

**Accountability Report Transmittal Form**

Agency Name: South Carolina Department of Insurance

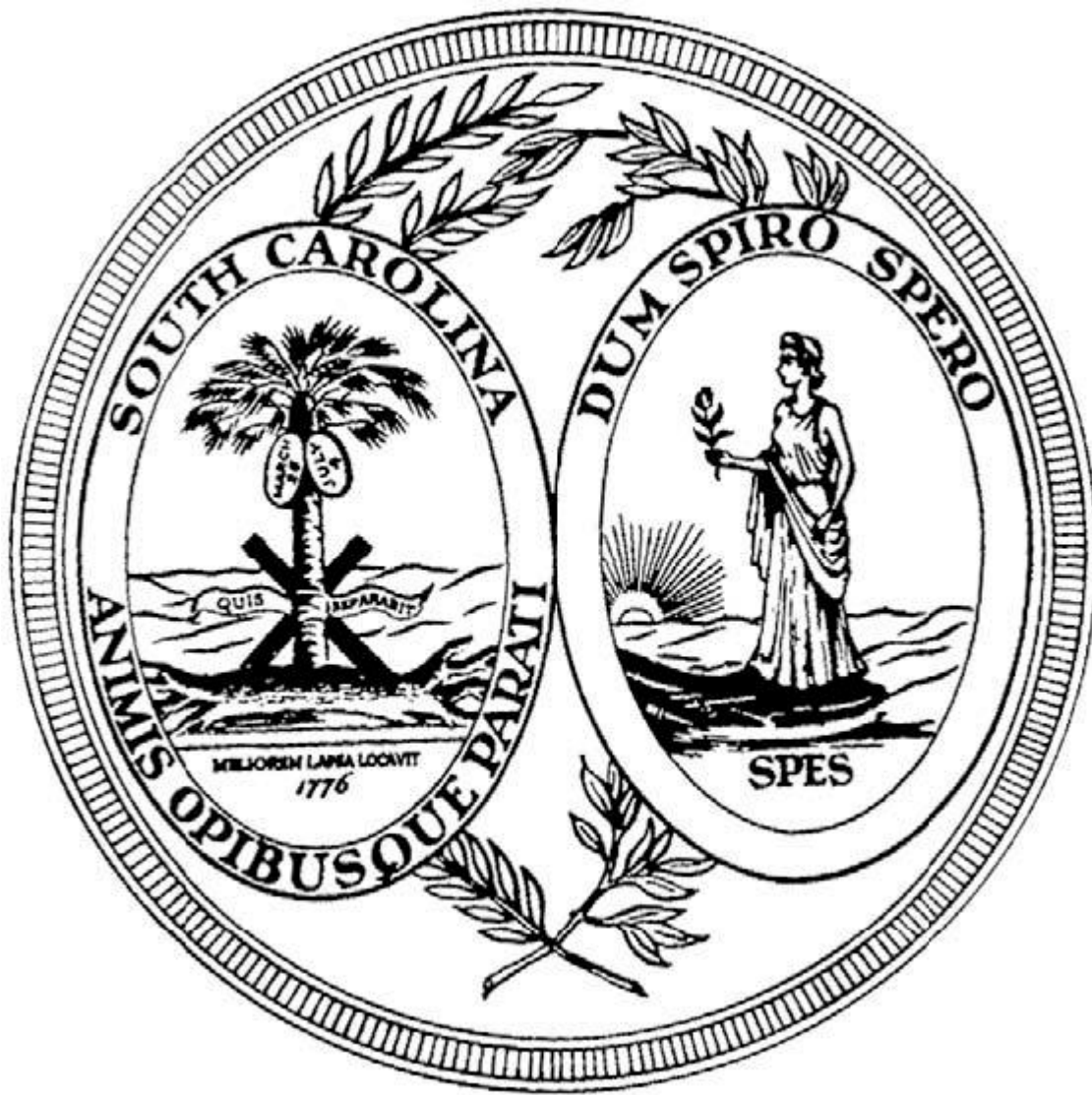
Date of Submission: September 15, 2011

Agency Director: David Black

Agency Contact Person: Ben Duncan

Agency Contact's Telephone Number: 803-737-6343

**SOUTH CAROLINA DEPARTMENT OF INSURANCE**



**AGENCY ACCOUNTABILITY REPORT**  
***FISCAL YEAR 2011***  
**(July 1, 2010- June 30, 2011)**

## ***SECTION I: EXECUTIVE SUMMARY***

### **1. Mission and Values**

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

**Vision Statement:** The Department envisions a competitive and financially stable insurance marketplace. To this end, the Department regulates the insurance marketplace by firmly and fairly implementing and enforcing the insurance laws.

### **2. Major Achievements**

The Department's achievements during Fiscal Year 2011 are summarized below:

#### *Revenue Generated for the State*

---

- In the Fiscal Year 2011, generated revenue made up 88.6% of the Department's operating budget. The Department generated \$204,897,274 in revenue from taxes, fees, assessment, fines, etc. Of this total, the Department retained \$8,003,193 (3.9% of total collected revenues) to utilize for Department operations and deposited the balance in the State's General Fund.
- The Department collected insurer and broker premium taxes on a quarterly basis and deposited this revenue into the General Fund. During the year, tax returns for 1,566 licensed insurers and 164 captive insurers were audited. In addition, 510 broker premium tax returns were reviewed and audited. After auditing returns, additional taxes of \$36,318 were collected. In total, \$178,443,560 in premium taxes was collected.

#### *Traditional and Captive Insurance Industry Market Trends*

---

- South Carolina currently has 46 licensed traditional domestic companies and health maintenance organizations, 160 captive insurance companies, and 1,666 licensed foreign insurers and HMOs.
  - The Department licensed 30 new insurers during FY 2011.
  - The Department completed 16 financial examinations of traditional insurers and HMOs during FY 2011.
- Since the passage of captive-enabling legislation in 2000, the Department has licensed a total of 229 captive insurance companies.
  - The Department issued 9 new licenses during FY 2011 bringing the total number of active captive insurance companies to 160.
  - The Department completed 26 financial examinations of captive companies during FY 2011.
  - Of these examinations, the Department completed 10 on captives licensed as risk retention groups. The Department began using the risk-focused examination approach in 2010.

- The Department collected \$4,222,902 in premium taxes and fees from captive insurance companies during FY 2011.

### Government Relations and Legislative Services

- The Department serves on a total of 26 committees, working groups, and task forces through its participation in the National Association of Insurance Commissioners. Of these, the Director served as chairman of three and vice chairman of an additional two groups:

- Chairman, Southeastern Zone
- Chairman, Risk Retention (C) Working Group
- Chairman, Reinsurance (E) Task Force
- Vice Chairman, Property and Casualty Insurance (C) Committee
- Vice Chairman, Life and Health Actuarial Task Force

Also noteworthy is the Director's participation in the following leadership capacities:

- Member, Executive (EX) Committee
- Member, Governmental Relations Leadership Council
- Member, NAIC/ State Government Liaison Committee
- Member, Catastrophe Insurance (C) Working Group
- Member, AIG Special (EX) Working Group
- Member, Financial Regulation Standards and Accreditation (F) Committee
- Member, Capital Adequacy (E) Task Force

- The Department also assisted approximately 200 constituents referred by members of the General Assembly during the fiscal year.

- The Department worked with the General Assembly to effect the successful enactment of three bills and two regulations during the 2011 Session:

- 2011 Act No. 7 (driver training course credits)
- 2011 Act No. 8 (driver's licenses in auto insurance/ Section 38-77-112)
- 2011 Act No. 26 (CGL policies for construction professionals/ *Crossman v. Harleysville*)
- Document No. 4177/ R 69-29, Suitability in Annuity Transactions
- Document No. 4153/ R 69-76, SC Safe Home Program Wind Inspectors and Contractors

### Division of Administration and Strategic Planning

- The Division successfully provided the administrative services program in support of the agency's mission in a professional qualitative and responsive manner and emphasized efficiency and cost-effectiveness.

- The Division also managed salaries and benefits for 96 FTEs and maintained agency-wide computer systems, while also accounting for the collection of taxes, fees, and assessments.

- The Division coordinated the Department's participation in charitable events such as the state's United Way of the Midlands campaign and ensured that donations provided by the agency's employees were successfully forwarded to the appropriate charitable organization.

- The Division managed the SC Safe Home program, which provided matching grants of up to \$5,000 to assist coastal property owners in making their homes as hurricane

resistant as possible. During FY 2011, SC Safe Home awarded 719 grants totaling approximately \$3,136,474.

➤ The Division partnered with local and statewide businesses and not for profit agencies to provide information and mitigation methods to help South Carolinians learn ways to make their homes more disaster resistant.

*Division of Consumer Services and Individual Licensing*

➤ The Division’s Office of Consumer Services along with other divisions in the department responded to approximately 2,612 written complaints, 58,294 telephone complaints/inquiries and 142 walk-ins during this fiscal year.

➤ The Division’s Office of Individual Licensing issues and oversees a number of licenses, including insurance producers (i.e., agents), insurance brokers, and insurance adjusters. The Office also oversees insurer appointments of producers to write business on their behalf. The Department issued 38,596 new licenses and made 160,734 new appointments during FY 2011. The Department currently oversees 179,878 active licenses and 565,407 active appointments:

<b>Licensure Type</b>	<b>New Licenses Issued</b>	<b>Active Licenses</b>
Producers	27,685	119,342
Agencies	1,276	9,640
Adjusters	8,568	45,033
Appraisers	148	947
Bondsman	200	647
Brokers	357	3,199
Premium Service Companies	7	91
Public Adjusters	111	376
Utilization Review	15	77
Rental Car Agencies	5	36
Service Contract Providers	41	209
Third Party Administrators	183	281
<b>TOTAL</b>	<b>38,596</b>	<b>179,878</b>
<b>Insurer Appointments</b>	<b>New Appointments Made</b>	<b>Active Appointments</b>
	<b>160,734</b>	<b>565,407</b>

*Division of Actuarial, Market, and Alternate Risk Transfer Services*

➤ The Division reviews and analyzes insurance policies, rates, forms, and marketing and underwriting practices to protect insurance consumers by ensuring compliance with South Carolina law and that they contain no provisions that are unfair, deceptive, misleading or discriminatory. Approximately 10,412 rates, forms, and rule filings were processed during the fiscal year.

### **3. Strategic Goals for the Present and Future Year**

The Department's Strategic Plan focuses on the following goals:

- Improve the agency's resource alignment through stabilizing the Department's funding so that it can continue to provide critical regulatory services. The Department's overall budget will be aligned with its strategic goals and objectives.
- To provide for the continuity of the Department by updating and implementing the objectives outlined in the Department's Strategic Plan, including the development of succession plans, workforce plans, and training plans.
- Increase the agency's efficiency and stakeholder access to services by integrating appropriate uses of technology into the Department's regulatory processes.
- Effectively monitor market conditions in order to respond to issues related to solvency and insurance availability and affordability by making recommendations to the Governor and members of the General Assembly as to the legislative changes that need to be made in South Carolina insurance laws.
- Enhance the Department's service to stakeholders via education and outreach campaigns.
- To maintain and enhance the Department's Financial Service's compliance with the regulatory accreditation standards established by the NAIC. In addition, the Department will increase to 100% the number of insurers using the SERFF system for electronically processing rates and forms filings received by the Department.
- To enhance the Department's regulations of the ARTS market in South Carolina and promote its continued development.

### **4. Key Strategic Challenges**

#### *Challenge #1: Federal Regulation of the Business of Insurance*

The current economic crisis, failure of the American International Group, AIG Holding Company, Washington Mutual and various other financial institutions, and the Madoff Securities scandal have heightened public interest in the financial services industry, creating a clamor for increased regulation. These issues, along with the President's emphasis on health care reforms, have resulted in the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203) and the Affordable Care Act, which is made up of the Patient Protection and Affordable Care Act (Public Law 111-148) and the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152). These federal acts make significant changes to the manner in which the financial services and insurance industries are regulated. States are now in the process of implementing these laws.

The issue of whether insurance should be regulated at the state or federal level is not a new one; however, the continued viability of state regulation has re-emerged as a question of immediate urgency. States must conform their laws to meet the requirements

of these new federal laws or risk being preempted. A change from a state-based insurance regulatory system to a federal system may be on the horizon. If such change happens it will have a tremendous impact on the financial resources of this state.

*Challenge #2: Regulating a Dynamic Industry without a Stable Funding Source*

---

Nationally, insurance departments are primarily funded via dedicated funding; quasi-dedicated funding; general revenue funding; or a combination of the foregoing. The South Carolina Department of Insurance is currently funded through general revenues and fees and other costs it recoups from the statutory licensing and examination regulatory requirements it fulfills. All revenue generated by the Department (except the fees referenced above) is deposited into the state's general fund. The General Assembly then appropriates an amount to the Department through the state's budgetary process. The Department's primary function is to serve and protect consumers and any budget cuts affect the Department's ability to carry out this mission effectively.

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

The past Accountability Report provided the foundation of the Department's strategic plan and was used to assess customer satisfaction, which resulted in the redesign of certain programs, processes, and procedures to meet the needs of our stakeholders.

***SECTION II: ORGANIZATIONAL PROFILE***

**1. Main Products and Services**

➤ **Executive Services and Public Outreach.** This office supports the Director's office by handling media relations, special projects, grants, public outreach, and legislative services. Public outreach methods include the Internet, presentations, local, state, and national forums, press releases, and the distribution of publications on current insurance issues.

➤ **Legal Services.** This office provides legal support to the agency; responds to legal and policy issues involving national and international trends in the various insurance lines; assists with the development and enforcement of South Carolina insurance laws; imposes administrative disciplinary action against those entities and individuals violating the insurance laws of this state; and assists the program area(s) with taking appropriate regulatory action to safeguard policyholders from operationally and financially troubled insurers.

➤ **Financial Services.** This division enforces solvency standards for insurance companies and related entities. This enforcement includes the entity's life cycle from the initial application and licensure through financial monitoring and surveillance to implementing regulatory interventions such as administration or supervision of troubled companies. This Division also attempts to rehabilitate companies that fall short of solvency standards, and through a court-sanctioned receivership process, it may eventually liquidate companies that cannot be rehabilitated. Through the solvency surveillance process, the Division ensures that companies are financially able to meet

policyholder obligations when claims come due. Accordingly, this division consists of the offices of Financial Analysis and Financial Examinations.

➤ **Consumer Protection.** This program area answers general insurance inquiries; resolves consumer complaints; makes determinations about the existence of insurance coverage; and educates and assists consumers who are having difficulty finding insurance coverage. The program provides information to consumers through a consumer help line, the Department’s website, publications and presentations. The complaint review process helps to identify unfair trade practices. Licensees who may have violated insurance laws are referred to the Legal Division for investigation and institution of the appropriate disciplinary action. The Department also works to increase the availability of insurance in underserved areas and provides outreach and consumer assistance following disasters.

➤ **Market and Actuarial Services.** This office regulates policy forms, rate filings and related documents for insurance products offered for sale in South Carolina. The program area receives and regulates policy form, rate, and rule filings from insurers for property and casualty insurance products, including workers compensation, life, and accident and health insurance products; assists in promulgating title rates and forms. This office collects statistical data and analyzes this data for trends within the insurance market for various lines of insurance. This area also provides actuarial services to the various divisions of the Department as needed.

➤ **Licensing.** This program area issues licenses to producers, agencies, brokers, adjusters, public adjusters, appraisers, bondsman/ runners, premium service companies, utilization review companies, rental car agencies, service contract providers, and third party administrators. It is responsible for approving continuing insurance education courses and tracking licensee compliance. Additional responsibilities include oversight of insurer appointments of producers to write business on their behalf.

➤ **Administrative Support.** This program area supports the agency’s regulatory functions through planning, accounting, budgeting, information technology services, building and records management, purchasing, mail services, benefits and personnel management; and professional development. This area coordinates the Department’s implementation of its strategic, succession, and workforce plans. The taxation section within the administrative program area responds to inquiries regarding tax rates, policy fees, and premium taxes. Taxation collects premium tax forms and payments from licensed insurance companies, brokers, and captives companies and audits these submissions. In addition, this area manages the 2.5 million SC Safe Home Grant Program.

➤ **Captives.** This program area is responsible for issuing captive licenses, providing financial surveillance of companies licensed as captive, and monitoring the market conditions and the business climate needed for continued development of the alternative risk market, bringing business to SC.

## **2. Key Customer Groups and Their Expectations**

<b>DOI UNIT</b>	<b>CUSTOMER GROUPS</b>	<b>REQUIREMENTS/EXPECTATIONS OF DOI</b>
Consumer Services	Citizens	Respond to inquiries, complaints, and allegations of unfair trade practices, unapproved rates or forms, or violation of SC insurance laws.
Market Regulation	DOI Units, citizens, NAIC, MAWG, companies, insurers	When complaints or allegations are reported, an analysis is conducted to determine if unfair practices are occurring.
Financial Examinations	Insurance companies licensed in SC,	Conduct comprehensive examinations of primarily SC domestic



	policy holders of the insurers, and insurance companies	insurance companies and foreign examinations as needed.
Financial Analysis	SC licensed insurance companies, policy holders, and insurance companies	Review financial statements of licensed SC insurers to monitor compliance. Licenses are tracked and usage documented. Review admission applications and make sure insurers maintain the mandated security deposit.
Captive Regulation	All Companies	Issue captive licenses. Provide financial surveillance of captives. Monitor market conditions and the business climate necessary to develop the alternative risk market.
Rate and Form Regulation	SC Licensed insurers	Review rates, rules, policy forms of licensed insurers for compliance with the state law.
Individual Licensing	Citizens; insurance companies, executives, agencies, associations, and producers; adjusters; surplus line brokers; attorneys; appraisers; NAIC; state insurance departments; and legislators.	Consumers contact this unit for inquiries regarding trade practices, interpretation of SC insurance law and regulations.
Education Services	Citizens, insurance companies, producers, adjusters, surplus lines brokers, attorneys, appraisers, insurance agencies (small business), insurance company executives, NAIC, state insurance departments, universities and schools, legislators, licensing exam groups, and insurance associations	Responsible for administering the contract pertaining to the state insurance licensing exams and make sure exams are current with SC law. Certify insurance instructors to teach continuing education.
Special Services	Third party administrators, Premium finance companies, service contract providers, utilization review organization, and bail bondsman	Determine if the customer groups are qualified to transact business in the state according to the insurance laws of SC. If so, then a license is issued. In addition, respond to inquiries and/or complaints regarding these groups; assess for violation of SC insurance laws.
General Counsel	DOI units and citizens	Protect consumer interest by providing sound legal advice, advocacy and representation to DOI staff Lawson insurance, regulatory, and other legal matters.
Finance and Accounting	DOI staff, the Budget and Control Board, and the legislature	Provide budgeting, financial planning, payroll processing, revenue collection, procurement and office management.
Human Resources	Potential employees and DOI staff (current and past)	Employee recruitment and selection, relations management, classification and compensation, organizational development, employee training, and human resource analysis and planning.
Records Management and Auxiliary Services	Everyone	Manage records, file storage, and historical retention schedules. Assist customers in locating files per their request.
Information Technology	Agents, brokers, insurance companies, DOI staff citizens, and other agencies	Provide agencies with the requested data and offer technical support to DOI staff and citizens using the web site. Create internal databases and enhance existing data processes and network operations. Identify critical technological needs.
Taxation	Insurance company officials, insurance agencies, brokers (surplus lines), agency tax writers, and citizens	Review and audit fee and premium tax returns for licensed insurance companies, captive companies and Surplus Lines Brokers. Insurers that do not submit timely tax returns are referred to Legal.
SafeHome Program (Hurricane Mitigation)	Residents in owner-occupied coastal homes	Provide citizens with up to \$5000 to assist individuals in making homes hurricane-resistant. Provide education regarding the grant program, preparation and hurricane safety, and homeowner's insurance
Residual Market Mechanism	Consumers, Agents, Insurers Real Estate Market, other government agencies	Provides market availability for hard to find insurance coverage: SC Reinsurance Facility, SC Wind and Hail Underwriting Association, SC Health Insurance Pool, and SC Commercial Insurance Plans

### **3. Key Stakeholders**

The Department's key stakeholders include licensed insurance individuals and entities, consumers/ citizens, the Governor, legislators, the insurance industry generally, other government agencies, and the NAIC.

#### **4. Key Suppliers and Partners**

The Department works with a number of suppliers and vendors. The following is a listing of the businesses and organizations with whom we conduct business on a regular basis: State Budget and Control Board, DSIT (Division of State Information Technology) and Office of Human Resources; South Carolina Department of Corrections, Industries Division; Gateway Company; SLED; Parkway Properties; Beeline; Bank of America; King and Queen Company; City of Columbia Parking Services; Sowell Gray Stepp & Lafitte; John O'Neal, Esquire; Advantage Courier; Carolina Office Systems; E Crane Computing; Hartsville Toner Recharge; Verisign; Federal Express Corporation; Actuarial Group Inc.; G&H Mail Service; AT&T; Johnson Lambert & Company; Spirit Telecom; Milliman & Robertson, Inc.; University of South Carolina; Lewis & Ellis, Inc.; Bartlett Actuarial Group; Mercer Oliver Wyman; Financial Risk Analysts; Cavins Business Products Inc.; Verizon Wireless; South Carolina Department of Revenue & Taxation; Merlinos & Associates, Inc.; West Group; Claire Thinking, Inc.; Russell-Massey and Company; Society of Financial Examiners; Oracle Corporation; T. Crown Industries; Training Concepts; J.M. Grace Corporation; Minolta Corporation; General Services Print Shop; Dell Computer Corporation; Thomson Prometric; and Prestige Travel Services.

Each state department of insurance, including this Department, is a member of the National Association of Insurance Commissioners (NAIC), participates in the National Insurance Producer Registry (NIPR), and most have the National Council of Compensation Insurance (NCCI).

#### **5. Operation Location**

The Department's main office is located at 1201 Main Street, Suite 1000, Columbia, SC 29201. The Department maintains a small office at 145 King Street, Suite 228, Charleston, SC 29401 for meetings and other activities related to the Market, Actuarial, and ARTS Division.

#### **6. Number of Employees**

During fiscal year 2010-2011, the Department had 72 classified employees, 5 unclassified employees, and 2 contracted employees.

#### **7. Regulatory Environment**

Title 38 of the South Carolina Code of Laws and Chapter 69 of the South Carolina Code of Regulations set forth the general standards for regulation of the South Carolina insurance market. In addition, a number of federal laws and regulations may enhance, modify, or limit the scope of the Department's regulatory authority.

All state insurance commissioners or state insurance directors are members of the NAIC. The NAIC and its staff are a vital resource to the states on issues affecting insurance and insurance regulatory policy. While no statute mandates our involvement with the NAIC,

it is an excellent resource from which we draw to ensure that the insurance marketplace remains healthy, competitive and financially sound.

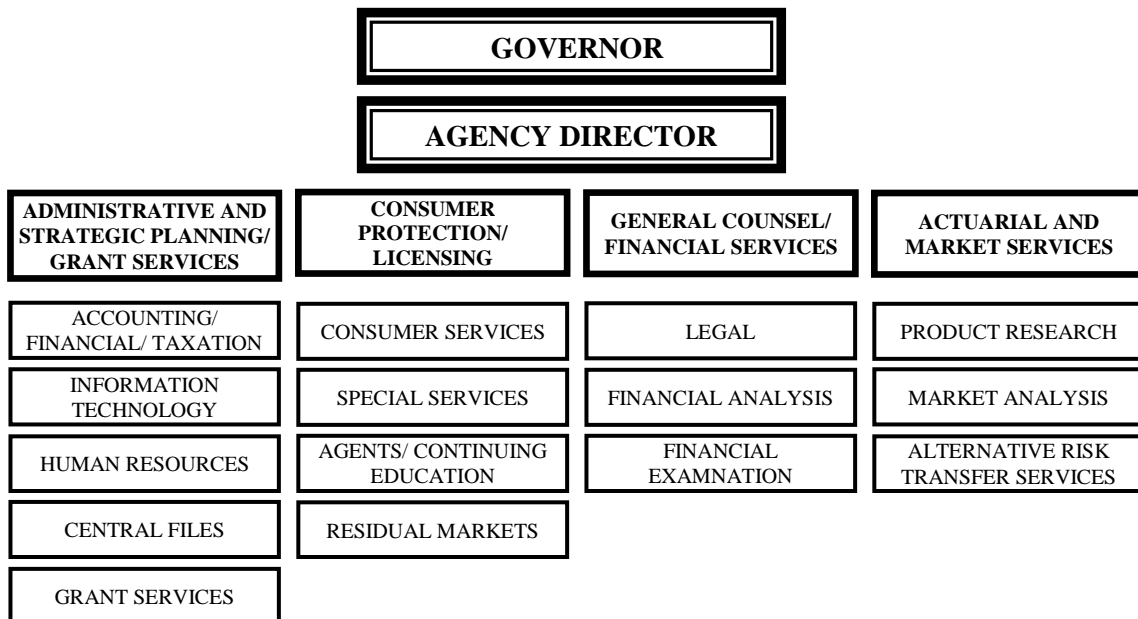
**8. Performance Improvement System(s)**

The Department maintains an organizational focus on performance improvement through the use of the Employee Performance Management System (EPMS), improved strategic use of technology, on-site and off-site training, and direct communication and feedback with managers, supervisors and/or Deputy Directors.

With the Director having private sector business management experience, he has worked diligently to bring private sector business management practices to the Department by establishing performance standards, measuring and evaluating performance, and holding employees accountable for performance.

Through the use of the “planning stage” of the EPMS, managers in every functional area have a document to refer to when setting workplace expectations and monitoring work activity and performance.

**9. Organizational Structure**



## 10. Expenditures/ Appropriations Chart

### Base Budget Expenditures and Appropriations

MAJOR BUDGET CATEGORIES	FY 09-10 ACTUAL EXPENDITURES	
	Total Funds	General Funds
Personal Service	\$4,999,009	\$1,614,583
Other Operating	\$5,710,044	\$292,098
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$76,482	
Fringe Benefits	\$1,379,838	\$463,957
Non-recurring		
<b>Total</b>	\$12,165,373	\$2,370,638

MAJOR BUDGET CATEGORIES	FY 10-11 ACTUAL EXPENDITURES	
	Total Funds	General Funds
Personal Service	\$5,081,130	\$1,361,468
Other Operating	\$5,633,839	\$231,702
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$999,970	
Fringe Benefits	\$1,364,918	\$376,600
Non-recurring		
<b>Total</b>	\$13,079,857	\$1,969,770

MAJOR BUDGET CATEGORIES	FY 11-12 APPROPRIATIONS ACT	
	Total Funds	General Funds
Personal Service	\$3,734,145	\$1,446,452
Other Operating	\$4,744,633	\$170,686
Special Items		
Permanent Improvements		
Case Services		
Distributions to Subdivisions	\$2,155,000	
Fringe Benefits	\$838,766	\$315,641
Non-recurring		
<b>Total</b>	\$11,472,544	\$1,932,779

### Other Expenditures

SOURCES OF FUNDS	FY 09-10 ACTUAL EXPENDITURES	FY 10-11 ACTUAL EXPENDITURES
Supplemental Bills		
Capital Reserve Funds	\$199,370	\$124,393
Bonds		

## 11. Major Program Areas Chart

Program Number and Title	Major Program Area Purpose	FY 09-10 Budget Expenditures	FY 10-11 Budget Expenditures	Key Cross References for Financial Results
Administration	Administration: Office of General Counsel, Information Resource Management (IRM), Executive Services	State: 1,128,956.00 Federal: Other: 1,105,492.00 Total: 2,234,448.00 % of Total Budget: 19%	State: Federal: Other: 930,694.00 Total: 1,371,332.00 % of Total Budget; 18%	
Solvency	Solvency: Financial Examination, Market Conduct Examinations, Financial Analysis, Securities, Securities Custodian and Historical Databases	State: 226,956.00 Federal: Other: 1,435,212.00 Total: 1,662,168.00 % of Total Budget: 14%	State: 156,019.00 Federal: Other: 1,468,426.00 Total: 1,624,445.00 % of Total Budget 12%	
Licensing	Licensing: Individual Licensing, Companies, Insurer/HMO Licensing, Education, Special Services Division, Third Party Administration Licenses, Utilization Review and Service Contract Providers	State: 58,266.00 Federal: Other: 1,355,623.00 Total: 1,413,889.00 % of Total Budget: 12%	State: 43,849.00 Federal: Other: 1,159,761.00 Total: 1,203,610.00 % of Total Budget 9%	
Captives	Captives	State: Federal: Other: 3,338,932.00 Total: 3,338,932.00 % of Total Budget 28%	State: Federal: Other: 2,296,843.00 Total: 2,296,843.00 % of Total Budget 18%	
Policy	Policy Forms and Rates: Review Financial Condition and Residual Markets, Consumer Assistance	State: 579,262.00 Federal: Other: 585,256.00 Total: 1,164,518.00 % of Total Budget 10%	State: 502,647.00 Federal: 189,135.00 Other: 772,506.00 Total: 1,464,288.00 % of Total Budget 11%	
Safe Homes	Hurricane Mitigation	State: Federal: Other: 1,458,069.00 Total: 1,458,069.00 % of Total Budget: 12%	State: Federal: Other: 2,382,816.00 Total: 2,382,816.00 % of Total Budget 18%	
Below: List any programs not included above and show the remainder of expenditures by source of funds.				
Taxation and Consumer Services				

Remainder of Expenditures	State: 377,197.00 Federal: Other: 320,298.00 Total: 697,495.00 % of Total Budget 6%	State: 336,560.00 Federal: 18,500.00 Other: 1,434,439.00 Total: 1,789,499.00 % of Total Budget 14%
---------------------------	---	--

\* Key Cross-References are a link to Category 7 – Business Results. These references provide a chart number that is included in the 7th section of this document.

### ***SECTION III: ELEMENTS OF THE MALCOLM BALDRIDGE CRITERIA***

#### **Category 1: Senior Leadership, Governance, and Social Responsibility**

**1.1 How do senior leaders set, deploy, and ensure two-way communication throughout the organization and with customers and stakeholders, as appropriate for: a) short and long term organizational direction and organizational priorities, b) performance expectations, c) organizational values, and d) ethical behavior.**

The leadership of the Department consists of three levels: the executive staff, managers, and supervisors. The executive staff is comprised of the Director and four Deputy Directors. The Director and leadership team work to effectively communicate the mission, goals, and organizational values to all employees through: division, section, and unit meetings; training sessions; and other activities. The Director regularly discusses the Department's overall direction and initiatives with his deputies who relay this information to management and supervisory staffs who update the front-line employees, thus ensuring consistent communication about Departmental goals.

The Department has reviewed and updated its workflow and production processes, and has developed objective performance measures for each activity. A universal review date of July 1 was implemented for the Employee Performance Management System. The EPMS communicates management's expectations for each employee and informs the employee of the specific performance measures that will be used to evaluate his or her job performance. Our philosophy statement is the foundation of all employee performance. The Department continuously revises, updates, and expands its policies and procedures manual to emphasize the importance of employees adhering to the highest standards of ethical behavior.

By coupling the Employee Evaluation Assessment (EEA) form with the EPMS, a two-Way communication tool was created allowing managers and employees to collaborate and find solutions to issues, problems, and inefficiencies in the Department's processes. In order to ensure that the employees have the technical knowledge and skills necessary to effectively perform their jobs, the Department utilizes numerous state and industry resources to provide training and professional development for employees.

**1.2 How do senior leaders establish and promote a focus on customers and other stakeholders?**

The Department's mission is specifically customer-focused; therefore, senior leadership continuously monitors consumer inquiries and complaints, responds to industry filings, and enforces insurance laws and regulations to protect the public. Leaders understand the importance of identifying stakeholder's needs and engage in outreach campaigns and other forms of interaction to gain insight.

By working with the University of South Carolina's Government and Research Services Division, the Department conducted process reviews throughout the agency, including

Market Services, Special Licensing, Rates and Forms, and Consumer Services to identify more efficient methods to deliver services to South Carolina consumers and companies conducting business in the state. Improved efficiency has been achieved in each of these sections.

**1.3 How does the organization address the current and potential impact on the public of its programs, services, facilities and operations, including associated risks?**

The Department continually evaluates the ramifications of its activities on consumers and solicits feedback using: our website, customer surveys, consumer inquiries/complaints, speaking engagements, etc. The Department uses a proactive approach, exploring cost-effective options and preparing to manage any potentially negative impacts on our consumers.

**1.4 How do senior leaders maintain fiscal, legal, and regulatory accountability?**

The Department maintains a strong system of checks and balances to retain accountability. Frequent meetings between legal counsel, the budget/finance manager, and the procurement specialist facilitate compliance with the established guidelines. The legal division advises others and remains informed on any new legal developments to remain accountable and comply with regulations.

The Department is also charged with insuring the solvency of captive and traditional insurance companies domiciled in South Carolina through comprehensive regulatory oversight and examination. To assist in this charge, the Department outsources a portion of these. Comprehensive financial examinations of the financial condition of domestic captives and traditional companies are performed using the standards established by the NAIC Financial Condition Examination Handbook.

Senior leaders within the Department are held accountable for their actions. Therefore, these leaders are subject to frequent ethics training, reminding them of their fiscal, legal, and regulatory responsibilities within the Department.

**1.5 What performance measures do senior leaders regularly review to inform them on needed actions?**

Leaders measure performance by analyzing consumer inquiry/complaint data to identify market conduct patterns and licensing data to evaluate cycle times. Meetings are held with the insurance industry to discuss the Department's responsiveness; timeliness of legal actions; thoroughness of those actions; accuracy of advice; and month-end reports from Consumer and Individual/Special licensing services.

**1.6 How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness, the effectiveness of management throughout the organization including the head of the organization, and the governance board/policy making body? How do their personal actions reflect a commitment to organizational values?**

Senior leaders study previous outcomes, activity data, budget items, and progress reports that review departmental goals and objectives regularly. Plans are then adjusted and modified to maximize effectiveness, addressing specific issues and changing day-to-day operations when necessary. Open communication between the divisions facilitates an integrated approach to service delivery.

**1.7 How do senior leaders promote and personally participate in succession planning and the development of future organizational leaders?**

Our strategic planning initiative calls for development and documentation of formal procedures so that crucial institutional knowledge and history is retained. KTP's, IDP's, and Career Path Planning help identify critical skills and abilities and develop talent from within. Cross-training allows the organization to grow and develop while preparing for a smooth transition in the event of employee turnover.

**1.8. How do senior leaders create an environment for performance improvement and the accomplishments of strategic objectives?**

Weekly division and section meetings are held in order to communicate key organizational priorities and outline specific action plans. Employees are expected to evaluate their performance and identify their role in achieving the Department's goals. Supervisors and managers must be aware of all human resources policies and procedures relative to their job position and the employees they supervise.

Each division of the Department continues to develop new goals on an ongoing basis to promote continuous improvement. The Director requires ongoing status reports of our strategic plan, ensuring that our broad goals, along with specific objectives for each division, are being met.

**1.9 How do senior leaders create an environment for organizational and workforce learning?**

Forums are held for communities throughout the state regarding various insurance issues. The department also works to respond to all consumer concerns/complaints in a timely and respectful manner. KTP's and EPMS are also tools used to encourage and challenge workforce development.

**1.10 How do senior leaders communicate with, engage, empower, and motivate the entire workforce throughout the organization? How do senior leaders take an active role in reward and recognition processes to reinforce high performance throughout the organization?**

Senior leaders play a key role in establishing an employee recognition strategy to honor their dedication to public service. Without employees, the agency would be unable to meet its goals and objectives. Senior leaders express their appreciation by offering employees merit pay and bonuses (as funding permits), hosting annual State Employee



Recognition Day's, and engaging in monthly birthday celebrations. The Director sent cards and notes to employees on a monthly basis noting their accomplishments and documenting them in their personnel file.

**1.11 How do senior leaders actively support and strengthen the communities in which your organization operates? Include how senior leaders determine areas of emphasis for organizational involvement and support, and how do senior leaders, the workforce, and the organization contribute to improving these communities.**

The Department and its senior leadership actively support and strengthen communities by encouraging employees to get involved by speaking, providing information and supporting charitable community organizations such as the United Way and the American Red Cross. Pay roll deductions are offered as an incentive to encourage donations and make it convenient for employees to engage in community activities.

In addition to its regulatory responsibilities, the Department is represented on a number of state boards, commissions, committees and task forces, including the S.C. Budget and Control Board Cost Containment Committee, the Governor's Workers' Compensation Task Force, the Workers' Compensation Advisory Board, and the Commission on Healthcare Access, among others. The Director served as an officer of the Southeastern Zone of the NAIC and chairs many significant NAIC working groups.

**Category 2: Strategic Planning**

**2.1 What is your Strategic Planning process and who are the key participants in the process?**

The FY 2009-2012 Agency Strategic Plan for the South Carolina Department of Insurance serves as the primary management and budgetary tool. This document includes the agency planning elements, the internal and external factors affecting the agency, the workforce plan, and other statewide and agency strategic planning elements. The Department developed its Strategic Plan with participation from the Executive management team and staff. The Administrative Services Division is responsible for coordinating strategic planning activities.

The Department continues to remain committed to strategic planning. After the appointment of Director Black in February 2011, the Department has continued to work to plan and implement new strategic objectives. These objectives are geared towards improving the strategic planning process by bringing process managers together to brainstorm and discuss ways to improve strategies and maximize the Department's efficiency. These managers work with senior and deputy leaders to ensure strategic plans are carried out as intended.

Each division of the Department continues to develop new goals on an ongoing basis to promote continuous improvement. The Director requires ongoing status reports of our

Strategic Plan, ensuring that our broad goals, along with specific objectives for each division, are being met.

How does the strategic plan address:

**a) your organization’s strengths, weaknesses, opportunities, and threats?**

The organization conducted a SWOT analysis when formulating the strategic plan and clearly identified each using the following chart:

**STRENGTHS**

- **knowledge of staff**
- **good communication with public**
- **responsiveness to the public**

**OPPORTUNITIES**

- **staff is engaged and desires training**
- **technological advances**
- **NAIC**

**WEAKNESSES**

- **internal communication**
- **training**
- **planning and follow-up**
- **lack of documentation of agency policies**

**THREATS**

- **legislation and budget cuts**
- **political and staffing turnover**
- **national standards (federal encroachment)**
- **preemption of state laws**

**b) Financial, regulatory, societal and other potential risks;**

Financial.

The Department conducted an internal review to pull together a budget designed to address the priorities and goals of the agency. The Department has prepared departmental budgets with information on current services to lay the groundwork for budget expenditures. Information was also gathered to develop estimates of future spending on current services. With that information, the Department developed its budget proposals.

Regulatory.

The Department complies with the regulatory standards set forth in South Carolina law and with the accreditation standards established by the NAIC. As a result, the Department has maintained its accreditation since it was first accredited in 1991. The DOI pays close attention to all issues of internal control and findings as identified by external auditors. DOI works closely with audit staff in an effort to understand concerns and identify procedures to eliminate future findings. Accordingly, the Department has received clean audits for the past several years.

**c) Shifts in technology and customer preferences;**

The Department actively seeks to improve efficiency through technology. To meet this objective they have: managed record storage using data imaging technology; increased use of electronic commerce; created an electronic system for the Captives area; automated the application and renewal process, premium and surplus lines tax collection and enterprise system.

The agency continues to implement its effective, centralized Electronic Document Management System that enables electronic document storage, retrieval, and workflow management, to achieve cost savings and improve traditional ways of doing business.

**d) Workforce capabilities and needs;**

The Department has reviewed and updated its workflow and production processes, and has developed objective performance measures for each activity. The Strategic Plan seeks to address the agency's critical staffing and training needs, including the need for experienced employees to impart knowledge to their potential successors. The Department recognizes the importance of workforce planning and uses the analysis of its workforce to ensure the appropriateness of its staffing levels, workforce skills, and workforce composition. The development of these workforce plans, succession plans, and training plans is one step to implementing the objectives outlined in the strategic plan in order to ensure that the Department's overall budget will be aligned with its strategic goals and objectives while improving the communication of Agency goals and values to staff.

The Strategic Plan also calls for the Agency to align its resources, identifying which resources are a priority and the GAP between current allocations and the desired state. The Department is also exploring opportunities to stabilize the Department's funding. Consequently, the Department is reviewing its existing rates for services and attempting to determine whether it should impose charges for other services.

**e) Organizational continuity in emergencies;**

The Department is located in a safe and secure facility that provides a healthy work environment. Employees are given a safety manual and receive regular training, which educates each of them on what to do in case of an emergency. A Disaster Recovery Plan is in place so that the Department can backup data and continue to run successfully during a disaster.

**f) Your ability to execute the strategic plan.**

In developing the Department's Strategic Plan for FY 2009-2012, internal and external objectives were identified and action plans formulated to accomplish each objective. The objectives and action items in the strategic plan were assigned to the divisions responsible for that task.

**2.2 How do your strategic objectives address the strategic challenges that you identified in your Executive Summary?**

The Department's strategic objectives are focused on the strategic challenges that confront the agency and are a reflection of the Department's priorities, determining how the agency distributes and allocates its resources.

The Strategic Plan seeks to address the agency's critical staffing and training needs, including the need for experienced employees to impart knowledge to their potential

successors. The Department recognizes the importance of workforce planning and uses the analysis of its workforce to ensure the appropriateness of its staffing levels, workforce skills, and workforce composition.

**2.3 How do you develop and track action plans that address your key strategic objectives, and how do you allocate resources to ensure the accomplishment of your action plans?**

Every deputy is responsible for developing tactical plans to achieve the strategic objectives within their area of responsibility. In management meetings, the objectives, plans, and progress toward implementation and achievement are reviewed. Certain funds are program-specific and are used to support related strategic and operational goals and objectives. Internal division budgets have been developed to track non-program specific funds that support other goals and objectives

**2.4 How do you communicate and deploy your strategic objectives, action plans and related performances measures?**

The Department's strategic objectives, action plans, and performance measures are generally communicated to the staff via department, division, and program meetings. Full staff meetings, led by the Director, are held once every two months. Because the goals of the Department vary by division, monthly meetings with the division Deputy Director and his/her staff are held to explore and discuss the specific goals for that division. These monthly meetings serve several purposes: 1) the Deputy Director can articulate the goals and establish a timeline for accomplishing each goal; 2) assignments can be made to staff to help accomplish these goals; and 3) the status of specific assignments can be discussed at each division meeting, allowing each Deputy Director to monitor accomplishment of the goals.

**2.5 How do you measure progress on your action plans?**

The Department's action plans are closely aligned with its overall Strategic Plan, with success criteria being specific, measurable and quantifiable, when possible. Each individual is given a specific role with a clear-cut and unambiguous directive to accomplish agency goals and provide for clear measurement of the Department's progress. Each division within the Department maintains correspondence, data logs and monthly reports, including responses and follow-up, as well as assignment completion times. Ongoing analysis of the reports and information provided by each division allow the Director and executive staff to monitor the status of the various insurance mechanisms and administrative responsibilities of the Department.

**2.6 How do you evaluate and improve your strategic planning process?**

Performance measures have been developed that achieve and demonstrate cost-effective government for stakeholders, consumers, and the citizens of our state. Establishing performance measures is an ongoing process that serves to: encourage an outcome orientation throughout all facets of planning; establish a regular and pervasive process to

evaluate process and change as needed; develop component and other supplemental plans if useful; make clear the linkage between daily activities and the strategic mission; and monitor external and contextual factors continuously.

**2.7 <http://www.doi.sc.gov/administrative/bmp.htm>**

**2.8 Strategic Planning Chart**

<b>PROGRAM NUMBER AND TITLE</b>	<b>SUPPORTED ORGANIZATION STRATEGIC PLANNING GOAL/ OBJECTIVE</b>	<b><u>RELATED FY 09-10 AND BEYOND</u> KEY AGENCY ACTION PLAN/ INIATIVIES AND TIMELINE FOR ACCOMPLISHING THE PLAN</b>	<b>KEY CROSS REFERENCES FOR PERFORMANCE MEASURES</b>
I. Administration II. Program Services	Improve the Department's resources alignment	<ol style="list-style-type: none"> <li>1. Identify resource allocation priorities. (people, time, budget)</li> <li>2. Identify the gap between current allocations and the desired state</li> <li>3. Develop effective departmental budgets</li> <li>4. Explore opportunities to generate additional revenue</li> <li>5. Stabilize Department Funding to allow the provision of critical regulatory services.</li> </ol>	
I. Administration II. Program Services, B,G,	Improve efficiency through technology	<ol style="list-style-type: none"> <li>1. Manage record storage using data imaging technology</li> <li>2. Increase electronic commerce (EFT/Credit Card)</li> <li>3. Create an electronics system for Captives area</li> <li>4. Automate application renewal process, premium tax collection, enterprise (state-based) system</li> </ol>	
I. Administration II. Program Services	Develop an agency workforce plan to ensure the continuity of operations.	<ol style="list-style-type: none"> <li>1. To identify and prioritize key jobs (positions)</li> <li>2. Identify knowledge transfer targets and staff knowledge gaps in order to create a succession plan.</li> <li>3. Document agency work processes</li> </ol> <p>Create</p> <ol style="list-style-type: none"> <li>4. Create training plans for employees, including cross-training</li> <li>5. Review the use of consultants and temporary employees</li> <li>6. Evaluate recruitment and selection process and identify possible improvements.</li> <li>7. Improve the communication of Agency goals and values to staff by holding regular meetings releasing newsletters, issuing email alerts.</li> <li>8. Create a disaster recovery plan</li> </ol>	
I. Administration Program Services	Increase the Department's visibility and credibility among stakeholders	<ol style="list-style-type: none"> <li>1. Articulate stakeholders' needs and expectations and prioritize outreach efforts.</li> <li>2. Improve access to information via the Agency's website</li> </ol>	
I. Administration	Revise the South Carolina Code of Laws relating to insurance	<ol style="list-style-type: none"> <li>1. Create an outline of proposed Code of Law changes by line of business.</li> <li>2. Draft bill (s) to initiate legislative action and identify sponsors</li> <li>3. Monitor market conditions in order to respond to solvency and insurance availability and affordability issues.</li> </ol>	
II. Program Service, E	Increase the use of SERFF	<ol style="list-style-type: none"> <li>1. Communicate to insurers the availability of newly revised SERFF and the advantage of using it</li> </ol>	

## **Category 3 – Customer Focus**

### **3.1 How do you determine who your customers are and what their key requirements are?**

Our customers are primarily defined by our statute and mission statement and include insurance consumers, members of the general public, and the insurance marketplace. Ancillary customers and requirements are determined through interaction with consumers, industry, legislators, and federal, state, and local government officials. Key customer requirements evolve over time as customers and stakeholders provide feedback and redefine their expectations and needs. Customer input and involvement is strongly encouraged. It is critical that the Department constantly reexamines its services and actively communicates with customers in order to guarantee satisfaction.

### **3.2 How do you keep your listening and learning methods current with changing customer/business needs and expectations?**

The Director, the Deputy Directors, and Department staff is in continuous communication with consumers, industry, and other government officials. We attend and participate in industry conferences and consumer outreach activities, and serve on many boards, committees, and task forces comprised of representatives of industry, consumers, and other government agencies. Additionally, we leverage those constituencies to provide training and updates to Department staff (as funding permits). The Department strongly encourages open lines of communication so that our listening and learning methods serve our customers to the best of our ability.

### **3.3 What are your key customer access mechanisms, and how do these access mechanisms enable customers to seek information, conduct business, and make complaints?**

Key customer access mechanisms include: phone, fax, written, and email communication; communication via legislators; consumer events; speaking engagements; walk-ins; communication with the Governor's Office; and the Department's website. These mechanisms enable customers to obtain any information they may deem necessary, provide multiple outlets for business to be conducted, and keep the lines of communication open.

### **3.4 How do you measure customer/stakeholder satisfaction and dissatisfaction, and use this information to improve?**

The Department conducts education and outreach campaigns to key stakeholders. Random telephone surveys are conducted with individual complainants to gauge our overall responsiveness and service delivery.

**3.5 How do you use information and feedback from customers/stakeholders to keep services and programs relevant and provide for continuous improvement?**

The Department gains valuable and much-needed feedback through the various communication mechanisms and forums described above. The feedback allows us to determine how to appropriately deliver services. Program and performance data are reviewed by management to ascertain the need for modifications in services or programs in order to better assist our customers/stakeholders.

**3.6 How do you build positive relationships with customers and stakeholders to meet and exceed their expectations? Indicate any key distinctions between different customer and stakeholder groups.**

The Department builds positive relationships by providing timely responses to requests for information, remaining accountable and reliable. Formal conferences, as well as informal meetings and activities, allow the Department to successfully develop collaborative relationships with its customers and stakeholders. The staff's knowledge of insurance laws and the insurance products offered in the state gives the Department a credible reputation. Most stakeholders appreciate timely responses and the Department's willingness to assist, even though they may not necessarily agree with the outcome. The Department is aware that different customer and stakeholder groups have different demands and expectations; therefore, the staff is prepared to adapt and accommodate these needs in order to maintain positive relationships and fulfill their expectations.

**Category 4: Measurement, Analysis, and Knowledge Management**

**4.1 How do you decide which operations, processes and systems to measure for tracking financial and operational performance, including progress relative to strategic objectives and action plans?**

Decisions are made according to the Department's regulatory responsibilities which form the basis of many objectives within the Department's strategic plan. Many of the performance measures are directed by statute or other legal or governmental authority. After ensuring compliance with those requirements, senior leadership further defines other operations, processes, and systems that should be measured. Deputy Directors meet and clarify what the goals are and timelines for accomplishing each goal. Assignments are then made to staff to help the goals be accomplished and the status of specific assignments is discussed at division meetings, allowing each Deputy Director to monitor accomplishment of the goals.

**4.2 How do you select, collect, align, and integrate data/information for analysis to provide effective support for decision and innovation throughout your organization?**

Data/information reports are generated weekly from upper management level to staff level. Management uses these reports to ensure that pending projects are being completed

by their respective deadlines and to keep abreast of market conditions and changes. The operational data gathered from individual program areas is reviewed by senior leadership, managers, and supervisors weekly, monthly, quarterly and/or annually, based on programmatic requirements and this informs the decision-making process.

#### **4.3 What are your key measures, how do you review them, and how do you keep them current with organizational needs and direction?**

- 1. Monitoring Insurance Company Solvency.** This is measured by the number of financial and market conduct examinations of insurers completed, number of consumers assisted, and number of insurer insolvencies prevented through the Department's early intervention.
- 2. Investigations, Consumer Assistance and Enforcement.** This is measured by the number of investigations completed and the number and type of disciplinary actions imposed.
- 3. Consumer Information and Advocacy.** This is measured by the number of consumer inquiries received, assisted, and answered.
- 4. Regulation of Insurance Rates and Forms.** This is measured by the number of Rates and Forms filings staff reviews per year before the deemer period and average number of days required to finalize the filing review process for rate and form filings.
- 5. Agent and Broker Licensing and Education.** This is measured by the number of agents, brokers, adjusters, and others licensed and/or appointed within the established timeframe as well as the number of producers who meet Continuing Education requirements.
- 6. Monitoring and Developing Insurance Markets.** This is measured by the number of new insurers entering various markets in the state and the number of data calls performed.
- 7. Special Licensing Services.** This is measured by the number of premium service companies, utilization review companies, bail bondsman, and third party administrators licensed within the established timeframe.

#### **4.4 How do you select and use key comparative data and information to support operational and strategic decision making and innovation?**

The selection and use of key data and information is critical in carrying out the Department's mission of protecting insurance consumers. The NAIC's annual Insurance Department Resources Report provides data for the 50 states, the District of Columbia and the four territories, on staffing, budgeting and funding, examination and oversight, insurer and producer licensing, consumer services, etc. This information allows the Department to compare itself to counterparts in other states and develop relevant benchmarks for performance.

#### **4.5 How do you ensure data integrity, timeliness, accuracy, security and availability for decision making?**



Internal operational data is reviewed by management to ensure that accurate indicators of services are being captured and reported. We continuously review the need for additional controls to ensure the security of confidential data. The Department's Information Technology division works closely to establish appropriate monitoring systems to ensure the quality, reliability, and availability of data used in decision-making. The IT division works closely with each of the employees of the Department, including the Deputy Directors and Director, to ensure that they are able to accurately and reliably access all information available to them. Furthermore, all employees have been asked to execute a confidentiality agreement to protect the security of confidential or proprietary information.

#### **4.6 How do you translate organizational performance review findings into priorities for continuous improvement?**

The Department has incorporated the findings from prior performance review into the policies and procedures developed or under development by the program areas. Timely, consistent, and high-quality performance is particularly important in the Rates and Forms area due to the statutory deadlines for reviewing filings. Delays by the Department can prevent insurers from taking needed rate changes and/or releasing new products to consumers. As a result of this review, rate and form processes have been clearly defined, objective performance standards established for each process, and supervisors now regularly monitor and manage employee performance which has resulted in an open and orderly flow of correspondence. The collaborative efforts between the Department's Central Files section and the Rates and Forms section continue to provide a much more organized system.

Market Regulation is another important tool for regulator use revealing customer service problems that are difficult to manage without oversight. Market Regulation is a discrete, functional area within the Department, created to comply with NAIC recommendations for monitoring market conduct practices. Performance standards were developed and the Department continues to meet and/or exceed NAIC benchmarks.

#### **4.7 How do you collect, transfer, and maintain organizational and employee knowledge (knowledge assets)? How do you identify, share and implement best practices, as appropriate?**

As part of the Department's Strategic Plan, a workforce plan was developed to ensure continuity of operations. When an employee leaves the Department a vast amount of institutional knowledge and experience is lost. To ensure that current and future employees are well-equipped to either perform their current duties or assume new duties, initiatives were developed.

The initiatives include: clearly defined and documented work methods and procedures plan; written documentation of the processes, methods, tools, and techniques used by employees with special skills and responsibilities; a documented training plan for employees to study, use and implement prior to departure of any employee; written

documentation which captures “cross-over” information when assistance from other divisions and/or agencies is needed to complete specific job duties; and employee cross-training.

### **Category 5: Workforce Focus**

#### **5.1 How does management organize and measure work to enable your workforce to: a) develop to their full potential, aligned with the organization’s objectives, strategies, and action plans; and b) promote cooperation, initiative, empowerment, teamwork, innovation, and your organizational culture?**

Department employees are provided opportunities to develop their skills and expertise through various programs and training opportunities. The standard EPMS is used as a formal review method and is designed to communicate job requirements and success criteria for completing job tasks. Each individual EPMS strives to address the goals and objectives that have been established by the Director, enabling each employee to contribute toward the agency’s goals and objectives. The EPMS communicates management’s expectations for each employee and the specific performance measures that will be used to evaluate performance.

Additionally, as a part of the Department’s succession plan, each manager is tasked with the responsibility of meeting with his/her employees to identify the strengths and weakness of each employee in order to determine their skill level and place them in a position which fully utilizes their abilities. With that information, the manager created individual development plans for each employee, identifying the specific training necessary to qualify for specific opportunities within the Department.

Each year, strategic goals are established in response to the current challenges. Employees are encouraged to be involved in the formation of the agency’s strategic plan and can give their input at Department-wide staff meetings, the intranet site for employees, and e-mail postings regarding employees’ news and achievements. Employees receive the South Carolina Department of Insurance’s Policy and Procedures manual and orientation packet prior to their first day of the job.

#### **5.2 How do you achieve effective communication and knowledge/skill/best practice sharing across departments, jobs, and locations? Give examples.**

The Department utilizes the following communication methods:

- Telephone, e-mail, copies of written documents, inter-departmental meetings conversation
- Weekly staff meetings
- Individual review sessions
- Market Regulation holds monthly interdepartmental meetings to review company activity
- Standard practices and procedures are used so that each analyst can assist in other lines of business on an as-needed basis

- The IRM team meets monthly to discuss projects, current tasks, trends in the industry – both in technology and insurance regulation. The team also is actively involved in attending and participating in NAIC’s national conference.

**5.3 How does management recruit, hire, place, and retain new employees? Describe any barriers that you may encounter?**

Management generally recruits new employees through the use of NeoGov, an electronic recruiting application. In some instances, hard-to-fill vacancies are posted on other websites that are industry specific to the particular position. Qualified candidates are referred to the hiring manager who then conducts the interview and decides if the candidate is qualified to fill the vacancy.

Methods of retaining employees and barriers that may result include:

- Career path and salary increases where it is warranted. The barrier to this method of retention is that salaries are not competitive with industry and consulting firms and limited funds make it difficult to offer incentives.
- The barrier to employee retention in Financial Services is compensation. State government is unable to compete effectively with the private sector for this limited pool of applicants (i.e., examiners). Alternate work schedules are an option being considered to enable the Department to retain qualified technical staff.
- Retention is encouraged through additional training and salary adjustments. Budgetary issues continue to be the biggest barrier to retaining good staff. Inadequate annual pay raises also contribute to long term retention.
- Providing clear job descriptions, learning opportunities, challenging work, and establishing a workplace culture that is respectful of everyone’s talents are methods used to retain employees.

**5.4 How do you assess your workforce capability and capacity needs, including skills, competencies, and staffing levels?**

Workforce planning is an integral part of the Department’s human resources process and evaluation. Human resource functions are generally evaluated by measuring the productivity of the various units. Human resource functions are also evaluated by the department’s ability to effectively comply with state and federal laws, regulations, and policies. In assessing the strengths and weaknesses of the agency’s human resource processes, the Department develops: a demographic profile; critical workforce skills analysis; retiree profiles; employee turnover profiles; a list of factors influencing employee turnover; and a list of “hard-to-fill” positions.

The Department relies on a skilled workforce of administrators who assist the Director in setting broad policies, oversee individual departments, and supervise the agency’s operations. In addition, the agency employs professionals with specialized and theoretical knowledge acquired through college training and/or work experience. The following skills have been identified as core competencies for Department employees working in specific administrative and professional positions:

- Effective oral and written communication skills;
- Ability to explain complex technical matters to consumers;
- Problem-solving capabilities;
- Time management;
- Leadership and coaching skills;
- Negotiation strategies and techniques;
- Ability to conduct investigations;
- Interpreting and enforcing statutes and policies;
- Records management, including electronic document management tools;
- Actuarial expertise;
- Computer literacy.

The Department identified the following training needs to develop critical workforce skills:

- Understanding of insurance and administrative laws;
- Interpersonal skills for improved customer service;
- Conflict management, mediation, and dispute resolution;
- Group facilitation skills;
- Process analysis, design, and redesign;
- Decision-making;
- Database management, and;
- Webpage development.

The Department has used this information to develop further training opportunities, recruitment, and succession plans for the agency.

**5.5 How does your workforce performance management system, including feedback to and from individual members of the workforce, support high performance and contribute to the achievement of your action plans?**

In order for employees to perform at a high level, they must understand the mission, goals, and objectives of the Department. Employees should be involved in the development of action plans and engage in open communication. EPMS is used to improve supervisor-employee communications and is the primary tool for documenting and evaluating employee performance, encouraging increased productivity and effectiveness.

**5.6 How does your development and learning system for leaders address the following: a) development of personal leadership attributes; b) development of organizational knowledge; c) ethical practices; d) and core competencies, strategic challenges, and accomplishment of action plans?**

The Department encourages leadership, organizational, and ethical development for all employees through training courses, meetings, and employee-manager feedback (EEA and EPMS system). The strategic plan includes training courses employees are required

to complete in order to remain certified and/or accredited by national standards. The Department also encourages its leadership to participate in executive leadership programs designed to provide opportunity for professional and leadership growth through completion of specific educational requirements. The NAIC-sponsored professional designation program, the Budget and Control Board Certified Managers Program and the University of South Carolina Moore School of Business Education Leadership Program are certificate programs that our leaders have completed and/or participating in. The curriculum in these programs help the senior leadership staff master best practices in the areas of hiring, performance management, change management, effective communication, leadership and management fundamentals, among others.

**5.7 How do you identify and address key developmental training needs for your workforce, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation, and safety training?**

Historically, the Department's training needs have been addressed through communication between employees and their supervisors. Further training is provided when new duties, processes, or procedures are imposed by the NAIC or other third parties. The Department has utilized a critical skills assessment to determine its workforce training needs. Employees' skills, training, and experience were assessed, allowing the Director to prioritize resources to mission-critical areas, recruit new employees with the appropriate technical and professional expertise, and reassign existing employees to positions consistent with their interests and abilities as well as the Department's needs. Because the Department regulates an extremely complex and ever-changing industry, it must have employees with the appropriate technical and professional expertise to effectively and efficiently handle any changes in regulations.

**5.8 How do you encourage on-the-job use of new knowledge and skills?**

Employees are encouraged to use their skills in the following ways:

- The majority of employees in the Office of General Counsel are professional positions. These employees are bound by professional ethics to apply any new knowledge in when performing the functions of their job.
- Monitor the employees and demonstrate the benefits of using new skills.
- Employees are encouraged to develop new ideas and identify areas of concern and generate ways to address, implement, and monitor new processes and procedures.
- The Department encourages an environment where employees are challenged to exercise their skills, knowledge, and experience to meet the goals of the agency and are given the technical freedom to develop creative problem solving techniques.
- Employees are encouraged to share their attained knowledge and skills.

**5.9 How does employee training contribute to the achievement of your action plans?**

Because the Department is in the midst of succession planning, cross-training, and developing specific career paths for its employees, training is vital to ensure that each employee has the skills necessary to enable the Department to achieve its strategic objectives.

**5.10 How do you evaluate the effectiveness of your workforce and leader training and development systems?**

The effectiveness of workforce and leader training/development systems is evaluated through tangible results that can be seen in everyday processes, functions, tasks and interactions. Individual contributions to the work environment should be evident. In addition, the effectiveness of the particular trainings provided is evaluated using surveys to relay strengths and weaknesses in the trainings received.

**5.11 How do you motivate your employees to develop and utilize their full potential?**

The Department encourages all employees to continually develop and work to their full potential to meet Department's goals and objectives. As part of the Department's reorganization, employees' strengths and weaknesses are being assessed and any weaknesses are improved through training to optimize the use of the employee's skills and abilities. When possible, employees are recognized for providing superior service to the Department.

**5.12 What formal and/or informal assessment methods and measures do you use to obtain information on workforce well-being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances?**

Informal methods used to measure employee satisfaction include staff meetings, direct employee feedback, and individual conversations. Employee satisfaction has increased due to workflow improvements, paperwork reduction, reduced time to complete tasks, and other office performance issues. Employee turnover has been due to better career advancement opportunities and pay.

The Department issued an employee retention survey with the objective to determine the factors that are most influential in retaining employees. Employees were asked to respond to the questions based upon personal experiences stating whether they Strongly Disagree, Disagree, Neither Agree or Disagree, Agree, or Strongly Agree.

**5.13 How do you manage effective career progression and effective succession planning for your entire workforce throughout the organization?**

Career progression is managed through the EPMS and EEA systems. These systems help monitor the training needs and ask management to specify the skills needed for employee advancement. In addition, IDP's were utilized to address hard-to-fill positions.

Furthermore, our strategic planning initiative calls for development and documentation of formal procedures so that crucial institutional knowledge and history is retained. KTP's, IDP's, and Career Path Planning are used to help identify critical skills and abilities and develop talent from within. This cross-training allows employees within the organization to grow and develop throughout their careers while also preparing for a smooth transition in the event of employee turnover.

**5.14 How do you maintain a safe, secure, and healthy work environment?  
(Include workplace preparedness for emergencies and disasters)**

The Department has defined and documented the requirements to successfully run the Department during a disaster, with a Disaster Recovery Plan in place. The plan was last tested in the fall of 2010 and is reviewed and updated at least once each year. A standard for recovery of data for each system is a priority. The agency goal is to have data available 99.9% of the time and the vital business systems available at 99.9%.

The IRM team has researched an improved business continuity plan. Improvements are updated continuously. This includes improved communications (TV news reporting), improved power supply to critical systems (generator), and hardware redundancy (network virtualization). Future improvements include offsite backups and a warm recovery site (offsite backup hardware, software and data).

Data is backed up on all servers nightly. This includes documents, spreadsheets, e-mail and other data types. The system data (Oracle Database) is backed up twice a day. Daily disk-to-disk backups are performed and weekly tape backups are stored in a fire-proof safe. If we need to recover and have building access, we can restore from the previous day. If we need to recover and do not have building access, we can recover data from the previous week. This is minimal coverage.

The IRM team is using virtualization in conjunction with the existing backup techniques to enhance the Department's disaster recovery efforts. This technology will make establishing a warm site more economical and will allow for quicker recovery times. Moreover, additional and more comprehensive onsite backups will also be performed. This will include snapshots of key data, system configurations, and application codes throughout the day. This will allow recovery of data, system configurations, and all applications due to an unnatural disaster (i.e., theft, viruses, and internal threats).

In addition to ensuring the safety of our employees and providing emergency data backup, the Department is committed to assisting with the insurance needs of our residents during a natural disaster. When warranted by the Director, specially trained volunteers are deployed to the disaster location and stationed, as a general rule, in the

State/FEMA-designated Disaster Field Office, working directly with disaster victims in expediting insurance claims. A Disaster Response Coordination Plan, which provides procedures to ensure a well-coordinated response to any natural disaster that may affect the Department and the citizens of our state, is revised annually and is maintained at the Department to be used as necessary.

\*The Department's Emergency Preparedness Plan is attached at the end of the document.

## **Category 6: Process Management**

### **6.1 How do you determine what are your organization's core competencies, and how do they relate to your mission, competitive environment, and action plans?**

In determining the Department's core competencies, the leadership examines the underlying skills, ability, knowledge, experience, technology or processes that enable the agency to provide diverse services. The leadership then determines how it can use the agency's core competencies to develop strategic responsiveness to the DOI's mission of protecting the insurance consumers, the public interest, and the insurance marketplace. The DOI recognizes the demands of consumers and other stakeholders and develops the competencies necessary to meet those demands.

### **6.2 How do you determine and what are your key work processes that produce, create or add value for your customers and your organization and how do they relate to your core competencies? How do you ensure these processes are used?**

Key work processes are determined by the tasks that deliver value, services, and information to the citizens of South Carolina. These key processes are the support or enabling processes that provide vital resources or inputs to the value-producing activities. The Department's key processes defined by tasks usually involve various departments or departmental functions. Therefore, they can only work under sound cross-functional management. The Department's values are defined at the office division, department, and office levels which serve the customers. Open lines of communication are strongly encouraged to ensure these processes are used and serve customers to the best of the Department's abilities.

### **6.3 How do you incorporate organizational knowledge, new technology, cost controls, and other efficiency and effectiveness factors such as cycle time into process design and delivery?**

While the Department's mission does not change, the range of activities necessary to achieving that mission are changing and growing. Leveraging new technology with organizational knowledge is critical to the ongoing success of the Department and our ability to perform wide-ranging activities. The Department's website has proven to be an efficient and effective tool for dealing with customers. Additionally, insurers may now



make certain rate and form filings electronically. Completed process reviews have helped identify and implement new methods, streamlining our process design and delivery.

The agency continues to implement a centralized Electronic Document Management System that will enable electronic document storage, retrieval, and workflow management resulting in cost savings and improved business practices. A second level of implementation is document workflow management. In conjunction with document storage and retrieval, documents are automatically routed throughout the department to the electronic in-baskets of the appropriate individuals. This automatic routing process follows the path a document normally takes until it has completed its working cycle. At the end of the working cycle, the document is either discarded or archived electronically, depending on the Department's retention regulations and schedules. Using an electronic document management system has resulted in significant improvements in service delivery allowing for an immediate response to customer inquiries and instant retrieval of relevant documentation, improving overall customer satisfaction. The time delays traditionally associated with document retrievals are virtually eliminated. Productivity improvements include improved document search and retrieval; reduced filing requirements; elimination of misfiled, lost, and/or damaged documents; and automatic document/file routing.

The cost of future filing has been virtually eliminated. The need for staff to maintain and administer traditional filing techniques has been drastically reduced and future staff expansion requirements are avoided by reassigning and training current staff. This approach offers continuity within the workplace, maintains a high level of morale, and provides opportunities for internal advancement.

#### **6.4 How does your day-to-day operation of these processes ensure meeting key performance requirements?**

The Department's key processes are specifically related to its mission to protect the insurance consumer, the public interest, and the insurance marketplace. All aspects of daily operations are reviewed on a regular basis by managers and supervisors and recommendations are made to leadership for changes to improve the Department's processes.

#### **6.5 How do you systematically evaluate and improve your key product and service related processes?**

The Licensing and Education Division of the Department is charged with the responsibility of licensing adjusters, brokers, producers, agencies, bail bondsmen, premium service companies, utilization review companies, third party administrators, service contract providers, and protecting the rights of consumers who purchase insurance products from licensed and approved insurers. Stakeholders meet with Department representatives annually to provide feedback regarding regulations or insurance statutes that either requires changing or removal. Agent trade associations as well as domestic insurers participate in the information sharing process.

**6.6 What are your key support processes, and how do you evaluate, improve, and update these processes to achieve better performance?**

The Department's key support processes are: legal, human resources, finance and accounting, central files, information technology, and procurement. While outputs from the key support processes are delivered to Department staff and not to customers directly, the processes have a direct impact on the Department's ability to meet the needs and expectations of its customers. Each support process work unit functions under individual performance measures and is continuously improved and upgraded in response to internal and external feedback. This is accomplished by: involving administrative support supervisors in establishing strategic program priorities; integrating key support functions into the strategic planning process; communicating the message throughout the Department to ensure thoroughness of input and clarity of expectations; adopting a process for planning, managing, and evaluating support function contributions; and using benchmarking to set performance targets, standards, and measures for key administrative support objectives.

**6.7 How does your organization determine the resources needed to meet your current and projected budget and financial obligations?**

The Department conducts an internal review to pull together a budget designed for priorities and goals for the agency. Using information on current services, the groundwork for budget expenditures is established. The Department also gathers information to develop estimates of future spending on current services so it can build its budget proposal based on the needs of the agency.

The Department has made a proposal to move toward a more dedicated funding system. The fund is created out of the fees and assessments, fines and penalties, taxes, and other incomes generated by the Department. Most taxes, including premium and retaliatory taxes, go into the state's general fund. With a dedicated fund system, the Department spends from the dedicated fund up to a level appropriated by the legislature. If incoming revenue exceed the Department's expenditures, than the balance is carried forward to the next fiscal year. However, if the dedicated revenue is less than the anticipated appropriated amount, the Department must reduce spending or use the carried forward funds from the previous year(s).

**Category 7: Results**

**7.1 What are your performance levels and trends for your key measures of mission accomplishment/product and service performance that are important to your customers? How do your results compare to those of comparable organizations?**

## INDIVIDUAL/ AGENCY LICENSING

	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
New Licenses	20,266	26,216	29,946	36,351	34,369	36,762	29,962	38,596

New licenses in 2011 increased by more than 8,634 (29%) over 2010.

## INSURANCE EXAMS ADM/ PASS RATE

	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
NUMBER EXAMS ADM	5,747	4,827	6,876	7,307	7,496	7,629	6,609	6,387
PASS RATE	56%	71%	63%	64%	62%	63%	64%	67%

Exams administered in 2011 decreased by more than 222 (3%) from 2010.

Exam pass rate on the other hand increased by (3%) from 2010.

### **7.2 What are your performance levels and trends for the key measures of customer satisfaction and dissatisfaction (a customer is defined as an actual or potential user of your organization's products or services)? How do your results compare to those of comparable organizations?**

While the Department does not currently utilize formal customer satisfaction surveys on a department-wide basis, managers follow-up via telephoning customers randomly to gauge overall responsiveness and service delivery. Additionally informal feedback is heavily relied upon. Some areas have sent surveys out in the past with very good response rates with results consistently indicating a 90+% satisfactory rating year after year. The Department is continuing to explore ways in which customer satisfaction surveys can be used to better serve the Department's diverse constituencies.

### **7.3 What are your performance levels for the key measures of financial performance, including measures of cost containment, as appropriate?**

The Department works to align performance accountability structures with existing budget structures in order for the Department's current budget structures to achieve effective alignment with performance-based results.

The budget structure has evolved over the years on an incremental basis. In the past, the Department budget and accounts were adapted many times to service various purposes and accounts, resulting in a collection of accounts. The collection of accounts that made up the budget structure presented a major challenge.

Using SAP, we are now able to track and assess resources in relation to program and division goals. A monthly report is generated and distributed to all divisions. This

approach helps facilitate a comparison of program services and their costs and will help to allocate the limited available resources to the Department's highest priority activities.

**7.4 What are your performance levels and trends for the key measures of workforce engagement, workforce satisfaction, the development of your workforce, including leaders, workforce retention, and workforce climate including workplace health, safety, and security?**

Human Resources plays a key development role in the process review initiative the Department undertook. HR is involved in the Department's planning and development of Departmental goals, objectives, and action plans. The Department's leadership team and Human Resources work together to fully integrate human resources management into the planning process so that it will be a fundamental and contributing factor to Department planning and operations.

The Department has a diverse workforce at all levels, including its leadership. Workforce development is a key element in the planning of leadership recruitment and development programs. Workforce assessment is carried out to measure the effectiveness of efforts to address workforce diversity. Evaluation activities include analysis of reports required for the Department's affirmative action plans, particularly for women and minorities, and persons with disabilities. In addition, evaluation efforts in the area of diversity are coordinated with strategic recruiting efforts to determine the best sources of qualified applicants from targeted groups.

**7.5 What are your performance levels and trends for your key measures of organizational effectiveness/operation efficiency, and work system performance (these could include measures related to the following: product, service, and work system innovation rates and improvement results; improvements to cycle time; supplier and partner performance; and results related to emergency drills or exercises)?**

The Department is responsible for the regulation of the insurance industry in an efficient, courteous, responsive, fair and equitable manner. The Department accomplishes this mission through professional services which include, but 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 rate and insurance policy forms; and the licensure of insurers and insurance-related individuals and entities.

The Market Services Division reviews insurance policy forms and rates to ensure that they do not contain provisions that are unfair, deceptive, ambiguous, misleading or unfairly discriminatory. These reviews are generally completed within a 30-60 day period depending upon the type of policy form and required information provided by the insurer. Certain property and casualty rate filings are subject to a "flex-band" in which rate changes of +/-7% may be implemented within 30 days of filing if not disapproved by the Department within that timeframe. For fiscal year 2010-11, 6,923 Property and Casualty

filings were received, up 194 filings from the 6,729 received last year. Life, Accident, and Health filings received totaled 3,020 compared to the 3,111 rates and form filings received last fiscal year.

The supervision of residual market mechanisms is a responsibility of the Market Services and Consumer Services Division. Those organizations include: the 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; and the South Carolina Small Employer Insurer Reinsurance Program. Department staff attends meetings and participate in committee work.

The Financial Services Division strives to maintain the highest possible standards to ensure that South Carolina's insurance market remains solvent, strong, and competitive. Performance levels are measured against specific duties and responsibilities that are required by state law, as well as guidelines established by the NAIC. State law requires that every domestically licensed insurance company be examined at least every three to five years, depending on the type of license held. Also, insurance company quarterly and annual financial statements are analyzed for solvency, and are verified for accuracy and completeness. Because all reviews of financial data must be completed promptly to ensure that problematic situations can be addressed in a timely fashion, all professional services provided by the Financial Services division are extremely time-sensitive. The Department's re-accreditation by the NAIC provides clear evidence that the Financial Services division is committed to maintaining the highest standards of insurance company regulation.

#### **7.6 What are your performance levels and trends for the key measures of regulatory/legal compliance and community support?**

- The Financial Services Division completed 16 financial examinations and analyzed quarterly and annual financial statements for South Carolina's 46 domestic insurance companies and HMO's. Since first being accredited in 1991, the Department has maintained its accredited status from the National Association of Insurance Commissioners (NAIC) each year and is in the process of receiving its next five year re-accreditation, which confirms the Financial Services area is in compliance with the NAIC's insurance company solvency monitoring guidelines.
- The Licensing Office issued licenses within 24 to 72 business hours. A total of 38,596 licenses were issued during the past fiscal year. After reviewing financial statements and other pertinent information, the Financial Services area issued 30 licenses to insurance companies seeking to write insurance in South Carolina. These licenses were for the following: 15 Property & Casualty, 2 Life, Accident & Health, 2 Health, 5 Eligible Surplus Lines, and 6 Risk Retention Groups.
- The Taxation section collected insurer and broker surplus lines premium taxes on a quarterly basis, which were deposited to the General Fund. Taxation performed

audits of returns and balanced taxes to the general ledger by June 30, 2011. During the year, the Department audited 1,566 licensed insurers and 164 captive insurers. In addition, 510 broker premium tax returns were reviewed and audited. After auditing returns, additional taxes of \$36,318 were collected. Total taxes and fees collected during the year amounted to approximately \$178,443,559.

- The Consumer Services (CS) office along with other divisions in the department responded to and resolved consumer requests relating to insurance issues to include unfair sales and advertising practices, underwriting, and claims handling practices. CS handled approximately 2,612 written complaints, 58,294 telephone complaints/inquiries, and 142 walk-ins during the past fiscal year. Additionally, approximately 39 legislative and constituents requests for assistance were handled. Compared to prior year, the number of written complaints decreased by approximately (4%); telephone complaints/inquiries remained about the same at 58,361; and walk-ins remained the same for a total 139 walk-ins.

**TOTALS (JULY 2010 TO JUNE 2011)**

**Calls (Regulatory Analysts, Switch Board, & Other Divisions)**

December 2010	4,413
November 2010	4,565
October 2010	4,986
September 2010	4,964
August 2010	4,921
July 2010	5,085
January – June 2011	29,360
<b>TOTAL</b>	<b>58,294</b>

**Visitors**

December 2010	7
November 2010	13
October 2010	13
September 2010	12
August 2010	17
July 2010	7
January – June 2011	73
<b>TOTAL</b>	<b>142</b>

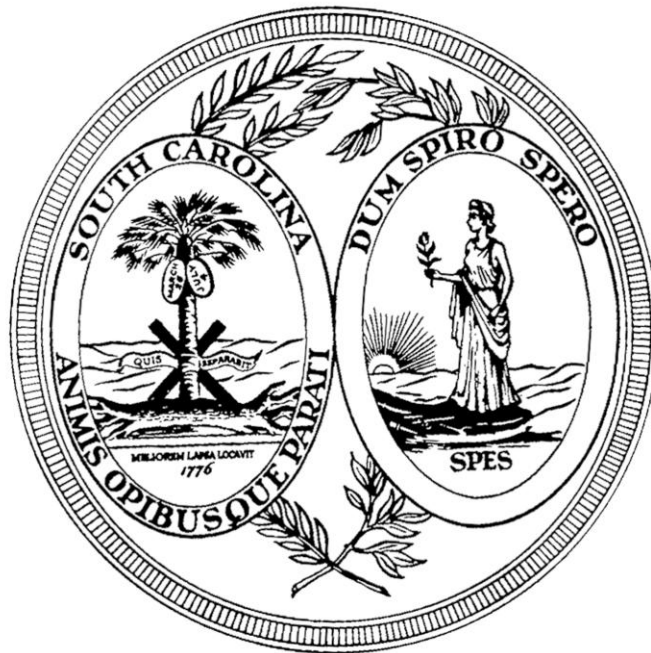
**Written Complaints**

December 2010	202
November 2010	194
October 2010	218
September 2010	229
August 2010	239
July 2010	234
January – June 2011	1,296
<b>TOTAL</b>	<b>2,612</b>

- The Product Regulation office protected insurance consumers by ensuring that forms are in compliance with the laws and regulations of South Carolina and do not contain provisions that are unfair, deceptive, misleading or discriminatory. Approximately 10,412 rates and forms were processed during the fiscal year. Reviewed rates to ensure that they were reasonable, not excessive or inadequate, and not unfairly discriminatory.
- Since the passage of captive-enabling legislation in 2000, the Alternative Risk Transfer Services Division of SCDOI has licensed 229 captive insurance companies. Nine new licenses were issued during the fiscal year. Twenty-six financial examinations of captive companies were completed. Of the twenty-six, ten were risk retention groups and sixteen were non-risk retention groups. The Department collected \$4,222,902 in taxes and fees from the licensing of captive insurance companies. Economic benefit to the State was about \$ 20,000,000. All quarterly and annual financial statement analysis was completed on all domestic risk retention groups licensed as captive insurers.
- The Executive Services Division ensured that all insurance laws of the State were faithfully executed and counseled and advised the Governor on all matters assigned to the Administration. Effectively and efficiently managed the day-to-day operations of the agency; provided assistance to legislators and their constituents; facilitated all NAIC projects, meeting and conferences and handled all media contacts within properly established timeframes.
- The Legal division received 2,793 summons and complaints in civil actions to be served on insurers transacting business in SC, responded to 120 FOIA requests, closed 301 investigation files resulting in \$399,316 in administrative fines for the general fund and represented the agency in five cases brought before the Administrative Law Court during the last fiscal year.
- The Administrative division successfully provided the administrative services program in support of the agency's mission in a professional qualitative and responsive manner, emphasized efficiency and cost-effectiveness; managed salaries and benefits for 96 FTEs; maintained agency-wide computer systems; accounted for the collection of \$204,897,274 in taxes, fees and assessments; successfully managed donations received by the agency; and managed the 2.5 million dollar SC Safe Home Grant Program.
- The Hurricane Damage Mitigation Program provided matching grants of up to \$5,000 to assist individuals in making their homes as hurricane resistant as possible. The Department partnered with local and statewide businesses and not for profit agencies to provide information and mitigation methods to help South Carolinians learn ways to make their homes more disaster resistant. During the fiscal year ending June 30, 2011, SC Safe Home awarded 719 grants totaling approximately \$3,136,474.

**SOUTH CAROLINA DEPARTMENT OF  
INSURANCE**

**DISASTER RESPONSE COORDINATION PLAN  
Fiscal Year 2011-2012**





***TABLE OF CONTENTS***

**PURPOSE.....3**  
**LEVEL DEFINITIONS..... 3**  
**VOLUNTEER STATEMENT.....4**  
**INTRODUCTION.....4**  
***ADJUSTER ACCESS AND REENTRY ACCESS PERMIT PLAN.....5***  
**DEPARTMENT DISASTER RESPONSE PLAN.....6**  
**HURRICANE TELEPHONE MESSAGE.....11**  
**APPENDIX.....12**

## PURPOSE

The purpose of this manual is to provide procedures that will assure a well-coordinated response to any natural, or man-made, disaster that may affect the Department and the citizens of the State of South Carolina. This manual details the various actions taken by the Department, and sets forth a reporting procedure to ensure all levels of management are aware of the status of the Department's response. The response will be implemented automatically based on a notification from the Director as to the Department's level of activation.

## LEVEL DEFINITIONS

Activation levels mirror the definitions used by the South Carolina Emergency Management Division.

- Opcon 5 - Day to day operations to include normal training and exercises.
- Opcon 4 - Possibility of an emergency or disaster situation that may require a partial or full activation of the SEOC.
- Opcon 3 - Disaster or emergency situation likely or imminent. Full or partial activation of SEOC; activate SC Emergency Operations Plan and the appropriate specific impact hazard emergency plan.
- Opcon 2 - Disaster or emergency situation in effect; maximum preparedness level; full activation of SEOC.
- Opcon 1 - Disaster or emergency situation in effect, full fledged emergency response operations ongoing; highest state of emergency operations.

**Beginning June 1 and continuing throughout Hurricane Season until November 30, the Department will operate at Opcon 4.**

## **VOLUNTEER STATEMENT**

### **Statement of Policy**

The volunteering by DOI employees to work during and after a disaster is critical to meeting our responsibilities as a major disaster response and recovery agency. The Department places a tremendous value on sacrifices made by volunteers, supervisors and managers who not only accommodate, but encourage employees to volunteer. While insurance knowledge is preferable, employees with the willingness to learn and assist consumers are welcome to volunteer.

### **Purpose**

To articulate the importance of DOI employees voluntarily participating in disaster recovery that does not necessarily involve their regular job duties and that each employee understands the importance of providing assistance as needed.

## **INTRODUCTION**

The Department of Insurance is committed to assisting with the insurance needs of the residents of the State of South Carolina. This becomes especially important when a natural disaster strikes. Services to citizens are initiated in several ways by many divisions within the department.

When warranted by the Director, specially trained volunteers from the Department are deployed to the disaster location and stationed, as a general rule, in the State/FEMA designated Disaster Field Office (DFO). These volunteers work directly with disaster victims assisting with insurance claims in FEMA sponsored Disaster Recovery Centers, or providing outreach by traveling into the damaged areas to assist.

The Individual Licensing Department within the Division of Administration will monitor and regulate unlicensed adjuster and agent activity.

As the South Carolina Department of Insurance does not currently have a Fraud Investigation Division, Department volunteers are requested to report all suspect activities to the Office of General Counsel, within the South Carolina Department of Insurance. The Office of General Counsel then alerts the Attorney General's Office and the Office of Consumer Affairs to these suspicious activities.

The Division of Consumer Services' toll free number will be continuously manned to respond to telephone requests for assistance.

The Division of Financial Services will monitor and work with affected insurance companies to insure that claims are processed expeditiously and coverage issues are adequately addressed.

The Legal Department within the Division of Financial Services prepares to assist with volunteers. This Department also prepares and pursues legal courses in the area of enforcement and rule drafting.

The Office of the Director provides direction and support to the department employees (volunteers) who are assisting victims of the disaster and provides representation to the State Emergency Management Division's Emergency Operations Center and Emergency Support Function (ESF) 24, Business and Industry, as required. Additionally, the Office of the Director is responsible for the updating of the companies claims contact information as well as company CAT Team contact information. Following this update, the Office provides property and casualty companies writing in South Carolina a supply of emergency adjuster re-entry permits. These are provided free of charge to the company. The reentry access plan is provided below. A copy of this year's permit is included in tin the Appendix.

### **INSURANCE ADJUSTER DISASTER AND REENTRY ACCESS PLAN**

The South Carolina Department of Insurance (DOI), the South Carolina Emergency Management Division and the South Carolina Highway Patrol have agreed to issue Disaster Insurance Adjuster Reentry Permits to expedite licensed insurance company adjusters access to areas that have experienced severe damage resulting from a natural disaster. Local Emergency Management officials, in conjunction with the South Carolina Emergency Management Division will determine when the most severely impacted areas are reasonably safe for non-emergency personnel to enter. Once that determination has been made, local officials will notify the South Carolina Emergency Management Division SEOC (State Emergency Operations Center). The DOI representative stationed at the SEOC will have this information immediately placed on the Department of Insurance website [www.doi.sc.gov](http://www.doi.sc.gov). This information will also be available by calling the DOI (803) 737-6160. This information will indicate that an adjuster that presents himself or herself at a checkpoint and displays a current Disaster Insurance Adjuster Reentry Permit in conjunction with the appropriate company identification will be allowed to enter the areas. Until the emergency officials have determined that it is reasonably safe for non-emergency personnel, no one will be allowed to enter the area, even if proper identification is available.

Only licensed insurance adjusters approved by the South Carolina Department of Insurance are eligible to receive Disaster Insurance Adjuster Reentry Permits. Unauthorized use of the permits may result in the revocation of a company or organization's use of the permits. The receiving organization is responsible for establishing and maintaining a record outlining the adjuster name and corresponding permit number. This information must be forwarded to the South Carolina Department of Insurance via facsimile, (803) 737-6159 or e-mail, [scdoiemergencyresponse@doi.sc.gov](mailto:scdoiemergencyresponse@doi.sc.gov) . This information will be maintained by the Director.

The permits will be distributed by the South Carolina Department of Insurance under the supervision of Director David Black's office. The permits for the 2011-12 Season are printed on white cardstock with blue ink, a red numbering system and a green border. They are designed to be displayed on a motor vehicle's rear view mirror. Distribution is limited; companies will receive one permit per adjuster. The South Carolina Department of Insurance has contacted Catastrophe Team Managers with individual companies to determine the total number of required permits for each company.

The permits will likely be needed the first few days following the event. Once the Recovery Phase has stabilized, access should be allowed to all. Please note that as in the past, an adjuster will need to have insurance company identification and South Carolina Department of Insurance license information with them at all times.

**Permits for the 2011-12 season will be valid until May 31, 2012**

The following identifies the operating procedures that are implemented by each Division in the event of a disaster.

**SC DOI Disaster Response Plan of Operation**

<b>Action</b>	<b>Activation Level</b>
Assure that adequate supplies are available for disaster teams and volunteers (to include cell phones, beepers and laptops).	<b>Opcon 5, 4 (Preparation)</b> Throughout the year.
Review and update Disaster Response Plan, where necessary.	By June 1 and throughout the year.
Recruit, identify and confirm disaster team	Ongoing
Coordinate training courses re. homeowners, auto and flood for department volunteers.	As warranted.
Monitor the weather and remain alert for possible weather threats.	Throughout the year.
Identify and coordinate with other Departments of Insurance to locate short-term volunteer assistance.	Ongoing
Annually issue Emergency Adjuster Reentry Permits to companies writing insurance in South Carolina. At this time, update all contact information for each company CAT manager.	<b>Opcon 5, 4</b> Update and reissue permits no later than June 2010

<b>Action</b>	<b>Activation Level</b>
Contact insurers writing property and casualty insurance coverage in SC for current company contact and claims numbers. Update list posted on DOI web page.	By June 2010
Prepare training materials for additional volunteers	Ongoing
Prepare Disaster Response Kits for Department for Field Use	Prior to June 1. Will supply last minute info. for specific event prior to distribution of kits.
Coordinate with the SC Emergency Management Division (SC EMD), ESF 24, Governor's Office, FEMA, Federal Insurance Administration, SC Insurance News Service and others to assure maximum efficiency and communication.	Throughout the year.
Keep Executive Director apprised of current weather situation and Department's ability to respond.	Throughout the year.
Contact all County Emergency Preparedness Divisions to offer assistance and provide toll-free consumer services number.	Opcon 3, Disaster Imminent or in Progress At the onset of a Hurricane Watch.
At the determination of the Executive Director, call an Executive Staff Briefing. Executive Staff will report the level of readiness for each division within the Department. Executive Staff briefings will be conducted periodically throughout the event. Executive Staff will disseminate information to Department employees following the Executive Staff briefings.	June 1 – November 30
Once determined that additional volunteers are needed, have them report to Department to receive training regarding fundamental insurance	<i>Opcon 1</i>

related questions.	
<b>Action</b>	<b>Activation Level</b>
Brief all volunteers on DOI travel procedures and coordinate travel arrangements.	<i>Opcon 1</i>
Brief all volunteers on time sheets and comp. Time accrual.	<i>Opcon 1</i>
Attend FEMA briefings with DOI volunteers once Disaster Field Offices (DFO) are established.	<i>Opcon 1</i>
Begin to recruit back-up volunteers to relieve those currently at DAC Centers.	<i>Opcon 1</i>
Provide Department-wide e-mails to keep the staff apprised of current weather conditions and the level of readiness for the Department and SC EMD.	June 1 – November 30
Monitor SC EMD WEB EOC computer system /REACH System so as to maintain a level of knowledge regarding the status at the local Emergency Management Division level. <i>(This can be done from DOI offices)</i>	<b>Opcon 3, 2, 1 until SEOC (State Emergency Operations Center) is closed.</b>
Provide updated information to be placed on the DOI website regarding emergency insurance issues. This includes the listing of company claim offices and telephone numbers, adjusters' information and flood information.	Prior to June 1 and throughout the Hurricane Season.
Coordinate any Emergency Licensing Activities as they relate to the current natural disaster.	<i>Opcon 3</i>
Review Emergency Adjuster Licensure applications (on and off line) and other necessary forms for accuracy.	<i>Opcon 5, 4</i>
Provide daily briefing reports to Director's Office regarding requests/inquiries regarding Emergency Adjuster licenses issued.	Opcon 3, 2, 1

<b>Action</b>	<b>Activation Level</b>
In accordance with Regulation 69-1, prepare draft Emergency Declaration for Director's signature allowing the licensure of temporary/emergency non-resident adjusters.	June 1 (this becomes effective following the Governor's call for mandatory evacuation).
Under the auspices of the Director, prepare DOI for extended hours of operation.	<b>Opcon 3, Disaster imminent or in progress</b> June 1 – November 30
Licensing and Consumer Services area will be available to handle inquiries; extended hours will be put in place, if warranted.	<i>Opcon 3</i>
Issue Press Release announcing extended hours of operation. Notify Cat. Team Managers of admitted p & c carriers	<b>Opcon 3</b>
Provide periodic updates regarding types and nature of disaster related calls received. Coordinate with the Governor's Office, Office of Emergency Management, and the South Carolina Insurance News Service	<i>Opcon 3, 2, 1</i>
If warranted, develop a property insurance mediation program.	<i>Opcon 2, 1</i>
Establish direct bill procedures with area hotels for volunteer employees manning the Disaster Centers.	Immediately following landfall of the disaster.
Establish per diem system for Field Team or use pre-existing state system and/or obtain Bank of America Credit Cards for Field Team (at the Discretion of the Director or Executive Staff)	As warranted
Monitor availability and if needed reserve vehicles for volunteer staff through State of South Carolina Motor Pool.	Immediately prior to landfall and once Recovery Phase has begun.
Update telephone list, to include home and mobile numbers of First Responder Team and Executive Staff.	Ongoing
Establish phone tree to contact all Department employees re: the ability to return to work.	Ongoing



<b>Action</b>	<b>Activation Level</b>
If warranted and determined by the severity of the natural disaster, have phone lines transferred to temporary office space.	<b>Opcon 1 Recovery status in effect.</b>
Have adequate supply of consumer brochures and helpful information available for distribution at Disaster Field Offices.	Prior to June 1.
Prepare for production of press releases on topics such as hurricane tips, unlicensed adjusters, the claims process and the DOI Toll-Free Consumer Telephone Number. Continue to coordinate with the Governor's Office, Office of Emergency Management and the South Carolina Insurance News Service. Disseminate news releases to media as necessary regarding natural disasters.	<b>Opcon 3,2, 1 (as well as onset of the season).</b>
Arrange to publish toll-free, damage claims telephone numbers for at least top 50 property and casualty carriers in SC. In print and television media via PSA, etc.	<b>Opcon 2, 1</b>
Update names of Mayors, Administrators, Legislators, etc., in affected area to offer assistance with insurance related issues.	Prior to the disaster making landfall.
Remind staff to document all hours worked. Utilize the timesheet format provided by Administrative services – (found on the I drive).	Opcon 3, 2, 1
Prioritize list of domestic and foreign property insurers.	Opcon 3, 2, 1
Conduct review of Insurance Company Exposures in Affected Disaster Areas, based on available information.	<b>Opcon 3, 2, 1</b>
Report to the Executive Director the financial stability of the domestic industry.	Through out the season, June 1 - November 30
Review IT Emergency Response Plan	Opcon 5, 4

<b>Action</b>	Activation Level
Provide notification of any network issues that may impact disaster/emergency preparations.	Opcon 5, 4
Make preparations for obtaining backup for sites that may be impacted.	Opcon 5, 4
Provide notification of any desktop issues that may impact disaster/emergency preparations.	Opcon 5, 4
Provide instruction to Department volunteers utilizing laptops while in DAC sites.	Opcon 2, 1
Institute corrective actions as necessary.	<b>Opcon 1</b>

**EMERGENCY TELEPHONE MESSAGE FOR  
MAIN TELEPHONE NUMBER (803)-737-6227**

Should conditions warrant and the Governor closes all State offices in Columbia, South Carolina, the South Carolina Department of Insurance will prepare a recorded message to be placed on the main telephone line that outlines the following information:

Due to present conditions in South Carolina all non-emergency personnel have been ordered by the Governor not to travel the roadways to report to work, at this time. Upon the Governor's declaration that the weather conditions in South Carolina do not pose a threat to state employee's safety, our offices will re-open, and we will be happy to assist you with your insurance-related questions or concerns. Please review our web site, [www.doi.sc.gov](http://www.doi.sc.gov) if possible for additional information.

**\*\* IF POSSIBLE THE DEPARTMENT WILL TRANSFER THE TOLL FREE CONSUMER LINE TO ANOTHER NUMBER THAT WILL BE OUT OF THE DISASTER AREA AND WILL BE ABLE TO BE MAINTAINED EVEN IF STATE OFFICES ARE TEMPORARILY CLOSED.**