

**Subject:** New Assessment Affecting Surplus Lines Brokers



**South Carolina  
Department of Insurance**

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**HENRY McMASTER**  
Governor

**RAYMOND G. FARMER**  
Director

December 21, 2019

**TO ALL LICENSED SURPLUS LINES BROKERS**

Re: New Assessment Affecting Surplus Lines Transactions for Medical Malpractice and Healthcare Liability

As you may know, earlier this year the South Carolina General Assembly enacted H. 3760, which will reform and modernize the operation of the medical malpractice insurance residual market in this state. This legislation requires a newly created entity, the South Carolina Medical Malpractice Association (SCMMA) to make assessments against various market participants who are involved in writing healthcare liability insurance coverage in our State. The law becomes effective January 1, 2020. These assessments are intended to address the substantial accumulated deficits of the South Carolina Medical Malpractice Joint Underwriting Association (JUA) and the South Carolina Patients' Compensation Fund (PCF). As of June 30, 2019, the combined accumulated deficits of the JUA and PCF that the SCMMA must address exceeds \$105 million.

In addition to assessments against the insurers writing healthcare liability insurance, the new law also requires an assessment against surplus lines broker transactions (both resident and non-resident brokers). Consequently, for all surplus lines medical malpractice policies written or renewed after January 1, 2020, the broker involved must charge a 6% assessment to the insured customer. Please note that this surplus line broker 6% assessment on medical malpractice policies is **in addition to** the existing 6% currently added to each transaction for state and local taxes. Your company should calculate, report and pay this assessment at the end of each calendar quarter. The Department's form for reporting and payment of the surplus lines taxes (and now SCMMA assessments) has been modified to accommodate the new assessment.

**This letter is being sent to all currently licensed surplus lines brokers. If you do not arrange or sell medical malpractice or healthcare liability policies in our State, you are not affected by the new SCMMA assessment described herein.**

Thank you for your attention to this matter. If you have any questions about the content of this notice or the assessment on surplus lines policies, you should contact Joe Cregan at (803) 737-4974 or [jcregan@doi.sc.gov](mailto:jcregan@doi.sc.gov).

Sincerely,

Handwritten signature of Raymond G. Farmer in cursive script.