



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** S. 0463 Introduced on February 23, 2017  
**Author:** Cromer  
**Subject:** Excess Disability Insurance  
**Requestor:** Senate Banking and Insurance  
**RFA Analyst(s):** Gable and Shuford  
**Impact Date:** March 3, 2017

**Estimate of Fiscal Impact**

	<b>FY 2017-18</b>	<b>FY 2018-19</b>
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	Undetermined	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	Undetermined	\$0

**Fiscal Impact Summary**

This bill would have an undetermined minimal impact on the broker's premium tax revenue in the General Fund because the increase in broker's premium is undetermined but minimal. This bill would not impact Other Funds, or Federal Funds.

This bill would have an undetermined minimal impact on local revenue because the increase in broker's premium is undetermined but minimal.

**Explanation of Fiscal Impact**

**Introduced on February 23, 2017**

**State Expenditure**

N/A

**State Revenue**

This bill adds excess disability insurance to those insurance policies that may be purchased through licensed brokers with out-of-state insurers. Excess disability insurance is disability insurance that exceeds any benefit limit available from an insurer licensed in South Carolina. Insurance policies that are purchased through licensed brokers with out of state insurers are referred to as surplus line insurance in the South Carolina Code of Laws. Currently individuals may only purchase disability insurance up to the benefit limit from insurers licensed to practice in South Carolina.

**Department of Insurance.** This bill is expected to have an undetermined minimal impact on the state revenue. We believe that most disability insurance needs are being met by in-state licensed insurers. Therefore, individuals would not choose to use the broker market, which would be more expensive for similar amounts of coverage, instead of in-state licensed insurers for disability insurance. Those few who do choose to use the broker market would only minimally increase broker's premiums and broker's premium tax revenue. As we cannot determine how many individuals may choose to purchase excess disability insurance through the broker market, the increase in broker's premiums and broker's premium revenue is undetermined.

The broker's premium tax is 6 percent and is collected by the Department of Insurance. Two-thirds of the broker's premium tax is disbursed to the General Fund revenue quarterly and one-third is disbursed annually to the Municipal Association of South Carolina. The increase to the General Fund revenue would be undetermined but minimal as the increase would be 4 percent of the increased broker's premiums.

**Public Employee Benefits Authority (PEBA).** The State Health Plan is a self-funded insurance benefits program that is not defined as an insurer pursuant to State insurance laws. Therefore, this bill will not operationally or fiscally impact PEBA and would not have an impact on the General Fund, Federal Funds, or Other Funds.

#### **Local Expenditure**

N/A

#### **Local Revenue**

This bill adds excess disability insurance to surplus line insurance. This may cause a slight increase in broker's premiums and broker's premium taxes. However, as we cannot determine how many individuals may choose to purchase excess disability insurance through the broker market, the increase in broker's premiums and broker's premium revenue is undetermined. However, we anticipate only a few individuals would choose to do so as buying through the broker market is more expensive and in-state disability insurance policies are likely sufficient to meet most needs.

The broker's premium tax is 6 percent and is collected by the Department of Insurance. One-third of this revenue is disbursed annually to the Municipal Association of South Carolina, who, in turn, distributes the funds to the municipalities based on the risks covered. The increase to local revenue would be undetermined but minimal as the increase would be 2 percent of the undetermined minimal increase on broker's premiums.



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Frank A. Rainwater, Executive Director