

SOUTH CAROLINA DEPARTMENT OF INSURANCE

Insurance Regulatory Outlook- 2025

IIABSC Spring Conference
March 26, 2025



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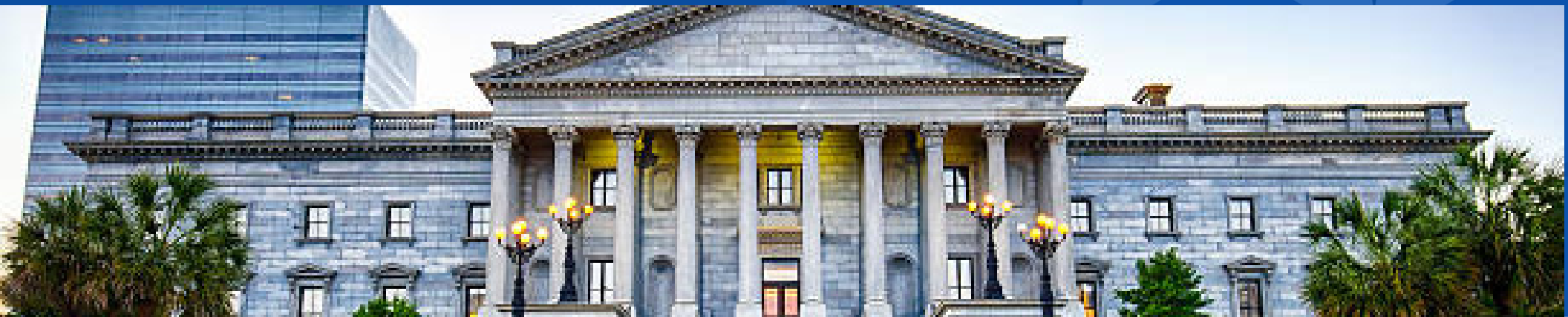
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SCDOI'S MISSION

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



PRESENTATION OVERVIEW

- **Overview of State and National Regulatory Priorities**
 - NAIC Priorities
 - State Regulatory Priorities
- **S.C. Market Focus**
 - Coastal Property Insurance
 - Liquor Liability
- **SC Legislative Update**
- **Other Strategic Initiatives**





**National Association of
Insurance Commissioners**

NAIC's 2025 Regulatory Initiatives Include:

- Establishing the Primacy of State-based Regulation through Elimination of the Federal Insurance Office
- Promoting Community-based Resilience and Mitigation
- Promoting Access to Health Insurance Markets
- Enhancing Insurer Solvency & Financial Surveillance

SCDOI Regulatory Priorities Continue to Focus on:

- Consumer Protection
- Competitive Insurance
markets



CONSUMER PROTECTION INITIATIVES

Solvency Regulation

- Solvency continues to be primary focus of insurance regulation
- Increased oversight/regulation of certain investment types
- SCDOI is a member of the new RBC Governance Taskforce

Market Regulation, Investigation and Enforcement

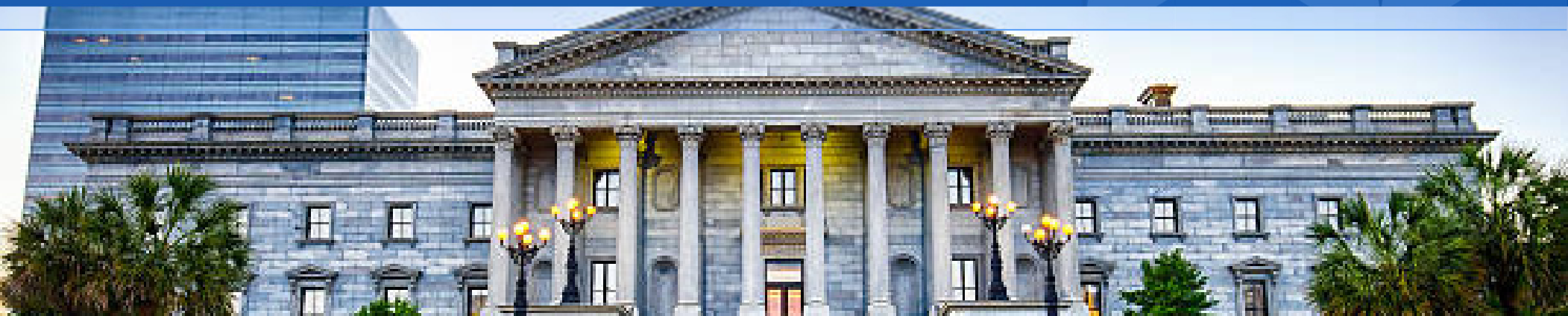
- Market analyses of insurers based on consumer complaint data
- Investigations of complaints: 353
- Market Conduct Examinations
 - PBM Examinations-5
 - Targeted Examinations-2
 - Trade practices
 - Data Security Compliance

Consumer Education and Outreach

- Total Events: 35
- Number of Counties: 21
- Event Types/Topics:
 - Disaster preparation
 - Medicare Supplement
- Insurance Fraud Events: 35
- Insurance fraud is covered at events hosted by the SCDOI

Consumer Assistance

- Telephone/Email Inquiries: 9,968
- Consumer Switchboard Calls: 4,422
- Resolved Complaints: 5,468



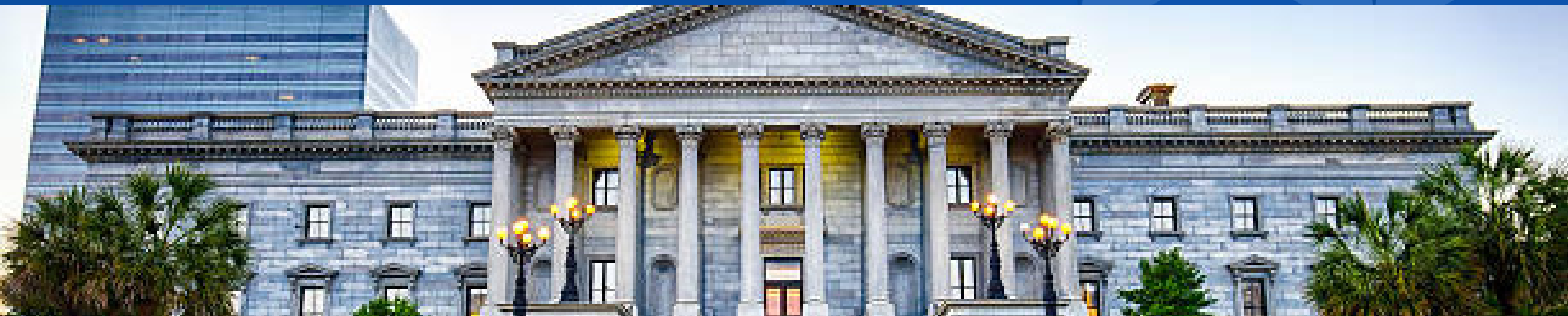
COMPETITIVE INSURANCE MARKET INITIATIVES

Insurer Recruitment

- Insurer Outreach Efforts: 10 events, meetings
- New Coastal Property:
- New Liability Writers:
 - Liquor Liability: 0
 - Commercial Auto Liability: 0
 - Coastal Property Writers: 2 new pending program expansion applications

Market Data Analyses

- Data calls are routinely conducted for the following markets:
 - Commercial liability
 - Liquor Liability
 - Foster Home Liability
 - Commercial Auto Liability
 - Coastal Property Insurance
- The Department is enhancing its research and data analytics capabilities



Market Analysis Update:

Coastal Property Insurance Report

- The health of the South Carolina coastal property insurance market is measured, in part, by the size of the South Carolina Wind and Hail Underwriting Association or Wind Pool
 - The 2024 Data Call indicated the Wind Pool grew 414 policies or about 3% during 2024
 - In 2024, the SCWHUA began providing wind coverage to 51 condo associations, representing 735 individual buildings. At year-end 2024, the number of condo associations decreased to 20 with 175 individual buildings.
 - Notwithstanding, property insurance premiums are on the rise due to: 1) increased repair costs resulting from price inflation for both materials and labor; 2) increased costs of reinsurance in response to an increase in insured losses from natural catastrophes globally; and 3) increase in property values.



Market Analysis Update: Liability Insurance Market

| Market | Status |
|---------------------------------|--|
| Liquor Liability | The insurance industry has been extremely unprofitable in its writings of this sub-line in South Carolina since 2013, losing about \$1.91 for every \$1.00 of premium earned over the eleven years observed. In the best performing of those six years (2015), the industry lost roughly \$0.02 per \$1.00 of premiums earned, while losing about \$2.87 per \$1.00 of premiums earned in the worst performing year. These same insurers have experienced better results in our neighboring states, where the data suggest that insurers have realized a net profit over time. While premiums in South Carolina have grown significantly over the last eleven years, the number of insurers writing coverage appears to have increased only slightly over that period. The data seems to confirm the anecdotal assertions, made by both insurance companies and small businesses, of a very troubled and challenged marketplace. |
| Cyber Liability | The insurance industry's profitability, while somewhat volatile on a year-to-year basis, was positive for years 2013 through 2017, but has been unprofitable from 2018 on. Combined ratios for the industry in South Carolina have been well above break-even since 2018. Premiums have grown significantly. The number of insurers writing this business has grown from 18 to 70 since 2013. This marketplace, while growing substantially, appears to be facing challenges in recent years. |
| Foster Home Liability | While this is a smaller market, the premiums earned in South Carolina have increased significantly since 2013. The number of insurers is small and was no higher than eight. This market has been fairly profitable until 2022 when it began experiencing combined ratios above breakeven. |
| Commercial Automobile Liability | This appears to be another sub-line of business in SC that faces challenges. Combined ratios in the 11 years observed fall between 115% and 150%. This experience is similar to that observed in two of the other three states referenced. Earned premiums have more than doubled, from \$184 million in 2013 to \$512 million in 2023, while the number of policies written rose by around 60%. The number of writers has grown steadily, from 66 to 82 over the reference period. This market seems to be functioning fairly well and is relatively competitive, though the rising average premiums seem to correspond with rising loss and expense costs. |

Legislative Bills Affecting Insurance

| Bill Number | Topic |
|---|--|
| H.3586 38-71-660 | Requires health insurance issuers to offer health insurance coverage to minor children whether they are the dependent of the insured of the issuer or not |
| H. 3575 Pharmacy Benefit Cost Sharing | Addresses PBM cost sharing issues |
| S.215 38-77-122 and 38- 77-123 | Prohibits insurers from using credit scores to determine premium rates and renewals of auto insurance policies |
| S.402 38-71-2500 | Requires vision care insurance plans to allow providers to opt out of exclusive supplier or product agreements without penalties. |
| S.244 (Tort Reform) | Bill aims to reform torts laws which may impact insurance rates and liability in certain lawsuits |
| H. 4101 | Requires an insurance policy covering a person operating a rental or leased vehicle or leased vehicle to be primary to other forms of financial responsibility |
| H.3089 | Requires providers to file claims within 30 days of providing treatment or services |



2025 Legislative Bills, Cont'd.

Bill Number

Topic

- S.220** Bill S. 220 seeks to amend the South Carolina Code of Laws to strengthen the regulatory framework governing insurance holding companies. Key changes include the definition of terms in Section 38-21-10, the inclusion of health maintenance organizations under investment authority in Section 38-21-30, and the requirement for individuals acquiring control of a domestic insurer to maintain or restore capital as outlined in Section 38-21-90. The bill also establishes the responsibilities of the director regarding insurance system transactions and mandates confidentiality for certain financial calculations and stress test results. Additionally, it revises the annual enterprise risk report requirements in Section 38-21-225, allowing exemptions for group capital calculations while requiring the filing of liquidity stress test results for some insurers.
- S.196** Changes licensing and other regulatory requirements for adjusters and public adjusters
- S.342** The bill S. 342 aims to amend various sections of the South Carolina Code of Laws related to pharmacy services and pharmacy benefits managers (PBMs). Key provisions include the definition of "low-volume pharmacy," which is defined as a pharmacy dispensing fewer than sixty-five thousand prescriptions annually. The bill introduces restrictions on PBMs regarding reimbursement rates, ensuring they do not pay less than 104% of the National Average Drug Acquisition Cost (NADAC) or the Wholesale Acquisition Cost (WAC) plus a professional dispensing fee. It also mandates that low-volume pharmacies receive an enhanced dispensing fee and allows pharmacies to file complaints with the Department of Insurance if they are reimbursed below the minimum required amounts.
- Additionally, the bill removes certain prohibitions on PBM activities, such as the prohibition on claims reconciliation and anti-steering provisions, while empowering the Attorney General to take legal action against unlawful practices by PBMs. The South Carolina Department of Health and Human Services is granted the authority to assume direct responsibility for Medicaid pharmacy services, with provisions for implementing best practices to control costs. The bill also repeals a section related to the placement of drugs on the maximum allowable cost list. The act is set to take effect on January 1, 2026, and will apply to all contracts entered into, renewed, or amended after that date.

Other Regulatory Trends to Watch

| | |
|---|--|
| Property and Casualty Insurance | As climate change and extreme weather events continue to intensify, areas like California, Florida, the Gulf Coast, and Atlantic states will most likely continue to see increasing insurance premiums. Areas prone to wildfires may also experience similar increases. It is anticipated insurers will likely adjust their pricing models to reflect growing exposure due to the frequency of some catastrophic events. |
| Reinsurance | South Carolina has a competitive market due to reinsurance. Please note that reinsurance costs are increasing, particularly in states more prone to extreme weather events like hurricanes. Going forward, reinsurers may demand higher premiums as they adjust to the long-term financial impacts of natural catastrophes. It is unclear what, if any, impact tort reform will have on reinsurance costs. |
| Increased Use of Technology in Claims Management and Risk Assessment | Insurers will continue to invest in technology such as artificial intelligence, machine learning, and big data to improve their risk models, predict weather-related events, and streamline the claims process. Remote sensing technologies, drones, and satellite imagery could be utilized more frequently to assess property damage in real time, especially in disaster-prone areas. |
| Life Insurance | More regulatory scrutiny of the investment of insurance policy premiums. |
| Health Insurance | State-based solutions to provide greater access to health care services. |

This all translates to increased scrutiny as regulators strive to balance innovation with consumer protection.

SCDOI Staffing Updates

Business Unit

Life, Accident & Health **Glynda Daniels** is the new Manager of the Life, Accident, and Health Unit of Market Services. She is in the final stages of obtaining her master's degree in insurance management with an emphasis on business data analytics from Boston University.

Property & Casualty **Jerusha Mention** will be taking over the responsibilities of the Manager of the Property and Casualty Unit of Market Services. Her master's degree in data analytics will be of great assistance to the division moving forward.

Communications and Outreach Kamry Bell accepted the new position of Communications and Outreach Coordinator with the Department. Her educational background is in English and Communications.





QUESTIONS???

Thank you.

GWENDOLYN MCGRIFF
DEPUTY DIRECTOR & GENERAL COUNSEL
SOUTH CAROLINA DEPARTMENT OF INSURANCE