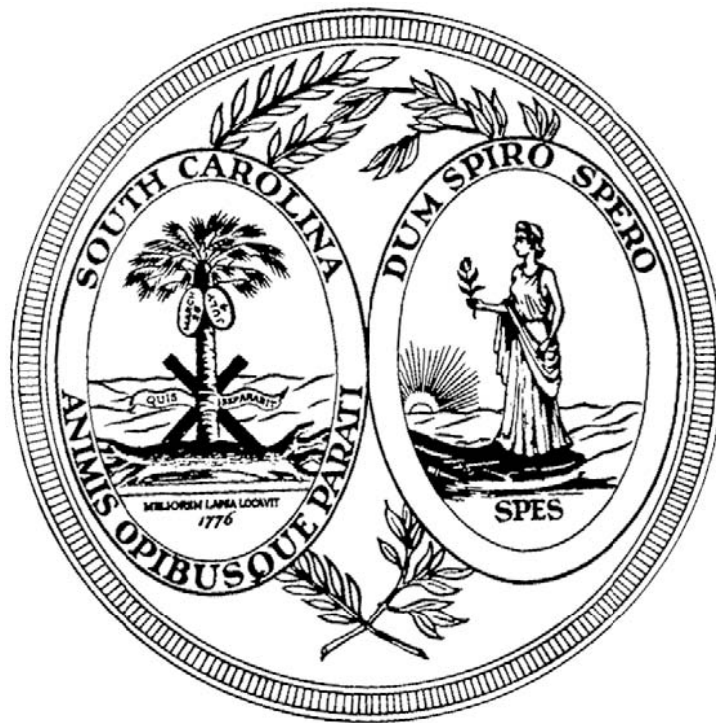


# **SOUTH CAROLINA**

## **DEPARTMENT OF INSURANCE**



## **AGENCY ACCOUNTABILITY REPORT**

*FISCAL YEAR 2006-2007*

## ***Section I – Executive Summary***

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

**The mission of the South Carolina Department of Insurance is to protect the insurance consumer and the public by maintaining a financially stable insurance marketplace.**

The South Carolina Department of Insurance (“the Department”) is responsible for ensuring the solvency of insurers, protecting consumers by administering and enforcing the insurance laws of the state, and regulating the insurance industry in an efficient, courteous, responsive, fair and equitable manner. Our mission is carried out through professional regulatory services, including examinations and analysis of insurance companies; consumer education, outreach and assistance; review and approval of certain insurance rates and policy forms; licensure of insurers, producers and insurance-related entities; imposing disciplinary action for violations of the insurance laws of the state; and collection of premium taxes and fees on behalf of the state and its subdivisions.

The Department seeks to provide the best possible service to South Carolina insurance consumers through its regulation, implementation and enforcement of the South Carolina insurance laws. The law and agency policy are applied consistently throughout the state. Moreover, the Department seeks to communicate openly and provide timely and accurate information to all Department stakeholders. Accordingly, the following principles and values govern the actions of the Department:

- Integrity;
- Accountability;
- Concern regarding the issues affecting our stakeholders;
- Professionalism;
- Customer service;
- Leadership;
- Employee growth and development;
- Providing timely and accurate information;
- Fairness; and
- Quality performance.

### **2. Major Achievements**

- As reported in the FY 05-06 Accountability Report, the Department successfully completed its five-year accreditation review by the National Association of Insurance Commissioners (NAIC) during 2006. Because accreditation is always an ongoing process, the Department has enhanced its compliance procedures with the NAIC’s accreditation standards to ensure re-accreditation status in 2011. NAIC accreditation indicates to other insurance departments, existing and potential licensees, and other Department stakeholders that the South Carolina Department of Insurance maintains qualified staff; has appropriate insurance company solvency monitoring safeguards in place; conducts financial examinations and financial analysis in compliance with the NAIC’s guidelines; and has enacted the necessary statutes and regulations to adequately govern South Carolina’s insurance industry.

- South Carolina maintained its position as one of the premier captive domiciles in the United States surpassed only by Vermont and Hawaii in the number of captive licenses issued. During the past fiscal year, the Department licensed 26 new captives in South Carolina, bringing the total number of licensed captives to 177. The following is a breakdown of the active captive licensees: 68 pure captives; 46 risk retention groups; 20 special purpose captives; 20 special purpose financial captives; 2 sponsored captives; and 1 branch captive.
- The State of South Carolina derived increased premium tax and related revenue from growth in the number and size of captive insurers. Captives paid more than \$2.855 million in premium taxes and approximately \$750,000 in fees last year. More significantly though, the captives industry generates an additional \$12 million for the state's economy through payroll taxes, expenditures for office space, fees paid to consultants, and hotel, restaurant and other entertainment expenditures. As this industry continues to flourish, conservative estimates show that the financial impact of the captive industry in South Carolina could reach \$15 million or more during the next fiscal year.
- The Department reviewed the existing organizational structure of the ARTS area and realigned certain positions to ensure that it operates more efficiently. The streamlined management approach has resulted in greater efficiency and accountability in the ARTS area. In addition, the Department developed a five-year operating plan to address issues relating to ARTS expansion, staffing and resource allocation. A business plan to support anticipated future growth was also developed. According to the business plan, an average of 30 new captives companies are expected to be licensed annually. Based on current projections, 312 captive insurance companies should be domiciled in South Carolina by 2012. The plan requires the Department to have the necessary staff and other resources to support any expansion of the program.
- The Department analyzes, monitors and surveils insurance companies and the marketplace, with the goal of identifying emerging trends that may be harmful to consumers. This past fiscal year, the Financial Services Division identified one health maintenance organization experiencing financial difficulty and worked closed with company management and others to implement a resolution which resulted in the company returning to financial stability, preventing a potential insolvency which would have affected South Carolina policyholders. Additionally, through the Department's market analysis function, it has worked closely with other states to identify companies whose trade practices violate our insurance laws. Administrative action has been initiated in those instances.
- During the past fiscal year, the number of insurers writing workers' compensation insurance increased from 235 carriers (during 2005) to 242. The amount of premiums written for this same period increased from \$664,955,355 to \$748,964,885, a 12.6% increase.
- To reduce the number of policies in the workers' compensation assigned risk program, the Voluntary Coverage Assistance Program (VCAP), an automated program offered through the NCCI, continues to assist producers and employers in finding voluntary workers' compensation coverage. The results of this program continue to generate cost savings to employers, mostly small businesses. During the first two quarters of 2007, 4,302 applications were reviewed, with 184 being placed with a voluntary carrier,

resulting in an average savings of \$1,445 per policy. Additionally, the six previously-approved direct assignment carriers elected to remain carriers for the 2007 plan year, thus further depopulating the assigned risk plan.

- The South Carolina General Assembly streamlined the rate approval process to attract more insurers to South Carolina. Homeowners' rate filings for a +/-7 percent increase or decrease by law are no longer subject to strict prior approval. Insurers may begin using rates on a file and use basis, unless disapproved by the Department within 30 days of filing. This filing procedure does not preclude a thorough review but does offer a simplified process, thereby reducing the time it takes to complete a review and get new products to the market. As an added protection for consumers, during the 2007 Legislative Session of the General Assembly, Section 38-73-260 of the 1976 Code was further amended by adding the following:

“(F)(1) Nothing in this section prevents the Director or his designee from considering the impact on individual territories or individual insureds when determining whether the rate is excessive, inadequate, or unfairly discriminatory. Rate level increases or decreases falling within the limitation specified in this subsection must comply with the requirements of this chapter prohibiting rate increases from being excessive, inadequate, or unfairly discriminatory.”

- South Carolina's homeowners' insurance premium growth in 2006 was 9%. During the past fiscal year, 15 foreign Property and Casualty companies, 7 foreign surplus lines companies, and 4 foreign mutual Property and Casualty companies were licensed to write business in South Carolina.
- During 2005, the Department hosted a Property Insurance Forum in Charleston to discuss and promote the favorable business, legal and regulatory environment in South Carolina. As a result of that forum, 13 insurers were licensed during this past fiscal year to write property insurance in South Carolina.
- The Department hosted the 2006 Southeastern Regulators Association's (SERA) annual meeting in October, 2006 in Charleston. SERA was formed in 1981 as an association of the member states of the Southeastern Zone of the NAIC. More than 150 representatives from state insurance departments and companies involved with rate and form filing issues attended the two-day meeting. The conference included presentations and discussions on various topics, including the growing issues and concerns surrounding the affordability and availability of coastal property insurance and the current status of the health insurance marketplace.
- In May of 2007, the Department hosted the NAIC Southeastern Zone Retreat in Charleston for the Commissioners and Directors of the member state insurance departments. The retreat was attended by more than 50 individuals and provided an opportunity for each member state to discuss insurance regulation affecting their respective states.

- The Financial Services Division audited the financial statements of 1,598 licensed insurers and 147 captive insurers. In addition, 230 broker premium tax returns were reviewed and audited. As a result of a thorough review of the tax returns submitted to the Department, an additional \$753,000 in tax revenue owed to the state was identified and collected. Total taxes and fees collected during the fiscal year amounted to \$166 million.
- As reported in our FY 05-06 Accountability Report, the Department worked with the University of South Carolina's Government Research and Services Division to conduct process reviews throughout the agency, including Special Licensing, Rates and Forms, and Consumer Services, to identify ways to more efficiently deliver services to South Carolina consumers and companies doing business here. Many changes were implemented during that time, improving efficiency in a number of areas. The benefit of that process, however, continues to serve the Department, as we use the information garnered to continuously review and improve Department processes and procedures.
  - Special Licensing renewals had previously been done on an annual basis. A simple change to biennial renewals has resulted in an approximate savings of \$700 annually in postage alone. Staff time previously given to a yearly renewal has saved one to two weeks annually for each license renewal.
  - Special Licensing and Individual Licensing areas have incorporated audit standards to confirm that licenses are consistently meeting performance standards on a daily basis. During the past fiscal year, the Individual Licensing and Special Licensing areas processed 36,351 licensing applications, 8,710 renewal applications, handled 86,731 phone calls and assisted 1,624 walk-in visitors.
  - The Office of Consumer Services handled 2,500 written complaints, 61,383 telephone calls/inquiries, and 175 constituent/legislative requests. Previously, only written complaints were being recorded and tracked. The Department now captures information regarding telephone inquiries and complaints that will enable the Department to better monitor insurer behavior in the marketplace and to determine whether a market conduct examination is warranted.
  - The Office of Finance continues to use the remote deposit machine purchased during FY 05-06, which allows the Department to make its significantly large bank deposits electronically, saving time and travel costs. Because the Department has immediate online access, the Department is able to detect and process returned items in a more timely manner. The savings realized by this single investment are immeasurable in workflow issues, employee time and travel, and greater efficiency and accountability within the agency.
  - As a result of the Strategic Technical Assessment completed in November 2005 by the State CIO's IT Planning & Management Services, the Department implemented many of the recommendations which have increased workflow efficiency and greater accountability. Major changes and improvements made during the past fiscal year include:

- ✓ *Use of a Virtual CIO.* The Department contracted through the Budget and Control Board's Division of the State Chief Information Officer (CIO) to provide a senior level professional under its Virtual CIO (VCIO) program to assist in planning, coordinating and managing the information technology needs, requirements and activities of the agency. The agency's VCIO has the requisite technical knowledge, skills and expertise to manage and support all of the information technology needs of the agency, including support of the existing technical infrastructure.
  - ✓ *Infrastructure.* Instituting the VCIO provided the Department with the necessary infrastructure. In addition, having a VCIO provides the agency with: 1) access to additional resources and expertise within the CIO's office, such as data management, security, project management and infrastructure design; 2) improved coordination with the CIO's Procurement and IT Planning groups to better understand and meet their requirements on a timely basis; and 3) use of "best practices" to analyze, justify, design, test and implement the Department's information technology projects.
  - ✓ *Workstation Upgrades.* All workstations within the agency were upgraded in July 2006.
  - ✓ *Software Upgrades.* The core system is written using PowerBuilder software with the data residing in an Oracle Database. The project to upgrade the source code began in November of 2006 and is currently being tested. The planned implementation date of the system with upgraded PowerBuilder software is October 2007. Analysis and planning for upgrading the Oracle database to the most current version began in July 2007.
  - ✓ *Online Payment System.* The coding and testing of an online payment engine was completed in September 2006. However, at this time, the code has not been implemented due to other pressing business issues but is still being reviewed to determine the benefits to the agency and its stakeholders.
  - ✓ *Implementation of an Imaging/Document Management System.* The project to image all paper documents and design a workflow management system for the agency began in March of 2007. The first phase is scheduled to be implemented in November 2007. The remaining phase will be completed by October 2008.
  - ✓ *Conversion to Exchange E-mail System.* This project was re-evaluated and a decision was made to continue to use a newer version of Novell GroupWise for e-mail, an approved solution per the CIO's technology guidelines. The newer version of Novell GroupWise mirrors the functionality of the Exchange e-mail system. This decision not only saved money for the agency but alleviated the need for employee training on a new system, which ensured continued productivity. An upgrade to the current version of GroupWise is scheduled to be completed by 12/31/07.
- The Department processes online non-resident producers' applications through the National Insurance Producer Registry (NIPR), a subsidiary of the NAIC that processes non-resident producer licenses and appointments for states via electronic transmission. Sixty-five percent of licensing applications were processed through NIPR during the past fiscal year.

- The Financial Services Department initiated an examination of an advisory rating organization due to data integrity issues identified in previous rate filings. One objective of the examination is to verify that data integrity concerns have been corrected. This examination is ongoing and is expected to be completed by the end of the year.
- During the past fiscal year, the Financial Services Division streamlined the new license applications review. As a result the Department has reduced the time required from receipt of initial license application to final approval by more than 30%, without reducing the quality of the analysis. This process allowed the Financial Services Division to issue 34 licenses to insurance companies wanting to write insurance in South Carolina. These licenses were for the following entities: 15 foreign property and casualty insurance companies; 7 foreign or alien surplus lines companies; 4 foreign mutual life insurance companies; 4 foreign mutual property and casualty insurance companies; 1 foreign health maintenance organization; 1 foreign mutual life insurance company; and 2 foreign health insurance companies.
- The Department recognizes that the quality of its staff is critical to the organization's mission and success. The Department strives to maintain the staff competencies required to serve its stakeholders and to assess skills to meet future needs. Accordingly, this is the focus of the Department's recruitment and retention plans.
- Significant changes in the following areas were made:
  - The Department continues to enhance the employee retention by strengthening the career ladder for financial examiners and is still in the process of creating a similar ladder for financial analysts. Also, the Employee Performance Management System (EPMS) has been modified and updated to support attainment of academic and professional credentials for employees.
  - The Department is developing an Insurance 101 and Regulation 101 course for all employees. The purpose of these courses is to ensure that new employees are trained on basic insurance and insurance regulation principles.
  - The Department has experienced significant employee turnover in the past two years. The vacancies created by retirements and other reasons have caused the Department to develop succession planning projects in all program areas.
  - Additionally, each manager must meet with his/her employees to develop career tracks. The purpose of this project is to ensure the Department maintains staff with the core competencies in insurance regulation.

### **3. Key Strategic Goals for the Present and Future Years**

The Department has developed a meaningful and useful Strategic Plan that focuses on the following goals:

- Improving the Department's resource alignment.
- Improving efficiency through technology.
- Developing an agency workforce plan to ensure the continuity of operations.

- Increasing the Department’s visibility and credibility among stakeholders.
- Revising the South Carolina Code of Laws relating to insurance.
- Increasing the use of SERFF (an electronic rate and form filing system) among insurers.

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

#### **4. Opportunities and Barriers**

The Department continues to work toward developing a more efficient and streamlined work process. In preparing our Strategic Plan, we identified many opportunities to help achieve this goal and to overcome the identified barriers:

##### **Opportunities**

- Technological advancement (use of NAIC data; automation of processes; making information more available and accessible; imaging; real-time financial information).
- Workforce planning (to build a stronger workforce).
- Regulatory modernization (to rewrite the insurance code).
- Individual training plans for staff.
- “Pay for Performance” plan.

##### **Barriers**

- Lack of financial resources.
- Difficulty in attracting and maintaining staff with core technical competencies within the state employee classification system.
- Poor resource alignment for budgeting and forecasting needs.
- Outdated insurance code.

The identified opportunities have been included in our Strategic Plan and serve as goals for the coming fiscal year. Likewise, elimination of the identified barriers remains a priority for the Department.

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

The past Accountability Report was a very valuable tool in finalizing the agency’s Strategic Plan. The Accountability Report was used as the foundation to guide our efforts in that area. The strategic planning process involved the assessment of customer needs and the re-design of Department programs and processes, and procedures to align with those needs, as well as an ongoing evaluation of performance against benchmarks and standards. As the Department’s strengths, weaknesses, opportunities and threats were identified, the Accountability Report has been used to ensure that the Department is meeting both the internal and external objectives set forth in our mission.



The Accountability Report and Strategic Plan serve to clearly communicate the Department's organizational mission, goals and objectives to its customers, employees and other state agencies, and promote continuous improvement within the Department.

## ***Section II – Organizational Profile***

### **1. Main Products and Services**

The principal products and services offered by the Department include: 1) solvency regulation; 2) consumer protection; 3) product and rate regulation; 4) licensing; 5) enforcement; and 6) public outreach (i.e., providing educational programs for individuals and other persons transacting the business of insurance in South Carolina).

The Consumer and Legal Services Division monitors insurance market practices and provides consumer protection and insurance regulatory enforcement services for the state. The Office of Consumer Services reviews, responds to and assists South Carolina's consumers with problems related to their insurance coverage. This office also provides information to consumers about where they may obtain insurance coverage. The Office of General Counsel (Legal Division) investigates complaints and initiates administrative disciplinary actions against licensees violating South Carolina insurance laws.

The Market Services Division consists of the following offices: 1) Insurance Education Services and state insurance individual licensing examinations; 2) Individual Licensing Services; 3) Special Licensing Services; and 4) Rates and Forms. Through the Market Services Division, the Office of Insurance, Education and Pre-licensing Services reviews and approves sponsors, instructors, proctors and courses for both pre-licensing and continuing education and reviews, approves and monitors state insurance licensing. The Office of Individual Licensing Services licenses producers, agencies, brokers, adjusters, public adjusters, appraisers, bail bondsmen, runners and surety bondsmen. Additionally, the Office of Special Licensing is responsible for issuing licenses to third party administrators, premium service companies, service contract providers, and utilization review agents. The Office of Rates and Forms reviews insurance rates and forms to ensure that insurance rates are not excessive, inadequate, or unfairly discriminatory and that the insurance products offered for sale in this state comply with South Carolina law.

The Financial Services Division licenses insurance companies, monitors solvency by examining their financial condition and operations, regulates their marketing practices through market analysis and market conduct examinations, and maintains statutory deposits submitted to the Department for the protection of South Carolina policyholders. In addition, it is responsible for rehabilitation and/or liquidation of insolvent insurance companies. These services are performed through the Office of Financial Analysis and the Office of Examinations. The Office of Alternative Risk Services provides similar services for South Carolina's growing captive insurance industry and other alternative risk transfer mechanisms.

### **2. Key Customer Segments and Their Key Requirements/Expectations**

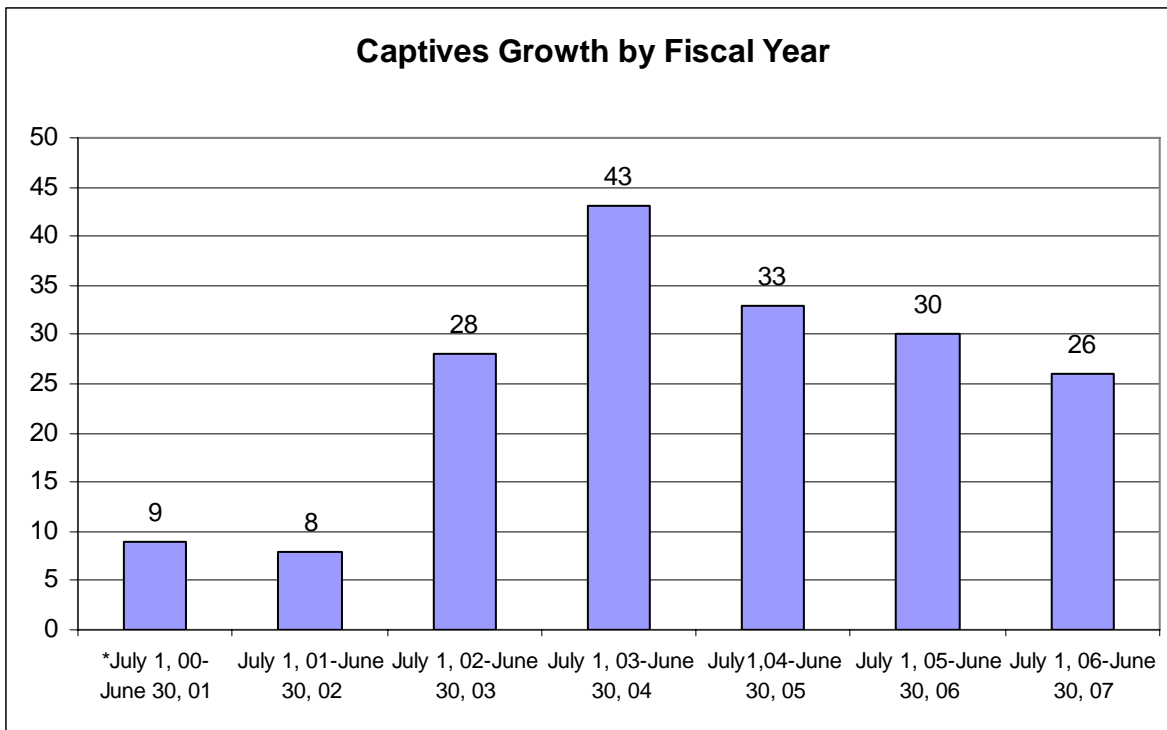
All citizens of South Carolina are key customers of the Department as they are affected by insurance, in one way or another, on an almost daily basis. Other key customers include the General Assembly, licensees, other state agencies, the NAIC and other state and federal agencies.

*Consumer Protection.* The Consumer and Legal Services Division enforces the insurance laws of the State of South Carolina. One of the ways the Department monitors the trade practices of its licensees is through its Office of Consumer Services (Consumer Services). The Department analyzes the number and types of complaints received from South Carolina citizens to determine whether the licensee has: 1) engaged in an unfair trade practice; 2) used unapproved rates or forms; or 3) otherwise violated the insurance laws of the state. Allegations that a licensee has violated the state's insurance laws are forwarded to the Office of Legal Services for investigation and administrative action, if necessary. South Carolina law gives the Director discretion to fine, suspend, or revoke the license of an individual who has violated the insurance laws of this state.

*Market Analysis.* The complaint data compiled by the Office of Consumer Services is used for market analysis purposes. This data is analyzed by the Department's market analysis staff and is a critical part of the process in determining whether the insurer is engaging in unfair trade practices or a market conduct examination should be conducted by the Department.

*Financial Services.* The Department's Financial Services Division licenses insurers, monitors and examines their financial condition and market practices, and is responsible for liquidating insolvent insurers. This Division has three operating areas: 1) Financial Examinations, responsible for conducting comprehensive examinations of all South Carolina domestic insurance companies at least every one to five years; 2) Financial Analysis, responsible for reviewing all annual and quarterly financial statements of insurers domiciled in South Carolina; and 3) Market Regulation, responsible for identifying market disruptions and market conduct issues in order to take corrective action to minimize harm to the consumer.

*Captive Regulation.* The Office of Alternative Risk Transfer Services (ARTS) is structured similarly, with a Financial Examination and a Financial Analysis section. In addition to the licensing, financial surveillance and ongoing regulation of captive insurers, this section is responsible for monitoring market conditions and the business climate needed for the continued development of the alternative risk market. As such, South Carolina is now considered a mature captive domicile and has the reputation of having knowledgeable, skilled captive regulators, making our state the third largest domicile for captive insurance companies in the United States. During the past fiscal year, the Department licensed 26 new captive insurance companies in South Carolina, bringing the total of licensed captives to 177.



*Rate and Form Regulation.* The Market Services Division is responsible for reviewing certain rates, rules and policy forms of insurers for compliance with state law. The Individual Licensing and Education section is responsible for licensing individuals and insurance-related entities, including continuing education and pre-licensing education. Consumer Services receives and responds to consumer inquiries and complaints. The General Counsel’s office enforces the insurance laws of the state, including disciplinary actions, suspension and revocation proceedings and represents the Department in rate actions and other contested matters.

*Consumer Education and Outreach.* Consumer education and outreach is handled by both the Consumer Services section and the Executive Division. The Public Information Officer coordinates staff participation and attendance at these events. The Department also uses its website, brochures and speaking engagements to assist with consumer outreach and education.

*Market Development.* The Director and members of the Executive Staff are actively engaged in trying to enhance the availability of various insurance products through development activities, such as sponsoring property insurance forums and participating in numerous other industry events and meetings at which the Department’s business and regulatory philosophy is communicated. Additionally, the Executive Division participates in NAIC activities and provides assistance to the legislative and executive branches of government, federal and state, on insurance matters, changes to existing insurance laws and resolution of constituent issues.

*Administrative Services.* The Department’s Administrative Division includes the following areas and responsibilities:

- Finance and Accounting – includes accounting, budgeting, strategic and financial planning and analysis, payroll processing, revenue collection, procurement, facilities, and administrative support services.

- Human Resources – includes employee recruitment and selection, employee relations, classification and compensation, organizational development, employee training, supervisory support, and human resource analysis and planning.
- Records Management and Auxiliary Services – includes records management, file storage and historical retention schedules.
- Information Technology – includes applications development and maintenance, data processing operations, network operations, project management, and information technology planning and analysis.
- Taxation - includes collection of insurer premium taxes, captive premium taxes, and broker premium taxes along with the collection of statistical data based on premiums.

### **3. Key Stakeholders**

The Department’s stakeholders are consumers/citizens, the Governor, legislators, the insurance industry, other government agencies, and the NAIC.

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

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

Each state Department of Insurance has a unique opportunity to partner with national organizations which provide assistance to the public. The National Association of Insurance Commissioners (NAIC), based in Kansas City, Missouri, is an association of state and US territory insurance commissioners designed to promote uniform and consistent insurance regulatory practices throughout the country. The National Insurance Producer Registry (NIPR), a subsidiary of the NAIC, provides electronic processing of non-resident producer licenses. The National Council of Compensation Insurance (NCCI) serves as the statistical agent for workers’ compensation insurance in South Carolina, and acts as administrator of the state’s Assigned Risk Plan.

### **5. Operation Locations**

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 207, Charleston, SC 29401, for meetings and other activities related to the Captives program.

## **6. Number of Employees**

During fiscal year 2006 – 2007, the Department had 74 classified employees, 5 unclassified employees and 7 temporary employees.

## **7. Regulatory Environment**

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

All state insurance commissioners or state insurance directors are members of the NAIC. The NAIC and its staff are a vital resource to the states on issues affecting insurance and insurance regulatory policy. While no statute mandates our involvement with the NAIC, it is an excellent resource from which we draw to ensure that the insurance marketplace remains healthy, competitive and financially sound.

## **8. Key Strategic Challenges**

The Department continues to address challenges that hamper its ability to determine and measure success. This ongoing effort has resulted in data improvements that have been useful in making decisions related to strategic planning, resource allocations, and program management. The key strategic challenges confronting the Department of Insurance include: 1) the need for effective business continuity or succession planning; 2) federal encroachment on insurance regulation; 3) changing market conditions; and 4) disaster readiness and response.

### *Effective Business Continuity/Succession Planning*

The Department recognizes that the quality of its staff is critical to its mission and success. It continually strives to maintain the staff competencies required to serve its stakeholders and to assess the skills required to meet its future needs. One of the critical strategic issues confronting the Department is its ability to effectively plan for succession issues. The Department, however, has made progress on developing its workforce plan. The plan documents its assessment of the agency's needs by requiring program areas to review key economic and environmental factors facing their areas, staffing challenges, stakeholder demands that affect staffing and the skills and competencies required for critical positions within the agency. Additional activities will continue to be addressed to complete the comprehensive assessment of the Department's workforce, including identifying the number of employees needed to accomplish our mission, the technical skills required, and how best to allocate employees among strategic goals. While the Department has a capable staff, turnover has been higher in recent years and will continue to be, due in large part to the high percentage of potential retirees. The vacancies created by retirements and other turnovers have caused the Department implement succession planning for the entire agency. Succession planning ensures that there are highly qualified people in all positions not just today, but tomorrow and five years from now. Therefore, during the past fiscal year, the Department completed Phase I of its succession plan: identifying critical positions within the agency and developing a process for training future replacements. The plan identifies the educational background and skills of each employee within the Department which helps

design training plans to develop the abilities and skills of employees to make them eligible for future advancement opportunities.

Recruitment and retention may be impacted by the state's classification and compensation system. It is difficult to recruit and retain employees in certain positions critical to the agency. These positions have typically included qualifications of actuarial science or financial examinations. For these positions and others, the Department is unable to compete with the compensation packages offered in the private sector.

### *Changing Market Conditions*

The primary responsibility of the Department is to regulate the insurance industry. To do this effectively, the agency must adapt its regulatory practice and workforce to respond to changing market conditions. The Department has invested considerable time and resources in developing innovative regulatory initiatives to encourage a more efficient and cost-effective regulatory environment. A fair regulatory environment encourages insurers to do business in the state and enhances the availability of insurance products for South Carolina consumers. Changing market conditions have affected the availability and affordability of certain insurance products.

The frequency and severity of hurricanes and other weather-related events following the 2004 and 2005 hurricane seasons had an impact on the cost and availability of residential and commercial property insurance, specifically in the coastal regions of the state. Insurers restricted their writings of property insurance due to rising catastrophic reinsurance costs, the threat of ratings downgrades by insurance rating organizations and the re-evaluation of catastrophe models that manage catastrophe exposure. As a result of some of these changes, the Department saw many voluntary market insurers stop writing coverage along the coast. When wind coverage is not available through the voluntary market, South Carolinians may obtain coverage through the state's Wind Pool, the South Carolina Wind and Hail Joint Underwriting Association. If the applicant or insured does not reside within the areas covered by the Wind Pool, the insurer is precluded from excluding the wind coverage. As a result, insurers have been limiting or restricting the number of property policies they are willing to write along the coast. When supply diminishes, the cost of coverage escalates. Although the market softened during the 2006 hurricane season, the affordability and availability issues could resurface if another major hurricane hits the Atlantic or Gulf coast of the United States.

Additionally, the affordability and availability of health insurance is an issue in South Carolina, particularly within the small business community. Through a State Planning Grant sponsored by the U.S. Department of Health and Human Services, Health Resources Services Administration, the Department was able to determine that South Carolina had an uninsured population of approximately 19.4%. A significant portion of those individuals were working adults. Rising health insurance costs, low participation rates in employer-sponsored plans and government-sponsored plans all contribute to the number of South Carolina's uninsured. Affordability is the primary reason for our state's low participation rates. Legislative bills were developed to address this issue but, unfortunately, they were not enacted.

Because availability and affordability of insurance is always a challenge for insurance consumers, solvency monitoring is one of the most important services provided by the Department. Increasingly, however, insurance departments are being required to find ways to ensure the availability and affordability of various insurance products. Effectively addressing this issue will be a challenge for regulators for years to come since there are a number of factors

influencing insurance availability (i.e., the insurer's capacity to offer insurance products) that are beyond the control of the regulator. These factors include, but are not limited to, climate changes, market performance and consumer behavior.

### *Encroachment of Federal Government on the Regulation of Insurance*

Since the passage of the Gramm-Leach-Bliley Act (GLBA), there appears to be more of a push toward a federal insurance regulator by members of the insurance industry. The GLBA permitted the formation of financial services companies, including banking, insurance and securities. The financial holding companies could create affiliate companies to conduct business in any of the financial industries. For many years, both the banking and securities industries had been licensed and regulated at the federal level, although licensing and regulation also occurs at the state level for banking institutions. In fact, of the total banking institutions operating in the United States today, approximately two-thirds are chartered by the states.

With the convergence of insurance and financial services, some institutions and their national trade associations are advocating that insurance companies should be given the option of obtaining a federal charter, as occurs in the banking industry. Supporters of an optional federal charter argue that it is cumbersome for insurance companies to be regulated by 50 different regulators and that insurers should be given the same option as banking institutions to be chartered and regulated by either the federal government or the states. State regulation of insurance is specifically authorized by the McCarran-Ferguson Act.

In 1945, Congress enacted the McCarran-Ferguson Act that specifically delegated to the states the regulatory authority over insurers. The act grants states primary and preemptive responsibility for regulation of insurance. The act reads, "No act of Congress shall be construed to invalidate, impair or supersede any law enacted by any state for the purpose of regulation of the business of insurance...unless such act specifically relates to the business of insurance." In fact, the business of insurance has been regulated by the states since insurance companies first began operating in this country. For more than 200 years, the states have overseen insurance company operations with respect to solvency and market conduct. GLBA reaffirmed state regulation of the business of insurance. Despite this reaffirmation and efforts by the NAIC to modernize state insurance regulation, federal insurance legislation is introduced annually, calling for either a federal regulator or that some lines of insurance be regulated by the federal government. The bills that have been introduced recently that would alter state regulation of insurance include the State Modernization and Regulatory Transparency Act (SMART), the National Insurance Act of 2006 (Optional Dual Charter) and the All-Perils Policy legislation. Each of these bills proposes some form of preemption, either in whole or in part.

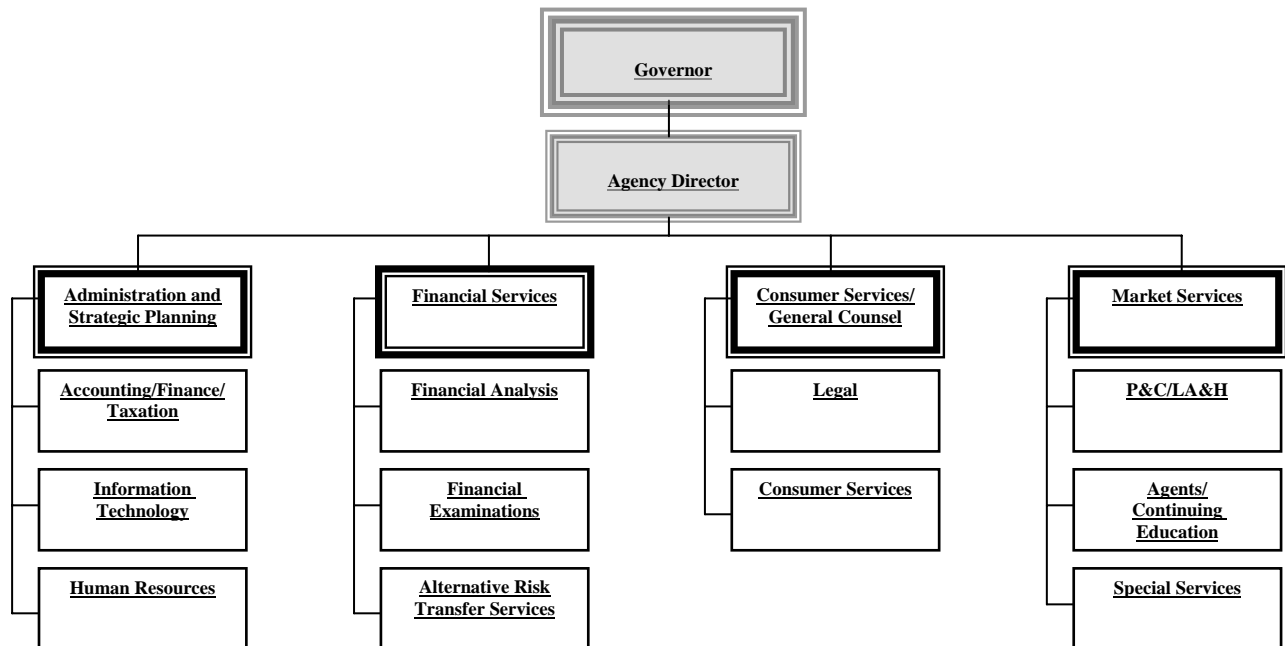
Federal regulation of the business of insurance could result in the loss of more than \$10 billion in premium tax revenues for the states if state insurance regulation is curtailed. South Carolina could lose \$120,000,000-\$160,000,000 annually in premium tax revenues. Regulators, insurers, and producers recognize the need to modernize regulation of the business of insurance. However, the reform process will require some time before the improvements will be enacted and implemented. Insurance regulation is a complex matter and any change to the process should not be undertaken without thorough review and analysis of the impact of change on the consumers and policyholders the industry serves.

## 9. Performance Improvement System(s)

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

With the new Director having private sector business management practices, coupled with years of public service in state government as a Senator, he has worked diligently to bring private sector business management practices to the Department by establishing performance standards, measuring and evaluating performance, and being accountable for performance. On July 1, 2006, the Department transitioned to a universal review date, with an EPMS evaluation having been completed for every employee. Managers in every functional area are now able to track and monitor work activity in their areas and ensure that we are in compliance with statutory and other deadlines for licensing, rate and form filings and examinations, and that our constituents' needs are met in a timely manner. On July 1, 2007, the Department, for the first time ever, met its goal of 100% by providing a completed EPMS review on each employee.

## 10. Organizational Structure





## 11. Expenditures/Appropriations Chart

Major Budget Categories	FY 05-06 Actual Expenditures		FY 06-07 Actual Expenditures		FY 07-08 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$ 4,280,560	\$ 2,645,754	\$ 4,274,501	\$ 2,618,235	\$ 4,784,758	\$ 3,022,540
Other Operating	\$ 2,171,917	\$ 197,985	\$ 2,809,866	\$ 963,211	\$ 4,172,022	\$ 1,000,290
Special Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permanent Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Case Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions to Subdivisions	\$ 1,182,258	\$ -	\$ 1,864,027	\$ -	\$ 1,307,391	\$ -
Fringe Benefits	\$ 1,072,006	\$ 703,842	\$ 1,101,429	\$ 706,553	\$ 1,383,554	\$ 940,095
Non-recurring						
<b>Total</b>	\$ 8,706,741	\$ 3,547,581	\$ 10,049,823	\$ 4,287,999	\$ 11,647,725	\$ 4,962,925

### Other Expenditures

Sources of Funds	FY 05-06 Actual Expenditures	FY 06-07 Actual Expenditures
Supplemental Bills	\$ 52,328	\$ -
Capital Reserve Funds	\$ -	\$ -
Bonds	\$ -	\$ -

## 12. Major Program Areas Chart

Program Number and Title	Major Program Area Purpose (Brief)	FY 05-06 Budget Expenditures	FY 06-07 Budget Expenditures	Key Cross References for Financial Results*
I. Admin	Administration, Office of General Counsel, Information Resource Management (IRM), Executive Services	State: 1,777,040.00 Federal: Other: 536,166.00 Total: 2,313,206.00 26% of Total Budget:	State: 2,445,261.00 Federal: Other: 56,798.00 Total: 2,502,059.00 23% of Total Budget:	7.1 7.2 7.3 7.4 7.5
II.A Solvency	Solvency: Financial Examination, Market Conduct Examinations, Financial Analysis, Securities Custodian and Historical Databases	State: 295,526.00 Federal: Other: 1,253,881.00 Total: 1,549,407.00 18% of Total Budget:	State: 339,807.00 Federal: Other: 1,268,674.00 Total: 1,608,481.00 17% of Total Budget:	7.1 7.3
II.B Licensing	Licensing: Individual Licensing, Company, Insurer/HMO Licensing, Education, Special Services Division, Third Party Administration Licenses, Utilization Review and Service Contract Providers.	State: 119,305.00 Federal: Other: 797,351.00 Total: 916,656.00 10% of Total Budget:	State: 92,278.00 Federal: Other: 649,824.00 Total: 742,102.00 9% of Total Budget:	7.2 7.3 7.5
II.C Taxation	Taxation	State: 98,864.00 Federal: Other: 23,672.00 Total: 122,536.00 1% of Total Budget:	State: 155,096.00 Federal: Other: 155,096.00 Total: 155,096.00 1% of Total Budget:	7.3 7.5
II.D Consumer Services	Consumer Services, Requests for Assistance, Consumer Insurance Education, Market Assistance Program (MAP), Disaster Response	State: 383,718.00 Federal: Other: 140,901.00 Total: 524,619.00 6% of Total Budget:	State: 557,333.00 Federal: Other: 557,333.00 Total: 557,333.00 5% of Total Budget:	7.2 7.3
II.E	Policy Form and Rates: Review Financial Condition and Residual Markets, Consumer Assistance	State: 611,328.00 Federal: Other: 403,486.00 Total: 1,014,814.00 12% of Total Budget:	State: 589,020.00 Federal: Other: 139,056.00 Total: 728,076.00 9% of Total Budget:	7.1 7.5
II. F	Uninsured Motorists	State: Federal: Other: 1,182,258.00 Total: 1,182,258.00 14% of Total Budget:	State: Federal: Other: 1,864,026.00 Total: 1,864,026.00 19% of Total Budget:	7.5
II. G Captives	Captives	State: 261,800.00 Federal: Other: 821,445.00 Total: 1,083,245.00 12% of Total Budget:	State: 109,205.00 Federal: Other: 1,783,445.00 Total: 1,892,650.00 17% of Total Budget:	7.1 7.5

**Below: List any programs not included above and show the remainder of expenditures by source of funds**

<b>Remainder of Expenditures:</b>	State: 52,328.00 Federal: Other: Total: 1% of Total Budget:	State: Federal: Other: Total: % of Total Budget:
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• 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 Malcolm Baldrige Criteria*

### **1. Leadership**

**1.1 (a-f) How do senior leaders set, deploy, and ensure two-way communication for: a) short and long term direction and organizational priorities; b) performance expectations; c) organizational values; d) empowerment and innovation; e) organizational and employee learning; and f) ethical behavior?**

The leadership of the Department consists of three levels: the executive staff, managers and supervisors. The executive staff is comprised of the Director and four Deputy Directors, with 9 managers and 10 supervisors. The Governor appointed Senator Scott Richardson, who has a solid background in the insurance industry, as the new Director of the agency in February of 2007. Through his leadership team, the Director is working to effectively communicate the mission, goals and organizational values of the Department to all employees. This is being accomplished primarily through division, section and unit meetings, training sessions and other activities. The Director meets with his deputies at least weekly to discuss overall direction and initiatives. Subsequent meetings of the deputies with their management and supervisory staffs allow this information to be shared with front-line employees, thus ensuring consistent communication on the short and long term goals of the Department.

The Department has reviewed and updated its workflow and production processes, and has developed objective performance measures for each activity. As stated earlier, the Department implemented a universal review date of July 1 for the Employee Performance Management System, which is used to develop performance plans for key services and functions. The EPMS communicates management's expectations for each employee and informs the employee of the specific performance measures that will be used to evaluate his or her job performance. For the first time ever, the agency met its goal of 100% by providing a completed EPMS review on each employee. Ethical behavior is the foundation of all employee performance, and job performance that is not ethical is simply not acceptable from any employee. The Department continues to revise, update and expand its policies and procedures manual to further highlight the expectation that all employees will adhere to the highest standards of ethical behavior.

EPMS is an ongoing, two-way communication tool in which managers and employees collaborate to identify and find solutions to issues, problems and inefficiencies in the Department's processes that compromise the Department's ability to accomplish its mission. To further empower employees and ensure that they have the technical and other skills necessary to effectively perform their jobs, the Department utilizes numerous state and industry resources to provide training and professional development for employees. Employees attending these various programs, conferences and seminars share what they have learned with other employees through in-house training programs.

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

The Department's mission is specifically customer-focused and senior leadership continually reinforces this effort by closely monitoring the Department's handling of consumer inquiries and complaints, responsiveness to industry filings and enforcement of insurance laws and regulations for the protection of the public.

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

As an agency charged with regulation of the insurance industry, the Department continually evaluates the ramifications of its activities on consumers. The Department solicits feedback from consumers in a variety of ways: on our website; through consumer inquiries/complaints; speaking engagements around the state; etc. We are continuing to explore cost-effective options for additional consumer outreach programs to both educate consumers and receive more feedback.

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

The Department maintains a strong system of checks and balances to ensure that fiscal, legal and regulatory accountability are maintained. Frequent meetings between legal counsel, the budget/finance manager and the procurement specialist facilitate compliance with established guidelines.

## **1.5 What key performance measures are regularly reviewed by your senior leaders?**

Current key performance measures include analysis of consumer inquiry/complaint data to identify market conduct patterns, analysis of licensing data to evaluate cycle times and roundtable meetings with the insurance industry to receive feedback on the Department's responsiveness with regard to filings. Additional key performance measures, organizational objectives and operational plans have been developed as a result of our process review initiative.

## **1.6 How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization? How do their personal actions reflect a commitment to the organizational values?**

Senior leaders review previous outcomes, activity data, budget items and reports on progress toward departmental goals and objectives regularly, and are able to adjust and modify their management plans accordingly to maximize overall effectiveness. Specific issues are addressed and changes in day-to-day operations are made as needed. Frequent communication between divisions further facilitates an integrated approach to delivering services by breaking down barriers within the Department.

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

Fifteen of the Department's employees are either participating in the TERI plan or eligible for retirement. Management has identified those employees in mission-critical roles and is

evaluating other employees to determine if they will be able to fill those roles and whether additional training is needed. New employees are now hired with specific attention to their ability to progress to higher levels of responsibility. Additionally, formal procedures have been developed and documented so that crucial institutional knowledge and history is retained.

**1.8 How do senior leaders create an environment for performance improvement, accomplishment of strategic objectives, and innovation?**

Weekly division and section meetings are utilized to set and communicate key organizational priorities for improvement and to develop specific action plans. Through these meetings and subsequent meetings with employees, all employees are expected to evaluate his or her role and performance in achieving the Department's goals.

The Department continues to stress the need for supervisors/managers to be aware of all human resources policies and procedures as they relate to their job position, as well as to the employees they supervise. During the past fiscal year, employees worked with their immediate manager and/or supervisor to identify and attend training that was specific to their position.

**1.9 How does senior leadership actively support and strengthen the communities in which your organization operates? Include how senior leaders and employees contribute to improving these communities.**

The Department and its senior leadership actively support and strengthen communities by encouraging employee involvement in community activities and Department employees regularly speak and/or provide information and assistance to community organizations. 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. In addition, the Director serves as an officer of the Southeastern Zone of the NAIC and chairs many significant NAIC working groups.

At least once a year, employees are encouraged to support charitable organizations that help the community, such as the United Way, the American Red Cross, the First Ladies' Walk for Life, and Community Health Charities. Several employees donate blood at the American Red Cross on a regularly scheduled basis. Payroll deduction is available for contributions to many charities.

## 2. Strategic Planning Strategic Planning Chart

Program Number and Title	Supported Organization Strategic Planning Goal/Objective	Related FY 06-07 Key Action Plan/Initiative(s)	Key Cross References for Performance Measures*
I. Administration II. Program Services	Improve the Department's resource alignment	1. Identify resource allocation priorities (people, time, budget) 2. Identify the gap between current allocations and the desired state 3. Develop effective departmental budgets 4. Explore opportunities to generate additional revenue	7.3, 7.4
I. Administration II. Program Services, B, G	Improve efficiency through technology	1. Manage record storage using data imaging technology 2. Increase electronic commerce (EFT/Credit Card) 3. Create an electronic system for Captives area 4. Automate application and renewal process, premium tax collection, enterprise (state-based) system 5. Migrate from Group Wise to MS Exchange (Outlook)	7.2, 7.3
I. Administration II. Program Services	Develop an agency workforce plan to ensure the continuity of operations	1. Identify and prioritize key jobs (positions) that need to be addressed 2. Identify knowledge transfer targets and staff knowledge gaps in order to create a succession plan 3. Document agency work processes 4. Create training plans for employees, including cross-training 5. Review the use of consultants and temporary employees 6. Evaluate recruitment and selection process and identify possible improvements 7. Improve the communication of Agency goals and values to staff 8. Create a disaster recovery plan	7.1, 7.2, 7.4
I. Administration II. Program Services	Increase the Department's visibility and credibility among stakeholders	1. Articulate stakeholder needs and expectations and prioritize outreach efforts 2. Improve access to information via the Agency's website	7.1, 7.2, 7.5
I. Administration	Revise the South Carolina Code of Laws relating to insurance	1. Create an outline of proposed Code of Law changes by line of business 2. Draft bill(s) to initiate legislative action and identify sponsors	7.1, 7.2
II. Program Services, E	Increase the use of SERFF (an electronic rate and form filing system) among insures	1. Communicate to insurers the availability of newly revised SERFF and the advantages of using it	7.1, 7.5

**2.1 What is your Strategic Planning process, including KEY participants, KEY process steps, and how does it address: a) your organization’s strengths, weaknesses, opportunities and threats; b) financial, regulatory, societal and other potential risks; c) shifts in technology or the regulatory environment; d) human resource capabilities and needs; e) the opportunities and barriers you described in the Executive Summary; f) business continuity in emergencies; and g) your ability to execute the strategic plan.**

As stated earlier, the Department developed a three-year Strategic Plan, with participation from staff representing all of the Department’s program areas. The strategic planning process was guided by a Planning Work Group, which included approximately 12 decision-makers representing all of the Department’s functional areas working together on information technology resource issues, strategic and business planning, and other efforts requiring collaboration.

OHR facilitated and provided direct technical assistance related to the development of a strategic plan. The following activities were an integral part of those planning sessions:

- Conducting a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis with the Planning Work Group, resulting in a current SWOT profile for the Department.
- Developing broad goals and specific, measurable objectives for the Strategic Plan.
- Developing performance measures for the identified goals and objectives.
- Identifying timeframes for attainment of the strategic objectives, assigning organizational responsibility for attainment of the objectives, and designing a follow-up approach for monitoring progress and, when needed, modifying the plan.

While the primary developers of the Strategic Plan were the members of the Planning Work Group, input from all of the Department’s programs was encouraged and used, along with extensive participation from others. The agency now has a meaningful and useful Strategic Plan which guides our efforts.

In developing the Department’s Strategic Plan, the following internally focused objectives and externally focused objectives were identified. In doing so, action plans have been identified to accomplish each objective.

**Internally Focused Objectives**

- Improve the Department’s resource alignment
  1. Identify resource allocation priorities (people, time, budget)
  2. Identify the gap between current allocations and the desired state
  3. Develop effective departmental budgets
- Improve efficiency through technology
  1. Manage record storage using data imaging technology
  2. Increase electronic commerce (EFT, Credit Card)
  3. Create an electronic system for the Captives area
  4. Automate application and renewal process, premium tax collection, and enterprise (state-based) system
  5. Migrate from Groupwise to MS Exchange (Outlook)
- Develop an agency workforce plan to ensure the continuity of operations
  1. Identify and prioritize key jobs (positions) that need to be addressed
  2. Identify knowledge transfer targets and staff knowledge gaps in order to create

- a successful plan
- 3. Document agency work processes
- 4. Create training plans for employees, including cross-training
- 5. Review the use of consultants and temporary employees
- 6. Evaluate recruitment and selection process and identify possible improvements
- 7. Improve the communication of agency goals and values to staff
- 8. Create a disaster recovery plan

### **Externally Focused Objectives**

- Increase the Department’s visibility and credibility among stakeholders
  1. Articulate stakeholder needs and expectations and prioritize outreach efforts
  2. Improve access to information via the Department’s website
- Revise the South Carolina Code of Laws relating to insurance
  1. Create an outline of proposed Code of Law changes by line of business
  2. Draft bill(s) to initiate legislative action and identify sponsors
- Increase the use of SERFF among insurers
  1. Communicate to insurers the availability of the newly revised SERFF and the advantages of using it

### **2.2 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 these plans?**

Most of the Department’s strategic objectives are Department-wide in scope and every deputy is responsible for developing tactical plans to achieve those objectives within his or her area of responsibility. For those objectives that relate only to a particular division, the Director and/or the deputy for that division are responsible for achieving those objectives. In management meetings between the Director and the Deputy Directors, 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.

### **2.3 How do you communicate and deploy your strategic objectives, action plans and related performance 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 are held once every two months and led by the Director who sets the tone for the Department’s values. 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 clearly explain what the goals are and the 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.

### **2.4 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. Therefore, each individual



tasked with accomplishing each action plan has a clear-cut and unambiguous directive, providing 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.

## **2.5 How do your strategic objectives address the strategic challenges you identified in your Organizational Profile?**

The Department's strategic objectives relate to and are focused on strategic objectives. They reflect the Department's priorities to address the challenges confronting the agency. These objectives guide resource allocation and distribution within the agency. One of the principal challenges identified in the Department's Organizational Profile was developing performance measures across programs. Also, the agency's strategic objectives require performance measurement across related programs.

Developing results and measures for related programs was a formidable challenge based on conceptual and analytical issues associated with measuring multiple programs, cultural and other barriers rooted in long-standing practice, and resource limitations. Well-developed performance measures achieve and demonstrate cost-effective government to stakeholders, consumers, and the citizens of our state and is always an ongoing process.

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

Developing results and measures for related programs was a formidable challenge based on conceptual and analytical issues associated with measuring multiple programs, cultural and other barriers rooted in long-standing practice, and resource limitations. However, having developed performance measures achieves and demonstrates cost-effective government to stakeholders, consumers, and the citizens of our state and is always an ongoing process. Additionally, the development of such measures serves to:

- Encourage an outcome orientation throughout all facets of planning;
- Establish a regular and pervasive process to evaluate progress 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 If the agency's strategic plan is available to the public through the agency's internet homepage, please provide an address for that plan on the website.**

### **3. Customer Focus**

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

Our customers are primarily defined by statutes and by our mission statement as insurance consumers, members of the general public and the insurance marketplace. Ancillary customers and requirements are determined through interaction with consumers, industry, legislators and federal, state and local government officials.

An understanding of customer key requirements evolves over time as customers and stakeholders provide feedback and refine their expectations and needs. Customer input and involvement is desired and expected in this process. The Department is constantly exploring customer requirements and the services we provide to ensure that needs are being met. Ongoing engagement and communication is critical to our success.

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

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

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

The Department gains valuable and much-needed feedback from our customers/stakeholders through the various communication mechanisms and forums described above, and we are guided by that feedback in determining the appropriate level and delivery of services. Program and performance data are reviewed by management to ascertain the need for modifications in services or programs in order to better assist our customers/stakeholders.

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

While the Department does not currently use formal customer satisfaction surveys on a Department-wide basis, its managers conduct random telephone surveys with individual complainants to gauge our overall responsiveness and service delivery. Consumers are asked to respond to the following questions:

## CONSUMER/STAKEHOLDER TELEPHONE SURVEY

SURVEY QUESTION	RESPONSE
How were you received by the agency?	
Was the analyst courteous?	
Was the analyst helpful, professional and knowledgeable [about the line of business]?	
Did you find the information useful?	
Did we respond to your complaint/concern in a timely manner?	
Overall, were you satisfied with the service that you received from the Department?	
How could we assist you better in the future?	

The Department relies heavily on feedback from the telephone survey of our customers/stakeholders. We use this feedback to prioritize training opportunities and other types of professional development. Analysts are counseled about their responsiveness and knowledge of a particular line of insurance depending upon the information received.

In the past, the Department has used formal customer satisfaction surveys with positive results: 90+% satisfactory. We are exploring ways customer satisfaction surveys can be used for the diverse constituencies served by the Department, and are currently considering the use of electronic surveys to reach the Department's stakeholders.

### **3.5 How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.**

The Department builds positive relationships by providing timely responses to requests for information and information. Through formal conferences and other programs, as well as informal meetings and activities, the Department has successfully developed collaborative relationships with its customers and stakeholders. They are generally impressed with the staff's knowledge of insurance laws and the insurance products offered in the state. Additionally, most stakeholders appreciate timely responses and the Department's willingness to assist, even though they may not necessarily agree with the outcome.

## **4. Measurement, Analysis, and Knowledge Management**

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

Decisions are generally made based upon the Department's regulatory responsibilities. The regulatory responsibilities also form the basis of many objectives within the Department's strategic plan. Many of the Department's performance measures are directed by statute or other legal or governmental authority. After ensuring compliance with those requirements, senior leadership further defines other operations, processes and systems that should be measured.

#### **4.2 How do you use data/information analysis to provide effective support for decision making throughout your organization?**

Data/information reports are generated weekly from upper management level to staff level. Management uses these reports to ensure that pending projects are being completed by their respective deadlines and to keep abreast of market conditions and changes. The operational data gathered from individual program areas is reviewed by senior leadership, managers and supervisors weekly, monthly, quarterly and/or annually, based on programmatic requirements, and this informs the decision-making process.

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

The Department has undergone a reorganization of its management structure which has resulted in new, different and/or expanded roles for senior leadership. With the appointment of a new Director in February of 2007, the agency's performance measures were reviewed to ensure that they support outcomes and goals derived from our mission. Various approaches are used to solicit staff input, including involvement in the strategic planning process and ongoing discussions throughout the various division levels. Stakeholder and individual contacts help staff ensure that the public interest is considered and that customers and stakeholders are aware of the proposed measures.

We have identified the following as our key performance measures:

- **Monitoring Insurance Company Solvency**

This activity protects consumers by monitoring the solvency of insurance carriers and health maintenance organizations authorized to conduct business in South Carolina. Solvency issues may be identified through market analysis or market conduct examinations, financial examinations, consumer complaints, or financial analysis of statements filed by insurers.

**Measure:** Number of financial and market conduct examinations of insurers completed, number of consumers assisted, and number of insurer insolvencies prevented through the Department's early intervention.

- **Investigations, Consumer Assistance and Enforcement**

Staff investigates and acts upon all violations of laws and regulations. Staff also assists consumers with problems involving insurance sales or marketing practices by agents, brokers, or insurers.

**Measure:** Number of investigations completed; number and type of disciplinary actions imposed.

- **Consumer Information and Advocacy**

Staff responds to oral and written complaints and inquiries from consumers regarding insurance companies, and acts as an advocate when appropriate. Assistance is rendered to enforce the various provisions of the insurance code and is based on authority to take disciplinary action against an insurance company and other licensees. The unit's primary function is to ensure that consumer rights have not been violated. Staff also provides information to help consumers make educated decisions about insurance purchases.

**Measure:** Number of consumer inquiries received assisted and answered.

- **Regulation of Insurance Rates and Forms**

Staff reviews and approves the complex actuarial formulas, assumptions, and experience data submitted as part of a proposed rate filing to ensure rates are neither excessive, inadequate, nor unfairly discriminatory. Timely and accurate review is necessary to assure the financial viability of the insurance company, as well as protecting South Carolina citizens from overcharges. Policy forms are reviewed to ensure that the terms and conditions of the insurance contract comply with state and federal laws prior to sale in South Carolina.

**Measure:** 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.

- **Agent and Broker Licensing and Education**

Staff involved in this activity issue and renew licenses for agents, brokers, adjustors, appraiser, rental car agencies, public adjusters and others. Staff also administer continuing education requirements.

**Measure:** Number of agents, brokers, adjustors, and others licensed and/or appointed within the established timeframe. Number of producers who meet Continuing Education requirements.

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

The selection and use of key data and information is critical in carrying out the Department's mission of protecting insurance consumers. For example, the NAIC publishes an annual Insurance Department Resources Report that provides data for the 50 states, the District of Columbia and the four territories, on staffing, budgeting and funding, examination and oversight, insurer and producer licensing, consumer services, etc. This information allows the Department to compare itself to our counterparts in other states and to develop relevant benchmarks for performance. The Department also collects and utilizes internal data to measure its performance to established goals and directives. We are continuing to explore meaningful ways of comparing our performance to other state insurance department of comparable size and resource level and to other state agencies.

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

Internal operational data is reviewed by management to ensure that accurate indicators of services are being captured and reported. We continuously review the need for additional controls to ensure the security of confidential data. We have worked with the CIO's office to establish appropriate monitoring systems to ensure the quality, reliability and availability of data used in decision-making. Our Virtual CIO works very closely with the Director and each Deputy Director in this process. All employees have been asked to execute a confidentiality agreement to protect the security of confidential or proprietary information.

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

The Department has incorporated the findings from prior performance review into the policies and procedures developed or under development by the program areas. For example, a previous internal performance audit indicated that we could improve our rate review process. Timely, consistent and high-quality performance is particularly important in the Rates and Forms area, as there are statutory deadlines for reviewing filings. Moreover, delays by the Department prevent insurers from taking needed rate changes and/or releasing new products to consumers. As a result of this review, rate and form processes have been clearly defined, objective performance standards established for each process, and supervisors now closely monitor and manage employee performance on a regular basis. The changes have resulted in an orderly flow of correspondence received in and outside the area. In addition, collaborative efforts between the Department's Central Files section and the Rates and Forms section continue to provide a much more organized system.

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

Process reviews conducted during FY 05-06 had a positive impact within the Consumer Services area of the Department. The review confirmed the efficiency of the process employed to review and resolve consumer complaints.

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

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

- Clearly defined and documented work methods and procedures plan;
- Written documentation of the processes, methods, tools, and techniques used by employees with special skills and responsibilities;
- A documented training plan for employees to study, use and implement prior to the 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.
- Cross-training has already begun in some areas of the Department.

Additionally, the Department is in the process of creating databases that will be used to store critical regulatory information.

## **5. Workforce Focus**

### **5.1 How do you organize and manage work: to enable employees to develop and utilize their full potential, aligned with the organization's objectives, strategies, and action plans; and to promote cooperation, initiative, empowerment, innovation and your desired organizational culture?**

Department employees are provided opportunities to develop their skills and expertise through various programs and training opportunities. The standard EPMS is used for a formal method of review since it is designed to communicate job requirements and success criteria for completing a task. Each individual EPMS strives to address the goals and objectives that have been established by the Director for the Department, thereby enabling each employee to contribute toward the agency's goals and objectives. Employees are encouraged to take advantage of training opportunities offered through various federal, state and private organizations, including the Governor's Office, the State Budget and Control Board, the Federal Emergency Management Agency/National Flood Insurance Program, the NAIC and industry product information., and private organizations.

Additionally, as a part of the Department's succession plan, each manager is tasked with the responsibility of meeting with her/her employees to identify the strengths and weakness of each employee's skill level and to define opportunities within the agency in which the employee has an interest. With that information, the manager will create a career path for each employee, identifying the specific training each employee would need to qualify for specific opportunities within the Department.

Each year, strategic goals are established for the agency in keeping with its mission statement and in response to its strategic challenges. Additional methods for involving employees in the activities of the organization include Department-wide staff meetings and an intranet site for employees, as well as e-mail postings regarding employees' news and achievements. Employees receive the South Carolina Department of Insurance's Policy and Procedures manual and orientation packet prior to their first day of the job.

### **5.2 How do you evaluate and improve your organization's human resource related process?**

Workforce planning, which includes workforce diversity and productivity, is an integral part of the Department's human resources process and evaluation. The Department is currently in the process of conducting a workforce analysis. The assessment review issues related to diversity, productivity, turnover and morale and will be used to develop a comprehensive workforce plan for the agency. Human resource functions are generally evaluated by measuring productivity of the various units. Additionally, they are evaluated on how effectively the human resource functions are managed in accordance with state and federal laws, regulations and policies. In assessing the strengths and weaknesses of the agency's human resource related processes, the Department is developing:

- A demographic profile;
- A critical workforce skills analysis;
- A retiree profile;
- An employee turnover profile;
- A list of factors influencing employee turnover; and

- A list of “hard-to-fill” positions.

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

- Effective oral and written communication skills;
- Ability to explain complex technical materials to consumers;
- Ability to analyze and solve problems;
- Time management;
- Leadership and coaching skills;
- Negotiation strategies and techniques;
- Ability to conduct investigations;
- Interpreting and enforcing statutes and policies;
- Records management, including the use of electronic document management tools;
- Actuarial expertise; and
- Computer literacy.

In 2005, 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.

**5.3 How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training? How do you evaluate the effectiveness of this education and training? How do you encourage on the job use of the new knowledge and skills?**

Historically, the Department’s training needs have been addressed primarily through communication between employees and their supervisors with respect to existing and ongoing job duties. Other training has been provided as new duties, processes or procedures are imposed by the NAIC or other third parties. Recently, the Department has utilized a critical skills assessment to determine its training needs and workforce allocation. An assessment of employee skills, training and experience was performed, allowing the Director to prioritize resources to



mission-critical areas, recruit new employees with the appropriate technical and professional expertise, and reassign existing employees consistent with their interests and abilities and the Department's needs.

Because the Department regulates an extremely complex and ever-changing insurance industry, it must have employees with the appropriate technical and professional expertise to regulate that industry in an efficient and effective manner. During the past fiscal year, the Financial Services Division participated in the following professional development/training events:

- Hosted a three-day financial analysis/examination training session at the Department, teaching new examinational procedures relating to the NAIC's "Risk Focused" approach to examinations. The event was open to insurance department personnel from other insurance departments and was well-attended approximately 60 examiners and analysts participating.
- Seven Department examiners and analysts attended various continuing education events throughout the year, covering the following subjects: fraud identification; market conduct regulatory issues; and internal auditing.
- Three analysts are currently working toward the Accredited Financial Examiner (AFE) professional designation. During the past fiscal year, one of the Department's examiners achieved this prestigious designation.
- The Department participated in 3 educational events in South Carolina which was attended by captive managers, potential captive owners, and captive service providers. One of these events brought together captive stakeholders and key Department personnel to discuss issues specific to the captive community and how the Department can improve upon its responsiveness to these issues. This opportunity provided constructive feedback and helped foster better communication between the Department and captive stakeholders.

The Department is also taking other steps to enhance employee retention by implementing a career path for financial analysts. This career path encourages the Department's financial analysts to complete professional insurance and accounting-related designations/trainings.

In addition, the Department has made great strides in reinstating and reinvigorating the Employee Performance Management System and supporting attainment of academic and professional credentials for all of our employees. For the first time ever, the Department has successfully achieved a Universal Review Date of July 1 for each employee and we had a 100% completion rate of the EPMS reviews for each employee.

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

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

#### **5.5 How does your employee performance management system, including feedback to and from employees, support high performance and contribute to the achievement of your action plans?**

In order for employees to perform at a high level, they must first understand the mission, goals and objectives of the Department. Additionally, they should have some input into the

development of action plans for meeting the goals and objectives. Communication is key. Through use of the EPMS, the Department expects to improve supervisor-employee communications, which is the most effective means of supporting high performing employees. The EPMS also serves as the primary tool for documenting and evaluating employee performance, thereby increasing productivity. The Department expects to increase the overall effectiveness and productivity of its workforce through improved employee performance.

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

The Department encourages all employees to develop and use their full potential in alignment with the Department's goals and objectives. As part of the Department's reorganization, an attempt has been made to assess employees' strengths and weaknesses, to improve on weaknesses through training, where feasible, and to make better use of employees in positions suited to their skills. When possible, employees are recognized for providing superior service to the Department.

#### **5.7 What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances? How do you determine priorities for improvement?**

The Department does not use a formal assessment method for measuring employee satisfaction. Employee satisfaction issues are measured using informal methods through staff meetings, direct employee feedback and individual conversations. The Department has been improving employee satisfaction by workflow improvements, paperwork reduction, reduced time to complete tasks and other office performance issues. Employee turnover has been due to better career advancement opportunities with larger agencies.

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

The Department is located in an in-town facility that offers a safe, secure and healthy work environment. Employees are provided with a manual of safety policies and procedures and ongoing training is held for employees with respect to general office safety and security and specific staff actions that are necessary in the event of an emergency.

The Department has defined and documented the requirements to successfully run the department during a disaster, with a Disaster Recovery Plan in place. The plan was last tested in the spring of 2006 and the agency standard will be to review, update and test the plan at least once each year, including requiring tests where functional units must discuss what to do in the event of a specified disaster. The plan will be upgraded in 2007 to reflect continuity of business operations in the event of any type of disaster, whether it is one system or the whole agency. Standards for recovery of data for each system is a priority. The agency goal is to have data available 99.9% of the time and the vital business systems available at 99.9%.

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

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

The IRM team is committed to improving our Disaster Recover plan in 2007. This includes establishing a warm site at either BlueCross BlueShield of South Carolina or the State's CIO office. Data will be updated to the warm sites daily. This will protect the operations of the systems should the current server room fail during a disaster. Minimal systems required to operate will only be provided at the site. Moreover, additional and more comprehensive onsite backups will also be performed. This will include snapshots of key data, system configurations and application code throughout the day. This will allow recovery of data, system configurations, and all applications due to an unnatural disaster (i.e., theft, viruses, and internal threats).

In addition to ensuring the safety of our employees and providing emergency data backup, the Department is committed to assisting with the insurance needs of our residents during a natural disaster. When warranted by the Director, specially trained volunteers are deployed to the disaster location and stationed, as a general rule, in the State/FEMA-designated Disaster Field Office, working directly with disaster victims in expediting insurance claims. A Disaster Response Coordination Plan, which provides procedures to ensure a well-coordinated response to any natural disaster that may affect the Department and the citizens of our state, has recently been revised and is maintained at the Department to be used as necessary.

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

## **6. Process Management**

### **6.1 What are your key processes that produce, create or add value for your customers and your organization? How do you ensure that these processes are used?**

The Department's key processes that we use as goals to provide value to our customers are:

- Promoting consumer and industry participation;
- Improving information gathering and reporting;
- Developing community/industry outreach and communication plans;
- Reviewing, revising and developing policies to ensure program responsiveness to citizens' needs;
- Creating performance benchmarks and an evaluation process to improve program effectiveness; and
- Developing an ongoing evaluation process to monitor and assess the implementation of new strategies.

These processes enhance and reinforce the Department's specific mission of being customer-focused and customer-driven.

Other key processes are financial analysis and examination, licensing, consumer services and rate and form approval. These processes support the Department's mission of protecting the consumer, the public interest and the insurance marketplace by monitoring solvency, enforcing the insurance laws of the state and making insurance products available to consumers and businesses at an affordable rate.

## **6.2 How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls, and other efficiency and effectiveness factors such as cycle time into process design and delivery?**

While the Department's mission does not change, the range of activities necessary to achieving that mission are changing and growing. Leveraging new technology with organizational knowledge has been and will continue to be critical to the ongoing success of the Department and our ability to perform those wide-ranging activities. The Department's website has proven both efficient and effective for dealing with many of our customers. Additionally, insurers may now make certain rate and form filings electronically. Since many process reviews have been completed, we have identified and implemented numerous opportunities to make our process design and delivery more efficient and effective.

Because paper is an extremely costly means of communicating ideas and storing information, the Department realized that it needs to image all available data. Faced with a scarcity of floor space, increasing labor costs, and requirements for faster, more reliable dissemination and sharing of information, the agency has started to implement a centralized Electronic Document Management System that will enable electronic document storage, retrieval, and workflow management, to achieve cost savings and improve traditional ways of doing business.

Many departments, which wish to expand and provide additional services, find it difficult to provide sufficient office space for new staff due to the storage of what amounts to warehouses full of documents, correspondence, and business papers, with no hope of curtailing the proliferation of paper. Thus, the need to reclaim office space is paramount.

Through the course of a year, hundreds of thousands of pages of documents and correspondence are generated and received. Filing is naturally time-consuming and prone to error, even in the best of manual file systems. Documents can be misfiled, misplaced, lost, damaged, and/or unavailable. This contributes to increased retrieval time, incomplete information, and frustration. Additionally, because individual divisions often need to share documents, the need to centralize the storage of original documents and make them available through secured electronic means becomes even more critical.

Electronic document management systems provide a process through which a document is recorded or scanned electronically, indexed, and stored as a digital image of its original form. Once digitized, it can be routed, archived, and/or retrieved automatically. In addition, imaging the Department's data may be implemented as a replacement for traditional manual filing techniques. Through the "document storage and retrieval" process, documents are captured by scanning, then indexed and archived for retrieval at a later date. This reduces file space, eliminates errors and misfiling, and improves productivity.

A second level of implementation is document workflow management. In conjunction with document storage and retrieval, documents are automatically routed throughout the department to the electronic in-baskets of the appropriate individuals. This automatic routing process

follows the path a document normally takes until it has completed its working cycle. At the end of the working cycle, the document is either discarded or archived electronically, depending on the Department's retention regulations and schedules.

As time passes, the growth of paper documents within the work area continues. This growth can be managed within the electronic document management system environment with minimal expansion costs compared to the cost of providing additional space, either in the office area or offsite. The cost of future filing is virtually eliminated. With the elimination of traditional manual filing systems, the high cost of staffing to maintain and administer traditional filing techniques is reduced. Future staff expansion requirements can be avoided by reassigning and training current staff without affecting basic business needs. This approach offers continuity within the workplace and maintains a high level of morale, while offering opportunities for internal advancement.

Using an electronic document management system, many areas achieve significant improvements in the ability to provide efficient business service. Primary among these benefits is the ability to provide immediate response to customer inquiries or to retrieve relevant documentation while directly assisting the customer. This directly enhances efforts to improve overall customer satisfaction. The time delays traditionally associated with document retrievals are virtually eliminated or, at least, significantly reduced.

The loss or damage of physical documents can impact the agency's ability to perform. The need to seriously consider the effect that a catastrophic loss can have on the agency is critical. By storing documents centrally on optical media and making periodic backups for offsite storage, we can ensure against such disasters. The cost of preparing and storing these backups is minor compared to the high cost of a catastrophic loss.

Productivity improvements gained by utilizing an electronic document management system include improved document search and retrieval; reduced filing requirements; elimination of misfiled, lost, and/or damaged documents; and automatic document/file routing.

### **6.3 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.

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

The Department passed its fifth five-year accreditation review conducted by the NAIC in May, 2006. Because the review focused on the Department's Financial Examination and Financial Analysis sections, valuable feedback on ways to improve the Department's examinations and analysis processes and procedures was provided. The Department was re-accredited, with both areas receiving superior scores, demonstrating our commitment to excellence. The feedback and recommendations have either already been implemented or are currently in the process of being implemented. While the re-accreditation process occurred in 2006, it is an ongoing effort that the Department continues to work toward, since we will go through this process again in 2011.

In addition, the Financial Services section is in constant communication with the private sector and receives constant feedback from the insurance companies it regulates.

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

The Department's key support processes are: legal, human resources, finance and accounting, central files, information technology and procurement. While output from the key support processes are delivered to Department staff and not to customers directly, those 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 its own performance measures and is continuously improving and upgrading in response to internal and external feedback. This is accomplished through:

- 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.
- Using benchmarking to set performance targets, standards, and measures for key administrative support objectives.

## **7. Results**

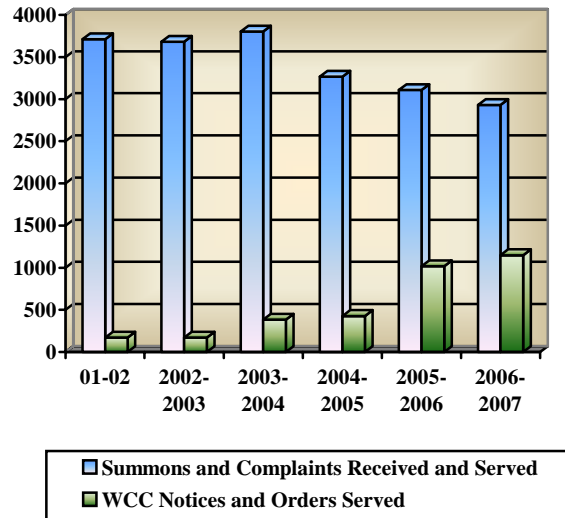
### **7.1 What are your performance levels and trends for the key measures of mission accomplishment and organizational effectiveness?**

The Department protects consumers by monitoring market conditions, enforcing state and federal laws and regulation, and ensuring insurer solvency (i.e., insurers are able to meet their policyholder obligations). The Department also makes certain that necessary standards are in place to ensure the equitable and efficient regulation of the insurance industry. Alleged violations of South Carolina's insurance laws are referred to the Office of the General Counsel for the appropriate investigative action.

The Office of General Counsel has been reorganized along product lines to facilitate the delivery of legal services. This structure permits counsel to develop expertise in specific areas. It also affords counsel the opportunity to provide legal support as necessary to the Department and its various program areas. The Office of General Counsel provides support to management on a variety of issues, although enforcement is one of its primary functions.

The acceptance of service of process is a ministerial function performed by the Department. South Carolina law requires service of the summons and complaint upon the Director of Insurance before any civil lawsuit may be maintained in the state. Accordingly, the Department's Director is the registered agent for service of process for all insurers conducting business within the State of South Carolina. The table below shows the number of civil actions the Department served during the past fiscal year. Based upon these numbers, there was a 5% increase in the number of summons and complaints in civil actions and an 8% increase in the number of pleadings from the South Carolina Workers' Compensation Commission.

ACCEPTANCE OF SERVICE OF PROCESS

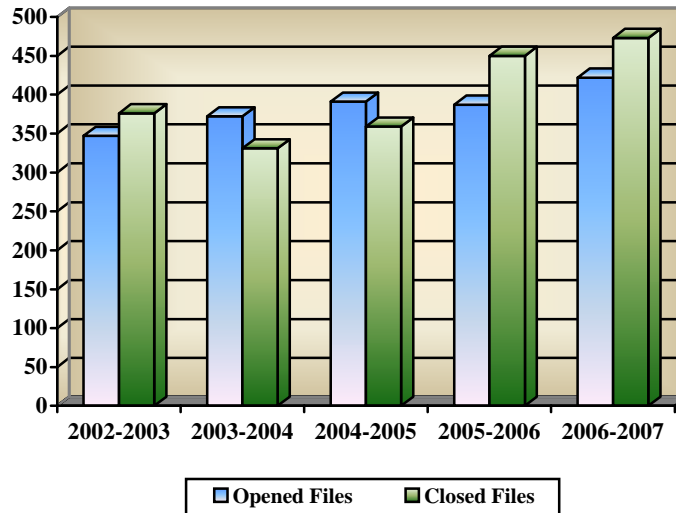


The Office of General Counsel is responsible for enforcing the insurance laws of this state. Accordingly, allegations of violations of the laws are investigated and administrative disciplinary action instituted, where appropriate. The number of investigations opened by the Department during the past fiscal year increased by 1%. There was also a 5% increase of files closed during the 2006-07 fiscal year than in the previous year. The increase in the number of files closed is the result of the Department hiring a Chief Investigator.

In addition to the enforcement of the South Carolina insurance laws, the Office of General Counsel provides legal support to all areas within the Department by providing advice and counsel and training as needed. In addition, it represents the Department before state and federal tribunals in matters involving the Department or insurance regulation. It also provides a variety of other legal services including, but not limited to, acceptance of service of process, drafting of general legal documents, bulletins, requests for proposals, contracts and legislation. As a part of its enforcement function, the Legal Division is responsible for investigating violations of South Carolina insurance laws and taking administrative disciplinary action, where appropriate.

During this past fiscal year, \$143,630 in administrative fines was imposed. The Department also revoked 37 licenses.

## INVESTIGATION FILES



The Office of General Counsel is currently handling five South Carolina and eight ancillary receiverships. During the 2006-2007 fiscal year, the Director did not suspend or revoke any insurer licenses, nor did he place any company in receivership due to hazardous financial conditions.

The Division of Financial Services is responsible for: monitoring the financial solvency and trade practices of insurers transacting business in South Carolina; licensing insurers and health maintenance organizations; and enforcing South Carolina insurance laws and regulations regarding solvency. Financial examinations are performed on each domestic insurer at least once every five years and at least once every three years for each domestic health maintenance organization. These comprehensive examinations, as well as interim or additional limited or targeted examinations, test internal controls, management issues and the financial condition of the company. In addition to being required every three or five years, these examinations must be completed and examination reports issued within specific time periods. During this fiscal period, 10 examinations were initiated.

The Market Services division is responsible for reviewing and approving Property and Casualty and Life, Accident and Health insurance rates and forms, and reviewing and approving requests for individual and non-insurer licensing requests.

The Rates and Forms area of the Market Services division is responsible for ensuring that the insurance consuming public is protected through technical review of insurance contracts and rate filings. This area has adopted a high standard for reviewing rates and forms filings to make certain that insurance products are handled with dispatch to avoid delay of insurers getting their products to market in a timely manner. Insurers making filings with the Department use a standard format for requesting changes to their contracts and rates. This uniform standard allows for clearer communication between the Department and the industry.

The Individual and Special Licensing areas have the task of ensuring that all licensing requests are completed within 72 hours of receipt of a properly completed application. These areas are responsible for licensing insurance producers, adjusters, public adjusters, appraisers, agencies, bail bondsmen, third party administrators, premium services companies, and service contract providers.



## 7.2 What are your performance levels and trends for the key measures of customer satisfaction?

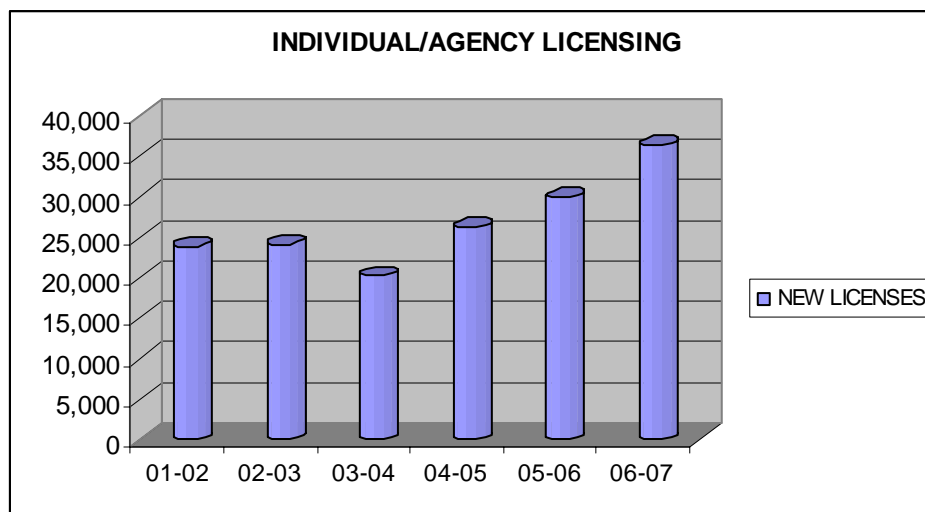
While the Department does not currently utilize formal customer satisfaction surveys on a Department-wide basis, managers follow-up by telephone with customers on a random basis to gauge our overall responsiveness and service delivery. Additionally, we rely heavily on informal feedback from our customers. Some areas have sent out surveys in the past with very good response and very good results indicating a 90+% satisfactory rating. We are continuing to explore ways in which customer satisfaction surveys can be used for the diverse constituencies served by the Department.

The Department provides customer services through its five organizational divisions. Executive Services provides assistance to the legislative and executive branches of government regarding the creation of new statutes and regulations, as well as constituent matters. The Executive Division handled approximately 150 constituent complaints during the past fiscal year.

Consumer Services provides assistance to consumers with the resolution of claims and/or complaints through various mechanisms, including e-mail, telephone and faxed requests for assistance. There was a slight increase in the number of requests for assistance in fiscal year 2006-2007 compared to the previous fiscal year.

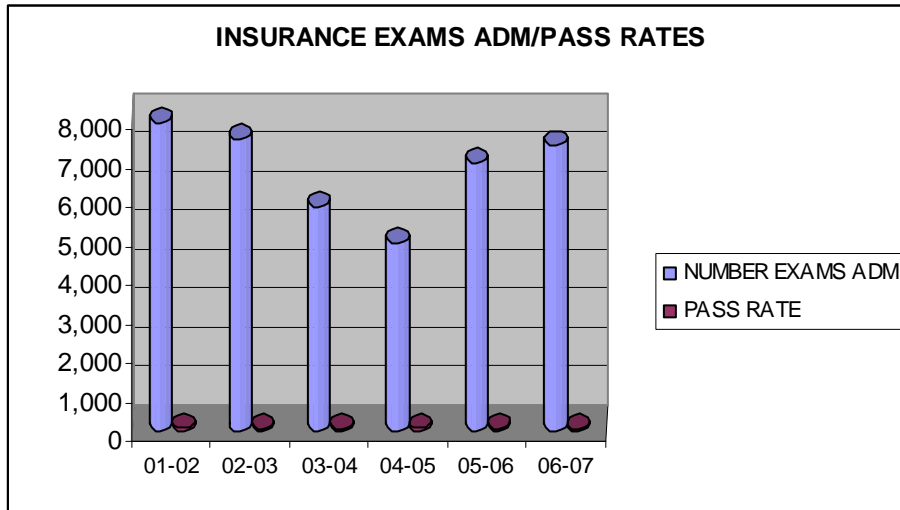
Agent Licensing issues producer, agency, broker, public adjuster, and appraiser licenses. The Department issued 36,351 licenses during the 2006-2007 fiscal year, an increase of 21.4% over the previous fiscal year.

### INDIVIDUAL/AGENCY LICENSING



The Continuing Education section provides oversight for continuing education courses and the individual examination process. The overall number of examinations administered during the 2006-2007 fiscal year period increased by 431, or 6.2%. The overall passing rate of 64% was slightly higher than last year's rate of 63%.

## INSURANCE EXAMS ADM/PASS RATE



### 7.3 What are your performance levels for the key measures of financial performance?

One of the major challenges facing the Department is aligning performance accountability structures with existing budget account structures. Our objective is to modify the Department's current budget structures to achieve effective alignment with performance-based results.

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

Our current budget process requires that resources be identified with and in support of program goals and that those resources be used, tracked, and assessed in relation to program and division goals. This approach will help facilitate a comparison of program services with their costs and will help in the allocation of limited resources to the Department's highest priority activities.

### 7.4 What are your performance levels and trends for the key measures of Human Resource Results (i.e., work system performance, employee learning and development, employee well-being, employee satisfaction, diversity, and retention)?

Human Resources plays a key development role in the process review initiative currently being undertaken by the Department. Human Resources is included in the Department's planning and development of Department goals, objectives and action plans. The Department's leadership team and Human Resources are working together to fully integrate human resources management into the planning process so that it will become a fundamental and contributing factor to Department planning and operations. Since the Department has refocused its activities to broader organizational issues, these measures will be expanded to gauge the impact that Human Resources has on the Department's mission and goals so that such information is used in Department decision-making.

The Department has a diverse workforce at all levels, including its leadership. Workforce diversity is a key element in the planning of leadership recruitment and development programs.

Ongoing 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. The overall Equal Employment Opportunity (EEO) goal attainment for 2006 – 2007 was met at 93.9%.

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

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.

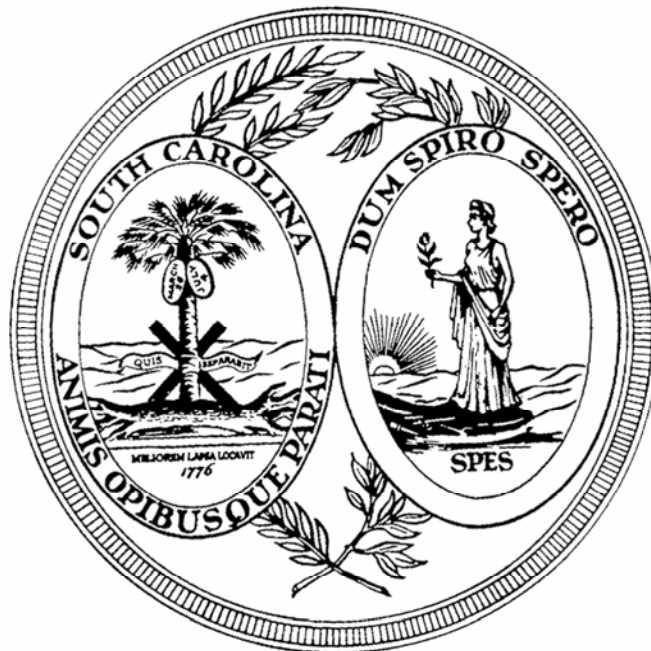
The Life, Accident and Health and the Property and Casualty sections within the Market Services Division review insurance policy forms and rates to ensure that they do not contain provisions that are unfair, deceptive, ambiguous, misleading or unfairly discriminatory. These reviews are generally completed within a 30-60 day period depending upon the type of policy form and required information provided by the insurer. Certain property and casualty rate filings are subject to a “flex-band” in which rate changes of +/-7% may be implemented within 30 days of filing if not disapproved by the Department within that timeframe. For fiscal year 2006-07, there was a decrease of 8.5% in Life, Accident and Health rate and form filings and a 6.8% increase in Property and Casualty rate and form filings.

The supervision of residual market mechanisms is a responsibility of the Market 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 attend meetings and participate in committee work.

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

**SOUTH CAROLINA DEPARTMENT OF INSURANCE**

**DISASTER RESPONSE COORDINATION PLAN  
Fiscal Year 2007-2008**



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## PURPOSE

The purpose of this manual is to provide procedures that will assure a well-coordinated response to any natural disaster that may affect the Department and the citizens of the State of South Carolina. The manual sets forth the various actions taken by the Department. It 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 Preparedness Division.

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

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

## **VOLUNTEER STATEMENT**

### **Statement of Policy**

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

### **Purpose**

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

### **Procedure**

Should the event warrant, each division will be asked to provide volunteers. A specific number of employees will be needed from each division. Initially, a total of 5 (five) employees will be identified and trained. The number will be calculated on a pro rata basis by division.

Employees will be asked to volunteer for not more than one week at a time, unless requested by the Director.

Employees who desire to volunteer should advise their supervisor of their willingness to volunteer. Divisions will recruit, approve and forward to the ECO a list of current volunteers.

Employees that volunteer should provide their name, division, home and office phone numbers as well as cellular and beeper numbers, if applicable.

Volunteers will accrue compensatory leave credits and will be in a pay status while traveling.

Employees will be notified as soon as the DOI has been advised by the State Emergency Operations Center (SEOC) of the need for volunteers. (Often the notice is less than 24 hours.)

Volunteers will be briefed on job assignments, destination, room accommodations, mode of travel and travel expenses before departure. Every effort will be made at the time of assignment to accommodate a volunteer's request to work with a particular individual, location, or job assignment. Volunteers are advised of the need for having a personal credit card to use for disaster travel. If the employee does not have a personal credit card to use for travel expenses, the volunteer will notify the ECO of this, so that arrangements may be made. As per the Comptroller General, a Direct bill account can only cover the room rate and taxes for volunteers in the field. Direct bill hotel rooms will not cover the cost for personal telephone calls, etc.

All volunteers will be required to take the homeowners insurance training course.

Volunteer Employees must submit travel and reimbursement vouchers within 10 day of their return from the field.

Volunteers will be recognized and commended for their response to the needs of disaster victims.

## 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 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 Division's Emergency Operations Center as required.

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

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



## 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.state.sc.us](http://www.doi.state.sc.us). This information will also be available by calling the DOI (803) 737-6160. This information will indicate that an adjuster presenting himself or herself at a checkpoint and displaying 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 with proper identification.

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) 737-6229. This information will be maintained by the Director's office.

The permits are being distributed by the South Carolina Department of Insurance under the supervision of Director Scott Richardson's office. The permits are printed on white cardstock with blue ink, a red numbering system and a bright yellow 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 2007-08 season will be valid until May 31, 2008**

## DISASTER RESPONSE PLAN

Action	Persons, Divisions Responsible	Activation Level
Assure that adequate supplies are available for disaster teams and volunteers (to include cell phones, beepers and laptops).	Administrative Services *have 4 laptops available *have 1 extra cell phone available	<b>Opcon 5, 4 (Preparation)</b> By June 1 and continued throughout the year.
Review and update Disaster Response Plan, where necessary.	Ann Roberson, Director's Office, responsible for Emergency Coordination	By June 1 and continued throughout the year.
Recruit, identify and confirm disaster team of at least 10 department volunteers.	Ann Roberson, Director's Office	By June 1 and continued throughout the year.
Coordinate training courses re. homeowners, auto and flood for department volunteers.	Office of Consumer Services in conjunction with Director's Office	Throughout the year, with a brief refresher course prior to June 1.
Monitor the weather and remain alert for possible weather threats.	Ann Roberson, Director's Office, Division of Administration	June 1 throughout the year.
Identify and coordinate with other Departments of Insurance to locate short-term volunteer assistance.	Ann Roberson, Director's Office in coordination with NAIC and other State Insurance Departments	Ongoing
Annually issue Emergency Adjuster Reentry Permits to companies writing insurance in South Carolina. At this time, update all contact information for each company CAT manager.	Director's Office, Ann Roberson, Cathy Cauthen	<b>Opcon 5, 4</b> Update and reissue permits no later than June 10, 2007

Action	Persons, Divisions Responsible	Activation Level
Contact insurers writing property and casualty insurance coverage in SC for current company contact and claims numbers. Update list posted on DOI web page.	Director's office, Ann Roberson, Cathy Cauthen	By June 10
Prepare training materials for additional volunteers	Office of Consumer Services	Prior to June 1
Prepare Disaster Response Kits for Department "First Responders".	Division of Administration	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), Governor's Office, FEMA, Federal Insurance Administration, SC Insurance News Service and others to assure maximum efficiency and communication.	Ann Roberson, Director's Office	Throughout the year.
Keep Executive Director apprised of current weather situation and Department's ability to respond.	Ann Roberson, Director's Office, -----, Division of Administration	June 1– November 30
Contact all County Emergency Preparedness Divisions to offer assistance and provide toll-free consumer services number.	Ann Roberson, Director's Office	<b>Opcon 3, Disaster Imminent or in Progress</b> At the onset of a Hurricane watch.

Action	Persons, Divisions Responsible	Activation Level
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.	Ann Roberson, Cathy Cauthen, Director's Office	June 1 – November 30
Once determined that additional volunteers are needed, have them report to Department to receive training regarding fundamental insurance related questions.	Ann Roberson, -----, Personnel Director, Division of Administrative Services	<b>Opcon 1</b>
Brief all volunteers on DOI travel procedures and coordinate travel arrangements.	Ann Roberson, Ben Duncan, Dpty. Director Division of Administrative Services	<b>Opcon 1</b>
Brief all volunteers on time sheets and comp. Time accrual.	Ann Roberson, Ben Duncan, Dpty. Director, Division of Administrative Services	<b>Opcon 1</b>
Attend FEMA briefings with DOI volunteers once Disaster Assistance Centers (DAC) are established.	Ann Roberson, Director's Office	<b>Opcon 1</b>
Begin to recruit back-up volunteers to relieve those currently at DAC Centers.	Ann Roberson, Director's Office	<b>Opcon 1</b>
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.	Ann Roberson, Cathy Cauthen, Director's Office	June 1 – November 30

Action	Persons, Divisions, Responsible	Activation Level
Monitor SC EMD "Iris" computer system /REACH System so as to maintain a level of knowledge regarding the status at the local Emergency Management Division level. <i>(This can be done from DOI offices)</i>	Ann Roberson, Director's Office	<b>Opcon 3, 2, 1 until SEOC (State Emergency Operations Center is closed).</b>
Provide updated information to be placed on the DOI website regarding emergency insurance issues. This includes the listing of company claim offices and telephone numbers, adjusters' information and flood information.	Ann Roberson, Director's Office,	Prior to June 1 and throughout the Hurricane Season.
Coordinate any Emergency Licensing Activities as they relate to the current natural disaster.	Jim Byrd, Dpty. Director, and Mary Ann O'Brien, Manager, Licensing Division	<b>Opcon 3</b>
Review Emergency Adjuster Licensure applications (on and off line) and other necessary forms for accuracy.	Jim Byrd, Dpty. Director, and Mary Ann O'Brien, Manager, Licensing Division	<b>Opcon 5, 4</b>
Provide daily briefing reports to Director's Office regarding requests/inquiries regarding Emergency Adjuster licenses issued.	Jim Byrd, Dpty. Director, and Mary Ann O'Brien, Manager, Licensing Division	<b>Opcon 3, 2, 1</b>
Implement the processing and issuing Emergency Adjuster Licenses.	Jim Byrd, Dpty. Director, and Mary Ann O'Brien, Manager, Licensing Division	<b>Opcon 3</b>

<b>Action</b>	<b>Persons, Divisions Responsible</b>	<b>Activation Level</b>
If warranted, take immediate administrative action when necessary by gathering evidence of unlicensed adjuster solicitations/activities.	Gwen Fuller McGriff, General Counsel and Dpty. Director	Ongoing
In accordance with Regulation 69-1, prepare draft Emergency Declaration for Director's signature allowing the licensure of temporary/emergency non-resident adjusters.	Gwen Fuller McGriff, General Counsel and Dpty. Director	June 1 (this becomes effective following the Governor's call for mandatory evacuation).
At the direction of the Director, prepare DOI for extended hours of operation.	Scott Richardson, Director of Insurance	<b>Opcon 3, Disaster imminent or in progress</b> June 1 – November 30
Licensing and Consumer Services area will be available to handle inquiries; extended hours will be put in place, if warranted.	Gwen Fuller McGriff, General Counsel and Dpty. Director, Consumer Services and Jim Byrd, Dpty. Director, Licensing	<b>Opcon 3</b>
Issue Press Release announcing extended hours of operation. Notify top 50 Homeowner and Business Owner Insurers.	Ann Roberson, Public Information Officer, Director's Office	<b>Opcon 3</b>
Provide periodic updates regarding types and nature of disaster related calls received. Coordinate with the Governor's Office, Office of Emergency Management, and the South Carolina Insurance News Service	Ann Roberson, Public Information Officer, Director's Office	<b>Opcon 3, 2, 1</b>

Action	Persons, Divisions Responsible	Activation Level
If warranted, develop a property insurance mediation program.	Scott Richardson, Director of Insurance, and Gwen Fuller McGriff, General Counsel and Dpty. Director	<b>Opcon 2, 1</b>
Establish direct bill procedures with area hotels for volunteer employees manning the Disaster Centers.	Ben Duncan, Dpty. Director, Division of Administration	Immediately following landfall of the disaster.
Obtain Diners Club Credit Cards for "First Responder Team".	Ben Duncan, Dpty. Director, Division of Administration	By June 1
Monitor availability and if needed reserve vehicles for volunteer staff through State of South Carolina Motor Pool.	Ben Duncan, Dpty. Director, Division of Administration	Immediately prior to landfall and once Recovery Phase has begun.
Update telephone list, to include home, mobile beeper numbers of First Responder Team and Executive Staff.	Cathy Cauthen, Director's Office	By June 1
Establish phone tree to contact all Department employees re. the ability to return to work.	Ben Duncan, Dpty. Director, Division of Administration	By June 1 and throughout the year.
Make arrangements with Insurance Company or facility either in Columbia or in the upstate area for temporary office space must temporarily close. (Temporary space will require room to accommodate Emergency Licensing Needs, partial staffing of Consumer Services).	Office of the Director	Prior to June 1.

Action	Persons, Divisions Responsible	Activation Level
Determined by the severity of the natural disaster, have phone lines transferred to temporary office space.	Division of Administration	<b>Opcon 1 Recovery status in effect.</b>
Have adequate supply of Consumer brochures available to be distributed at Disaster Centers.	Ann Roberson, Public Information Officer	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.	Ann Roberson, Public Information Officer	<b>Opcon 3,2, 1 (as well as onset of the season).</b>
Arrange to publish toll-free, damage claims telephone numbers for at least top 20 property and casualty carriers in SC. In print and television media via PSA, etc.	Ann Roberson, Public Information Officer	<b>Opcon 2, 1</b>
Update names of Mayors, Administrators, Legislators, etc., in affected area to offer assistance with insurance related issues.	Legislative Liaison, Director's Office	Prior to the disaster making landfall.



Action	Person, Divisions Responsible	Activation Level
Remind staff to document all hours worked. Utilize the timesheet format provided by Administrative services – (found on the I drive).	Ben Duncan, Dpty. Director, Division of Administrative Services	<b>Opcon 3, 2, 1</b>
Prioritize list of domestic and foreign property insurers.	Division of Financial Services	<b>Opcon 3, 2, 1</b>
Conduct review of Insurance Company Exposures in Affected Disaster Areas, based on available information.	Division of Financial Services	<b>Opcon 3, 2, 1</b>
Report to the Executive Director the financial stability of the domestic industry.	Division of Financial Services	<b>Throughout the season, June 1 - November 30</b>
Review IT Emergency Response Plan	Information Technology Division	<b>Opcon 5, 4</b>
Provide notification of any network issues that may impact disaster/emergency preparations.	Information Technology Division	<b>Opcon 5, 4</b>
Make preparations for obtaining backup for sites that may be impacted.	Information Technology Division	<b>Opcon 5, 4</b>
Provide notification of any desktop issues that may impact disaster/emergency preparations.	Information Technology Division	<b>Opcon 5, 4</b>
Provide instruction to Department volunteers utilizing laptops while in DAC sites.	Information Technology Division	<b>Opcon 2, 1</b>
Institute corrective actions as necessary.	Information Technology Division	<b>Opcon 1</b>

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

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

Due to hurricane conditions in South Carolina, all non-emergency personnel have been ordered by the Governor to not 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 employees' 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.state.sc.us](http://www.doi.state.sc.us) 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.**

**POST DISASTER DEBRIEFING**

The Executive Assistant to the Director will meet with each returning volunteer group to determine the status of the various DAC sites. Any changes that are warranted will be made at this time.

Following the close of the Recovery Phase of each disaster, a debriefing will be held. Attendees at this debriefing will have the opportunity to discuss events and provide suggestions for improvement to the Department's Response plan. Information will be provided to the Director and if changes are warranted, improvements will be made.

**REVIEW AND IMPROVEMENTS**

By May 15<sup>th</sup> of each year, a review of the manual will be completed and necessary changes made based upon the prior year's experience. The Executive Assistant to the Director will coordinate the review.

## **Accountability Report Transmittal Form**

Agency Name SC Department of Insurance

Date of Submission \_10/02/07

Agency Director \_\_Scott H. Richardson

Agency Contact Person \_\_Benjamin I. Duncan

Agency Contact's Telephone Number \_(803) 737-6227\_