

State Accident Fund

Accountability Report for Fiscal Year 2007-2008

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, if required by the legislature, 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. 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 agency provides county and municipal agencies a guaranteed alternative source of workers' compensation insurance coverage.

The requirement that the Fund be prepared to write insurance for the private sector arose during a period of turmoil in the state's workers' compensation market. In the early 1990s, when the workers' compensation market 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 by the Budget and Control Board, the State Accident Fund thereafter developed a plan for this contingency.

The agency's core values are set forth in its Strategic Plan. They include: Customer Satisfaction, Initiative, Professionalism, Honesty/Integrity, Competency, Teamwork, Health and Safety, Employee Satisfaction, and Individual and Agency Accountability. (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 remains high (Section III, Figure 7.1e, page 34).
- The agency's claim and administrative costs continued to be less than for the private sector (Section III, Figure 7.2f, page 39; Figure 7.2g, page 39; and Figure 7.2h, page 40).
- The agency continued success in recovery from the Second Injury Fund. This resulted in nearly twelve 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 19 new accounts during the reporting period (Section III, Figure 7.1c, page 32).
- The agency continued to explore and expanded efforts to control cost through vendor partnerships for medical management in addition to pharmacy bill cost containment programs.

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

- By January 1, 2010 the State Accident Fund will provide workers' compensation insurance coverage for at least 50% of eligible voluntary accounts.
- By January 1, 2007 develop and implement a process for maintaining and improving employee satisfaction.
- By January 1, 2011, the Fund's financial records will reflect a cumulative net gain in assets over the period from Fiscal Year 2006 to Fiscal Year 2011.
- Achieve greater than 95% positive response rate on the annual policyholder survey.
- The State Accident Fund will rank no higher than 5th in our annual rate comparison.
- By January 1, 2008, lead the state in Workers' Compensation Commission compliance.

- Continue improvements to the Communications Program.
- The Fund will continue to demonstrate good corporate citizenship.
- The annual administration cost ratio will not exceed the average ratio for the last five years.
- Develop a program to enhance internal and external quality control.
- Annually review the quality of service and cost effectiveness of vendor programs and contract services.
- Investigate an agent program.

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. State 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, 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 preformed 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. State law currently limits the agency's policyholders to state, county, and municipal government entities.

The agency's policyholders can be segmented into two distinctly different groups (Section III, Figure 3.1, page 19). The first and largest group, 541 of the agency's accounts, consists of municipal and county governments, special purpose districts, other local government organizations, and over 50 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 also 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.
- Voluntary and on-site premium audits.

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 those 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 supplies services either directly to the agency or to our policyholders on the 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 allocated 86 Full Time Equivalent (FTE's) employees. As of June 30, 2008, 75 of those positions were filled. Of the allocated FTE's, 85 are classified and one, the Director, is unclassified. All of the agency's employees work out of the agency's home office in Columbia. From this centralized location, the agency provides services to over 670 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 Fund is audited annually by an independent auditor, as well as 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. State 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.

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.

As the agency management team reviews the relevant measures, 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 of 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 form 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.

Team Based Structure

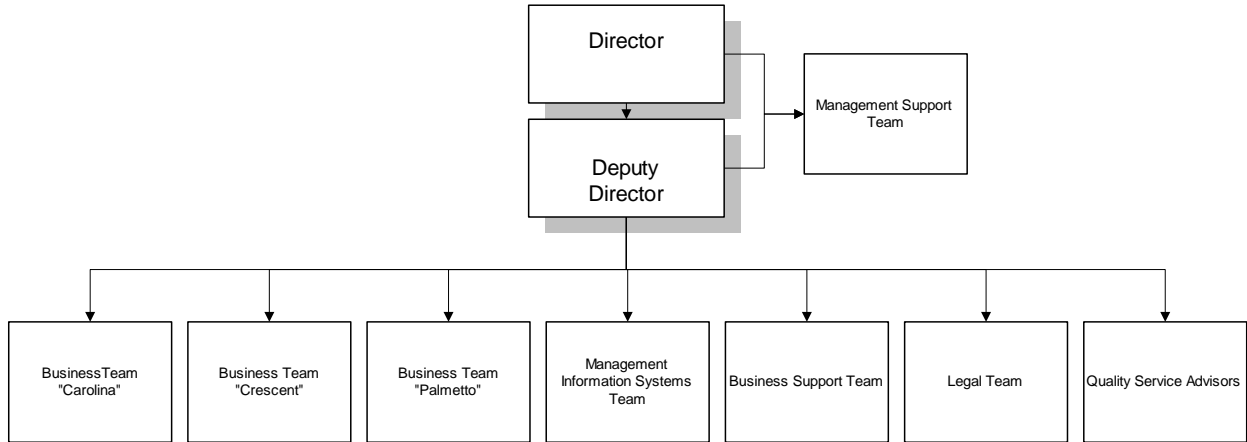


Figure 1

The other teams shown above in Figure 1 are responsible for providing services and support to the Business Teams.

11. Expenditures/Appropriations Chart

Base Budget Expenditures and Appropriations

Major Budget Categories	06-07 Actual Expenditures		07-08 Actual Expenditures		08-09 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personnel Service	\$2,983,080		\$2,981,439		\$3,471,740	
Other Operating	\$1,203,543		\$1,265,645		\$2,151,291	
Special Items	\$10,910		\$25,000		\$45,000	
Permanent Improvements						
Case Services						
Distributions to Subdivisions						
Fringe Benefits	\$886,553		\$919,604		\$1,041,490	
Non-recurring						
Total	\$5,084,046		\$5,191,687		\$6,709,521	

Other Expenditures

Sources of Funds	05-06 Actual Expenditures	06-07 Actual Expenditures
Supplemental Bills		
Capital Reserve Funds		
Bonds		

Interim Budget Reductions

Total 03-04 Interim Budget Reduction	Total 04-05 Interim Budget Reduction

Figure 2

12. Major Program Areas

Program Number And Title	Major Program Area Purpose (Brief)	FY 06-07 Budget Expenditures	FY 07-08 Budget Expenditures	Key Cross References for Financial Results
1. Provide Workers' Compensation Insurance.	Provide a guaranteed source of Workers' Compensation Insurance.	State: Federal: Other: \$5,084,046 Total: \$5,084,046 % of Total Budget: 100%	State: Federal: Other: \$5,191,687 Total: \$5,191,687 % of Total Budget: 100%	Section III, Figures 7.3a, page 40; and 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 None	State: Federal: Other: Total: % of Total Budget NA	State: Federal: Other: Total: % of Total Budget NA
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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. All members of the Executive Team demonstrate 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. Provide workers’ compensation insurance for at least 50% of eligible voluntary accounts.
2. Develop and implement a process for maintaining and improving employee satisfaction.
3. The Fund’s financial records will reflect a cumulative net gain in assets over the period from Fiscal Year 2006 to Fiscal Year 2011.
4. Achieve at least a 95% positive response rate on the annual policyholder survey.
5. Rank no higher than 5th in our annual rate comparison.

6. Lead the state in Workers' Compensation Commission compliance.
7. Continue to improve the Communications Program.
8. The Fund will continue to demonstrate good corporate citizenship.
9. The annual administrative cost ratio will not exceed the average for the last five years.
10. Develop a program to enhance internal and external quality control.
11. Annually review the quality of service and cost effectiveness of vendor programs and contract services. Investigate an agent program.

Figure 1.1b

Agency Core Values
Competency
Customer Satisfaction
Employee Satisfaction
Health and Safety
Honesty / Integrity
Individual and Agency Accountability
Initiative
Professionalism
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 the 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 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)
Provide workers’ compensation insurance for at least 50% of eligible voluntary accounts.	<ul style="list-style-type: none"> • Track number of available accounts and report on percentage covered. (Quarterly)
Achieve at least a 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)
Financial records will reflect a cumulative net gain in assets over the period of FY 2006 to FY 2011.	<ul style="list-style-type: none"> • Actuarial Review. (Annually) • Independent Financial Audit. (Annually) • Budget Reports. (Monthly)
Lead the state in Workers’ Compensation Commission compliance.	<ul style="list-style-type: none"> • Track number and amounts of fines. (Weekly)
The annual administrative cost ratio will not exceed the average for the last five years.	<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. In addition to monthly training sessions on topics related to the industry, the State Accident Fund offers a tuition assistance program. Each employee's yearly evaluation includes a personal Professional Development Plan for the next year. Employees completing qualifying continuing education programs receive an increase in pay.

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 assure training sessions are conducted to meet agency needs. The agency sponsors a tuition reimbursement program. The Insurance Education program provides compensation for employees completing Insurance Institute of American professional designation training courses.

1.10 Outstanding employee performance is recognized by senior management at monthly General Staff meetings. Educational or professional accomplishments are recognized. Performance indicators are reviewed and a business and support Team of the Quarter are recognized. Annually, an employee is selected the Employee of the Year 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.

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

During strategic planning, the agency committed to adopting one major project per year that supported a local cause. This objective directly supported the goal of supporting one community charity.

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 which coincides with the legislative session. The process consists of Data Collection and Analysis, Self Assessment, Planning, and Deployment and Implementation.

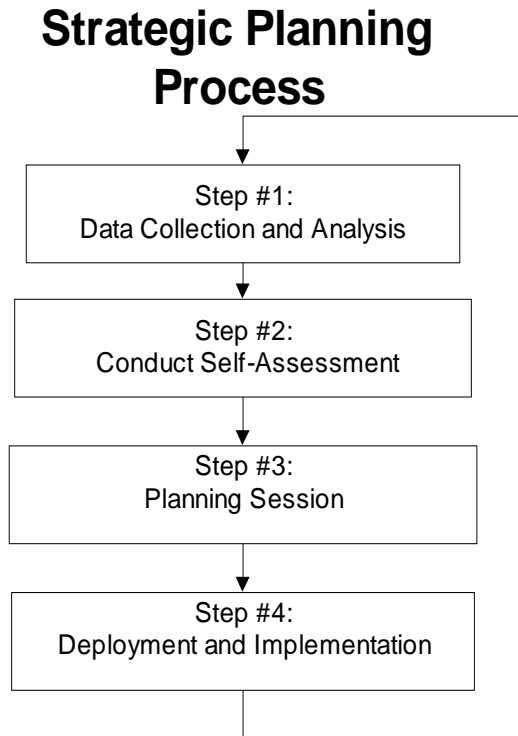


Figure 2.1a

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 nine goals stated in the Strategic Plan.

Goals	Data	Areas Addressed
<ul style="list-style-type: none"> • Achieve at least 95% positive response rate on the annual policyholder survey. • Continue improvements to the Communications Program. • Lead the state in Workers' Compensation Commission compliance. • Develop a program to enhance internal and external quality control. 	<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 	<ul style="list-style-type: none"> • Customer needs and expectations

<ul style="list-style-type: none"> • Financial records will reflect a cumulative net gain in assets over the period of FY 06 to FY 11. • The annual administrative cost ratio will not exceed the average for the last five years. • Provide workers' compensation insurance coverage for at least 50% of eligible voluntary accounts. • The State Accident Fund will rank no higher than 5th in our annual rate comparison. • Demonstrate good corporate citizenship. • Review cost effectiveness and quality of vendor programs and contract services. 	<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"> • Develop and implement a process for maintaining and improving employee satisfaction. 	<ul style="list-style-type: none"> • Employee Satisfaction Survey • Turn Over Rate 	<ul style="list-style-type: none"> • Human resources capabilities and needs

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, page 17.

Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 07-08 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
1. Workers' Compensation Insurance	Achieve at least 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; 7.1d, page 33; and, 7.1e, page 34
1. Workers' Compensation Insurance	Lead the state in Workers' Compensation Commission compliance.	Measure the Number and Amount of Fines	Section III, Figures 7.5b, and 7.5c, page 48
1. Workers' Compensation Insurance	Financial records will reflect a cumulative net gain in assets over the period of FY 06 to FY 11.	Conduct Audit and Actuarial Review	Section III, Figures 7.2f, 7.2g, page 39; 7.2h, page 40; 7.3a, 7.3b, page 41; 7.3e, page 42; and 7.3f, page 43
1. Workers' Compensation Insurance	Provide workers' compensation insurance coverage for at least 50% of eligible voluntary accounts.	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	Develop and implement a process for maintaining and improving employee satisfaction.	Employee satisfaction survey.	Section III, Figures 7.4a, page 43; 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.)

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

2.3 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, 90 percent of the survey participants stated they were aware of the plan and 70 percent stated they were familiar with the agency's plans for the future. Over 87 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.

2.4 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 the 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 creating 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 our own customer surveys.

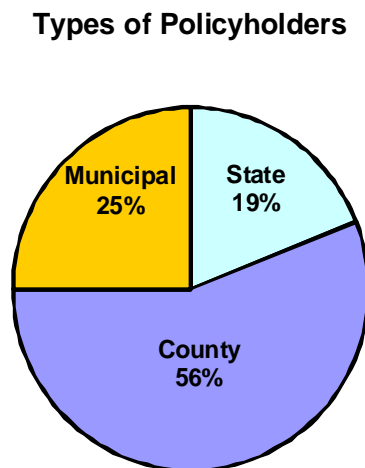


Figure 3.1

Figure 3.1 shows the types of entities that are insured by the State Accident Fund. Approximately 81% 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 50 volunteer fire departments throughout the state. These customers are free to shop the market for workers' compensation insurance. Their participation is strictly voluntary. Approximately 548 of these accounts chose to purchase their workers' compensation coverage from the State Accident Fund rather than a private sector insurance company.

The other 19% 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 Email 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 in 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 our 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 15 years. In 2001, the agency modified the format of its customer satisfaction survey. The number of questions used in the scoring was reduced from 36 to only 10. 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 31, 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 quarterly 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 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, Policy Holder Services, and Safety and Loss Control:

- ◆ Medical bills paid in 30 days
- ◆ Compensability decisions made in 14 days or less
- ◆ 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 90 days
- ◆ Percentage of premiums paid within 30, 60, and 90 days

For 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

For 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 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, Lawson, and BARS)
- ◆ Systematic upgrades of software and hardware for mission critical and other systems
- ◆ Manual tracking of form 50's

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 retreat.

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 work flow. Best practices are identified through team meetings and coworker interactions. Work process documentation includes:

- Employee manuals
- Adjusters 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 functional 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 all of the other members of their functional group. This multi-level approach to communications speeds the flow of information across normal 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 when it posts a vacancy. 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 for interviewing and hiring decisions. Vacancies in pay band five (5) and below require a two-step process. It consists of a team screening interview and a final interview. The hiring decision is made by the Agency Director. Interviewing and hiring for vacancies in pay band six (6) and above is conducted by the Agency Director with input from appropriate other employees.

5.4 The agency determines workforce capacity and capability by modifying accepted insurance industry standards to allow for deviations from the norm. 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 incorporates claim audit function into the process evaluating claim personnel. This approach directly supports the agency’s goal to “Lead the state in Workers’ Compensation Commission compliance.”

The agency believes that EPMS documents must be completed in a timely manner for them to be effective. Based on this belief, the agency measures the percentage of evaluations completed in a timely fashion. This was derived by subtracting the number of employees who receive meets by defaults 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 7.4f, 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 from the agency's action plans. These developmental objectives are included in each employee's EPMS planning stage. Opportunities for employee development are presented through the Agency's Tuition Assistance Program, Insurance Education Incentive Program, 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 the formal training needs assessment and an annual training plan.

Developmental and training needs are addressed using one of three 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 Casualty Underwriter Professional Society. This program was implemented to meet the professional development needs of the staff. The second approach is formal classroom instruction provided by agency staff. The third approach includes training classes and seminars provided by outside resources. The agency tracks the level of participation and the amount of training successfully completed via these approaches (Section III, Figures 7.4d; page 45 and 7.4e, page 46).

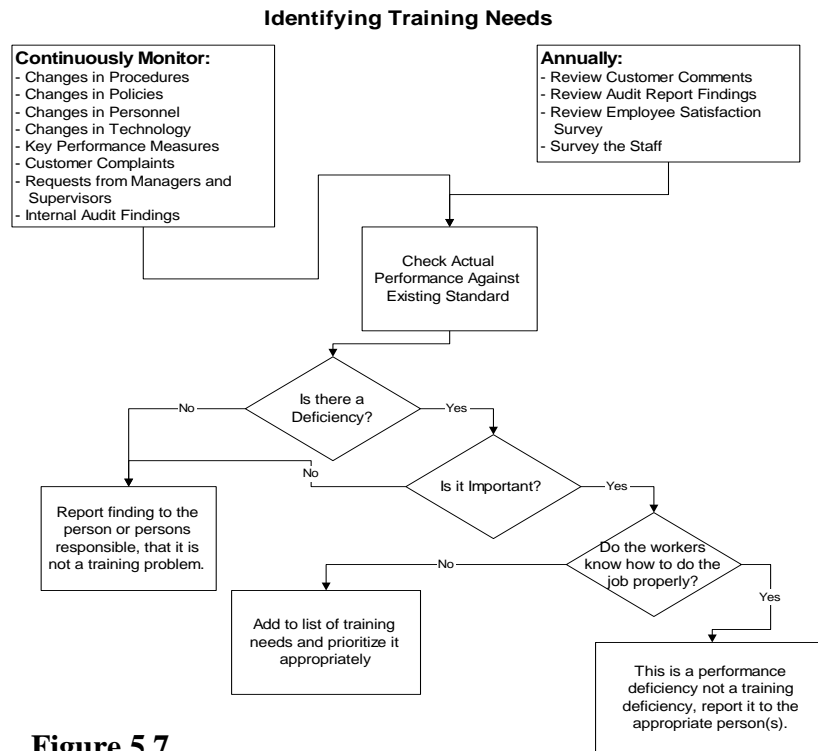


Figure 5.7

5.8 The agency uses a very targeted approach to training. Objectives and examples 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 evaluate the effectiveness of the training that was conducted.

5.10 Training effectiveness is determined by measuring changes in performance.

5.11 The agency strives to maintain an environment that promotes employee involvement and recognizes employee contributions. The agency has developed and implemented several incentives to motivate employees to develop both personally and professionally. In a small flat agency, it is a challenge to find meaningful rewards for high performers. The agency has developed and implemented incentive programs designed to motivate employees and recognize individual achievement. 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, the agency also uses 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 human resource 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 process called “The Knowledge Transfer Process”. This process 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.

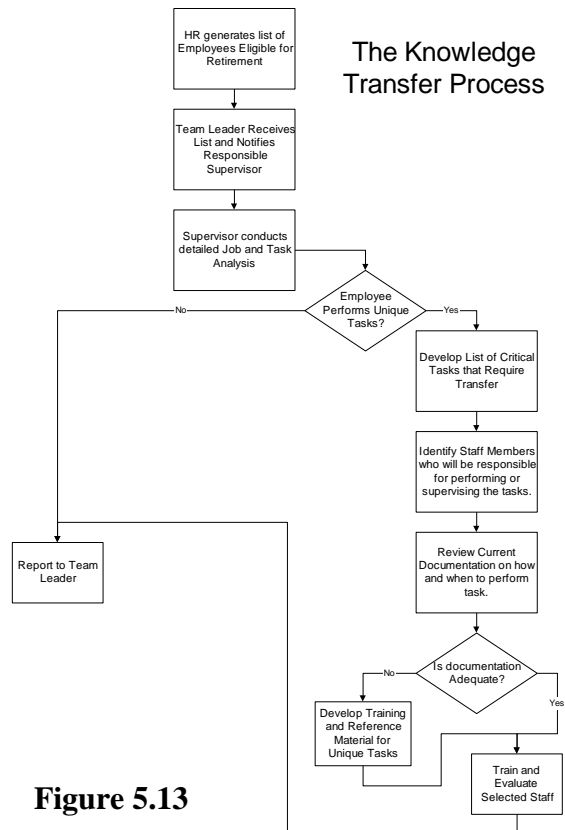


Figure 5.13

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 Funds key processes are:

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

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 and through requests in the Fund's quarterly newsletter. 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 process teams review the Agency's mission annually. Changes within the Agency to meet mission requirements are assigned as action items and if necessary, adopted by the agency's upper level management. Senior leadership meets weekly (Agency Quality Council or AQC) to discuss items like cost controls, efficiency and effectiveness factors, and implement changes as needed.

6.4 Key performance requirements are reflected in day-to-day operation in a number of methods. They are:

- Claims Management - reports of measures (below) 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 claims senior 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 (temporary total) 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 - Reports are run and reviewed regularly to ensure standards are being met. Due to travel, meetings are held on 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.
- Safety and Loss Control - Reports are run and reviewed regularly to ensure standards are being met. Due to travel, meetings are held on 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 all hazards documented.
 - Training - Records are maintained of all training sessions.
 - Consultation - The percentage of policyholders contacted and provided with appropriate information, instruction and training.

6.5 Process time indicators are measured and reported to the agency staff on a weekly basis. Support function indicators are reported on a weekly basis. These performance indicators are reviewed at the weekly management team meetings. Opportunities for improvement are discussed at business and function 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 meeting. The performance measures for each support function are shown in Figure 6.1, page 29-30.

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, Lawson, VI, e-mail, fax, internet and total failure). • Compliance with regular event schedules - monthly report noting any problems, discrepancies, etc. • Modifications, up-grades, special projects - progress reports - project planning and management tools.
Legal Support	<ul style="list-style-type: none"> • Regular review of contract attorney budgets 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 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 Key Risk. SAF liaison is the Director of Claims with the advice of the AQC, a council consisting of the heads of all key and support process managers and the senior leadership of the agency. Customer service log is maintained and quarterly meetings are held. Prescription management of claims – provided by Companion RX. 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 anticipated recoveries 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/hardware support - provided by Fiserv of Denver, Colorado. Continuous contact is maintained with project manager and other Fiserv 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 15 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.

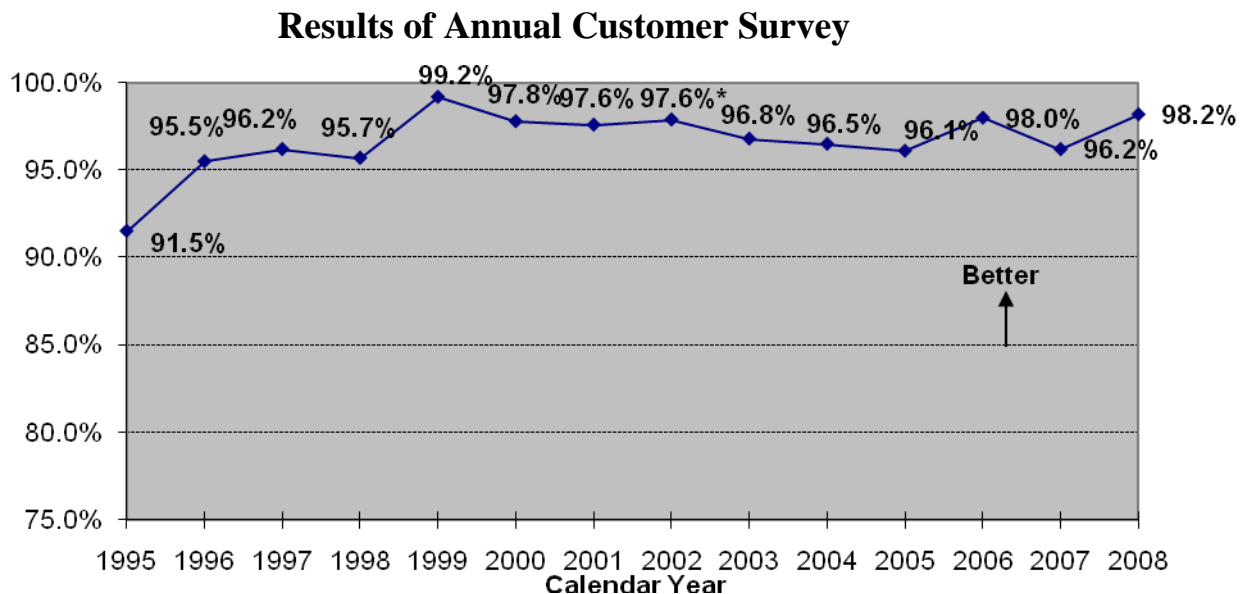


Figure 7.1a

(*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 below in Figure 7.1b.

Customer Satisfaction Compared to the American Consumer Satisfaction Index

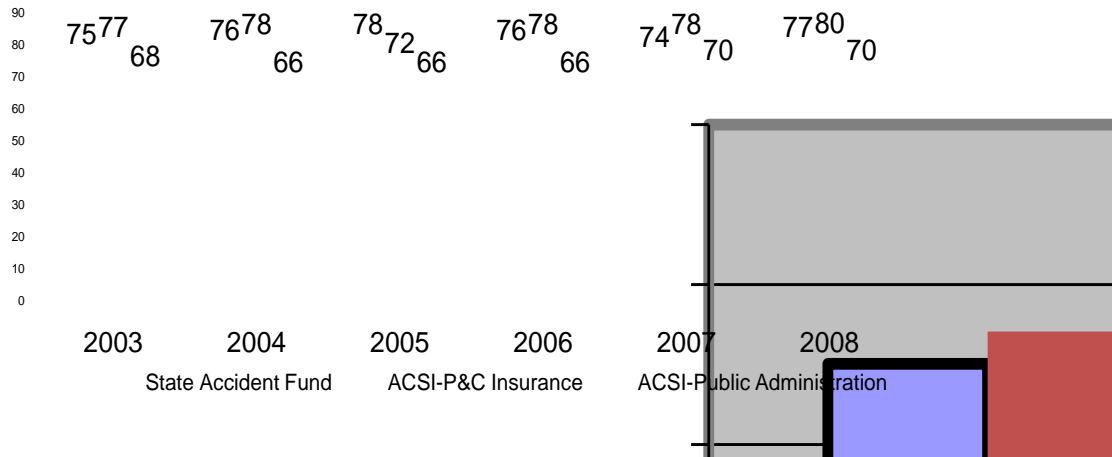


Figure 7.1b

The State Accident Fund also uses customer loyalty as a measure of customer satisfaction. During the reporting period the agency gained 19 new policyholders (Figure 7.1c). During the same period the agency lost 11 policyholders. The gain in new accounts can be attributed to a number of factors. The first factor is current customer satisfaction. The agency does not have a marketing solicitation program, therefore new policyholders normally hear about the agency through others and the recommendation of current policy holders.

Account Activity

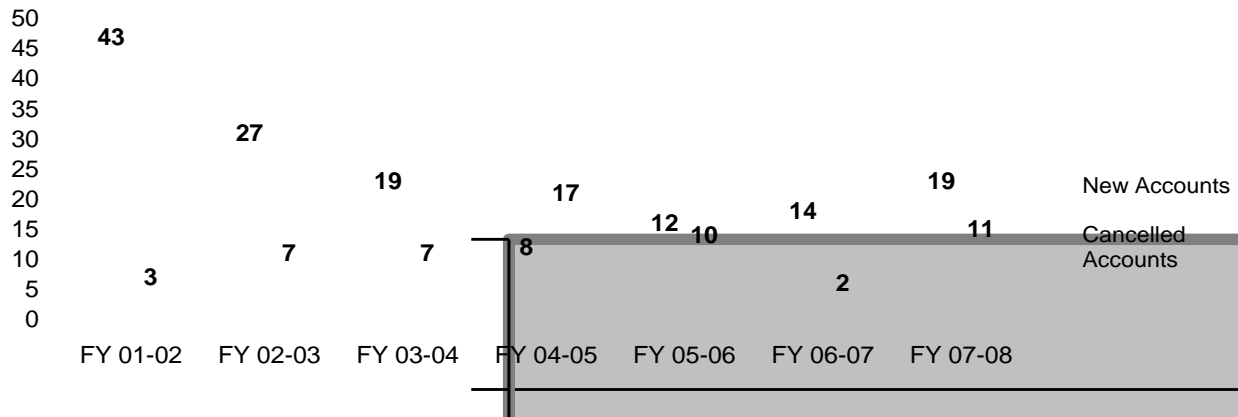
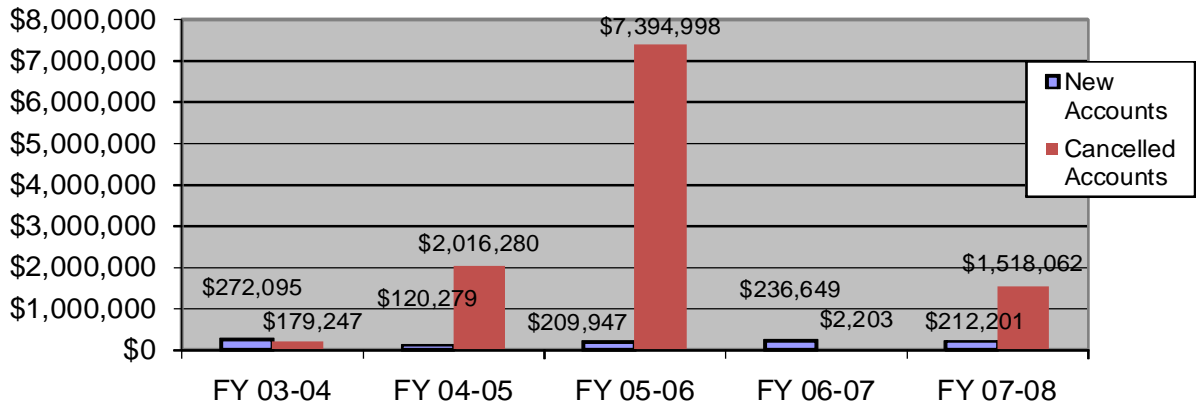


Figure 7.1c

Premium from New and Cancelled Accounts



Note: In FY 05-06 the Department of Education – Office of Transportation delegated the coverage of bus drivers to the individual school districts.

Figure 7.1d

To better compare this data from year to year 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.

Retention Rate for Voluntary Accounts

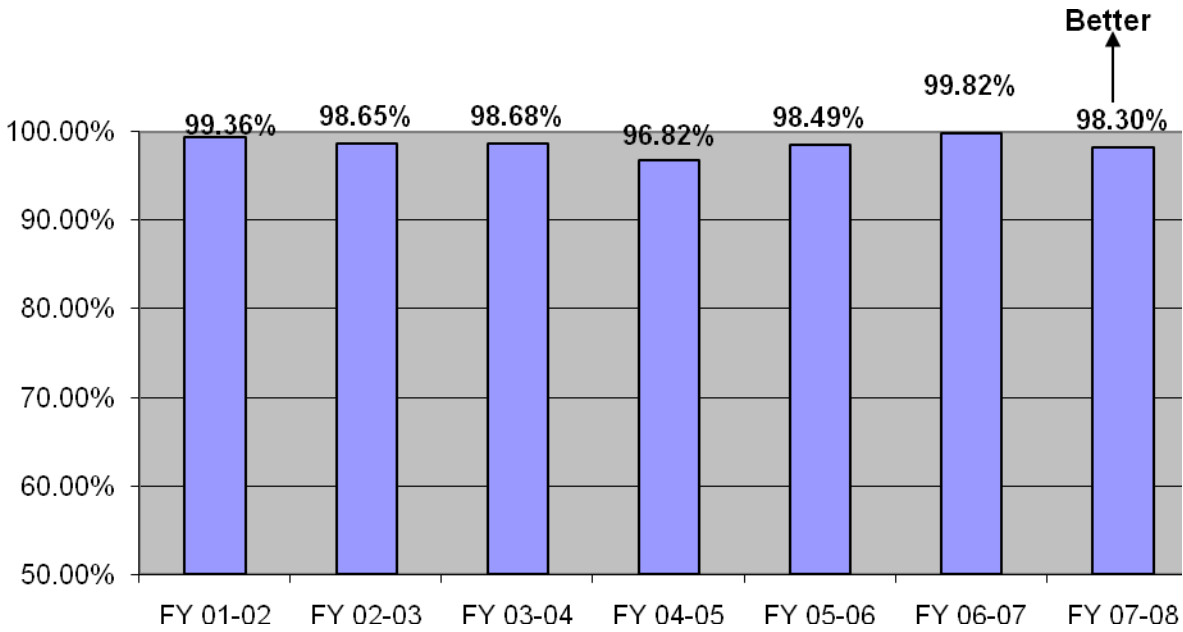


Figure 7.1e

Retention Ratio for Voluntary Accounts

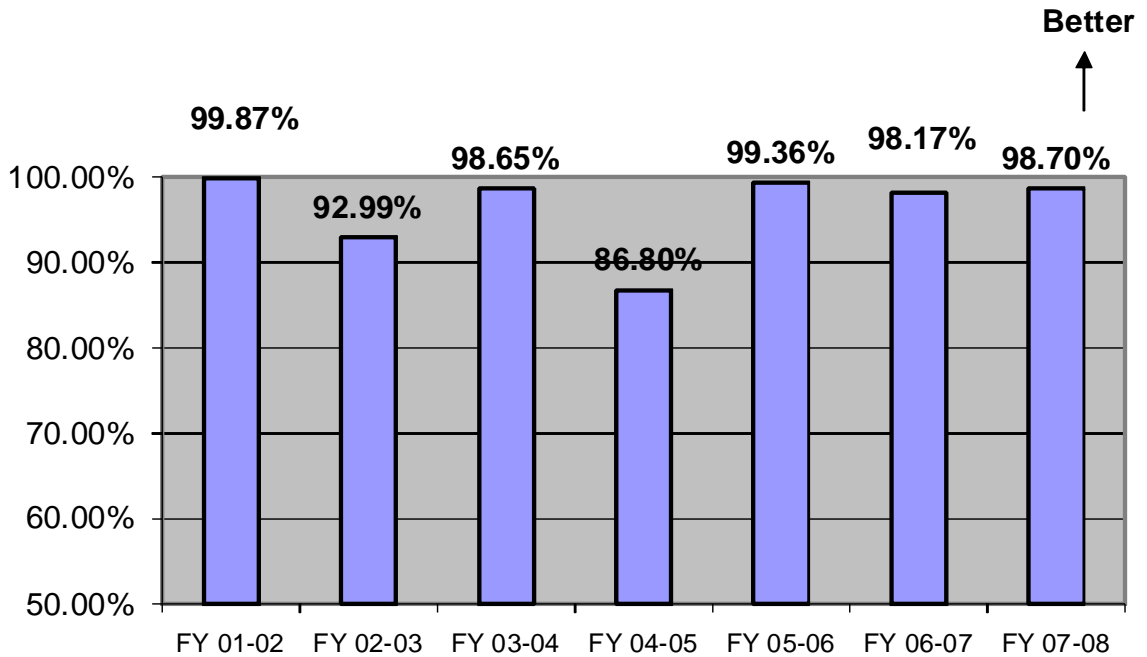


Figure 7.1f

The State Accident Fund determines market share of available 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 account currently carried by the State Accident Fund. Figure 7.1g shows the percentage of available voluntary accounts carried for the reporting period.

Percentage of Available Voluntary Accounts Carried

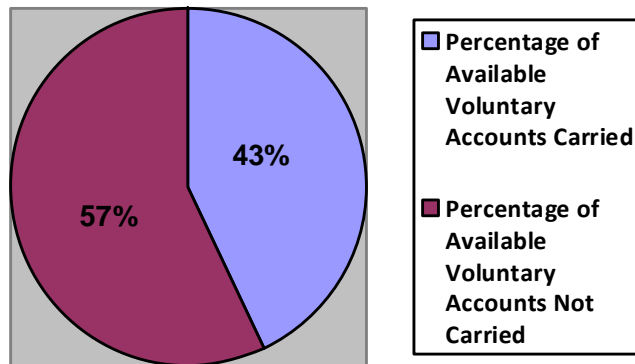


Figure 7.1g

The agency provides policyholders with loss prevention services to assist them in providing as safe of a work environment as possible. These services help reduce the number of accidents and injuries and thus reduce the cost of coverage for the policyholder. During FY 07-08, the Loss Prevention Team provided the following services:

Loss Prevention & Safety Services	
Service	Number
• Inspections	58
• Training Classes Delivered	372
• Number of Employees Trained	2485
• Number of Agencies Provided Training	556

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 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
Claims Opened	7,666	7,401	7,066	7196	6527	6240	6063
Open Claims Carried Forward							
Number of Accounts	663	673	684	675	656*	668	677
<u>Outputs:</u>	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
Claims Closed	9,607	9,807	8,867	8615	7097	7386	7381
Safety Inspections	88	89	84	91	93	94	58
Safety Classes Conducted	105	109	117	124	131	143	372

* NOTE: This change in FY 05-06 was due to the combining of several small accounts into one account.

Percentage of Claims Carried Forward

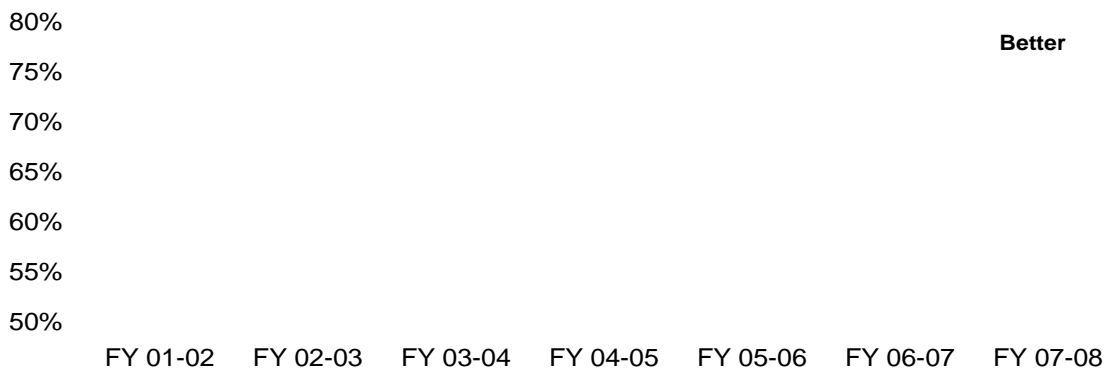


Figure 7.2a

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 the five most frequently used 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. Beginning in FY 05-06, rate information was no longer available through the South Carolina Department of Insurance. Comparisons for FY 06-07 are based on Loss Cost Multipliers as presented by the SC Worker Compensation Commission to the Legislature in

August 2006. In FY 07-08, the Department of Insurance resumed the collection of Rate Filing Data and the FY 07-08 data in chart 7.2b reflects the most recent data available from these various sources. The comparison is limited to the top 8 carriers in the state. During the report period the agency had the lowest rates of the companies of which comparison data was available. 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. As a result of workers' compensation reform legislation, the Department of Insurance again began to collect Rate Filing Data in FY 07-08. As this data becomes available, the Fund will be able to compare data from the Department of Insurance Filing. The chart in Figure 7.2c shows the agency's ranking over the last 11 years.

Comparison of SAF Average Rates with Largest Private Carriers Average Rates

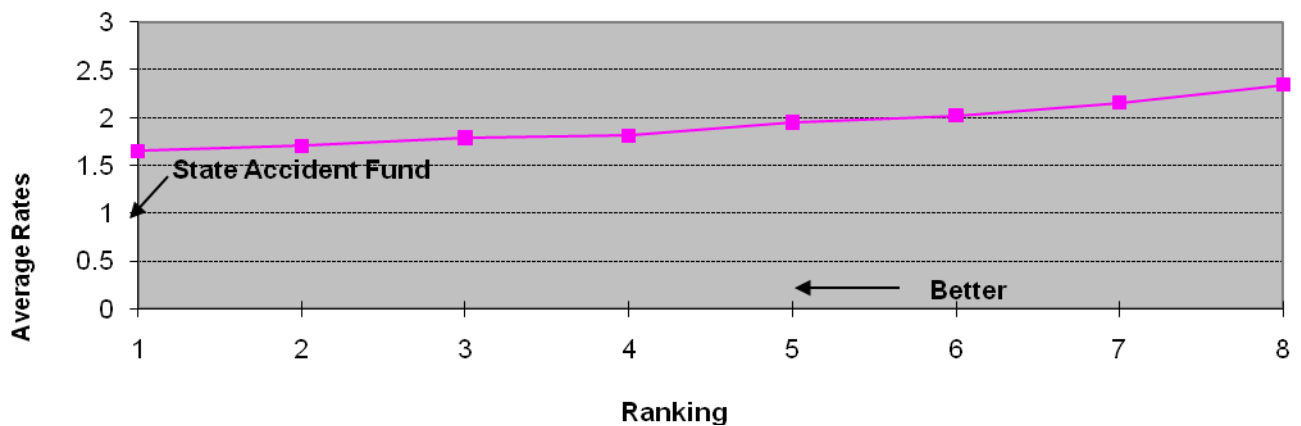


Figure 7.2b

(Note: in FY 05-06, rate information was no longer available through the South Carolina Department of Insurance. Comparisons for FY 05-06 are based on Loss Cost Multipliers as presented by the SC Worker Compensation Commission to the Legislature in August 2006)

State Accident Fund's Ranking

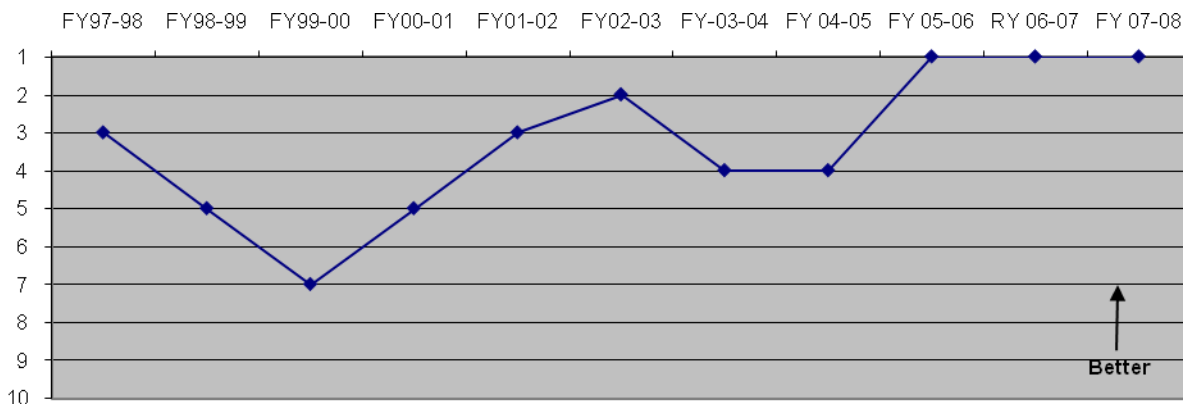


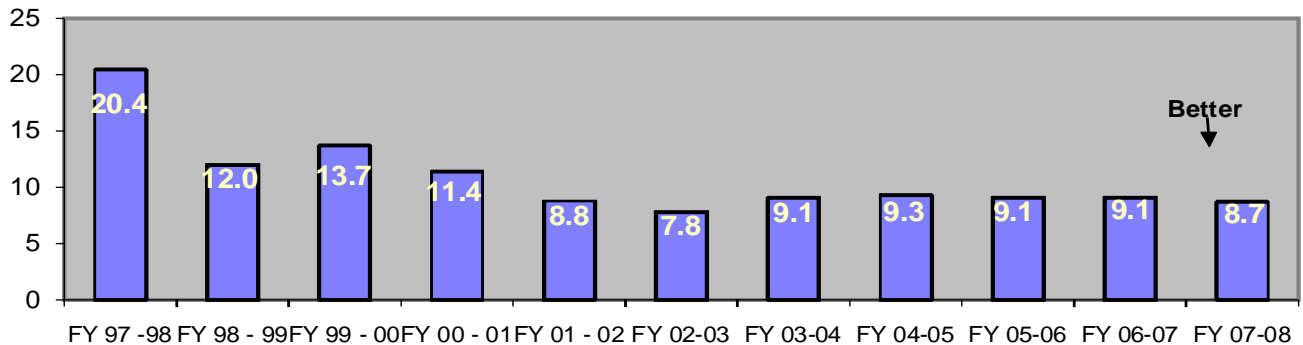
Figure 7.2c

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 Eleven 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. In fiscal year 97-98 the agency began measuring what percentage of bills were paid within thirty days of the date of receipt. In fiscal year 99-00 this measure was refined to include all bills, not just those paid. The new measure tracked the percentage of bills processed within thirty days of the date of receipt. In fiscal year 07-08 the measure was future 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

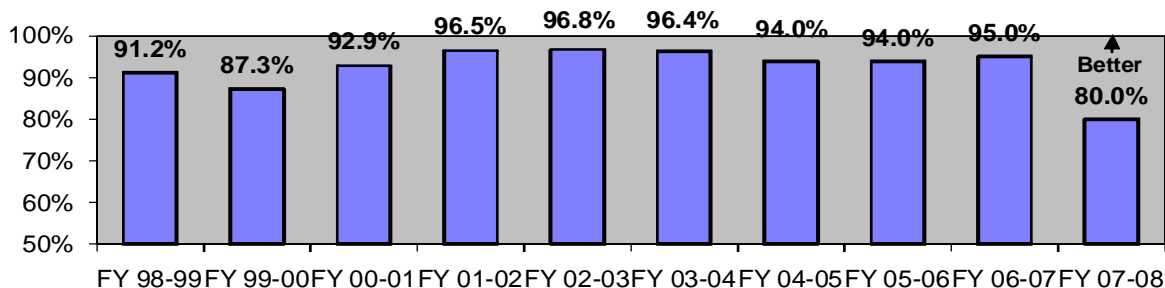
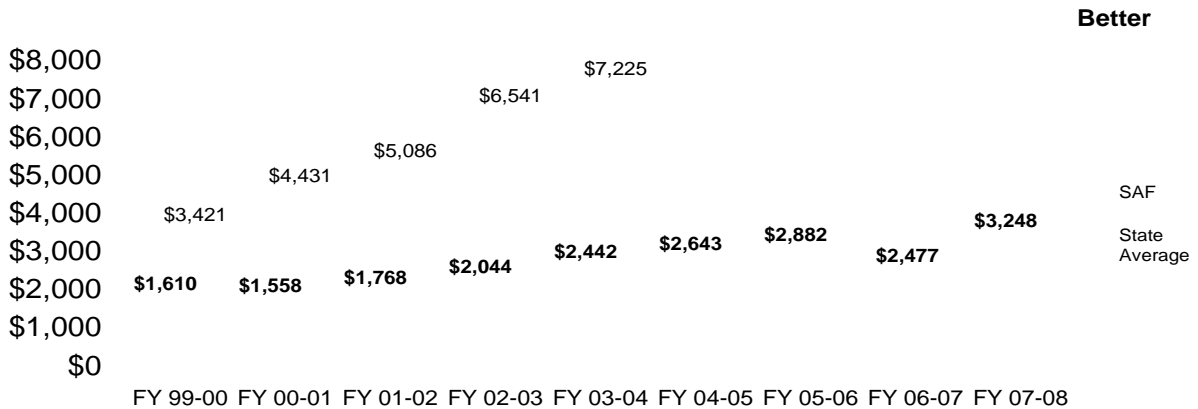


Figure 7.2e

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 66% lower than the industry average.

Average Medical Cost Per Claim

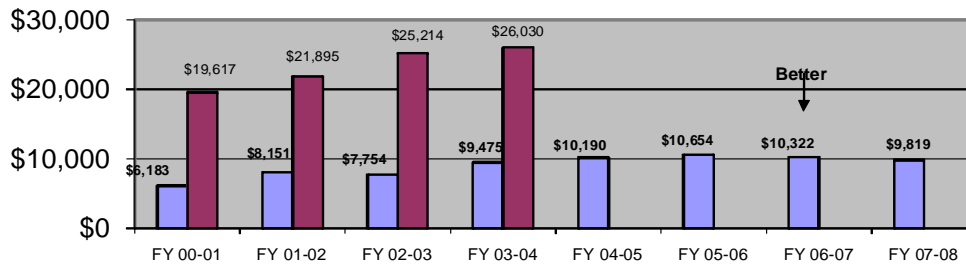


Note: SAF FY is July-June; NCCI FY is April-March

Figure 7.2f

The average indemnity cost per claim is shown in Figure 7.2g. The agency's average was 58% below the average for private industry.

Average Indemnity Cost per Claim



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

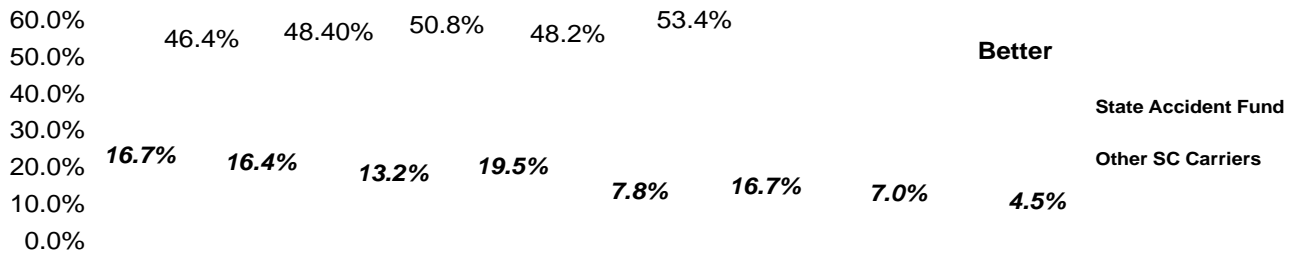
Figure 7.2g

** 1999 Data - NCCI Statistical Bulletin 2003; 2000 Data - NCCI Statistical Bulletin 2004; 2002 Data - NCCI Statistical Bulletin in 2006.*

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

Administrative Cost Ratio Comparison



* Note: NCCI Data not available for CY 2005 or 2006
 ** Note: The figure shown for 2006 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 86 FTE's (Full Time Equivalencies) 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.

Program Cost Minus Bad Debts and Depreciation

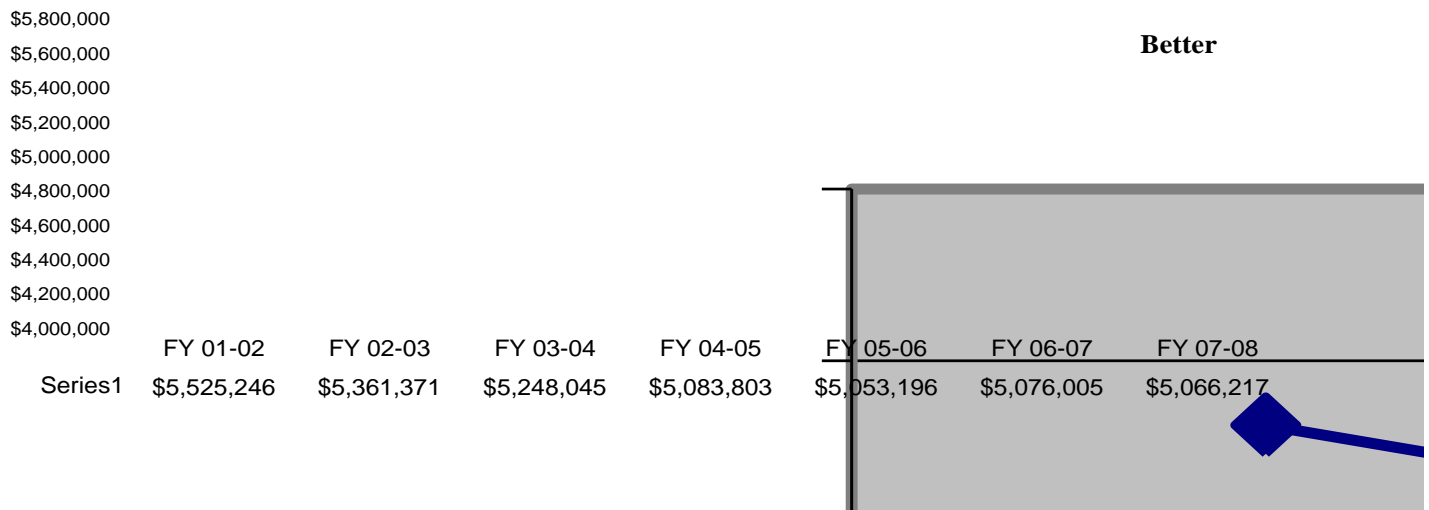


Figure 7.3a

Expense Details

	<u>FY 00-01</u>	<u>FY 01-02</u>	<u>FY 02-03</u>	<u>FY 03-04</u>	<u>FY 04-05</u>	<u>FY 05-06</u>	<u>FY 06-07</u>	<u>FY 07-08</u>
Personnel services & employee benefits (Authorized FTE's)	\$3,881,128 (92.12)	\$3,981,365 (90.12)	\$3,893,385 (90.12)	\$3,871,703 (90.12)	\$3,809,297 (90.12)	\$3,873,339 (90.12)	\$3,894,164 (86)	\$3,901,043 (86)
Contractual services	957,813	970,620	851,459	780,458	692,854	576,076	614,622	574,177
Rent and insurance	319,945	310,701	342,497	358,824	324,030	331,430	340,089	361,872
Supplies and materials	116,467	108,713	110,602	92,016	118,822	114,867	122,818	99,975
Other expenses	114,930	153,847	163,428	145,044	138,800	157,484	104,312	129,150
Total	\$5,390,283	\$5,525,246	\$5,361,371	\$5,248,045	\$5,083,803	\$5,053,196	\$5,076,005	\$5,066,217

Figure 7.3b

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

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

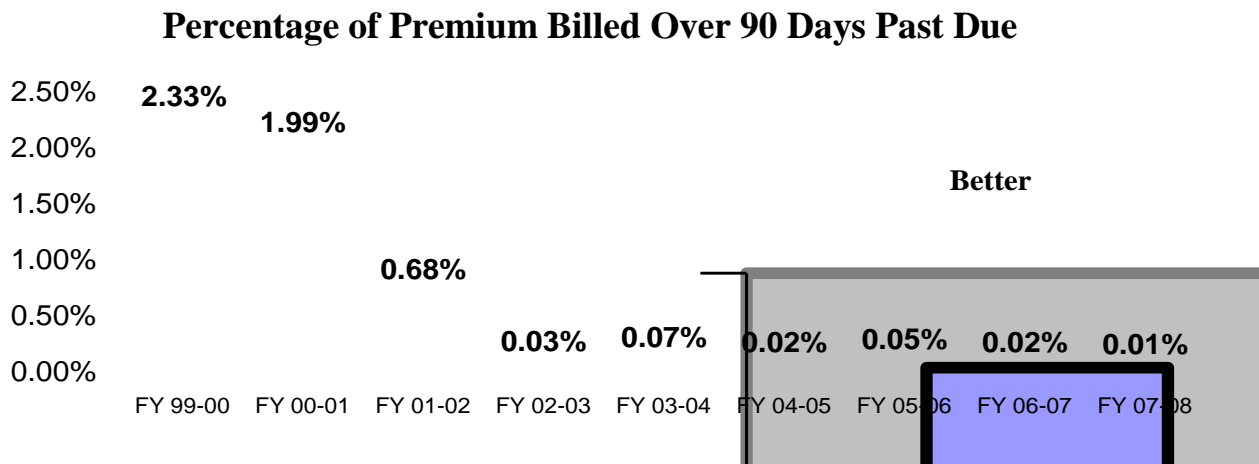


Figure 7.3c

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.

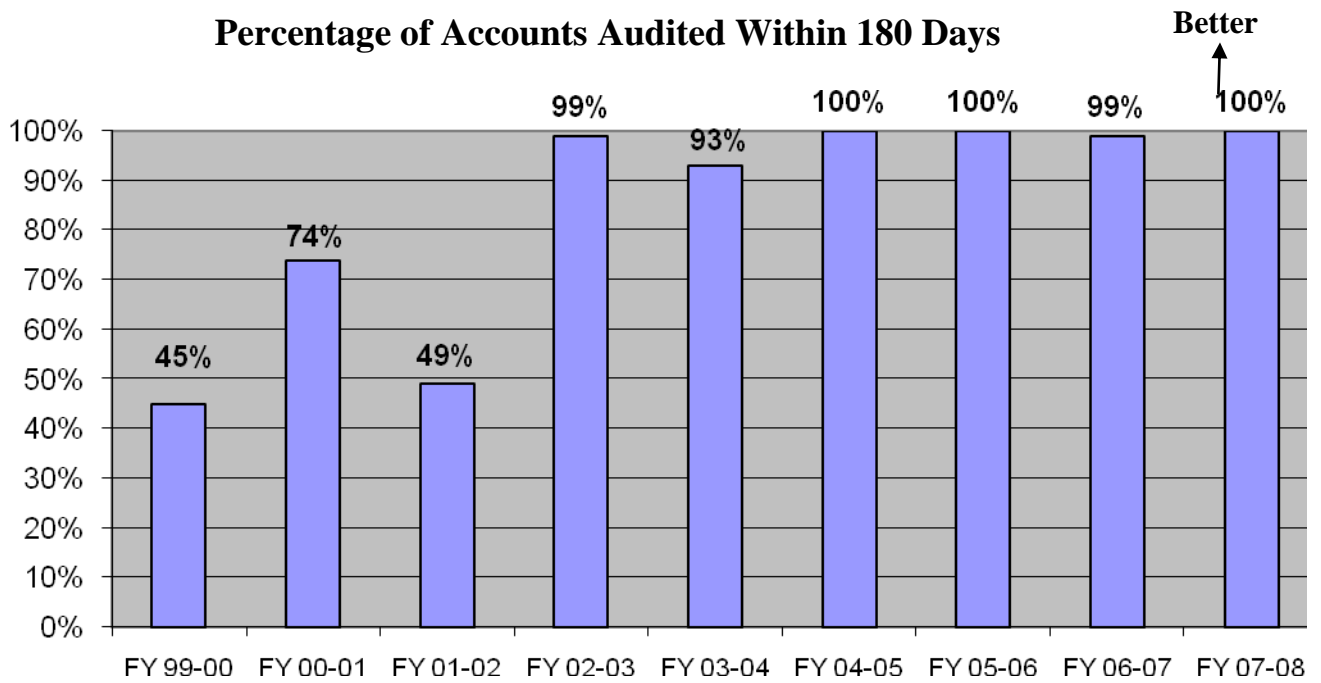


Figure 7.3d

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 is evaluated annually during the actuarial review.

Trust Fund Balance as of June 30th

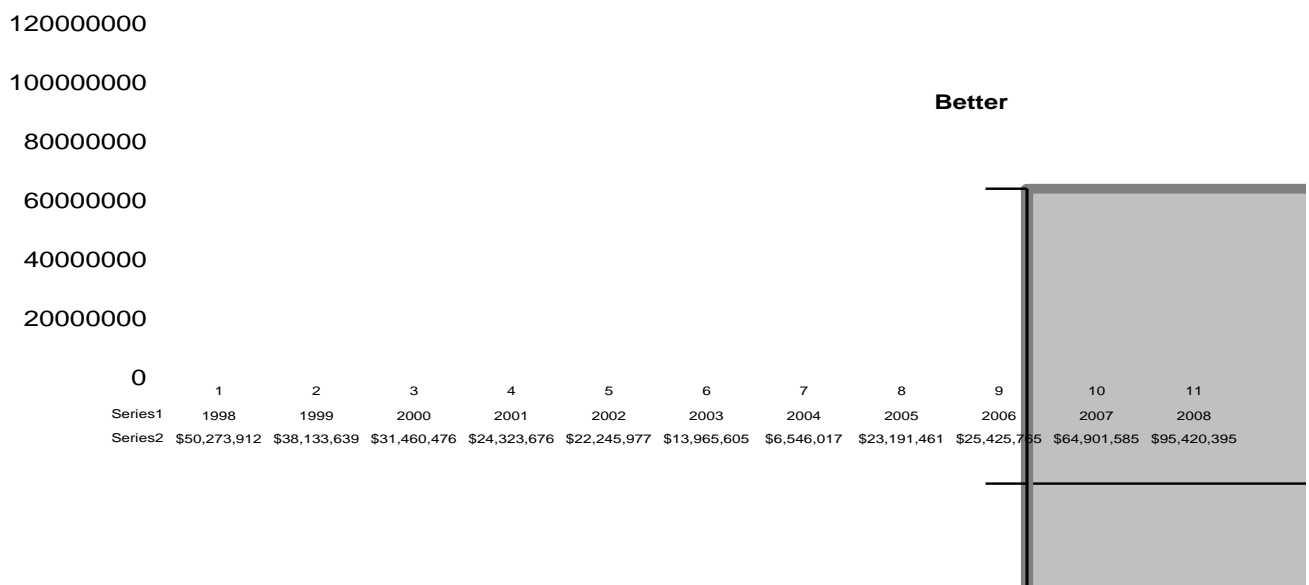


Figure 7.3e

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

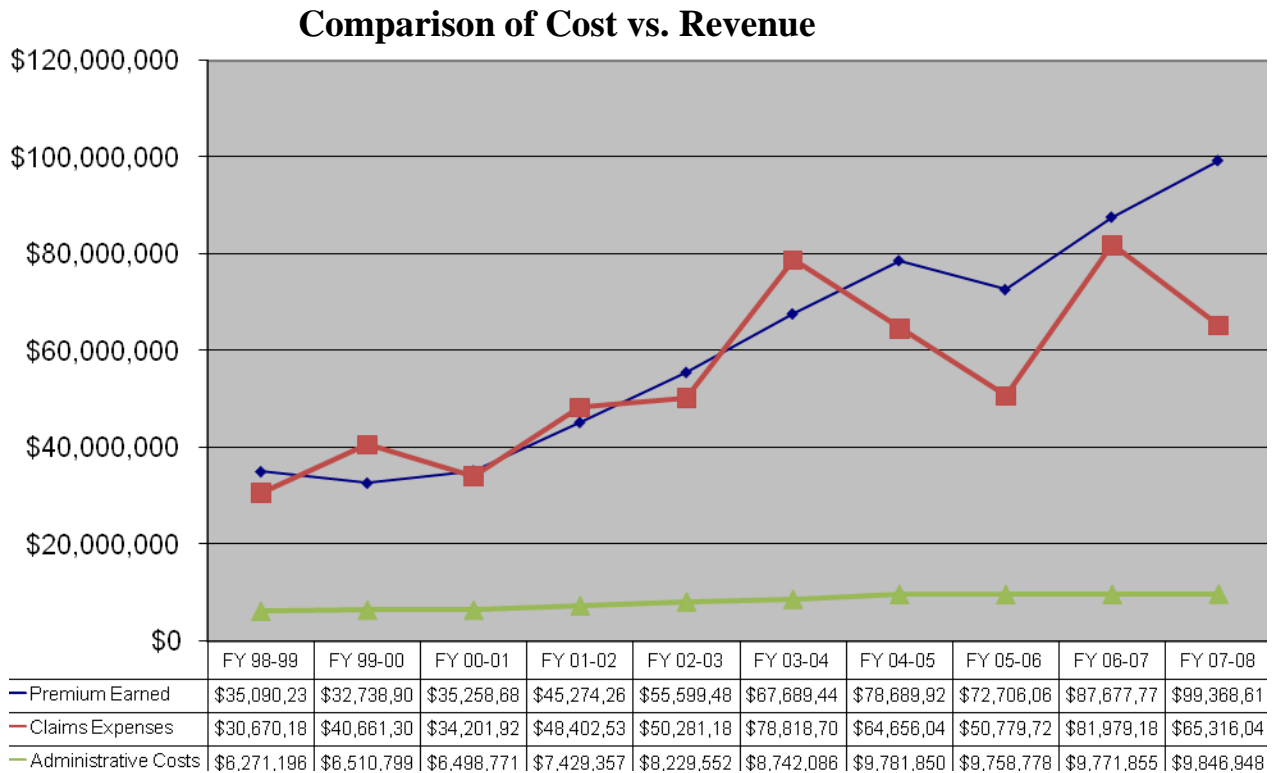


Figure 7.3f

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 07-08 the State Accident Fund recovered over \$12 million.

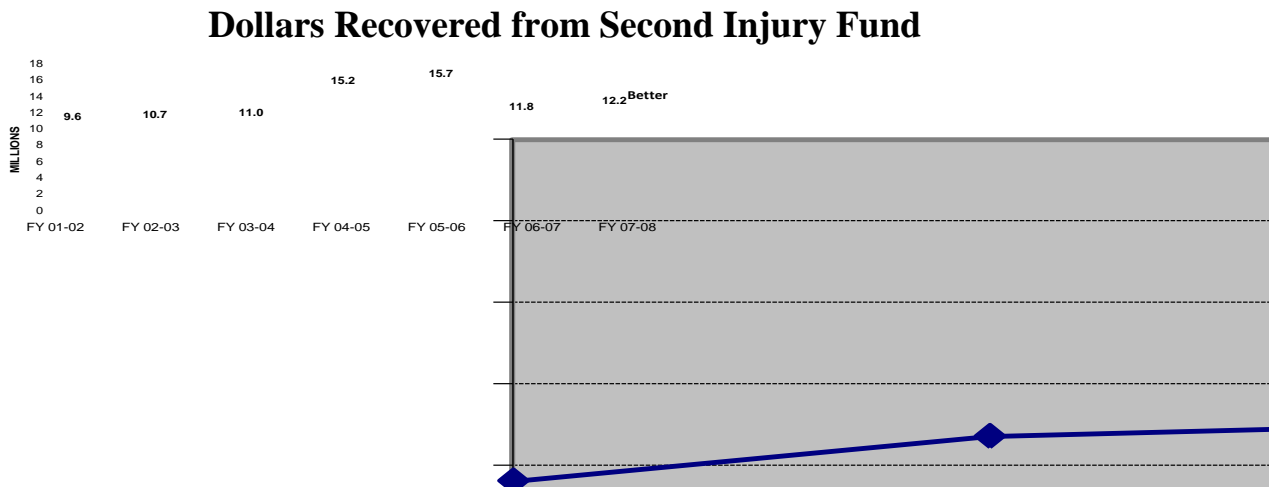


Figure 7.3g

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 left the organization. The agency uses data from the Bureau of Labor Statistics to compare its current turnover rate with the rate for both “Government” and the “Finance” industry. The chart below shows the agency has moved closer to the national averages in recent years.

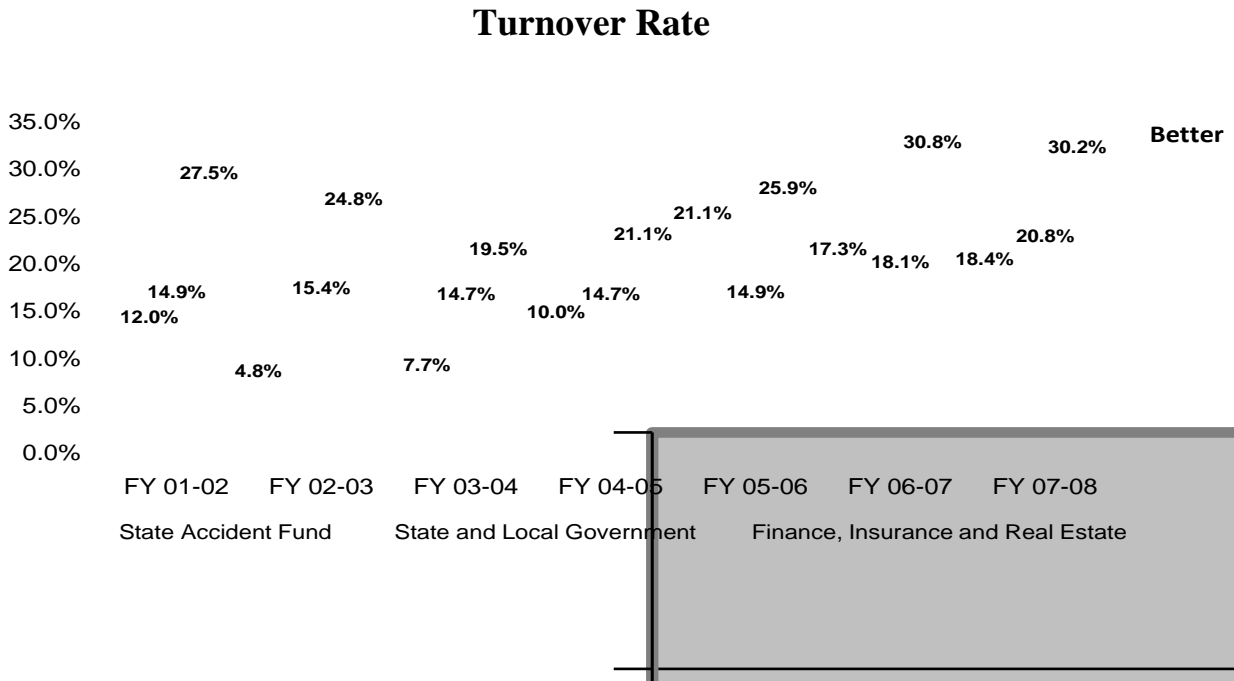


Figure 7.4a

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

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

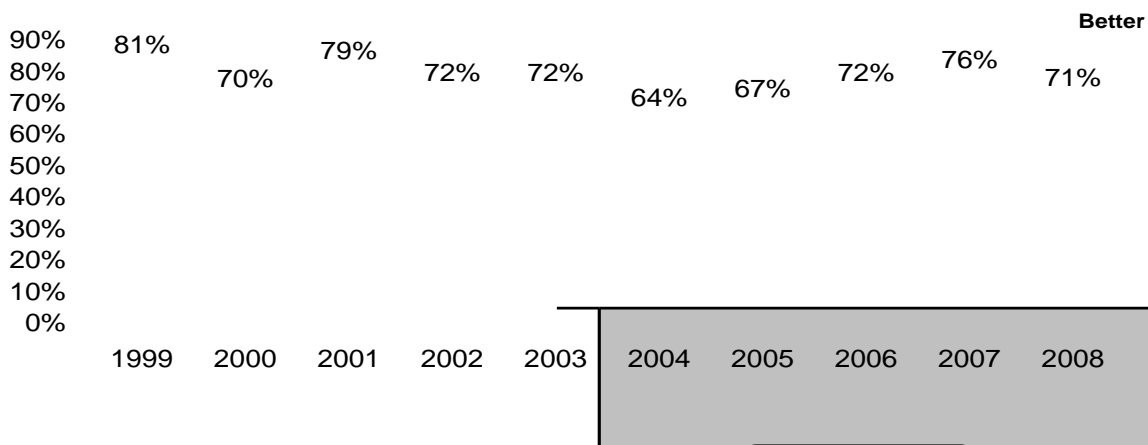


Figure 7.4b

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

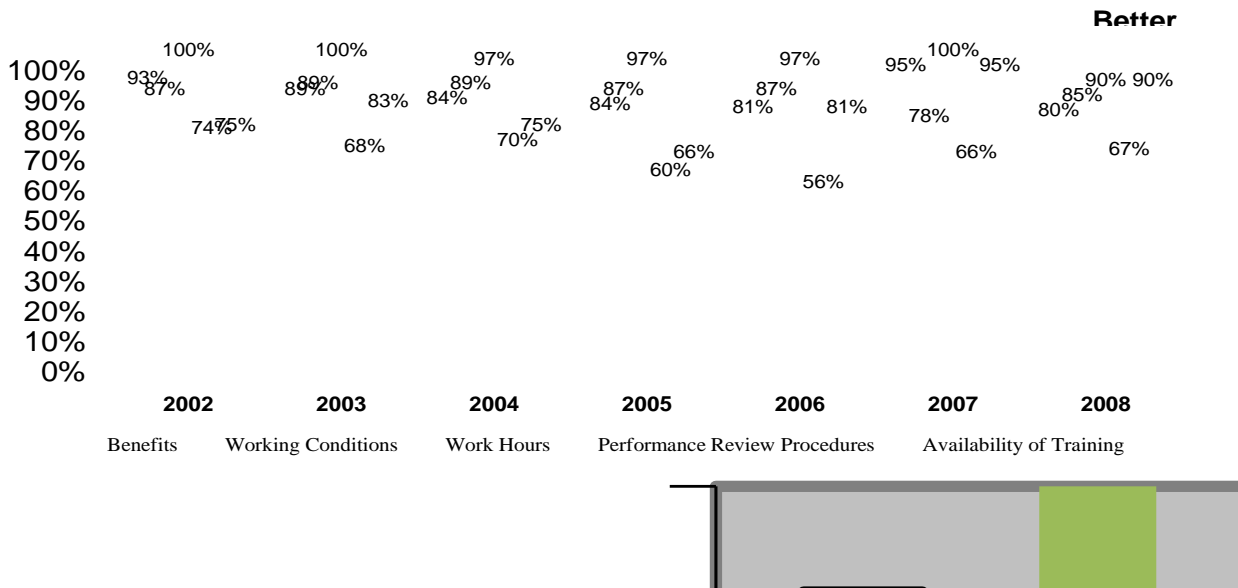


Figure 7.4c

The agency measures employee development and training in two major areas. The first is the number of courses successfully completed at the American Institute for CPCU and Insurance Institute of America. This is a voluntary self-study program. The results are shown in Figure 7.4d.

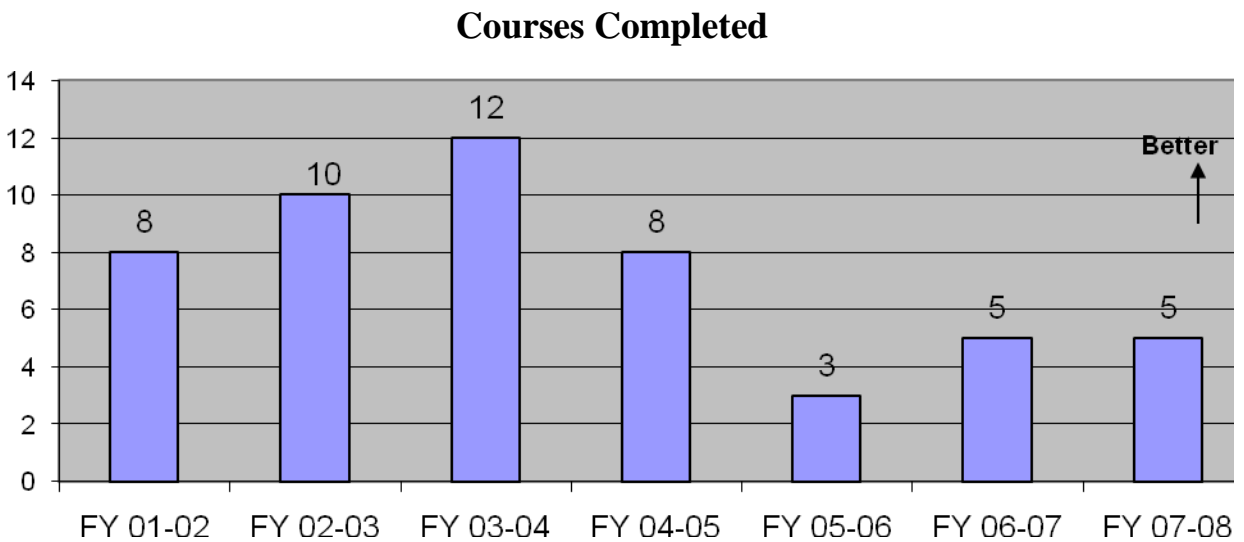


Figure 7.4d

The second measure is 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 7.4e).

Average Number of Hours of Classroom Training

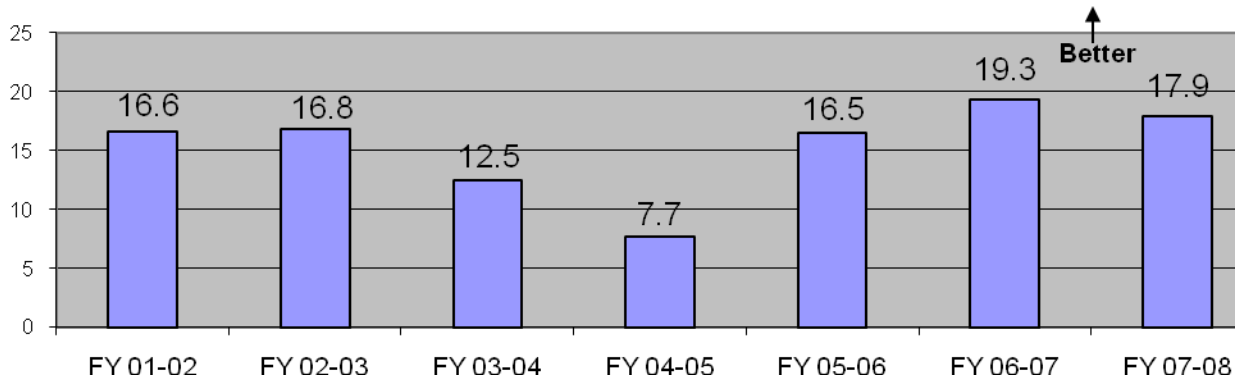


Figure 7.4e

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

Percentage of EPMS Evaluations Complete

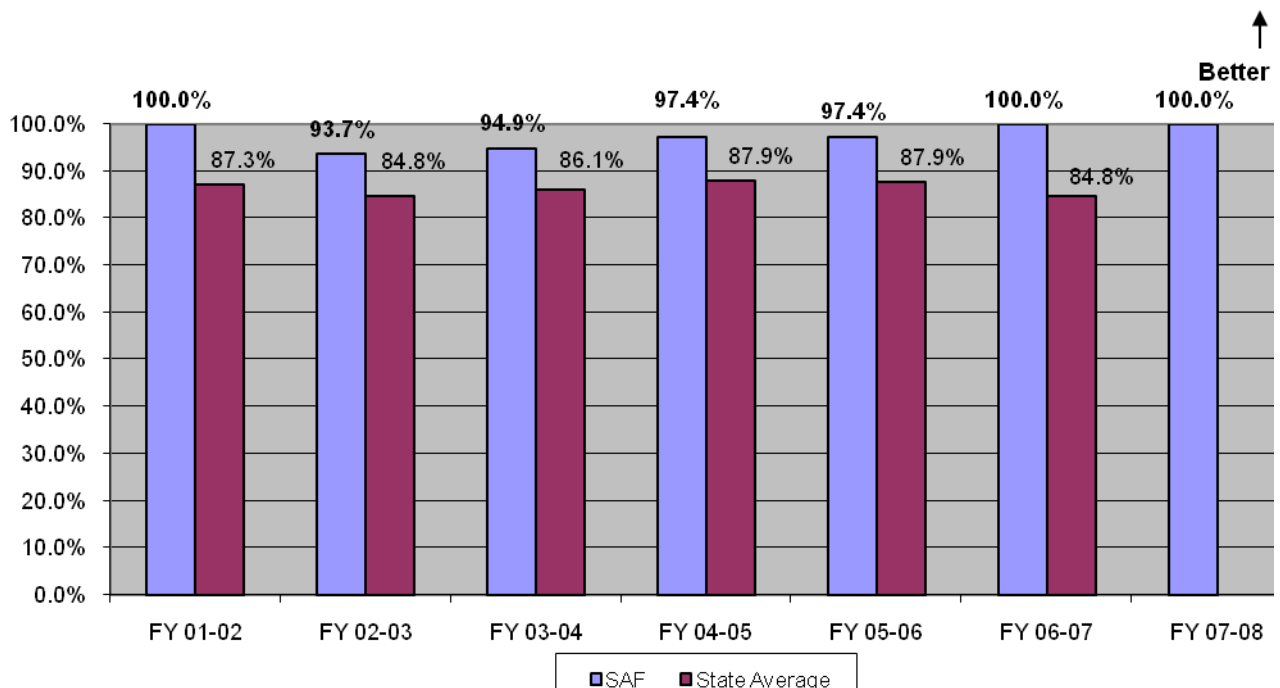


Figure 7.4f

7.5 To insure legal and regulatory compliance, the agency relies on four basic measures. The first is the percentage of claims with an initial decision within 14 days of the date of accident, as

one of its indicators of regulatory compliance. The results of the last 11 years are shown in Figure 7.5a.

Percentage of Claims Decided within 14 Days

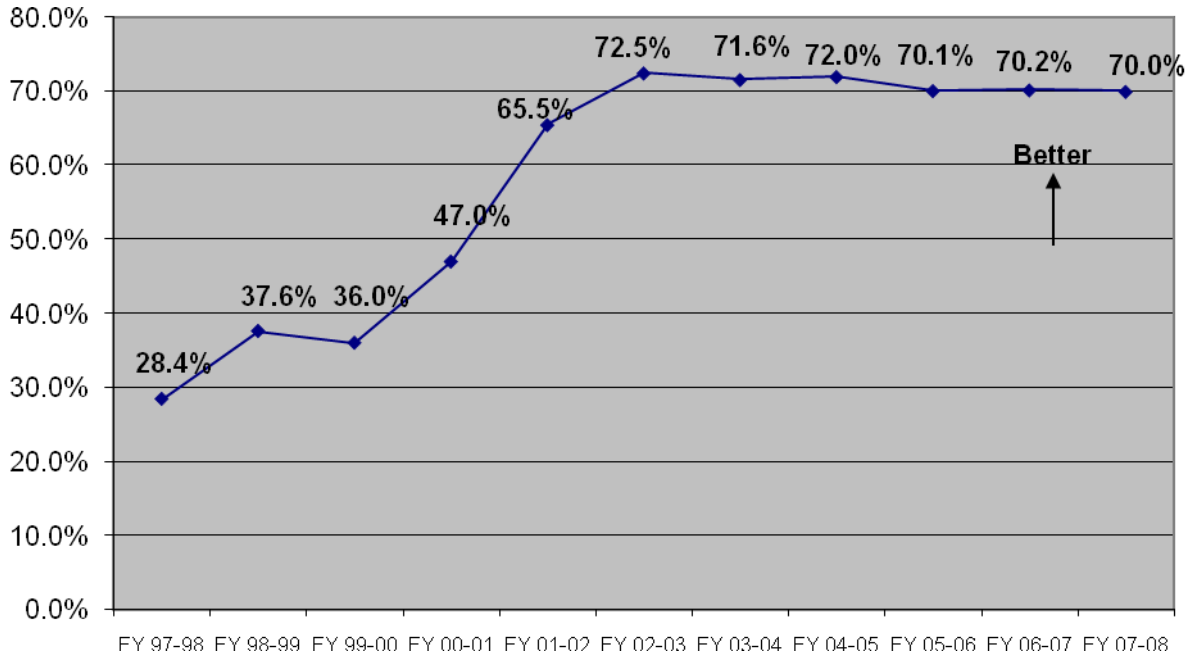


Figure 7.5a

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

Number of Fines Paid

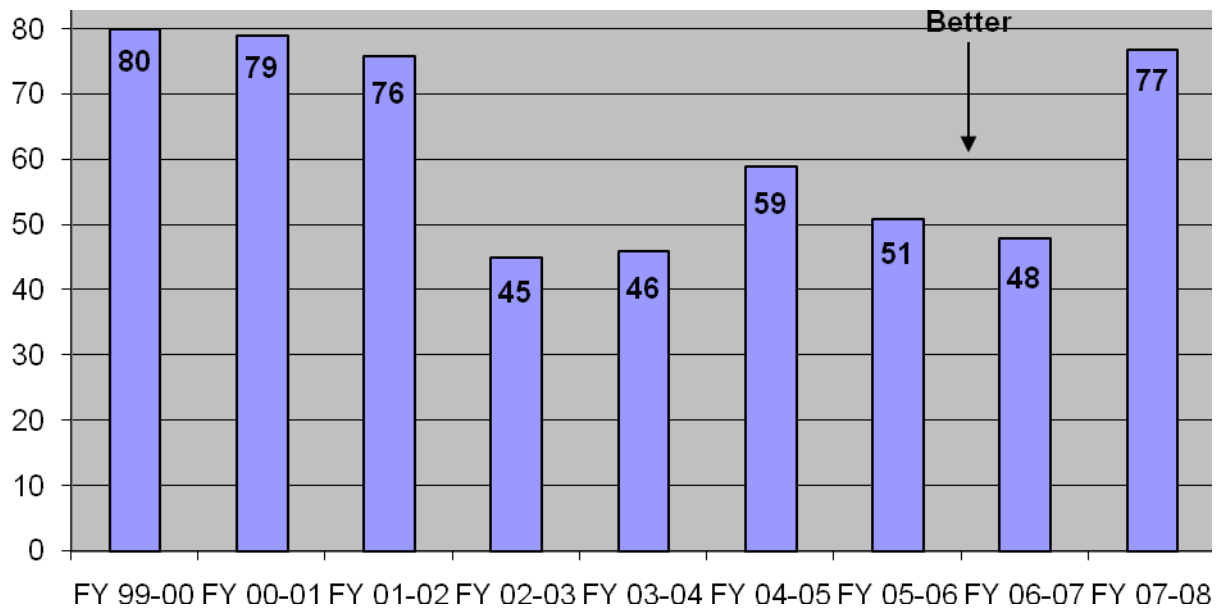


Figure 7.5b

Amount Paid in Fines

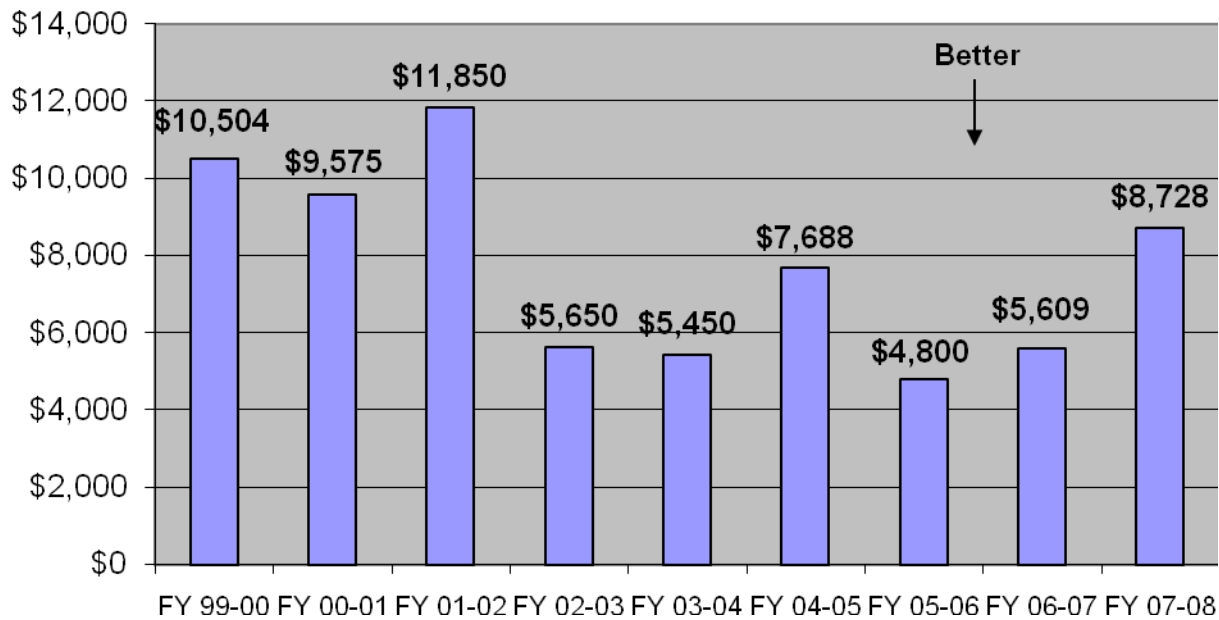


Figure 7.5c

The annual audit is the last measure of regulatory compliance. Figure 7.5d shows the number of audit findings for the last 13 years.

Number of Audit Findings

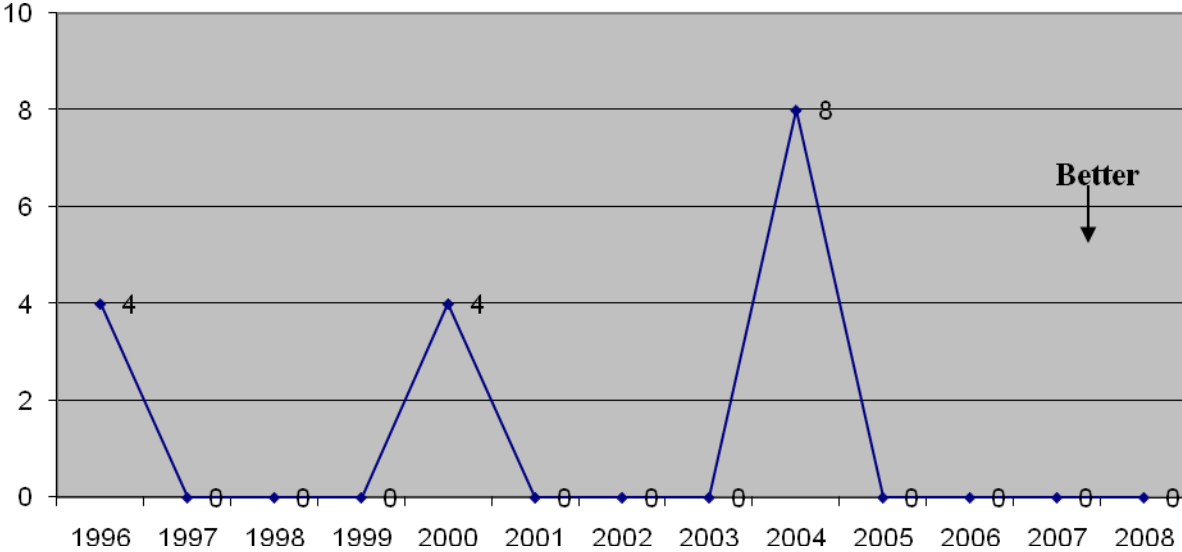


Figure 7.5d