



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.

Bill Number: S. 0196 Introduced on January 14, 2025
Subject: Insurance Adjusters
Requestor: Senate Banking and Insurance
RFA Analyst(s): Vesely
Impact Date: January 24, 2025

Fiscal Impact Summary

This bill repeals Chapters 47 and 48 of Title 38 and adds Chapters 91 and 92 of Title 38 related to insurance adjusters and public insurance adjusters. Among other items, this bill adds a requirement that both groups of adjusters undergo a background check and fingerprinting and pay a fee of \$50 or \$100 before a license is issued.

The Department of Insurance (DOI) regulates and supervises insurance adjusters and public insurance adjusters. DOI anticipates this bill may result in a minimal increase of work for the agency, that can be managed by existing staff and resources. Therefore, this bill will have no expenditure impact for DOI.

Additionally, the South Carolina Law Enforcement Division (SLED) administers criminal record checks, including fingerprinting. Based on prior correspondence with SLED, the agency anticipates any increase in the expenditures as a result of the increased number of criminal record checks will be offset by the corresponding increase in revenue from fees charged for these checks.

This bill is expected to increase General Fund revenue for the increased \$100 fee beginning in FY 2025-26. DOI anticipates that changes to the fee structure for insurance adjusters would increase General Fund revenue by approximately \$733,000, while the changes to the public insurance adjuster fee structure would decrease General Funds revenue by approximately \$6,000. Combined, these changes would have a \$727,000 revenue impact beginning in FY 2025-26. Additionally, this bill will have an undetermined increase in General Funds revenue due to the newly issued business entity adjusting licenses with a fee of \$50.

SLED administers the required criminal record checks by charging a fee to applicants. In turn, part of this fee revenue is remitted to SLED. The General Fund receives the first \$4,461,000, and the remaining is retained as Other Funds revenue by SLED. The total fee revenue has averaged \$13,081,000 in the last three years. As the number of criminal records checks are expected to increase, SLED's Other Funds revenue is expected to increase beginning in FY 2025-26.

Explanation of Fiscal Impact

Introduced on January 14, 2025

State Expenditure

This bill repeals Chapters 47 and 48 of Title 38 and adds Chapters 91 and 92 of Title 38 related to insurance adjusters and public insurance adjusters. Among other items, this bill adds a requirement that both groups of adjusters undergo a background check and fingerprinting and pay a fee of either \$50 (business entities) or \$100 (individuals) before a license is issued.

Department of Insurance. DOI regulates and supervises insurance adjusters and public insurance adjusters. They anticipate that changes to oversight responsibilities of these groups will create minimal additional work that can be handled by existing staff and resources. Therefore, the bill will have no expenditure impact to DOI.

South Carolina Law Enforcement Division. SLED administers criminal record checks, including fingerprinting. Any increase in the expenditures as a result of the increased number of criminal record checks is expected to be handled by the corresponding increase in revenue from fees charged for these checks.

State Revenue

This bill makes significant changes to insurance adjuster licensure requirements. Insurance adjuster licenses are issued after a successful application and must be renewed every two years for the adjuster to continue to practice in South Carolina. Additionally, this bill specifies a fee of \$50 for business licenses and \$100 for individual licenses.

South Carolina currently charges a \$80 individual adjuster license fee for residents and nonresidents, though nonresidents may be charged an amount corresponding to the difference between their own state's license fee and \$80 as a retaliatory fee. DOI reports that there are currently 4,078 resident and 144,887 nonresident adjusters. DOI expects the amount of revenue from the increased fee to be larger than the decline in retaliatory fee revenue. The agency reports that the change in the fee structure would increase General Fund revenue by approximately \$733,000 beginning in FY 2025-26.

Public insurance adjuster licenses are similar; public adjuster licenses are currently an \$80 fee with potential retaliatory fees. DOI reports that there are currently 59 resident and 717 nonresident licensed public insurance adjusters. This bill would change the fee structure to a "flat" \$100. Different states charge different license fees for public adjusters versus individual adjusters. DOI reports that the amount of revenue from the increased fee is expected to be offset by the decline in retaliatory fee revenue for public insurance adjusters. Based on current public insurance adjusters and retaliatory fees collected, this is expected to decrease General Funds revenue by approximately \$6,000 beginning in FY 2025-26.

Furthermore, this bill specifies that business entity adjuster licenses are \$50. Currently DOI does not license these adjusters. Therefore, any of these licenses will be an increase in General Fund

revenue when compared to current law. However, as the number of these licenses that will be issued is unknown, the General Fund revenue impact is undetermined.

The total change in license revenue from insurance adjusters may vary, as the state of residency and the rate at which new potential insurance adjusters, both public and individual, apply for licenses is unknown. Additionally, the number of business entity adjuster licenses that will be issued is unknown. Combined, the license fee changes are expected to increase General Funds revenue from insurance licensing fees by at least \$727,000 beginning in FY2025-26.

This bill also changes a requirement for insurance adjuster applicants to complete a background check to now require a background check and fingerprinting, which includes an FBI criminal records search, unless the application has already received a background check. SLED has indicated on previous legislation that the total cost for a criminal records check including fingerprinting to be \$50.50 per application. Of each application, \$25 is received by SLED, the vendor Identigo receives \$13.50, and the remainder \$12.00 is remitted to the FBI. Pursuant to Section 23-3-115(A), revenue generated by criminal records checks by SLED up to \$4,461,000 must be deposited in the General Fund, while any revenue over this amount is retained by SLED. The current three-year average in fees collected for background checks totals approximately \$17,542,000, which means on average, the General Fund annually receives \$4,461,000 while SLED retains Other Funds revenue of \$13,081,000.

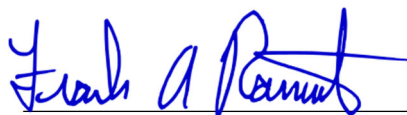
Assuming that criminal records checks continue on their historical pace, this bill's provisions regarding criminal records checks will have no impact on General Fund revenue as the General Fund is expected to continue to receive the maximum amount of revenue as stipulated by Section 23-3-115(A). However, this bill will increase Other Funds revenue of SLED for the additional background checks they process. This increase will depend on the number of applicants who need a background check.

Local Expenditure

N/A

Local Revenue

N/A



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