

A G E N D A

SOUTH CAROLINA WORKERS' COMPENSATION COMMISSION SPECIAL BUSINESS MEETING

June 15, 2020 10:00 a.m.

The Chairman has called a Special Business Meeting for June 15, 2020 at 10:00 a.m. for the purpose of discussing the application from Berkeley County School District to become a self-insurer. The meeting will be conducted electronically via Zoom with the Commissioners participating from different locations. The meeting agenda was posted prior to the meeting and proper advance notice was made to all concerned parties in compliance with requirements in the Freedom of Information Act. Individuals who want to attend the meeting may do so by contacting Gary M. Cannon, Executive Director at GCannon@wcc.sc.gov.

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|---|---------------|
| 1. CALL TO ORDER | CHAIRMAN BECK |
| 2. OLD BUSINESS | MS. BOGGS |
| a. Application to Self-Insure - Berkeley County School District | |
| 3. NEW BUSINESS | CHAIRMAN BECK |
| 4. ADJOURNMENT | CHAIRMAN BECK |

State of South Carolina



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Workers' Compensation Commission

MEMORANDUM

TO: Commissioners
Gary M. Cannon
Executive Director

FROM: Emillie Boggs
Director, Self Insurance

Date: June 15, 2020

SUBJECT: Request of Berkeley County School District to Self-Insure

At the Commission Business Meeting on June 8, 2020, the Commissioners considered an application to self-insure from Berkeley County School District (BCSD). The Commissioners were provided background information about the applicant, financial status, claims history, and a recommendation. Attached is memo provided at the June 8 meeting.

The Commissioners requested additional information about the applicants claims experience and financial ability of the applicant to be self-insured. Further they asked the matter be carried over until the next Business Meeting in July.

On June 9 Mr. Scott Thomason, Senior Vice President, Gallagher, Inc. and a representative of the applicant emailed a letter to the Commission. The letter indicated the time sensitive nature of the application and requested the Commissioner reconsider the delay and take action before June 30. Attached is a copy of Mr. Thomason's letter.

BCSD operates as a local school district and is considered a government entity. With approximately 37,000 students, BCSD is the fourth largest school district in South Carolina. The district is composed of 50 locations which employ 5,500 individuals with an annual payroll of \$200,068,432.

BCSD is currently self-insured for workers' compensation as a member of the South Carolina School Board Insurance Trust (SCSBIT) with an experience modification of 1.0001. The district pays an annual premium to the SCSBIT of \$1,661,880 with a deductible of \$50,000 per occurrence. The average premium since 2017 is \$1,412,359 per year.

The district's three-year worker's compensation loss history provided by SCSBIT has been verified by the Commission's records. The loss history is as follows:

Overall Claims 3-Year Loss History

Year	Number of Claims	Claims Incurred
2016-17	162	\$2,027,621
2017-18	199	\$1,377,405
2018-19	161	\$1,917,396

The following chart reflects the amount paid by BCSD on the claims incurred due to the \$50,000 deductible. The premium is not included.

Claims Costs Incurred by Berkeley School District

Year	Number of Claims	Claims Incurred	Amount Collected from Berkeley/ 3 rd Party Recoveries	Percentage
2016-17	162	\$2,027,621	\$1,067,410	52.6%
2017-18	199	\$1,377,405	\$ 666,911	48.4%
2018-19	161	\$1,917,396	\$ 621,761	32.4%

This chart shows the net difference between the amount of claims incurred and total amount paid in claims expense plus the annual premium payment.

Berkeley's Overall Claims Expenses

Year	Number of Claims	Claims Incurred	Amount Berkeley Paid + Avg Annual Premium (\$1,412,359)	Difference
2016-17	162	\$2,027,621	\$2,479,769	\$452,148
2017-18	199	\$1,377,405	\$2,079,270	\$701,865
2018-19	161	\$1,917,396	\$2,034,119	\$116,724

Claim Status Breakdown

Year	Number of Claims	Number of Open Claims	Percentage Open	Number of Claims over \$50,000	Percentage Over \$50,000
2016-17	162	3	1.9%	12	7.4%
2017-18	199	7	3.5%	8	4.0%
2018-19	161	21	13.0%	9	5.6%

As of May 8, 2020, Berkeley County School District had 127 reported claims for fiscal year 2019-20, 26 of which are still open, with a total incurred cost of \$436,404.52. Only 2 of the 127

reported claims, or 1.6%, have an incurred amount over \$50,000. Of the \$436,404.52 in incurred cost, Berkeley incurred \$194,495.84, or 44.6%, in addition to their premium.

SCSBIT is the current carrier for BCSD and have been for the periods of January 1, 1984 through August 4, 1996 and August 4, 2001 to present. SCSBIT reported it was the decision of BCSD to leave the Fund and the proper 90 day notice was provided. SCSBIT reported BCSD never had any problems with paying their claims, and they always took a pro-active approach to managing their claims and protecting their employees with robust safety plans and procedures.

Under Regulation R67-1516, municipalities and political subdivisions shall be approved without deposit of bond or other security. The reasoning lies with the political subdivision's authority to levy taxes.

If approved to individually self-insure for workers' compensation in South Carolina, the applicant's claims administration will be provided by Planned Administrators, Inc., located in Columbia, South Carolina. Excess insurance coverage will be provided by Star Insurance Company. BCSD has established its own loss prevention and safety program.

Recommendation

It is the recommendation of the Self-Insurance Division that Berkeley County School District be granted the privilege of self-insuring its workers' compensation liabilities contingent on the following:

1. Berkeley County School District secure specific excess insurance Coverage with initial retention of not more than \$1 million with a statutory limit of liability: and
2. As required by the South Carolina Workers' Compensation Regulation 67-1516 (B)(C) assurance must be provided that provisions shall be made for the payment of all awards available under the Act. As proof Berkeley County School District will each year provide the Commission's Self-Insurance Division a copy of its Annual Budget or a letter of understanding signed by each member of its Council.

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Workers' Compensation Commission

MEMORANDUM

TO: Commissioners
Gary M. Cannon
Executive Director

FROM: Emillie Boggs
Director, Self Insurance

Date: June 8, 2020

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Berkeley County School District is currently self-insured for workers' compensation as a member of the South Carolina School Board Insurance Trust. The district pays an annual premium to the Trust of \$1,661,880.

The district's three-year worker's compensation loss history is as follows:

<u>Year</u>	<u>Number of Claims</u>	<u>CLAIMS INCURRED</u>
2016-17	162	\$ 2,027,621.25
2017-18	199	\$ 1,377,405.28
2018-19	161	\$ 1,917,395.76

Berkeley County School District has 127 reported claims to date for fiscal year 2019-20, with a total incurred of \$436,404.52.

If approved to individually self-insure for workers' compensation in South Carolina, the applicant's claims administration will be provided by Planned Administrators, Inc., located in Columbia, South Carolina. Excess insurance coverage will be provided by Star Insurance Company. Berkeley County School District has also established its own loss prevention and safety program.

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Gallagher

Insurance | Risk Management | Consulting

MEMO

To: South Carolina Workers Compensation Commission

From: Scott K. Thomason

Date: 6/26/2020

Dear Commissioners:

Yesterday's news that the South Carolina Workers Compensation Commission did not provide Berkeley County Schools' application for self-insurance with a formal vote nor a contingent approval comes as a severe and potentially costly setback to the school board. After providing all required information in a timely manner for an approval prior to the inception date of July 1, lack of action on the side of the commission was unanticipated.

According to confirmation in writing from the Director of Self-Insurance Division on May 14th, and after her conducting an in-depth review including discussion with our staff, she was submitting her recommendation of the Board's application to the Commissioners for the June meeting.

During the last school board meeting held on May 26th, we informed them that the Director of Self-Insurance Division was recommending their application for approval to the commission in the June meeting, therefore the school district approved our proposed protected self-insurance fund and to exit the South Carolina School Boards Insurance Trust ("Trust") effective July 1, 2020.

Note that the "Trust" even acknowledged the school district was moving to a self-insured program by not providing them with a renewal quotation or offer.

At this point, there has been neither a formal vote nor a hearing to review the application, nor a request for additional information. Additionally, there has been no notification outlining specific faults in the application or financial information provided to us or the school district as justification of the commission's delay in voting.



We would like to point out that the school district had a large deductible plan with the “Trust” and were paying over \$1.5m in premium and an additional \$750,000+ in retained deductible losses a year. The proactive measures taken by the district over the past few years to reduce their workers’ compensation costs makes them an ideal candidate for self-insurance, including but not limited to:

1. Adding safety staff to develop and implement safety protocols
2. Implementing a more robust claims reporting structure centrally and through each school/location to reduce lag time
3. Providing better coordination of post-incident communication between the injured employee, staff, and the claims adjuster(s)
4. Measuring total cost of risk and root cause analysis in order to benchmark and pinpoint areas of opportunity to reduce claims
5. Acknowledging that a self-insured program will provide more control over claims handling and risk financing to better address claims costs

The CFO, risk manager, attorney, superintendent, and Board of Education for Berkeley County Schools support a self-insurance program. This program will not only provide cost savings in a time where budgetary constraints are inflated, but it will also empower the school district to continue its charge of improving its safety culture.

We respectfully request that you either grant a full acceptance to their application prior to July 1 or grant an immediate contingent approval so the commission can review further information prior to the July commission meeting.

Sincerely,

Scott K. Thomason
Senior Vice President
Arthur J. Gallagher & Co.
Scott.thomason@ajg.com
770-557-6670