



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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**Bill Number:** H. 4189    Introduced on March 28, 2023  
**Author:** Hardee  
**Subject:** Captive Insurance Companies  
**Requestor:** House Labor, Commerce, and Industry  
**RFA Analyst(s):** Vesely  
**Impact Date:** January 22, 2024

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### **Fiscal Impact Summary**

This bill amends multiple sections in Article 1 of Chapter 90, Title 38, related to captive insurance companies, including amending references to alien or foreign captive insurance companies, their general operations, the operations of their managing board, and increases the distribution of captive insurance company premium tax revenue to the Captive Insurance Regulatory and Supervision Fund (CIRSF) from 20 percent to 40 percent. Further, this bill eliminates a \$15 fee to provide copies of certain documents.

DOI anticipates this bill may result in an undetermined increase in Other Funds expenditures dependent upon any increase in Other Funds revenue available. The agency anticipates that if revenue allows, it may increase monitoring efforts and expand the Captives' program. These Other Funds expenditures are paid from the CIRSF, which is designed to cover expenses associated with the supervision and regulation of the captive insurance industry, including risk retention groups and purchasing groups. DOI anticipates requesting an increase in Other Funds authorization if there is sufficient revenue available.

This bill will result in an increase of approximately \$851,000 in Other Funds revenue with a corresponding decrease in General Funds revenue beginning in FY 2024-25, due to the increased distribution of captive insurance company premium tax revenue to the CIRSF. Also, the elimination of a \$15 fee will have no impact on Other Funds revenue for DOI, as the fee is rarely, if ever applied. Additionally, there may be an additional undetermined increase to Other Fund and General Fund revenue due to the potential increase to insurance premiums and a corresponding increase to the insurance premiums tax.

### **Explanation of Fiscal Impact**

#### **Introduced on March 28, 2023**

#### **State Expenditure**

This bill amends multiple sections in Article 1 of Chapter 90, Title 38, related to captive insurance companies. This bill also allows captive insurance companies or their protected cells to include plans to operate with foreign currency, upon approval of the director of DOI. Further, this bill specifies the distribution of captive insurance company premium tax revenue to the CIRSF is 40 percent.

Currently, the distribution of captive insurance company premium tax revenue to the CIRSF is 20 percent, the remainder is allocated to the General Fund. This bill increases the distribution of captive insurance premium tax revenue to the CIRSF from 20 percent to 40 percent beginning in FY 2024-25.

DOI notes that captive insurance program staff are currently facing difficulty ensuring required monitoring of captive insurance companies are done timely and in compliance with National Association of Insurance Commissioners (NAIC) guidelines. The agency anticipates this bill may result in an expansion of the oversight of captive insurance companies due to the increase in available funding in the CIRSF. DOI indicates it will request an increase in Other Funds authorization if there is sufficient revenue available.

### **State Revenue**

Currently, 20 percent of captive insurance premium taxes are transferred to the CIRSF, the remainder of which is deposited in the General Fund. The funds in the CIRSF are designated for the purposes of supervising and regulating the captive insurance industry. This bill amends section 38-90-175(A) to increase this transfer to 40 percent. In FY2022-23, the CIRSF collected approximately \$851,000 in insurance premium tax revenue. DOI has indicated that the deletion of section 38-90-20(D)(4), related to a \$15.00 fee that the department may charge, will minimally impact revenues because it has not been charged for in the past. DOI indicated that this bill will increase recurring Other Funds revenue of the agency by approximately \$851,000 beginning in FY 2024-25. Correspondingly, General Funds revenue will decrease by an estimated \$851,000 annually as a smaller share of captive insurance industry premium taxes are transferred to the General Fund.

Also, this bill eliminates DOI's right to charge a \$15 fee for certain documents that require certification of authentication or the signature of the director. DOI stated this fee is rarely, if ever, applied based on the volume of requests and because companies have the option to print these documents themselves. Therefore, the elimination of this fee will have no Other Funds revenue impact.

In addition, this bill allows a captive insurance company and any protected cell, with the approval from the director of DOI, to include within its plan of operation to right to receive payments of premiums in a specified non-U.S. currency. This allowance may result in an increase in the total amount of insurance premiums written. If insurance premiums increase, insurance premium tax will also increase. Therefore, this bill may result in an undetermined increase in General Fund and Other Funds revenue beginning in FY 2024-25, dependent upon any increase in insurance premiums tax.

### **Local Expenditure**

N/A

### **Local Revenue**

N/A



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