

AGENCY NAME:	State Accident Fund		
AGENCY CODE:	R12	SECTION:	075



Fiscal Year 2014/15 Accountability Report

SUBMISSION FORM

AGENCY MISSION	Provide a <u>cost effective guaranteed workers' compensation market</u> for state agencies, other government entities and, when in the best interest of the state, businesses in the private sector.
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Please identify your agency's preferred contacts for this year's accountability report.

	<i><u>Name</u></i>	<i><u>Phone</u></i>	<i><u>Email</u></i>
PRIMARY CONTACT:	David Andrews	(803) 896-5044	dandrews@saf.sc.gov
SECONDARY CONTACT:	Gerald Murphy	(803) 896-5870	gmurphy@saf.sc.gov

I have reviewed and approved the enclosed FY 2013-14 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN/DATE):	
(TYPE/PRINT NAME):	Harry B. Gregory, Jr.
BOARD/CMSN CHAIR (SIGN/DATE):	
(TYPE/PRINT NAME):	

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AGENCY'S DISCUSSION AND ANALYSIS

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.

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 high quality coverage and services as provided to the public sector.

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 agency's core values are set forth in its Strategic Plan. They include: Competency, Continuous Improvement, Customer Satisfaction, Employee Development, Health and Safety, Honesty/Integrity/Professionalism, Individual and Agency Accountability, and Teamwork.

The key strategic challenges facing the agency are related to retention of management and improvement to the agency's case management system. 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 agency's current case management system was developed over 15 years ago and thought it has received periodic patch upgrades, the system is no longer providing expected efficiencies. The replacement of this

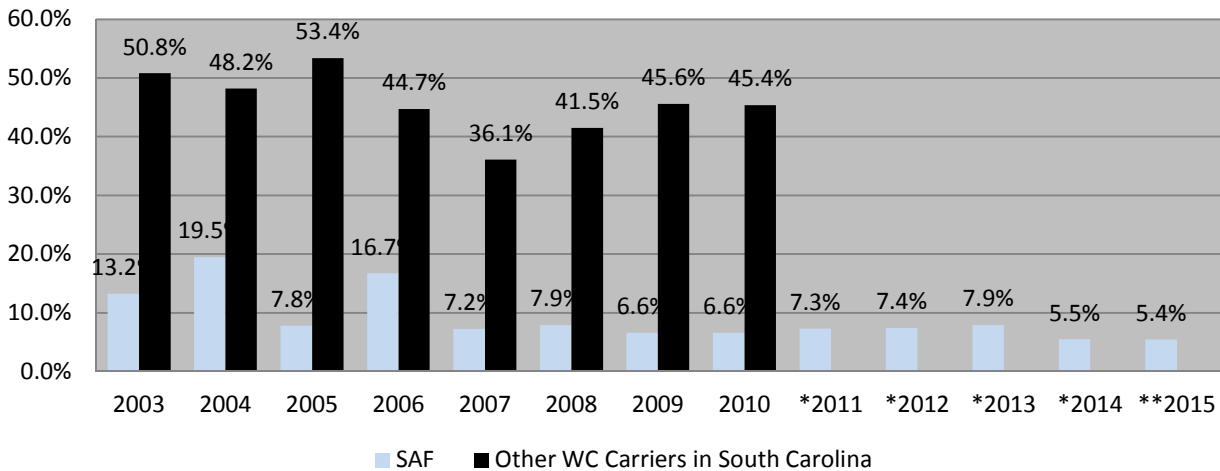
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system will likely be costly and time consuming, but necessary to reduce operating cost and provide the highest level of customer support and service to our stakeholders.

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

- The agency remained financially self-sustaining. (See comparison chart below.)
- Customer satisfaction scores remained high. (See survey results chart below.)
- Retention rates for voluntary accounts remained high.
- The agency's claim and administrative costs continued to be less than the private sector.
- Even though the agency has no marketing function, it gained 29 new accounts during the reporting period.
- The Uninsured Employers' Fund was established within the agency.
- 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 \$ 926,513
 - Pharmacy Services \$ 3,787,157
 - Subrogation Recoveries \$ 706,796
 - Physical Therapy Services +\$ 453,242
 - Second Injury Fund Recoveries \$ 3,628,063

Administrative Cost Ratio Comparison

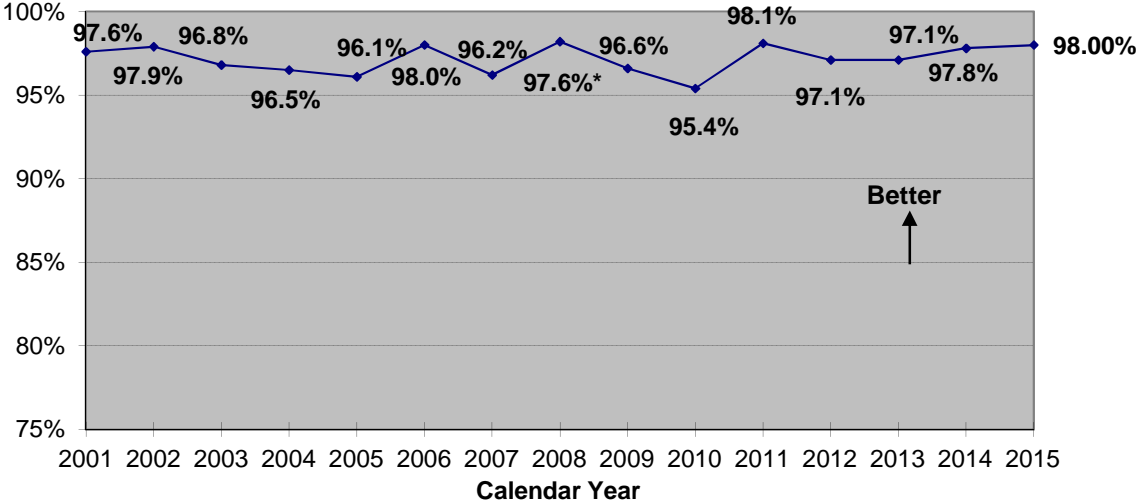


*Note: NCCI Data not available for CY 2011-2015.

**Note: The figure shown for 2015 is an estimate and must be confirmed by our actuaries.

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Results of Annual Customer Survey



As South Carolina and the nation continue to recover from the recent economic challenges, the State Accident Fund remains committed to providing stable, long-term workers’ compensation coverage to state, county, and local governments as cost-effectively as possible. Our emphasis on higher efficiencies, lower costs, and improved delivery of services will help us remain well-positioned to keep our promises to our policyholders and their employees long into the future. In that way, the State Accident Fund will continue to operate in a financially stable manner while fulfilling its mission. As the economy improves, that is good news for South Carolina employers and workers.