

HEALTHCARE AND
REGULATORY
SUBCOMMITTEE
Thursday, March 31, 2022
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AGENDA

South Carolina
House of Representatives



Legislative Oversight Committee

**LAW ENFORCEMENT AND CRIMINAL
JUSTICE SUBCOMMITTEE**

*The Hon. Chris Wooten, Chair
The Hon. Kimberly O. Johnson
The Hon. Josiah Magnuson
The Hon. John R. McCravy, III*

**HEALTHCARE AND REGULATORY
SUBCOMMITTEE**

*The Hon. John T. "Jay" West, Chair
The Hon. Gil Gatch
The Hon. Rosalyn D. Henderson-Myers
The Hon. Timothy A. "Tim" McGinnis*

Thursday, March 31, 2022

Immediate Upon

Adjournment

Room 410 - Blatt Building

***Pursuant to Committee Rule 6.8, S.C. ETV shall be allowed access for internet streaming
whenever technologically feasible.***

AGENDA

- I. Approval of minutes**
- II. Discussion of the study of the South Carolina State Accident Fund**
- III. Adjournment**

MINUTES

Chair Wm. Weston J. Newton

*First Vice-Chair:
Joseph H. Jefferson, Jr.*

Legislative Oversight Committee



South Carolina House of Representatives

*Kambrell H. Garvin
Rosalynd D. Henderson-Myers
Jeffrey E. "Jeff" Johnson
John R. McCravy, III
Adam M. Morgan
Melissa Lackey Oremus
Marvin R. Pendarvis
Tommy M. Stringer
Chris Wooten*

*Gil Gatch
William M. "Bill" Hixon
Kimberly O. Johnson
Josiah Magnuson
Timothy A. "Tim" McGinnis
Travis A. Moore
Russell L. Ott
Michael F. Rivers, Sr.
John Taliaferro (Jay) West, IV*

*Jennifer L. Dobson
Research Director*

*Cathy A. Greer
Administration
Coordinator*

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Columbia, South Carolina 29211
Telephone: (803) 212-6810 • Fax: (803) 212-6811
Room 228 Blatt Building**

*Charles L. Appleby, IV
Legal Counsel*

*Lewis Carter
Research Analyst/Auditor*

*Riley E. McCullough
Research Analyst*

Legislative Oversight Committee

Thursday October 14, 2021
2:00 pm Blatt Room 110

Archived Video Available

- I. Pursuant to House Legislative Oversight Committee Rule 6.7, South Carolina ETV was allowed access for streaming the meeting. You may access an archived video of this meeting by visiting the South Carolina General Assembly's website (<http://www.scstatehouse.gov>) and clicking on *Committee Postings and Reports*, then under *House Standing Committees* click on *Legislative Oversight*. Then, click on *Video Archives* for a listing of archived videos for the Committee.

Attendance

- I. The Healthcare and Regulatory Subcommittee meeting was called to order by Chair John Taliaferro (Jay) West on Thursday, October 14, 2021, in Room 110 of the Blatt Building. All members were present for all or a portion of the meeting. Representatives Rosalynd D. Henderson-Myers; and Timothy A. (Tim) McGinnis participated virtually in the meeting.

Minutes

- I. House Rule 4.5 requires standing committees to prepare and make available to the public the minutes of committee meetings, but the minutes do not have to be verbatim accounts of meetings.

Approval of Minutes

- I. Representative Gatch makes a motion to approve the meeting minutes from the August 30, 2021, meeting. A roll call vote was held, and the motion passed.

Rep. Gatch motion to approve the August 30, 2021, meeting minutes.	Yea	Nay	Not Voting
Rep. Gatch	✓		
Rep. Henderson-Meyers			✓
Rep. McGinnis	✓		
Rep. West	✓		

Discussion of South Carolina State Accident Fund

- I. Jay Bruner provides testimony regarding State Accident Fund and the agency's business practices.
- II. Acting Director Erin Farthing, and her team, present the following information to the Subcommittee:
 - a. Agency Overview;
 - b. Financial Overview;
 - c. State Accident Fund Policyholders; and
 - d. Department Overview
- III. Director Farthing provides a summary and overview of the agency; Abby Sellers (Director of Financial Services) provides a financial overview; and Matthew Hansford (Deputy Director) discusses policyholder services and agency deliverables.

Adjournment

- I. There being no further business, the meeting is adjourned.

Chair Wm. Weston J. Newton

*First Vice-Chair:
Joseph H. Jefferson, Jr.*

Legislative Oversight Committee

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*Riley E. McCullough
Research Analyst*

Legislative Oversight Committee

Wednesday, November 17, 2021

2:00 pm Blatt Room 321

Archived Video Available

- II. Pursuant to House Legislative Oversight Committee Rule 6.7, South Carolina ETV was allowed access for streaming the meeting. You may access an archived video of this meeting by visiting the South Carolina General Assembly's website (<http://www.scstatehouse.gov>) and clicking on *Committee Postings and Reports*, then under *House Standing Committees* click on *Legislative Oversight*. Then, click on *Video Archives* for a listing of archived videos for the Committee.

Attendance

- II. The Healthcare and Regulatory Subcommittee meeting was called to order by Chair John Taliaferro (Jay) West on Wednesday, November 17, 2021, in Room 321 of the Blatt Building. Representative Timothy A. "Tim" McGinnis participated virtually in the meeting. Chair West participated in person.

Minutes

- II. House Rule 4.5 requires standing committees to prepare and make available to the public the minutes of committee meetings, but the minutes do not have to be verbatim accounts of meetings.

Discussion of State Accident Fund

- IV. Chair West placed the following personnel from the State Accident Fund under oath:
- a. Justin Plummer, Director of Information Technology (in person).
- V. Chair West reminded agency personnel participating in the meeting that they remained under oath. The following agency personnel, previously sworn in, were in attendance:
- a. Erin Farthing, Acting Director (in-person);
 - b. Matthew Hansford, Deputy Director (in-person);
 - c. Meredyth Harden, Assistant Director of Claims (in-person);
 - d. Abby Sellers, Director of Financial Services (in-person);
 - e. Kirk Adair, Senior Premium Auditor (in-person);
 - f. Meggan Damiano, Director of Insurance Services (in-person)
 - g. Debra Dozier , UEF Director of Claims (virtual);
 - h. Jason Audette, Inspector General (virtual); and
 - i. Troy Hubbard, Safety and Loss Control Specialist (virtual).
- VI. Deputy Director Hansford provided an overview of the agency's performance measures. Topics discussed include:
- a. Performance measure #1 (annual policyholder survey);
 - b. Performance measure #2 (percentage of non-state policyholder who continued coverage);
 - c. Performance measure #3 (number of claim fines received);
 - d. Performance measure #4 (average medical cost per claim received);
 - e. Performance measure #5 (average indemnity cost per claim received);
 - f. Performance measure #6 (administrative cost ratio);
 - g. Performance measure #7 (percent of premium billed past due more than 90 days);
 - h. Performance measure #8 (percentage of savings compared to total annual claim credit);
 - i. Performance measure #9 (recoveries as a percentage of total annual claim costs); and
 - j. Performance measure #10 (percent increase of net assets compared to prior year)
- VII. Acting Director Farthing provided an overview of the agency's successes, challenges, and emerging issues. Topics discussed include:
- a. Agency successes (staffing; improvements in claims handling process; mediation; and COVID-19);
 - b. Agency challenges (new system selection and implementation; hiring experienced staff; medical provider availability; COVID-19; and remaining a self-sustaining agency);and
 - c. Agency emerging issues (staff retention; technology and data security; medical marijuana; and COVID-19)

- VIII. Director of Financial Services Sellers discussed the following topics related to organizational units:
- a. Accounting department; and
 - b. Human resources.
- IX. Director of Insurance Services Damiano discussed the following topics related to organizational units:
- a. State Accident Fund claims department; and
 - b. Uninsured Employer's Fund Claims department.
- X. Subcommittee members ask questions relating to the following:
- a. Performance measures;
 - b. Employees (vacancy rates and telecommuting);
 - c. Cost of new system implementation;
 - d. Accounting department metrics;
 - e. Employee exit interviews;
 - f. Training of employees;
 - g. Volume of scanned documents annually;
 - h. Purpose for tracking types of documents;
 - i. Weekly indemnity benefit process timeframe;
 - j. Any incentivization of productivity; and
 - k. Agency restructuring.

Agency staff respond to the members' questions.

Adjournment

- II. There being no further business, the meeting was adjourned.

STUDY TIMELINE

Timeline of Agency Study

The House Legislative Oversight Committee’s (Committee) process for studying the South Carolina State Accident Fund (agency, Department, or SAF) includes actions by the full Committee; Healthcare and Subcommittee (Subcommittee); the agency; and the public. Key dates and actions are listed below.

December 9, 2019	At Meeting 1, the Committee selects the South Carolina State Accident Fund as the next agency for the Healthcare and Regulatory Subcommittee to study.
January 15, 2020	The Committee provides the agency with notice about the oversight process.
February 28 – April 1, 2020	The Committee solicits input from the public about the agency in the form of an online public survey.
March 6, 2020	The South Carolina State Accident Fund submits its Program Evaluation Report.
April 8, 2021	At Meeting 2, the Committee receives public input regarding the agencies selected for study, to include State Accident Fund.
October 14, 2021	The Subcommittee holds Meeting 3 with the agency to discuss an overview of its mission, history, resources, major programs, successes, challenges, and emerging issues.
November 17, 2021	The Subcommittee holds Meeting 4 with the agency to discuss agency performance measures, successes/challenges/emerging issues, and organizational units.
March 31, 2022	The Subcommittee holds Meeting 5 with the agency to discuss agency organizational units, associated performance metrics, and flowcharts.

Figure 3. Summary of key dates and actions in the study process

AGENCY SNAPSHOT

State Accident Fund

History

- 1943 - The State Workers' Compensation Fund created as a division of the South Carolina Industrial Commission.
- 1974 - The State Workers' Compensation Fund established as a separate agency.
- 1982 - The State Workers' Compensation Insolvency Fund established within the State Workers' Compensation Fund.
- 1993 - The State Workers' Compensation Fund name is changed to the State Accident Fund.
- 2013 - the South Carolina Workers' Compensation Uninsured Employers' Fund was established within the State Accident Fund.

Agency Mission

Providing cost-effective, guaranteed workers' compensation insurance for state agencies and other governmental entities along with exceptional service to our state workers.

Organizational Units

Management Support

- Focuses on the overall operations and high-level decisions that go into running the agency

Business Support

- Includes Accounting, Human Resources, and Records Management

Claims

- Receiving and processing all workers' compensation claims from covered policyholders

Legal

- Provides legal advice and representation

Policyholder Services

- Compiles and analyzes data to establish premiums

Special Investigations Unit

- Performs investigations and provides investigative support

Information Technology

- Supports all critical business applications

Uninsured Employers' Fund

- Ensures payment of workers' compensation benefits to injured employees with underinsured employers

Information Technology

- Supports all critical business applications

Military Disability Program

- Provides settlements for National Guard members permanently disabled during the October 2015 weather event

Successes

Identified by the agency

- Improving the workplace by adding new positions and hiring more personnel
- Providing advancement opportunities by revamping its working organization
- Minimizing case expenses with new settlement and mediation processes
- Producing better rates with new Actuaries

Resources (FY 18-19)

Employees

62
all types at the start of the fiscal year

Funding

\$8,863,100
appropriated and authorized

Challenges

Identified by the agency

Current:

- Replacing the current case management system
- Moving to a new office location
- Competition from other workers' compensation insurers
- Delays in procurement processes

Emerging:

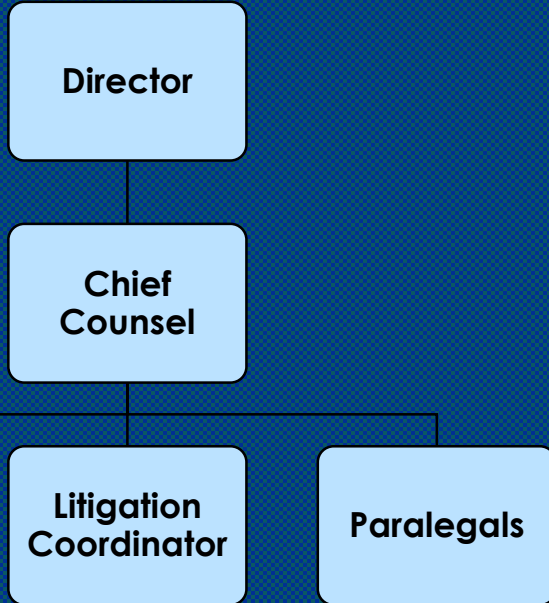
- Increased claims costs and premiums resulting from proposed House Bills 4147 & 4777
- Staff retention
- Cyber security and insurance technology changes
- Legalization of medical marijuana

AGENCY PRESENTATION

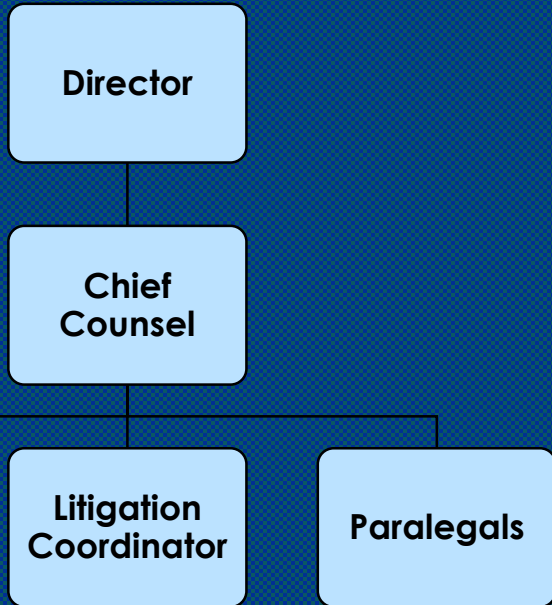
Legal

Chief Counsel (Attorney III) (1)

- Responsible for the operational functions of the Legal Department.
- Represents the agency and policyholders in litigation before the SC Workers' Compensation Commission and appeals through the Supreme Court.
- Provides legal advice to agency management and staff, including analysis of statutes, regulations, legislative acts, court decisions and general workers' compensation law and procedures.
- Conducts legal research and applies research findings to assist in determination of compensability, denials, settlements and disputed issues.
- Acts as liaison between SAF employees and contract attorneys as needed.
- Participates and presents department data in monthly management meetings.



Legal



Deputy Counsel (SAF) (Attorney III/Attorney II) (2)

- Represents the State Accident Fund and policyholder in litigation before the SC Worker's Compensation Commission and appeals through the Supreme Court.
- Provides legal advice to the agency staff, including analysis of statutes, regulations, legislative acts, court decisions and general workers' compensation law and procedures.
- Conducts legal research and apply research findings to assist in determination of compensability, denials, settlements, and disputed issues.

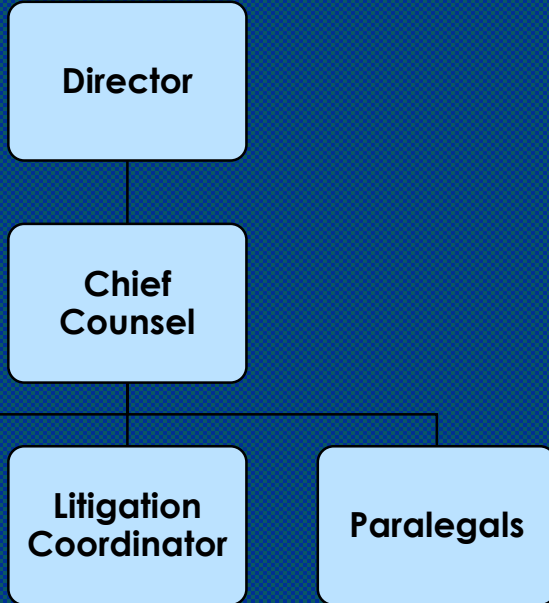
Deputy Counsel (UEF) (Attorney III) (1)

- Represents the Uninsured Employers' Fund litigation before the SC Worker's Compensation Commission and appeals through the Supreme Court.
- Provides legal advice to the UEF staff, including analysis of statutes, regulations, legislative acts, court decisions and general workers' compensation law and procedures.
- Conducts complex legal research and apply research findings to assist in determination of compensability, denials, settlements, and disputed issues.

Legal

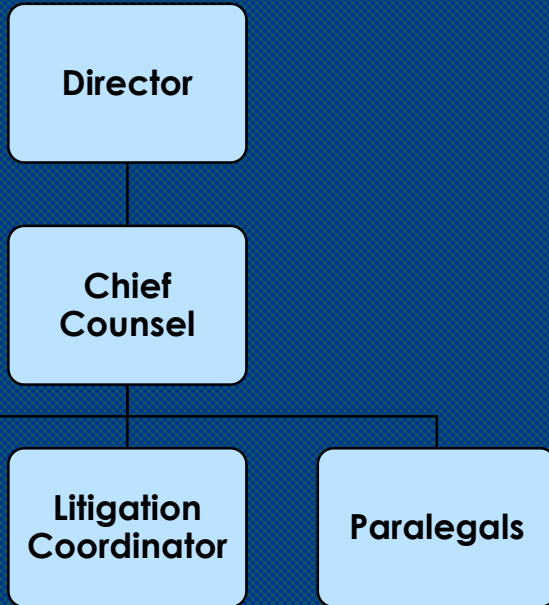
Litigation Coordinator (Program Manager I) (1)

- Receives requests to send claim to contract attorney and processes legal files to mail to contract attorneys.
- Prepares Form 1s for all contract attorney as required by Attorney General's office.
- Serves as SAF liaison for agency cases being handled by contract attorneys.
- Drafts and prepares memos, reports and correspondence pertaining to all aspects of the contract attorney program.
- Reviews and processes all incoming correspondence from contract attorneys.
- Maintains contract attorney budget and advises Chief Counsel on contract attorney budget matters.
- Reviews and approves all contract attorney statements for legal services and litigated expenses incurred on legal files.
- Tracks metrics and prepares reports regarding performance within legal department and contract attorney performance
- Maintains a hearing calendar for all farmed out cases.



Paralegals (3)

Legal

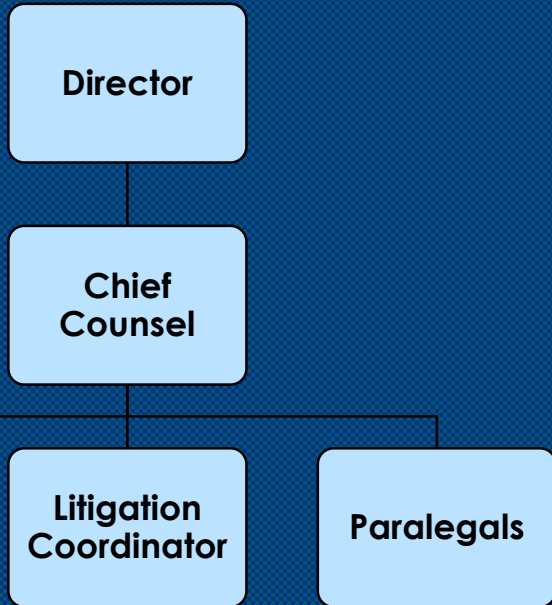


- SAF has two paralegals who perform duties related more specifically to claim handling.
 - Prepares and processes approved settlement documents and Orders.
 - Prepares each file where a hearing is requested by pulling and organizing copies of medicals.
 - Drafts various WCC required forms and prepares other legal documents for filing, to include Pre-hearing Briefs, appeals briefs, etc.
 - Assists attorneys in preparing all claims scheduled for hearing to include setting depositions and securing updated medical reports and responding to telephone inquiries and written correspondence.
 - In medically complex claims, prepares a medical chronology and summary.
 - Maintains a reminder system to ensure all deadlines are met.
- A third paralegal performs more agency-wide and department-wide functions.
 - Receives and sorts all incoming agency mail.
 - Processes all legal mail and places deadlines on the legal calendar and on legal deadline sheet.
 - Processes all in-house and contract attorney hearing notices and clincher conference notices received from the WCC.
 - Enters hearing date in system and on SAF Legal Calendar.
 - Enters pre-hearing brief deadlines in system and on deadline sheet.
 - Drafts and processes all SAF Pro-Se and Represented Clincher documents.
 - Schedules and calendars all SAF in-house mediations.
 - Process and submit all SAF wage report requests.
 - Processes all subpoenas received by SAF.
 - Coordinates with policyholder when subpoena requests employment records.

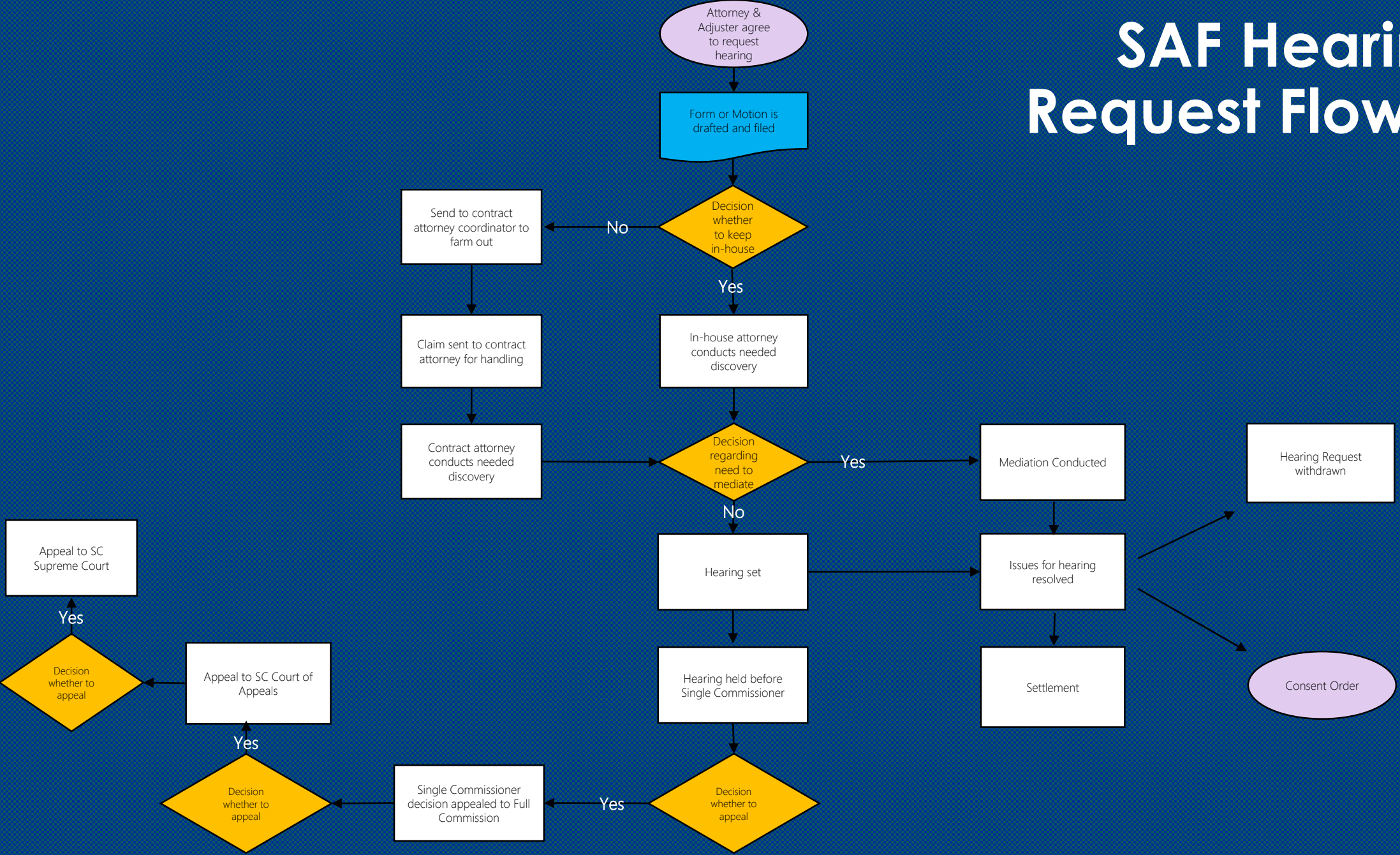
Legal

Uninsured Employers' Fund Legal Assistant (Administrative Assistant) (1)

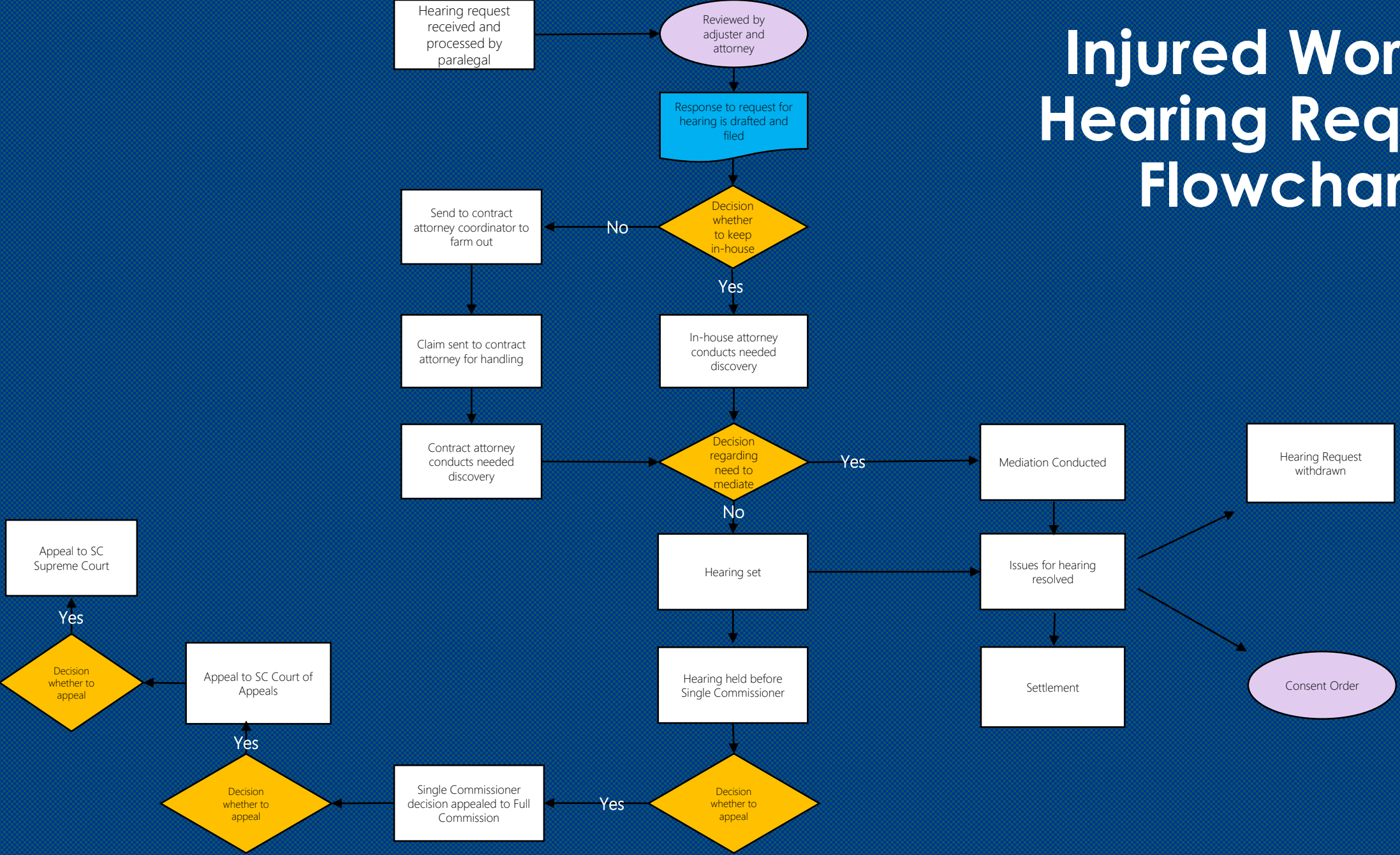
- Prepares and processes all approved settlement documents and Orders for UEF in house claims.
- Prepares Deadline Sheet for responsive forms and Pre-hearing Briefs.
- Drafts various WCC required forms and prepares other legal documents for filing, to include Pre-hearing Briefs, appeals briefs, etc.
- Assists UEF attorney in preparing all claims scheduled for hearing to include setting depositions and securing updated medical reports, responding to telephone inquiries and written correspondence.
- In medically complex claims, prepares a medical chronology and summary.
- Maintains a reminder system.
- Files documents related to UEF's lien against responsible employer, including the Agreement to Repay & Confession of Judgment.
- Once lien is satisfied, or the employer is determined to not be responsible, files the necessary documents to satisfy liens.



SAF Hearing Request Flowchart



Injured Worker Hearing Request Flowchart



Legal Metrics

The Legal Department tracks the following metrics:

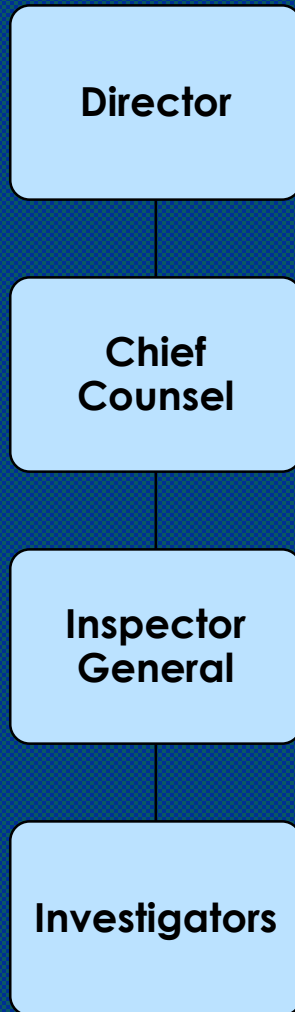
1. Hearings set/held by SAF in-house attorney (tracks the number of cases set for a hearing and held).
2. Contract attorney budget (monthly expenses).
3. Contract attorney monthly costs.
4. Cases farmed-out to contract attorneys detail (number of cases farmed and location).
5. Cases farmed-out to contract attorneys totals.
6. Cases farmed out to contract attorneys archives (broken down by claim teams for a three month period).
7. Settled and farmed out claims by contract attorney (details monthly and year-to-date data).
8. Trigger report.
9. Mediations year-to-date.
10. Legal team monthly litigation (tracks Form 50, Form 50 claim only, filed Form 15, informal conferences, clincher conferences, claims with attorneys and settled by clincher for month, and the number of Decision and Orders received).
11. All litigation (broken down by claims teams).⁸

Legal Department Staffing and Turnover

Fiscal Year	Employee Count at the Start of Fiscal Year	Employee Count at the End of Fiscal Year	Employee Losses During Fiscal Year
2019-2020	6	8	2
2018-2019	7	6	2
2017-2018	8	8	1
2016-2017	8	8	0

Current employees: 9 (no current vacancies)

Special Investigations Unit



Chief Counsel

- Responsible for the direct supervision of the Inspector General.
- Participates in development of annual department budget.
- Provides legal guidance and advice as needed in investigations.
- Reviews records in referred claims involving suspected fraud.

Inspector General (Investigator IV) (1)

- Supervises all employees of the SIU department, to include completing EPMS planning and evaluation stages for team members.
- Directs, manages, performs, and assists with in-depth investigations regarding the compensability of workers' compensation claims as requested by a SAF policyholder or SAF/UEF claim adjuster.
- Conducts good-faith dependency investigations in cases involving the death of a SAF/UEF claimant and provides hearing testimony regarding same as needed.
- Directs and coordinates referrals and investigative support efforts (e.g., surveillance) with outside intelligence firms.
- Works with claims staff and legal department to detect potential fraudulent claims and serves as agency liaison for referrals for possible prosecution.
- Directs and manages the access control program, consults on physical security matters, and coordinates or supplements training for the Agency, and liaise with law enforcement as needed.
- Participates and presents department data in monthly management meetings.

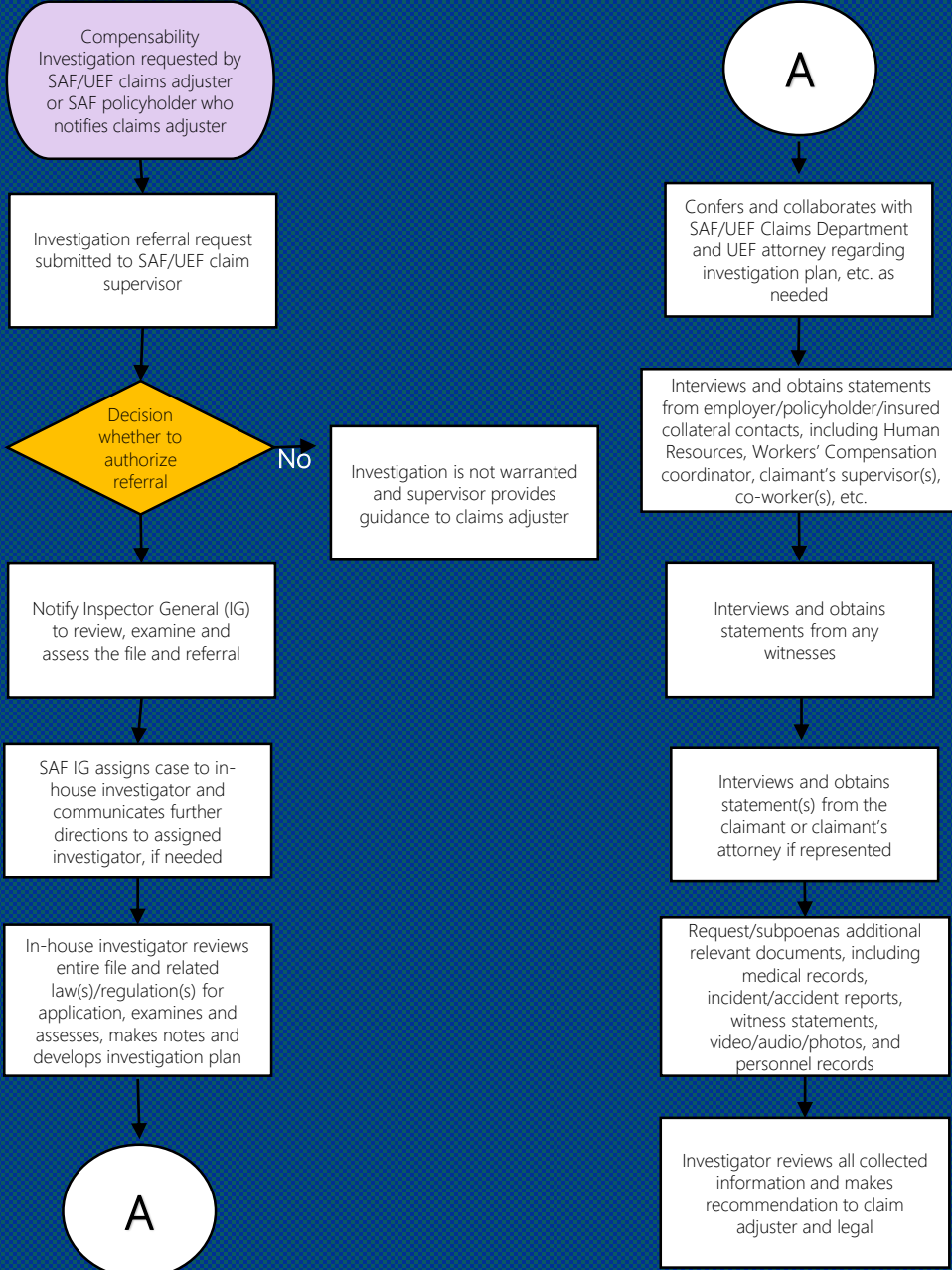
Special Investigations Unit



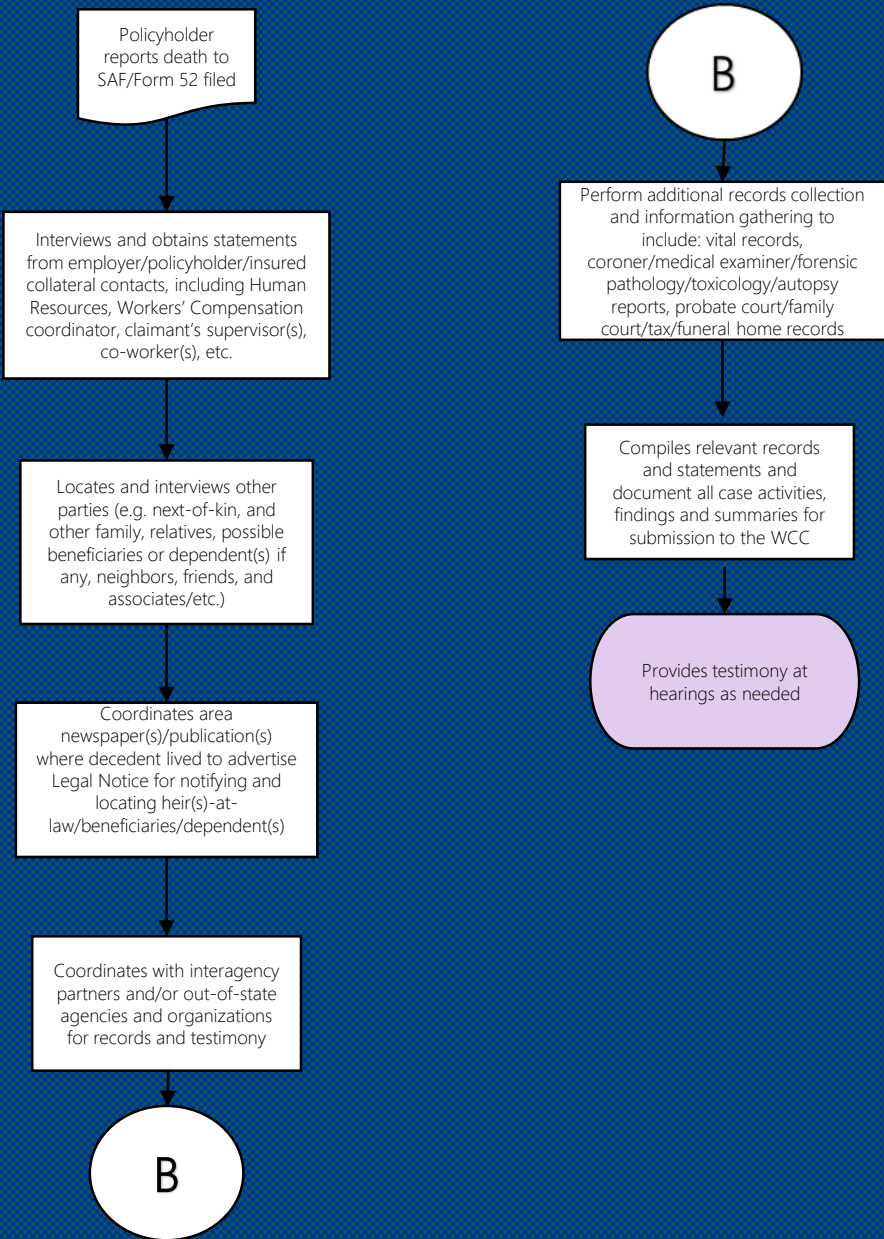
SIU Special Investigators (Investigator III/Investigator II) (2)

- Performs and assists with in-depth investigations regarding the compensability of workers' compensation claims as requested by a SAF policyholder and/or SAF/UEF adjuster.
- Conducts good-faith dependency investigations in cases involving the death of a SAF/UEF claimant and provides hearing testimony regarding same as needed.
- Performs and/or assists with other investigations or tasks as requested.
- Provides requested information regarding investigations to policyholders.

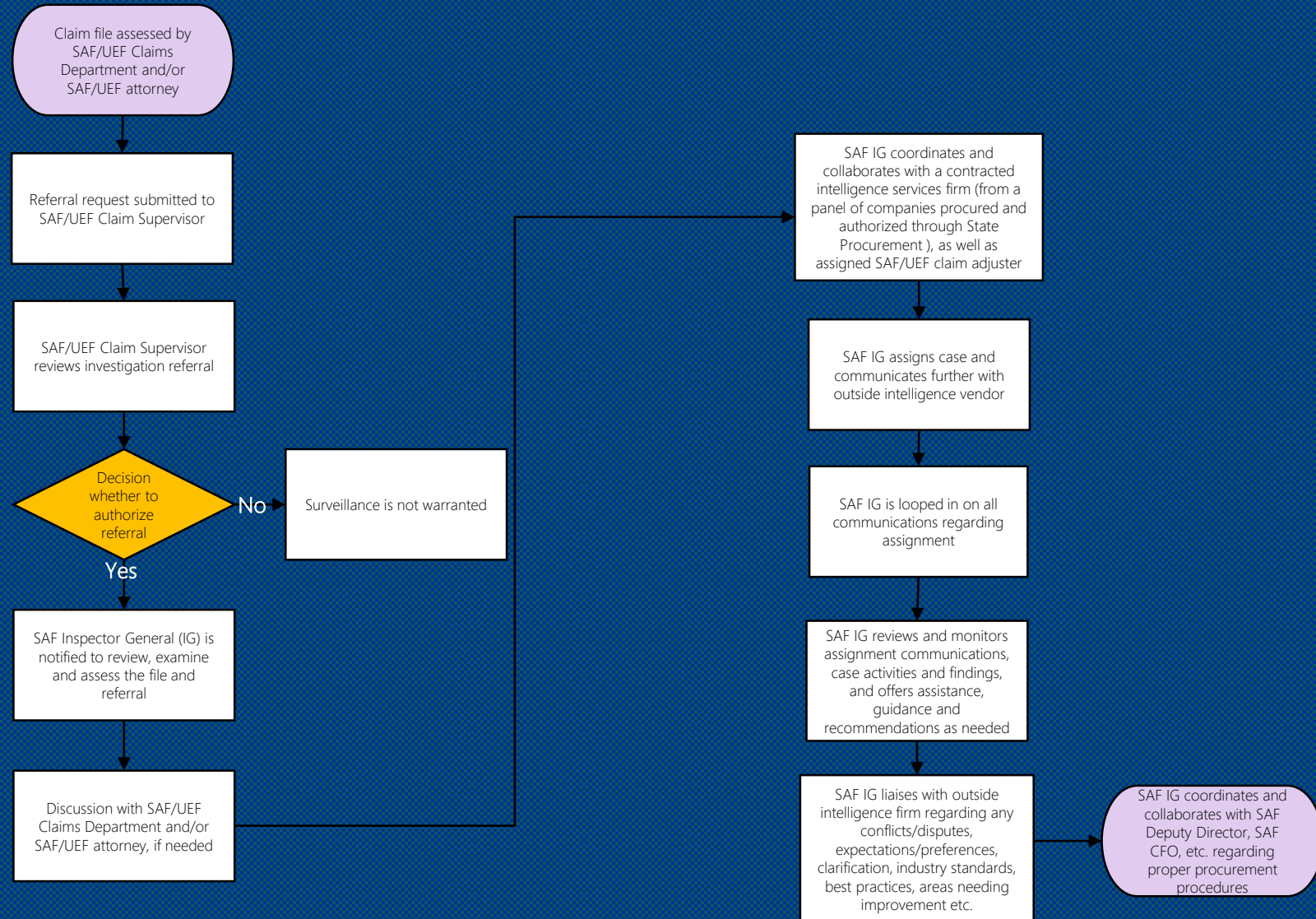
New Compensability Investigation Flowchart



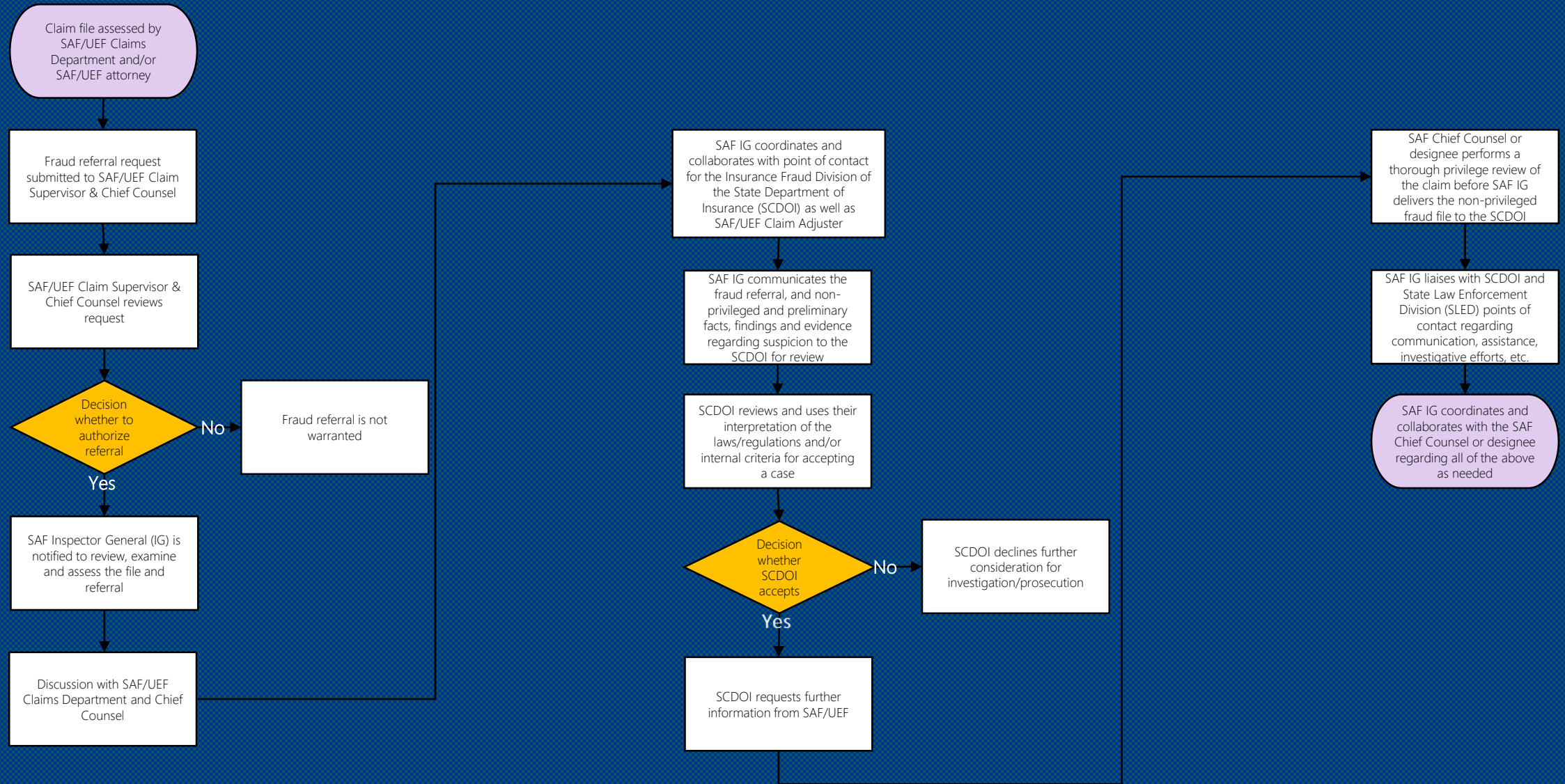
New Death Investigation Flowchart



New Surveillance Referral Flowchart



Fraud Referral Flowchart



Special Investigations Unit Metrics

The Special Investigations Unit tracks the following metrics:

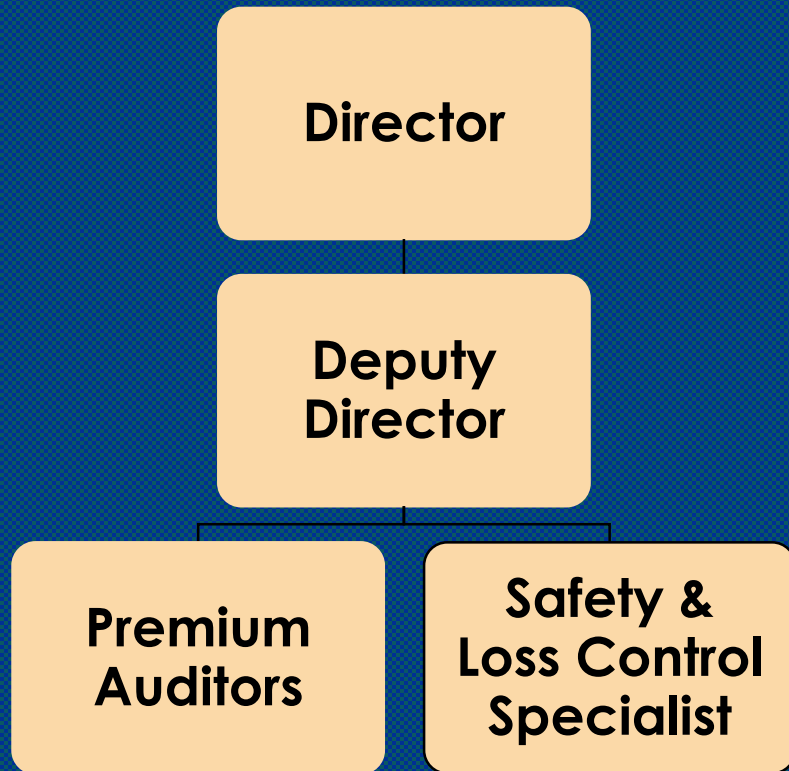
1. Number of in-house compensability and dependency investigations referred, open/active, and completed (monthly, quarterly and by fiscal year).
2. Number of pending hearings (only where investigator may be called for testimony) scheduled (monthly, quarterly and by fiscal year).
3. Number of external intelligence assignments referred, open/active, and completed (monthly, quarterly and by fiscal year).
4. Number of fraud cases referred, open/active, and completed) monthly, quarterly and by fiscal year).
5. Number of physical security trainings (monthly, quarterly and by fiscal year).

SIU Staffing and Turnover

Fiscal Year	Employee Count at the Start of Fiscal Year	Employee Count at the End of Fiscal Year	Employee Losses During Fiscal Year
2019-2020	3	3	0
2018-2019	2	2	1
2017-2018	2	2	0
2016-2017	2	2	0

Current Employees: 3 (no current vacancies)

Policyholder Services



Deputy Director (Program Manager II)

- Responsible for the direct supervision of the employees within the Policyholder Services Department.
- Participates in development of annual department budget.
- Directs and supports the agency's annual calculation of policyholder premium rates and the bi-annual renewal process.

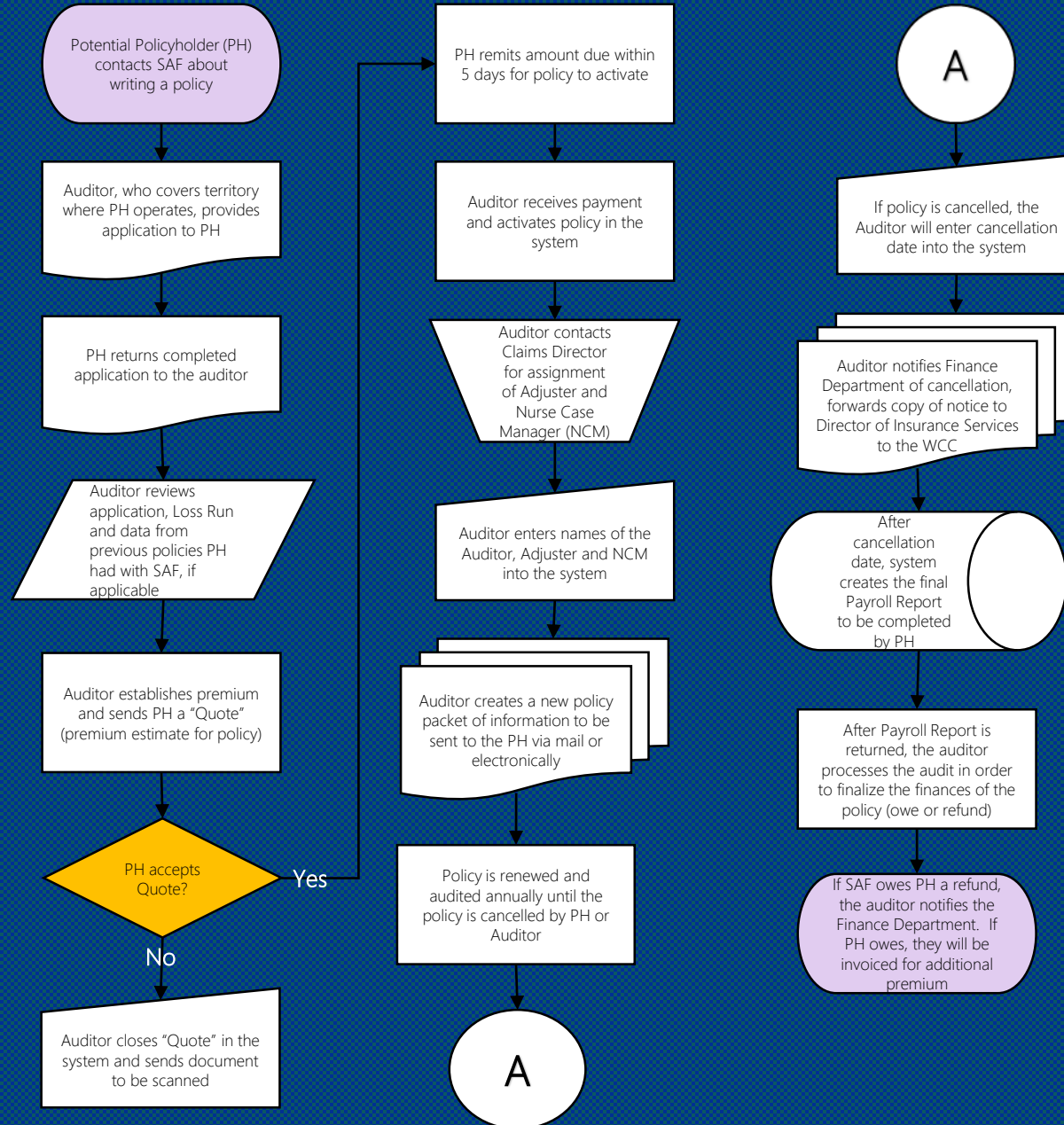
Premium Auditor (2)

- Obtains information (current payroll, job classifications, loss history, etc.) from all policyholders necessary to perform department functions.
- Calculates premium for all SAF Policyholders.
- Educates and trains all SAF Policyholders regarding the premium calculation process.
- Participates and presents department data in monthly management meetings.

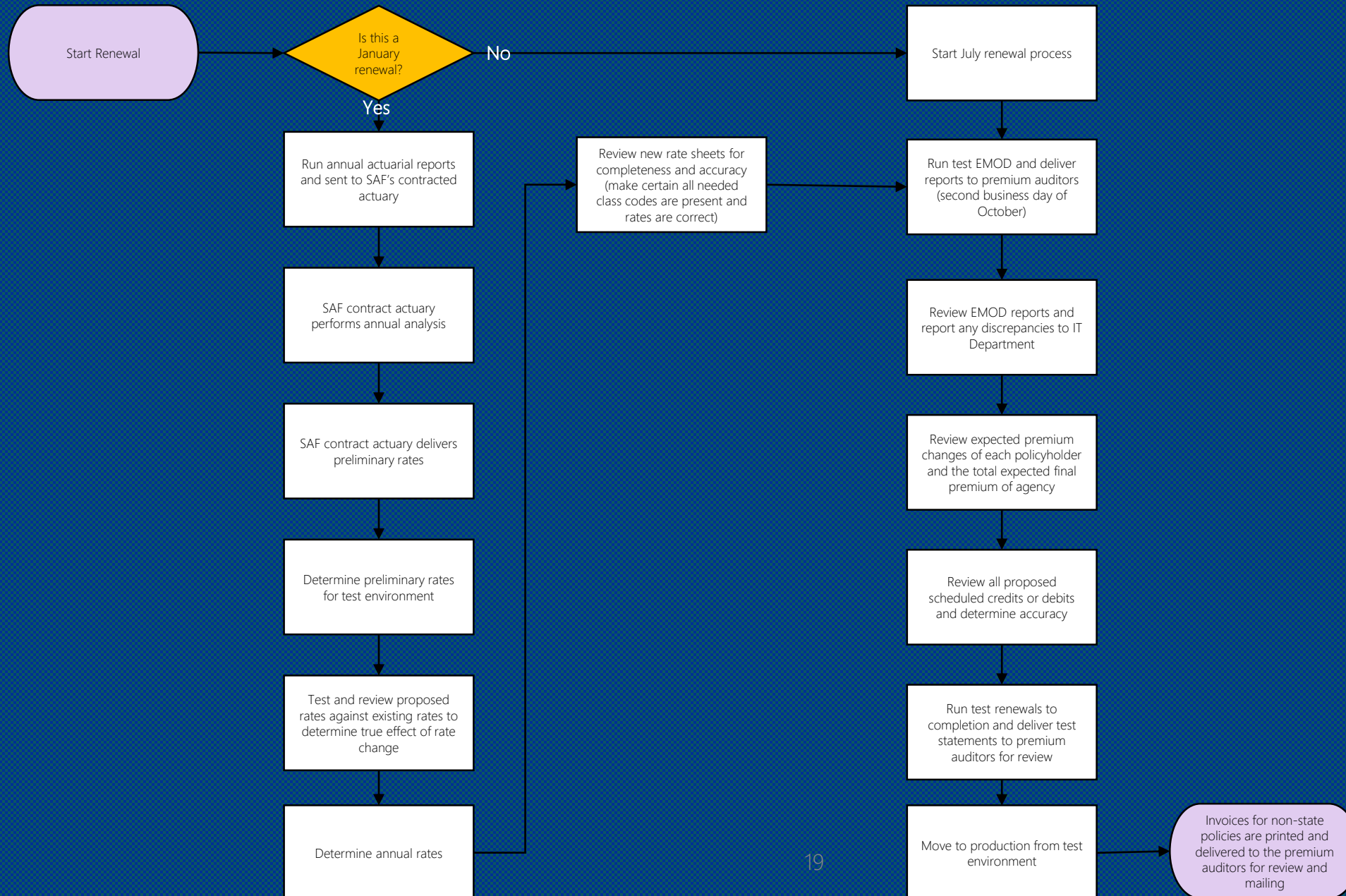
Safety & Loss Control Specialist (1)

- Conducts safety related training classes and provides safety consultation for policyholders of the State Accident Fund.
- Evaluates worksites (inspections) for safety hazards, unsafe work practices and assists participants with OSHA standards compliance.
- Monitors and maintains safety awareness programs within the State Accident Fund.
- Participates and presents department data in monthly management meetings.

New Policyholder Flowchart



Policy Renewal Flowchart



Safety & Loss Referral Flowchart



Policyholder Services Metrics

The Policyholder Services Department tracks the following metrics for:

Premium Audit

1. Number of audits completed within 180 days of renewal.
2. Average number of days for completion of all assigned audits.
3. Number of policyholder visits/training.

Safety & Loss

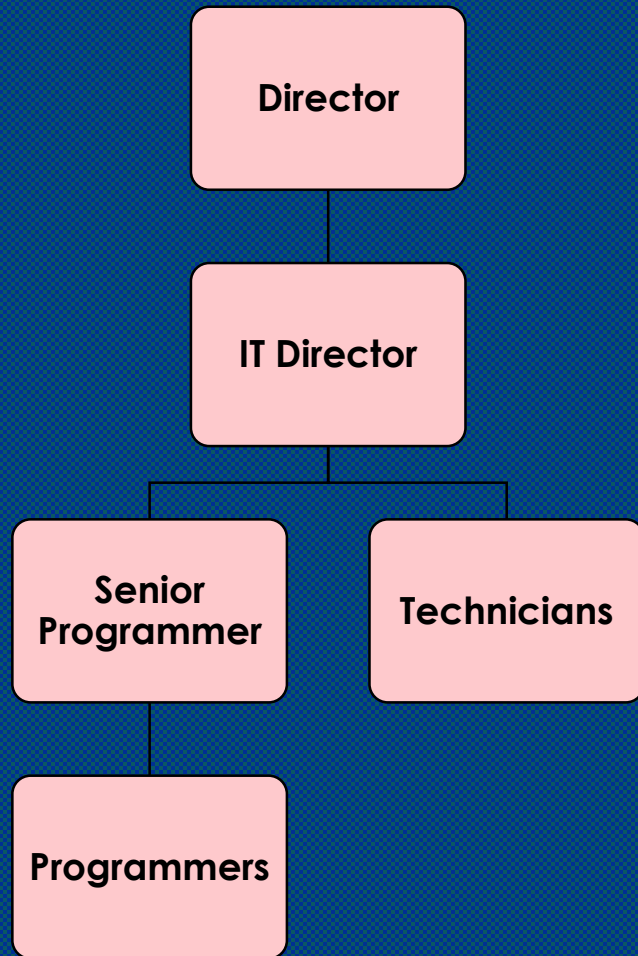
1. Total number of safety-related policyholder contacts (emails, phone calls, training).
2. Total number of training classes.
3. Total number of training class attendees.
4. Number of policyholders visited for training classes.
5. Total number of inspections.
6. Number of positive survey responses post policyholder training.

Policyholder Services Department Staffing and Turnover

Fiscal Year	Employee Count at the Start of Fiscal Year	Employee Count at the End of Fiscal Year	Employee Losses During Fiscal Year
2019-2020	3	4	1
2018-2019	3	3	0
2017-2018	3	3	0
2016-2017	3	3	0

Current employees: 3 (no current vacancies)

Information Technology (IT)



IT Director (Information Technology Manager I) (1)

- Responsible for direct supervision of Senior Programmer and Technicians.
- Participates and presents department data in monthly management meetings.

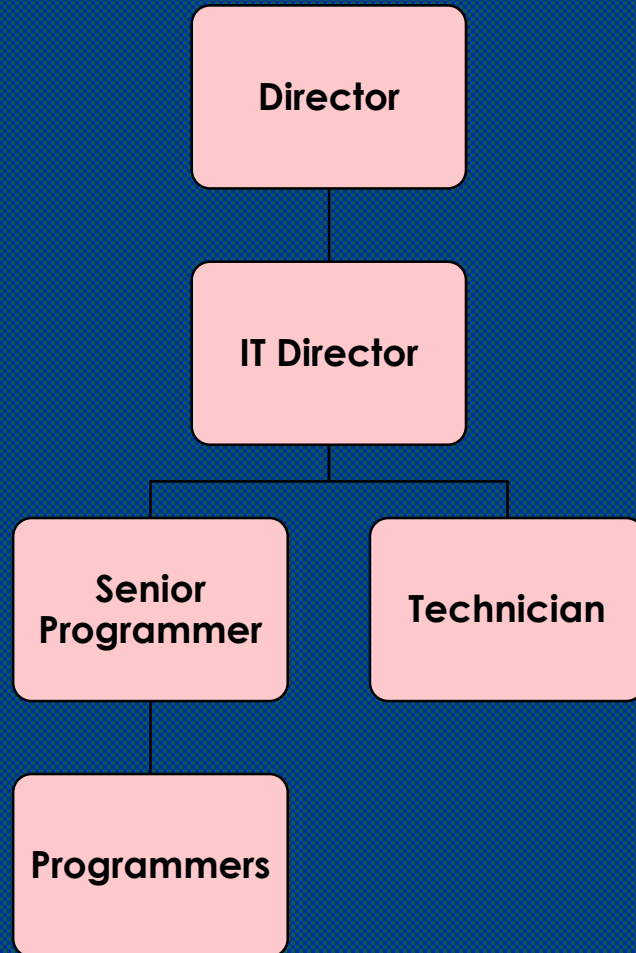
Senior Programmer (Systems Programmer/Developer III) (1)

- Performs all programming duties pertaining to system maintenance, system upgrades, and new implementation.
- Responsible for the direct supervision of Programmer.
- Assists management and procurement staff regarding the planning and execution of critical agency projects.
- Responds to programming related help desk tickets.

Programmer (Information Systems/Business Analyst I) (1)

- Performs light programming duties pertaining to updates, break/fix requests, and internal reports.
- Assists Senior Programmer when needed.

Information Technology (IT)



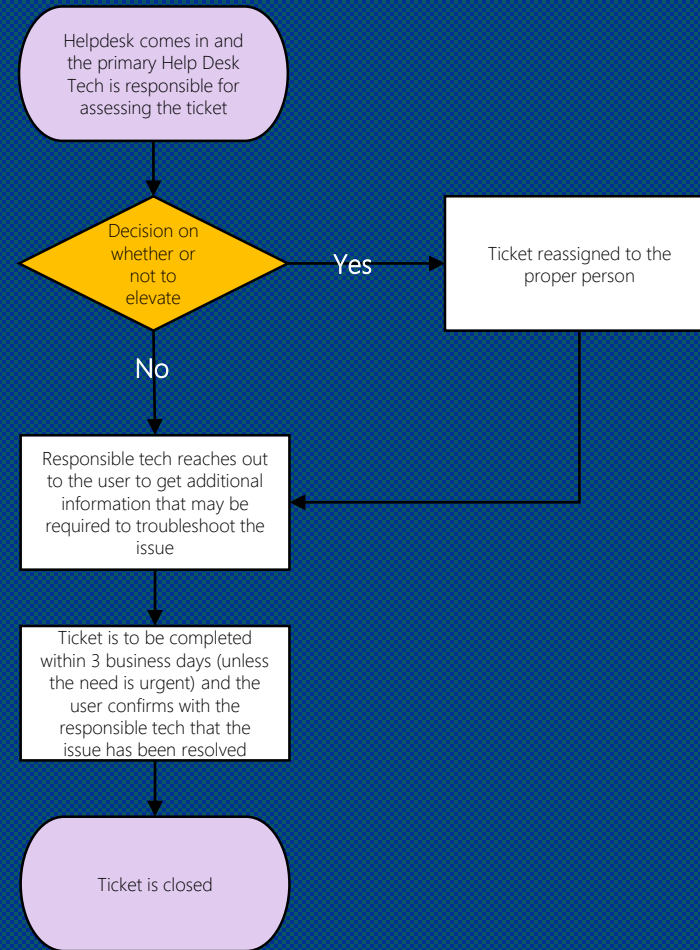
Lead Systems Administrator (Systems Engineer) (1)

- Responsible for all IT related infrastructure maintenance, upgrades, and implementations.
- Monitors system logs for system errors, malicious activity, etc.
- When necessary, reports any cyber-security related incidents to DIS.

Help Desk Technician (IT Technician I) (1)

- Responsible for all help desk functions including escalation of help desk tickets to other IT staff.
- Works with agency's managed print vendor.
- Maintains agency phone services.

IT Helpdesk Ticket Workflow



Information Technology Metrics

- Number of opened help desk tickets.
- Number of closed help desk tickets.
- Number of help desk ticket outstanding.
- Average completion time per help desk ticket closed.
- Physical inventory of all IT related equipment.
- Number of incident responses.

IT Department Staffing and Turnover

Fiscal Year	Employee Count at the Start of Fiscal Year	Employee Count at the End of Fiscal Year	Employee Losses During Fiscal Year
2019-2020	11	6	1
2018-2019	9	11	1
2017-2018	10	9	1
2016-2017	10	10	0

Current employees: 5 (no current vacancies)

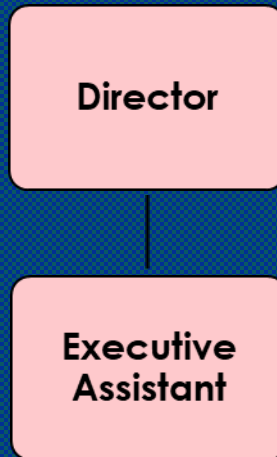
Cyber Security/Risk Assessment & Mitigation

- We take proactive steps to ensure that the agency is in line with state security policy and beyond.
- Secured Cyber Liability Insurance through Procurement Services statewide contract.
- Constant monitoring for emerging vulnerabilities and remediate accordingly (modifying processes or updating/replacing outdated systems and vulnerability scanning and patching).
- Use of secured bins for shredding through a vendor on state contract for document destruction, in accordance with any relevant retention requirements.
- Use of various systems for monitoring, preventing, and responding to security incidents (these tools allow us to remove a compromised system from our network immediately upon detecting malicious activity).
- While we are not required to be HIPAA compliant, we implement security controls parallel to HIPAA requirements because of the types of data the agency handles.
- We are implementing our own security awareness training in addition to state provided training, and we will be conducting regular phishing tests to help educate employees on how to identify and report suspicious emails.

Information Technology Investments – SAF's 5 Year Plan

- New policy and claims system implementation
- IT infrastructure hardware refresh
- Desktop computer refresh
- Security assessment services
- Security infrastructure upgrades
- Disaster recovery infrastructure
- Current software license renewals
- Staff training on newly adopted technologies

Management Support



Director (1)

- Per S.C. Code Ann. §42-7-20, responsible for management and administration of SAF and the personnel necessary to carry out its mission.

Executive Assistant (1)

- Supports SAF directors and the agency.
- Maintains the Director's schedule, to include coordination with internal staff, legislators, and policyholders. Coordinates Director's travel.
- As needed, reviews and responds to correspondence to the Director.
- Maintains the schedule for board rooms and auditoriums.
- Maintains agency memberships with various partner associations
- Collects data and reports for management meetings. Attends meetings and keeps minutes.
- Plans and coordinates special events.
- Maintains supply room and special order requests.

Management Support Staffing and Turnover

Fiscal Year	Employee Count at the Start of Fiscal Year	Employee Count at the End of Fiscal Year	Employee Losses During Fiscal Year
2019-2020	3	3	0
2018-2019	1	3	1
2017-2018	1	1	0
2016-2017	2	1	1

Current employees: 2 (Director is in an acting capacity, and also serves as Chief Counsel)

Training, Development, and Succession Planning

- **Training is by department, and is ongoing to keep up with changes in the law, as well as to fine tune best practices.**
 - Some departments do have more formal processes and review (ex., claims department)
 - Agency wide training on more general topics (safety, training, policy and procedure, etc.)
- **Development includes more in depth training**
 - Cross-department training
 - Training by outside personnel
 - Some through the State (ex., supervisory practices, etc.)
- **Succession Planning**
 - Primarily through cross-training, then more focused training with outgoing employee where possible

SAF Rate Competitiveness

- Because insurance carriers' rates are proprietary and not public record, it is not possible to directly compare SAF's rates to other governmental funds or private carriers.
- However we can infer some things by looking at the ratemaking process for a private insurance carrier vs. SAF.
- While SAF is not regulated by the Department of Insurance, we follow the same general ratemaking process as a private carrier.
- For private carriers providing South Carolina workers' compensation insurance, rates are regulated by the SC Department of Insurance and consist of two basic components:
 - 1) Loss costs
 - 2) Loss cost multipliers
- Premium is based on loss costs, loss cost multipliers, and the employer's payroll.

Loss Costs

- Typically will be fairly consistent across all insurers, including SAF.
- Often referred to as “losses,” loss costs are the amounts needed to pay medical, indemnity, disability, and other expenses directly related to a workers’ compensation claim.
- Loss costs vary by individual class code and are calculated as an amount per \$100 in payroll.
- Correlates with the potential for loss related to a particular group of employers involved in the same type of business or industry.
- Think of Loss Costs as the “wholesale rate.”

Loss Cost Multipliers

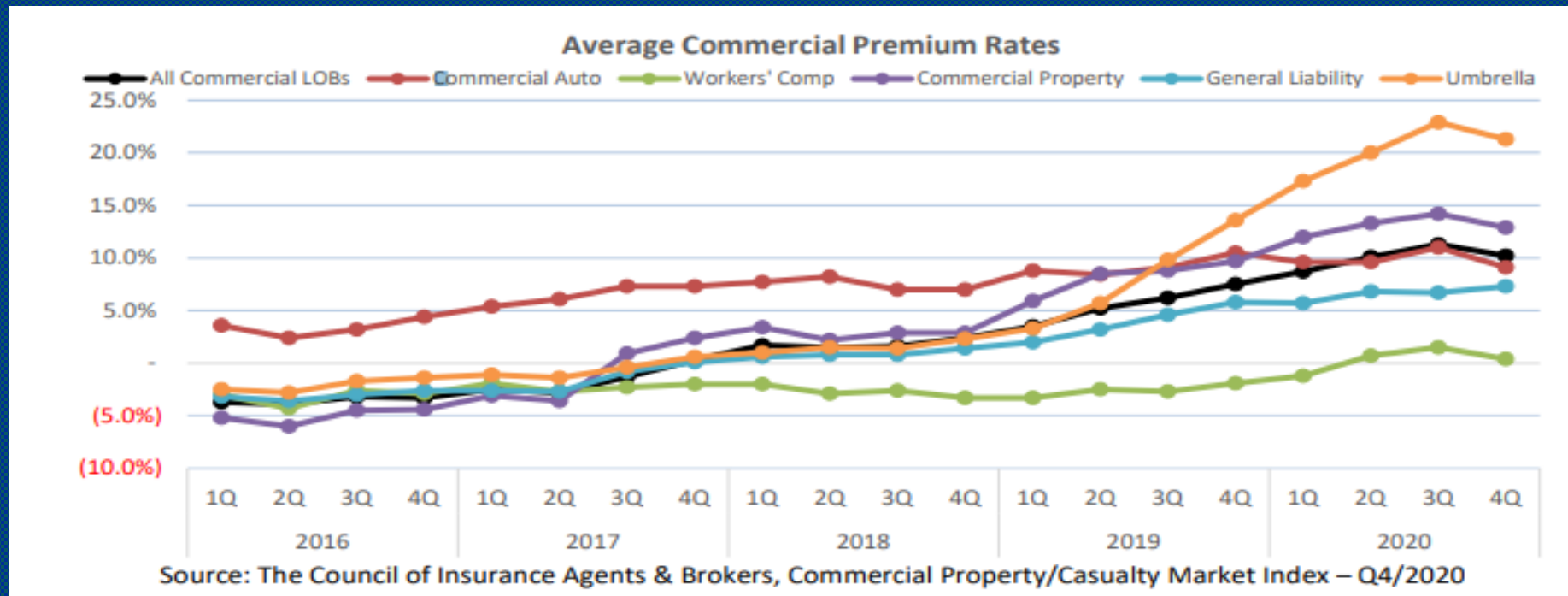
- The loss cost multiplier reflects the insurance company's other costs of doing business, such as salaries, bonuses, commissions, rent, utilities, assessments, profits, and other expenses.
- The Loss Cost Multiplier adds the overhead costs of an insurer to the claims cost (loss cost) to get the final rate for each class code.
- Loss Cost Multipliers are expressed as a true multiplier and ultimately vary from insurer to insurer depending upon their individual mission and goals.

SAF Rate Competitiveness

- Since one of the components for calculating premium is the Loss Cost Multiplier (LCM), one way we can try to ensure our rate is as low as possible is to keep the LCM as low as possible.
- SAF's has worked hard to maintain low overhead costs, and had an administrative cost ratio of 10% for FY 2021
- Private companies must factor in salaries, commissions, bonuses, company profits, and other assessments when determining their LCM.
- In 2020, the national average for administrative cost ratios for U.S. Property and Casualty was 27.3%.

Market Conditions

According to the Council of Agents and Brokers (CIAB), average commercial premium rates for workers' compensation have experience a decrease in each quarter from 2016 through the first quarter of 2020. Starting with the second quarter of 2020, they are starting to see rates increase. As the severity of claims rise, natural disasters and other unexpected events (e.g., COVID) increase, market conditions can change as well. South Carolina, like the rest of the U.S., has experienced a “soft market” over the past 5-7 years. As that changes, private carriers will have to increase rates.



An Assured Source of Governmental Coverage

- The intent in establishing SAF was to ensure agencies have a guaranteed source of workers' compensation insurance coverage rather than risking availability from an expanding or contracting commercial market and its associated fluctuations in premium costs.
- Unlike private carriers, SAF does not selectively write coverage for “low or good risk” agencies and refuse to write coverage for “high or bad risk” agencies.
- There are many state agencies or other governmental entities that could be deemed “high risk” by the private market due to the nature of their business. This would lead to much higher rates, and the possibility that they would need to seek coverage from the high risk pool.
- In addition, SAF does not cancel non-state policyholders due to increased risk or bad loss history.
- Non-state governmental accounts have the option to use SAF as a guaranteed source of coverage even if market conditions or claims history lead to higher pricing from private carriers.

SAF Marketing and Business Development

- Want to ensure eligible policyholders are aware of the services we provide and that we are an option for them.
- No guidance from Chapter 7 of Title 42 regarding permitted/prohibited marketing methods.
- Past efforts have varied, and have at times been more direct, utilizing formal advertisements and direct mailings. SAF is not currently utilizing such methods.
- Consistent efforts through more indirect means, such as our website; newsletters; attendance and presentations at industry conferences; and informational sessions and/or training for organizations with current or potential future policyholders.
- We also maintain relationships with non-employee brokers and other insurance personnel who refer eligible employers.

SC State Accident Fund

Agency Presentation

- Organizational Units
- Questions

Agency Information

Erin Farthing, Acting Agency Director

Primary Agency Staff Contact for Oversight Study

Matthew Hansford, Deputy Director

- Main Agency Contact Information
- Phone: 803-896-5800
- Email: webmaster@saf.sc.gov
- Website address: www.saf.sc.gov

Legislative Oversight Committee



South Carolina House of Representatives

Committee Mission

Determine if agency laws and programs are being implemented and carried out in accordance with the intent of the General Assembly and whether they should be continued, curtailed or eliminated. Inform the public about state agencies.

Website: <http://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee.php>

Phone Number: 803-212-6810

Email Address: HCommLegOv@schouse.gov

Location: Blatt Building, Room 228