



South Carolina State Accident Fund

Henry D. McMaster
Governor

Erin Farthing
Acting Director

November 15, 2021

Via E-mail

The Honorable John Taliaferro (Jay) West, IV, Chair
Healthcare and Regulatory Subcommittee
Legislative Oversight Committee
South Carolina House of Representatives
Post Office Box 11867
Columbia, South Carolina 29211

RE: Follow-up from the Healthcare and Regulatory Subcommittee meeting with the agency

Dear Representative West,

Thank you for the opportunity to provide the Subcommittee with additional information regarding the State Accident Fund and Uninsured Employers' Fund. As requested in your letter dated October 29, 2021, please see below for responses to the questions therein:

Uninsured Employers Fund (UEF)

1. Would the agency support statutory authority to impose a financial penalty on an employer who failed to procure workers' compensation insurance?

SC Code Ann. §42-5-40 provides for a financial penalty to be assessed against employers who are required to have workers' compensation coverage but fail to secure it. The Workers' Compensation Commission assesses the fines, and all fines collected must be submitted to the general fund. The UEF has a statutory lien on any amount paid by UEF due to an employer's failure to secure workers' compensation coverage, though actually collecting on that lien can prove difficult.

Records Compliance

2. Is the agency currently in compliance with the retention schedule, as directed in statute?

Upon information and belief, SAF is in compliance with the retention schedules set forth in our prior presentation with regard to personnel records, financial records, open and closed workers' compensation claim files, audit files, and annuities. We are working with the Department of Archives and History to ensure that we are, and remain, in full compliance with all statutory provisions regarding retention.

Agency Performance Metrics

1. Has agency leadership developed performance metrics to determining the efficiency and effectiveness of these departments/divisions?

Each department has certain metrics and data that they track and/or report on to management. We will present on those in future meetings. We are working to try to develop additional, meaningful metrics both agency wide and within the different departments at SAF to measure the efficiency and effectiveness of the departments and agency as a whole. We welcome any feedback the Committee may have to support these efforts.

Agency Employees

2. Does the agency perform EPMS employee evaluations annually?

SAF policy provides that all employees are to receive a written EPMS evaluation and updated planning stage annually. SAF is in the process of hiring a new HR Manager and plans to implement new policies and procedures to ensure meaningful and timely reviews for all employees.

3. Do leaders, with direct supervisory responsibilities, receive employee evaluation training?

The prior HR Manager at SAF provided training regarding completing EPMS evaluations to a few SAF employees. Additionally, a number of SAF supervisors have completed the Department of Administration Supervisory Practices four-day course. We plan to register any current supervisors who have not attended that course for that training. Additionally, SAF is in the process of hiring a new HR Manager and will ensure that appropriate training is offered to all employees with supervisory responsibilities.

4. Who is responsible for verifying all evaluations are completed according to agency policy?

Under SAF policy, an employee's direct supervisor completes that employee's evaluation and planning stage. The next higher-level supervisor, unless the rater is the agency head, reviews these documents before they are provided to the employee. It does not appear that SAF policy provides that a specific individual is responsible for verifying that all evaluations agency wide are completed according to agency policy. The practice has been that the HR Manager maintains a list of due evaluations, receives the EPMS, enters the evaluation and/or planning stage into SCEIS, and places a copy in the employee's personnel file. SAF is in the process of hiring a new HR Manager, and plans to implement new policies and procedures to ensure meaningful and timely reviews for all employees, as well as to streamline the process for ensuring all evaluations are completed pursuant to policy.

5. Does the agency offer performance bonuses as a retention tool?

SAF policy permits SAF to award a one-time bonus to an employee up to \$1,000.00 to recognize significant accomplishments and contributions of that employee. Our policy

does not specifically provide for bonuses to be used for employee retention. However, SAF policy does provide for retention raises where an employee has a job offer from another employer.

6. Please provide a list of the exit interview questions

See attached a copy of the list that SAF currently uses during exit interviews. I do not know what questions prior Executive Directors used.

7. What has the agency learned from these interviews?

During the exit interviews that I have conducted, I have received feedback regarding the reason the employee was leaving SAF and what could have been done differently for them to stay, office morale and culture and other agency wide concerns, and position specific information regarding supervision and support.

8. Have there been any internal changes because of the interviews?

I do not know what specific internal changes, if any, were made due to exit interviews with prior Executive Directors. However, based on recent feedback during exit interviews regarding agency wide communication and consistency amongst managers, we have restarted monthly staff meetings as well as more regular director meetings (weekly when possible). We also went from quarterly agency management meetings to monthly meetings. We are also looking to provide more opportunities for growth and advancement within the agency due to exit interview responses.

Agency operations

9. Please work with Committee staff to provide a flow chart to illustrate the relationship between the SAF and the WCC.

See attached. SAF's relationship with the WCC is very similar, if not identical, to any other insurer.

10. How long has the agency used the services of its current actuary?

SAF retained the services of the current actuary on June 13, 2019.

11. Does Act 168 of 2020 affect SAF operations? Please explain why or why not.

It should not directly affect SAF operations. The Act provides for certain benefits to be paid to certain current or former firefighters upon a diagnosis of certain cancers. Unlike a workers' compensation claim, the Act does not require a beneficiary to prove that the cancer is causally related to his or her work. These benefits are provided outside of the Workers' Compensation Act through separate insurance policies, and therefore appear to be separate and distinct from workers' compensation benefits.

Safety and Loss Control

12. What percentage of policyholders take advantage of the agency's safety and loss control training?

In fiscal year 2016-2017, 14 policyholders took advantage of onsite training for a total of 24 sessions, which represents 2% of our policyholders.

In fiscal year 2017-2018, 11 policyholders took advantage of onsite training for a total of 22 sessions, which amounts to 1% of our policyholders.

In fiscal year 2018-2019), 15 policyholders took advantage of onsite training for a total of 23 sessions, which represents 2% of our policyholders.

In fiscal year 2019-2020, 8 policyholders took advantage of onsite training for a total of 17 sessions, which amounts to 1% of our policyholders.

13. Is the agency satisfied with the level of policyholder utilization of safety and loss control services?

SAF would like to see a higher percentage of utilization of these services. We are working on ways to notify policyholders of these services, enhance methods for providing these services remotely, and otherwise increase interest in the services provided by our safety and loss control department.

14. Is there a discount associated with policyholder participation in safety and loss control training or on-site inspections?

There is no specific premium discount tied to utilization of safety and loss control services. However, in calculating premium and possible credits, in the past, where a policyholder has a high premium due to past claim counts, SAF has taken into consideration whether the policyholder has implemented specific efforts to promote safety and reduce claims within their agency.

15. How is the agency incentivizing policyholders regarding utilization of this service?

See above. While we do not have specific incentives in place regarding utilization of this service, we do work to inform policyholders of the benefits of using the offered training to potentially increase safety and awareness within their agencies, which could result in lower claims counts, a lower EMOD, and therefore a lower premium.

16. How is the agency proactive in notifying policyholders about the loss prevention mitigation training available from SAF?

Our safety and loss control specialist is calling policyholders directly to advise them of the department's services. During calendar year 2019, the department contacted at least 70 policyholders, during calendar year 2020 they contacted at least 120 policyholders, and to date in 2021 they have contacted at least 90 policyholders. In addition to these contacts, when SAF provides workers' compensation training to policyholders, part of that training involves information regarding the services provided by the safety and loss control department. Further, in the past SAF has held an annual employer update, during which safety and loss control does a presentation regarding the services provided by SAF. We

are working on developing new strategies for ensuring all of our policyholders are aware of the safety and loss control training and resources available to them through SAF.

17. How does SAF evaluate what notification strategies about the loss prevention and mitigation training are effective?

We do not currently have a way of formally tracking how a policyholder learns about the loss prevention and mitigation training that we offer. We will work on including questions regarding this on future evaluation forms, surveys, and other communications with policyholders.

Cyber Security

18. Has the agency experienced any cyber-attacks? If yes, please briefly summarize.

The current IT Department of SAF has not experienced any cyber-attacks. The current management team has no knowledge of a cyber-attack occurring under prior leadership.

19. Is the agency confident in its IT infrastructure and cyber-attack mitigation strategy?

Yes, but the agency's IT Department is always working to update the strategy and current infrastructure.

20. Does the agency have a formal policy, specific to cyber-attacks (e.g., ransomware, etc.) to guide staff if such an attack is successful?

There is a recovery plan in place but it has not yet been translated to a formal policy. The agency is working to integrate the plan into formal agency policy.

21. Has the agency ever conducted a mock cyber-attack to evaluate the effectiveness of its cyber security response?

The agency has not yet conducted any type of mock cyber-attack, but we do test our backups and will be including these types of exercises as our program matures.

Medical Documentation

22. What policies or procedures are in place to protect medical records and other forms of medical documentation (e.g., retention schedule, etc.)?

All data storage is encrypted at rest and all transmissions are encrypted. We have a reliable backup strategy in place, least privilege access policies, and security controls that match or exceed requirements.

Business Development and Competition

23. How does the agency communicate with counties and municipalities, regarding the State Accident Fund's ability to offer workers' compensation services?

At this time, SAF is not undertaking specific marketing or business development efforts to attract potential new or return business. We do respond to inquiries from entities who are eligible by statute for coverage with SAF.

24. Other than being contacted or informed by the State Accident Fund, are there other means for counties, municipalities, or other political subdivisions, to learn about workers' compensation services offered by SAF?

The statute sets forth who can seek coverage from SAF, so these entities could learn that they are eligible for coverage with SAF through a review of the Workers' Compensation Act. Also, our website provides information regarding the services offered by SAF.

25. Are these local counterparts regulated by the Department of Insurance? If unknown, please check with the Department of Insurance.

Per response to SAF's inquiry with the Department of Insurance, the DOI does not regulate SAF's local counterparts.

State Agency Premium Rates

26. In what ways could the SAF do a better job with rates specific to state agencies?

SAF works very hard to try to ensure that our premium rates for our policyholders are as low as possible, while still ensuring that they cover all claim costs and reserves and SAF remains self-sustaining. SAF premium rates are not specific to state agencies. Once rates are finalized they are applied to all policyholders with applicable class codes. SAF could improve its practices by implementing and utilizing defined criteria in order to make final rate decisions, in particular when deciding whether a rate should be increased or decreased. In addition, a policyholder's EMOD affects its premium rates, and is based on the policyholder's claims history. SAF could do a better job informing policyholders of the importance of promoting a safe workplace, the effect of such on a policyholder's EMOD, and the effect of the EMOD on premium rates.

27. What objective measures are utilized by the agency to analyze premium competitiveness?

The premiums and rates of our competitors are proprietary, so we do not have access to their rates or the manner in which they are calculated. Therefore, we have no way to directly compare our premium to that of other carriers. The only method we are aware of to determine our premium's competitiveness is by the number of retained or returned voluntary accounts.

28. How much has the state saved through the reduction in rates?

In the past three years, SAF policyholders have experienced an overall rate decrease of:

- 2021: 3.7%
- 2020: 15.2%
- 2019: 5.1%

National Council on Compensation Insurance (NCCI)

29. How much has the agency paid (e.g., initial and/or annual fees) to be a member of the National Council on Compensation Insurance (NCCI)?

SAF pays an annual fee to NCCI of \$745.00 for the agency as a whole.

30. What benefits and/or services does the agency receive from participation with NCCI?

That is an annual subscription to utilize their online tools such as webinars, class code lookup, manual library, and state statistics and insight.

31. Do any other entities provide a similar service? If yes, please list those entities.

To our knowledge, no other entities or state agencies provide access to these tools.

Workers' Compensation

32. For the past five years please provide information on the number of claims, by size, where an employee obtained attorney representation.

See below for the approximate number of claims in which an injured worker has attorney representation by current claims cost. Please note that in many of these claims the costs are not final.

Current claims costs	Number of claims
\$1,000,000 and above	1 (SAF)
\$750,000 - \$1,000,000	0
\$500,000 - \$750,000	2 (1 SAF, 1 UEF)
\$250,000 - \$500,000	20 (17 SAF, 3 UEF)
\$100,000 - \$250,000	101 (94 SAF, 7 UEF)
\$50,000 - \$100,000	120 (115 SAF, 5 UEF)
\$25,000 - \$50,000	138 (133 SAF, 5 UEF)
\$0 - \$25,000	916 (422 SAF, 494 UEF)

33. If a claim is found or suspected to be fraudulent by SAF staff, who is responsible for prosecuting the case?

Pursuant to a 2021 Memorandum of Understanding between the Attorney General's Office and the South Carolina Department of Insurance, SCDOI investigates and prosecutes insurance fraud utilizing SLED agents. Indictments related to any such fraud will be presented to the AG's office for approval, and the AG's office has retained prosecutorial authority.

34. Please include, in a future presentation, a flow chart illustrating the process for identification of a fraudulent claim and its transfer to additional authorities for prosecution.

We will include this flow chart in a later presentation.

35. How many fraudulent cases were prosecuted from fiscal year 2018-20?

To our knowledge, none of the cases that we referred to the AG's Office or SCDOI have reached the prosecution stage. To our understanding, these cases are still under review.

36. Which state or non-state policyholders, in the past five years, have experienced fraudulent claims?(Include the number of fraudulent cases by policyholder)

Within the past five years, we have referred one claim each for suspected fraud from the following policyholders: SC Confederate Relic Room and Military Museum; Town of Moncks Corner; Department of Disabilities and Special Needs; Department of Public Safety; and UEF/Palmetto Ambulance Service.

37. How many fraudulent cases are experienced annually?

Since the beginning of SAF's present partnership (2019) with the Attorney General's office/Department of Insurance, we have referred five cases involving suspected fraud.

38. Does the state have adequate regulations, and penalties, to mitigate workers' compensation fraud?

The penalties for insurance fraud are significant enough that they should serve as a strong deterrent to committing workers' compensation fraud.

Customer Feedback

39. Please provide a copy of the most recent policyholder survey.

Please see attached.

40. What trends has the agency identified in analyzing the annual policyholder surveys.

For the most part, SAF receives very positive feedback from its policyholders. One of the most common responses we see from policyholders is that SAF has great customer service. The primary complaints that we have seen raised in the past few surveys concern frequently changing adjusters for a given policy and unpaid bills for an injured workers' treatment that are sent to collections.

41. What changes, if any, has the agency made from customer feedback in the annual policyholder surveys?

As set forth above, one complaint we have seen recently in policyholder surveys is that certain bills from injured workers' treatment are going unpaid, and are being sent to collections. These bills most often arise from the injured workers' initial treatment with EMS or an emergency room. When the injured worker gets this treatment, those providers often are not provided SAF's information, and the worker is sent the bill directly. Sometimes, either due to SAF being unaware of the bills or being unable to get the information needed to pay these bills, these bills are sent to collections before SAF can pay them. We have recently put in place a more proactive practice to identify these bills, obtain the needed information, and have them paid before they are referred to collections. With

regard to changing adjusters within a policy, we have worked to limit the transfer of policies amongst the adjusters as much as possible. However, much of this is due to adjuster turnover, which highlights the need to focus on employee retention.

Training and Development

42. What type of training do employees receive specific to their job duties (e.g., claims adjusters, lawyers, etc.)?

The SAF and UEF claims department has a dedicated trainer who provides training to new adjusters on the claims handling process. She also provides basic training on the claims management system for new employees in other departments who may need to access the system as part of their job duties. Otherwise, training for new employees is provided within their specific departments based on the experience of the employee and the needs of their specific position. Departments may utilize training offered by outside agencies where needed or beneficial to an employee performing their job duties. Additionally, we provide ongoing cross-training between departments (e.g., the legal department provides training or instruction to the claims department on legal matters, IT provides training regarding IT related issues agency wide, etc.). We also have training from contract attorneys or vendors regarding specific matters. Certain employees also have position specific continuing training and education required for their employment (e.g., CLEs for attorneys).

Telecommuting and COVID-19

43. What was the financial impact of the reduction in workers' compensation cases?

The financial impact is unclear at this time because we do not know the full cost of the claims we did receive while telecommuting policies were in place compared to the average costs we see annually. We did experience a decrease in the amount of claims filed, which generally would lead to lower overall claim costs once the ultimate cost is realized on those claims. However, if a number of the claims received grow to be significant, costly claims, there may not be a significant reduction. We likely will not know the full financial impact for years.

44. Has the agency considered offering premium discounts to policyholders that have a certain percentage of employees working remotely?

This is not something we have looked into to date. We would likely need to do some analysis prior to considering any such discount. Many of the positions for which telecommuting is available are administrative or clerical type positions, or the employee is performing administrative or clerical type duties while they are telecommuting. The risk for injury in these type positions or while performing these type duties would not necessarily decrease because they are being performed at home versus at the office. However, this is something we can research further.

45. Does the agency offer premium rate discounts to state or non-state policyholders for the implementation of certain policies or internal changes known to reduce worker injury?

See responses to numbers 16 and 17. Additionally, implementation of such policies or internal changes, if effective, should result in a reduction of a policyholder's EMOD, which would in turn reduce their premium.

46. Has agency leadership considered implementing a telecommuting option for staff as a way to retain existing staff, and also recruit talent to the agency?

Prior to COVID-19, SAF did not offer any telecommuting options for employees. Since I am in an acting position as director, and implementation of such a policy would amount to a significant change of agency practice, I have not implemented any such policy. Additionally, to date, this lack of a telecommuting option (outside of emergency situations or as an ADA accommodation) does not appear to have greatly affected employee retention or recruitment.

47. Did the agency make any significant investments in information technology to support continuity of office operations while staff worked remotely (e.g., laptops, web-based communications, etc.)? If so, how much did these investments cost the agency?

To ensure continued operations while telecommuting during COVID-19, we purchased licenses for a secure remote access software to allow employees secure access to SAF's system while working from home. We also purchased additional laptops for general use by the agency, but some were also used by employees who did not otherwise have access to a home computer. The annual subscription cost for the software is \$1,659.99. We purchased 30 laptops (including mice and carrying bags) totaling \$39,041.70; however, these laptops were purchased for general agency use, not just for telecommuting purposes.

Vendor Bankruptcy

48. At what point in the process did the provider go bankrupt?

The contract between SAF and the vendor became effective on or around March 18, 2017. The vendor filed for relief under Chapter 11 of the United States Bankruptcy Code on or around January 30, 2018. The State Procurement Office officially terminated the contract effective March 17, 2019.

49. Per the terms of the contract, how much did the IT system cost?

The total project was expected to cost the agency \$6.1 Million per the Intent to Award document from Procurement.

50. What was the total amount paid to the vendor by the agency?

The total payments to the vendor equaled approximately \$1,537,776.76.

51. What efforts have been made to recapture funds paid to the vendor?

No legal action was ever filed to recapture funds. It appears there was some correspondence regarding possible recovery of paid funds. Additionally, it appears the vendor contacted SAF to try to collect additional funds they claimed they were owed. It does not appear that further action was taken beyond these communications.

52. How much has been recaptured and how much has not?

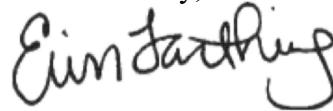
None of the paid funds have been recaptured.

53. What is the status of the new IT system?

We are actively working with State Procurement regarding the new system RFP. The solicitation has been published, proposals have been submitted and State Procurement is reviewing those submissions. We are currently waiting to review the submitted proposals.

Please feel free to contact me if you have any questions regarding the information provided with this letter. I look forward to our next meeting on November 17, 2021.

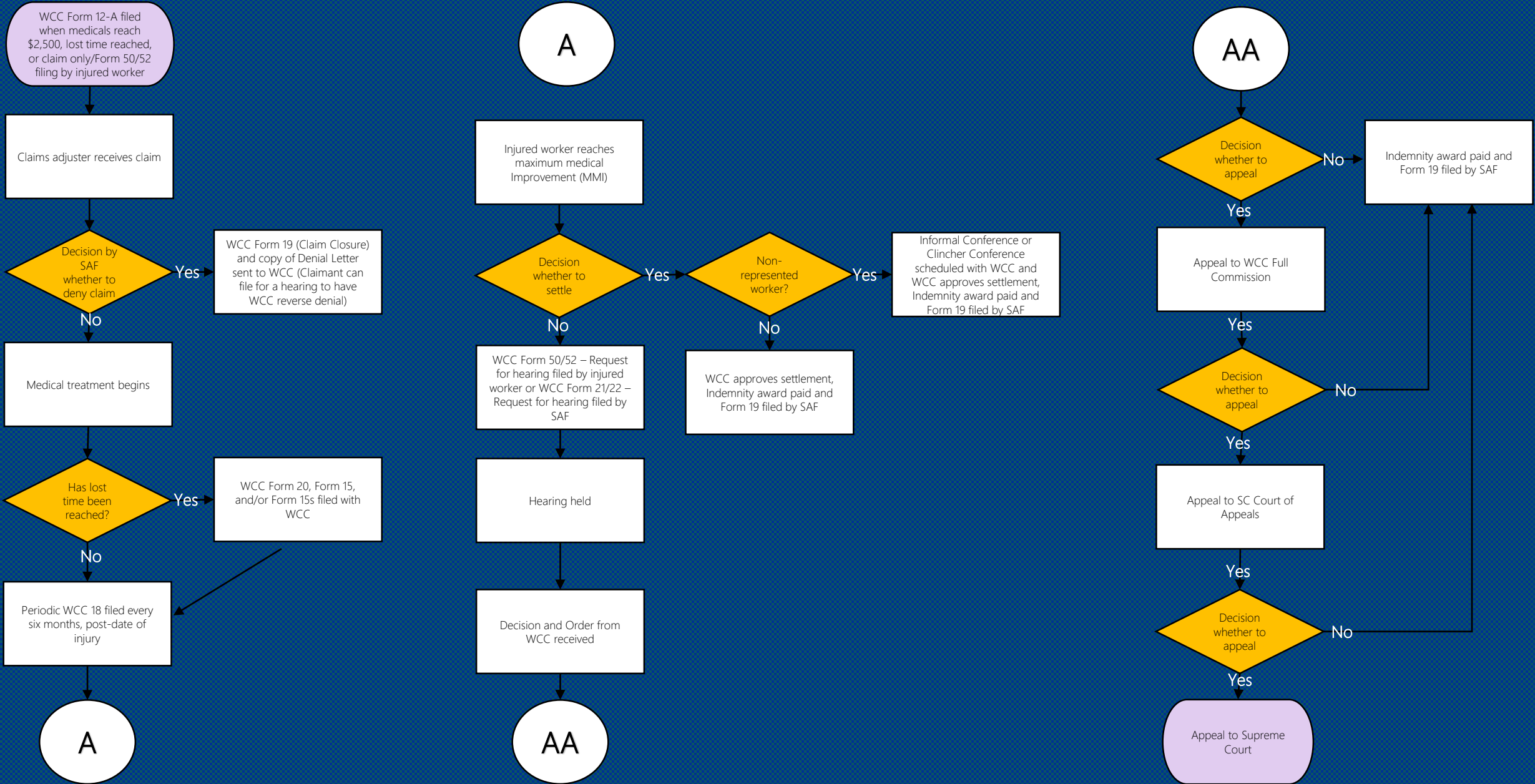
Sincerely,

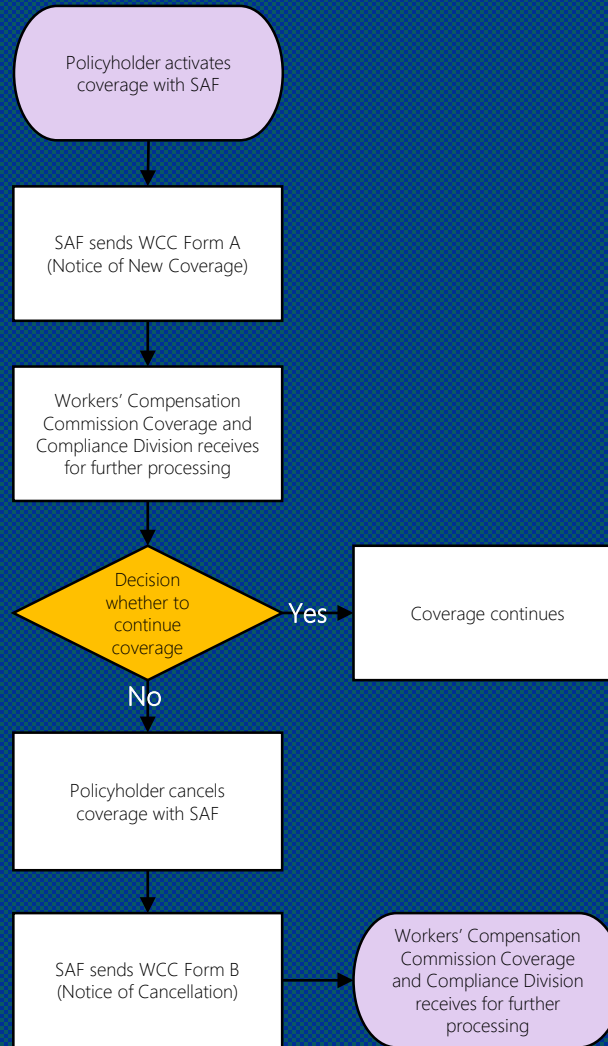
A handwritten signature in black ink that reads "Erin Farthing". The signature is written in a cursive, flowing style.

Erin F. Farthing
Acting Director

Attachments

1. Why did you begin looking for a new job?
2. What ultimately led you to accept the new position?
3. How would you describe the culture of our company?
4. Can you provide more information, such as specific examples?
5. 7. Did you share your concerns with anyone at the company prior to leaving?
6. What could have been done for you to remain employed here?
7. Did you share your concerns with anyone at the company prior to leaving?
8. If you could change anything about your job or the company, what would you change?
9. Management is often a key factor in an employees decision to leave. Were you satisfied with the way you were managed?
10. Did you have clear goals and objectives?
11. 11. Did you receive constructive feedback to help you improve your performance?
12. How can our company improve training and development programs?
13. Would you consider coming back to work here in the future? In what area or function? What would need to change?





2020 – 2021 Policyholder Survey Results July, 2020 – June, 2021

1. The quality of service provided by the State Accident Fund during the last year has.

Improved	Remained Constant	Decreased	No Experience/ Not Answered
(25) 8%	(182) 58%	(3) 1%	(104) 33%

2. The State Accident Fund manages claims effectively.

Strongly Agree	Agree	Disagree	Strongly Disagree	No Experience Not Answered
(89) 28%	(129) 41%	(6) 2%	(0) 0%	(90) 29%

3. The State Accident Fund processes claims in a timely manner.

Strongly Agree	Agree	Disagree	Strongly Disagree	No Experience Not Answered
(83) 26%	(124) 39%	(6) 2%	(0) 0%	(101) 33%

4. The State Accident Fund pays medical bills in a timely manner.

Strongly Agree	Agree	Disagree	Strongly Disagree	No Experience Not Answered
(66) 21%	(116) 37%	(8) 3%	(0) 0%	(124) 39%

5. My Adjuster keeps me informed.

Strongly Agree	Agree	Disagree	Strongly Disagree	No Experience Not Answered
(99) 31%	(122) 39%	(4) 1%	(2) 1%	(87) 28%

6. My Adjuster is knowledgeable about my claims.

Strongly Agree	Agree	Disagree	Strongly Disagree	No Experience Not Answered
(97) 31%	(114) 36%	(2) 1%	(1) 0%	(100) 32%

7. My Adjuster is courteous and helpful.

Strongly Agree	Agree	Disagree	Strongly Disagree	No Experience Not Answered
(118) 38%	(112) 36%	(1) 0%	(1) 0%	(82) 26%

8. My Adjuster answers and/or returns my telephone calls and/or Emails in a timely manner?

Strongly Agree	Agree	Disagree	Strongly Disagree	No Experience Not Answered
(115) 37%	(112) 36%	(3) 1%	(1) 0%	(83) 26%

9. My Premium Auditor is knowledgeable when answering my premium questions.

Strongly Agree	Agree	Disagree	Strongly Disagree	No Experience Not Answered
(118) 38%	(97) 31%	(1) 0%	(1) 0%	(98) 31%

10. My Premium Auditor answers and/or returns my telephone call and/or emails in a timely manner.

Strongly Agree	Agree	Disagree	Strongly Disagree	No Experience Not Answered
(117) 37%	(108) 34%	(0) 0%	(1) 0%	(88) 29%

11. The State Accident Fund provides effective Safety and Loss prevention services.

Strongly Agree	Agree	Disagree	Strongly Disagree	No Experience Not Answered
(89) 28%	(113) 36%	(0) 0%	(1) 0%	(111) 36%

12. I would like to receive a brief quarterly or biannual update as to the status of each open claim?

Yes	No	Not Answered
(208) 66%	(62) 20%	(44) 14%

13. I am interested in further training and information seminars?

Yes	No	Not Answered
(141) 45%	(111) 35%	(62) 20%