

<b>AGENCY NAME:</b>	State Accident Fund		
<b>AGENCY CODE:</b>	R12	<b>SECTION:</b>	075



## Fiscal Year 2013-14 Accountability Report

### SUBMISSION FORM

<b>AGENCY MISSION</b>	<p>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.</p>
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Please identify your agency's preferred contacts for this year's accountability report.

	<i>Name</i>	<i>Phone</i>	<i>Email</i>
<b>PRIMARY CONTACT:</b>	David Andrews	(803) 896-5044	<a href="mailto:dandrews@saf.sc.gov">dandrews@saf.sc.gov</a>
<b>SECONDARY CONTACT:</b>	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.

<b>AGENCY DIRECTOR</b> <i>(SIGN/DATE):</i>	
<i>(TYPE/PRINT NAME):</i>	Harry B. Gregory, Jr.

<b>BOARD/CMSN CHAIR</b> <i>(SIGN/DATE):</i>	
<i>(TYPE/PRINT NAME):</i>	

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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

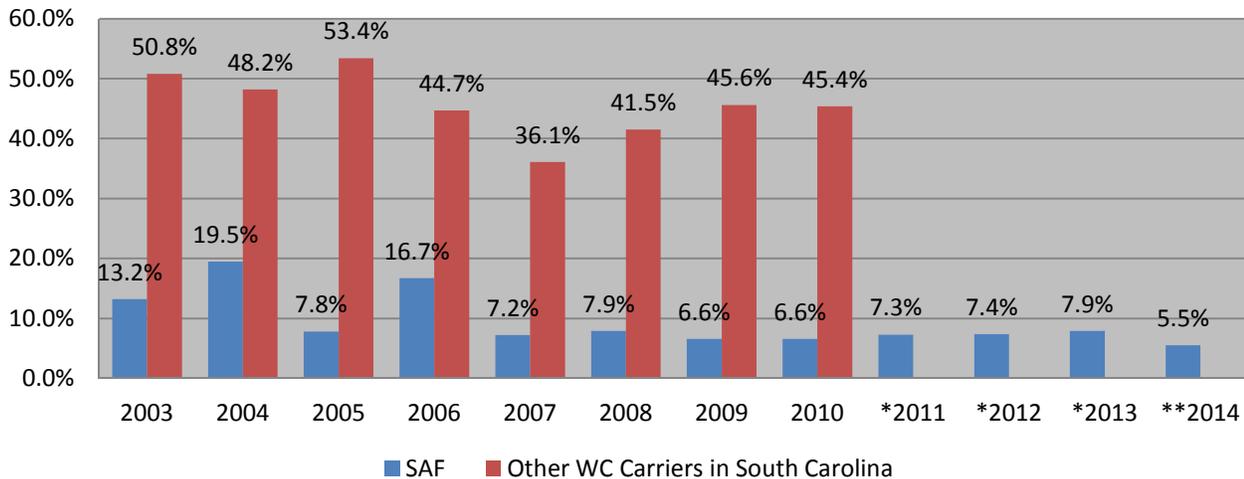
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system will likely be costly and time consuming, but necessary to reduce operating cost and provide the highest level of customer support and service to our stakeholders.

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 \$ 906,101
  - Pharmacy Services \$ 2,788,943
  - Subrogation Recoveries \$ 1,076,095
  - Physical Therapy Services \$ 453,242
  - Second Injury Fund Recoveries \$ 4,282,126

### Administrative Cost Ratio Comparison

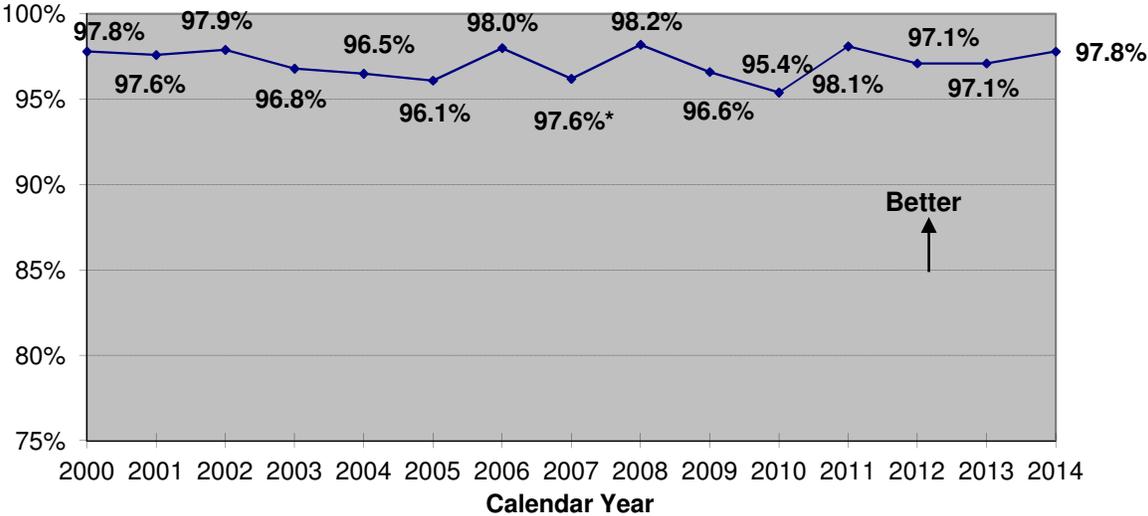


\*Note: NCCI Data not available for CY 2011-2014.

\*\*Note: The figure shown for 2014 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.

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Program Template

Program/Title	Purpose	FY 2012-13 Expenditures				FY 2013-14 Expenditures				Associated Objective(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
I. Administraton		\$	3,831,467		\$ 3,831,467	\$	3,534,753		\$ 3,534,753	
II. Uninsured Employers Fund					\$ -	\$	392,175		\$ 392,175	
III. Employee Benefits		\$	925,939		\$ 925,939	\$	1,007,449		\$ 1,007,449	
					\$ -				\$ -	
					\$ -				\$ -	
					\$ -				\$ -	
					\$ -				\$ -	
					\$ -				\$ -	
					\$ -				\$ -	

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Strategic Planning Template

Type	Goal	Strat	Object	Description
g	1			<b>Maintain High Level of Customer Satisfactions</b>
s		1.1		<b>Conduct Annual Policyholder Satisfaction Survey</b>
o			1.1.1	<i>Maintain greater than 95% positive response rate on the annual policyholder survey.</i>
s		1.2		<b>Solicit Comments from Policyholder Education Seminars</b>
o			1.1.2	<i>Review participant comments</i>
s		1.3		<b>Compare satisfaction rates to national standards</b>
o			1.3.1	<i>Compare satisfaction rates to other Prosperity and Causality Companies</i>
o			1.3.2	<i>Compare satisfaction rates to other Public Administration agencies</i>
s		1.4		<b>Measure Retentions rates</b>
o				<i>Measure policyholders retention</i>
o				<i>Measure premium retention</i>
s				<b>Provide policyholders with loss prevention and safety services</b>
o				<i>Report on services provided</i>
g	2			<b>Be the leader in South Carolina Workers Compensation rule and regulation compliance</b>
s		2.1		<b>Review fine information</b>
o			2.1.1	<i>Track numbers and amounts of fines</i>
o			2.1.2	<i>Report causes of fines</i>
g	3			<b>Agency remains finically self-sustaining.</b>
		3.1		Compare cost to national standards
			3.1.1	Compare average medical cost per claim
			3.1.2	Compare average indemnity cost per claim
		3.2		The annual administration cost ratio will not exceed the industry average for the last five years.
			3.2.1	Calculate Administrative cost ratio
		3.3		Collect premium as due
			3.3.1	Percentage of Premium Billed over 90 days past due
			3.3.2	Percentage of accounts audited within 180 days

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Strategic Planning Template

Type	Item #			Description
	Goal	Strat	Object	
g	4			The Fund's financial records will reflect a cumulative net gain in assets.
s		4.1		Cost vs Revenue
o			4.1.1	Claims Expense will not exceed Earned Premium for the fiscal year.
s		4.2		Net Assets
o			4.2.1	The Agency will show an increase in net assets over the prior year.
s		4.3		Program Cost less Bad Debt and Depreciation
o			4.3.1	Operating cost for the fiscal year will not exceed more than 15% of Earned Premium for the same period.

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Performance Measurement Template

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
1	Policyholder Satisfaction Survey	97.1%	97.6%	Greater than 90%	July 1 - June 30	Annual Policyholder Satisfaction Survey	Annually	Percentage of positive responses from Annual Policyholder Survey	1.1.1, 1.3.1, 1.3.2
2	Agency satisfaction compared to Insurance Industry	SAF = 77 ACSI-P&C = 78	SAF = 77 ACSI-P&C = 81	Greater than 75%	July 1 - June 30	American Customer Satisfaction Index (ASCI) 3rd Quarter, December 2013	Annually	Satisfaction rate on Annual Policy Holder Survey compared to Property & Casualty Industry rating as reported by ACSI.	1.3.1
3	Satisfaction compared to Public Administration	SAF = 77 ACSI-Public Administration = 69	SAF = 77 ACSI-Public Administration = 68	Greater than 75%	July 1 - June 30	American Customer Satisfaction Index (ASCI)	Annually	Satisfaction Rate on Annual Policy Holder Survey compared to Public Administration rating as reported by ACSI	1.3.2
4	Policyholder Retention Rate	97.5%	97.6%	Greater than 80%	July 1 - June 30	Agency Policyholder Management Database.	Annually	Percentage of policyholders who renewed or continued coverage with the Fund. (Voluntary Accounts)	1.4.1
5	Premium Retention Ratio	93.9%	99.3%	Greater than 80%	July 1 - June 30	Agency Policyholder Management Database.	Annually	The Ratio of premium from renewed or continued policyholders. (Voluntary Accounts)	1.4.2
6	Number of gained accounts	26	28		July 1 - June 30	Agency Policyholder Database.	Annually	Number of new accounts.	1.1.1
7	Number of fines assessed by the Workers Compensation Commission	23	11	Less than industry average	July 1 - June 30	Agency Claims Management Database.	Weekly	The number fines assessed by the Workers Compensation Commission.	2.1.1
8	Amount of assessed fines	\$4,400	\$2,450	Less than industry average	July 1 - June 30	Agency Claims Management Database.	Weekly	The dollar amount of fines paid to the Workers Compensation Commission.	2.1.2
9	State Accident Fund average medical cost per claim	\$3,337	\$3,448	Less than industry average	July 1 - June 30	Agency Claims Management Database.	Annually	Medical cost divided by the total number of claims.	3.1.1
10	State Accident Fund average indemnity cost per claim	\$11,399	\$11,394	Less than industry average	July 1 - June 30	Agency Claims Management Database.	Annually	Indemnity cost divided by the total number of claims	3.1.2

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Performance Measurement Template

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
11	State Accident Fund administrative cost ratio	7.9%	5.5%	Less than industry average	July 1 - June 30	Current year estimated using Trigger Report and finalized by the Fund's actuary.	Annually	Agency Accounting System	3.1.1, 3.1.2, 3.2.1
12	Percentage of premium 90 days past due	0.32%	0.06%	Less than 5%	July 1 - June 30	Past Due Amount as percentage of Earned Premium as reported in the Trigger Report	Weekly	Agency Policyholder Database	3.3.1
13	Current Assets	3.3%	3.8%	Positive increase	July 1 - June 30	Financial Statement	Annually	(Current Year - Prior Year) / Prior Year (Nets)	4.2.1
14	Change in operating cost	-1%	-5.30%	Reduction from past year	July 1 - June 30	Financial Statement	Annually	Total Administrative Expense less Depreciation, Amortization Expense, Reinsurance Premium, & Bad Debt	4.3.2