



**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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<b>Bill Number:</b>	S. 0082	Introduced on January 12, 2021
<b>Author:</b>	Malloy	
<b>Subject:</b>	S.C. Tort Claims Act	
<b>Requestor:</b>	Senate Judiciary	
<b>RFA Analyst(s):</b>	Miller	
<b>Impact Date:</b>	February 12, 2021	Updated for Additional Agency Response

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### **Fiscal Impact Summary**

This bill would increase expenditures for state agencies and local entities due to the increases in losses paid for insured liability claims and associated insurance premiums for higher tort liability limits. State agencies and local entities purchase liability insurance through the Insurance Reserve Fund (IRF), a division of the State Fiscal Accountability Authority (SFAA), local associations, or private insurance companies.

State expenditures for liability insurance premiums through the IRF are expected to increase by a total of \$18,492,000 from either General Funds or Other Funds, depending upon each agency's funding structure. Further, local expenditures for entities insured through the IRF would increase by \$9,833,000. Expenditures for liability premiums for local entities not insured through the IRF, including school districts, counties, municipalities, local hospitals, and political subdivisions, are expected to increase by \$4,960,000 for those entities covered through either the South Carolina Association of Counties (SCAC) or the Municipal Association of South Carolina (MASC). Additionally, all other local entities will likely experience an increase in premiums up to 20 percent. The timing of the expenditure impact for all entities will depend on the timing of the premium increases. Liability insurance premium expenditures for state agencies and local entities are expected to increase further in future years due to the inflation adjustments to the liability limits.

This bill would increase the IRF's Trust Fund expenditures for the increase in liability losses paid by approximately \$28,325,000. The IRF's Trust Fund revenue to cover the additional losses would increase by \$28,325,000, which consists of \$18,492,000 from state agencies and \$9,833,000 from local entities, due to an increase in insurance premiums beginning in FY 2021-22. IRF anticipates being able to manage any increase in expenditures with the increased insurance premium revenue.

Additionally, this bill as amended will have an undetermined expenditure impact to all agencies due to the allowance of a party who makes an offer of judgment, pursuant to §15-35-400(A), that is not accepted, to recover from the offeree, pursuant to §15-25-400(B), any administrative, filing, or other court costs and 8 percent interest computed on the amount of the verdict or award from the date of the offer, regardless of the liability limits.

General Fund insurance premium tax revenue and Other Funds insurance premium tax revenue for the South Carolina Forestry Commission, aid to fire districts, and aid to emergency medical services regional councils within the Department of Health and Environmental Control (DHEC) will increase by an undetermined amount for increases in private insurance liability premiums for entities subject to the increased liability limitations who purchase insurance through the private sector.

## **Explanation of Fiscal Impact**

**Updated for Additional Agency Response on February 12, 2021  
Introduced on January 12, 2021**

### **State Expenditure**

This bill increases the liability limits under the South Carolina Torts Claims Act to \$500,000 for a single person and \$1,000,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence. Additionally, this bill as amended allows a party who makes an offer of judgment that is not accepted, pursuant to §15-35-400, to recover of any administrative, filing, or other court costs and 8 percent interest computed on the amount of the verdict or award from the date of the offer, regardless of the liability limits.

Currently, the four liability limits under the South Carolina Torts Claims Act, in §15-78-120(a)(1) through (4), are as follows:

- \$300,000 for a single person for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence
- \$600,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence
- \$1,200,000 per person, for a single occurrence arising from an incident with a doctor or dentist, regardless of the number of agencies or subdivisions involved in the occurrence and
- \$1,200,000 total for a single occurrence arising from an incident with a doctor or dentist, regardless of the number of agencies or subdivisions involved in the occurrence.

This bill increases the limit per person of \$300,000 to \$500,000 and the total limit per occurrence from \$600,000 to \$1,000,000 and allows parties that make an offer of judgment to recover administrative costs or other court costs and 8 percent interest computed on the amount of the verdict or award, regardless of the liability limits, even if the recovery is above the newly increased limits.

As parties are not currently allowed to recover administrative costs under the South Carolina Tort Claims Act, there is no data to estimate the number of cases that may be impacted by the allowance of recovery of administrative costs. Therefore, Revenue and Fiscal Affairs (RFA) is unable to estimate the potential increase of expenditures for all agencies impacted the Tort Claims Act due to the allowance of a party to recover administrative or other court costs and 8 percent interest computed on the amount of the verdict or award, regardless of the liability limits when an offer of judgment is not accepted and the verdict exceeds the offer.

**State Fiscal Accountability Authority.** This bill will increase all state agencies' expenditures through an increase in premiums to cover the increased amount of losses paid for claims due to the increased limits. The Insurance Reserve Fund (IRF), a division of the State Fiscal Accountability Authority (SFAA), provides insurance coverage for these liabilities, among others. The IRF insures all state agencies, including the Medical University of South Carolina (MUSC). Counties, municipalities, political subdivisions, school districts, special purpose districts, and other governmental entities may also choose to purchase insurance from the IRF. IRF believes the general/tort liability, professional liability, commercial auto, and school bus liability policies will be most impacted by this bill. An actuarial analysis is being performed to determine the expenditure impact for these liability policies. Based on an actuarial analysis, the IRF anticipates the increase in losses paid for claims brought against agencies to total \$20,724,000. The following is the increase in loss by insurance type:

- General/Tort: \$9,678,000
- Professional Medical Liability: \$7,463,000
- Commercial Auto: \$2,984,000
- School Bus: \$599,000

Commercial Auto is fully reinsured, therefore IRF anticipates the additional losses for claims brought under the commercial auto policy will be fully reimbursed by its reinsurer. However, the premium price for the reinsurance will increase and IRF is unsure of the potential increase. The estimated increase of commercial auto is calculated based on actuarial models and studies based on losses. Therefore, the expenditure impact for the Commercial Auto may be different than the actuarial analysis due to reinsurance.

In addition to the total \$20,724,000 increase due to the amended tort liability limits, IRF will have an increase in expenditures to modify policy coverages for certain insureds from a limit of \$600,000 to \$1,000,000. Currently, IRF offers insurance policies with limits of \$600,000 or \$1,000,000. All agencies that currently have an insurance policy with a limit of \$600,000 will have to change to a policy with a limit of \$1,000,000. IRF estimates switching all insureds from a \$600,000 policy to a \$1,000,000 policy will result in an increase of expenditures by \$7,601,000. The following is the increase in premiums for the policy shift from \$600,000 to \$1,000,000:

- General/Tort: \$3,778,000
- Professional Medical Liability: \$1,420,000
- Commercial Auto: \$1,538,000
- School Bus: \$864,000

Overall, the expenditure impact to the IRF may be as much as \$28,325,000 for the increase in losses paid across all liability policies impacted. The following is the total increase in premiums by insurance type:

- General/Tort: \$13,456,000
- Professional Medical Liability: \$8,883,000
- Commercial Auto: \$4,522,000
- School Bus: \$1,463,000

The estimated increase in losses is based upon historical data, specific loss data, and other relevant information to project potential risk of future loss. However, the actuarial analysis did not capture the potential impact that the modified limits would have on behavioral effects such as the potential increase in frequency of claims filed, potential increased time for negotiation, and the potential increased number of claims going to trial rather than settling in negotiation. Therefore, the actual impact of the modified liability limits may vary from the estimate.

One factor of the actuarial analysis is the historical data, which has been included in this fiscal analysis. This data is not separated into the claims subject to the various limits, therefore RFA is unable to determine which of the claims filed were subject to the \$300,000, \$600,000, and \$1,200,000 limitation or claims brought under the federal statutes. Additionally, the policies issued by the IRF are occurrence-based such that the amount of losses paid will tie back to the time period in which the actionable incident occurred. A claim may take many years to close in order to determine the amount of loss paid. Therefore, the more recent annual data is subject to revision as more claims close.

The tables below provide an average of 10 years of claims that have closed by type of liability coverage. These claims are separated by claims that have closed with a loss paid of greater than \$200,000 for a single person/single occurrence, and greater than \$400,000 for total/single occurrence. Additionally, the third table provides additional data for all claims filed under each type of liability policy.

<b>10 Year History Single Person/Single Occurrence 2009-2018</b>		
	<b>Number of Losses Paid Greater Than \$200,000</b>	<b>Total Losses Paid</b>
<b>Auto Liability</b>	74	\$19,546,157
<b>Professional Liability - Institution</b>	142	\$68,041,500
<b>Professional Liability - Physician</b>	73	\$23,377,000
<b>School Bus Liability</b>	19	\$5,289,100
<b>Torts Liability</b>	198	\$66,566,840

<b>10 Year History Total/Single Occurrence 2009-2018</b>		
	<b>Number of Losses Paid Greater Than \$400,000</b>	<b>Total Losses Paid</b>
<b>Auto Liability</b>	14	\$14,925,766
<b>Professional Liability - Institution</b>	80	\$50,365,500
<b>Professional Liability - Physician</b>	12	\$6,265,000
<b>School Bus Liability</b>	5	\$2,533,564
<b>Tort Liability</b>	72	\$42,377,861

<b>10 Year Average 2009-2018</b>				
	<b>Average Number of Claims Filed</b>	<b>Average Number of Losses Paid</b>	<b>Annual Average Amount Loss Paid</b>	<b>Average Loss Paid per Case</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4 (3 ÷ 2)</b>
<b>Auto Liability</b>	1,448	1,051	\$9,271,310	\$8,826
<b>Professional Liability – Institution</b>	117	29	\$7,856,290	\$269,976
<b>Professional Liability - Physician</b>	79	37	\$3,828,617	\$104,894
<b>School Bus Liability</b>	1,061	269	\$2,701,629	\$10,062
<b>Tort Liability</b>	3,260	1,988	\$20,772,414	\$10,452

It is anticipated that the increased premiums for all entities insured by the IRF will offset the anticipated increase in the losses paid by IRF. Therefore, there is no net impact to the IRF. All state agencies and the local entities who choose to purchase insurance with the IRF will pay an increase in premiums. The premiums are estimated in consultation with an actuary. Based upon an actuarial review of the impact of raising the liability limits, the IRF anticipates each state agency's insurance premium will increase per policy line by the following percentages:

- General Tort: 13 percent for amended tort limits plus 5 percent for change in policy coverage limits
- Professional Medical Liability: 32 percent for amended tort limits plus 5 percent for change in policy coverage limits
- Commercial Auto: 14 percent for the amended tort limits plus 12 percent for change in policy coverage limit
- School Bus: 11 percent for amended tort limits plus 16 percent for change in policy coverage limit

The IRF anticipates the total increase in premiums will total \$28,325,000, which consists of \$18,492,000 for all state agencies and \$9,833,000 for all local entities covered by IRF. The increase in premiums for all state agencies will be \$18,492,000, which consists of \$13,327,000 due to the increase in tort limit liability and \$5,165,000 for the increase in policy coverage limits. This increase is in addition to an unrelated increase in premiums that will begin in FY 2020-21. The impact to the General Fund and Other Funds of the State will depend upon the structure of each agency. Included in the \$18,492,000 is a \$3,726,000 expenditure impact to the Medical University of South Carolina (MUSC), the only state-owned hospital.

In summary, the IRF anticipates the total increase in costs for IRF will total \$28,325,000, which consists of \$18,492,000 for all state agencies and \$9,833,000 for all local entities covered by IRF. The increase in state expenditures will be \$18,492,000, total, for all state agencies, including a \$3,726,000 expenditure impact on MUSC, beginning in FY 2021-22, because of the increase in premiums paid to the IRF. The expenditure impact on the General Fund and Other Funds due to the increase in premiums for each state agency will depend upon the agency

structure. There will be no net fiscal impact to the IRF as the premiums collected from its insureds will offset the increase in losses paid due to the increase in the liability limits.

### **State Revenue**

This bill increases the liability limits under the South Carolina Torts Claims Act to \$500,000 for a single person and \$1,000,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence and applies an annual inflation to all liability limits in §15-78-120(a)(1) through (4).

As discussed above, state agencies and local entities who choose to purchase insurance with the IRF will pay an increase in premiums that will offset the increase in losses paid due to the increase in the liability limits. IRF anticipates premiums collected from state agencies and local entities to increase by \$18,492,000 and \$9,833,000, respectively, for a total increase in collected premiums by IRF of \$28.325,000. It is expected that the increase in premium revenue for the IRF will be offset by the increase in losses paid due to the increase in the liability limits.

Further, will increase premiums for those entities that purchase insurance through the private sector. An increase in premiums would increase premium tax. The premium tax is 1.25 percent. Premium taxes are paid quarterly and are allocated as follows: 1 percent to the South Carolina Forestry Commission, 1 percent to the aid to fire district account within the State Treasury, 0.25 percent to the aid to emergency medical services regional councils within the Department of Health and Environmental Control (DHEC), and the remaining 97.75 percent to the General Fund. Premium taxes are paid quarterly. The first three payments, paid in June, September, and December of the current year, are estimated using the prior year's actual tax liability. The final payment is made in March of the following year and is the difference between the actual premium tax liability owed in that year and the prior payments made. Insurance companies may choose to pay more than their estimated quarterly payments to offset any anticipated increase in premium tax liability in the current year. RFA assumes no insurance company will choose to pay more than their estimated quarterly payments due to increased premiums from this bill. As the total increase to premiums is unknown, the increase to premium tax revenue is undetermined.

### **Local Expenditure**

This bill increases the liability limits under the South Carolina Torts Claims Act to \$500,000 for a single person and \$1,000,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence and allows recovery of administrative costs in certain situations.

As discussed above the total increase of local entities premiums is \$9,684,000. The increase is a combination of an increase to cover the increased liability limits of \$7,886,000 and an increase to cover the change in the policy coverage limits of \$1,798,000. IRF provides insurance coverage for the following local entities:

- 19 school districts and school entities
- 88 counties and county entities
- 122 municipalities
- 339 political subdivisions, including special purpose districts

The table below provides the anticipated increase in premiums for local entities covered by IRF.

	<b>Increase Tort Liability Limits</b>	<b>Policy Coverage Limit Update</b>	<b>Total Premium Increase</b>
<b>School Districts</b>	\$369,000	\$40,000	\$409,000
<b>Counties</b>	\$4,542,000	\$1,154,000	\$5,696,000
<b>Municipalities</b>	\$1,298,000	\$1,027,000	\$2,325,000
<b>Political Subdivisions</b>	\$1,189,000	\$214,000	\$1,403,000
<b>Total</b>	\$7,398,000	\$2,435,000	\$9,833,000

In addition to the IRF, various state associations have established trusts to assist local entities with the purchase of insurance. Based on 2020 data, The South Carolina School Boards Association provides the South Carolina Boards Insurance Trust (SCBIT), which provides the option for insurance coverage for school districts. Of the 81 school districts, 54 purchased insurance with the SCBIT as of 2020. The School Boards Association has not provided an estimated fiscal impact for this bill. Based on the increase in premiums to school districts purchasing insurance through the IRF, we estimate the impact to all other school districts may range from 13 to 20 percent. In a prior analysis, the association did state that it hopes to be able to manage some of the losses with reserves within the fund. Additionally, the association hopes to implement any premium increases to the school districts over a period of time, as it anticipates the losses paid will not increase for a few years. This assumption is based on the fact that the claims brought under the modified liability limits may take a few years to close.

The South Carolina Association of Counties (SCAC) provides the South Carolina Counties Property and Liability Trust (SCCP&LT), to offer insurance coverage to counties. Based 2020 data, there were 24 participants, including counties and county entities, who currently purchase insurance with the SCCP&LT. The SCCP&LT anticipated a minimum increase of \$1,060,000 to premiums for its participants to offset the cost of losses paid. The increase is based on historical claims and does not consider other factors such as increased frequency of claims. Because of this, SCCP&LT believes that the \$1,060,000 may understate the expenditure impact to its participants.

The Municipal Association (MASC) provides the South Carolina Municipal Insurance and Risk Financing Fund (SMIRF). Based on 2020 data, of the 271 municipalities in the state, 123 purchase insurance with SMIRF. SMIRF anticipated raising premiums a minimum of 6.1 percent, or \$1,200,000, across all 123 municipalities to offset the increase in expenditures to SMIRF. The impact to each municipality will vary depending on the size and amount of coverage required. Based on an actuarial estimate, the total losses paid may increase by as much as 6 to 20 percent. This estimate is based on historical data and comparable data from around the country. SMIRF will raise premiums by 6.1 percent only to cover the immediate costs and may raise premiums as much as an additional 13.9 percent, or \$2,700,000, to cover the potential total 20 percent, or \$3,900,000, increase in losses paid due to the modified liability limits. MASC anticipates this increase may be an underestimate, depending on the outcome of the 2020 excess

property reinsurance claims. The early indications for the 2020 excess property renewal will result in increased reinsurance property expenses due to hurricane Florence claims.

The political subdivisions, including special purpose districts, within the state will also have an increase in premiums because of the increased liability limits. RFA previously contacted the special purpose district lobbyist to inquire about the impact to premiums for special purpose districts. The special purpose districts may purchase insurance from the IRF, one of the funds set up by an association discussed above, or through the private market. The premium increase for all political subdivisions, including the special purpose districts, which purchase insurance from the IRF will be \$1,104,000. Special purpose districts that purchase from a local association’s fund is included in the totals above. The remaining special purpose districts, who purchase insurance through the private market, will likely see a premium increase of approximately 13.5 to 20 percent due to the increase in the liability limits. The actual local expenditure impact for each special purpose district will depend upon the amount and type of coverage needed by that district.

Further, based on the information provided by the South Carolina Hospital Association, the hospitals in South Carolina, other than MUSC as a state entity, may purchase insurance from the Palmetto Health Trust or from the private market. Based on an estimate by a private insurer, premiums for hospitals due to the modified liability limits will increase by 20 percent or more. The expenditure impact to each hospital will depend on current insurance coverage premiums. The table below summarizes the expenditure impact to local entities.

	<b>IRF</b>	<b>Local Associations*</b>	<b>Private</b>	<b>Total</b>
<b>School Districts</b>	\$409,000	20% increase above current	20% increase above current	\$409,000 + Private Sector + Local
<b>Counties</b>	\$5,696,000	\$1,060,000	20% increase above current	\$6,756,000 + Private Sector
<b>Municipalities</b>	\$2,325,000	\$3,900,000	20% increase above current	\$6,225,000 + Private Sector
<b>Political Subdivisions</b>	\$1,403,000	Included Above	20% increase above current	\$1,403,000 + Private Sector
<b>Non-State Hospitals</b>	N/A	N/A	20% increase above current	Private Sector
<b>TOTAL</b>	\$9,833,000	\$4,960,000 + School Districts	20% increase above current	\$14,793,000 + Local School + Private Sector

*\*Local Associations include the South Carolina School Boards Association, the South Carolina Association of Counties, and the South Carolina Municipal Association.*

In summary, based on prior responses, the potential expenditure impact to local entities may be as much as \$14,793,000 plus the increase in premiums for those entities who purchase in the private sector and the increase in school districts that purchase insurance through the SCBIT, and will depend on the timing of the premium increases.

## Local Revenue

N/A

## Introduced on January 12, 2021

### State Expenditure

This bill increases the liability limits under the South Carolina Torts Claims Act to \$500,000 for a single person and \$1,000,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence. Additionally, this bill allows a party who makes an offer of judgment that is not accepted and the verdict is more favorable to the offeror than the offer was, pursuant to §15-35-400, to recover of any administrative, filing, or other court costs and 8 percent computed on the amount of the verdict or award, regardless of the liability limits.

Currently, the four liability limits under the South Carolina Torts Claims Act, in §15-78-120(a)(1) through (4), are as follows:

- \$300,000 for a single person for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence
- \$600,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence
- \$1,200,000 per person, for a single occurrence arising from an incident with a doctor or dentist, regardless of the number of agencies or subdivisions involved in the occurrence and
- \$1,200,000 total for a single occurrence arising from an incident with a doctor or dentist, regardless of the number of agencies or subdivisions involved in the occurrence.

This bill increases the limit per person of \$300,000 to \$500,000 and the total limit per occurrence from \$600,000 to \$1,000,000 and allows parties that make an offer of judgment to recover administrative costs or other court costs and 8 percent computed on the amount of the verdict or award, regardless of the liability limits.

As parties are not currently allowed to recover administrative costs under the South Carolina Tort Claims Act, there is no data to estimate the number of cases that may be impacted by the allowance of recovery of administrative costs. Therefore, Revenue and Fiscal Affairs (RFA) is unable to estimate the potential increase of expenditures for all agencies impacted the Tort Claims Act due to the allowance of a party to recover administrative or other court costs and 8 percent computed on the amount of the verdict or award, regardless of the liability limits when an offer of judgment is not accepted and the verdict exceeds the offer.

**State Fiscal Accountability Authority.** This bill will increase all state agencies' expenditures through an increase in premiums to cover the increased amount of losses paid for claims due to the increased limits. The Insurance Reserve Fund (IRF), a division of the State Fiscal Accountability Authority (SFAA), provides insurance coverage for these liabilities, among others. The IRF insures all state agencies, including the Medical University of South Carolina (MUSC). Counties, municipalities, political subdivisions, school districts, special purpose districts, and other governmental entities may also choose to purchase insurance from the IRF.

IRF believes the general/tort liability, professional liability, commercial auto, and school bus liability policies will be most impacted by this bill. An actuarial analysis is being performed to determine the expenditure impact for these liability policies.

Commercial Auto is fully reinsured, therefore IRF anticipates the additional losses for claims brought under the commercial auto policy will be fully reimbursed by its reinsurer. However, the premium price for the reinsurance will increase and IRF is unsure of the potential increase. The estimated increase of commercial auto is calculated based on actuarial models and studies based on losses.

In addition, IRF will have an increase in expenditures to modify policy coverages for certain insureds from a limit of \$600,000 to \$1,000,000. Currently, IRF offers insurance policies with limits of \$600,000 or \$1,000,000. All agencies that currently have an insurance policy with a limit of \$600,000 will have to change to a policy with a limit of \$1,000,000. The expenditure impact of this change in policy limit is pending, contingent upon the completion of an actuarial analysis provided by SFAA.

It is anticipated that the increased premiums for all entities insured by the IRF will offset the anticipated increase in the losses paid by IRF. Therefore, there is no net impact to the IRF. All state agencies and the local entities who choose to purchase insurance with the IRF will pay an increase in premiums. The premiums are estimated in consultation with an actuary. The potential increase in expenditures to all agencies and local entities that purchase insurance with the IRF is pending, contingent upon the completion of an actuarial analysis provided by SFAA.

### **State Revenue**

This bill increases the liability limits under the South Carolina Torts Claims Act to \$500,000 for a single person and \$1,000,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence and applies an annual inflation to all liability limits in §15-78-120(a)(1) through (4).

As discussed above, state agencies and local entities who choose to purchase insurance with the IRF will pay an increase in premiums that will offset the increase in losses paid due to the increase in the liability limits. It is expected that the increase in premium revenue for the IRF will be offset by the increase in losses paid due to the increase in the liability limits. However, the revenue impact is pending, contingent upon the completion of an actuarial analysis provided by SFAA.

Further, an increase in premiums would increase premium tax. The premium tax is 1.25 percent. Premium taxes are paid quarterly and are allocated as follows: 1 percent to the South Carolina Forestry Commission, 1 percent to the aid to fire district account within the State Treasury, 0.25 percent to the aid to emergency medical services regional councils within the Department of Health and Environmental Control (DHEC), and the remaining 97.75 percent to the General Fund. Premium taxes are paid quarterly. The first three payments, paid in June, September, and December of the current year, are estimated using the prior year's actual tax liability. The final payment is made in March of the following year and is the difference between the actual

premium tax liability owed in that year and the prior payments made. Insurance companies may choose to pay more than their estimated quarterly payments to offset any anticipated increase in premium tax liability in the current year. RFA assumes no insurance company will choose to pay more than their estimated quarterly payments due to increased premiums from this bill. As the total increase to premiums is unknown, the increase to premium tax revenue is undetermined.

### **Local Expenditure & Revenue**

This bill increases the liability limits under the South Carolina Torts Claims Act to \$500,000 for a single person and \$1,000,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence and allows recovery of administrative costs in certain situations. The IRF offers liability coverage for school districts and school entities, counties and county entities, municipalities, and political subdivisions, including special purpose districts. The expenditure impact to these local entities is pending, contingent upon the completion of an actuarial analysis provided by SFAA.

In addition to the IRF, various state associations have established trusts to assist local entities with the purchase of insurance. The South Carolina School Boards Association provides the South Carolina Boards Insurance Trust (SCBIT), which provides the option for insurance coverage for school districts. The South Carolina Association of Counties (SCAC) provides the South Carolina Counties Property and Liability Trust (SCCP&LT), to offer insurance coverage to counties. The Municipal Association (MASC) provides the South Carolina Municipal Insurance and Risk Financing Fund (SMIRF). The expenditure impact to these local entities is pending, contingent upon additional responses from The South Carolina Schools Association, SCAC, and MASC.

The political subdivisions, including special purpose districts, within the state will also have an increase in premiums because of the increased liability limits. RFA previously contacted the special purpose district lobbyist to inquire about the impact to premiums for special purpose districts. The special purpose districts may purchase insurance from the IRF, one of the funds set up by an association discussed above, or through the private market. Based on previous responses, the special purpose districts who purchase insurance through the private market, will likely see a premium increase of approximately 13.5 to 20 percent due to the increase in the liability limits. The actual local expenditure impact for each special purpose district will depend upon the amount and type of coverage needed by that district.

Further, based on the information previously provided by the South Carolina Hospital Association, the hospitals in South Carolina, other than MUSC as a state entity, may purchase insurance from the Palmetto Health Trust or from the private market. The expenditure impact to these hospitals is pending, contingent upon additional response from the South Carolina Hospital Association.

### **Local Revenue**

N/A



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Frank A. Rainwater, Executive Director