

Section I – Executive Summary

Basic Description of the Agency

Created in 1947 by an Act of the General Assembly [1947(45) 147], the State Accident Fund (formerly the State Workers' Compensation Fund) is one of twenty-seven state sponsored workers' compensation insurance funds. The majority of these funds were chartered to compensate for fluctuation in the workers' compensation market.

1. The State Accident Fund's mission statement is:

Provide a cost effective guaranteed workers' compensation market for state agencies, other government entities and, when in the best interest of the State, businesses in the private sector.

The State Accident Fund is charged with the administration of the workers' compensation program for all state agencies. Creation of the Fund centralized the administration of workers' compensation claims within a single agency, as the State effectively "self-insured" its workers' compensation coverage in the same manner as most large private businesses. This ensured standardization, increased efficiency, and minimized redundancy. As set forth by statute, the agency determines rates and assesses premiums in the same manner as a private insurance company. It is funded completely by the premiums it collects. In addition, the Fund provides coverage for hundreds of local governmental organizations which would otherwise be unable to procure coverage at a reasonable cost. In this way, the Fund provides county and municipal agencies a guaranteed alternative source of workers' compensation insurance coverage. Additionally, this guaranteed coverage at reasonable rates produces a moderating and stabilizing influence on the private market in general and enhances the business climate in South Carolina.

Though the State Accident Fund currently does not market itself to private business, it is prepared to write insurance for the private sector. In the early 1990s, during a period of turmoil in the state's workers' compensation market when providing coverage was not as profitable, several companies stopped writing that line of insurance in South Carolina. As many of the state's small businesses were forced into the assigned risk pool, members of the legislature asked the State Accident Fund if it could enter the private sector marketplace to fill the niche vacated by private companies. As directed, the State Accident Fund thereafter developed a plan for this contingency and is today prepared to offer private businesses the same quality coverage and services at rates more competitive than the private sector.

The agency's core values are set forth in its Strategic Plan. They include: Competency, Continuous Improvement, Customer Satisfaction, Employee Satisfaction, Health and Safety, Honesty/Integrity/Professionalism, Individual and Agency Accountability, and Teamwork. (Section III, Figure 1.1c, page 11).

2. The agency's major achievements during the period covered by this report are summarized below:

- The agency remained financially self-sustaining.

- Customer satisfaction scores remained high (Section III, Figure 7.1a, page 31).
- Retention rates for voluntary accounts remained high (Section III, Figure 7.1e, page 34).
- The agency's claim and administrative costs continued to be less than the private sector (Section III, Figure 7.2f, page 39; Figure 7.2g, page 39; and Figure 7.2h, page 40).
- The agency continued to be successful in recovery from the Second Injury Fund. This resulted in more than 14 million dollars in direct savings for our policyholders (Section III, Figure 7.3g, page 43).
- Even though the agency has no marketing function, it gained 9 new accounts during the reporting period (Section III, Figure 7.1c, page 32).
- The agency continued to explore and expand efforts to control costs through vendor partnerships for medical management, pharmacy bill cost containment programs and subrogation services. During the reporting period, the actual and/or estimated saving from these programs were:

• Medical Services / Charge Review	\$ 875,000
• Pharmacy Services	\$ 2,157,000
• Subrogation Services	\$ 1,248,000
• Physical Therapy Services	\$ 582,000
• Second Injury Fund Recoveries	\$ 13,973,000

3. The State Accident Fund measures success and establishes its goals based on the expectations of customers and stakeholders. Surveys and interviews have shown that our customers have similar expectations:

- Competitive rates,
- Low claim costs,
- Timely processing of claims, premium estimates and audit adjustments,
- Availability of customized services to support unique requirements and organizational structure,
- Willingness to write coverage and provide service to small accounts, which pay a minimum premium.

The 14 goals shown below are derived from the agency's Strategic Plan and are designed to meet our customers' expectations.

- By November 15th, 2011, conduct a review of the organizational structure.
- Continue to review programs to enhance internal and external quality control and Professional Development.
- Develop a program for the promotion of accountability, responsibility and professionalism.
- Annually review the quality of service and cost effectiveness of vendor programs and contract services. Investigate an agent program.
- Enhance business relations and public communications.
- Maintain greater than 95% positive response rate on the annual policyholder survey.
- Be a leader in South Carolina WC rule and regulation compliance.
- The annual administration cost ratio will not exceed the industry average. (for the last five years.)
- Review and enhance IT Resources.

- By January 1, 2014 the State Accident Fund will provide workers' compensation insurance coverage for at least 50% of eligible governmental entities.
- By June 1, 2013, investigate optimal structure for agency.
- By January 1, 2016, the Fund's financial records will reflect a cumulative net gain in assets over the period from Fiscal Year 2010 to Fiscal Year 2015.
- The State Accident Fund will rank no higher than 5th in our annual rate comparison.
- By January 30, 2013, develop a plan for the incorporation of the Uninsured Employers Fund into the Agency operations.

4. The key strategic challenges facing the agency are related to retention of management and communication with the Legislature. The deficit in salaries of agency managers as compared to their counterparts in the private sector makes knowledge retention difficult. Key staff members are often recruited by other providers in the industry.

The second key strategic challenge is the lack of a completely satisfactory mechanism through which the agency can communicate its successes and challenges to the Legislature. With no lobbying capability, the agency is often precluded in its efforts to explain the highly technical and complex workers' compensation business environment. Fund managers are regularly called upon to explain the impact of factors shaping the workers' compensation market. Agency managers are accountable for the operation of the agency under these market conditions, but lack many of the opportunities to influence these factors.

5. The agency uses the Accountability Report as a basis for its continuous improvement efforts. The Accountability Report and the Malcolm Baldrige Award Criteria, on which it is based, have provided the agency with a common framework and a common set of terms.

To promote maximum staff involvement the agency uses a team approach in gathering the information and preparing the report. The team members are trained on the Malcolm Baldrige Award Criteria and how to apply that information to the Accountability Report.

As described in Section III, Category 2, page 15, the first two steps in the agency's strategic planning process are "Data Collection and Analysis" and "Conduct Self-Assessment". The Accountability Report Preparation Team performs these steps. Using the data collected for the report as a basis, the team completes the annual self-assessment using the most current Criteria for Performance Excellence. This self-assessment is used during the "Planning Session".

This annual review process has promoted better communications and helped drive continuous organizational improvement efforts.

Section II – Business Overview

1. Products and Services

Created in 1947 by an Act of the General Assembly [1947(45) 147], the State Accident Fund (formerly the State Workers' Compensation Fund) is one of twenty-seven state sponsored workers' compensation insurance funds. The State Accident Fund is a highly specialized organization with only one program. The agency provides a guaranteed, cost effective source of workers' compensation insurance for government entities regardless of their loss experience, level of risk, or other unique circumstances. In addition, it remains prepared to provide insurance to private businesses should the Legislature of South Carolina deem it necessary.

2. Key Customers:

The State Accident Fund's key customers are the Governor, the Legislature, the Workers' Compensation Commission, policyholders, and their injured workers.

The agency's policyholders can be segmented into two distinctly different groups (Section III, Figure 3.1, page 19). The first and largest group, 471 of the agency's accounts, consists of municipal and county governments, special purpose districts, other local government organizations, and over 40 volunteer fire departments. These customers are free to shop the market for workers' compensation insurance. Their participation is strictly voluntary.

The second distinct group is made up of state agencies, which are required to purchase their insurance from the State Accident Fund. This group is even more diverse. The nature of the work and level of risk varies widely.

The agency has three key processes that create value for our customers. These processes deliver services directly to the policyholders. Each of the processes and their related services are listed below:

1. The Claims Management Process

- Claim management services.
- Recoveries from third parties.
- Recoveries from the Second Injury Fund.
- Medical case management.
- Rehabilitation services.
- Technical training for workers' compensation staff.
- Legal services.

2. The Premium Determination and Collection Process

- Training and assistance in preparing the documentation required for premium calculations.
- Training and information on the NCCI premium determination process.
- Premium audits and on-site consultations.

3. Safety and Loss Control Consultation Process

- Safety and loss control training and consultation.
- Courtesy inspections.

3. Key Stakeholders

The agency's key stakeholders include the taxpayers of the state of South Carolina and several private businesses. Included in this group are merchants that provide medications and durable medical equipment, medical practices that treat our injured workers, private law firms that provide legal services, and other businesses that provide services to the agency or our customers.

4. Key Suppliers

The agency divides its key suppliers into two major groups. The first group consists of suppliers who provide services directly to the injured workers. These include medical providers, medical management personnel, pharmacies, vocational rehabilitation firms, and medical equipment companies. The second group provides services either directly to the agency or to our policyholders on behalf of the agency. Included in the group are contract attorneys, investigators, recovery specialists, medical management specialists, and other suppliers of goods and services.

5-6. Number of Employees and Operating Location

The agency is authorized 81 Full Time Equivalencies (FTE's). As of June 30, 2012, 62.75 of those were filled. Of the authorized FTE's, 80 are classified and one, the Director, is unclassified. All of the employees work out of the agency's home office in Columbia. From this centralized location, agency employees provide services to over 600 policyholders located throughout the state without the aid of an agent network.

7. Regulatory Environment

The agency's regulatory environment consists of direct accountability to the Governor, Legislative oversight, and compliance with the South Carolina Workers' Compensation Commission rules and regulations. In addition, the agency is audited annually by an independent auditor and receives an annual actuarial review of its operation. The leadership of the agency responds to requests for information, delivers testimony, and prepares reports in response to Legislative requests.

The workers' compensation system in South Carolina is overseen by the South Carolina Workers' Compensation Commission. The State Accident Fund, as a provider of workers' compensation insurance, must comply with rules, regulations, and other requirements set by the Commission.

8. Key Strategic Challenges

The key strategic challenges facing the agency are related to retention of management and communication with the Legislature. The deficit in salaries of agency managers as compared to their counterparts in the private sector makes knowledge retention difficult. Key staff members are often recruited by other providers in the industry.

The second key strategic challenge is the lack of a completely satisfactory mechanism through which the agency can communicate its successes and challenges to the Legislature. With no lobbying capability, the agency is often precluded in its efforts to explain the highly technical and complex workers' compensation business environment. Agency managers are regularly called upon to explain the impact of factors shaping the workers' compensation market. Agency

managers are accountable for the operation of the agency under these market conditions, but lack many of the opportunities to influence these factors.

9. Performance Improvement Systems

The agency uses various performance measures that are reported on a weekly, monthly, quarterly, or annual basis. These measures are discussed in Section III, Categories 3, 4, and 6. They include process times, industry benchmarks, actuarial review, employee input, and customer surveys. The results of these measures are compiled and reported to agency staff. The agency management team reviews these measures as they become available.

The agency management team reviews the relevant measures and actionable items are investigated and reviewed. Opportunities for improvements in systems and processes are assigned to members of the management team, business teams, process teams, or special teams as necessary. Recommendations from these teams are reported back to the agency management team for adoption or integration into the strategic plan.

10. Organizational Structure

The current organizational structure has evolved from a strictly hierarchical organization to a team-based structure.

While the traditional structure worked well for certain tasks, it lacked the speed and flexibility needed to meet our customers' varying needs and expectations. To compensate for these shortcomings, the agency reorganized into a team-based structure (Figure 1, page 7).

Unlike the traditional multiple-layer structure based on functional specialties, the new team structure uses a series of teams. The three Business Teams comprise the organization's core. The teams are cross-functional, consisting of claims personnel, investigators, premium auditors, and safety and loss control specialists. Each Business Team is responsible for delivering a full range of workers' compensation services to a specific group of policyholders. They work together to resolve problems and to provide customers with the services they desire. The Business Teams are empowered to make decisions and are held accountable for their customers' satisfaction. The other teams shown in Figure 1 are responsible for providing services and support to the Business Teams.

Team Based Structure

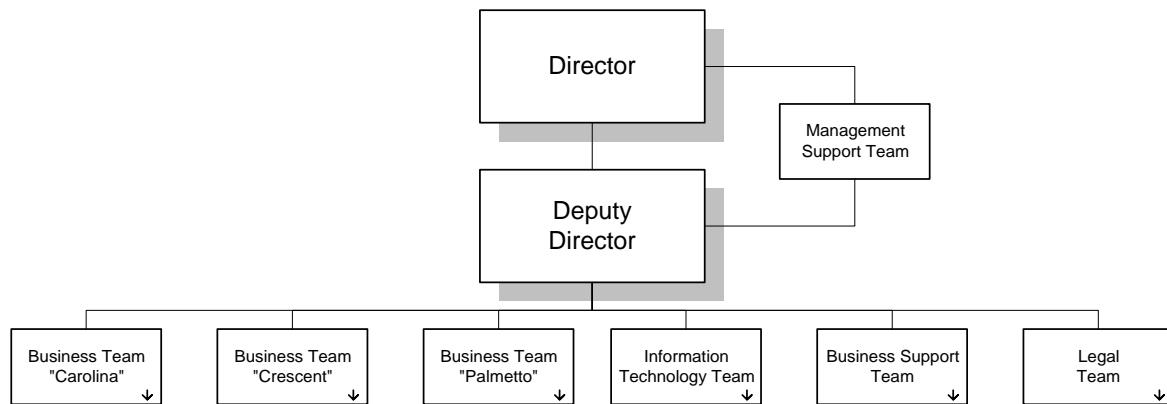


Figure 1

11. Expenditures/Appropriations Chart

Base Budget Expenditures and Appropriations

Major Budget Categories	10-11 Actual Expenditures		11-12 Actual Expenditures		12-13 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personnel Service	\$ 2,797,073		\$2,761,627		\$2,928,599	
Other Operating	\$ 1,012,125		\$1,027,341		\$1,865,420	
Special Items	\$ 25,000		\$25,000		\$5,000	
Permanent Improvements						
Case Services						
Distributions to Subdivisions						
Fringe Benefits	\$ 885,444		\$932,964		\$1,000,792	
Non-recurring						
Total	\$ 4,719,642		\$4,746,932		\$5,799,811	

Other Expenditures

Sources of Funds	09-10 Actual Expenditures	10-11 Actual Expenditures
Supplemental Bills	0	0
Capital Reserve Funds	0	0
Bonds	0	0

Figure 2

12. Major Program Areas

Program Number And Title	Major Program Area Purpose (Brief)	FY 10-11 Budget Expenditures	FY 11-12 Budget Expenditures	Key Cross References for Financial Results
1. Provide Workers' Compensation Insurance.	Provide a guaranteed source of Workers' Compensation Insurance.	State: Federal: Other: \$ 4,719,642 Total: \$ 4,719,642 % of Total Budget: 100%	State: Federal: Other: \$ 4,746,932 Total: \$ 4,746,932 % of Total Budget: 100%	Section III, Figures 7.3b, page 41.

Below: List any programs not included above and show the remainder of expenditures by source of funds.
NA

Remainder of Expenditures	State: Federal: Other: Total: % of Total Budget NA	State: Federal: Other: Total: % of Total Budget NA
None		

Figure 3

Section III – Elements of Malcolm Baldrige Award Criteria

Category 1- Senior Leadership, Governance, and Social Responsibility

The agency's senior leadership consists of the Director; who is appointed by the Governor with the advice and consent of the Senate, and the Deputy Director. These two key positions make up the agency's Executive Team.

The agency's leaders share a common management philosophy, which is deeply rooted in the principles of "Total Quality Management" as defined by the late Dr. W. Edwards Deming. The Executive Team demonstrates their support for these principles through participation in briefings, training activities, and other quality initiatives. The agency's senior leaders and managers use a participatory leadership style whenever practical and lead by example.

1.1.a-d The agency's senior leaders and managers all participate in the agency's strategic planning process, which is outlined in Category 2. The Strategic Plan is designed to provide guidance to the staff and establish priorities for the agency. The agency's short and long-term direction is stated in the vision (Figure 1.1a). Its performance expectations are outlined in the goals (Figure 1.1b). Standards of ethical behavior and the organizational culture are reflected in the core values (Figure 1.1c, pages 11). The organizational structure (Section II, Figure 1, page 7) and culture are designed to promote open communications and reward both individual and group initiative. The agency's leaders believe all of these are key to promoting employee development, empowerment and innovation.

Vision	
The South Carolina State Accident Fund will be a recognized leader in the field of workers' compensation insurance and the insurer of choice for governmental entities.	

Figure 1.1a

Goals	
1.	Conduct a review of the organizational structure.
2.	Continue to review programs to enhance internal and external quality control and Professional Development.
3.	Develop a program for the promotion of accountability, responsibility and professionalism.
4.	Annually review the quality of service and cost effectiveness of vendor programs and contract services. Investigate an agent program.
5.	Enhance business relations and public communications.
6.	Maintain greater than 95% positive response rate on the annual policyholder survey.
7.	Be a leader in South Carolina WC rule and regulation compliance.

8. The annual administration cost ratio will not exceed the industry average. (for the last five years.
9. Review and enhance IT Resources.
10. The State Accident Fund will provide workers' compensation insurance coverage for at least 50% of eligible governmental entities.
11. Investigate optimal structure for agency.
12. The Fund's financial records will reflect a cumulative net gain in assets over the period from Fiscal Year 2010 to Fiscal Year 2015.
13. The State Accident Fund will rank no higher than 5th in our annual rate comparison.
14. Develop a plan for the incorporation of the Uninsured Employers Fund into the Agency operations.

Figure 1.1b

Agency Core Values
Competency
Continuous Improvement
Customer Satisfaction
Employee Development
Health and Safety
Honesty / Integrity / Professionalism
Individual and Agency Accountability
Teamwork

Figure 1.1c

This information is communicated to the staff through a variety of means. All members of the staff attend a briefing on the Strategic Plan. The Director also reinforces these key issues at the monthly staff meetings. Deployment is evaluated through interviews and the annual employee survey.

During management retreats and planning sessions, each senior leader participates in brainstorming sessions focused on efforts that will improve the efficiency and accountability of the agency. Each objective formulated at these sessions is assigned to a member of the management team, and timelines for implementation are established. Progress is reported at weekly management meetings.

1.2 Senior leaders use customers' expectations as a basis for evaluating agency performance. They publicly acknowledge employees who receive favorable comments from customers and remain actively involved in all aspects of customer relations. They personally conduct telephonic follow-ups and in-person visits with policyholders who submit comments on the

annual customer survey. Customer service and customer satisfaction are addressed in both the agency's goals (Figure 1.1b, page 10-11) and values (Figure 1.1c, page 11).

1.3 The agency's senior leaders maintain fiscal, legal, and regulatory accountability by remaining involved in the day-to-day operations of the agency. In addition to the annual audit, senior leaders periodically review reports and interview staff members to determine the ethical health of the organization. The agency's mission, vision, and goals are centered on having a positive impact on the public. The State Accident Fund strives to maintain competitive rates while meeting policyholders' expectations of efficiency and cost effectiveness. The annual policyholder survey gauges our success in achieving these goals.

1.4 The key measures senior leaders regularly review are shown below in Figure 1.4. These key performance measures are directly related to the organization's vision and goals.

Goals	Key Performance Measures (Frequency)
The State Accident Fund will provide workers' compensation insurance coverage for at least 50% of eligible governmental entities.	<ul style="list-style-type: none"> Track number of available accounts and report on percentage covered. (Quarterly)
Maintain greater than 95% positive response rate on the annual policyholder survey.	<ul style="list-style-type: none"> Percentage of positive responses and average score on the annual customer survey. (Annually) Interviews and customer comments. (As Needed) Process cycle times. (Weekly)
The Fund's financial records will reflect a cumulative net gain in assets over the period from Fiscal Year 2010 to Fiscal Year 2015.	<ul style="list-style-type: none"> Actuarial Review. (Annually) Independent Financial Audit. (Annually)
Be a leader in South Carolina WC rule and regulation compliance.	<ul style="list-style-type: none"> Track number and amounts of fines. (Weekly)
The annual administration cost ratio will not exceed the industry average.	<ul style="list-style-type: none"> Administrative cost ratio. (Quarterly)

Figure 1.4

1.5 The agency's senior leaders believe feedback is an essential component in creating an environment in which continuous improvement and open communications are a way of life. They compare organizational performance with either industry standards or historical data to determine progress relative to the agency's goals. They also use interviews and comments submitted by the staff on the annual Employee Satisfaction Survey to evaluate leadership effectiveness in the organization. All of this information is communicated to the staff through the distribution of minutes from team meetings, the agency's Strategic Plan, the distribution and posting of weekly performance indicators, training, and monthly staff meetings. When a discrepancy is noted, the management team conducts an analysis to determine root causes. Based on the data collected, the management team develops and implements an appropriate intervention.

1.6 The agency gathers information from a variety of sources to determine customer, stakeholder, and public concerns. Leaders review pending legislation, news reports, and industry data to determine areas of emphasis. This information is always used when evaluating proposed changes.

1.7 Senior leaders strongly support education and participation in professional development programs. Each employee's yearly evaluation includes a Professional Development Plan for the next year.

1.8 Senior leaders review monthly statistics and identify performance issues at the weekly management meeting. Supervisors discuss relevant issues with staff.

1.9 Senior leaders attend American Association of State Compensation Insurance Funds (AASCIF) and other Educational Seminars to remain current on issues influencing the industry. Senior leaders participate in the strategic planning process and are responsible for developing and implementing the objectives. Senior leaders assist in the development of the annual training plan to ensure training sessions are conducted to meet agency needs.

1.10 Outstanding employee performance is recognized by senior management at monthly General Staff meetings. Educational or professional accomplishments are also recognized. Through a point system, performance indicators are reviewed and Business and Support Teams of the Quarter are selected and recognized. An employee of the year is selected annually and is recognized during Employee Appreciation Day activities.

1.11 The agency supports the community through participation in the annual United Way Campaign, the Community Health Charities, sponsoring blood drives, and its recycling program.

The agency has also chartered and maintained a team of volunteers called the Sunshine Committee. This group of volunteers assists employees in need.

As a special project during the period, the employees of the fund collected food for Harvest Hope. Collection drives were made in association with Employee Appreciation Week and throughout the year.

Employee involvement in the community is encouraged but not mandated. The agency allows employees to actively promote, advertise, and collect donations during work hours for several different charitable organizations. Listed below are organizations and programs supported by members of the State Accident Fund.

- | | |
|---|--|
| ◆ Various civic clubs and groups | ◆ Schools and school activities |
| ◆ Lymphoma & Leukemia Society | ◆ Toys for Tots |
| ◆ Palmetto Health Children's Hospital & Women's Cancer Center | ◆ Breast Cancer Walk |
| ◆ Pro Bono Legal Work | ◆ Meals on Wheels |
| ◆ Recycling | ◆ Save Our Community Organization (Lower Richland) |
| ◆ Sistercare | ◆ Columbia Soccer Club |
| ◆ Church | ◆ Contributions to Vietnam Vets |

- ◆ Contributions to Children's Hospital
- ◆ Harvest Hope Food Bank
- ◆ Boys and Girls Club of the Midlands
- ◆ Oliver Gospel Mission
- ◆ MS Walk
- ◆ Optimist Club
- ◆ Lunch Buddy program

- ◆ American Cancer Society
- ◆ God's Helping Hand
- ◆ Pelion Athletic Program
- ◆ Contributions to Good Will
- ◆ Boy Scouts
- ◆ Girl Scouts

Category 2 - Strategic Planning

2.1 The State Accident Fund uses the four-step strategic planning model shown in Figure 2.1a. It is a two (2) year planning cycle. The process consists of Data Collection and Analysis, Self Assessment, Planning, and Deployment and Implementation.

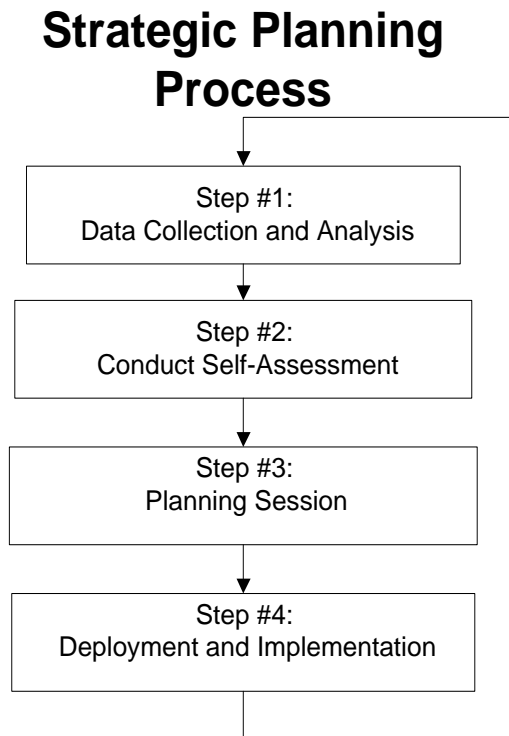


Figure 2.1a

The cycle normally begins with the preparation of the Annual Accountability Report. The data gathered for the report is used as a basis for the agency's self-assessment. The executive team, unit managers, and key staff members are included in the strategic planning group.

The data used in the strategic planning process comes from a variety of sources.

- Key measures that are tracked throughout the year.
- Customer interviews and surveys.
- Employee Satisfaction Surveys.
- NCCI Publications.
- Department of Insurance.
- Independent auditor report.
- Independent actuarial review.

Figure 2.1b, shows how the data is directly related to one or more of the 14 goals stated in the Strategic Plan.

Goals	Data	Areas Addressed
<ul style="list-style-type: none"> • Maintain greater than 95% positive response rate on the annual policyholder survey. • Enhance business relations and public communications. • Be a leader in South Carolina Workers' Compensation rule and regulation compliance. • Continue to review programs to enhance internal and external quality control and professional development. • Develop a program for the promotion of accountability, responsibility and 	<ul style="list-style-type: none"> • Customer Interviews and Surveys • Industry Publications and Studies • Number and Amount of Fines • Bills Paid in 30 days or less • Second Injury Fund Recovery information • Average Claim Costs • Employee Satisfaction Survey • Turn Over Rate 	<ul style="list-style-type: none"> • Customer needs and expectations • Human resources capabilities and needs

<p>professionalism.</p> <ul style="list-style-type: none"> • By January 1, 2016, the Fund's financial records will reflect a cumulative net gain in assets over the period from FY 10 to FY 15. • The annual administrative cost ratio will not exceed the industry average. (for last 5 years) • By January 1, 2014, the State Accident Fund will provide workers' compensation insurance coverage for at least 50% of eligible governmental entities. • The State Accident Fund will rank no higher than 5th in our annual rate comparison. • The Fund will continue to demonstrate good corporate citizenship. • Annually review the quality of service and cost effectiveness of vendor programs and contract services. Investigate an agent program. • By November 15th 2011, conduct a review of the organizational structure. • By June 1, 2013, investigate optimal structure for agency. • Review and Enhance IT resources. 	<ul style="list-style-type: none"> • Annual Actuarial Report • Annual Audit Report • Administrative cost ratio • Rate comparison • Bills Paid in 30 days or less • Average time to make a Compensability Decision • Average Claim Costs • Customer Surveys • Second Injury Fund Recovery information 	<ul style="list-style-type: none"> • Financial, societal and other risks • Operational capabilities and needs • Suppliers / Contractors / partner capability and needs
<ul style="list-style-type: none"> • By January 30, 2013, develop a plan for the incorporation of the Uninsured Employers Fund into the Agency operations. 		<ul style="list-style-type: none"> • Steering Committee • Investigate the implications for the budget and budget process. • Investigate the IT services required. • Plan for the HR impact. • Investigate the need for space.

Figure 2.1b

During the planning session the planning group reviews and updates the agency's mission, vision, values, and goals. Using the strengths and weaknesses identified during the self-assessment, the planning group reviews and establishes objectives to support the goals. The evolution of technology and changing human resource needs are evaluated to insure resources are allocated as needed. The identified opportunities and barriers are considered. Each objective describes specific tasks to be accomplished and the measures used to determine progress. Objectives are assigned to members of the planning group with deadlines for completion.

The output of this step is the Strategic Plan. It contains the mission, vision, values, self-assessment, goals, objectives (short and long-term), and a timeline for implementation.

The agency has developed a Business Continuity Plan to insure operations during emergencies. This plan is updated on a regular basis.

2.2 The agency's Key Strategic Goals/Objectives are also shown in the Strategic Planning Chart, Figure 2.2.

Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 10-11 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
1. Workers' Compensation Insurance	Maintain greater than 95% positive response rate on the annual policyholder survey.	Annual Customer Survey	Section III, Figures 7.1a, page 31; 7.1b, 7.1c, page 32; and, 7.1d, page 33.
1. Workers' Compensation Insurance	Be a leader in South Carolina workers' compensation rule and regulation compliance.	Measure the Number and Amount of Fines	Section III, Figures 7.5b, and 7.5c, page 48
1. Workers' Compensation Insurance	By January 1, 2016, the Fund's financial records will reflect a cumulative net gain in assets over the period from FY 10 to FY 15.	Conduct Audit and Actuarial Review	Section III, Figures 7.2f, 7.2g, page 39; 7.2h, page 40; 7.3a, page 40; 7.3b, page 41; 7.3e, page 42; and 7.3f, page 43
1. Workers' Compensation Insurance	By January 1, 2014, the State Accident Fund will provide workers' compensation insurance coverage for at least 50% of eligible governmental entities.	Identify and report possible voluntary accounts and number and percentage carried.	Section III, Figure 7.1g, page 35

1. Workers' Compensation Insurance	The State Accident Fund will rank no higher than 5th in our annual rate comparison.	Annual review of the rates for the 10 largest carriers in the state.	Section III, Figures 7.2b and 7.2c, page 37
1. Workers' Compensation Insurance	<ul style="list-style-type: none"> Continue to review programs to enhance internal and external quality control and professional development. 	Employee satisfaction survey. Average training hours.	Section III, Figures 7.4a, & 7.4b, page 44; 7.4c, page 45

Figure 2.2

(*Note: Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.)

2.3 Refer to Figure 2.2 for a list of key action plans and initiatives.

2.4 Once the Strategic Plan has been prepared, it is posted on the agency's electronic bulletin board and the entire staff is briefed on its contents. The agency uses the annual Employee Satisfaction Survey to measure the staff's level of awareness and understanding of the plan. During the reporting period, 96 percent of the survey participants stated they were aware of the plan and 84 percent stated they were familiar with the agency's plans for the future. Over 75 percent stated they were either clear or very clear on their roles in achieving the agency's goals.

Implementation of the plan is multifaceted. The individuals assigned as advocates for the objectives during the planning phase develop and submit their action plans for approval. The management team is responsible for allocating resources and reviewing progress. Once the action plans are approved, raters update EPMS documents, as needed, to reflect new priorities and measures.

The planning group develops a detailed timeline based on the action plans. The group meets to report progress and update the plan. Progress is reported to the staff at the General Staff meetings.

2.5 The agency's Strategic Plan objectives address the key strategic challenges by focusing efforts on maintaining the most cost effective service. To benchmark our efforts, the agency compares Administrative Cost Ratio and average Claims and Indemnity Costs to the industry average. The agency's costs are consistently better than the state average (Section III, Figures 7.2f, 7.2g, page 39; 7.2h, page 40). The Director makes opening and maintaining routes of communication with Legislators and key government officials a priority.

2.6 In preparation for the Strategic Planning cycle, key managers evaluate the appropriateness of the agency planning process. The process itself is critiqued during the ongoing implementation process and modifications are made for future cycles.

2.7 The agency's Strategic Plan is not made available to the general public. It is a working document that is constantly being updated.

Category 3- Customer Focus

3.1 The agency's key customers and stakeholders are identified through a review of the legislation that created the agency, the state's workers' compensation law, and the current status of the workers' compensation market in South Carolina.

The agency uses a variety of sources to determine each customer's key requirements. The agency reviews and analyzes requirements identified or implied in pending legislation, Workers' Compensation Commission Regulations, Supreme Court decisions, insurance industry data, studies conducted by the American Association of State Compensation Insurance Funds, and customer surveys.

Types of Policyholders

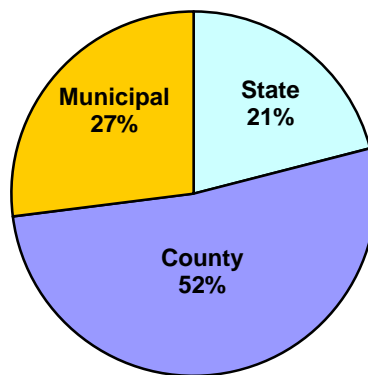


Figure 3.1

Figure 3.1 shows the types of entities that are insured by the State Accident Fund. Approximately 79% of the agency's policyholders are county and municipal government entities. Included in this group are a variety of municipal and county government organizations, special purpose districts, other local government organizations, and over 40 volunteer fire departments and 30 volunteer rescue squads throughout the state. These customers are free to shop the market for workers' compensation insurance. Their participation is strictly voluntary. Approximately 471 of these accounts chose to purchase their workers' compensation coverage from the State Accident Fund rather than a private sector insurance company.

The other 21% of the policyholders are state agencies, which are required to purchase their insurance from the State Accident Fund. This group is even more diverse. It ranges from large multiple-location facilities to accounts that consist of a small number of employees.

3.2 The agency constantly explores new sources of data and means of data collection. Our website provides users with an e-mail link to the agency. The agency's senior leaders interact with legislative staffers and the Governor's Office to provide needed information and to determine any specific requirements and/or concerns. Key personnel review industry data, attend professional conferences and participate in industry specific training to learn about market

trends. The agency continuously updates its data collection processes to measure the impact of changes on the delivery processes and suppliers.

3.3 The State Accident Fund uses discussions with elected officials, interviews with members of the Workers' Compensation Commission, brainstorming sessions conducted in conjunction with our training programs, articles and surveys in our newsletter, and the annual survey to gather information on customer satisfaction and expectations. The annual customer survey, because of its ability to reach large numbers of customers simultaneously, has been the agency's primary source of data. The survey has been conducted annually for the last 18 years. The agency has used this information to make several changes and has implemented customers' recommendations whenever possible.

Information gathered from customers is shared with the entire staff. Survey results and comments are posted on the electronic bulletin board and discussed at the staff meetings. All of this information is also incorporated into the Strategic Planning Process outlined in Category 2.

3.4 The agency has basically three measures of customer/stakeholder satisfaction. The first is the annual customer survey (Section III, Figure 7.1a, page 31). The second measure is account activity (Section III, Figures 7.1c, page 32; and 7.1d, page 33). The third area is customer loyalty (Section III, Figures 7.1e and 7.1f, page 34).

3.5 The agency has a simple strategy to build positive relationships with customers and stakeholders. As shown in Section III, Figure 7.1b, page 32, the agency continues to rank high in customer service and communications. The agency feels that open and honest communication is the only way to build trust. The agency provides elected officials and staffers with timely information. It also publishes and distributes a newsletter for policyholders. The newsletter, SAFE-mail, is sent electronically. The claims staff remains in constant contact with policyholders and injured workers during the course of their claims. Policyholders that express concern or dissatisfaction are contacted by phone and/or in person. In addition, responsible managers provide contractors and partners with feedback on their performance.

Category 4 – Measurement, Analysis, and Knowledge Management

4.1 The agency's performance measurement system is constantly evolving and improving. It is part of the agency's Strategic Plan and measures the agency's progress toward its goals. Some key measures are:

- ◆ Performance measures identified in the Strategic Plan – linked to agency mission
- ◆ Customer requirements
- ◆ Other stakeholder requirements
- ◆ Compliance with applicable laws and regulations
- ◆ Problems or deviations from norm or expected norm
- ◆ Efficiency of agency operations
- ◆ Cost containment
- ◆ Proper staffing

4.2 Each delivery process and each support process has its own set of measures. These measures are used to determine process efficiency and effectiveness. These measures are:

Delivery Process Tracking - Claims Management Process, Premium Determination and Collection Process, and Safety and Loss Consultation Process:

- ◆ Medical bills paid in 30 days
- ◆ Compensability decisions made in 14 days or less
- ◆ Second Injury Fund (SIF) vs. assessment ratio
- ◆ Average days to close a claim
- ◆ Claims data reports
- ◆ Incidence rates - injuries per 100 employees (under development)
- ◆ Incidence rates - lost time injuries per 100 employees (under development)
- ◆ Monitor EMOD for fluctuation
- ◆ Number of safety audits conducted
- ◆ Safety training records
- ◆ Percentage of premium estimates completed within 30 days
- ◆ Percentage of policy audits completed within 180 days
- ◆ Percentage of premiums paid within 30, 60, and 90 days

Agency Effectiveness:

- ◆ Customer Satisfaction Survey
- ◆ Employee Satisfaction Survey
- ◆ Employee turnover rate
- ◆ Financial reports
- ◆ Customer concerns database
- ◆ Actuarial review
- ◆ External audit exceptions

- ◆ Retention rate for voluntary accounts
- ◆ Percentage of claims carried forward
- ◆ Administrative cost ratio
- ◆ Number of fines paid
- ◆ Cost vs. revenue

Support Process Tracking - Management Information Systems, Mail Processing Support, Litigation, and External Communications:

- ◆ Bills paid
- ◆ Mail scanned and indexed
- ◆ MIS Help Desk statistics
- ◆ Legal hearings statistics
- ◆ Legal appeals statistics
- ◆ Litigated files statistics
- ◆ Business results
- ◆ Number of current policies
- ◆ Number of cancelled policies
- ◆ Claims opened
- ◆ Number of currently open claims
- ◆ Potential duplicate bills identified & tracked

4.3 The agency's key measures include

- ◆ Medical bills paid in 30 days
- ◆ Compensability decisions made in 14 days or less
- ◆ SIF recovery vs. assessment ratio
- ◆ Average days to close a claim

4.4 The determination as to the type of comparative data is based on customer expectations, the desired outcome, and the availability of data. When comparing costs, measures are normally compared to results from the private sector. If an industry standard is not available, past performance is used to determine improvement.

- ◆ NCCI data is used for comparison of claim handling efficiency
- ◆ American Consumer Satisfaction Index is used for comparison of customer satisfaction
- ◆ Comparisons to largest private carriers in the state for rates
- ◆ Insurance industry standards and standard financial practices for financial management
- ◆ Comparisons to past performance and to agency goals

4.5 The agency has taken several precautions to ensure the integrity and reliability of data. Data collection procedures have been standardized. The data has been defined and the collection processes have been documented. When automated reports are developed to collect data, they

are checked against manual counts to ensure accuracy. If samples are used, such as in comparison of rates or in surveys, the population is defined to insure consistency.

- ◆ Process audits – monitoring and auditing of claim data
- ◆ Process teams – weekly meetings to identify problems and discuss solutions
- ◆ Process error logs for mail scanning, indexing, bill payments, and financial audits
- ◆ Review of system error logs (CMS, PHS, VI, Lawson, and AIX)
- ◆ Comparison of manual data to system data – redundancy
- ◆ Manual mail counts are compared to system counts for mail indexed
- ◆ Medical bills paid
- ◆ Regular daily and weekly backups of critical systems (CMS, PHS, VI)
- ◆ Systematic upgrades of software and hardware for mission critical and other systems
- ◆ Manual tracking of form 50's (Request for Hearing)

4.6 The Strategic Planning Process begins with a self assessment. Performance measures are used to identify strengths and opportunities for improvement. The Strategic Planning team regularly reports on the status of assignments. This progress is reviewed during monthly staff meetings.

The agency management team regularly reviews the indicator results and process performance. Outstanding issues are discussed at the agency's management planning sessions.

4.7 To insure the ability to maintain efficient operations, the agency has developed plans to maintain organizational and employee knowledge. Work processes are documented. Annually, employees nearing retirement are identified and work processes unique to those employees determined. The documentation for these unique processes is reviewed to insure continuity of workflow. Best practices are identified through team meetings and coworker interactions. Work process documentation includes:

- Employee manual
- Adjuster manual
- Adjuster training
- Developing position notebooks
- MIS documentation ("How Do I" directory)

Category 5 – Workforce Focus

5.1 The State Accident Fund's interlocking team structure reinforces the agency's core values and places maximum emphasis on customer service. Each of the business teams is responsible for providing workers' compensation services to a specific group of customers. The agency's team based structure promotes collaboration, initiative, empowerment, teamwork, innovation and flexibility. All members of the team are bound together by a common goal. Teams are empowered to make decisions and are held accountable for their customers' satisfaction.

5.2 The agency's structure encourages communications, knowledge transfer, and the sharing of information on all levels. In addition to regular team meetings, team members interact on a regular basis. They consult on problems and develop strategies for handling difficult cases. Each employee also participates in training activities and meetings with other members of their functional group. This multi-level approach to communications speeds the flow of information across organizational boundaries.

5.3 The agency has a written policy on posting, interviewing, and hiring. Supervisors and team leaders determine the required knowledge, skills, and abilities needed for each position. This information is captured in the position description and is used by the Human Resources Department to post vacancies. Recruitment methods vary depending on the position. The process used to fill an attorney position is different than the one used to fill an administrative specialist position. The agency has adopted a two-tier approach. Vacancies in pay band five (5) and below are normally filled using a two-step process. It consists of a team screening interview and a final interview. The hiring decision is made by the Agency Director. The Director conducts interviews and, with input from other employees, makes hiring decisions for all vacancies in pay band six (6) and above.

5.4 The agency uses industry standards as a basis for determining workforce capacity and capability. These measures are adjusted to compensate for deviations or changes in the work processes. Example: The number of lost time claims managed effectively by an adjuster increases when medical management for those claims is performed by a third party. Another example is the level of medical knowledge and training needed by an adjuster would be greater for an adjuster who medically manages his or her own claims as opposed to one who uses a medical management firm.

5.5 The agency's Employee Performance Management System (EPMS) is designed to support agency goals and objectives. The agency uses a standardized set of performance characteristics for all evaluations. These characteristics reflect and support the agency's core values. The agency incorporates claim audit results into the process when evaluating claim personnel. This approach directly supports the agency's goal to "Lead the state in Workers' Compensation Commission regulation compliance."

The agency believes EPMS documents must be completed in a timely manner to be effective. Based on this belief, the agency measures the percentage of evaluations completed on time. This is determined by subtracting the number of employees who receive "success by default" from the

number of completed evaluations. This number is then divided by the total evaluations for the year and the answer is converted to a percentage (Section III, Figure 7.4e, page 46).

5.6 The agency professional development program for leaders is based on individual and group needs identified during the EPMS process or derived directly from the agency's action plans. Developmental objectives are included in each leader's EPMS planning stage. Opportunities for employee development are presented through attendance at external training sessions and seminars, self-study programs, and internal training opportunities provided by the agency's training department.

5.7 The Training Department is responsible for the training needs assessment process shown in Figure 5.7. The output of this ongoing process is a formal training needs assessment and an annual training plan.

Developmental and training needs can be addressed using one of four approaches. The first approach is self-study. The agency encourages staff members to enroll in degree-granting courses at the Insurance Institute of America and Chartered Property Underwriter Professional Society. The second is web based training modules such

as those developed for the South Carolina Enterprise Information System implementation. The third approach is formal classroom instruction provided by agency staff or guest instructors. The fourth approach includes training classes and seminars provided by outside resources. The agency tracks participation and the amount of training successfully completed each year. (Section III, Figures 7.4d, page 45).

5.8 The agency uses a targeted approach to training. Training objectives and case studies used in training relate directly to the work the employee performs. This encourages employees to apply new skills and knowledge on the job.

5.9 Because employee training is need based, it is linked directly to the agency's goals. This approach has several advantages. It allows the agency to prioritize its training expenditures, it allows employees to immediately apply what they learn, and it allows the agency to immediately evaluate training effectiveness.

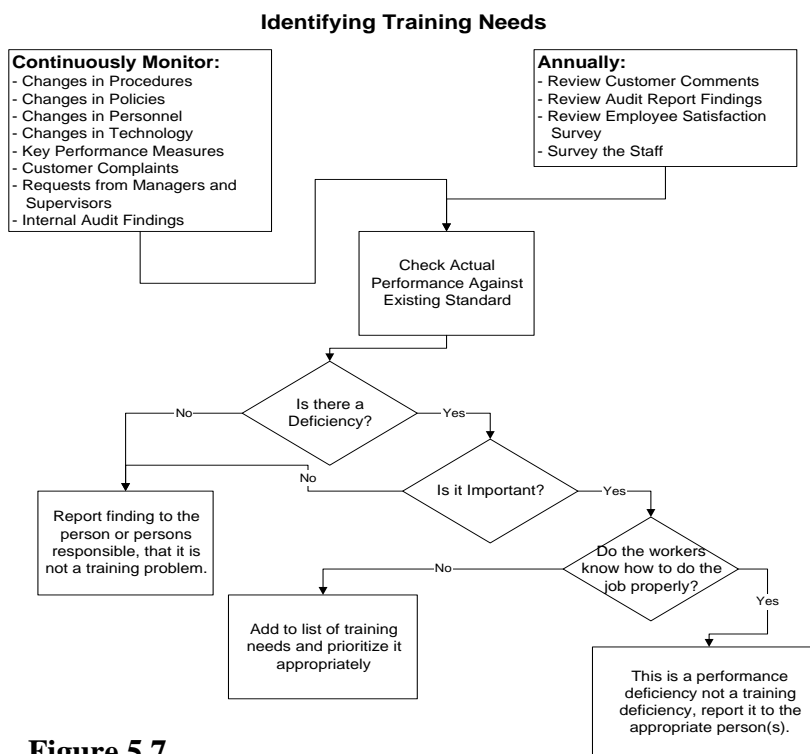


Figure 5.7

5.10 Measuring effectiveness of need based training is relatively simple. Effectiveness is determined by measuring positive changes in performance. Performance characteristics are measured on a regular basis and reviewed by the management team on a weekly basis.

5.11 The agency strives to maintain an environment that promotes employee involvement and recognizes employee contributions. In a small flat agency, it is a challenge to find meaningful rewards for high performers. The agency has developed and implemented incentives to motivate employees to develop both personally and professionally. The agency uses the “Team of the Quarter” and “Employee of the Year” programs to recognize outstanding contributions by both individuals and teams. In addition to Legislative merit pay increases, when funds are available the agency has used in-band salary increases for additional job skills and responsibilities. Staff members, who make contributions beyond the scope of their normal jobs, are recognized through certificates, letters, and announcements at staff meetings

5.12 The agency monitors employee well being and satisfaction through a variety of measures. One of the primary measures of employee satisfaction is the annual Employee Satisfaction Survey. The survey instrument is designed to measure the staff’s level of satisfaction in several areas (Section III, Figures 7.4b, page 44; and 7.4c, page 45). The agency also monitors its turnover rate and compares it to the average for the industry (Section III, Figure 7.4a, page 44). In addition, the agency uses a suggestion box, monthly staff meetings, and exit interviews with departing employees to determine trends in employee satisfaction.

5.13 The agency addresses the issue of succession planning through a program called “The Knowledge Transfer Process”. This program is outlined in figure 5.13.

5.14 The agency promotes workplace health and safety through its Safety Committee. The Safety Committee is made up of agency staff and is coordinated by a member of the agency’s Safety and Loss Control unit. The team conducts safety audits, investigates accidents, sponsors National Safety Week, and updates the staff on safety related issues during the monthly staff meeting. The agency has also developed and tested a process for communicating essential information to agency personnel during non working hours in case of an emergency.

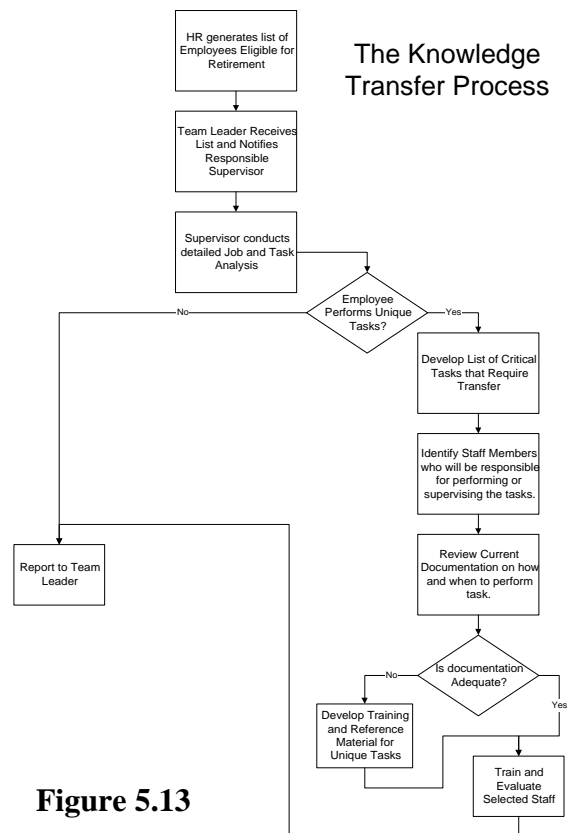


Figure 5.13

Category 6 - Process Management

6.1 The State Accident Fund was established by the State Legislature to coordinate workers' compensation insurance for state agencies and other government entities. While state agencies are required to purchase workers' compensation Insurance from the Fund, other government agencies may purchase coverage from other sources. The State Accident Fund must continuously compare its operations to other providers to maintain competitive rates and service.

6.2 The State Accident Fund's key processes are:

- Claims Management Process
- Premium Determination and Collection Process
- Safety and Loss Control Consultations Process

6.3 New technology incorporated into the agency consists almost exclusively of adding new software into existing networked Claims Management System (CMS) and Policyholder Services (PHS) computer software. A five step process is used.

- Identify need or opportunity,
- Set up test environment,
- Create test matrix,
- Test and troubleshoot,
- Implement change.

Changing customer requirements are received through individual contact, annual surveys, requests in the Fund's newsletter, and during policyholder seminars. Each customer comment is assigned to an individual employee, functional team or process team for investigation and, if indicated, integration.

Change in mission requirements and cost controls are dictated either by the Legislature or market forces. Senior leadership and representatives from the teams review the Agency's mission annually. Senior leadership meets weekly (Agency Quality Council) to discuss items like cost controls, efficiency and effectiveness factors, and implement changes as needed. In order to meet mission requirements, action items are assigned and, if necessary, recommendations are adopted by the agency's upper level management.

6.4 A number of methods are used to indicate key performance in day-to-day operations. They are:

- Claims Management Process - reports are reviewed on a regular basis to ensure that processes are within control limits. Processes out-of-limits or problems discovered through audit findings are analyzed by senior claims staff and necessary action taken.
 - Cycle time from receipt of a claim to the entry of an initial compensability decision.

- Cycle time from receipt of notice that the worker is eligible for benefits until the first indemnity payment is mailed.
 - Percentage of medical bills processed within 30 days from the date received.
 - Percentage of claims identified as Third Party and the percentage of lien recovered on Third Party claims.
 - A comparison of recoveries from the Second Injury Fund with our assessment.
 - Publish claim audit report findings.
- Premium Determination and Collection Process- Reports are reviewed regularly to ensure standards are being met. Due to travel, meetings are held on an as-needed basis. Communication between employees is conducted by e-mail and phone.
 - Quality Control - Maintain an error ratio of less than 3% and meet all other standards of quality.
 - Estimated Premium - The percentage of estimates completed/postmarked 30 days prior to renewal.
 - Audit Extension - The percentage of audits completed/postmarked within 120 days of premium audit extension.
 - Consultation - The percentage of policyholders contacted and provided with appropriate information, instruction and training.
 - Submit estimates to secure new policies which affects premium determination.
 - Safety and Loss Control Process- Reports are reviewed regularly to ensure standards are being met. Due to travel, meetings are held on an as-needed basis, and communication between employees is conducted by e-mail and phone.
 - Incidence Rate - Number of lost time injuries per 100 employees.
 - Safety Audits - Number of safety audits conducted in the workplaces and hazards documented.
 - Training - Records are maintained of all training sessions.

6.5 Process time indicators and support function indicators are measured and reported to the agency staff on a weekly basis. These performance indicators are reviewed at the weekly management team meetings. Opportunities for improvement are discussed at business and functional team meetings. Annually, all policyholder contacts are invited to participate in a survey to gauge customer satisfaction. All of these indicators are used for the self-assessment during the Strategic Planning Process.

6.6 Key support processes include MIS Support, Legal Support, Mail Processing, and Contract Services. Performance indicators have been identified for each function. Performance measures are reviewed by the management team at weekly meetings. The performance measures for each support function are shown in Figure 6.1, page 29-30.

6.7 The agency uses a zero-based budgeting process. During this process, the mission and customer expectations are reviewed and resources allocated to fulfill those needs.

Key Support Function Performance Measures

Support Function	Performance Measures and Methods
MIS Support	<ul style="list-style-type: none"> • Regular meeting of MIS staff to review/analyze “help-desk” requests, • Examination of statistical reports generated, • Maintain proficiency in soft/hardware through professional journals, websites and other methods, and • Maintenance log of system up/down time. • Help Desk statistics - monthly to include: <ul style="list-style-type: none"> ○ Daily average number of open Help Desk requests. ○ Monthly count of submitted Help Desk requests. ○ Monthly count of closed Help Desk requests. ○ Average number of days to close a Help Desk request. ○ Submitted and closed Help Desk request counts by system. ○ Submitted and closed Help Desk request counts by team. • Percentage of up-time during business hours (develop spreadsheet - breakdown measures by CMS/PHS, VI, e-mail, fax, internet and total failure). • Compliance with regular event schedules - monthly report noting any problems, discrepancies, etc. • Modifications, upgrades, special projects - progress reports - project planning and management tools.
Legal Support	<ul style="list-style-type: none"> • Regular review of contract attorney budget and performance; • Attendance at professional conferences and review of legal journals for workers’ compensation law related items; • Distribution to affected Agency personnel of changes in the law; • Weekly meetings of claims adjusters, claims supervisors and in-house attorneys for review of litigated cases; • Strict adherence to “open-door” policy for access to in-house attorneys and cross training on litigated case procedures; • Adjuster training by contract attorneys on workers' compensation law, Workers' Compensation Commission regulations and other legal issues; • Collection, analysis, and reporting data on: <ul style="list-style-type: none"> ○ Number of Form 50’s (claims in litigation) received. ○ Number of Form 21’s filed. ○ Number of hearings set and held. ○ Number of appeals filed by Fund. ○ Number of appeals filed by claimant. ○ Number of litigated files opened. ○ Number of litigated files closed.

Support Function	Performance Measures and Methods
Mail Processing Support	<ul style="list-style-type: none"> • Regular meetings to review processes and determine best fix for problems, weekly review of error rate report, and extensive cross-training of team members. <ul style="list-style-type: none"> ○ Error rate expressed as the percentage of errors per pieces of mail indexed. ○ Percentage of mail delivered the same day as received. ○ Number of bills processed each week. ○ Number of documents indexed each week. ○ Maintain an error log.
Contractor functions:	<ul style="list-style-type: none"> • Medical management of claims - provided by CompEndium, Healthworks, and Corvel. SAF liaison is the Director of Claims with the advice of AQC. A customer service log is maintained and quarterly meetings are held. • Prescription management of claims – provided by Corporate Pharmacy. SAF liaison is the Director of Claims. Monitored/reviewed by monthly reports. • Medical bill review – provided by Corvel. SAF liaisons are the Director of Claims and the Accounting Manager. Weekly/Monthly reports are submitted and continuous contact is maintained with the project manager. • Recovery of claims involving previous injuries from the Second Injury Fund - conducted by RCI of Chapin, South Carolina. SAF liaison is the Director of Claims and the Agency Director. RCI independently audits all SAF files for potential recovery and takes whatever action necessary, including legal action, to effect recovery. Monitored/reviewed by comparing assessment with actual recoveries. • Contract attorneys - represent SAF in regions of the state where use of staff attorneys is not economically feasible. SAF liaison is the Legal Department, however, the contract attorneys work directly with individual claims adjusters on the cases they are assigned. Win/loss ratios are maintained and trends/problems discussed with the attorneys involved. • Software support - provided by Stoneriver of Denver, Colorado. Continuous contact is maintained with project manager and other Stoneriver employees by e-mail and telephone. SAF staff has taken over most aspects of this support.

Figure 6.1

Category 7 – Results

7.1 The State Accident Fund has conducted a customer survey annually for the last 18 years to measure customer satisfaction. It is designed to perform two tasks simultaneously. First, open-ended questions are used to determine customer expectations and gather recommendations on improving current services. Then each customer evaluates the agency's performance using a four-point Likert Scale. Additional space is provided for written comments. This information is compiled, trends are noted, and both the raw data and the refined scores are distributed to the staff.

The agency uses the percentage of positive responses to determine trends. The results for the last 14 years are shown in Figure 7.1a.

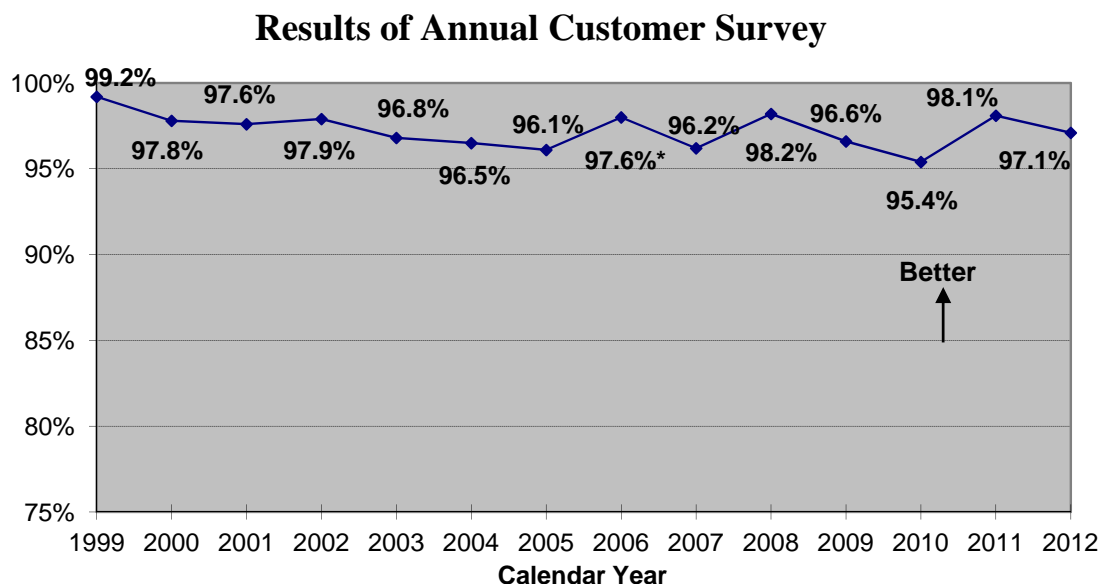


Figure 7.1a

(*Note: The survey was redesigned in 2001 and the number of scored questions was reduced from 36 to 10.)

The agency compares its customer satisfaction scores against the American Customer Satisfaction Index, produced by the American Society for Quality. The index is nationally recognized and provides industry specific measures of customer satisfaction. The results of the agency's customer survey are converted to a comparable scale of 0-100 and then measured against the industries' indexes. This allows the agency to determine trends in both the public sector, as well as the insurance industry. The results of this comparison are shown in Figure 7.1b.

Customer Satisfaction Compared to the American Consumer Satisfaction Index

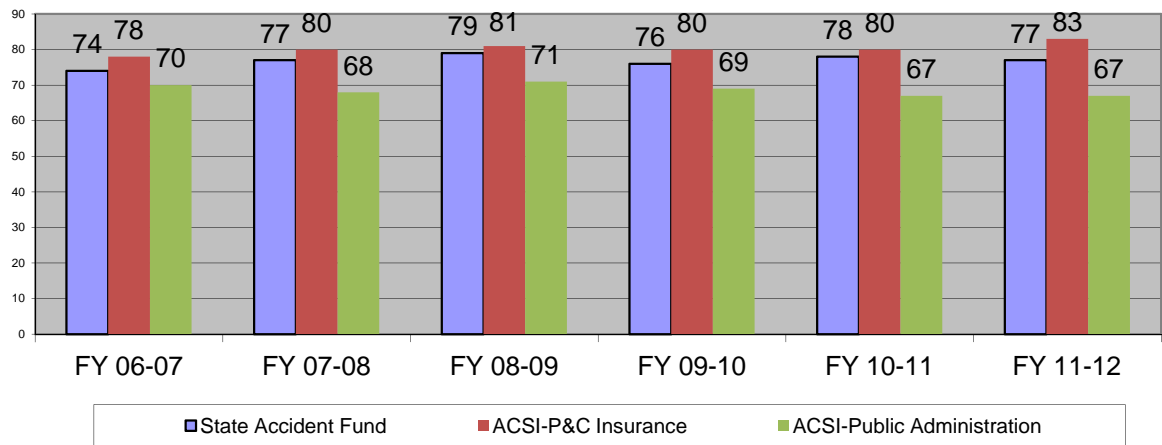


Figure 7.1b

The State Accident Fund also uses customer loyalty as a measure of customer satisfaction. During the reporting period the agency gained 9 new policyholder (Figure 7.1c). During the same period the agency lost 18 policyholders.

Account Activity

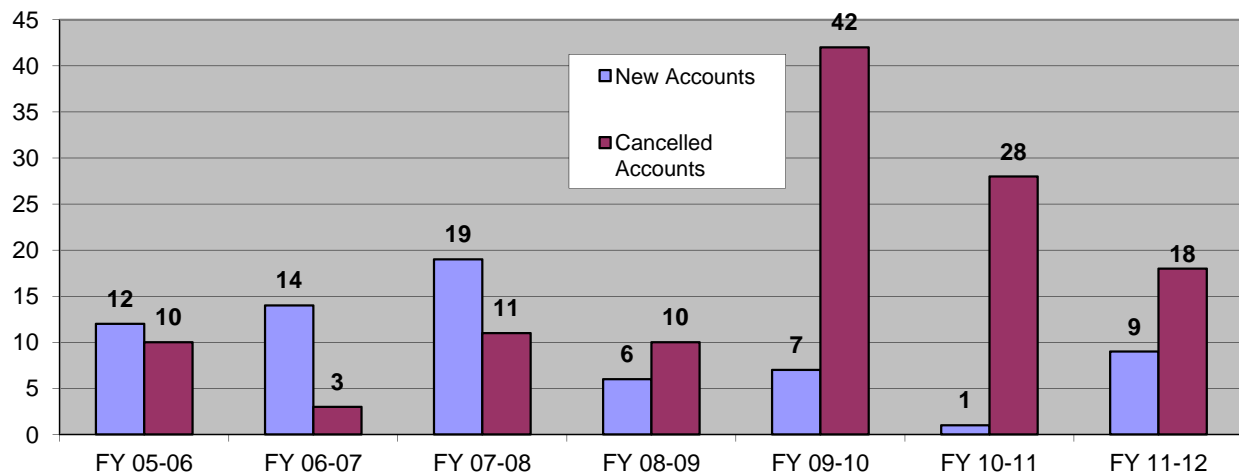


Figure 7.1c

Premium from New and Cancelled Accounts

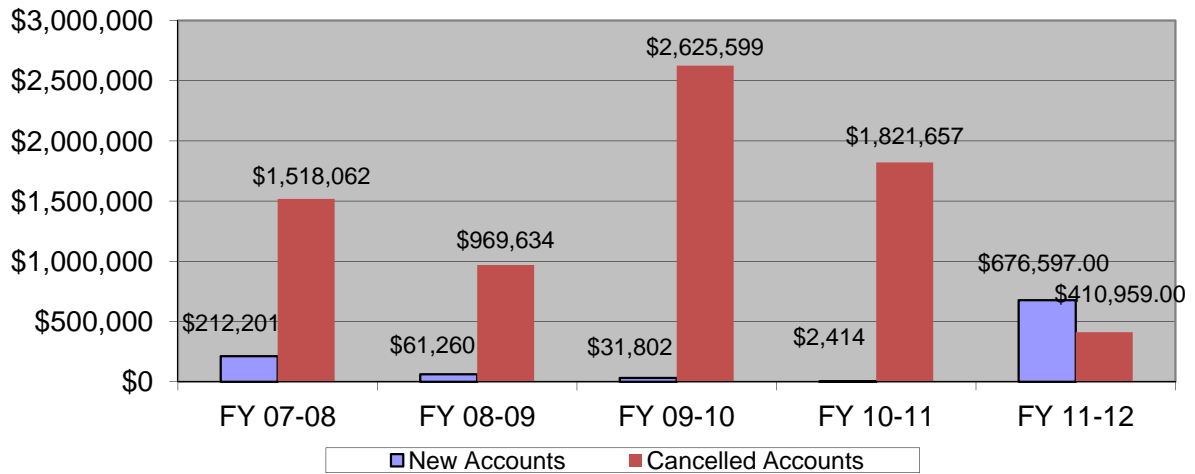


Figure 7.1d

The agency has implemented two measures of customer loyalty. The percentage of voluntary accounts that renew their coverage with the agency is the Retention Rate and it is shown in Figure 7.1e. The percentage of premiums from voluntary accounts that renew their policies is the Retention Ratio and is shown in Figure 7.1f.

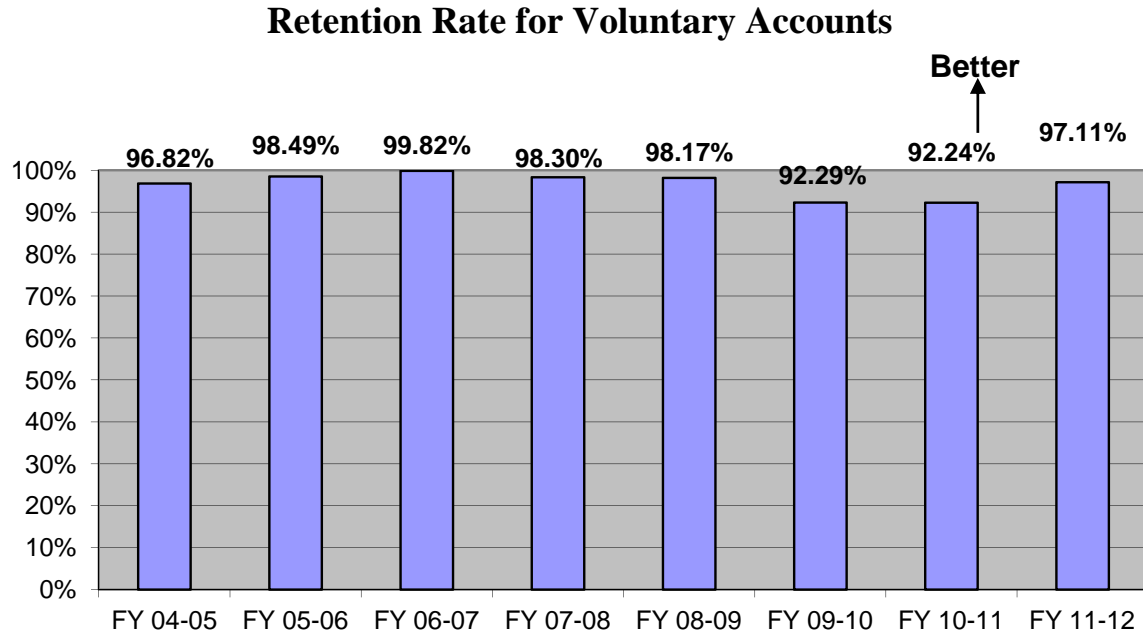


Figure 7.1e

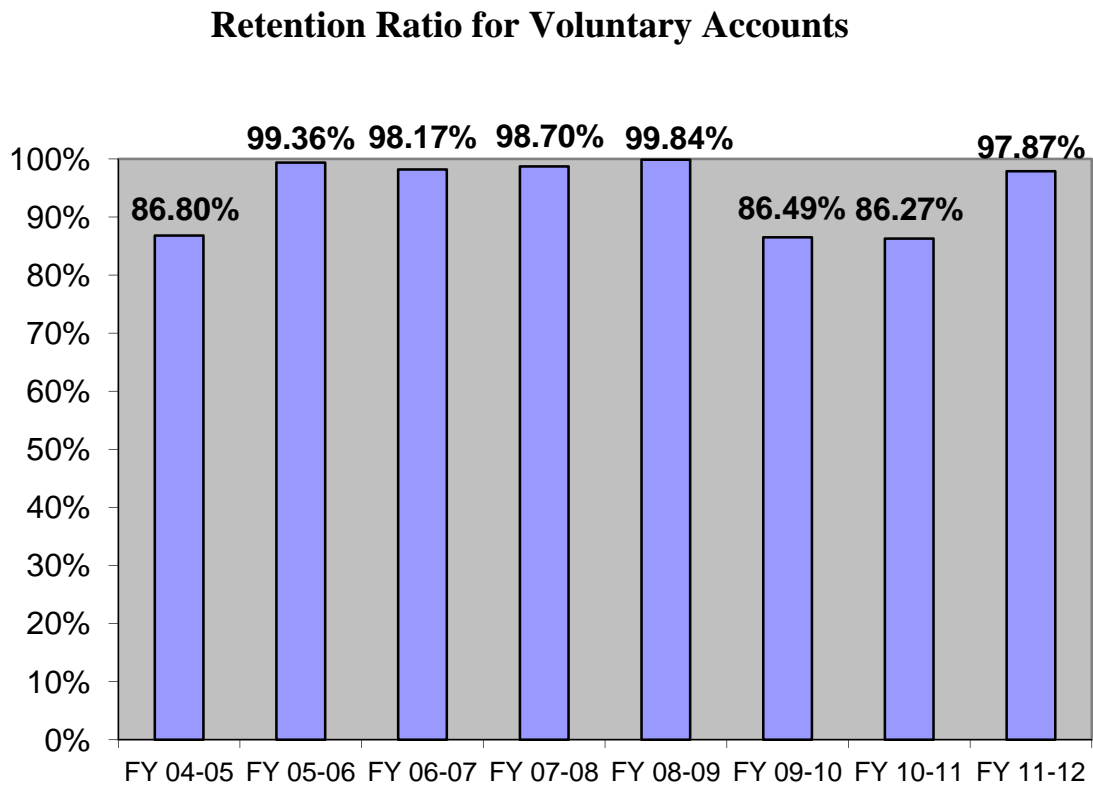


Figure 7.1f

The State Accident Fund determines market share of voluntary accounts. The number of available voluntary accounts is determined by calculating the number of county and municipal governments, special purpose districts, school districts, fire departments, hospitals, and centers of the Department of Disabilities & Special Needs and Department of Health & Human Services. This total number of voluntary accounts is compared to the number of these accounts currently insured by the State Accident Fund. Figure 7.1g shows the percentage of available voluntary accounts covered for the reporting period.

Percentage of Available Voluntary Accounts Carried

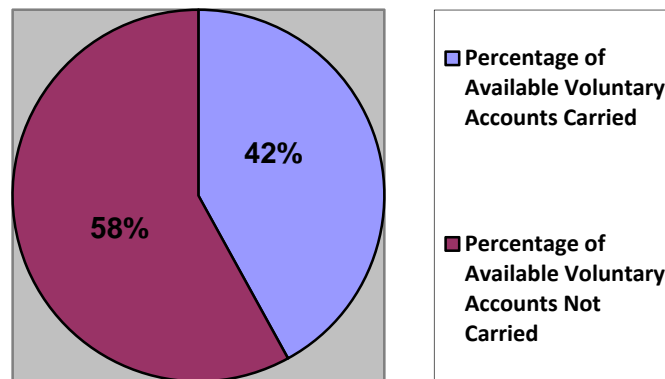


Figure 7.1g

The agency provides policyholders with loss prevention services to assist them in providing the safest work environment possible. These services help reduce the number of accidents and injuries and thus reduce the cost of coverage for the policyholder. During FY 11-12, the Loss Prevention Team provided the following services:

Loss Prevention & Safety Services	
Service	Number
• Inspections	88
• Training Classes Delivered	218
• Number of Employees Trained	2732
• Number of Agencies Provided Training	347

Figure 7.1h

7.2 Senior level management monitors several key measures to determine mission accomplishment and organizational health. Among these measures are system inputs and outputs.

<u>Inputs:</u>	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Claims Opened	6527	6240	6063	5712	5217	4662	4365
Open Claims Carried Forward							
Number of Accounts	656	667	675	671	636	609	599
<u>Outputs:</u>	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Claims Closed	7097	7386	7381	6956	6360	5732	5238

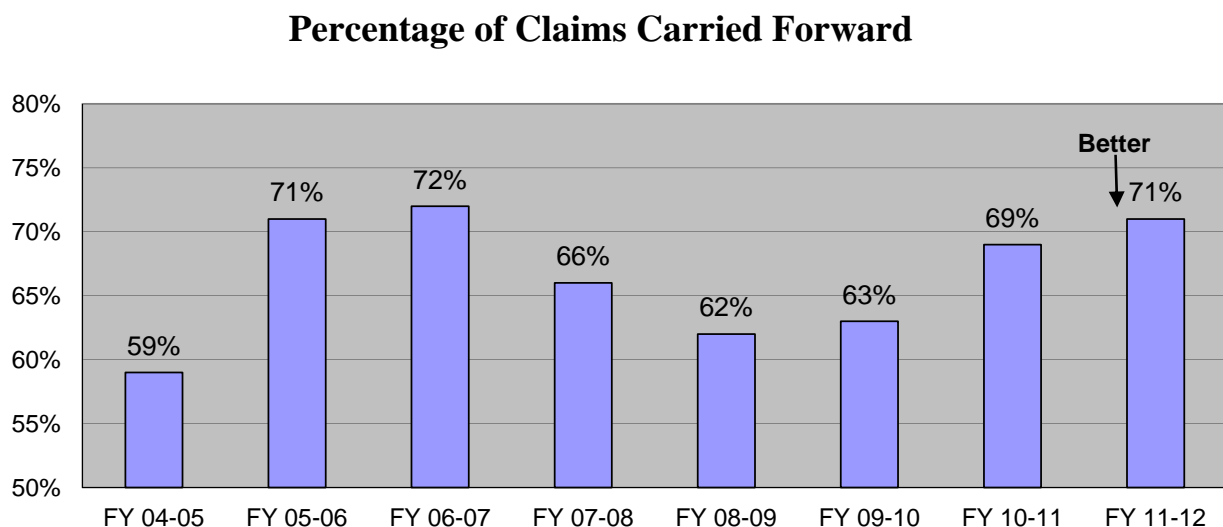


Figure 7.2a

The cost of services provided is of significant importance to not only our customers, but also our stakeholders. The agency performs a rate comparison annually as part of its self-evaluation. It compares the agency's rates for five common job classifications with the average rates for the largest private workers' compensation carriers in the state. The results of this comparison are shown in Figure 7.2b. The agency's ranking has varied from year to year as shown in Figure 7.2c. The comparison is limited to the top 10 carriers in the state. During the report period the agency had the fifth lowest rates of the companies compared. The data showed that even though the agency could not selectively underwrite its accounts in the same manner private carriers do, its rates remained competitive. Figure 7.2c shows the agency's ranking over the last 12 years.

Comparison of SAF Average Rates with Largest Private Carriers Average Rates

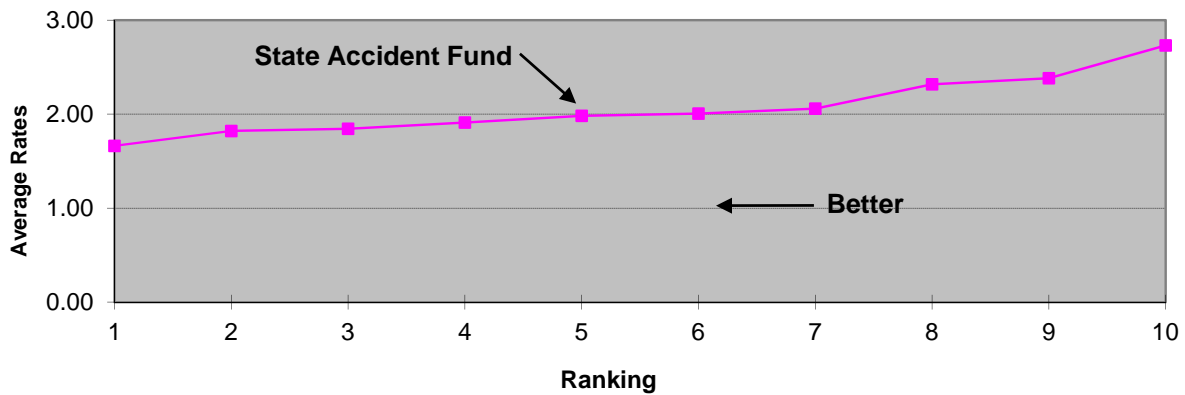
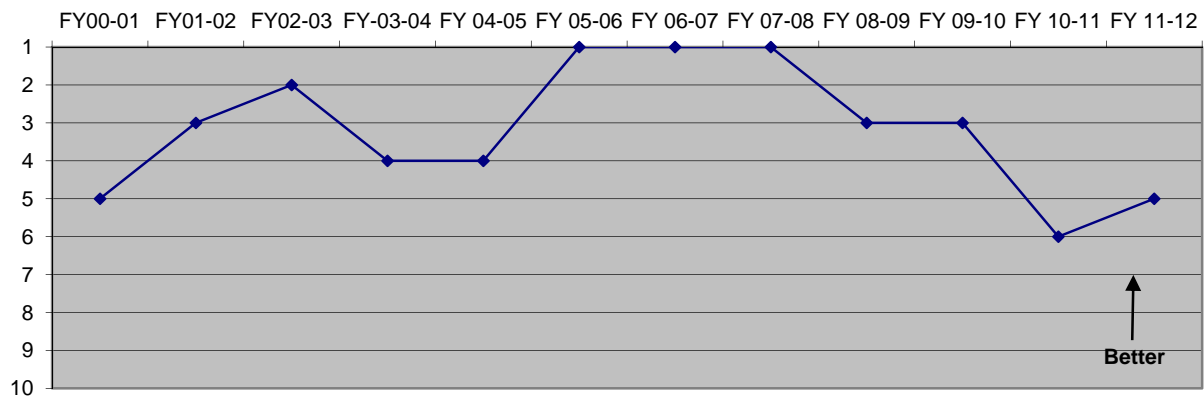


Figure 7.2b

State Accident Fund's Ranking



(Note: in FY 05-06, rate information was not available through the South Carolina Department of Insurance. Comparisons for FY 05-06 was based on Loss Cost Multipliers presented by the SC Worker's Compensation Commission to the Legislature in August 2006)

Figure 7.2c

Another key customer concern is the amount of time it takes to begin payment of benefits. The initial step in this process is the determination of compensability. Through weekly reports, the agency regularly monitors and reports on a weekly basis the average number of days to make an initial compensability decision. The data for the last nine years is displayed in Figure 7.2d.

Average Number of Days to Make Initial Compensability Decisions

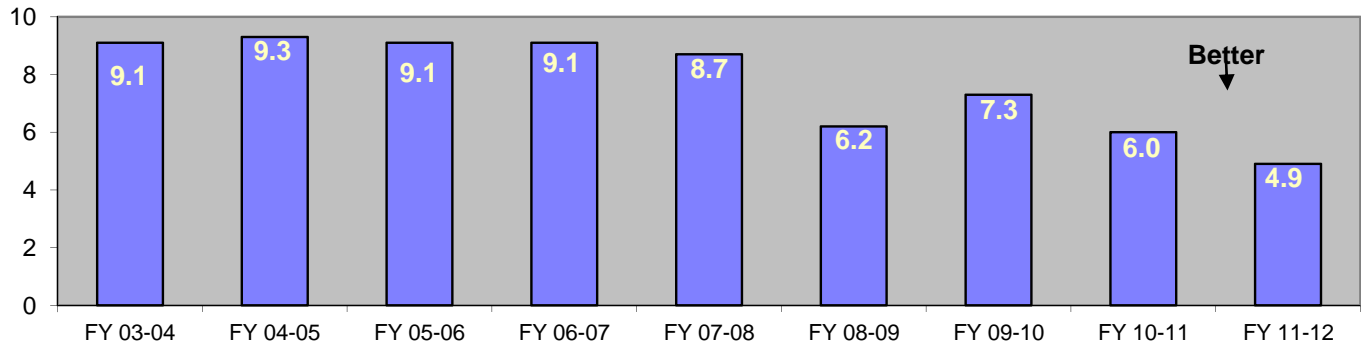


Figure 7.2d

Customers, injured workers, and suppliers all want their bills paid in a timely manner. Rebilling creates rework and adds no value. This measure tracks the percentage of bills processed within thirty days of the date of receipt. In fiscal year 07-08 the measure was refined to show all bills including those processed by our partners. The data is shown in Figure 7.2e.

Percentage of Bills Processed Within 30 Days of Receipt

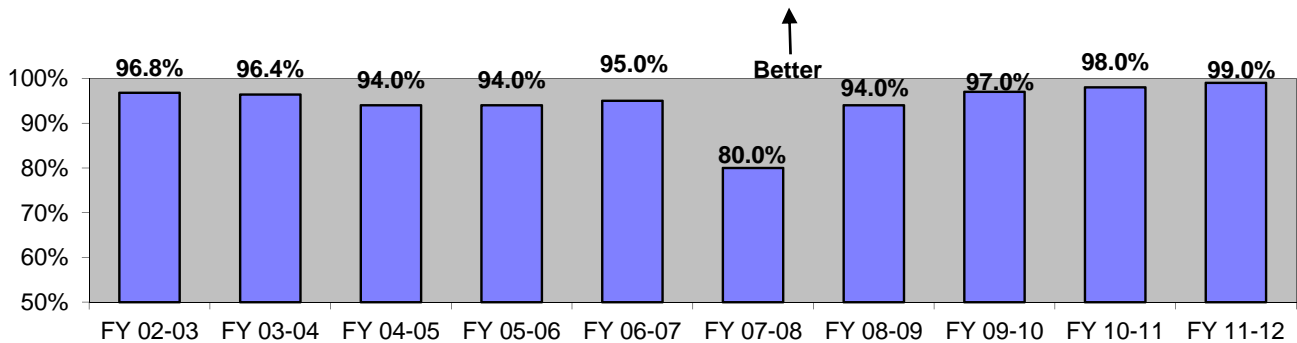
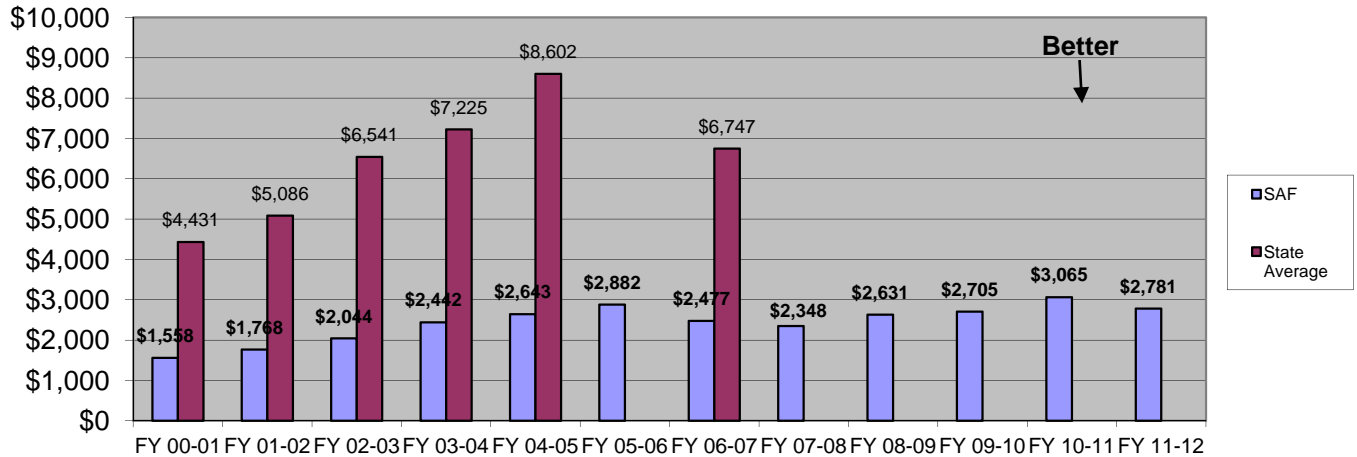


Figure 7.2e

To measure claim handling efficiency, the agency uses NCCI data to conduct a comparison of State Accident Fund's average medical and indemnity costs per claim with the average for other carriers in the state. The most recent data showed the average medical cost of claims was almost 64% lower than the industry average.

Average Medical Cost Per Claim

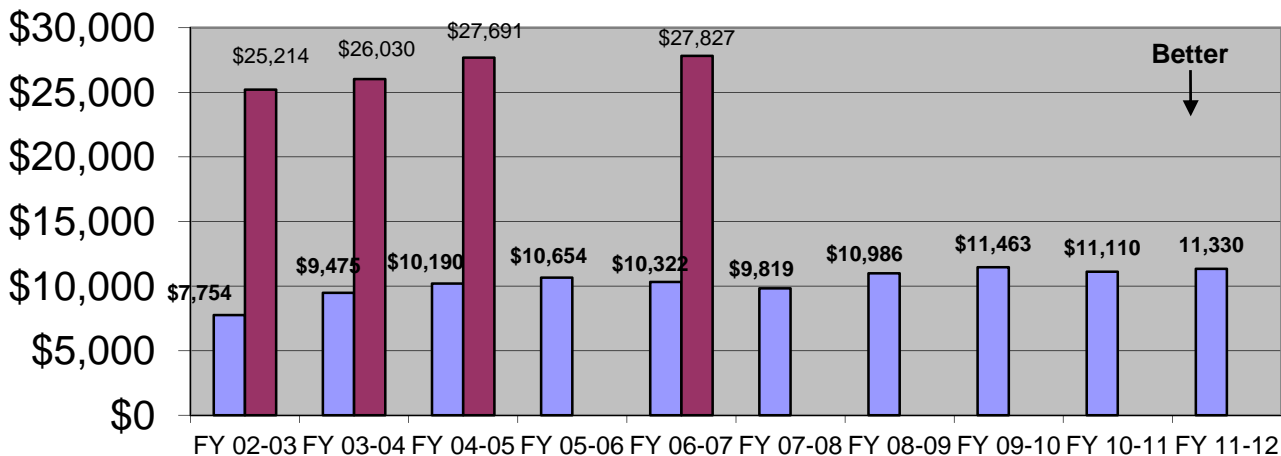


Note: SAF FY is July-June; NCCI FY is April-March. No NCCI Date available for FY 05-06.

Figure 7.2f

The average indemnity cost per claim is shown in Figure 7.2g. The agency's average was 63% below the average for private industry.

Average Indemnity Cost per Claim



Note: SAF FY is July-June; NCCI FY is April-March.

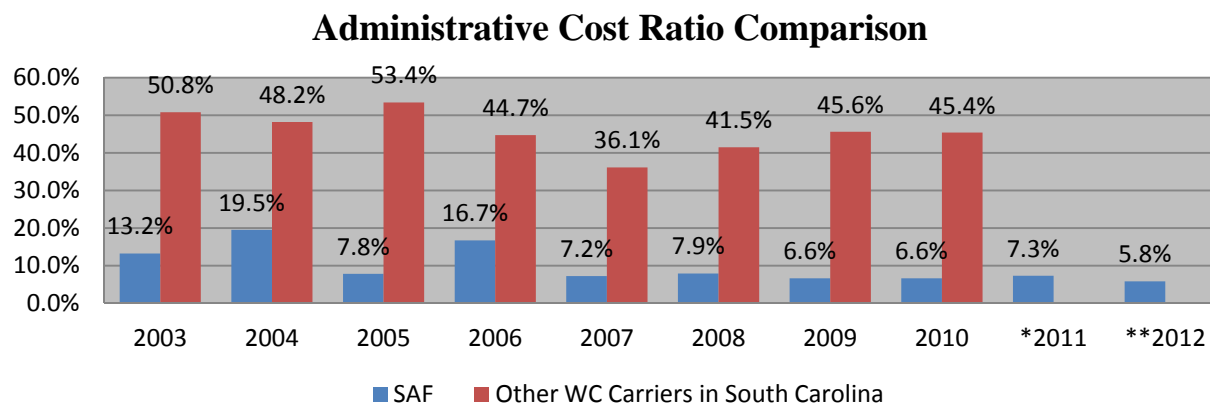
* 1999 Data - NCCI Statistical Bulletin 2003; 2000 Data - NCCI Statistical Bulletin 2004; 2002 Data - NCCI Statistical Bulletin in 2006. No NCCI Date available for FY 05-06.

Figure 7.2g

Note: Charts 7.2f and 7.2g were updated to better compare the State Accident Fund's average medical and indemnity costs to the private industry. The charts now compare same year data for

SAF and the industry, instead of comparing the Fund’s current year to the industry’s most recent data.

A standard industry measure of an insurance carrier’s efficiency is the “Administrative Cost Ratio.” It represents the percentage of premium spent on administration and not paid out in benefits. The State Accident Fund’s Administrative Cost Ratio, as determined by our actuaries, Bickerstaff, Whatley, Ryan, and Burkhalter, Consulting Actuaries, is less than half of the average for private sector carriers in the state as reported by NCCI.

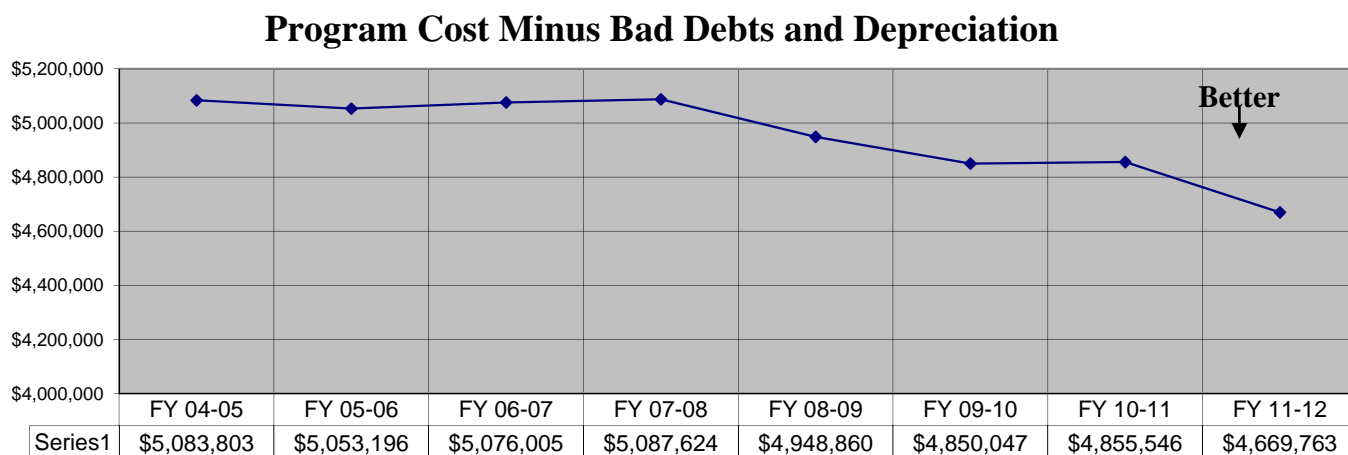


**Note: NCCI Data not available for CY 2011-2012.*

***Note: The figure shown for 2012 is an estimate and must be confirmed by our actuaries.*

Figure 7.2h

7.3 The agency is funded through “other” funds. These consist of premiums paid by policyholders and investment income from the Trust Fund. The program has a total of 81 Full Time Equivalencies (FTE’s) down from a high of 100 in FY 96-97. Program costs based on the independent audit for the last several years, minus bad debts and depreciation expenses, are shown in Figures 7.3a and 7.3b.



***Note: The figure shown for 2011-2012 is an estimate and must be confirmed by our audit.*

Figure 7.3a

Expense Details

	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>
Personnel services & employee benefits (Authorized FTE's)	\$3,894,164	\$3,887,192	\$3,840,909	\$3,739,250	\$3,687,092	\$3,694,595
	(86)	(86)	(86)	(86)	(81)	(81)
Contractual services	614,622	579,182	579,419	540,190	530,403	529,387
Rent and insurance	340,089	354,780	345,523	348,688	348,215	344,022
Supplies and materials	122,818	144,316	75,847	83,870	78,549	68,964
Other expenses	104,312	147,154	107,162	138,049	211,287	32,795
Total	\$5,076,005	\$5,087,624	\$4,948,860	\$4,850,047	\$4,855,546	\$4,669,763

Note: Data in Figure 7.3b does not include Capitalized Expenses.

Figure 7.3b

The agency measures the percentage of premium that is over 90 days past due. The results for the last ten years are shown in Figure 7.3c.

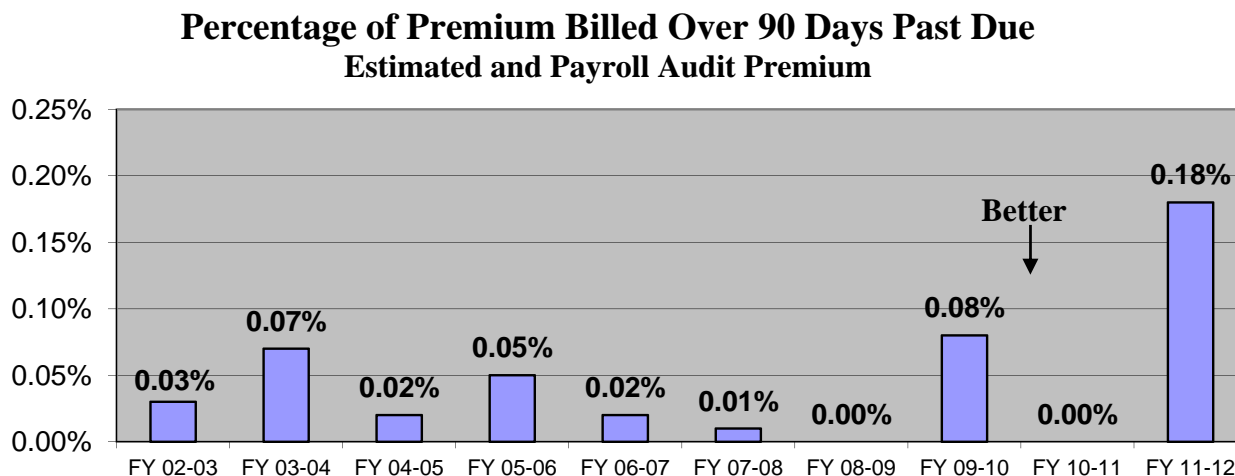


Figure 7.3c

Another measure used to monitor the Premium Determination and Collection Process is the percentage of accounts audited within 180 days after the end of the policy period. The results are shown in Figure 7.3d.

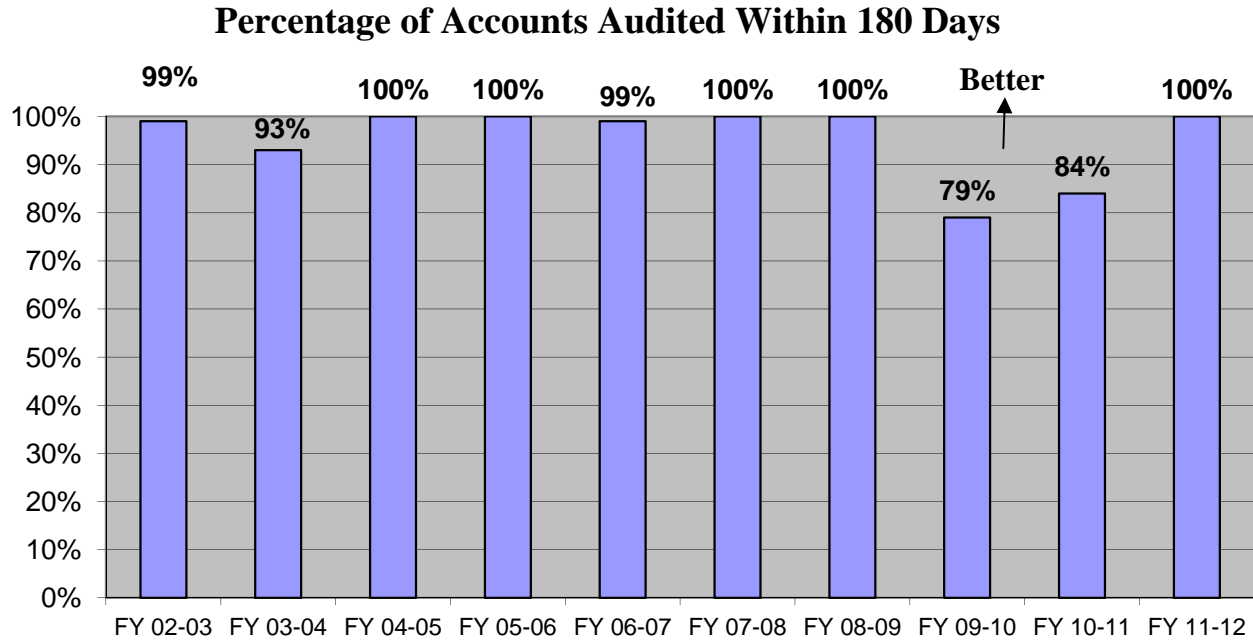


Figure 7.3d

Figure 7.3e shows the Trust Fund balance. These are premiums that have been paid by policyholders and are set aside to pay workers' compensation claims in the future. The amount in the fund should be equal to the agency's liability. This ratio is evaluated annually during the actuarial review.

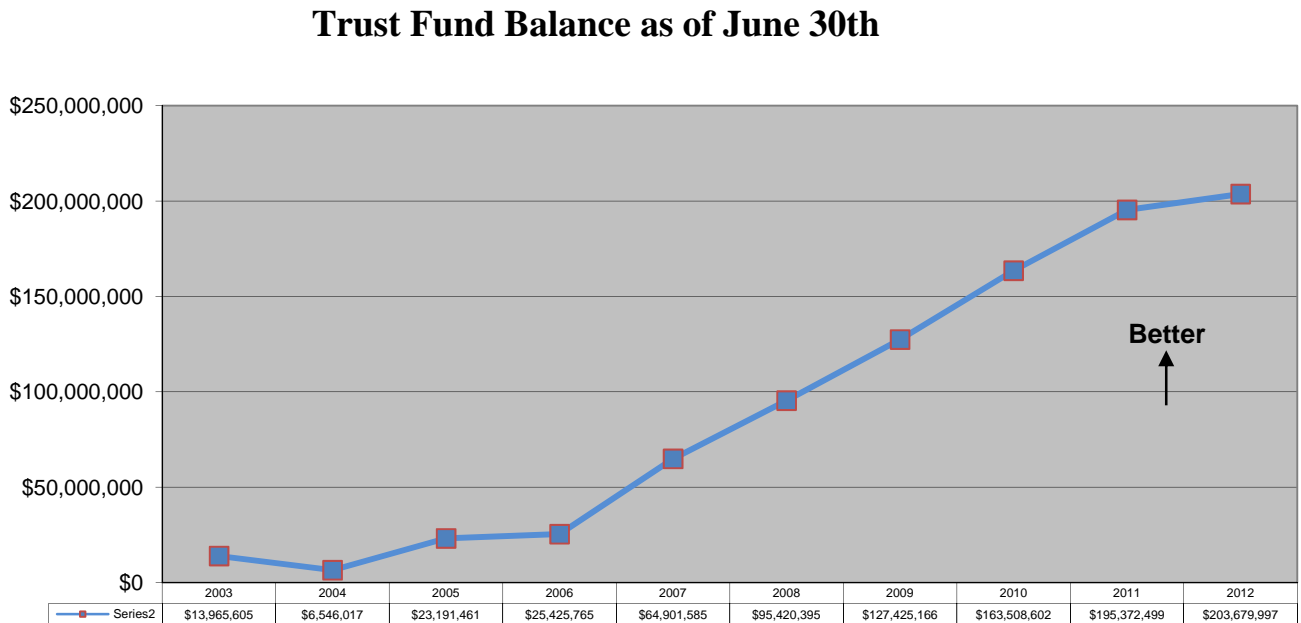
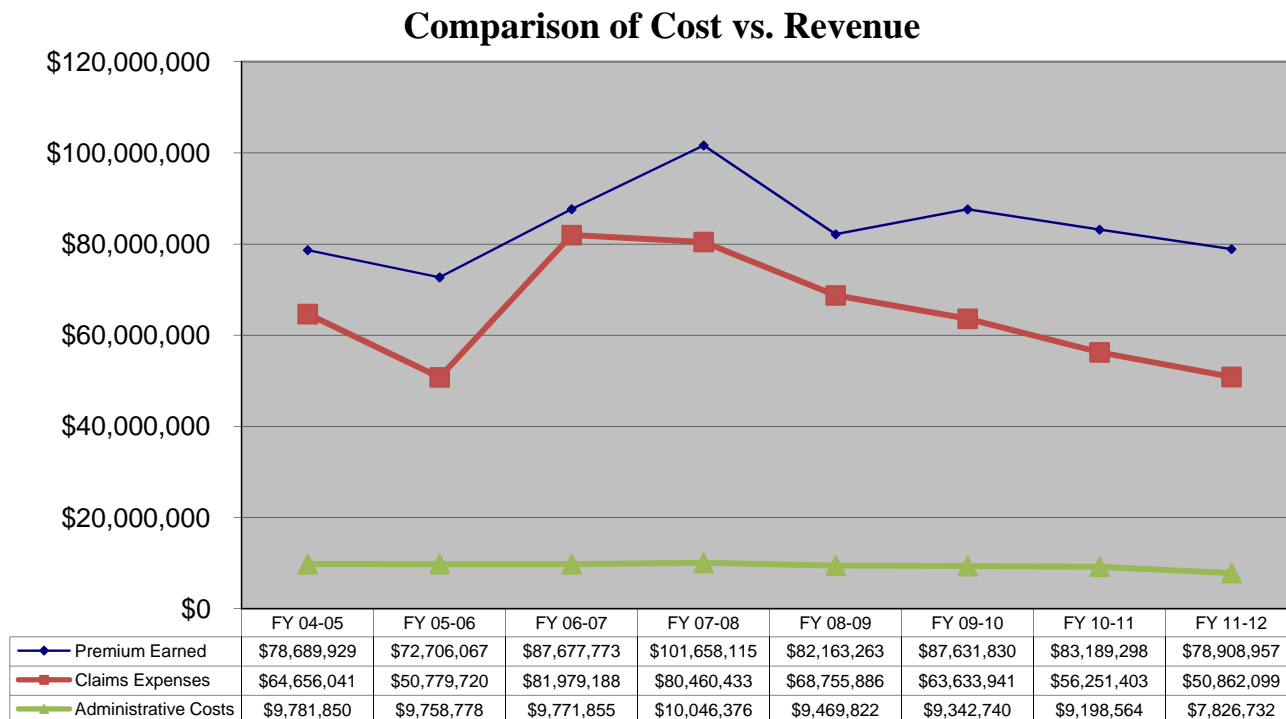


Figure 7.3e

Figure 7.3f shows a comparison of the amount of premium revenue earned, claim expenses, and administrative costs.



**Note: The figure shown for 2011-2012 is an estimate and must be confirmed after the completion of our annual audit.*

Figure 7.3f

The agency has continued to pursue outsourcing opportunities with private sector partners to improve services without expanding staff. Figure 7.3g reflects a long-standing and very successful partnership. The agency measures this contractor's effectiveness based on the amount of money recovered from the Second Injury Fund. In fiscal year 11-12 the State Accident Fund recovered over \$14 million.

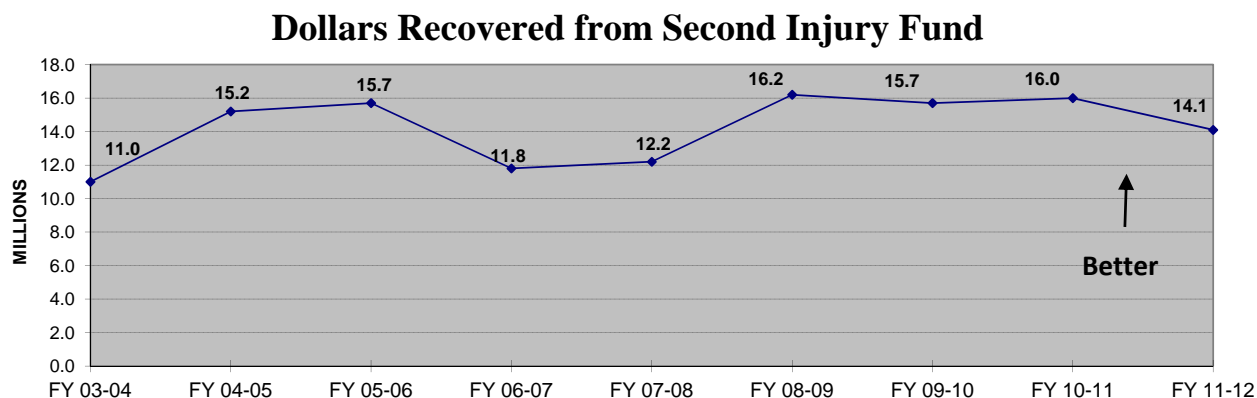


Figure 7.3g

7.4 A key measure of employee satisfaction is the turnover rate shown in Figure 7.4a. The rate is determined by dividing the number of filled positions by the number of employees who have departed the organization. The agency uses data from the Bureau of Labor Statistics to compare its current turnover rate with the rates for both “Government” and the “Finance” industry. The chart below shows the agency has compared favorably to the national averages in recent years.

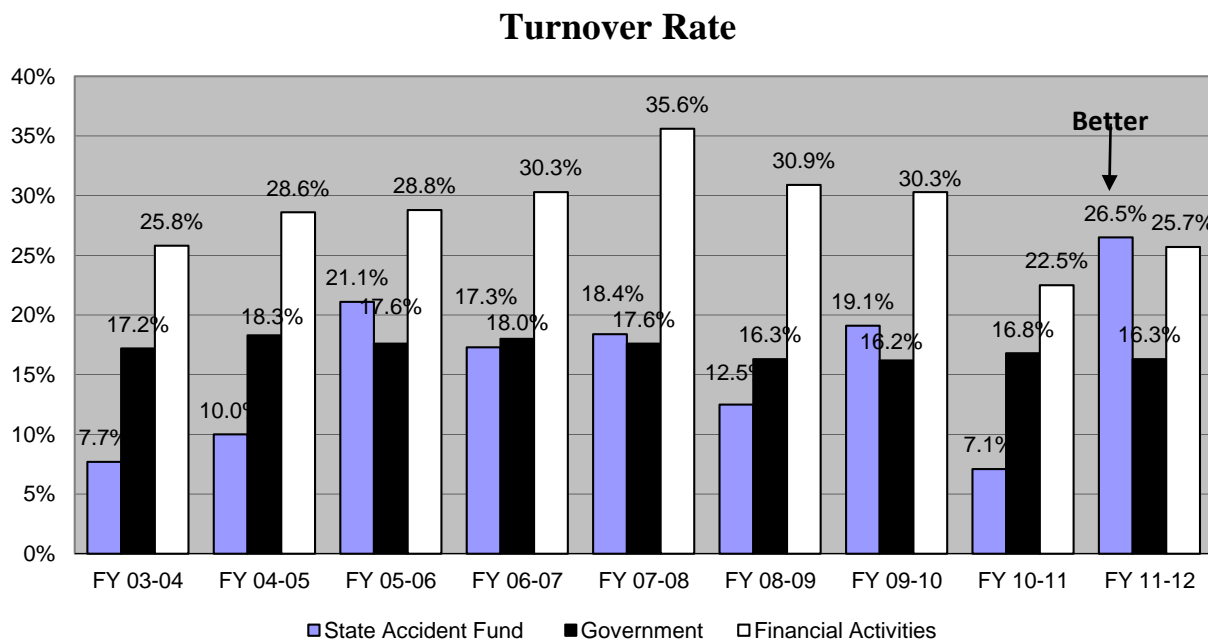


Figure 7.4a

The agency also conducts an annual Employee Satisfaction Survey. The results of the questions that deal directly with employee satisfaction are shown in Figures 7.4b and 7.4c.

Percentage of Employees Who Ranked the Agency’s Work Environment as “Better Than Most” or “Best”

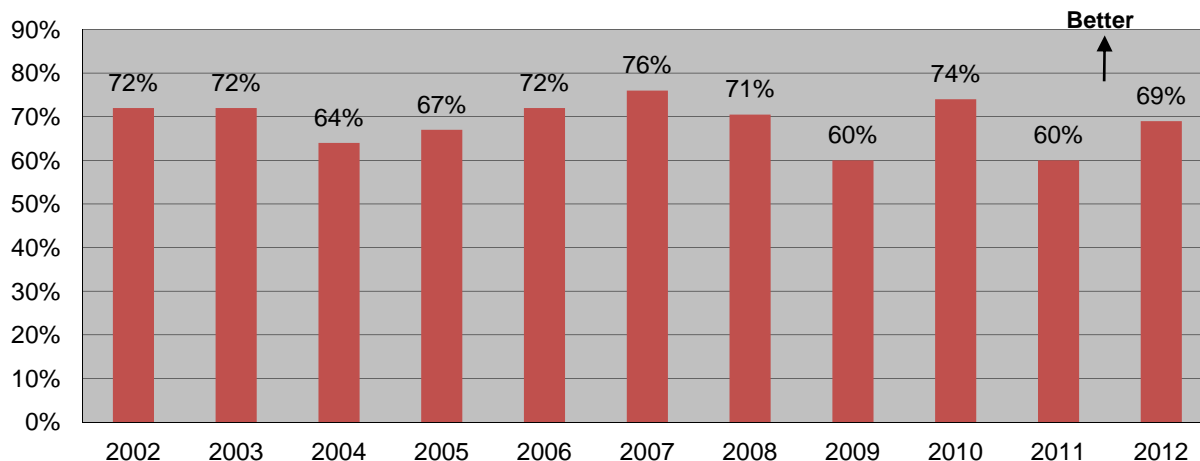


Figure 7.4b

Percentage of Employees Who Ranked These Organizational Characteristics as Either "Good" or "Excellent"

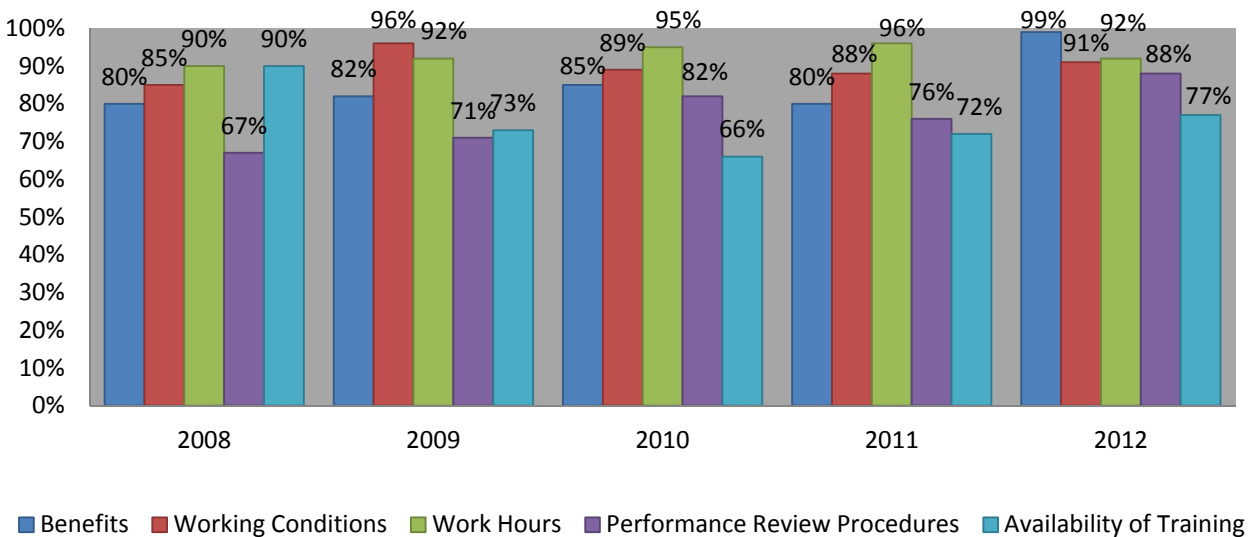


Figure 7.4c

The agency measures employee development and training by tracking the average hours of formal classroom training attended by each employee. Included in this measure are professional seminars, conferences, and other formal classroom training programs (Figure 7.4d).

Average Number of Hours of Classroom Training

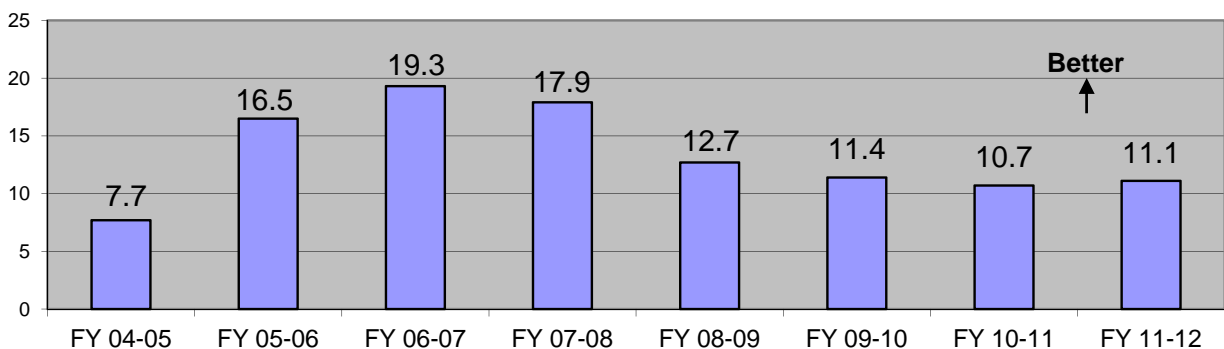
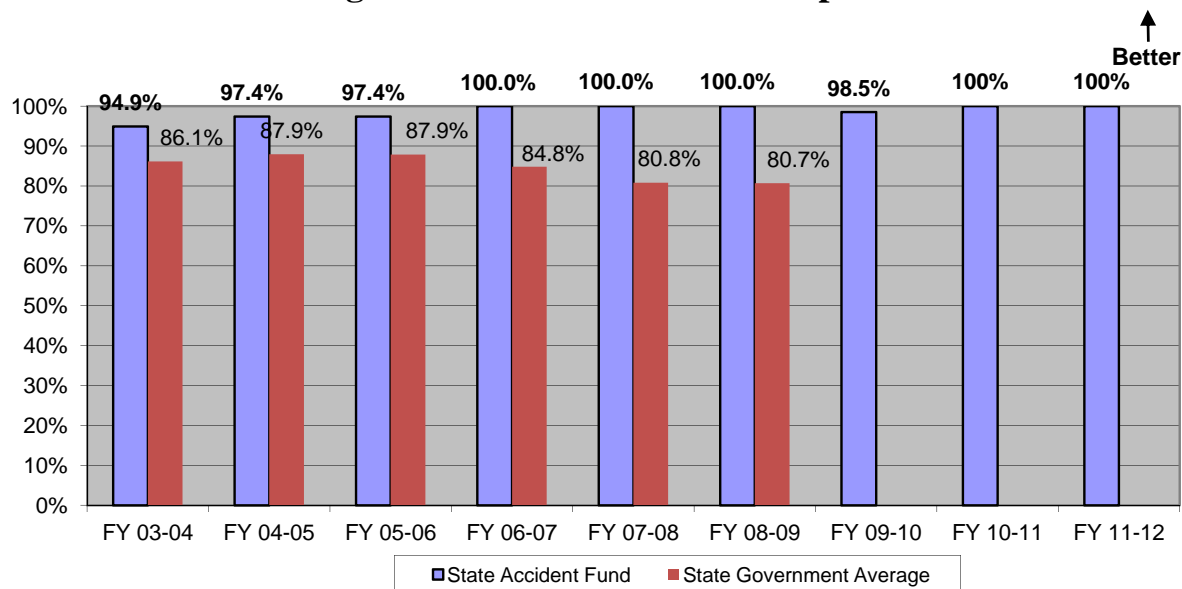


Figure 7.4d

The agency measures the percentage of Employee Performance Management System evaluations completed on time each year. The results are shown in Figure 7.4e.

Percentage of EPMS Evaluations Completed on Time



Note: Comparison data for FY 09-10, FY10-11 and FY 11-12 was not available at time of publication of this report.

Figure 7.4e

7.5 To insure legal and regulatory compliance, the agency relies on 4 basic measures. The first is the percentage of claims with an initial decision within 14 days of the date of accident. The results of the last 8 years are shown in Figure 7.5a.

Percentage of Claims Decided within 14 Days

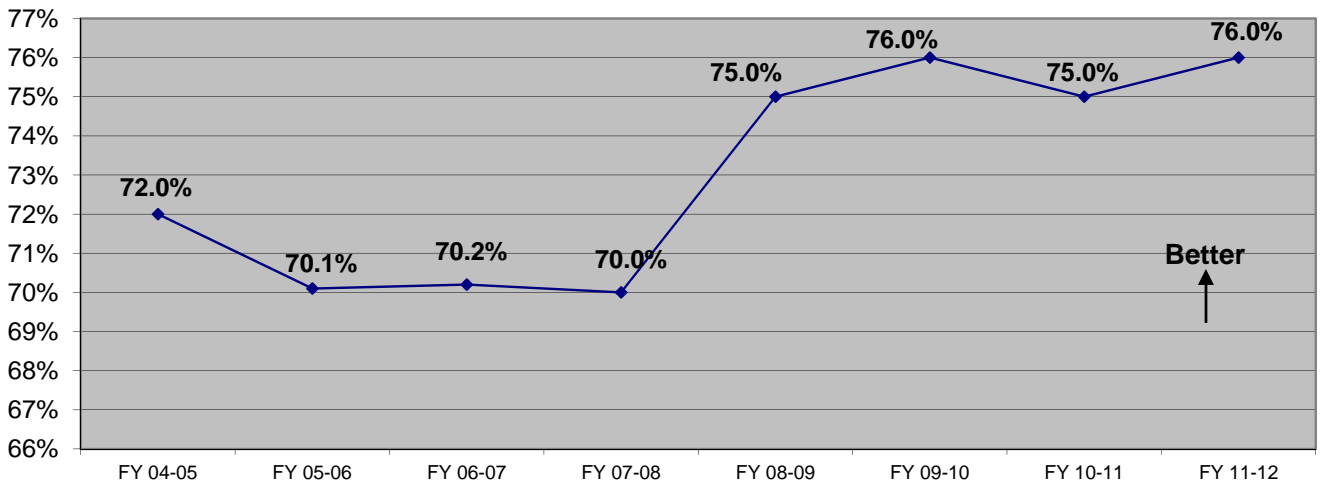


Figure 7.5a

Two other measures of regulatory compliance are the number and amount of fines paid to the Workers' Compensation Commission. This information is shown in Figure 7.5b and Figure 7.5c.

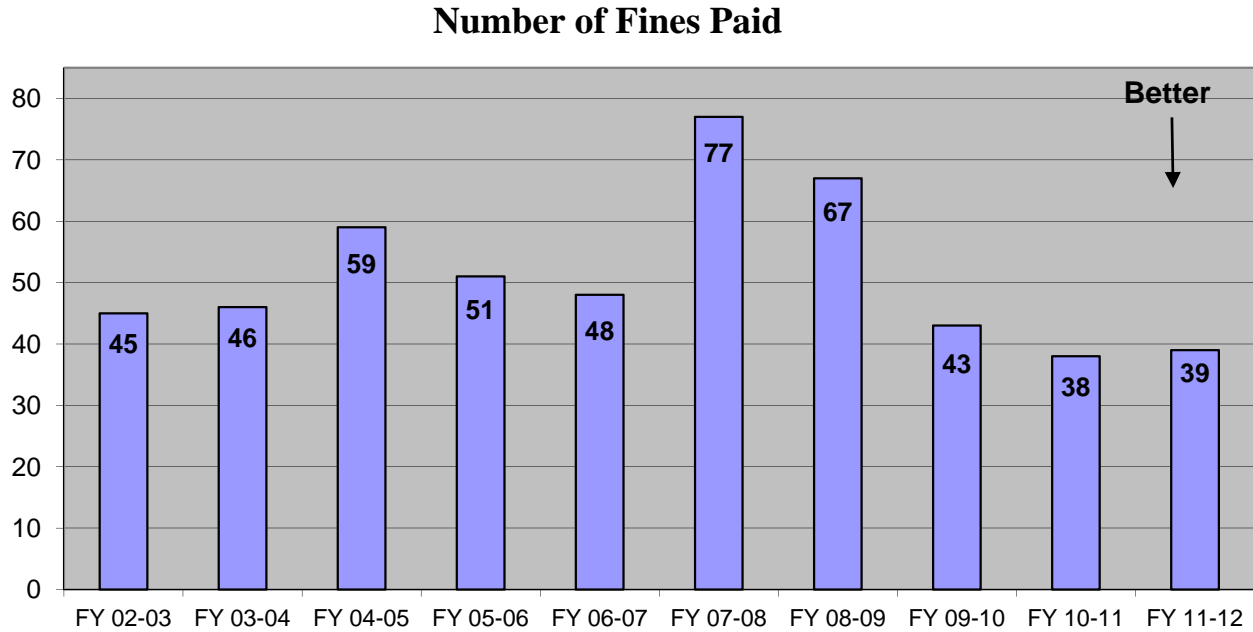
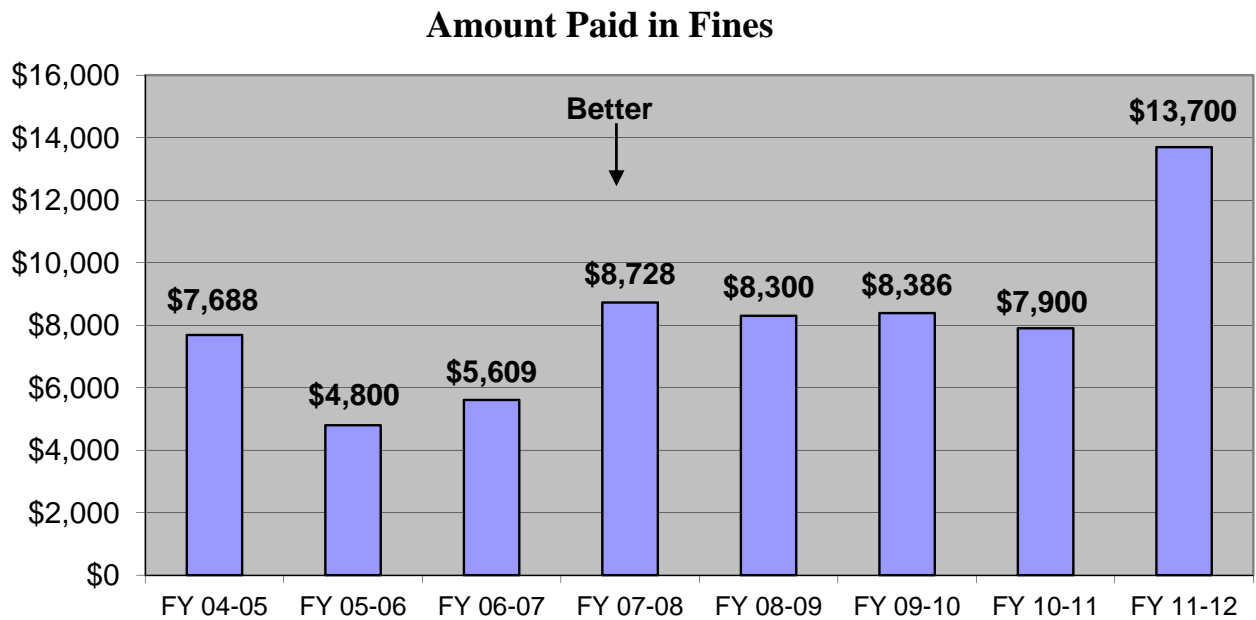


Figure 7.5b



Note: The fine amount was increased 100% in FY 11-12.

Figure 7.5c

The annual audit is the last measure of regulatory compliance. Figure 7.5d shows the number of audit findings for the last 11 years.

Number of Audit Findings

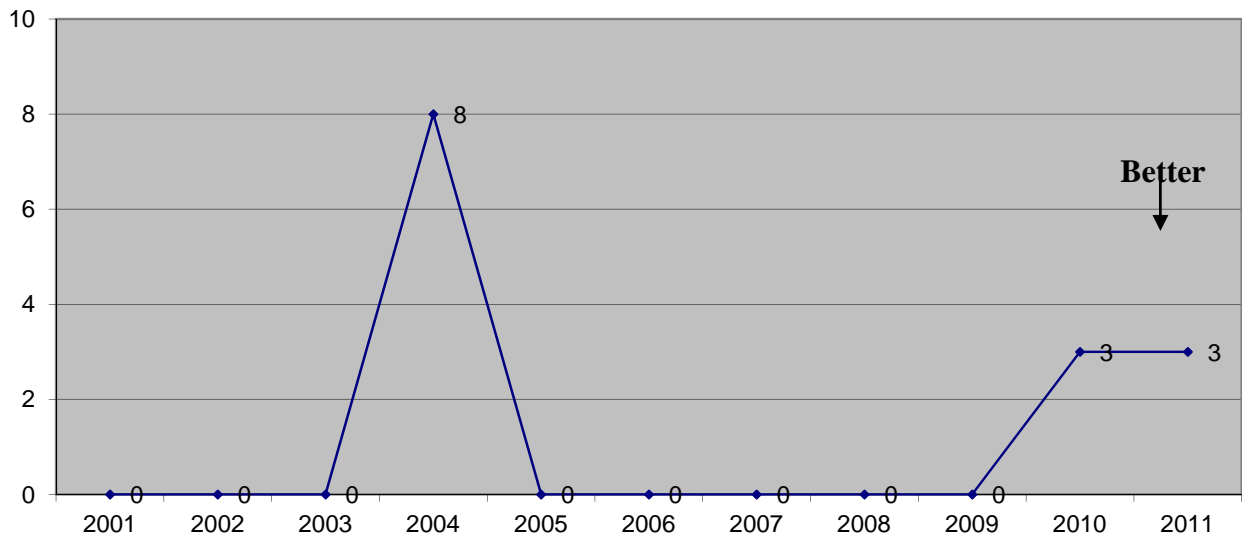


Figure 7.5d