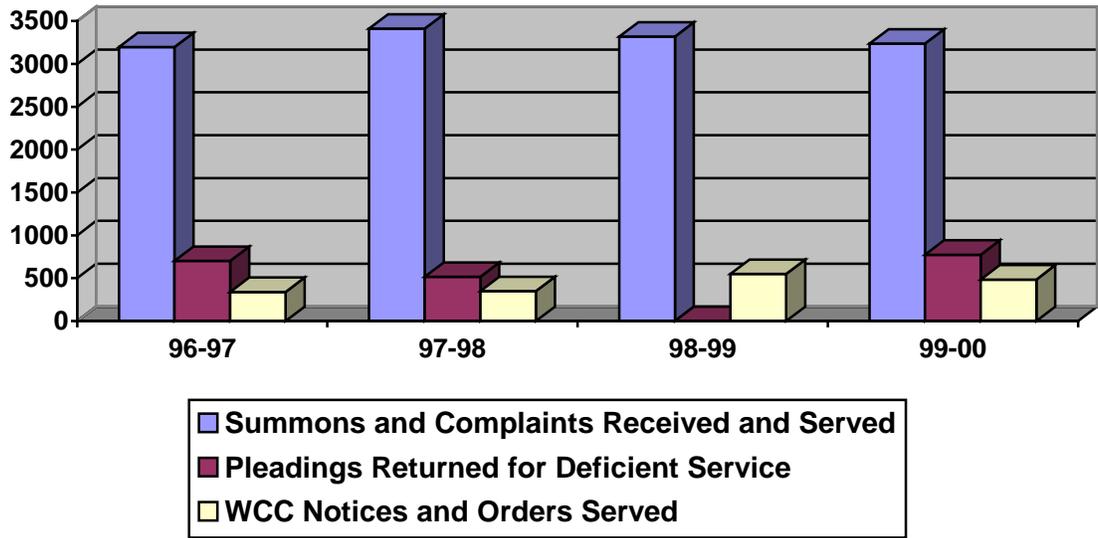
#### PERFORMANCE MEASURES

During fiscal year 1999-00, the Office of General Counsel received approximately 3,236 summons and complaints in civil actions to be served upon insurers transacting the business of insurance within the State of South Carolina. Additionally, the Office received and served 484 pleadings from the South Carolina Workers Compensation Commission. This represents a 2.5% decrease over the civil action pleadings processed during fiscal year 1998-99, when the Office of General Counsel successfully processed and served 3,320 summons and complaints for civil actions and 548 pleadings from the Workers Compensation Commission. 774 pleadings were returned to counsel for deficient service upon the Director of Insurance during fiscal year 1999-00. The number of returns increased by 10.25% from 702 during fiscal 1998-99. \$37,035.00 was collected in service of process fees for this fiscal year. This Office collected \$4,840 in service of process fees for the Workers Compensation Commission during the 1999-00 fiscal year compared to \$5,480 in 1998-99.

This service has a significant impact upon the resources of this Office. Approximately 40% of an employee's time is spent processing the documents received and contacting attorneys who have not properly served the documents upon the Department. The additional time spent contacting attorneys who have not properly served the documents has contributed to the decrease in the number of returned pleadings.

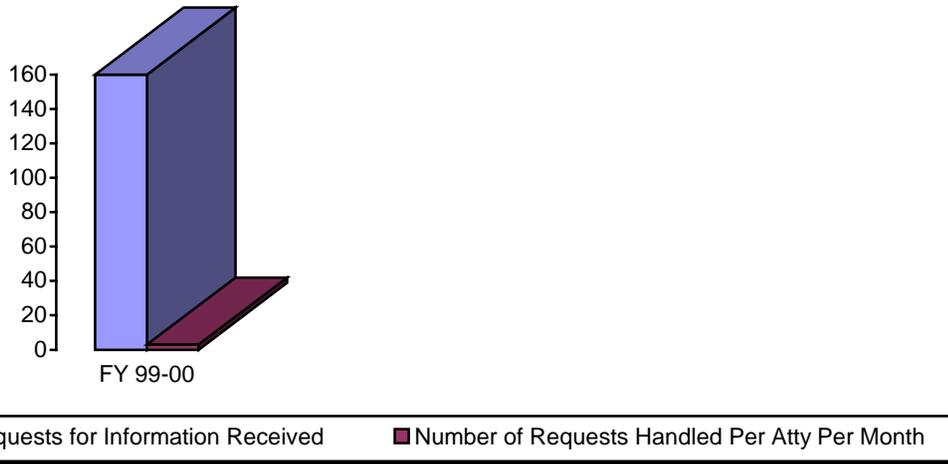
#### TREND DATA

## ACCEPTANCE OF SERVICE OF PROCESS



### TREND DATA

#### Requests for Information



## PROVIDING INTERPRETATIONS OF SOUTH CAROLINA INSURANCE LAWS

### GOAL

To provide interpretations of the South Carolina insurance laws to members of the Department, industry, general public and state government

### OBJECTIVE

To respond to requests for interpretations of the South Carolina insurance laws within thirty days' receipt of the request

#### PERFORMANCE MEASURES

The Office of General Counsel received 130 requests for interpretations of the South Carolina insurance laws. Approximately ten percent of these requests were requests for determinations about electronic insurance transactions twenty percent were requests by agents about whether a proposed action constituted a violation of the South Carolina insurance laws. These interpretations are advisory in nature and do not constitute legal advice. It is anticipated that providing this service may prevent some insurers and agents from engaging in conduct that may be violative of the South Carolina insurance laws.

Requests for such opinions and consultations with counsel are increasing. Therefore, the caller is asked to place such requests for assistance, in writing, to the Office of General Counsel.

#### PROVIDING ADVICE AND COUNSEL ON THE LEGAL IMPLICATIONS OF PROPOSED ACTION OR POLICY

##### GOAL

To provide advice and counsel to the supervisory staff of the South Carolina Department of Insurance on the legal implications of proposed action or policy

##### OBJECTIVE

To provide advice and counsel to the supervisory staff of the Department on matters such as policy development, license denials, appeals; insurer suspensions and market conduct examinations.

#### PERFORMANCE MEASURES

The Office of General Counsel routinely receives requests for advice and opinions from the staff of the South Carolina Insurance Department.

There are no accurate numbers available to reflect the total number of requests responded to during this past fiscal year. The Office is in the process of implementing a project tracking system to enable us to keep better track of work handled by the Office of General Counsel.

This service enables the Department to avoid some potential legal problems and ensures that the Department is operating in compliance with state and federal laws. The number of calls received by the Office of General Counsel appears to be on the rise.

## ADMINISTRATIVE DISCIPLINARY PROCESS

### GOAL

To investigate violations of the South Carolina insurance laws and to impose administrative disciplinary action where appropriate

### OBJECTIVE

To timely investigate allegations that the South Carolina insurance laws have been violated and impose administrative disciplinary action where appropriate

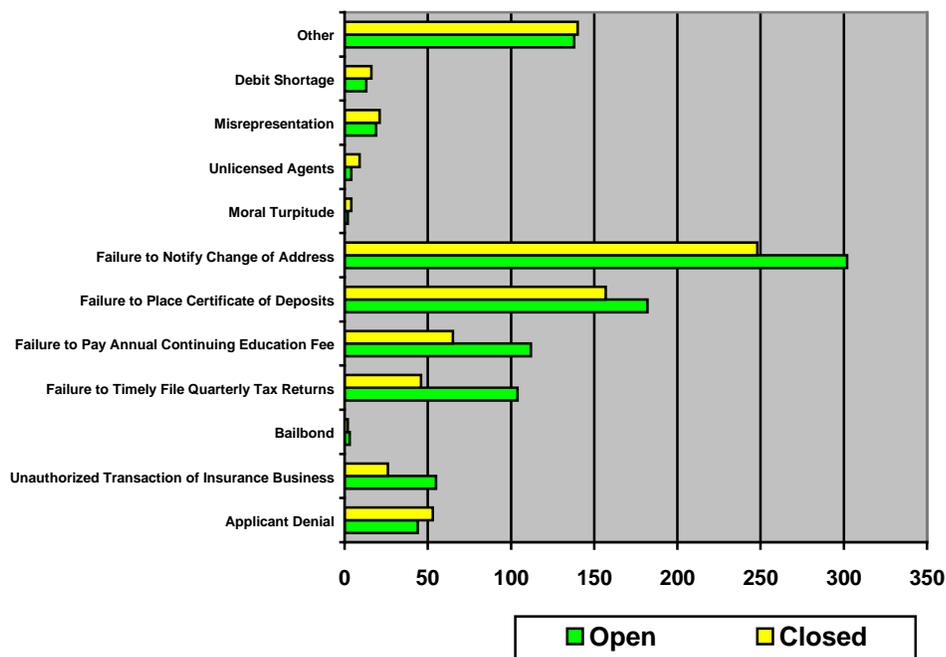
### PERFORMANCE MEASURES

It is estimated that the South Carolina Department of Insurance received 978 allegations of violations of the South Carolina insurance laws during fiscal year 99-00. Seven hundred eighty-seven of those files were closed during this fiscal year. Below is a chart depicting the types of complaints received and the status of each.

The Investigations Section of the Office of General Counsel opened 978 investigation files during the past fiscal year. It closed 787 investigation files. Three hundred twenty-one of those actions resulted in administrative fines; seventeen resulted in license suspensions; and 58 resulted in revocations. Three files were referred to the Insurance Fraud Division of the South Carolina Attorney General's Office for criminal investigation and prosecution.

### TREND DATA

**ACCOUNTABILITY REPORT  
FISCAL YEAR 1999-2000**



ADMINISTER RECEIVERSHIPS ON BEHALF OF THE STATE OF SOUTH CAROLINA

GOAL

To monitor the insurers placed under suspension, in receivership, or liquidation and to distribute the assets in accordance with South Carolina law.

OBJECTIVE

To resolve five pending receiverships held over from the previous fiscal year and to review the financial holdings and open receiverships for all revoked companies with deposits as ancillary receiverships.

PERFORMANCE MEASURES

Approximately seven receivership estates were pending resolution at the beginning of the 1999-00 fiscal year. The Ancillary Receiver placed no liquidations in receivership during the fiscal year; the Director suspended the licenses of three insurers, and revoked the licenses of three insurers.

Two of those seven estates were successfully closed during the 1999-00 fiscal year.

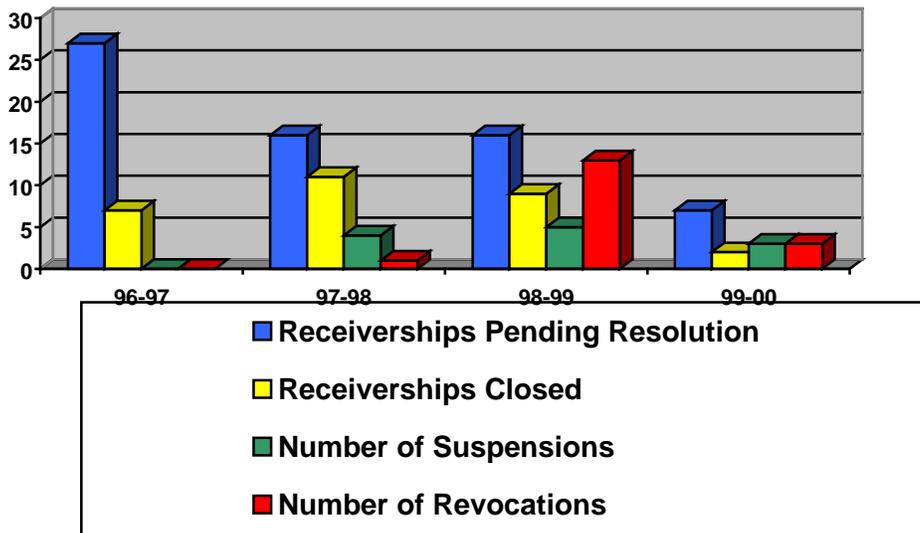
The impact of the Office of General Counsel's efforts in this area is that more funds were made available to the Guaranty Associations to minimize the number and amount of assessments that had to be made against member insurers.

Eighty-four percent (84%) of 32 receivership files open as of August 1996 are now closed (6% of these were closed in fiscal year 1999-00).

South Carolina differs from most other states in the manner in which it handles receiverships. Estates are disposed of in accordance with Chapter 27 of the South Carolina Insurance Code and the provisions of Chapter 9, which deal with statutory deposits. However, most states require special rather than statutory deposits. According to the NAIC, the requirement of "special deposits" versus "statutory deposits" makes the process a little more streamlined and less cumbersome. A statutory deposit can only be used to pay the claims of South Carolina policyholders. Special deposits are used to pay the claims of all policyholders. Forty-five of the 50 states require special deposits. These states have also adopted the 1994 NAIC Model Act in this area. The Office of General Counsel is still considering the advantages and disadvantages of South Carolina adopting at least a portion of the 1994 Model Act.

## TREND DATA

### RECEIVERSHIP ADMINISTRATION



REPRESENT THE SOUTH CAROLINA DEPARTMENT OF INSURANCE IN STATE AND FEDERAL PROCEEDINGS

#### GOAL

To minimize the Department's exposure to liability through effective legal representation.

#### OBJECTIVE

To provide effective representation to the South Carolina Department of Insurance in actions filed by, or against, the Department.

#### PERFORMANCE MEASURES

The bulk of the litigation handled by attorneys within the Office of General Counsel is before the Administrative Law Judge Division. During the past fiscal year, attorneys in the Office of General Counsel represented the Department in 26 ALJD hearings. Additionally, the Office of General Counsel represented the Department in three civil court actions; referred three matters to the South Carolina Office of the Attorney General for criminal investigation and prosecution; received and resolved 13 Administrative Collection of Final Judgments Against Insurer Petitions; and received nine Administrative Disallowance of Subrogation by Insurer Petitions.

IMPLEMENTATION OF LEGISLATION AND OTHER SPECIAL PROJECTS

## GOAL

To assist with the implementation of insurance legislation

## OBJECTIVE

To take all actions necessary for the implementation of insurance related legislation by the effective date stated in the statute

## PERFORMANCE MEASURES

Implementation of legislation is essential to the Department's mission of administering the South Carolina insurance laws. During the last legislative session, several pieces of legislation affecting insurance were enacted. Although this Office may have some peripheral involvement with the implementation of all legislation, we played a significant role in the implementation of the new automobile legislation.

This Office has assisted the Director of Insurance, who sits as the chair of the Advisory Board of the South Carolina Associated Auto Insurers Plan, with the drafting of the Articles of the Association which governs the operation of the Advisory Board, the review of the various components of the SCAAIP Plan of Operation including, but not limited, to the Rules of Practice, the Accounting and Statistical Manual, and the Manual of Rules and Rates. Additionally, this Office in accordance with the requirements of Section 38-91-340 drafted the requirements for the Requests for Proposals for the solicitations conducted for the Plan Administrator and the servicing carriers for private passenger and commercial automobile insurance and coordinated that solicitation process on behalf of the South Carolina Department of Insurance.

The need to implement these additional pieces of insurance legislation has had a significant impact on the workload of the entire South Carolina Department of Insurance. The implementation of the new automobile legislation has increased the workload of the various Offices of the Department by as much as 25% and consumed a significant amount of Department resources.

There may be additional insurance-related legislation passed during the 1998-99 Legislative Session, but it is not anticipated that the legislation introduced and passed will have the same impact on insurance regulation as that previously passed during the past two fiscal years.

## CONSTITUENT SERVICES

### GOAL

One of the Director's goals since restructuring has been to ensure that the agency is as responsive as possible to the needs and concerns of the state

legislature, federal delegation and the Governor's office when complaints or inquiries arise concerning insurance related practices in South Carolina, or any issues dealing with the operation of the Department of Insurance and regulation of insurance.

In order to realize this goal, the Director initiated the Department's Constituent Services Program, which is incorporated within the Executive area of the agency.

## OBJECTIVE

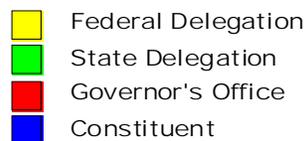
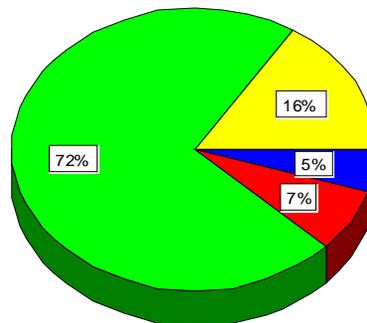
To expedite the handling of any constituent complaints or inquiries concerning insurance, or the operation of the agency, which the state legislature, South Carolina federal delegation, or Governor's office believes requires emergency, immediate, or special attention.

## PERFORMANCE MEASURES

During the fiscal year period 1999-2000 the agency's Constituent Services Program area received 273 written complaints and inquiries from South Carolina legislators, the federal delegation and Governor's office. Additionally, the area has handled approximately 650 legislative and constituent telephone inquiries over the same time period. Complaints or inquiries directed to this area receive immediate attention, with an average turnaround time of approximately 10 to 12 days. The South Carolina legislature, the federal delegation and the Governor's office have a consistent and immediate point of contact with the agency.

## TREND DATA

AVERAGE YEARLY TELEPHONE CONTACT



**PROGRAM: LOSS MITIGATION GRANT**

PRIORITY #4

Cost:	\$76,154
Federal	\$76,154

Total

**South Carolina Building Codes Council and the Loss Mitigation Grant Program**

The purpose of the Advisory Committee appointed by the Director of Insurance the Governor is to study issues associated with the development of strategies for reducing loss of life and mitigating property losses due to hurricane, flood,

earthquake, and fire. Grants to local governments shall be for the following purposes:

- a. implementation of building code enforcement programs including preliminary training of inspectors;
- b. conducting assessments to determine need for and desirability of making agreements to provide enforcement services;
- c. providing technical assessments to and acting as an information resource for local governments in the development of proactive hazard mitigation property losses due to natural hazards to include hurricane, flood, earthquake and fire.

The Advisory Committee has awarded to date over 25 grants to local governments totaling \$120,863.00 to include the training and certification of building codes inspectors, the development of new building codes departments, mapping projects utilizing GIS (Geographic Information Systems) that delineate storm surge levels, earthquake impact, tornado prone areas, and severe storm flooding that are made available to the public via the county website.

The Department continued to strengthen collaborative efforts with other government agencies across common areas. Representatives from the Department, along with those from the Department of Public Safety and the Department of Consumer Affairs, sit on the Advisory Board to the South Carolina Associated Auto Insurance Plan. The Department contracted with the South Carolina Education Television Network for the production of video public service announcements explaining the new automobile insurance laws, which became effective in March 1999. The Department continued to work with the Emergency Preparedness Division, the Department of Labor, Licensing and Regulation and the Federal Emergency Management Agency on issues surrounding building code legislation and disaster and recovery plans. Interaction was maintained with the Department of Health and Environmental Control, the Department of Health

and Human Services and the Governor's Office on the development of various grant applications.

The 3.9 million citizens of this state are affected by the work of the Department of Insurance. Whether it is through property, life, accident or health insurance, the Department to some extent touches the lives of every citizen in its regulation of the insurance industry. We realize that our primary mission is to protect the consumers of this state while regulating this sophisticated industry. In an effort to better meet this mission, the Department focused inward this past year as we continued to develop our strategic plan. As a part of the plan, a new mission statement was developed and a vision statement and Department values were adopted. In an effort to identify the needs of our customers, postage pre-paid surveys were forwarded to a systematic sampling of individual licensees and consumers, two of the agency's most important stakeholder groups. In both areas customer satisfaction consistently met an average 90 percent satisfaction rate.

During fiscal year 1998-99, the Department completed our strategic plan, which was implemented in 1999. We will expand our customer satisfaction surveys to other stakeholder groups. Training initiatives will continue to be directed toward not only developing our employees to better serve our stakeholders but, also geared toward the development of career paths for our employees. A cross functional team of management and non-management staff will be selected and charged with the task of studying and, if possible, designing draft internal Department career paths. Each of these efforts will be carried out with the aim of strengthening service delivery to all our stakeholders while carrying out our statutory charge to regulate the insurance industry.