Accountability Report Transmittal Form

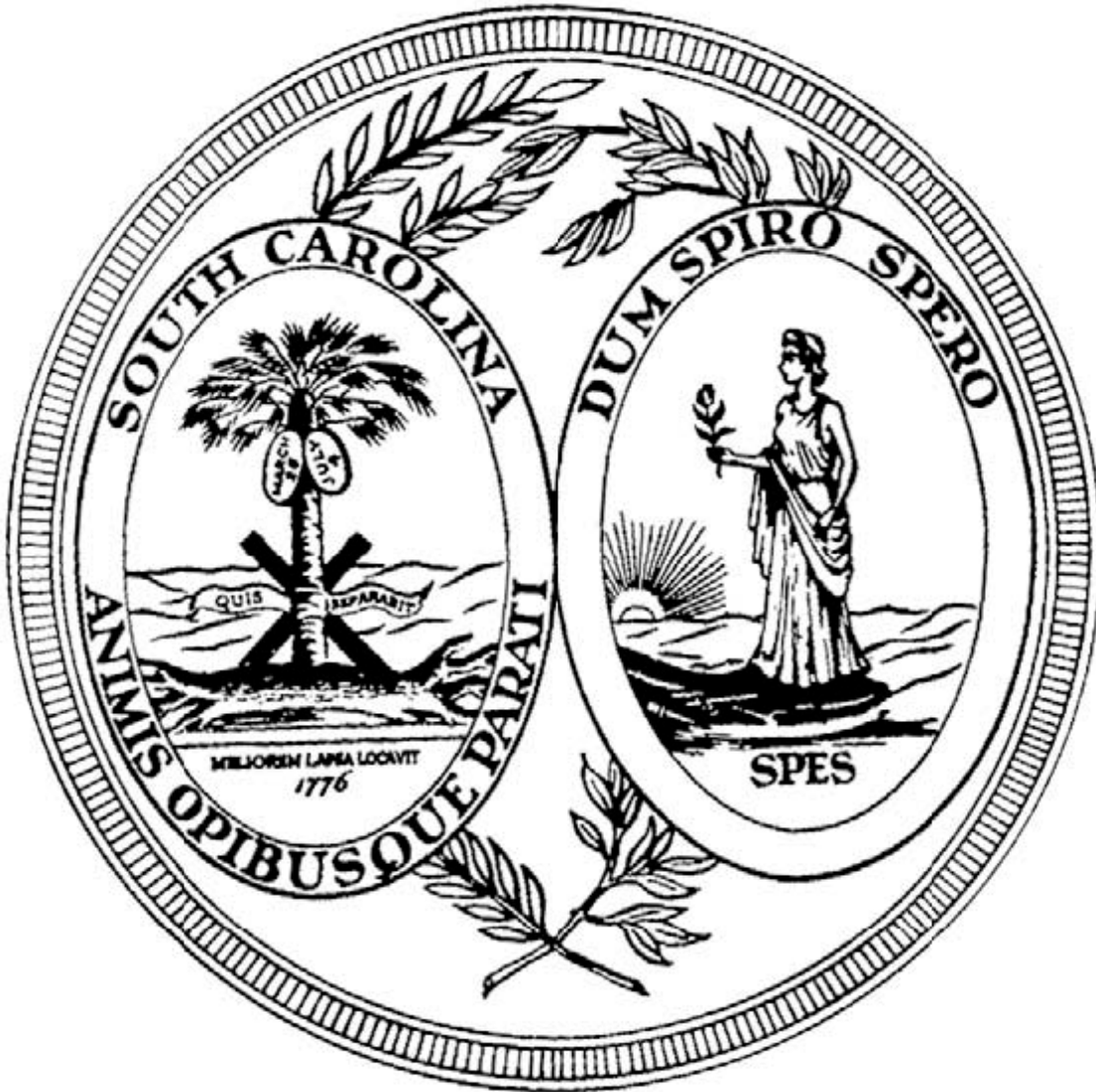Agency Name: South Carolina Department of Insurance

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SOUTH CAROLINA DEPARTMENT OF INSURANCE

AGENCY ACCOUNTABILITY REPORT
FISCAL YEAR **2013**
(July 1, 2012- June 30, 2013)

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Mission Statement

The mission of the 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.

To accomplish this mission, the Department:
- Administers the insurance laws in a fair and impartial manner;
- Assists with the formulation of insurance regulatory policy by recommending new laws to address market issues or amendments to existing laws to address market or consumer protection concerns;
- Continues to improve the quality of services provided by the Department;
- Provides technical advice and assistance to DOI stakeholders on insurance regulatory issues;
- Fosters understanding of the insurance regulatory process and compliance with the insurance laws through interpretive bulletins, continuing insurance education, and community education and outreach.

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.

Part I: Major Achievements

The Department's activities and achievements relate back to its mission. Senior leadership reviews market performance and regulatory challenges annually to develop goals and objectives for the year that enable to the Department to fulfill its mission. This approach enables the Department to maintain focus on its mission, goals and objectives. Accordingly, the Department's achievements during Fiscal Year 2013 are summarized below:

Revenue Generated for the State

In the Fiscal Year 2013, generated revenue made up 87.6% of the Department's operating budget. The Department generated $222,824,033 in revenue from taxes, fees, assessment, fines, etc. Of this total, the Department retained $11,197,223 (5% of total collected revenues) to fund Department operations and deposited the balance ($111,626,810) in the State's General Fund.

Insurer and broker premium taxes are collected on a quarterly basis and deposited into the General Fund. During the year, tax returns for 1,538 licensed insurers and 169 captive insurers were audited. As of February 2013, the broker premium tax returns were transitioned from a paper to an on-line review process. Since then, 137,954 policies and 15,196 endorsements and cancellations have been electronically reviewed.

Total fees and taxes collected came to $186,244,339 for traditional insurance companies and $4,342,498 for captive companies in FY 2013. For the traditional companies, this total consisted of: broker taxes

amounting to $18,535,148, additional taxes of $40,059 after auditing, and $167,669,132 from the fees and taxes for traditional insurers. (For captives, see the discussion below.)

<table>
<tr><td>Market Trends: Traditional and Captive Insurance Companies</td></tr>
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Overall, South Carolina insurance markets appear stable. There is evidence that segments of the property insurance market are hardening. Commercial insurance rates in the U.S. were expected to continue firming in many lines of business and industry sectors in 2013 as above average losses, subdued investment returns, and receding reserve releases impacted insurers. Should this trend continue there may be capacity issues. However, traditional signs of a conventional hard market are not evident as price increases were not uniform, capacity exists, and competition among insurers remains keen. Generally, coastal property insurance coverage continues to be the line of insurance about which the Department receives the most inquiries. As with other lines of insurance coverage, coastal property insurance is available, but cost may be an issue for some property owners depending upon the location and characteristics of the property. This trend is likely to continue into the next fiscal year.

Moreover, the outlook for the life insurance industry remains uncertain but competitive. The protracted low interest rate environment continues to be a concern for segments of the industry. These factors could result in higher prices as insurers try to make up for loss of investment income. Capacity exists, but may be reduced as a result. Fewer Americans are purchasing individual life insurance products and that appears to be impacting the performance of this market. Most individuals are opting to obtain life insurance products through their employment. Despite these developments, the life insurance market remains competitive.

Likewise, there is some uncertainty in the health insurance market due to the implementation of the requirements of the Affordable Care Act (ACA). Notwithstanding, there have not been many market dislocations as a result. Only one insurer has exited the market citing the ACA as one of the reasons for that decision. Based upon filings made with the Department, health insurance products will be available in the market in 2014. Long term care insurance continues to the product in the life accident and health insurance line about which the Department receives the most complaints.

Alternative markets benefit when commercial lines harden or tighten. The implementation of European standards have resulted in some uncertainty in European markets. As a result, fewer captives have been forming in Europe. This may mean additional opportunity for growth in U.S. markets. The number of U.S. captive domiciles increased by 3 during the past fiscal year resulting in increased competition for new captives. This trend is expected to continue.

As a result of these market conditions, the number of insurers in the traditional South Carolina domestic industry has remained steady at 49 for the last few years. The Department is able to attract foreign insurers to the South Carolina market as well as those willing to write hard-to-place coverages. Also, while there has been a decline in the number of new formations of captive insurers in South Carolina, the captive insurance industry appears to be stable with additional opportunities for growth in the areas of medical liability as a result of the Affordable Care Act and more onshore formations of captive insurance companies. The Department plans to explore these opportunities for growth and expansion of its captive insurance industry.

The Department is a partner in the state's economic development efforts and is concerned with the responsible growth and economic development of the state. As such, the Department recruits insurers to the state to address market issues and to maintain a viable and competitive insurance market. The Department is interested in further collaborations with the Department of Commerce to recruit insurers and other businesses to the state. The Department administers the state's premium tax program and any

premium tax credits offered for business written in the state. As a member of the team, the Department is able to address insurance market, premium tax, and other risk management issues for insurers and businesses contemplating South Carolina as a domicile or a place to do business. Insurers and other businesses are attracted to, and choose South Carolina as its domicile, based on its reputation for having a stable insurance regulatory environment where businesses can grow responsibly and prosper.

Market Development Enhancements
- Reduced filings open to close cycle time by 32.1%
- Developed an internal daily reporting process for rate filing closures
- Licensed new captive insurers 3
- Licensed 28 traditional insurance companies
- Partnered with the Darla Moore School of Business on training and other educational opportunities

Mitigation Activities
- Awarded 816 SC Safe Home mitigation grants, totaling $4,594,250.00.
- Partnered with the Home Depot and Channel 2 (WCBD-TV) for a Home Safety and Preparedness Expo in Charleston in advance of the start of the 2013 hurricane season. The Expo included 27 exhibitors and drew over 400 attendees.
- Conducted a public hearing on coastal property insurance issues.

What follows is a brief description of the Department's regulatory achievements over the course of the past fiscal year by Division or program area.

Division of Financial Regulation and Solvency Services

Financial Regulation and Solvency regulates the solvency of the South Carolina insurance market and promotes competition by attracting new market entrants. The Division consists of two sections which provide licensing and solvency surveillance services for traditional and captive insurance companies.

A. <u>Regulation of Traditional Companies</u>. South Carolina currently has 49 licensed traditional domestic companies and health maintenance organizations, and 1,456 licensed foreign insurers and HMO's.
   a. The Department licensed 25 *new insurers* during FY 2013.
   b. The Department completed 12 *financial examinations* of traditional insurers and HMO's during FY 2013.
   c. It also conducted 15 *premium tax audits*, which resulted in no additional taxes in FY 2013. Also, two organizational examinations were conducted. These are initial, on-site visits to insure that the company being licensed has satisfactory office space, personnel equipment, and processes in order to commence business in South Carolina.

B. <u>Regulation of Captive Companies</u>. Since the passage of captive-enabling legislation in 2000, the Department has licensed a total of 242 captive insurance companies.
   a. The Department issued 3 *new licenses* during FY 2013 bringing the total number of active captive insurance companies to 145.
   b. The Department completed 22 *financial examinations* of captive companies during FY 2013. Of these examinations, the Department conducted eight on captive companies licensed as risk retention groups, an examination approach which the Department began using in 2010. Fourteen were conducted on non-risk retention groups (non-RRGs). Four special purpose financial captives new examinations commenced in June 2013.

c. The Department collected $4,342,498 in *premium taxes and fees* from captive insurance companies during FY 2013.

<div style="border:1px solid #000; background:#c5d0e6; text-align:center">Legal, Legislative and External Affairs Services</div>

The Department's government relations function which is coordinated by the Legislative Liaison and other key Department personnel assists in conveying agency policy to legislators and other senior government officials, tracks and analyzes bills that may affect the business of insurance; prepares legislative summaries of enacted legislation, assists with the preparation and dissemination of the statutorily required reports and coordinates constituent requests and complaints.

The Department is involved in federal, state and local policymaking related to insurance regulatory policy. Maintaining relationships and effectively communicating with consumers and officials at all levels of government is critical to the Department's ability to accomplish its mission. The Department serves the citizens in all 46 counties and believes is voice is vital to the consideration of national, state and local insurance regulatory policy issues.

The Department continues its participation on national and state policy boards, committees and working groups. The Department's participation enables the state to be at the table during the discussion and development of insurance regulatory standards. More importantly, the Department's participation ensures that policymakers consider the impact of new policies , regulations or laws on the South Carolina consumer and insurance market. Outlined below are the committees and boards upon which the Department serves or participates.

A. The Department serves on a total of 21 <u>committees, working groups, and task forces</u> through its participation in the National Association of Insurance Commissioners (NAIC). These committees include the:
   - o Health Care Reform Regulatory Alternatives (B) Working Group;
   - o Health Actuarial (B) Task Force;
   - o Health Actuarial Opinion Review (B) Subgroup;
   - o Health Care Reform Actuarial (B) Working Group;
   - o ACA Rate Increase Mitigation (B) Subgroup of the Health Care Reform Actuarial (B) Working Group;
   - o Medical Loss Ratio (B) Subgroup of the Health Care Reform Actuarial (B) Working Group;
   - o Pricing (B) Subgroup of the Health Care Reform Actuarial (B) Working Group;
   - o Reinsurance and Risk Adjustment (B) Subgroup of the Health Care Reform Actuarial (B) Working Group;
   - o State Rate Review (B) Subgroup of the Health Care Reform Actuarial (B) Working Group;
   - o Long-Term Care Actuarial (B) Working Group;
   - o Long-Term Care Valuation Table (B) Subgroup of the Long-Term Care Actuarial (B) Working Group;
   - o Long-Term Care Pricing (B) Subgroup of the Long-Term Care Actuarial (B) Working Group;
   - o Catastrophe Insurance (C) Working Group;
   - o Earthquake (C) Study Group;
   - o Risk Retention (C) Working Group;
   - o Market Analysis Procedures (D) Working Group;
   - o Captive and Special Purpose Vehicle (SPV) Use (E) Subgroup;
   - o Financial Regulations Standards and Accreditation (F) Committee;

- o Southeastern Zone;
- o Medicare Supplement Refund Formula (B) Subgroup of the Health Actuarial Task Force; and
- o Casualty Actuarial & Statistical (C) Task Force.

Additionally, the Department participates on the following state boards and committees:

- Insurance Counseling and Assistance Referral for Elders Program (I-CARE);
- South Carolina Automobile Liability Insurance Reporting (SCALIR) Committee;
- Advisory Board for the Associated Auto Insurers Plan
- Governing Board for the Medical Malpractice Joint Underwriting Association
- Governing Board for the South Carolina Patients' Compensation Fund;
- Workers Compensation Advisory Council;
- Small Employer Reinsurance Board;
- SC Safe Home Grant Review Committee.
- Commercial Auto Insurers Plan (CAIP); and
- NCCI Workers Compensation Dispute Resolution Committee.

Each of these boards, committees or working groups assists with the development of insurance regulatory policy or provides services to South Carolina consumers on insurance-related issues.

C. <u>Legislative Assistance/Policy Recommendations</u>. In addition to the foregoing, the Department provides a variety of services to members of the South Carolina General Assembly and other senior policy makers on insurance regulatory matters. Those services include but are not limited to:
- Technical Advice and Assistance. The Department provides technical advice and assistance on pending legislation; prepares executive summaries of bills pending before the General Assembly and prepares fiscal impact reports as requested on bills affecting the South Carolina insurance market. Department staff also provides testimony before various legislative committees concerning the impact of legislation on the South Carolina market.

Set forth in the table below are the bills on which the Department provided technical assistance. These bills received some attention during the session but did not pass<u>.</u>

Bill Number	General Bill Description
H.3797	Captives Insurance Reform
H. 3623	Electronic verification of insurance coverage
S.290	Telemedicine
S.35	Health Care Sharing Ministries Freedom to Share Act

<u>Legislative Policy Recommendations</u>. The Department sets its regulatory agenda each fall based upon the regulatory challenges confronting the South Carolina insurance market. That agenda often includes recommendations for amendments to existing legislation, new statutes or regulations affecting the business of insurance in South Carolina. Copies of the Department's Legislative Recommendations were circulated to stakeholders for comments in December 2013.

Of the issues identified in the Department's regulatory agenda, the following bills were prioritized and ultimately enacted by the South Carolina General Assembly.

Bill Number	2013 Act Number	Description
H. 3620	18	Provides capital requirements for Director to use in evaluating the need to take regulatory action with a captive.
H.3621	19	Establishes guidelines for Director to use in determining if a captive's financial condition is unsound or hazardous while outlining steps the Director may take in such a situation.
S.460	66	Outlines that the Director may request proof, from a Broker who seeks to place business of risks located in South Carolina with a non-admitted insurer, of that insurer's eligibility to write surplus lines in South Carolina including information such as domiciliary state, and minimum capital and surplus amounts.
S.463	67	Requires bail bondsmen and runners to purchase an FBI background check, in addition to a SLED background check, to receive or renew license.
S.464	47	Updated applicable code sections to reflect the current financial responsibility limits of $25k/$50 for automobile insurance.
H.3409	77	Provides an individual may cancel a contract for roof repairs with a party who would be paid by the insurance policy within 5 days of receiving notice insurer denied their claim.
S.530	49	Removes requirement that point-of-service option be offered b employers, increases maximum differential between a closed panel health plan and a point-of-service option to thirty percent for coinsurance, and adds that physical therapists and occupational therapists may not be discriminated against participating in plan because of profession.
H.3960	88	Requires employers participating in a Multiple Employer Self Insured Health Plan execute agreement to pay the portion of claims of their employees not paid by the plan, employers receive annual notice of this responsibility, and provides for excess top-loss coverage.
H.3632	95	Reduces maintenance tax computation down to two and one half percent, requires Workers Compensation Commission keep the greater of 50% or $2.2 million payable to commission with any remaining balance going to General Fund, and provides 50% of penalty for late payment of tax goes to Workers Compensation commission and remaining balance to General Fund.

Constituent Services. In addition to the services provided to South Carolina consumers, the Department also assists legislative staff in responding to, or by responding directly, to constituent complaints. The Department addressed approximately 200 constituent issues from across the state. Constituent issues ranged from concerns about the cost of long term care insurance and coastal property insurance to questions about the impact of the health insurance reform law on them.

No new regulations were promulgated by the Department during the 2013 session. However, the Department did support a regulation (Document Number 4321) by the Department of Labor, Licensing & Regulation (LLR) that implemented the 2013 International Residential Code on schedule.

The Office of General Counsel (Legal Services) provides legal support to the program areas within the Department and represents the agency in any legal proceeding in which the Department is named as a party. The Office also drafts and reviews agreements, policies, bulletins, regulations and legislation.

Department attorneys are assigned specific areas of responsibility and provide legal services to those program areas. Counsel also analyze and comment on legislation, statutes, bills and regulations and make policy recommendations to the senior leadership of the Department. Counsel coordinates the Department's response to subpoenas, FOIA requests and supervises the investigation of complaints and imposition of disciplinary action where appropriate.

Office of Public Information serves as the Department's primary media contact, researches, writes, edits and distributes media releases and responds to news-related inquiries. This office coordinates and conducts media interviews, monitors and clips stories from major news sources about insurance and produces a quarterly Department newsletter. Public Information also coordinates the Department's education and outreach activities. Over the course of the past fiscal year, this office responded to more than 200 media inquiries and other requests for information.

<div style="text-align:center">**Administrative Services and Strategic Planning Services**</div>

The Administrative Services Division includes 7 areas. The Division contributes to the Department's ability to accomplish its goals by:

- Effectively administering its human resource function in a professional and effective manner;
- Developing enhanced leadership development and management training programs and opportunities;
- Expanding internship and other opportunities to expose college and high school students to insurance regulation and employment opportunities at the Department;
- Developing web-based processing services for the agency's customers and the public;
- Implementing various technological solutions in response to changes in state laws or policy governing insurance regulation;
- Implementing new data security requirements; and
- Implementing new telecommunications technologies that enhance the Department's internal and external communications.

Summarized below are some of the specific achievements of this Division.

The Division of Administrative Services and Strategic Planning provides administrative services and other support to the program areas in support of the agency's mission to provide responsive and quality customer service. The Department requires highly skilled and specialized staff to effectively perform its regulatory responsibilities. The Department is taking the actions necessary to ensure that it maintains a competent and highly skilled workforce. During the past fiscal year, the Department:

A. **Enhanced the Department's Training Program**. The Department has expanded its training program to include courses that focus on customer service as well as the technical skills necessary to be an insurance regulator. All employees are being encouraged to work toward earning insurance-related professional designations. The Department is reviewing its Education and Training Program to determine what additional changes are necessary.

B. **Partnered with educational institutions to provide training and interns**. The Department is working with educational institutions on training and recruitment. Midlands Technical College has developed three customer service training programs for the agency focused on customer service. The Risk Management Program at the University of South Carolina has referred students majoring in math, actuarial science and insurance to the Department for internships. The Department has hired a number of them for its Office of Product Regulation.

C. **More emphasis has been placed on obtaining insurance designation**. Insurance training has been established as a management priority. All employees are expected to pursue insurance-related training. To facilitate employee compliance, the Department has arranged three certified insurance training programs for staff growth and development.

D. **Created and Updated Succession/Workforce Plans**. The Department has created and implemented workforce succession plans for each key position in the Department where an employee is eligible for retirement within the next five years.

E. The Division also managed salaries and benefits for 81 FTEs and maintained agency-wide computer systems, while also accounting for the collection of taxes, fees, and assessments.

F. The Division coordinated the Department's community involvement evidenced by the Department's participation in charitable events such as the state's United Way of the Midlands campaign, a Harvest Hope drive, work with Community Health Charities, and the annual Palmetto Health Foundation's Walk/Race for Life. It then ensured that donations provided by the agency's employees were successfully forwarded to the appropriate charitable organization. The Department also 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.

G. 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 2013, SC Safe Home awarded 816 grants totaling $4,594,250 awarded; of this total, $2,935,286 was paid out during the fiscal year.

H. The Department began assessing its data security protocols in 2012 and made certain security enhancements during that year. Over the course of the past fiscal year, however, significant progress has been made in data security, ensuring that the data submitted to this Department by our citizens, stakeholders, South Carolina businesses, and sister agencies is protected against cyber threats. This Department has implemented numerous security measures to enhance the overall safety and risk management of our systems. We are also in the process of engaging our employees, suppliers and our private-sector stakeholders and enhancing efforts to educate them on the need to follow data security procedures and protocols. In addition to those activities, we have completed most of the security enhancements recommended by Division of State Information Technology (DSIT). The Department's significant achievements in this area include:

- **Appointing an Information Security Compliance Officer**. This staff member is responsible for coordinating the Department's data security policies and activities with management for the Department Information Technology area. This position is responsible for ensuring the Department's compliance with Department and state policy on data security and to serve as the Department's liaison with interagency development of security-related strategy and policy.

- **Designating information security as one of the Department's key management priorities**. The Department is in the process of establishing the necessary performance metrics. All Department employees have been informed that information security is one of the Governor's key management priorities for the state of South Carolina. The Department will change its approach to data security from a static system to a dynamic, relevant process-based system upon continuous monitoring and risk assessment.

- **Enhancing the physical security of Department offices**. There is one central access point to the Department for visitors. All employees are required to use electronic key fobs to gain entry at external and internal Department access points. The fobs have unique identifiers and enable the Department to track access.

- **Installing a video camera and panic button in the reception area**. A video camera and panic button were installed in the reception area to enhance Department security.

- **Employees must undergo Security Awareness Training**. All Department employees must undergo the required Security Awareness Training by September 23, 2013.
- **Implementing other data security measures.** The Department implemented various security measures to enhance data security including deployment of Anti-Bot protection (prevents spyware gaining control of computers); implementation of Application Filtering (blocks online access to games and other high-security risk sites); Implementation of Data Loss Prevention (prevents transfer of sensitive information); and completed Sensor and Mandiant client installation by working with DSIT. As a result, the Department has further decreased the exposure of 196,633 active licensees' personally identifiable information
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Division of Consumer Services and Individual Licensing

A. This Division consisted of two offices: the Office of Consumer Services and Individual Licensing and Specialty Services. The Office of Consumer Services provides comparative shopping tools, publications and tips to help consumers find the insurance coverage they need at the best possible price.

B. The Department assists tens of thousands of South Carolina consumers each year by providing answers to insurance inquiries or assisting with the resolution of insurance complaints. Through its Consumer Services function, the Department has helped recover millions of dollars for South Carolinians. Customer service is a key management priority for this agency. Significant achievements in this area include:

- **Enhanced consumer access to Department services**. The Department extended call hours to 7 p.m., Monday through Thursday, providing consumers with more access to help from the Department. Recently the hours were reduced to 6 p.m. with an extension of the morning hours from 8:30 a.m. to 8:00 a.m. Call data demonstrated that the Department did not receive many, if any, calls after 6 p.m.
- **Additional Consumer Assistance Training for all DOI staff**. Customer service was identified as a key management priority for the Department. Consequently, all Department employees are required to attend customer service training, not just the employees in the Office of Consumer Services.
- **Enhanced Outreach and Education Activities**. The Department has sponsored and participated in community outreach and education activities throughout the State of South Carolina. To date, community outreach activities have been held in Charleston, Bluffton, Greenville, Columbia, and Myrtle Beach, South Carolina. These activities included the annual coastal public hearings in Charleston, South Carolina.
- **Redesigned and Relaunched the Department's website**. The Department has totally rebuilt its website and designated staff to update and maintain the information posted on the website. The functionality and navigability of the website has been improved. It should take no more than three clicks to access information anywhere on the site. Additionally, the Department has built and continues to develop new consumer assistance tools. Most recently, the Department added a secure online tool for consumers that wish to receive quotes from agents or insurance companies regarding their auto or homeowner's insurance needs. Consumers are also able to submit complaints electronically through an online complaint form. Previously, consumers had to download, complete and fax or mail in complaint information.
- **Reviewed and Reported on Insurance Market Affordability and Availability Issues**. The Department has engaged experts to review aspects of market access in South Carolina. Over the course of the past two years, the Department has engaged experts to respond to

consumer concerns about the cost of insurance. Experts have reviewed and testified before the South Carolina General Assembly on the Department's processes for reviewing and approving property rate changes and the Department assembled and facilitated an expert panel's examination of catastrophe models. A public hearing on the outcomes of this examination is scheduled for October 9, 2013.

C. During the past fiscal year, The Office of Consumer Services along with other divisions in the Department responded to approximately 2,549 written complaints, 53,320 telephone complaints/inquiries and assisted 107 consumers who walked-in to the Department for assistance. This complaint information is tracked and provided to the Office of Market Analysis and the Financial Regulation Division to spot trends and detect any other potential problems so that, if necessary, further regulatory action can be taken.

D. The Division's Office of Individual Licensing and Specialty Services issues and oversees a number of licenses, including those of insurance producers (i.e., agents), insurance brokers, bail bondsmen, premium service companies and insurance adjusters, etc. The Office also oversees insurer appointments of producers to write business on their behalf. The Department issued 36,243 new licenses and processed 137,378 new appointments during FY 2013. The Department currently oversees 209,874 active licenses and 609,874 active appointments:

Licensure Type	New Licenses Issued	Active Licenses
TOTAL	36,278	210,488

Insurer Appointments	New Appointments Made	Active Appointments
	137,378	609,874

Division of Actuarial and Market Services

The Actuarial and Market Services Division *reviews and analyzes* insurance rates, policy forms, and marketing and underwriting practices to protect insurance consumers; this ensures that companies are in compliance with South Carolina law and contain no provisions that are unfair, deceptive, misleading or discriminatory. Approximately 10,693 rates, forms, and rule *filings were processed* during the fiscal year; of these, 7,597 were related to property and casualty insurance while the remaining 3,096 were related to life, accident, and health insurance products.

The Department was able to address issues related to the implementation of the Patient Protection and Affordable Care Act (ACA) without increasing the full-time staff of the Department. Through the use of actuarial consultants and temporary employees, the Department was able to take the steps necessary to minimize the market disruptions caused by dual regulation of insurance.

Part 2: Strategic Goals for the Present and Future Year

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

- To effectively regulate the insurance market while realizing optimal cost savings and efficiencies and further to ensure that licensees comply with the insurance laws of the state. This includes ensuring that licensees are paying the appropriate premium taxes, fees and fines especially those that are deposited in the General Fund of the State.
- Continuously improve and promote quality consumer service, with a primary focus on maintaining data security. This entails improving responsiveness (and the quality of our

responses), efficiency, and effectiveness; and vigilantly, implementing measures that secure both physical and virtual workspaces and forms of information.

- Ensure that new laws and regulations impacting the regulation of insurance are effectively implemented. This especially pertains to the ACA, which will reach a key implementation stage in late 2013 through 2014. The DOI has spent much time and effort preparing for the changes, but must continue to work to minimize all potentially harmful effects that could compromise the health of our insurance marketplace, the regulatory environment, or the availability and affordability of coverage in South Carolina.

Part 3: Key Strategic Challenges

Challenge 1: Increased involvement of the federal government in the business of insurance regulation

Increasingly, the federal government is getting more involved in the regulation of the business of insurance. Recent examples of this heightened interest in insurance regulatory activities include enactment of the Patient Protection and Affordable Care Act (ACA) and the Wall Street Reform and Consumer Protection Act (commonly referred to as Dodd-Frank.) The ACA is a federal law that significantly changes how health insurance is sold and priced in this country. While it recognizes that states are the primary regulators of insurance, it establishes the standards with which all insurers must comply. States are charged with enforcement, but if the state does not enforce the provisions of the law, the federal government will.

With the passage of the Dodd-Frank, the federal government took the unprecedented step of creating the Federal Insurance Office which is a new office within the US Department of Treasury. The purpose of the Act is to establish needed insurance expertise at the Federal level. The Federal Insurance Office (FIO) will advise the Secretary of the Treasury on major domestic and prudential international insurance policy issues and consult with the states and state insurance regulators regarding insurance matters of national and international importance. The Office will monitor all aspects of the insurance industry, including the availability of affordable insurance to traditionally underserved, low to moderate income, and minority persons and communities. The Office's authorities extend to all lines of insurance except health insurance, long-term care insurance (except that which is included with life or annuity insurance components) and federal crop insurance. The FIO has the authority to identify issues or gaps in the regulation of insurance that could contribute to a systemic crisis in the insurance industry or the broader US financial system; and to make recommendations to the Financial Stability Oversight Council as to whether an insurer, including affiliates of an insurer, should be an entity subject to supervision by the Board of Governors of the Federal Reserve. The Office will also play a role in the resolution of certain troubled insurance companies. In carrying out these functions, the FIO may receive and collect data and information on and from the insurance industry and insurers; enter into information-sharing agreements; analyze and disseminate data and information; and issue reports. The Office will prepare several one-time reports as well as annual reports to Congress. The Office will also assist the Secretary in administering the Terrorism Risk Insurance Act.

Both Acts contemplate a dual system of regulation. The challenge for state and federal regulators is to effectively collaborate and communicate in the performance of their regulatory roles.

Challenge 2: Maintaining a Solvent and Competitive Marketplace where insurance products are available at the best possible prices.

Competition is the key to achieving widely available and affordable private property and casualty insurance. Several factors are necessary in attracting insurers to a state to write business and increase competition. Many companies may consider the overall risk exposure of a geographical area, as well as

the political, regulatory and legal climates in a state before entering the market or expanding business in that market. The political and regulatory climate in the state is considered stable. However, as long as 28% or more of the state's insured property exposure is located on its coast, there could be availability and affordability issues in South Carolina's coastal property market.

Issues of affordability and availability also arise in with health and long term care insurance products. Both health and long term care insurance products are available in the market, cost continues to be the issue for most consumers interested in purchasing such coverage. The regulatory challenge involves balancing the regulatory duty to ensure solvency (i.e., that rates are adequate so that insurers are able to pay claims) with consumer desire to keep insurance rates low.

Challenge 3: Balancing the Desire for Regulatory Transparency with the Duty to Protect the Confidentiality of Certain Data.

Knowledgeable and educated consumers in the insurance industry are indispensable to the Department's success in meeting its goals of protecting and improving the insurance industry in South Carolina. Individuals must understand their rights and opportunities, and it is part of the mission of the Department to educate and fill in any gaps in knowledge that might become evident. Part of the Department's responsibility in making this a reality is ensuring the quality and applicability of its outreach and education, employee training and the enhancement of outreach efforts, which are currently being launched in new venues across the state, are part of the current and ongoing efforts to make consumer services not only a help line but a tool to increase citizen responsibility.

Part 4: Using the Accountability Report to Improve Organizational Performance

The Department uses the Accountability Report to annually evaluate and critique the progress of the agency's Strategic Plan. The Report is also used to initiate discussion about potential changes or additions to the current year's action plan. Through this process, the performance measures are accurately linked to larger, strategic goals in such a way that promotes the Department's transparency, efficiency, and effectiveness.

SECTION II: ORGANIZATIONAL PROFILE

1. Main Products and Services

The Department provides a number of regulatory services. Those services are described below.

➢ **Executive Services and Public Outreach. Executive Services consists of the Office of the Director and his Executive Assistants.** This division is responsible for supporting the Department's external relations including government relations and community outreach and education , as well as assisting the Director and implementing his goals for the agency. Tasks include handling media relations, coordinating grant programs and special projects, and conducting public outreach. The Public Information Officer and the executive assistant lead this division.

➢ **Legal Services**. Since the DOI is responsible for state-wide regulation, a functional legal office is essential to providing equitable and timely service. Internally, this office provides legal counsel to administrative staff and other divisions working to protect policyholders from troubled insurers. Externally, it is responsible for assisting with the development and enforcement of state insurance laws, taking disciplinary actions against violations of those laws, and responding to relevant policy issues arising in insurance lines that involve national and international trends.

➢ **Financial Services.** Employees in this area fall either into *Analysis* or *Examinations*. These two offices work together to ensure that insurance companies remain solvent from their foundation onwards. This includes the regulation of applications and licensing, financial monitoring and surveillance, and any regulatory interventions that may be required for companies not meeting state standards. One essential aspect of this division's responsibilities is the evaluation of whether a failing company can be revived, or if it simply needs to be liquidated through a court-sanctioned process. This evaluation is known as a solvency surveillance process, which assists policyholders by ensuring that their investments will be honored when claims come due.

➢ **Consumer Protection**. This program area is dedicated to assisting consumers with insurance complaints, usually by phone or by email. The division helps struggling consumers to find coverage, answers general inquiries, and generally works to promote and improve the availability of insurance in underserved areas. Outreach is conducted periodically through publications and presentations across the state. Finally, Consumer Protection employees are responsible for passing on complaints of unfair actions to the Legal division for investigation and possible disciplinary actions.

➢ **Market and Actuarial Services.** This division primarily regulates the business aspects of insurance provision. It is responsible for monitoring policy forms, rates, and rule filings from insurers providing Property and Casualty policies as well as Life, Accident, and Health products. The Market Services also assists in promulgating title rates and forms, and collects and analyzes statistical data for trends within the insurance market. Finally, actuarial services are offered by this office to all divisions of the Department, as needed.

➢ **Licensing**. This office issues operating licenses, approves continuing education courses, and tracks license compliance across the state. It also oversees the appointments of insurance producers by companies hiring them to draft and conduct business on the company's behalf. Those issued licenses by this division include: producers, agencies, brokers, adjusters, public adjusters, appraisers, bondsmen/runners, premium service companies, utilization review companies, rental car agencies, service contract providers, and third party administrators.

➢ **Administrative Support**. Five main areas make up this broad division. First, *Human Resources* [HR] is responsible for the following: workforce planning, benefits, personnel management, and professional development. Second, budgeting, billing and records, purchasing supplies, mail services, and information technology management are all overseen in this division. Third, *Administrative Support* coordinates the Department's implementation of its strategic, succession, and workforce plans. Fourth, a *Taxation Office* responds to inquiries regarding tax rates, policy fees, and premium taxes. Finally, the South Carolina *Safe Home Grant Program* is administered under this divisional umbrella. In FY 2013, it should be noted that the Licensing office was also supervised by the Administrative supervisor until a new Deputy Director could be appointed.

➢ **Captives**. This program area is responsible for bringing captive insurance companies (also known as alternative risk companies) to South Carolina, as well promoting and regulating their activity. Tasks include issuing new licenses, providing financial surveillance, and monitoring market and business conditions in the state.

2. Key Customer Groups and Their Expectations

DOI UNIT	CUSTOMER GROUPS	REQUIREMENTS/EXPECTATIONS OF DOI
Consumer Services	Citizens	Respond to inquiries, complaints, and allegations of unfair trade practices, unapproved rates or forms, unfair claims practices, 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, policy holders of the insurers, and insurance companies	Conduct comprehensive examinations of primarily SC domestic 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 laws on 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); SC Budget and Control Board, OHR, SC Office of Human Affairs	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.
Safe Home 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/customers, the Governor, legislators, other government agencies, the insurance industry generally, and the NAIC [National Association of Insurance Commissioners].

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 the staff 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; SLED; Beeline; Bank of America; NAI Avant LLC; City of Columbia Parking Services; Sowell Gray Stepp & Lafitte; John O'Neal, Esquire; Carolina Office Systems; E Crane Computing; 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; Russell-Massey and Company; Society of Financial Examiners; Oracle Corporation; The Prism Group; Prestige Travel; Ontario Investments; TAPFIN; The Sun News, The Post and Courier; Pitney Bowes; US FEIF/MJW Capitol Center; The State Newspaper; Time Warner Cable; Team IA; Pageant Media LTD; Municipal Association of SC; Fortran Communications; Midlands Technical College; Lorick Office Products;

Batteries Plus; The Federal Alliance for Safe Homes; Civic Plus; Office Supply; Staples; Alpha Graphic; Fitzgibbons and Co.; Consolidated Regulatory Services LLC; Business Cards Tomorrow; Marty Simons (Consultant); T. Crown Industries; J.M. Grace Corporation; Dell Computer Corporation; and Prestige Travel Services.

Every state department of insurance, including this Department, is a member of the NAIC, and participates in the National Insurance Producer Registry (NIPR). Most state departments are also represented in the NCCI database for national analysis and service recommendations.

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 and Actuarial Services Division.

6. Number of Employees

During fiscal year 2012-2013, the Department had 81 FTE positions filled, though 94 FTE positions were authorized.

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.
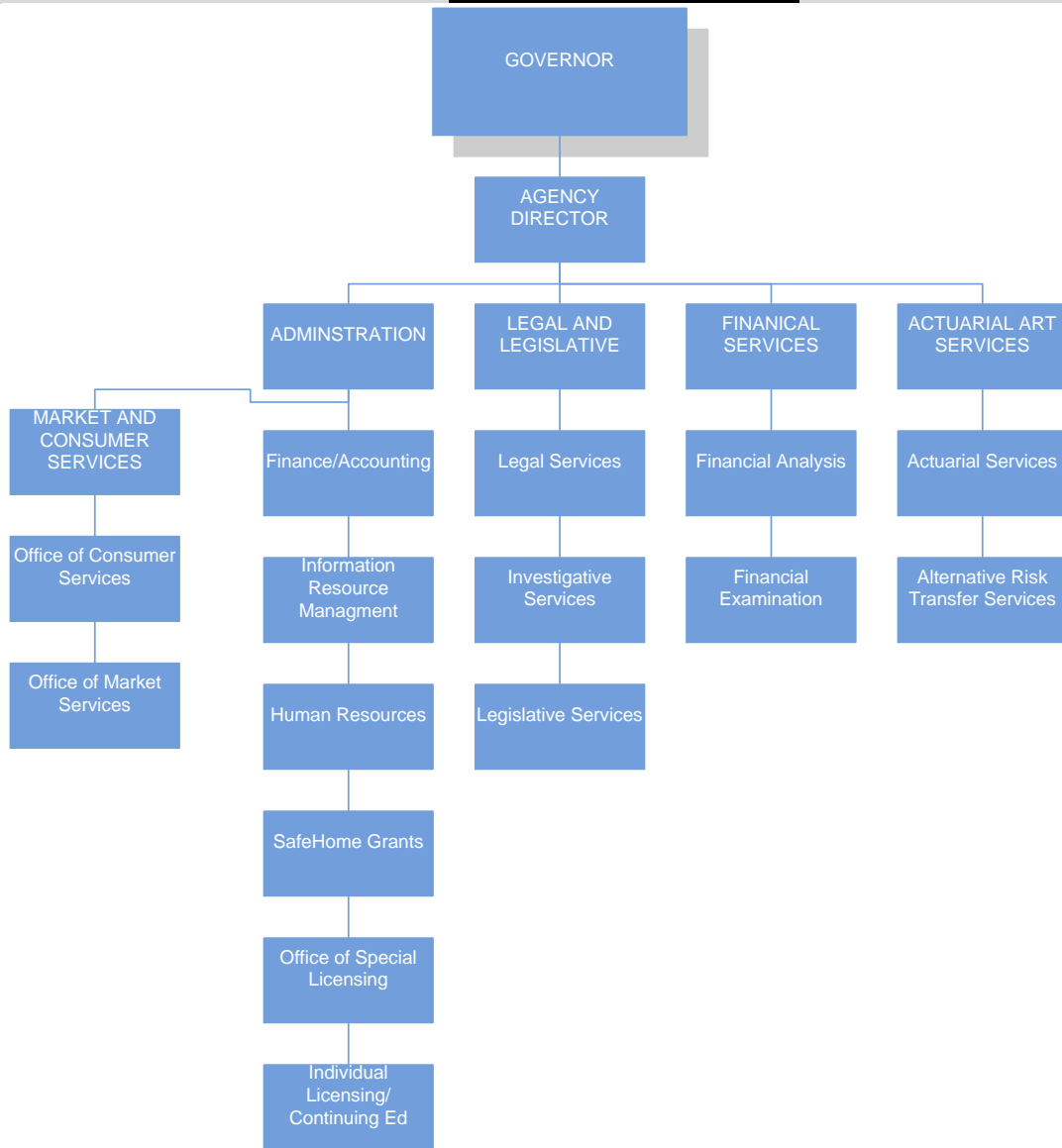
All state insurance commissioners or state insurance directors are members of the NAIC. The NAIC and its staff are a vital resource to the states on issues related to insurance and regulatory policy. While no statute mandates our involvement with the NAIC, it is an excellent resource that helps ensure 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. 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. In the long-term, these goals and specific activities are enumerated in the Strategic Plan.

Department directors have also worked diligently to establish private sector business management practices among employees, evaluating them and holding them responsible for their performance.

9. Organizational Structure

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                              GOVERNOR
                                 │
                          AGENCY DIRECTOR
                                 │
        ┌────────────────┬───────┴────────┬────────────────┐
   ADMINSTRATION   LEGAL AND      FINANICAL        ACTUARIAL ART
                   LEGISLATIVE    SERVICES         SERVICES
        │               │              │                │
   Finance/        Legal          Financial        Actuarial
   Accounting      Services       Analysis         Services
        │               │              │                │
   Information     Investigative  Financial        Alternative Risk
   Resource        Services       Examination      Transfer Services
   Managment
        │               │
   Human           Legislative
   Resources       Services
        │
   SafeHome Grants
        │
   Office of Special
   Licensing
        │
   Individual
   Licensing/
   Continuing Ed

   MARKET AND
   CONSUMER
   SERVICES
        │
   Office of Consumer
   Services
        │
   Office of Market
   Services
```

10. Expenditures/ Appropriations Chart

Base Budget Expenditures and Appropriations

MAJOR BUDGET CATEGORIES	FY 11-12 ACTUAL EXPENDITURES	
	Total Funds	**General Funds**
Personal Service	$5,076,782	$1,380,123
Other Operating	$5,702,874	$170,557
Fringe Benefits	$1,421,143	$406,659
Total	$12,200,799	$1,957,339

MAJOR BUDGET CATEGORIES	FY 12-13 ACTUAL EXPENDITURES	
	Total Funds	**General Funds**
Personal Service	$ 4,903,191	$2,536,787
Other Operating	$ 5,866,009	$ 402,386
Distributions to Subdivisions	$ 1,998,934	
Fringe Benefits	$ 1,451,296	$ 753,101
Total	$14,219,430	$3,692,274

Major Program Areas Chart

Program Number and Title	Major Program Area Purpose	FY 11-12 Budget Expenditures	FY 12-13 Budget Expenditures
Administration	Administration: Office of General Counsel, Information Resource Management(IRM), Executive Services	**State:** 704,287 **Federal:** **Other**: 1,329,452 **Total:** 2,033,739 **% of Total Budget:** 16%	**State**: 1,392,583 **Federal:** **Other**: 786,370 **Total:** 2,178,953 **% of Total Budget:** 15%
Solvency	Solvency: Financial Examination, Market Conduct Examinations, Financial Analysis, Securities, Securities Custodian and Historical Databases	**State:** 116,846 **Federal:** **Other:** 1,042,012 **Total:** 1,158,858 **% of Total Budget** 9%	**State:** 167,788 **Federal:** **Other:** 1,192,205 **Total:** 1,359,993 **% of Total Budget** 10%
Licensing	Licensing: Individual Licensing, Companies, Insurer/HMO Licensing, Education, Special Services Division, Third Party Administration Licenses, Utilization Review and Service Contract Providers	**State:** 36,953 **Federal:** **Other**: 637,168 **Total:** 674,121 **% of Total** Budget 5%	**State**: 67,528 **Federal:** **Other**: 483,597 **Total:** 551,125 **% of Total** Budget 4%
Captives	Captives & ARTS MKT SVC's	**State:** **Federal:** **Other:** 1,800,786 **Total:** 1,800,786 **% of Total Budget** 18%	**State:** **Federal:** **Other:** 1,766,471 **Total:** 1,766,471 **% of Total Budget** 13%
Policy	Policy Forms and Rates: Review Financial Condition and Residual Markets, Consumer Assistance	**State**: 414,834 **Federal:** **Other:** 1,239,317 **Total:** 1,654,151 **% of Total Budget** 13%	**State**: 832,900 **Federal:** **Other:** 366,050 **Total:** 1,198,950 **% of Total Budget** 8%

Safe Homes	Hurricane Mitigation	**State:** **Federal:** **Other:** 2,676,630 **Total:** 2,676,630 **% of Total Budget** 22%	**State:** **Federal:** **Other:** 3,008,808 **Total:** 3,008,808 **% of Total Budget** 21%
Fringe Benefits	Employer Fringe Benefits	**State:** 406,659 **Federal:** **Other:** 1,016,881 **Total:** 1,423,540 **% of Total Budget** 11%	**State:** 753,101 **Federal:** **Other:** 698,194 **Total:** 1,451,295 **% of Total Budget** 10%

Remainder of Expenditures	**State:** 277,760 **Federal:** **Other:** 501,214 **Total**: 778,974 **% of Total Budget** 6%	**State:** 478,374 **Federal:** **Other:** 2,225,461 **Total**: 2,703,835 **% of Total Budget** 19%

* 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   Senior leaders ensure two-way communication throughout the organization and with customers through: a) short and long term organizational direction and organizational priorities, b) performance expectations, c) organizational values, and d) ethical behavior.

Communication of goals and values is an important part of the Department's mission in serving the public. In general, significant organizational policy is decided by the Director and upper management in meetings, then passed on to the rest of the agency through the four Deputy Directors and the managers they oversee. These in turn update the front-line employees, thus ensuring consistent communication about Departmental goals. More general short and long-term goals are discussed in periodic meetings of upper-level staff, where input is encouraged and seriously considered in drafting new priorities. This is done most specifically when creating or editing the Strategic Plan. Consumer input is also considered during these planning sessions with the use of surveys and written feedback. On a more frequent basis, the Director regularly discusses the Department's overall direction and initiatives with his deputies, who relay this information to management and supervisory staffs.

Performance expectations are presented to employees though the Employee Performance Management System (EPMS). This system is based on a careful review of the Department's workflow and

production processes, and informs the employee of the specific performance measures that will be used to evaluate his or her job performance. On the supervisor's side, the Employee Evaluation Assessment (EEA) form is used to identify and then work with employees on problems or inefficiencies that may arise. These two programs allow an open exchange about expectations and daily work between employees and managers.

Organizational values and ethical behavior are both encouraged through the use and careful updating of the Policies and Procedures Manual. The mission statement is intended to guide specific decisions and actions on a daily basis, and the Director and leadership team also work to effectively communicate these goals and organizational values to all employees through division, section, and unit meetings, as well as through training sessions. These combined efforts are intended to emphasize the importance of employees adhering to the highest standards of ethical behavior.

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

The Department's mission statement is explicit in its emphasis on serving the needs of customers and companies in South Carolina. Senior leadership is continuously working to improve the quality of its service and more clearly address the needs of its constituents through the following means:

a) Enhancing website quality and ease of access, including new search features, for public education and assistance;
b) Requiring meticulous security updates, particularly ensuring against hacking of sensitive consumer information;
c) Conducting mandatory consumer service training sessions from Midlands Technical College and other training institutes;
d) Providing consumer outreach sessions around the state; and
e) Conducting periodic research and surveys to determine customer satisfaction and quality of services

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?

Research, interpersonal communication, and strategic planning form the core activities of the Department's effort to improve public accountability. Data and feedback collected from the website, surveys, and comments during speaking engagements are analyzed for information on how the public is affected by the DOI's policies. In addition, meetings with executive and legislative staff inform the Department about how its activities impact larger social outcomes in the state. Staff inputs and public audits, along with a general effort to meet strategic goals, are the final methods of determining the impact on the public.

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

Fiscal accountability is maintained through a number of checks and balances. Briefly, annual budgets are established for all programs and funds. Expenditures, revenues and encumbrances are monitored at least monthly to identify any concerns or needed adjustments.   The budget office compares and projects the actual expenditures as they relate to the proportionate share of the fiscal year, as well as prior year totals. Personnel projections are performed bi-monthly and projections are added to actual expenses incurred to-date and compared to budget availability. Revenues and cash are monitored and compared to

previous years to identify any concerns/issues. Internal controls exist between our internal systems and the State's SCEIS system to ensure all transactions are accounted for properly and timely.

The Department's legal counsel advises the agency regarding new laws and regulations, helping the agency to maintain compliance. Regulatory standards are also maintained carefully by the financial examiners. These examiners receive reports concerning the solvency of traditional and captive insurance companies from several private companies employed by the Department. The reports are analyzed and, if the company passes inspection, the examiners send a verified Report on Examination to the Director for his signature. Upon his approval, the report is released in limited or public form, depending on whether the company has risk-retention status or not. All examinations are performed in accordance with the standards issued in the NAIC Financial Condition Examination Handbook.

On occasion and at need, the legal counsel, budget manager, and procurement specialist meet to discuss issues and facilitate compliance with the established guidelines.

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

The senior leaders rely primarily on the information gathered for the annual Governor's Dashboard metrics, as well as budget items and progress reports that are used in the Strategic Plan and eventually added to the Accountability Report. These measures are usually specific numbers that fall within the broad categories of: licenses reviewed, examinations performed, companies licensed, consumers served, and revenues collected.

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?

Leaders who receive and review these various performance measures use them to inform and change behavior within the Department. First, they insure that the data supports the agency's progress in meeting strategic objectives. Second, they detail any changes to specific issues or daily operations that might bring improvements through the EPMS. The leaders also add any special initiatives that demand individual involvement where they consider such action necessary. This alerts management to any areas in which the Department is falling behind or not meeting standards, and then translates those changes to the individual level where they can be effectively dealt with.

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

As a critical mass of government employees reach retirement, the Department is aware of the essentiality of planning for and training the next generation of leaders. HR is active in workforce planning initiatives and Career Path Planning for current employees, both intended to help prepare a pool of talent and experience to draw upon for future needs. IDP's [Individual Development Plan] help identify critical skills and abilities and develop talent from within. Finally, 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?

Progress towards objective and performance goals is encouraged by a double approach of good communication and careful monitoring. Key priorities are emphasized in division and section meetings, employees are expected to evaluate their work and identify their role within the Department's goals, and managers are required to stay updated on all policies and procedures relating to their work, as well as the job positions of the employees they supervise. In addition, status reviews, data analysis, and outcome measures have been integrated into the regular activities of the Department.

Finally, the Department holds annual meetings of senior staff and managers to collectively determine progress towards strategic goals, as well as to address various needs, concerns, and potential improvements that the employees have identified.

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

Continuing education and workforce training are emphasized in a number of ways. First, Professional Incentive Designation Programs are used to encourage professional excelling and motivation. Employees in this program work with supervisors to find other professional certificate courses that would advance their skills in a way that contributes to agency goals. If the course is related to an area of responsibility, or strengthens the Department's ability to assist consumers, then the employee may be awarded a bonus and/or salary increase of 3 – 10%, depending on t budget availability.

Additional learning opportunities are offered through Customer Service training, currently conducted by Midlands Technical College, which are mandatory for some groups of employees and optional for others. Certified Insurance Service Representatives also offers courses periodically for employees to work towards a certificate in their professional development program, and the Department requires certain employees to take auto and residential courses in this program. Senior leadership regularly meets with HR to determine dates and content for these programs, with the goal of increasing workforce skills and expertise in a meaningful way.

On a more regular basis, employees who work in areas of insurance that comply with NAIC standards are required to stay updated on changes in regulation and code in the insurance industry.

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?

Motivation and rewards for high performance in the agency are created through several recognition methods. These include Employee Appreciation Week, conducted on an annual basis, and personal notes from the Director to employees commending good performance. In addition, the Department awards bonus pay to employees who are given one-time, non-continuing projects or tasks to accomplish for the agency. These bonuses are to be a reward to taking on additional work, and compensation amounts vary depending on the nature of the work and the current budget constraints. In addition, employee training programs and professional enhancement/development are offered on a regular basis, and managers encourage employees to participate in order to grow professionally.

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 with charitable community organizations such as the United Way and the American Red Cross. Information about these charities is regularly provided. Pay roll deductions are also 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.

Category 2: Strategic Planning

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

The Department of Insurance employs a multi-step process to ensure adequate input and quality discussion informs the agency's Strategic Plan. The Plan is primarily the responsibility of the Executive management team, but the staff holds several meetings with the general managers and senior leaders to collect ideas and come to a consensus on important issues. The guidelines established by the Budget and Control Board are followed in creating a general structure for these plans, sometimes with the help of an official from the Board who comes to help in the meeting process. After these sessions, the executive staff works to draw up a cohesive plan that incorporates the goals and areas of concern highlighted at the meetings. Deputy Directors help to craft specific tasks and performance measures that will practically implement the measures of the plan over time. Deadlines and responsibility delegations are also added to the plan.

A SWOT analysis is done by the senior staff during this process and, on a more general level, is opened up to the members of the planning meetings. Financial, societal, and regulatory risks are anticipated as much as possible and provided for in the planning process; new regulations are also incorporated when applicable. The IT department and Consumer Services division especially work to address changing consumer needs – usually data security and website updates – so that the Plan can help the Department grow as needed in these areas. Consumer Services alerts the staff to consumer complaints, demands, and necessary resources that it has identified. Other divisions may identify shifts in customer needs beyond these general categories, such as in the areas of examinations or rates and forms.

Workforce capabilities and needs are considered as the Department works to improve its quality of staffing and training. Leadership succession and knowledge transfer are usually considered in the Strategic Planning process, and various concrete steps to improve the process of hiring, training, and maintaining an efficient workforce are then implemented into the Plan.

Emergency preparation is ensured through the Department's Disaster Recovery Plan. This is updated annually, and its measures inform the Strategic Plan. The Department rates its ability to execute the Strategic Plan by how practical and well-conceived the objectives and action plans are, as well as how effectively the measures were delegated to the responsibility of specific divisions or employees. Clear and achievable measures, delegated accurately and with good accountability, have a strong probability of successful implementation.

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

The Department's strategic objectives focus 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?

Each deputy is responsible for developing tactical and project plans to achieve the strategic objectives within his or her 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 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 | **Strategic Planning Chart** | |

PROGRAM NUMBER AND TITLE	SUPPORTED ORGANIZATION STRATEGIC PLANNING GOAL/ OBJECTIVE	RELATED FY 11-12 AND BEYOND KEY AGENCY ACTION PLAN/ INIATIVIES AND TIMELINE FOR ACCOMPLISHING THE PLAN	KEY CROSS REFERENCES FOR PERFORMANCE MEASURES
Administrative and Legal Affairs	Establish internship program with USC and other colleges or universities	1. Identify areas in DOI for internships 2. Identify university programs that best fit 3. Collaborate with career centers 4. Identify and collaborate with appropriate Agency staff	**Goal 2; page 39**
	Identify areas of new federal requirements not currently addressed in SC laws and develop appropriate response to incorporate these requirements as necessary	1. Review Dodd-Frank Act 2. Participate in discussions of proposed litigation	**Goal 3; page 39**
	Identify approach in best interest for SC in terms of surplus lines premium tax collection per Frank-Dodd Act	1. Conducted survey of SL carriers to determine whether one approach would be more advantageous for the State 2. Monitored the NAPSLO to determine approach determined by other states.	**Goal 1, page 39**
Financial	Ensure the DOI is reaccredited by the NAIC	1. Conduct thorough review of ARTs analysis files of active RRGs 2. Respond to all inquiries from NAIC accreditation team during onsite visit 3. Provide any corrections to NAIC draft accreditation report 4. Provide input into NAIC exit survey 5. Respond to management letter comments 6. Implement suggestions in management letter	**Goal 3; page 37**
Administration and Licensing	Increase electronic	1. Attach email subscription to current posted correspondence	**Goal 1; page 37**

	delivery of correspondence/notifications – cost savings of $5 - $10,000	2. Change current statutory notification requirements legislatively 3. Talk with at least five SE states on electronic problems 4. Identify problems that may be encountered if we pursue online notification 5. Make legislative change request for next legislative session	
Legal, Legislative, and External Affairs	Develop more formal structure for engaging industry trade association		**Goal 2; page 39**
	Provide training for DOI employees relating to ethics and changes in law	1. Continued identification and collaboration with Office of General Counsel and other relevant program areas for need to provide ethics trainings	**Goal 2; page 39**
	Reduce investigations processing time		**Goal 1; page 39**
Actuarial and Market Services	Identify SC laws/regulations and procedures that are in conflict with new federal requirements under ACA and develop and appropriate response to address these conflicts	1. Identify areas of statutes/regulations that may have conflicting provisions 2. Schedule meetings to discuss and assign provisions to staff to draft conforming legislation 3. Wait for Supreme Court decision	**Goal 3; page 37**
Administration	Develop surplus lines tax system	1. Account for revenues 2. Increase surplus revenues 3. Reduce time to audit 4. Track number of non-compliant brokers 5. Make legislative change request for next legislative session	**Goal 1; page 39**
	Track audit filing inefficiencies	1. Additional audit resources 2. Develop online quarterly tax applications	**Goal 1; page10**
	Develop transitional plans	1. ID key positions 2. Review documented Knowledge Transfer	**Goal 2; page**

for program areas	Plans 3.Communicate strategy and outcomes to employees/managers		**10**
Maximize new funding opportunities as they come available			**Goal 1; page 10**
Cyber Security Training	1. SANS Securing the Human Course 2. Revise Departmental Policy/Procedure		**Goal 2; page 10**
ACA Training for Staff	1.Home Report Expo 2. Town Hall Meetings – Jasper County 3. Coastal Public Hearing - Charleston		**Goal 3; page 10**
SC Safe Home Outreach			**Goal 2; page 10**

Category 3: Customer Focus

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

Customers are primarily defined by the DOI's mission statement and the state statutes of South Carolina. These constituents consist broadly of insurance companies and all individual policyholders in South Carolina, though brokers and coastal home owners are also specifically targeted through continuing education/licensing procedures and through the agency's hurricane mitigation grant program (SC Safe Home). The needs of each group are usually clearly laid out in the insurance laws of the state, but a large portion of the Department's work consists of assistance to specific individuals who seek help in particular circumstances. The Department therefore relies on customer feedback and indications of satisfaction to update its services and provide better assistance overall.

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

The Director, Deputy Directors, and the Department staff regularly communicate with customers, the insurance industry, and government officials with the goal of continually adapting the Department's services to meet customer and business needs. These are usually conducted through official meetings, surveys, and personal conversations. Department representatives also participate in industry conferences and consumer outreach on a regular basis; and Department representatives serve on boards, committees, and task forces. As of 2013, the DOI is represented on twenty of these groups. The information about changing industry and consumer needs, which is gathered through all of these means, is communicated to staff regularly, and additional training is completed when time and funding permit.

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?

Customers may access Department representatives via walk-ins during the week between 8:00 am and 5:00 pm, and phone calls are taken until 6:00 p.m. Monday through Thursdays and until 5:00 on Fridays. Written correspondence and emails are promptly answered, and the website is constantly updated. In addition, an on-line Consumer Complaint System is maintained for accessible assistance. Speaking engagements and communication between Department liaisons and the state legislature and Governor's office are also regularly scheduled. These methods of communication give customers ready access to help and information, provide multiple outlets for business to be conducted, and keeps an open line of communication between all parties concerned.

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

The Department conducts education campaigns and outreach to key stakeholders. Random telephone surveys are also conducted by the Consumer Services office with individual complainants to gauge our overall responsiveness and service delivery. Feedback from these sources is channeled to division managers and Deputy Directors for periodic review, and operational adjustments are made as necessary.

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

If the feedback received is negative, and especially if it constitutes a larger trend, the information is noted and addressed by managers and Deputy Directors. Sometimes, major trends become a department-wide concern, and employee training or new policies address the problems. Otherwise, small changes may be made in current practices, or noted for future consideration. Positive feedback supports the status quo and may incentivize progress along a similar trajectory. Meetings, continuing education, and updates to programs and policies are the most common ways used to incorporate and address public feedback.

**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.**

Reliability, accountability, and timely responses are the primary tools the Department uses to build strong relationships with customers and stakeholders. Formal conferences and informal meetings build on this reputation to foster individual relationships, and consumer service training has been prioritized for Department employees to ensure that communication and service exceeds expectations. On an everyday basis, the staff's knowledge of insurance laws and policy, as well as a helpful and positive attitude, enhances the Department's reputation as a whole. The staff recognizes that customer and stakeholder needs differ: individual customers need information and problem-solving; while companies require regulation and firmness as well as assistance; and the state government requires cooperation and compliance from the Department. The Department is prepared to adapt to and accommodate these needs in order to maintain positive relationships with customers and fulfill their diverse 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?

The strategic plan highlights some measures for tracking, but the majority of tracking measures are identified by requirement from South Carolina statutes or other legal and government authorities. Senior leadership defines any other operations or accomplishments which are significant enough measures of Departmental progress to be tracked regularly. Deputy Directors also meet to clarify goals and establish timelines with their respective divisions, discussing the statuses of these efforts at division meetings and keeping tabs on their completion.

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. A certain number of the measurements, which administration deems most representative of the Department's progress, are collected in a monthly dashboard report which is reviewed by the Governor's office. These include the numbers of licensing and company filing turn-around time, captive recruitment, and complaint/inquiry turn-around time. These reports are used by divisional managers to keep the Department abreast of market conditions, legal changes, pending legislation, and any changes in insurance regulation. The managers use the reports to keep projects progressing on the appropriate timeline, and senior leadership reviews them periodically to update the Department's decisions and strategic plans.

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 insolvencies prevented through the Department's early intervention after its analyses/examinations, the availability of insurance coverage statewide for each line of business, and the overall health of the insurance industry in the state.
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 who were 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 Bail Bondsman, Third Party Administers, Private Review Agents, Premium Service Companies, and Contract Service Providers.

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

The Department considers the use of comparative data to be critical in carrying out its mission of protecting insurance consumers, and only uses the most reliable data for benchmarking purposes. The NAIC's annual Insurance Department Resources Report provides data for the 50 states, the District of Columbia and the four territories, on numerous issues. These include: staffing, budgeting and funding, examination and oversight, insurer and producer licensing, and 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. Security mechanisms restrict access to sensitive data, and the Department continuously reviews the need for additional controls. 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 also 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. Disaster recovery procedures are reviewed and distributed to employees every year (see Appendix), ensuring that data recovery would operate smoothly in the case of an emergency. 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?

Performance review findings are essential indicators for the Department in developing or improving policies and procedures. Findings are analyzed to determine operational and sometimes financial impact on the Department's goals, and the measures also help to identify problems and to develop action plans. Managers and staff use the reviews regularly to avoid delays and improve service, particularly in sensitive areas like Rates and Forms or Market Regulation, where delays or errors could hurt consumers and even lead to failure to comply with statutory deadlines. Overall, the performance findings are used to help the Department continue to meet or exceed NAIC benchmarks on every level, providing timely, consistent, and high-quality performance.

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 is in progress of being updated and implemented to ensure continuity of operations. A series of initiatives are created in this process which enable employees to improve performance of their duties or to assume new duties altogether when a former employee leaves.

The initiatives include: clearly defined and documented work methods and procedures plan; written documentation of the processes, methods, and tools used by employees with special skills and responsibilities; a documented training plan for employees to study 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 also communicates management's expectations for each employee by clearly outlining the specific performance measures that will be used to evaluate performance.

Additionally, as a part of the Department's succession plan, each manager is responsible for meeting with his/her employees to identify each one's strengths and weaknesses. This information is then used in order to determine their skill level and place them in a position which fully utilizes their abilities. In addition, the manager creates individual development plans for each employee, identifying the specific training necessary for the employee 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 on 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
• Managerial meetings
• 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 Information Resources Management (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, the state's official 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 works with several other employees to form an interview panel and decide which 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.
• Specifically, this barrier is significant in employee retention in Financial Services because of limited 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 currently being implemented 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. However, salary reviews are currently underway by the State Budget and Control Board.

•Retention is promoted by providing clear job descriptions, learning opportunities, and challenging work; the Department also works to establish a workplace culture that is respectful of everyone's talents.

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 management and evaluation. Employee skills and competencies are generally evaluated by performance evaluations at the individual and divisional levels, and human resource functions as a whole are 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 several evaluation resources. These include: 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 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; and
- 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?

The Department's philosophy on performance management is that, in order for employees to perform at a high level, they must understand the mission, goals, and objectives of the Department. Therefore, managers encourage employees to be involved in the development of action plans and engage in regular and open communication, both with their peers and managers. EPMS is another tool used to improve supervisor-employee communications, and primarily serves the purpose of documenting and evaluating employee performance. This encourages 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 in organizational and ethical development for all employees through training courses, meetings, and employee-manager feedback (EEA and EPMS system). Certain employees are required to complete training courses in order to remain certified and/or accredited by national standards. More generally, the NAIC-sponsored professional designation program and the Budget and Control Board Certified Public Managers Program are certificate programs that continue to provide leadership training to employees. The curriculum in these programs instruct the senior leadership staff in mastering the best techniques for hiring, performance management, change management, effective communication, and the fundamentals of leadership and management.

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?

Typically the Department's training needs, particularly on-the-job skills and new employee training, are addressed through interaction and instruction between employees and their supervisors. Further training is provided when new duties, processes, or procedures are imposed by the NAIC or other third parties. More specifically, if the Director or a division manager becomes aware of a general gap in employee knowledge, the Department will make an effort to provide a training course to meet that need – usually Midlands Technical College and Certified Insurance Service Representatives courses are used for this purpose. New employees receive first-day training from HR regarding safe and expected behavior; supervisors provide more technical-based training. Health and safety training is also organized by HR, on periodic basis, and covers topics that include wellness, medical care, and personal finance.

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 Department encourages employees to apply new knowledge and perform with excellence. These expectations are outlined in performance expectations, and employees are rated periodically on innovation displayed in their work.
- 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.
- The Department seeks to create an atmosphere of cooperation and teamwork, so that employees are encouraged to share their attained knowledge and skills. Senior staff members work to challenge their employees to participate in this effort, and recognize the employees for doing so.

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

Employee training is conducted on a regular basis, and seeks to specifically prepare for or compensate for gaps and needs identified in action plans and strategic objectives.

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

The Department evaluates general workforce effectiveness and training success through both immediate and long-term measures. Performance evaluation and feedback is an important part of this development effort; it allows suggestions and improvements to be voiced, identifies further needs, and demonstrates the benefits of each attempt at increased utilization of talent and potential.   Retention and employee feedback play a vital role in this process. If truly successful, employee ability to fill vacant leadership positions will become evident. Surveys are also used after each training program to relay strengths and weaknesses in the instruction received.

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

The Department seeks to foster an atmosphere of continued learning and skill enhancement. Communication, rewards, and recognition play a prominent part in this effort, and leadership seeks to encourage employees to take advantage of training workshops and certificate programs. Salary incentives are also offered upon successful completion of various certificate courses. When possible, employees are publically recognized for providing superior service on behalf of 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 (especially with an open-door policy). Employee satisfaction has gradually increased in past years due to workflow improvements, paperwork reduction, reduced time to complete tasks, and other office performance issues. A distinctive improvement has also been made in the past two to three years in instituting alternate work schedules and new training opportunities. Any remaining problems with employee turnover may be most likely attributed to limited funding and subsequent noncompetitive salaries.

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, keeping track of skills needed for employee advancement which have been specified by mangers. In addition, Individual Development Plans (IDPs) are utilized to address hard-to-fill positions. The Department is updating and reinstating a knowledge retention plan so that crucial institutional knowledge and history is retained. Knowledge Transfer Plans and Career Path Planning are used with IDPs to help identify critical skills and abilities, so as to develop talent within the Department. Cross-training and mentoring opportunities in this program will allow 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)

Employee safety and wellness are maintained by adhering to DHEC guidelines for creating a safe and healthy working environment, as well as by regularly offering seminars on personal health and fitness. Fire or natural disaster procedures are covered in the employee handbook, which is provided for each new employee. Preventative measures for abuse, violence, racial or sexual slurs, neglect, and exploitation are taught in orientation and taken very seriously by all levels of staff. Any allegations of violence or harassment in the workplace are immediately investigated and reported to the proper authorities. No alcohol, illegal drugs, or firearms are allowed on the premises.

Since the Department has an important role to play in the case of a natural disaster, specific plans for saving data and preparing employees for emergencies are reviewed and revised on an annual basis. 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%. 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.

In addition to ensuring the safety of employees and providing emergency data backup, the Department is committed to assisting with the insurance needs of SC residents during a natural disaster. When warranted by the Director, specially trained employees 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.

Note: 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 your organization's core competencies are, and how do they relate to your mission, competitive environment, and action plans?

The core competencies of the Department are based on its mission statement and action plans. The primary abilities include: assisting customers, knowing the basic boundaries for companies' actions, being up-to-date with NAIC regulatory standards, providing insurance education and special assistance programs, and making South Carolina an attractive place for insurance companies to do business. Staff members seek to regularly improve the action plans, which are discussed and edited through formal and informal meetings as well as by customer feedback, so that the Department's core competencies are well maintained and kept updated in order to provide exemplary service in a competitive and often changing insurance environment.

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 closeness of support or value that they provide to the core services of the Department, particularly if they deliver vital resources or inputs to essential activities and goals. These include: strategic planning, implementation of new technology, examination of new requirements added by staff suggestion or NAIC requirement, periodic review of action plans, and interdepartmental cooperation on strategies and service offered by the Department.

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?

New measures of efficiency and effectiveness are added into daily work at the Department, most frequently through technological updates and process simplification. Typically, a new measure will be brought to the attention of senior leaders and managers either in response to a perceived need or because an improvement becomes available. The managers then review the change and implement it, as resources permit, in the appropriate divisions and with staff training when needed.

Digital storage has been a noteworthy update in recent years: making rate and form filings electronic has been a significant improvement on efficiency, as has a document workflow management system. The Department website was also redesigned and relaunched in May 2013 in response to growing customer needs and the cumbersome, ineffective nature of the previous website. Better ways of tracking Department progress, managing divisional work, and continued training for employees are being gradually discussed as well; details for implementing these updates are usually overseen by Deputy Directors and administrative/HR personnel.

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 regulation and continuing education "products" of the Department are handled by Divisions that constantly report and review their progress. Regular meetings, monthly data dashboards, yearly reports, and supervisory communication all ensure that regulations and statues are being met. Service divisions, primarily Customer Services and IT, conduct surveys and participate in training courses to maintain and improve a high standard of quality service. If any of these areas prove deficient, senior leaders are tasked with discussing and implementing further training or even performance policy changes.

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 services, 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.

<center>Category 7: Results</center>

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?

Regulating the insurance market and ensuring that South Carolinians have equitable and fair service are the chief accomplishments of the Department, and the measures that best analyze success in these areas are licensing and examinations.

<center>Individual and Agency Licensing</center>

New licenses in 2013 decreased by 1,589 (4%) from 2012.

<center>Administration of Exams and Pass Rate</center>

In FY 2013, a total of 3,896 examinations were passed out of a total number of 8,431 administered to South Carolina insurance companies.
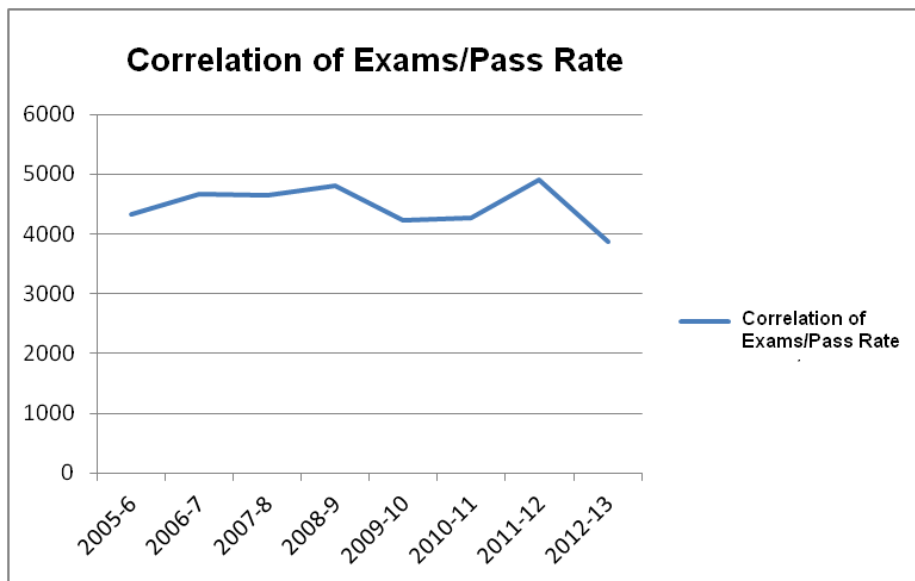
Pass rates have been decreasing in the past decade, but when linked to the increasing number of exams given, the overall trend has been steady to slightly positive. In the past fiscal year, exams administered increased by 749 (9%) from the prior year. The exam pass rate decreased by 18% over the same period.

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?

Consumer Services managers follow up with randomly chosen consumers after initial assistance to gauge overall responsiveness and service delivery. 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. Informal methods of evaluating satisfaction are also utilized.

Consumer Services					
	2009	**2010**	**2011**	**2012**	**2013**
Written Inquiries	2,700	2,721	2,612	2,548	2,549
Telephone Inquiries	66,573	58,361	58,294	56,841	53,320
Walk-ins	151	139	142	143	107
Other Requests for Assistance	100	75	39	45	35

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 financial offices tracks and assesses 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.

One of the most critical aspects of the Department is the collection of fines, fees, and penalties for the General Fund of the State. Agency staff members monitor activity to ensure collections.

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?

The Human Resources Division 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. Performance is evaluated by measures of employee turnover, workforce demographics (especially retirement age), and employee satisfaction and performance. In addition, workforce development plans are created for 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, rules 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 filing 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 2012-13, 7,597 Property and Casualty filings were processed, up 563 filings from the 7,034 processed last year. Life, Accident, and Health filings processed totaled 3,096 compared to the 2,586 rates and form filings received last fiscal year. These changes represent approximately a 7% and 16% increase, respectively.
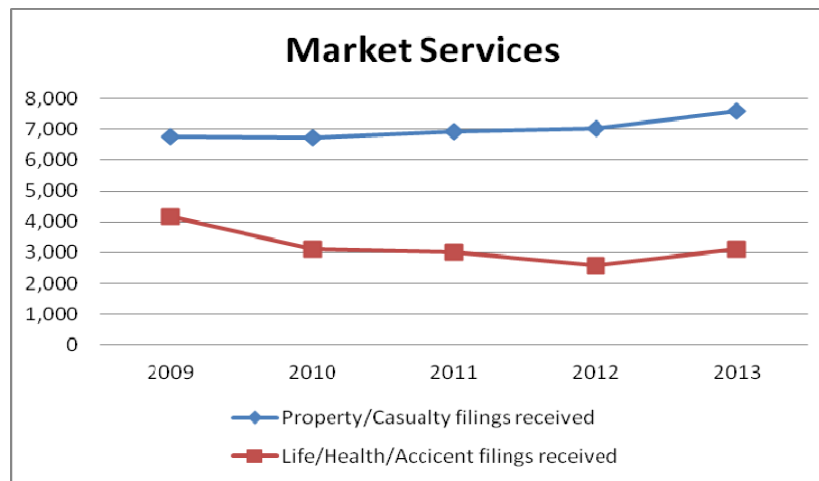
The supervision of residual market mechanisms is a responsibility of the Market Services and Consumer Services Division. Those organizations include: the South Carolina Associated Auto Insurers; South Carolina Wind and Hail Underwriting Association; South Carolina Reinsurance Facility; South Carolina 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 participates in committee work.

The Financial Regulation and Solvency 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 and HMO 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.

This Division is evaluated by its completion of examinations and analyses, which are conducted quarterly, and produces annual financial statements for South Carolina's 49 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. In 2011, the division was approved for a five year re-accreditation period, which confirms the Financial

Financial Services					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 3013
Financial examinations	17	11	16	12	12
New SC licenses granted	52	24	30	40	25
Currently licensed Domestics/HMOs in SC	52	49	46	51	49

Services area is in compliance with the NAIC's insurance company solvency monitoring guidelines.

The $2.5 million Hurricane Damage Mitigation Program, known as the **SC Safe Home Grant Program**, provides grants of up to $5,000 to assist individuals in making their homes as hurricane resistant as possible. The Department partners with local and statewide businesses and non-profit agencies, providing information and mitigation methods that help South Carolinians to learn better ways to make their homes more disaster resistant. SC Safe Home reviews applications, works with local contractors, and follows up on all recipients' progress. This program has seen steady growth in the past few years, with the number of grants awarded increasing by 3% from 2012 to 2013, and 7% the previous year.

SC Safe Home Grant Program					
	2009	**2010**	**2011**	**2012**	**2013**
Grants Awarded	523	398	719	792	816
Amount Awarded	$2,261,768.00	$1,925,000.00	$3,136,474.00	$5,138,634.00	$4,594,250.00

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

The Licensing Office issues licenses within 24 to 72 business hours. Individuals, agencies, and premium service companies are examined and licensed by this division; the majority of these licenses are for individual producers and adjustors. Special licenses are also awarded by this division to Bail Bondsmen and Runners, Brokers, Third Party Administers, Private Review Agents, Rental Car Agencies, and Contract Service Providers.

	Licensing Office					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
New Entities Licensed	36,559	36,559	29,962	38,596	37,867	36,278

The Taxation Office collects insurer and broker surplus lines premium taxes on a quarterly basis, which are deposited in the General Fund. Taxation processed returns and balanced taxes to the general ledger by June 30, 2013. During the year, the Department processed payments from 1,577 licensed insurers and 163 captive insurers. In addition, 552 broker premium tax returns were reviewed and processed. After auditing returns, additional taxes of $40,059 were collected. Total taxes and fees collected during the year amounted to $186,244,339.

Taxation					
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Audits of licensed insurers	1602	1610	1566	1577	1538
Audits of captive insurers	171	177	164	163	169
Audits of broker premium tax returns	415	494	510	552	NA*
Additional taxes collected	$ 261,588.00	$967,722.00	$ 36,318.00	$ 6,275.00	$40,059.00
Total taxes/fees collected (includes traditional company fees, broker taxes, and additional taxes)	$170,421,610.00	$172,256,642.00	$178,443,559.00	$174,691,434.88	$186,244,339.00

*Information not available for 2013 due to switch to online review. See page 4.

Total taxes/fees collected
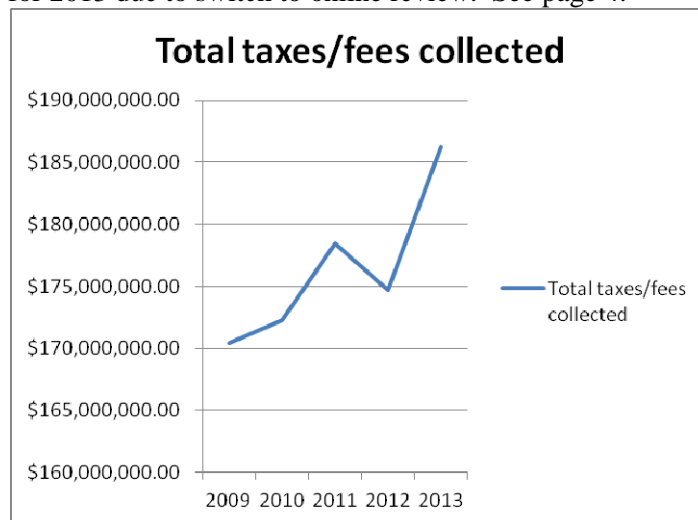
Since the passage of captive-enabling legislation in 2000, the Office of **Alternative Risk Transfer Services** has licensed 242 captive insurance companies, which it actively recruits to the state. The Department also examines the captive companies and collects their premium taxes. Benefits of this

industry have a direct impact on the state economy: There are 180 people employed by the captive industry. Since 2005, there have been over 8,000 rooms booked in hotels in SC – 1,217 in 2012 alone. Over $32M in premium taxes have been paid to the state. Further, the industry generates an economic benefit of $200M. Over $1B flowed through SC financial institutions last year alone. All quarterly and annual financial statement analyses were completed on all domestic risk retention groups licensed as captive insurers.

ARTS/Captives					
	2009	**2010**	**2011**	**2012**	**2013**
Licensed since 2000	205	215	229	239	242
New licenses	9	10	14	10	3
Financial exams	7	46	26	30	22
Premium taxes collected	$ 4,651,386	$ 4,611,614.00	$ 4,222,902.00	$ 4,179,559.00	$ 4,342,498.00

The Executive Services Division ensures that all insurance laws of the State were faithfully executed and counseled and advised the Governor on all matters assigned to the Administration. The division also effectively and efficiently manages the day-to-day operations of the agency; provides assistance to legislators and their constituents; facilitates all NAIC projects, meetings, and conferences; and handled all media contacts within properly established timeframes. The performance of this division is also reflected in the number of committees which it chairs or participates in – usually between ten and twenty task forces and committees of the NAIC Southeast Zone.

The Office of Legal Services represents the Department in all legal proceedings involving the agency or in which it is named as a party. The Director is considered the statutory agent for service of process in this state. This is a ministerial function the Department is required to perform by law. In addition to the other legal responsibilities performed by this office, it administers the service of process program. Additionally, the Office also is responsible f)FOIA requests, closing investigation files, and collecting administrative fines imposed against licensees for violation of the laws of this state.

Legal Services					
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Summons and Complaints Rec'd	3,276	2,664	2,793	3,020	2,860
FOIA Requests	109	136	120	129	79
Investigation files closed	298	382	301	363	278
Administrative fines collected	$26,250	$154,500	$399,316	$367,410	$1,238,851

The Administrative Division must successfully run programs that support the agency's mission in a professionally qualitative and responsive manner, emphasize efficiency and cost-effectiveness, and manage salaries and benefits for all full-time employees (FTE's). To this end, it also maintains agency-wide computer systems; accounts for the collection of taxes, fees and assessments; and successfully manages donations received by the agency.

Administration					
	2009	**2010**	**2011**	**2012**	**2013**
Full Time Employees	NA	98	96	83	81
Total Revenue Generated	NA	$ 172,000,000.00	$ 204,897,274.00	$ 188,381,426.00	$ 222,824,033.00

DISASTER RESPONSE COORDINATION PLAN
Fiscal Year 2013-2014
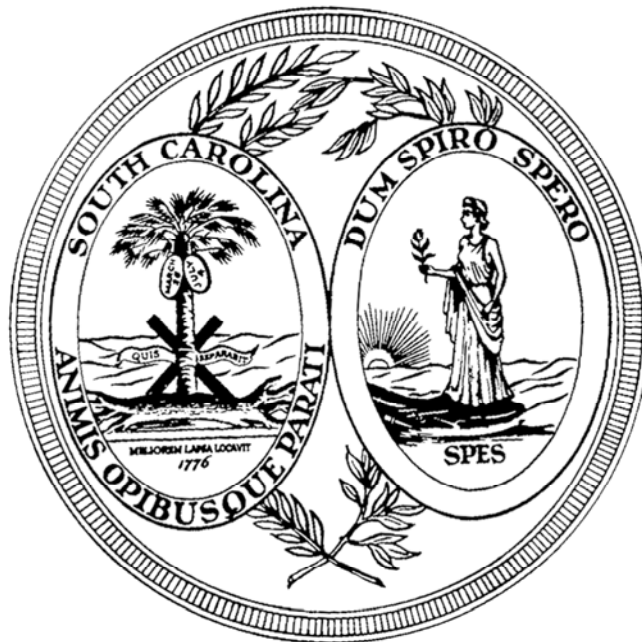
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PURPOSE

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 fledge 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 Department 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**. 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 . This information will be maintained by the Director of the SC Department of Insurance.

The permits will be distributed by the South Carolina Department of Insurance under the supervision of the Director of the SC Department of Insurance. The permits for the 2011-12 Season are printed on white cardstock with blue ink, a red numbering system and a yellow/orange colored 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 2013-14 season will be valid until May 31, 2014

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

Action	Activation Level
Assure that adequate supplies are available for disaster teams and volunteers (to include cell phones, beepers and laptops).	**Opcon 5, 4 (Preparation)** 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	Throughout the year.

threats.	
Identify and coordinate with other Departments of Insurance to locate short-term volunteer assistance.	Ongoing
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 May 31, 2012
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
Brief all volunteers on DOI travel procedures and coordinate travel arrangements.	*Opcon 1*
Brief all volunteers on time sheets and comp. Time accrual.	*Opcon 1*
Attend FEMA briefings with DOI volunteers once Disaster Field Offices (DFO) are established.	*Opcon 1*
Begin to recruit back-up volunteers to relieve those currently at DAC Centers.	*Opcon 1*
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. *(This can be done from DOI offices)*	**Opcon 3, 2, 1 until SEOC (State Emergency Operations Center) is deactivated.**
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	Prior to June 1 and throughout the Hurricane Season.

information.	
Coordinate any Emergency Licensing Activities as they relate to the current natural disaster.	*Opcon 3*
Review Emergency Adjuster Licensure applications (on and off line) and other necessary forms for accuracy.	*Opcon 5, 4*
Provide daily briefing reports to Director's Office regarding requests/inquiries regarding Emergency Adjuster licenses issued.	Opcon 3, 2, 1
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.	**Opcon 3, Disaster imminent or in progress** June 1 – November 30
Licensing and Consumer Services area will be available to handle inquiries; extended hours will be put in place, if warranted.	*Opcon 3*
Issue Press Release announcing extended hours of operation. Notify Cat. Team Managers of admitted p & c carriers	**Opcon 3**
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.	*Opcon 3, 2, 1*
If warranted, develop a property insurance mediation program.	*Opcon 2, 1*
Establish direct bill procedures with area hotels for volunteer employees manning the Disaster Centers. Work with Financial/ Administrative Division to maintain list of expenditures and related costs incurred by the Department.	Immediately following landfall of the disaster.
Establish per diem system for Field Team or use pre-existing state system and/or obtain per diem funds/ advances 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

If warranted and determined by the severity of the natural disaster, have phone lines transferred to temporary office space.	**Opcon 1 Recovery status in effect.**
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.	**Opcon 3, 2, 1 (as well as onset of the season).**
Arrange to publish toll-free, damage claims telephone numbers for at least top fifty property and casualty insurance carriers in SC. In print and television media via PSA, etc.	**Opcon 2, 1**
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.	**Opcon 3, 2, 1**
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
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.	**Opcon 1**

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** 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.**

Appendix:

2013-2014 Emergency Reentry Adjuster Permits will have a bright yellow/ orange border. Please see examples on the following page.

The Bearer of this permit must be an adjuster licensed by the South Carolina Department of Insurance in accordance with the laws of the State of South Carolina.

A company photo ID and proof of SC adjuster authorization must be available for review at all times.

EXPIRES 06 / 30 / 2014
For additional information call the South Carolina Department of Insurance
803-737-6160

DISASTER INSURANCE ADJUSTER REENTRY PERMIT

SOUTH CAROLINA DEPARTMENT OF INSURANCE

EXPIRES 06 / 30 / 2014

2351