

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD
OFFICE OF INSURANCE SERVICES

NOTES TO COMBINED FINANCIAL STATEMENTS

CONTINUED —

1. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The Office of Insurance Services was created by the Budget and Control Board on June 5, 1989 to manage insurance programs provided by the State for its employees, retirees, agencies, institutions, and political subdivisions. The Office was formed with the Insurance Reserve Fund section from the Office of General Services and the Insurance Benefits section from the South Carolina Retirement Division. The Administration and Planning section was added to these two sections to complete the Office. Additionally, effective July 1, 1996, the State Life and Long-Term Disability program was transferred to the Office from the South Carolina Retirement Division. This program is accounted for in the Health, Life, and Disability Insurance Reserve Fund.

Programs managed by the Office's Insurance Reserve Fund section are authorized in the following sections of the South Carolina Code of Laws, 1976, as amended: Section 1-11-140 (tort liability, medical professional liability for individuals and entities and risk management section); Section 1-11-710 (A)(4) (risk management section); Regulation 19-612 (automobile liability); Section 10-7-10 et. seq. (property); Section 59-67-710 (school bus liability); and Section 59-67-790 (school bus pupil injury). Section 15-78-10 et. seq. (the S.C. Tort Claims Act) further defines parameters of coverage provided by the Insurance Reserve Fund.

The group health, dental, life, accidental death and dismemberment and disability programs managed by the Office's HLDIRF are authorized in Sections 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended. The long-term care program managed by the Office is authorized in Section 1-11-740 of the South Carolina Code of Laws of 1976, as amended.

The Office also has an administrative and planning staff responsible for overseeing the operations of the Office. Cost of operations for the administrative and planning staff are allocated equally to the IRF and the HLDIRF.

Fund Accounting

The Office of Insurance Services uses funds to report on its financial position, the results of its operations and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.