



South Carolina State Accident Fund

Henry D. McMaster
Governor

Erin Farthing
Acting Director

December 22, 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 Subcommittee meetings with the agency

Dear Representative West,

Thank you for the opportunity to provide the Subcommittee with additional information regarding the State Accident Fund (“SAF”) and Uninsured Employers’ Fund. As requested in your letter dated December 6, 2021, please see below for responses to the questions therein:

Licensure

1. State Accident Fund employees (e.g., adjusters, etc.), per testimony received by the Subcommittee, do not need to be licensed.

Under S.C. Code Ann. §38-47-10, individuals adjusting claims for an insurer licensed to do business in South Carolina must be licensed by the Department of Insurance.¹ As SAF is a statutory fund and not a DOI licensed insurer, that requirement would not appear to apply to SAF’s adjusters. Additionally, to my knowledge, nothing within Chapter 7 of Title 42 of the South Carolina Code, or any other portion of the Code, requires SAF’s adjusters to be licensed by the Department of Insurance. However, as an agency practice, SAF requires claim adjusters to pass the Series 19-25 South Carolina Workers’ Compensation Insurance Adjuster exam or the Series 19-11 South Carolina Property, Casualty, Surety, and Marine Adjuster exam and obtain licensure through the SC Department of Insurance. They are required to pass either exam within their first year working as an adjuster. We do not currently provide any additional incentives to pass the exam as it is considered a requirement for their position.

- Does statute permit the agency director to incentivize or require staff, who would otherwise require licensure in the private market, to take and pass licensure examinations?

¹ To my information and belief, SAF does not employ individuals in any other capacity that would otherwise require licensing at a Department of Insurance licensed insurer. The in-house attorneys for SAF are licensed attorneys through the South Carolina Bar, as required to practice law in South Carolina.

As set forth above, we currently require the adjusters working for SAF to become licensed within a year of starting work as an adjuster for SAF. They are further required to maintain their license for the time they remain in that position. Also, as stated above, we do not currently offer any incentives for obtaining such licensure. Earlier this year, I inquired whether we could pay the adjusters' license renewal fee, but was advised by the Comptroller General's Office that it is not permitted as budgeted funds cannot be used to pay for professional licenses or dues required by state regulatory agencies. I am unaware of anything within the statute that would prohibit incentivizing licensure with a pay increase or bonus.

- Please identify the potential benefits, drawbacks, or unclear issues that would impact the implementation of an internal licensure policy (i.e., voluntary/mandatory).
As set forth above, SAF does require our claims adjusters to be licensed. We feel this is necessary to ensure adjusters have an adequate level of insurance understanding. This also adds to the professionalism of the agency and demonstrates the agency's competency and ability to keep pace with the private insurance market. The only real drawback that I am aware of is that it is an extra expense for the adjuster.
- Please conduct a financial analysis:
As a note, the agency currently pays for the required study materials for the Series 19-25 exam (\$189.95). At this time, the adjuster pays for the exam cost (\$45.00), a SLED Report (\$25.00), and the biennial license fee (\$80.00). As set forth above, we have been advised that we are not able to use budgeted funds to pay the adjuster's license fees. However, we would support legislation or a proviso that would permit the agency to pay these fees for adjusters employed with SAF. A similar proviso permits us to pay required South Carolina Bar Association dues for SAF's in-house attorneys.

Case 1:

- Determine the total investment an individual staff member would make for workers' compensation licensure (e.g., cost of test, initial and ongoing licensure, etc.) and the associated investment the agency would need to make to incentivize licensure (e.g., bonuses, salary increase, etc.). [Assume the agency takes advantage of the State Accident Fund policy which permits a one-time bonus to an employee up to \$1,000.]

The total cost to an employee for becoming, and remaining, a licensed adjuster depends on how many years they are employed by SAF. The below demonstrates how much in total the employee would pay if working as a SAF adjuster for 5 years versus 25 years (assuming the associated charges remain the same):

(e.g., adjuster employed by SAF for 5 years)

Exam Cost	\$45.00
SLED Report	\$25.00
Licensing Fees	\$320.00
Total	\$390.00

(e.g., adjuster employed by SAF for 25 years)

Exam Cost	\$45.00
SLED Report	\$25.00
Licensing Fees	\$1,120.00
Total	\$1,190.00

Case 2:

- Determine the total investment the agency would need to make if it covered all initial and ongoing costs associated with the implementation of a voluntary workers' compensation licensure policy for requisite State Accident Fund employees (e.g., cost of test, initial and ongoing licensure, etc.).

We broke this up between the agency's cost to pay all related fees for a newly licensed adjuster and the ongoing cost to the agency to maintain active licensure for all employed claim adjusters.

Agency cost – One newly licensed adjuster

Study Materials	\$189.95
Exam Cost	\$45.00
SLED Report	\$25.00
Licensing Fees	\$80.00
Total	\$339.95

Agency's biennial cost to maintain licensure for all agency adjusters

Number of Adjusters	Biennial Cost	Cost to Agency Every Other Year
31	\$80.00	\$2,480

1. Please review and reference the attached Workers' Compensation Insurance Adjuster – Series 19-25 outline prior to answering the following questions.

As set forth above, adjusters employed by SAF are required to pass either the Series 19-25 South Carolina Workers' Compensation Insurance Adjuster exam or the Series 19-11 South Carolina Property, Casualty, Surety, and Marine Adjuster exam. Most adjusters take the Series 19-25.

- Based on the material provided in the outline, would a tenured State Accident Fund adjuster have knowledge of the identified topics listed in each section?

Adjusters working with SAF exclusively adjust workers' compensation claims. Therefore, based on their practice, a tenured adjuster should have extensive knowledge regarding Adjusting Losses, Workers' Compensation Insurance, and Understanding the Language of Medical. In order to take the exam, they would need to have knowledge regarding Insurance Regulation and Insurance Basics; however, these sections do not necessarily apply to the daily job duties of a workers' compensation adjuster.

- Does the training provided to State Accident Fund adjusters cover the topics identified in the outline?

SAF adjuster training focuses on Title 42 of the South Carolina Code, the South Carolina Workers' Compensation Act. This would be more contained in the last three sections of the outline: Adjusting Losses, Workers' Compensation Insurance, and Understanding the Language of Medical.

- Do adjusters need to have knowledge of the topics identified in the outline to effectively answer policyholder questions?

An adjuster does not necessarily need to have knowledge of all topics identified in the outline to serve policyholders. An adjuster must have detailed knowledge of the claims process as a whole, Title 42, and medical terminology to best serve the policyholders and their injured workers. Additional internal personnel also provide needed support to policyholders in their respective areas of expertise regarding topics such as premium, safety and loss support, claim investigation/surveillance, legal matters, and IT related issues.

- Does the agency have a comparable evaluation structure to assess adjuster knowledge of topics identified in the outline?

SAF audits all adjusters one time per year. This audit reviews a random selection of assigned files to ensure the adjusters are performing their duties according to Title 42 and the internal claim handling guidelines and policies of the agency.

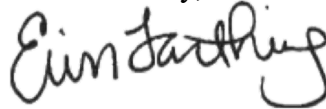
2. Does State Accident Fund have staff who were licensed prior to working at the agency?

- If so, identify the percentage of agency staff who fall into this category and the licensure they received prior to joining State Accident Fund.

Yes, currently 12% of the agency's adjusters were licensed adjusters prior to joining SAF.

Please feel free to contact me if you have any questions regarding the information provided with this letter. I wish you Happy Holidays, and I look forward to our next meeting in the New Year.

Sincerely,



Erin F. Farthing
Acting Director