

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

Fiscal Year 2017-18 Accountability Report

SUBMISSION FORM

AGENCY MISSION	Provide a cost effective guaranteed workers' compensation market for state agencies, other government entities and, when in the best interest of the state, businesses in the private sector.
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AGENCY 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.
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Please state yes or no if the agency has any major or minor (internal or external) recommendations that would allow the agency to operate more effectively and efficiently.


RESTRUCTURING RECOMMENDATIONS:	None
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Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	David Andrews	(803) 896-5044	dandrews@saf.sc.gov
SECONDARY CONTACT:	Abigail Sellers	(803) 896-5872	asellers@saf.sc.gov

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I have reviewed and approved the enclosed FY 2015-16 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN AND DATE):		<i>September 12, 2018</i>
(TYPE/PRINT NAME):	<i>Harry Gregory</i>	
BOARD/CMSN CHAIR (SIGN AND DATE):		
(TYPE/PRINT NAME):		

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AGENCY'S DISCUSSION AND ANALYSIS

The South Carolina State Accident Fund was established on April 17, 1943. The Fund is charged with the administration of the workers' compensation program for all state agencies. Creation of SAF centralized the administration of workers' compensation claims within a single agency, as the State effectively "self-insured" its workers' compensation coverage in the same manner as most large private businesses. By self-insuring, SAF provides the State a more stable source of insurance coverage and pricing, thus protecting the many underwriting risks associated with varied government functions. Without the financial stability provided by SAF, injured state employees would potentially be denied necessary medical care and income while out of work.

As set forth by statute, the agency determines rates and assesses premiums in the same manner as a private insurance company. *It is funded entirely by the premiums it collects and receives NO general funds.* Importantly, the Fund also provides coverage for hundreds of local governmental organizations which would otherwise be unable to procure coverage at a reasonable cost. In this way, the Fund provides county and municipal agencies a guaranteed alternative source of workers' compensation insurance coverage. Additionally, this guaranteed coverage at reasonable rates produces a moderating and stabilizing influence on the private market in general and enhances the business climate in South Carolina.

On July 1, 2013, the administration of the South Carolina Uninsured Employers' Fund (UEF) was transferred to the Director of the State Accident Fund. The UEF provides workers' compensation benefits to injured employees of businesses that have failed to obtain workers' compensation coverage through a policy of insurance or self-insuring. It is *funded entirely* by taxes on insurers providing coverage in the state and receives no general funds.

Availability, affordability, and service have been the key benefits of the South Carolina State Fund. Its mission today remains to provide a cost effective guaranteed workers' compensation market for state agencies, other governmental entities and, when in the best interest of the State, businesses in the private sector.

The State Accident Fund measures success and establishes its goals based on the expectations of customers and stakeholders. Surveys and interviews have shown that our customers have similar expectations:

- Competitive rates,
- Low claim costs,
- Timely processing of claims, premium estimates and audit adjustments,
- Availability of customized services to support unique requirements and organizational structure,
- Willingness to write coverage and provide service to small accounts which pay a minimum premium.

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

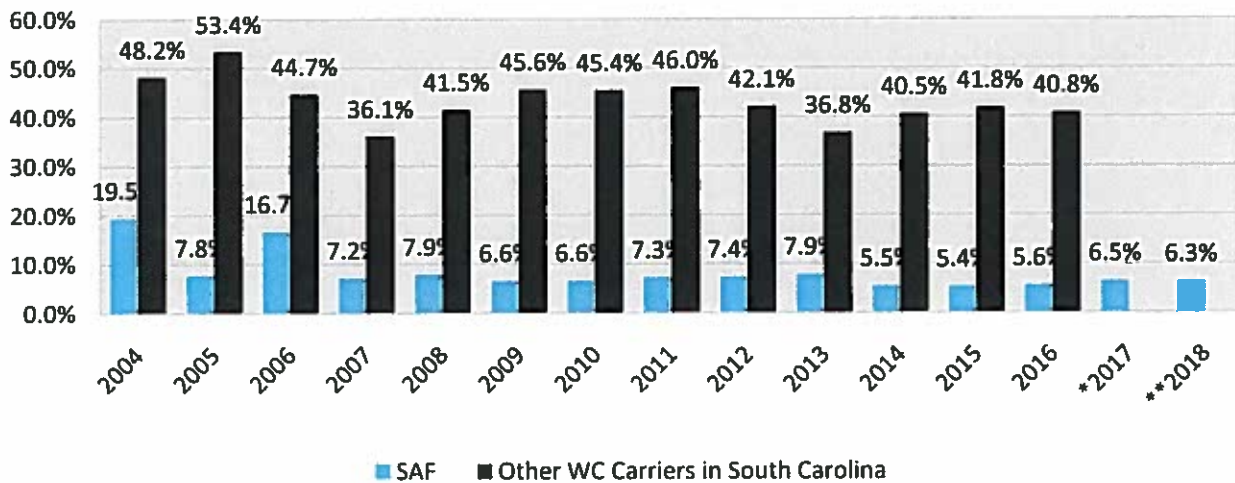
The key strategic challenges facing the agency are related to retention of management and improvements to the agency's case management system. The deficit in salaries of agency managers as compared to their counterparts in the private sector makes knowledge retention difficult. Key staff members are often recruited by other providers in the industry. The agency's current case management system was developed over 15 years ago and though it has received periodic patch upgrades, the system is no longer providing expected efficiencies. The replacement of this system will likely be costly and time consuming, but necessary to reduce operating cost and provide the highest level of customer support and service to our stakeholders.

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

- The agency remained financially self-sustaining. (See comparison chart below.)
- Customer satisfaction scores remained high. (See survey results chart below.)
- Retention rates for voluntary accounts remained high.
- The agency's claim and administrative costs continued to be less than the private sector.
- Even though the agency has no marketing function, it gained 5 new accounts during the reporting period.
- The agency continued to explore and expand efforts to control costs through vendor partnerships for medical management, pharmacy bill cost containment programs and subrogation services. During the reporting period, the actual and/or estimated saving from these programs were:
 - Medical Services / Charge Review \$ 2,074,178.00
 - Pharmacy Services \$ 4,638,283.72
 - Subrogation Recoveries \$ 1,011,816.09
 - Physical Therapy Services \$ 333,760.00
 - Second Injury Fund Recoveries \$ 1,867,946.14

Administrative Cost Ratio Comparison

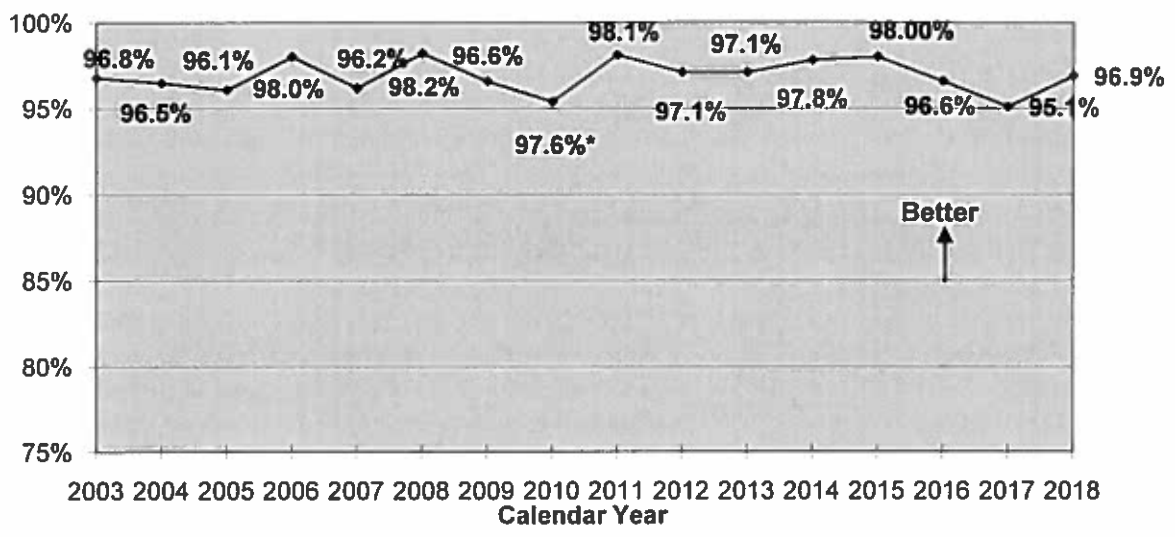


*Note: NCCI Data not available for CY 2017.

**Note: The figure shown for 2018 is an estimate and must be confirmed by our actuaries.

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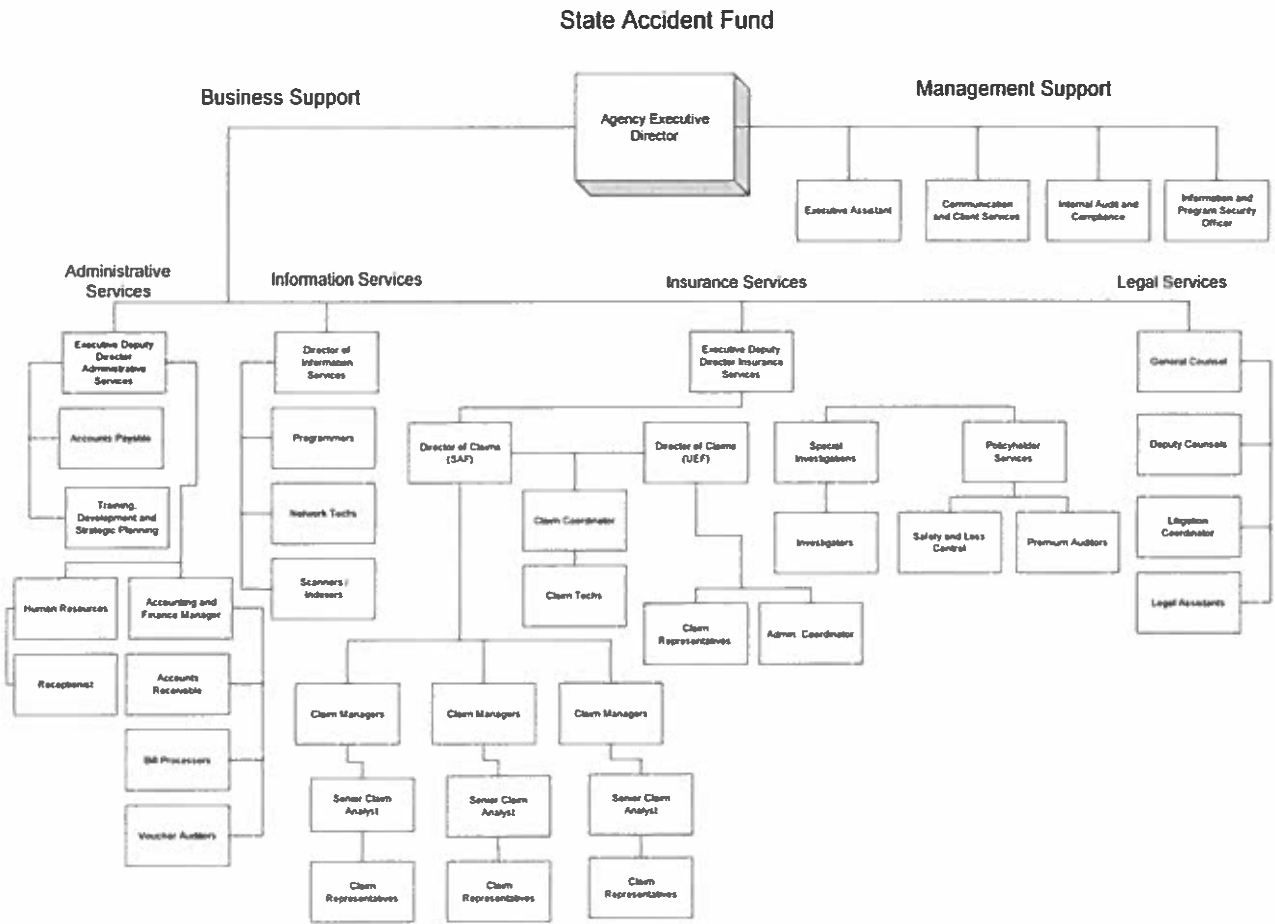
Results of Annual Customer Survey



As indicators from job creation and unemployment rates to consumer confidence and business investment reflect a healthier and robust business climate, the State Accident Fund stands prepared for the new challenges of a growing economy. Through a combination of disciplined risk selection, unrivaled claim and medical cost management, and careful use of our professional resources, SAF will continue to explore and develop new and innovative methods of decreasing operating expenses while maintaining low claim costs, stable premium pricing, and high customer satisfaction. It is our goal to understand the challenges and needs of our policyholders and assist them in meaningful ways to reduce their overall workers' compensation costs while promoting a safe work environment. By maximizing efficiency without sacrificing quality customer service, we believe we have achieved this goal with resulting rate and premium stabilization.

Through economic good times or challenges, the State Accident Fund remains committed to providing stable, long-term workers' compensation coverage to state, county, and local governments as cost-effectively as possible. At SAF, all we do is workers' compensation and our emphasis on higher efficiencies, lower costs, and improved delivery of services remains the key to our ongoing success. Expertise, responsive service, and long-term value – all ensure that the State Accident Fund is well-positioned to fulfill its commitments to our policyholders and their employees long into the future, and that is good news for South Carolina.

STATE ACCIDENT FUND ORGANIZATIONAL CHART



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Strategic Planning and Performance Measurement Template

Statewide Enterprise Strategic Objective	Type	Item #			Description	2017-18			Time Applicable	Data Source and Availability	Calculation Method	Meaningful Use of Measure
		Goal	Strategy	Measure		Base	Target	Actual				
Government and Citizens	G	1			Maintain High Level of Customer Satisfaction							
	S	1.1			Conduct Annual Policyholder Satisfaction Survey							
	O			1.1.1	Maintain greater than 95% positive response rate on the annual policyholder survey	95.1%	Greater than 90%	96.9%	July 1 - June 30	Annual Policyholder Satisfaction Survey	Percentage of positive responses from Annual Policyholder Survey	Degree to which customer needs are met.
Government and Citizens	S	1.3			Compare satisfaction rates to national standards							
	O			1.3.1	Compare satisfaction rates to other Prosperity and Casualty Companies	SAF = 77 ACSI-P&C = 78	Greater than 75%	SAF = 77.4 ACSI-P&C = 80	July 1 - June 30	American Customer Satisfaction Index (ACSI) 3rd Quarter, December 2013	Satisfaction rate on Annual Policy Holder Survey compared to Property & Casualty Industry rating as reported by ACSI.	How Agencies customer satisfaction compares to other providers.
	O			1.3.2	Compare satisfaction rates to other Public Administration agencies	SAF = 77 ACSI-Public Administration = 72.5	Greater than 75%	SAF = 77.4 ACSI-Public Administration = 75	July 1 - June 30	American Customer Satisfaction Index (ACSI)	Satisfaction Rate on Annual Policy Holder Survey compared to Public Administration rating as reported by ACSI	How Agencies customer satisfaction compares to other providers.
Education, Training, Human Development	S	1.4			Measure Retentions rates							
	O			1.4.1	Measure policyholders retention	96.3%	Greater than 80%	96.6%	July 1 - June 30	Agency Policyholder Management Database.	Percentage of policyholders who renewed or continued coverage with the Fund. (Voluntary Accounts)	Retention of Policyholders is indicity of satisfaction with service.
	O			1.4.2	Measure premium retention	93.6%	Greater than 80%	92.2%	July 1 - June 30	Agency Policyholder Management Database.	The Ratio of premium from renewed or continued policyholders. (Voluntary Accounts)	Retention of Policyholders is indicity of satisfaction with service.
Education, Training, Human Development	S	1.5			Provide policyholders with loss prevention and safety services							
	O			1.5.1	Report on services provided				July 1 - June 30	Agency Claims Management Database.	Number of training classes, inspections, or other services provided.	Degree to which customer needs are met.
Government and Citizens	G	2			Be the leader in South Carolina Workers Compensation rule and regulation car							
Government and Citizens	S	2.1			Review fine information							
	O			2.1.1	Track numbers and amounts of fines	5	Less than industry average	0	July 1 - June 30	Agency Claims Management Database.	The dollar amount of fines paid to the Workers Compensation Commission.	Indicate compliance with regulations.
	O			2.1.2	Report causes of fines	\$900	Less than industry average	0	July 1 - June 30	Agency Claims Management Database.	The dollar amount of fines paid to the Workers Compensation Commission.	Indicate compliance with regulations.
Public Infrastructure and Economic Development	G	3			Agency remains financially self-sustaining.							
Public Infrastructure and Economic Development	S	3.1			Compare cost to national standards							Compairs cost controls.
	O			3.1.1	Compare average medical cost per claim	\$3,174	Less than industry	\$3,230	July 1 - June 30	Agency Claims Management Database.	Medical cost divided by the total number of claims.	Compairs cost controls.
	O			3.1.2	Compare average indemnity cost per claim	\$11,774	Less than industry	\$12,272	July 1 - June 30	Agency Claims Management Database.	Indemnity cost divided by the total number of claims	Compairs cost controls.
Public Infrastructure and Economic Development	S	3.2			The annual administration cost ratio will not exceed the industry average							

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Statewide Enterprise Strategic Objective	Type	Item #			Description	2017-18			Time Applicable	Data Source and Availability	Calculation Method	Meaningful Use of Measure
		Goal	Strategy	Measure		Base	Target	Actual				
	O		3.2.1		Calculate Administrative cost ratio	6.5%	Less than industry average	6.3%	July 1 - June 30	Current year estimated using Trigger Report and finalized by the Fund's actuary.	Agency Accounting System	Compairs cost controls.
Public Infrastructure and Economic Development	S		3.3		Collect premium as due							
	O		3.3.1		Percentage of Premium Billed over 90 days past due	0.00%	Less than 5%	0.00%	July 1 - June 30	Past Due Amount as percentage of Earned Premium as reported in the Trigger Report	Agency Policyholder Database	Compairs cost controls.
	O		3.3.2		Percentage of accounts audited within 180 days	100%	More than 90%	100%	July 1 - June 30	Agency Policyholder Management Database.	Percentage of policyholder payroll audits completed within 180 days.	Compairs cost controls.
Public Infrastructure and Economic Development	G		4		The Fund's financial records will reflect a cumulative net gain in assets.							
Public Infrastructure and Economic Development	S		4.1		Cost vs. Revenue							
	O		4.1.1		Claims Expense will not exceed Earned Premium for the fiscal year.	Goal will	Meet	Goal Met	July 1 - June 30	Financial Statement	(Current Year - Prior Year) / Prior Year (Nets)	Compairs cost controls.
Public Infrastructure and Economic Development	S		4.2		Net Assets							
	O		4.2.1		The Agency will show an increase in net assets over the prior year.	5.1%	Positive	6.1%	July 1 - June 30	Financial Statement	(Current Year - Prior Year) / Prior Year (Nets)	Compairs cost controls.
Public Infrastructure and Economic Development	S		4.3		Program Cost less Bad Debt and Depreciation							
	O		4.3.1		Operating cost for the fiscal year will not exceed more than 15% of Earned Premium for the same period.	15.07%	Reduction from past	8.65%	July 1 - June 30	Financial Statement	(Current Year - Prior Year) / Prior Year (Nets)	Compairs cost controls.

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Strategic Planning and Performance Measurement Template

Statewide Enterprise Strategic Objective	Type	Item #			Description	2017-18			Time Applicable	Data Source and Availability	Calculation Method	Meaningful Use of Measure
		Goal	Strategy	Measur		Base	Target	Actual				
Government and Citizens	G	1			Maintain High Level of Customer Satisfaction							
	S		1.1		Conduct Annual Policyholder Satisfaction Survey							
	O		1.1.1		Maintain greater than 95% positive response rate on the annual policyholder survey.	99.6%	Greater than 90%		July 1 - June 30	Annual Policyholder Satisfaction Survey	Percentage of positive responses from Annual Policyholder Survey	Degree to which customer needs are met.
Government and Citizens	S		1.2		Solicit Comments from Policyholder Education Seminars							
	O		1.2.2		Review participant comments	Majority Positive	Majority Positive.		July 1 - June 30	Seminar and presentation evaluations	Seminar and presentation evaluations	Degree to which customer needs are met.
Government and Citizens	S		1.3		Compare satisfaction rates to national standards							
	O		1.3.1		Compare satisfaction rates to other Prosperity and Causality Companies	SAF = 76 ACSI-P&C = 79	Greater than 75%		July 1 - June 30	American Customer Satisfaction Index (ACSI) 3rd Quarter, December 2013	Satisfaction rate on Annual Policy Holder Survey compared to Property & Casualty Industry rating as reported by ACSI.	How Agencies customer satisfaction compares to other providers.
	O		1.3.2		Compare satisfaction rates to other Public Administration agencies	SAF = 76 ACSI-Public Administration = 64	Greater than 75%		July 1 - June 30	American Customer Satisfaction Index (ACSI)	Satisfaction Rate on Annual Policy Holder Survey compared to Public Administration rating as reported by ACSI	How Agencies customer satisfaction compares to other providers.
Education, Training, Human Development	S		1.4		Measure Retentions rates							
	O		1.4.1		Measure policyholders retention	94.9%	Greater than 80%		July 1 - June 30	Agency Policyholder Management Database	Percentage of policyholders who renewed or continued coverage with the Fund. (Voluntary Accounts)	Retention of Policyholders is indicity of satisfaction with service.
	O		1.4.2		Measure premium retention	92.7%	Greater than 80%		July 1 - June 30	Agency Policyholder Management Database	The Ratio of premium from renewed or continued policyholders. (Voluntary Accounts)	Retention of Policyholders is indicity of satisfaction with service.
Education, Training, Human Development	S		1.5		Provide policyholders with loss prevention and safety services							
	O		1.5.1		Report on services provided				July 1 - June 30	Agency Claims Management Database	Number of training classes, inspections, or other services provided.	Degree to which customer needs are met
Government and Citizens	G	2			Be the leader in South Carolina Workers Compensation rule and regulation cor							
Government and Citizens	S		2.1		Review fine information							
	O		2.1.1		Track numbers and amounts of fines	3	Less than industry average		July 1 - June 30	Agency Claims Management Database	The dollar amount of fines paid to the Workers Compensation Commission.	Indicate compliance with regulations.
	O		2.1.2		Report causes of fines	\$600	Less than industry average		July 1 - June 30	Agency Claims Management Database	The dollar amount of fines paid to the Workers Compensation Commission.	Indicate compliance with regulations.
Public Infrastructure and Economic Development	G	3			Agency remains finically self-sustaining.							
Public Infrastructure and Economic Development	S		3.1		Compare cost to national standards							Compairs cost controls.
	O		3.1.1		Compare average medical cost per claim	\$3,192	Less than industry		July 1 - June 30	Agency Claims Management Database	Medical cost divided by the total number of claims.	Compairs cost controls.

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Strategic Planning and Performance Measurement Template

Statewide Enterprise Strategic Objective	Type	Item #			Description	2017-18			Time Applicable	Data Source and Availability	Calculation Method	Meaningful Use of Measure
		Goal	Strategy	Measures		Base	Target	Actual				
	O		3.1.2		Compare average indemnity cost per claim	\$11,789	Less than industry		July 1 - June 30	Agency Claims Management Database	Indemnity cost divided by the total number of claims	Compairs cost controls.
Public Infrastructure and Economic Development	S		3.2		The annual administration cost ratio will not exceed the industry average 1							
	O		3.2.1		Calculate Administrative cost ratio	5.6%	Less than industry average		July 1 - June 30	Current year estimated using Trigger Report and finalized by the Fund's actuary	Agency Accounting System	Compairs cost controls.
Public Infrastructure and Economic Development	S		3.3		Collect premium as due							
	O		3.3.1		Percentage of Premium Billed over 90 days past due	0.00%	Less than 5%		July 1 - June 30	Past Due Amount as percentage of Earned Premium as reported in the Trigger Report	Agency Policyholder Database	Compairs cost controls.
	O		3.3.2		Percentage of accounts audited within 180 days	100%	Greater than 90%		July 1 - June 30	Agency Policyholder Management Database	Percentage of policyholder payroll audits completed within 180 days.	Compairs cost controls.
Public Infrastructure and Economic Development	G	4			The Fund's financial records will reflect a cumulative net gain in assets.							
Public Infrastructure and Economic Development	S		4.1		Cost vs. Revenue							
	O		4.1.1		Claims Expense will not exceed Earned Premium for the fiscal year.	Goal will	Meet		July 1 - June 30	Financial Statement	(Current Year - Prior Year) / Prior Year (Nets)	Compairs cost controls.
Public Infrastructure and Economic Development	S		4.2		Net Assets							
	O		4.2.1		The Agency will show an increase in net assets over the prior year.	0.08	Positive		July 1 - June 30	Financial Statement	(Current Year - Prior Year) / Prior Year (Nets)	Compairs cost controls.
Public Infrastructure and Economic Development	S		4.3		Program Cost less Bad Debt and Depreciation							
	O		4.3.1		Operating cost for the fiscal year will not exceed more than 15% of Earned Premium for the same period.	-0.051	Reduction from past		July 1 - June 30	Financial Statement	(Current Year - Prior Year) / Prior Year (Nets)	Compairs cost controls.

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Program Template

Program/Title	Purpose	FY 2017-18 Expenditures (Actual)				FY 2018-19 Expenditures (Projected)				Associated Measure(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
I. Administration			\$ 7,558,326		\$ 7,558,326	\$ 6,453,923			\$ 6,453,923	1.1.1, 1.1.2, 1.3.1, 1.3.2, 1.4.1, 1.4.2, 1.5.1, 2.1.1, 2.1.2, 3.1.1, 3.1.2, 3.2.1, 3.3.1, 3.3.2, 4.1.1, 4.2.1, 4.3.1
II. Uninsured Employers Fund			\$ 926,794		\$ 603,590	\$ 913,108			\$ 913,108	2.1.1, 2.1.2, 3.1.1, 3.1.2, 3.2.1, 3.3.1, 3.3.2
III. Employee Benefits			\$ 1,474,360		\$ 1,474,360	\$ 1,496,069			\$ 1,496,069	

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Legal Standards Template

Item #	Law Number	Jurisdiction	Type of Law	Statutory Requirement and/or Authority Granted	Does this law specify who your agency must or may serve? (Y/N)	Does the law specify a product or service your agency must or may provide?	If yes, what type of service or product?	If other service or product, please specify what service or product.
1	42-7-10.	State	Statute	Establishment of the State Accident Fund.	Y	Y	Workers' Compensation Claims Management	
2	42-7-20.	State	Statute	Describes the administration of the fund and the selection of the director.	N	N		
3	42-7-30	State	Statute	Legal representation for fund, extra legal services; fees and expenses.	N	N		
4	42-7-40	State	Statute	Application to State	N	N		
5	42-7-50	State	Statute	Subdivisions of State; optimal participation.	N	N		
6	42-7-60	State	Statute	Officers and employees covered by article.	N	N		
7	42-7-65	State	Statute	Average weekly wage designated for certain categories of employees.	N	N		
8	42-7-67	State	Statute	Benefits for State and National Guard members.	Y	N		
9	42-7-70	State	Statute	Rates and premiums.	N	N		
10	42-7-80	State	Statute	Payment of awards, notice of intention to contest award.	N	N		
11	42-7-90	State	Statute	Expenditures from fund.	N	N		
12	42-7-100	State	Statute	Fund director may insure liability.	N	N		
13	42-7-200	State	Statute	Workers' compensation Uninsured Employers' Fund; claims, collection powers,	N	N		
14	42-7-210	State	Statute	Transfers from general fund to State Accident Fund authorized.	N	N		
15	42-7-310	State	Statute	Establishment, purpose, administration, funding and staff of Second Injury Fund	N	N		
16	42-7-320	State	Statute	Termination of Second Injury Fund; schedule.	N	N		
17	42-1-415	State	Statute	Representation of coverage, reimbursement from Uninsured Employers' Fund	N	N		
18	42-1-490	State	Statute	Payments to claimant-inmates of State Department of Corrections.	N	N		
19	42-1-500	State	Statute	County or municipal prisoners	N	N		
20	38 55-530	State	Statute	Designated the State Accident Fund as an authorized agency under Article 5. Insurance Fraud	N	N		
21	Regulation 67-201	State	Regulation	Sets forth the requirement to maintain coverage files and defines the agency as being a	N	N		
22	Regulation 67-210	State	Regulation	Designates the State Accident Fund as a party to be served for hearing requests	N	N		
23	Regulation 67-405	State	Regulation	Sets forth the requirement for the State Accident Fund to file reports for coverage, notices of	N	N		
24	Regulation 67-416	State	Regulation	Requires the State Accident Fund to report coverage, accident, and claims information to the	N	N		
25	Regulation 67-417	State	Regulation	Stipulates that the Commission may conduct on-site examinations of the State Accident Funds	N	N		

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Customer Template

Divisions or Major Programs	Description	Service/Product Provided to Customers	Customer Segments	Specify only for the following Segments: (1) Industry Name; (2) Professional Organization Name; (3) Public Demographics.
Governor	All	Executive Branch/State Agencies		
Legislature	All	Legislative Branch		
Workers' Compensation Commission	Claim	Executive Branch/State Agencies		
Policyholders	All	Executive Branch/State Agencies		
Injured workers	Claim	Executive Branch/State Agencies		
Uninsured employers	Claim	General Public	Injured Workers	

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Partner Template

Name of Partner Entity	Type of Partner Entity	Description of Partnership	Associated Goal(s)
Workers' Compensation Commission (WCC)	State Government	The Workers' Compensation Commission is responsible for administering	Number and amount of fines paid.

