

THE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Robin B. Stilwell, Circuit Court Judge

Appellate Case No. 2019-000020
Case No. 2018-CP-23-2580

RECEIVED
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SC Court of Appeals

South Carolina Property and Casualty
Insurance Guaranty Association, ... Respondent,

v.

South Carolina Second Injury Fund, ... Appellant,

In Re:

Michael Quarles Employee/Claimant,

v.

Cryovac Sealed Air Corporation, Employer, and Lumbermens
Mutual Casualty Company in Liquidation/South Carolina
Property and Casualty Insurance Guaranty Association, ... Carrier/Defendants.

RECORD ON APPEAL - VOLUME II OF II

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Certificate of Counsel

Certificate of Compliance



South Carolina Second Injury Fund

Review of Unfunded Liabilities and Alternative Funding Methods as of June 30, 2013

**Audit, Advisory & CSS
March 2013**

**This report contains 28 pages
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SC SIF Report rev.docx**

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*South Carolina Second Injury Fund
Review of Unfunded Liabilities and Alternative
Funding Methods*

*Actuarial Services
March 2013*

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A. Purpose and Scope

The South Carolina Second Injury Fund (the "Fund") has requested KPMG LLP ("KPMG") provide actuarial valuation and consulting services relating to the Fund's liabilities and future funding. We understand that in accordance with workers compensation reform legislation enacted in 2007, the Fund will be terminated effective July 1, 2013. The Fund operates as a separate state agency under the South Carolina Budget and Control Board (the "Board"). KPMG's analysis will be used by the Board to evaluate the Fund's liabilities as of June 30, 2013.

The scope of this report provided by KPMG includes the following:

- Estimate the unfunded liability for the Fund as of June 30, 2013;
- Project cash flow needed to fund these liabilities on a fiscal year basis, including the cost to service outstanding claims in each year;
- Evaluate and compare various options for satisfying those liabilities after closure;

Our liability estimates are based on claims data evaluated as of November 30, 2012, as provided by the Fund, and additional information provided to us through February 7, 2013.

This analysis is intended to provide guidance on total liabilities, future cash flow estimates, and funding options for the Fund. The report should not be relied on for any other purpose.

B. Background

South Carolina's Legislature created the Fund with a mission to encourage employers to hire workers with pre-existing medical conditions or disabilities by shifting the workers compensation risk of such workers to the Fund, and spreading the cost of second injury claims across the entire workers compensation system. The Fund operates as a separate state agency under the Board. Effective July 1, 2013, the Fund will terminate and the Board will determine the appropriate means to dissolve the Fund and oversee the run-off of the remaining unfunded liabilities at that date.

Fund Operation

Claims covered by the Fund include second injuries to workers that result in substantially greater disability or death when added to prior injuries or physical impairments. The Fund pays for all benefits after 78 weeks subsequent to the second injury, plus 50% of all medical payments over \$3,000 during the first 78 weeks. The Fund does not administer claims directly, but makes reimbursement payments to insurance carriers and self-insurers for payments submitted to the Fund. Due to the 78 week period prior to reimbursement by the Fund and the nature of second injuries, claims submitted to the Fund are larger than the average workers compensation claim and the costs and development patterns are more similar to excess claim coverage.

The Fund operates on an annual cash flow basis with fiscal years ending June 30 of each year. Funding occurs through assessments, with the total assessment amount for a given fiscal year based on the total paid reimbursements and expenses from the prior year, less the year ending cash balance. Prior to July 1, 2007 the annual Fund assessment amount was set at 175% of Fund payouts, minus the fiscal year-end cash balance, and the percentage was reduced to 135% of Fund payouts thereafter.

Each insurance carrier, self-insurer, and the State Accident Fund makes payments based on an assessment rate applied to normalized premium from the prior calendar year. Normalized premium equals gross paid workers compensation losses adjusted to include expenses. The following table summarizes the Fund's reimbursements (payments) and assessments for the past ten fiscal periods, as well as the reimbursements in the first five months of the current year. The ending cash balance as of November 30, 2012 reflects the partial assessments collected in the year, as well as reimbursements paid to date. It does not reflect any operating expenses of the Fund for the year.

Table 1 Ten Year Reimbursement History

Fiscal Year Ending 6/30:	Reimbursement (\$000s)	Assessment (\$000s) ¹	Ending Cash Balance (\$000s)
2003	116,616	127,584	
2004	147,814	188,476	
2005	113,232	104,887	49,957
2006	103,089	89,377	52,078
2007	102,644	102,016	38,474
2008	100,892	98,351	39,693
2009	100,892	98,351	39,693
2010	100,892	98,351	39,693
2011	100,892	98,351	39,693
2012	100,892	98,351	39,693
2013 (11/30/12)	100,892	98,351	39,693

¹ Assessment is collected in the following fiscal year

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2003 Law Change

In response to increasing reimbursements the state implemented a law change, effective June 25, 2003, affecting claim eligibility by removing the "unknown condition" qualification for reimbursement by the Fund. Prior to the law change a carrier submitted claims for acceptance by the Fund and received reimbursements for second injury claims, but the employer was not required to have prior knowledge of the pre-existing condition for the claim to qualify for reimbursement. With the 2003 law change any carrier submitting a claim to the Fund was required to demonstrate prior knowledge of the existing injury in order to qualify for reimbursement. The change had an impact primarily on the annual number of claims accepted for reimbursement and also on the average payment size per claim.

2007 Workers Compensation Reform Act (Act No. 111)

Despite the 2003 law change, reimbursements and assessments remained high; as shown in Table 1 above, the 2005 assessment spiked at over \$250 million. High assessments and other considerations contributed to the state's decision to terminate the Fund. The 2007 Workers Compensation Reform Act (Act No. 111), effective July 1, 2007, included dissolution of the Fund and setting up a schedule for an orderly phase out. The following key dates summarize the timeline for conclusion of the Fund.

July 1, 2007	- new notice requirements;
July 1, 2007	- 175% assessment factor reduced to 135%;
July 1, 2008	- no claims accepted with date of injury on or after this date;
December 31, 2010	- last day to submit notice of a new claim;
June 30, 2011	- all data to accept, compromise, or deny a claim must be received;
December 31, 2011	- last day for the Fund to accept a claim for reimbursement;
July 1, 2013	- Fund is terminated.

Before the Fund dissolves effective July 1, 2013, the Board will determine how to run-off the remaining unfunded liabilities associated with claims accepted for reimbursement through December 31, 2011.

C. Distribution of this Report

This report is intended solely to provide professional input and guidance to the Fund and the Board, and is for their internal use only. Any other use or further distribution of this report is subject to the Record of Negotiation dated November 26, 2012. Should further distribution of this actuarial report be authorized in the future, we require that the report be distributed in its entirety. In addition, it should be understood that we remain available to respond to any questions by authorized third parties with respect to this report or our work.

The analysis, advice, recommendations and information in this document were completed for the sole use of the Fund and the Board for the purposes discussed in this report and its use is limited to the scope of KPMG's engagement for the Board. It has been provided to third parties for informational purposes only and you are not authorized by KPMG to rely upon it and any such reliance by third parties shall be at their own risk. KPMG accepts no responsibility or liability in respect of the advice, recommendations or other information in such document to any person or organization other than the Board.

D. Executive Summary

D.1 Unfunded Liabilities as of November 30, 2012 and June 30, 2013

In the course of our review we used several generally accepted actuarial development methods and procedures to derive our reserve estimates. In deriving our estimates, we considered the relative strengths and weaknesses of each of the development methods after discussions with knowledgeable personnel at the Fund. The table below summarizes KPMG's total estimated unpaid losses through the evaluation date of November 30, 2012, and projected unpaid losses as of June 30, 2013. These estimates are not discounted for the time value of money, but are shown at their nominal amount.

Table 2 - Actuarial central estimate of June 30, 2013 estimated liability

Total Estimated Unpaid Loss (000s)		
	Unpaid as of 11/30/12	Unpaid as of 6/30/13
Indemnity	\$ 71,022	\$ 58,671
Medical	\$ 302,952	\$ 287,646
Total	\$ 373,974	\$ 346,316
*Includes allocated loss adjustment expenses		

The unfunded liability as of June 30, 2013 is the unpaid amount above, less the funds available on June 30, 2013. We estimate the funds available will be \$91,673,000, leaving an estimated unfunded liability of \$254,643,000.

D.2 Cash Flow Projections 2013-2022

The table below lists actual and projected paid indemnity and medical losses (including allocated loss adjustment expenses) by fiscal period from 2008-2022. We included allocated loss adjustment expenses (ALAE) with medical losses, because the amounts were too small to forecast separately, but appeared to also have long payout patterns, similar to medical losses.

South Carolina Second Injury Fund
March 2013

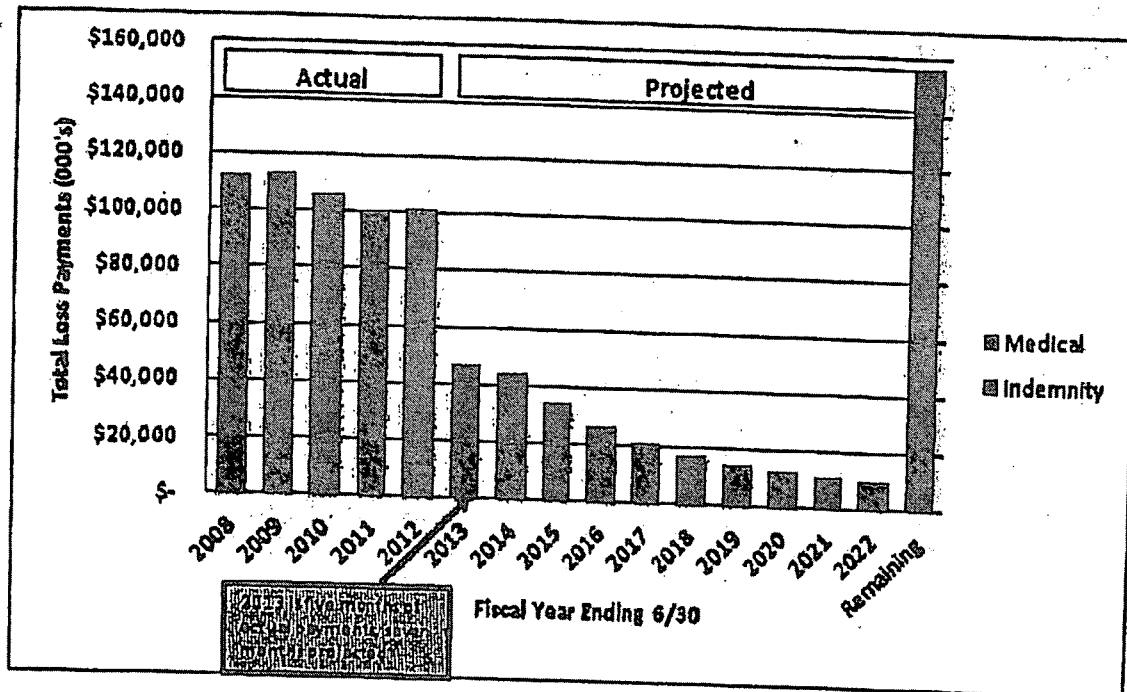
Table 3 – Actuarial central estimate of future reimbursement cash flows

Actual and Projected Cash Flow (000s)				
Fiscal Year Ending 6/30	Indemnity	Medical & ALAE	Total Paid	Remaining Unpaid
2008	\$ 77,088	\$ 35,130	\$ 112,218	
2009	76,814	35,943	112,757	
2010	65,865	39,679	105,544	
2011	61,051	38,972	100,023	
2012	59,244	42,012	101,255	
2013 (7/1/12-11/30/12)	7,621	11,308	18,929	\$ 13,397
2013 (12/1/12-6/30/13)	12,351	15,306	27,657	346,316
2014	21,143	23,065	44,209	302,108
2015	13,859	20,216	34,075	268,033
2016	9,098	17,442	26,540	241,493
2017	5,894	15,432	21,326	220,165
2018	3,480	13,752	17,232	202,932
2019	2,010	12,414	14,424	188,508
2020	1,207	10,210	11,417	176,091
2021	634	10,146	10,780	165,311
2022	402	9,256	9,658	155,646
Remaining	936	154,710	155,646	
Total (from 12/1/12)	\$ 21,022	\$ 302,952	\$ 323,974	

Payment patterns underlying the projected cash flows are based on the Fund's historical data by report year as well as our judgment of the impact of law changes on those payment patterns. The payment patterns also underlie our estimated ultimate Fund liabilities by year, and we believe they are reasonably predictive of future payment emergence. The 2013 partial year payment amounts are for the period from December 1, 2012 through the Fund closure date of June 30, 2013, since actual payments through November 30, 2012 were provided to us.

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Through November 30, 2012 the actual payments made on both the medical and indemnity (wage loss) portion of claims has been substantially lower than the past several years, however the difference was much more significant for indemnity. Based on statistics provided on timeliness of payments, we do not believe this is caused by a backlog in payments but rather reflects both a natural reduction in payments as claims age, as well as the potential that insurers may have attempted to settle outstanding claims prior to the closure of the Fund. This would have accelerated payments in 2011 and 2012. Additional observations on 2013 payments to date can be found in the Analysis section of this report (page 10).

Due to the existence of lifetime claims, the expected payout of the Fund continues well into the future, but at a diminishing rate. In addition, as fewer and fewer claims remain active, the projected cash flows become more dependent on each claim's characteristics. Periodic re-evaluations of the remaining claims should be undertaken to update the estimation of the remaining expected cash flows.

D.3 Alternative Funding Methods

KPMG has provided six options for satisfying the estimated \$346 million in unpaid liabilities as of June 30, 2013. The following list of options is by no means an exhaustive list, but is intended as a basis for discussion of the Board's potential options at Fund closure. Further discussion follows in the Observations sections (page 21).

D.3.a Continued Assessment – maintain the current annual assessment structure. This option would require assessments at low levels for medical through 2048. Due to the estimated Fund balance at June 30, 2013, we estimate no assessment would be needed in fiscal year 2014, but after funds are reduced below the threshold of 135% of the prior year's disbursements and expenses, assessments would begin again in 2015.

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- D.3.b 3-Year Accelerated Assessment** – assess \$100 million per year for the next three years. With the Fund balance at June 30, 2013, this is expected to be sufficient to build an asset large enough to pay off the remaining liabilities, assuming continued investment income. A \$100 million assessment would be similar in size to assessment levels over the past 5 years.
- D.3.c 5-Year Accelerated Assessment** – assess \$60 million per year for the next five years. Similar to the 3-year method above, this builds a sufficiently large asset to pay all reimbursements, but with a smaller assessment in each year and a lower asset balance in earlier years.
- D.3.d Fixed Percentage Accelerated Assessment** – assess 5% of the normalized premium per year until sufficient funds are accrued to fund the remaining liabilities. Based on recent years' normalized premiums, we believe a 5% assessment would generate between \$50 million and \$55 million per year, and so would continue for five years. This option, while similar to the 5-year method, would provide greater predictability of assessments for insurers and self-insurers. However, for the Fund, the level of assessments collected each year would be less certain than under the other accelerated assessment methods.
- D.3.e Negotiated Settlement and Assessment** – Establish an independent commission or facility to reach a lump sum settlement amount for all remaining claims with each carrier and self-insured with open claims accepted by the Fund, within a given period of six to twelve months. Once settlement values are determined, use those amounts as the basis of a final assessment, and make payments for all negotiated settlements. If agreement on a settlement value cannot be reached within the time period, the claim reimbursement process would continue in its current method. This plan could significantly accelerate the payment and closure of claims accepted by the Fund, but may not extinguish the entire liability.
- D.3.f Loss Portfolio Transfer** – An additional way to accelerate payment of the remaining liability would be to purchase a loss portfolio transfer (LPT) reinsurance contract. Such a contract would transfer all remaining reimbursement obligation to a reinsurance company or excess insurer in exchange for a premium payment. The premium charged would be based on the reinsurer's estimate of the present value of expected loss reimbursements, as well as a "risk premium" to cover the possibility that losses are higher than expected, as well as expense and profit provisions. Based on our estimate of the unpaid losses, the currently available funds are not sufficient to pay such a reinsurance premium. However, under the accelerated assessment options the available fund balance will increase over time and may in the future be sufficient to pay such a reinsurance premium. In addition, as time passes the remaining unpaid claims may become more predictable.

E. Qualifications

The actuaries providing this report, Scott Weinstein, FCAS, MAAA, Patricia Smolen, FCAS, MAAA, and Quentin Mostoller, ACAS, MAAA, meet the qualification standards of the American Academy of Actuaries to perform work of this nature.

F. Limitations of Our Work

The estimates in this report only include provision for liabilities relating to claims reported to the Fund through the December 31, 2010 cut-off date. The estimated unpaid liabilities are limited to regular reimbursement amounts anticipated under the Fund's current payment structure for claims qualifying within the Fund. The assumed administrative expenses are shown in the following tables for each option, and are based on anticipated reduction in costs over time. Actual administrative expenses may vary from this forecast.

Throughout our analysis, we relied on the available reimbursement (payment) claims data supplied by the Fund. Claims data were provided separately for indemnity and medical payments, as well as a small amount of expense payments allocated to individual claims. We received the data segmented by year of accident and also by year received (reported to the Fund).

Our estimates are based on generally accepted actuarial techniques applied in a consistent manner. While we have used our best professional judgment in all instances, estimates of future ultimate losses and loss expenses are inherently uncertain because of the random nature of insurance claims occurrences. They are also dependent upon contingent events and are affected by many additional factors. Furthermore, claim reserving procedures, settlement philosophy, current and perceived social and economic inflation, current and future court and jury attitudes, improvements in medical technology, and many other economic, legal, political, and social factors can have significant effects on ultimate claim costs. Therefore, we cannot warrant that actual developments will not vary from our estimates, perhaps significantly.

Analysis

A. Data Sources and Segmentation

In completing the accompanying actuarial analysis, we have relied upon historical indemnity and medical loss and ALAE data valued as of November 30, 2012 and claim count data prepared under the direction of Mr. Mike Harris, Deputy Director of the Fund. While we have reviewed the data for reasonableness and consistency, we have not audited or verified the underlying data. We are relying on the Fund's internal procedures to verify the accuracy of the data underlying our review. Should errors in the underlying data exist, the estimates in this analysis may require revision.

We were provided the following data for use in our analysis, valued as of November 30, 2012. Note that all the triangle loss and claims data (incremental payments and reported claims by age of the year) is for fiscal years 1992-2013, with all years 1991 and prior combined in a single row.

- Assessment history of the Fund, fiscal years 2000-2012;
- Historical fiscal year Fund revenue and expenses, 2008-2013;
- Fiscal year reimbursement (payment) history 2003-2013;
- Individual claim listing of all open claims as of November 30, 2012 containing individual claim payment histories;
- Fiscal/accident year annual paid loss triangles for indemnity, medical and ALAE payments;
- Fiscal/accident year annual reported claim triangles;
- Fiscal/report year annual paid loss triangles for indemnity, medical and ALAE payments;
- Fiscal/report year annual reported claims;

B. Loss Projection Methodology

The indemnity and medical loss experience was evaluated separately using the following generally accepted actuarial approaches:

- Paid Development Method
- Average Paid Claim Severity Method
- Seriatim Approach

These methods and their application will be discussed in more detail in this section of the report. Except where specifically noted in this report, the indicated liabilities are undiscounted for the time value of money.

B.1 Paid Development Method

The paid development method uses historical payment patterns to project actual payments as of a given valuation date to ultimate values. The Fund's historical payment patterns were used in estimating the expected ultimate payments for each accident year. The Fund provided paid data going back to fiscal year 1992, with all prior data combined in a single "Prior" line. We based our selection of the age-to-age development factors upon the factors suggested by applying various averaging methods and the trends in the Fund's data as well as actuarial judgment.

The Fund reimburses carriers for individual claim payments submitted to the Fund, and the Fund is not involved in claims handling procedures which are specific to each entity. As such, the Fund does not have knowledge of changes in claims handling practices that could affect the rate of claims settlement or other changes in claims handling practices. KPMG was provided paid loss triangles on an accident and report year basis, and we evaluated paid development for both types of segmentation.

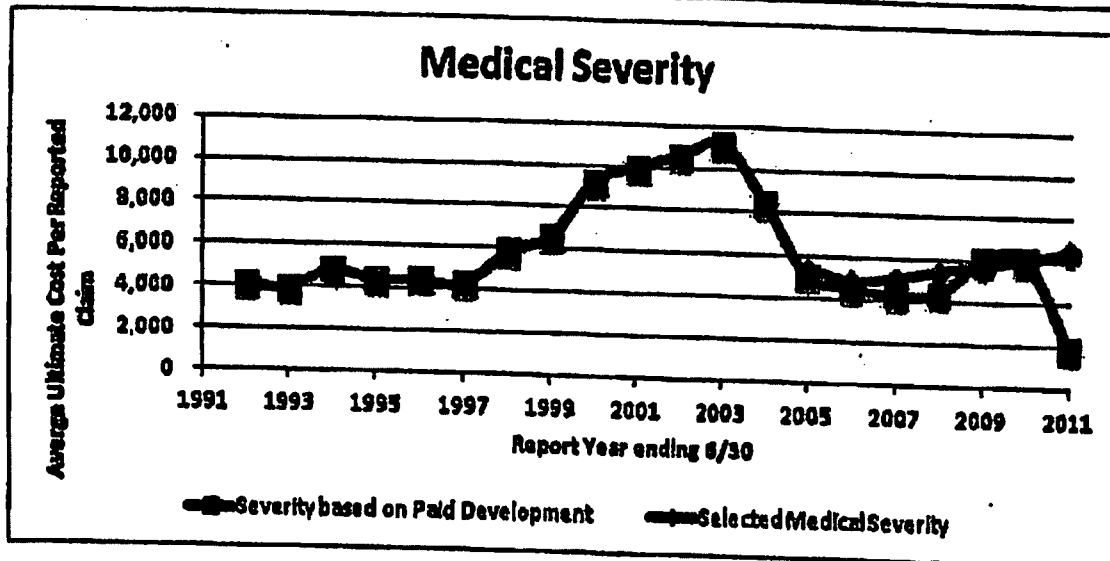
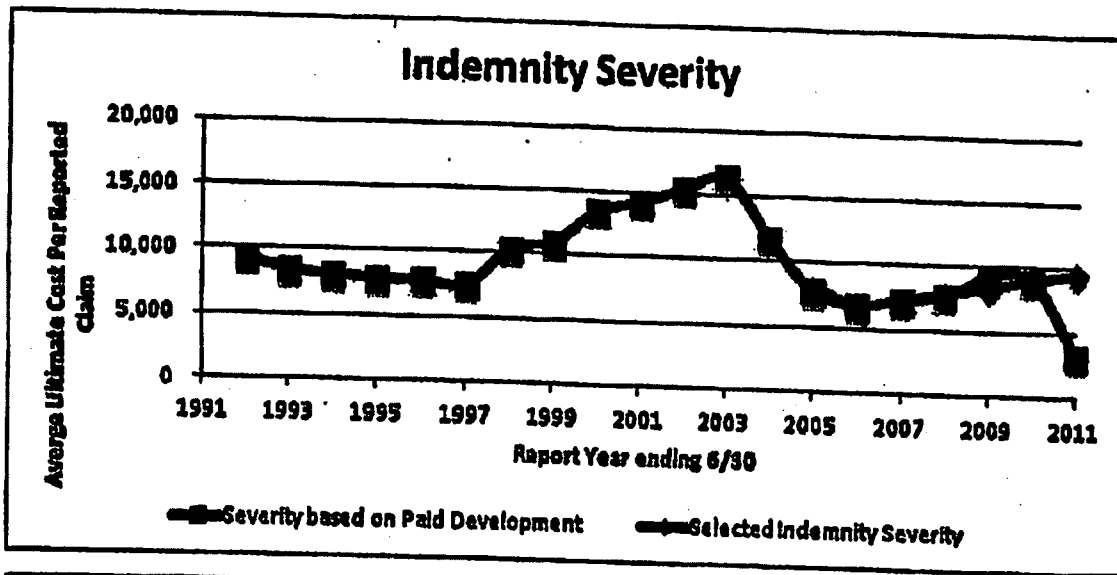
The Fund's final accident date is June 30, 2008, and no claims can be accepted with accident dates subsequent to that date. The Fund closed the reporting period on all claims effective December 31, 2010, and therefore the Fund is essentially in run-off with a fixed set of reported claims. Because no additional reporting of prior incurred claims is allowed, we believe that a fiscal/report year (report years ending June 30) approach provides a better approach to the estimation of unpaid liabilities and projection of cash flows than an accident year organization. While we examined liability estimates on an accident year basis as well, we have chosen to rely primarily on report year segmentation for liability estimates and cash flow projections.

The aggregate data provided by the Fund combined all years prior to 1992 and we do not have older years' payment patterns on which to base development in the tail. The Fund's payment patterns differ from the typical workers compensation claim because payments begin after the first 78 weeks of payments by the carrier, and there is also a delay between the submission and acceptance and eventual reimbursement of claims to carriers. Carriers can at times also be delayed in requesting reimbursements for accepted claims, and may accumulate significant payments before requesting reimbursement. In addition, the Fund's claim population would not include minor claims. For these reasons industry aggregate tail development would not be appropriate for the Fund's claim population. We estimated the paid development tail factors, for medical and indemnity, based on the results of our seriatim approach using the remaining open claims. The seriatim approach is discussed on page 13.

B.2 Average Paid Claim Severity Method

The average paid claim severity method used the paid development methods as the basis for the older report years, but used a trended severity for more recent and immature years. As noted above, the reported claim population is closed for the Fund, and number of claims is fixed and cannot increase. For report years 2004 and prior, we used the results of the paid development method divided by the number of reported claims to provide an average cost per claim on an ultimate basis, which is a historical indicated severity.

In order to project severities to ultimate values for the most recent report years, 2005 and subsequent, the indicated paid severities from the paid development method were trended to current 2011 report year level and a 2011 report year claim severity was selected based on the trended averages. This selected 2011 claim severity was de-trended to older years, providing a selected trended severity for years 2006 through 2010 as well. These selected severities were multiplied by the total reported claims to estimate the ultimate losses for each year. The selected severities, and the severity based on the paid development method are shown graphically below.



It is clear that the 2003 reforms had a significant effect on the average cost per claim, with both indemnity and medical average cost dropping significantly. This may reflect that more claims were closed with no payment after the reforms. Since 2005 they show inflationary trends in average costs. The 2011 report year, the twelve months ending June 30, 2011 had fewer claims reported, due to the December 31, 2010 submission deadline, which implies only six months of reported claims rather than twelve. In addition, the cut-off for injuries occurring on or before June 30, 2008 would tend to decrease the number of claims first reported in 2011. For this reason, the severity based on the paid development method is not considered credible for 2011.

C. Seriatim Approach

The seriatim or claim by claim approach is fundamentally different than the aggregate loss development approach described earlier. The Fund provided individual claim detail for all open claims, including characteristics such as injury date, age and sex of the injured worker, open, close and re-open dates of the claim and indicators of the claim status, such as in litigation or lifetime medical claim. For each claim we also received a history of individual medical and indemnity reimbursements.

Using the payment history and certain claim characteristics, we forecast future payments on an individual claim level. Many remaining open claims are lifetime medical claims. We assumed an annual medical inflation rate of 4%, and based future payments by quarter on the average inflation-adjusted payments for the past five years. If a single quarter had substantially higher payments than average, we gave such payments less weight in the forecast, since they may have represented an infrequent hospitalization or surgery. We forecast future payments based on the life expectancy of the injured worker. Since many second injury claimants have serious medical conditions, we used an impaired life expectancy by using a "rated age" of 10 years above their actual age. A similar method was applied to indemnity losses, with no assumed inflation. But many of the remaining open claims have exhausted the indemnity benefits, and in such cases we projected no additional payments.

A seriatim approach can provide useful information for mature claims, with established and relatively stable payment histories. However, for more recent claims, the payment history is less reliable as a source of projections, particularly if the medical condition has not stabilized. In addition, the judgmental medical inflation factor of 4% has a significant compounding impact on the expected future payment amounts when applied to fairly young claimant with a long life expectancy.

While the method is highly leveraged for recent report years, we were able to use it to project future payments in the "tail" period beyond the length of the aggregate data. Using the indicated future payments for report years 1993 and prior, we estimated a tail development factor for medical of 1.150 and for indemnity 1.000 at age 288 months or 24 years. This means that we expect that substantially all indemnity payments are made by 24 years, but that cumulative medical payments will increase an additional 15% after 24 years, on average. We note that relatively few claims are awarded "lifetime" indemnity benefits and most claims are subject to maximum benefit of 500 weeks of disability.

In total, the indemnity reserve indicated by the seriatim approach was much lower than the paid development method but the medical reserve was higher. However, for the oldest years, 1998 and prior, the indicated reserve was very similar for the two methods.

D. Unfunded Liabilities as of June 30, 2013

In the course of our review we used several generally accepted actuarial development methods and procedures to derive our reserve estimates. In deriving our estimates, we considered the relative strengths and weaknesses of each of the development methods after discussions with knowledgeable personnel at the Fund. The table below summarizes KPMG's total estimated unpaid losses through the evaluation date of November 30, 2012, and projected unpaid losses as of June 30, 2013.

Table 4 – Actuarial central estimate of unpaid loss as of June 30, 2013

Total Estimated Unpaid Loss (000s)		
	Unpaid as of 11/30/12	Unpaid as of 6/30/13
Indemnity	\$ 71,022	\$ 58,671
Medical	302,952	287,646
Total	\$ 373,974	\$ 346,316
Includes allocated loss adjustment expenses		

As noted earlier, the funds available at June 30, 2013 are estimated at \$91,673,000 leaving an unfunded liability of \$254,643,000.

The following table further breaks out the June 30, 2013 unpaid liability between medical and indemnity by report year (claim received year). Note that medical includes allocated loss adjustment expenses, which are relatively small compared to other payments.

South Carolina Second Injury Fund
March 2013

Table 5 – Actuarial central estimate of unpaid loss as of June 30, 2013, by report year

Total Estimated Unpaid Loss as of June 30, 2013 (000s)			
Report Year Ending 6/30:	Indemnity	Medical	Total
Prior	\$ 30	\$ 10,612	\$ 10,642
1992	14	2,688	2,702
1993	18	2,878	2,896
1994	24	4,042	4,066
1995	34	4,733	4,767
1996	55	5,114	5,169
1997	52	5,653	5,705
1998	93	7,988	8,081
1999	182	10,352	10,534
2000	604	15,331	15,935
2001	1,234	22,341	23,575
2002	776	28,034	29,810
2003	1,990	30,820	32,811
2004	2,775	28,697	31,472
2005	4,626	20,087	24,714
2006	6,216	22,677	28,893
2007	7,871	20,130	28,000
2008	11,829	22,616	34,445
2009	7,814	12,797	20,611
2010	4,525	4,824	9,349
2011	6,911	4,872	11,783
Total	58,671	287,646	346,316

Report Year Estimates

The Fund provided KPMG with paid loss data evaluated as of November 30, 2012 separately on a fiscal-accident year (date of injury) and fiscal-report year (date claim received) basis. We performed similar reserve evaluations on both sets of data and believe that the report year data provided a more reliable estimate of the unpaid liabilities for two main reasons. First, the claim reporting period ended December 31, 2010 with no additional claims submitted for reimbursement beyond this date, and there can be no additional new claims reported regardless of the date of injury. Typically, an accident year basis evaluation of reserves will implicitly include provision for emergence of some late reported claims, whereas a report year basis evaluation assumes that the reported book of claims will not change. In this case, the report year evaluation more closely matches the data given that the book of claims is fixed.

Second, both the 2003 law change and 2007 legislation closing the Fund had an impact on claim reporting patterns, potentially accelerating claims submitted for reimbursement as well as new claims with dates of injury under the June 30, 2008 cut-off date. We believe that a report year approach provides a more accurate liability estimate because there is additional data stratification in the report

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year groupings through 2011 that is not available in the shorter number of accident periods, which run through only 2008.

Indemnity Loss

As shown above, total unpaid indemnity losses of \$58.7 million make up approximately 17% of the total unpaid losses as of June 30, 2013. Actual paid indemnity amounts decreased considerably in the current fiscal period compared to prior years. The following table lists actual paid indemnity amounts for the past five fiscal years and the five months ending November 30, 2012.

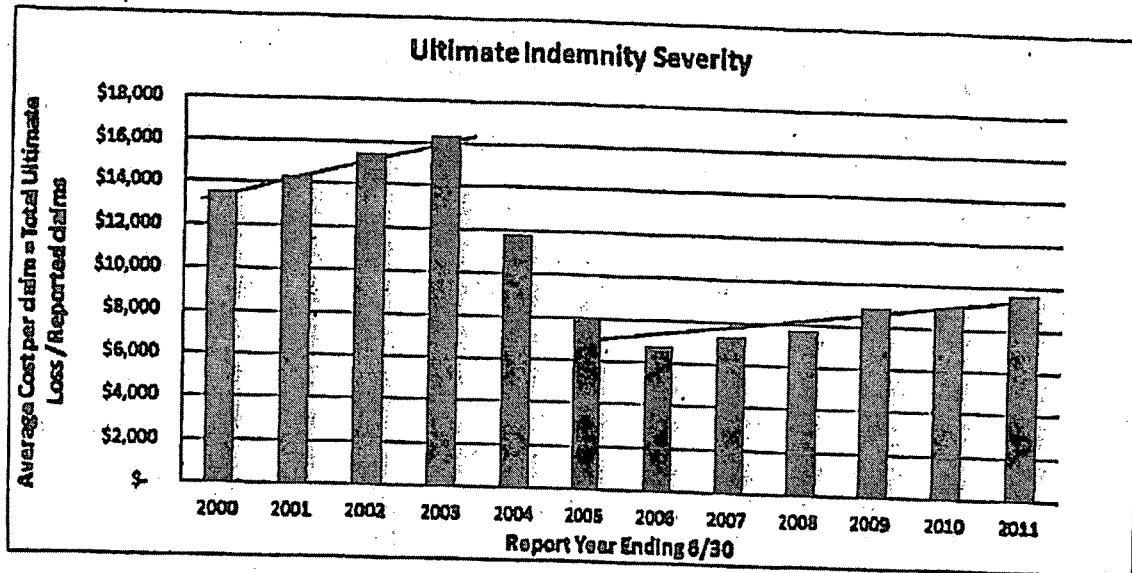
Table 6 – Historical Indemnity payments by fiscal year

Indemnity Paid Losses (000s)	Indemnity Paid
Fiscal Year Ending 6/30	
2008	\$ 77,088
2009	76,814
2010	65,865
2011	61,105
2012	59,244
2013 (7/1/2011/30/12)	7,621

We believe the 2007 Reform Act changed reimbursement patterns as companies accelerated submissions in order to receive payments before dissolution of the Fund. Most indemnity claims also tend to pay out within three years because there is no lifetime benefit on most claims and the Fund picks up indemnity payments after the first 78 weeks have already been paid. A slowdown in payments can be expected for several reasons, but the drop shown above is larger than we expected based on prior payment patterns. We performed a comparison of actual-to-expected paid indemnity loss during the period from July 1, 2012 – November 30, 2012 that showed actual payments of \$7.6 million were \$3.9 million below our expectation for the five month period.

In order to determine if the reduction in payments could be caused by operational changes at the Fund resulting in a slowdown or backlog in payments, the Fund provided statistics showing that the timeliness of payments, the lag between the request for reimbursement and the actual payment date, was comparable this year to prior fiscal years. This information supports that no backlog in payments exists and that the reduction in total indemnity payments is due to exogenous factors.

The slowdown in payments, the 2003 law change, and 2007 Reform Act all introduce uncertainty into our paid indemnity development methods, and we therefore relied on longer term average development factors in more recent years. However, we also considered the behavioral impact that closure of the Fund may have had on speeding up requests for reimbursement in 2010 and 2011. In our ultimate loss selections we gave the severity approach additional weight in more recent years. The graph below shows KPMG's ultimate report year average loss severities from 2000-2011.



The law change went into effect in 2003, so the average reported claims in 2004 and 2005 reflect many claims with dates of accident prior to the law change. By report year 2006 the claim severities appear to have settled in a lower trajectory with severity increases on the order of 7% per year that are consistent with increases prior to the 2003 law change.

Medical Loss

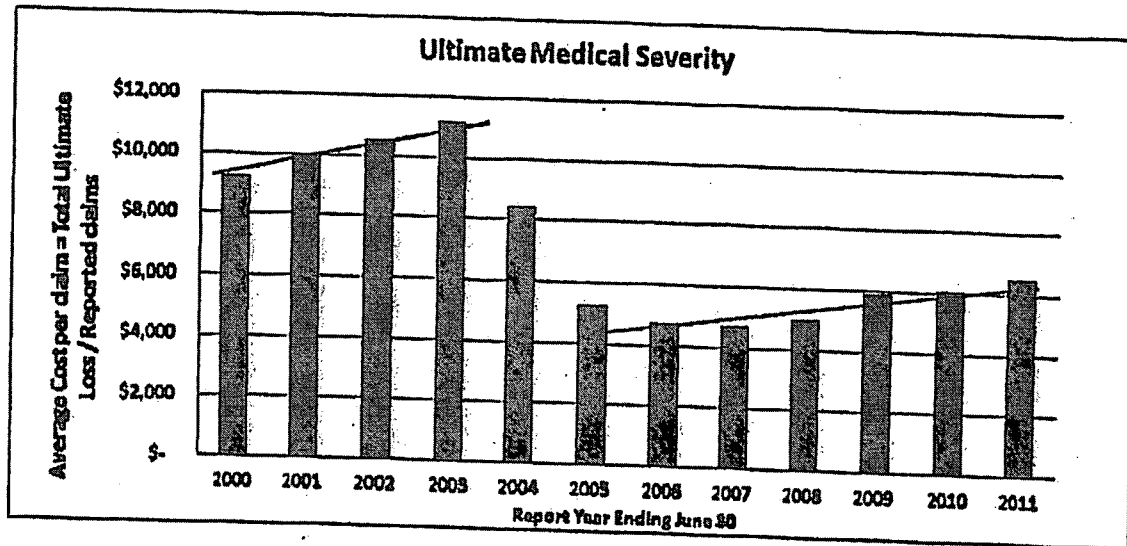
Unpaid medical losses of \$287.6 million comprise the majority of the future payments at 83% of the total unpaid losses as of June 30, 2013. As shown below, medical payments increased steadily from 2008 to 2012, with a drop in the current fiscal year, but the drop is not as pronounced as for indemnity. This is to be expected because medical payments can continue for the remaining life of the claimant and therefore have a longer duration. A comparison of actual-to-expected paid medical loss in the current five month period indicate that actual payments of \$11.3 million are roughly equal to our expectation for the period, based on the runoff of the report years.

Table 7 – Historical Medical payments by fiscal year

Medical Paid Losses (000s)	
Fiscal Year Ending 6/30	Medical Paid
2008	\$ 35,130
2009	35,943
2010	39,679
2011	38,974
2012	42,012
2013 (7/1/12 - 11/30/12)	30,875

KPMG's selected ultimate medical loss estimates display a similar pattern to indemnity, and medical severities also appear to be increasing at about 7% per year as well.

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E. Cash Flow Projections

Projected cash flows are based on the indicated unpaid indemnity and medical losses as of November 30, 2012, projected to June 30, 2013 by individual fiscal/report period. We project remaining cash flows into the future fiscal periods by report year based on indicated loss payment patterns from our analysis. The projections are performed separately for indemnity and medical.

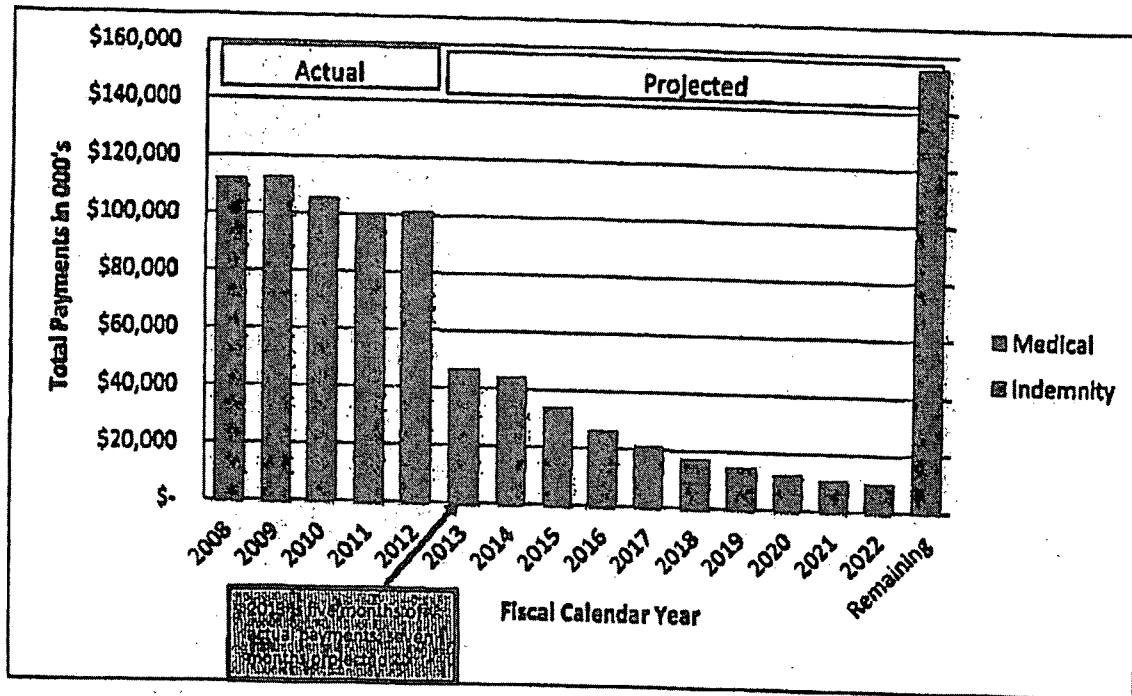
The table below lists actual and projected paid indemnity and medical losses (including ALAE) by fiscal period from 2008-2022, showing both historical and forecasted years.

Table 8 – Actuarial central estimate of future reimbursement cash flows

Actual and Projected Cash Flow 2008-2022 (000s)				
Fiscal Year Ending 6/30	Indemnity	Medical & ALAE	Total Paid	Remaining Unpaid
2008	\$ 77,088	\$ 35,130	\$ 112,218	
2009	75,813	35,948	111,761	
2010	65,865	39,679	105,544	
2011	61,105	38,974	100,079	
2012	59,244	42,012	101,255	
2013 (7/1/12-11/30/12)	7,621	17,308	24,929	373,974
2013 (12/1/12-6/30/13)	12,351	15,306	27,657	346,316
2014	21,143	23,065	44,208	302,108
2015	13,859	20,216	34,075	268,033
2016	9,098	17,444	26,542	241,491
2017	5,894	15,432	21,326	220,165
2018	3,480	13,752	17,232	202,933
2019	2,010	12,414	14,424	188,508
2020	1,207	11,210	12,417	176,091
2021	634	10,146	10,780	165,311
2022	809	9,256	9,665	155,646
Remaining	936	154,710	155,646	
Total (from 12/1/12)	\$ 71,022	\$ 302,952	\$ 373,974	

Payment patterns underlying the projected cash flows are based on the Fund's historical data by report year as well as our judgment of the impact of law changes on those payment patterns. The payment patterns also underlie our estimated ultimate Fund liabilities by year, and we believe they are reasonably predictive of future payment emergence. The 2013 partial year payment amounts are for the period from December 1, 2012 through the Fund closure date of June 30, 2013, since actual payments through November 30, 2012 were provided to us.

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Through November 30, 2012 the actual payments made on both the medical and indemnity (wage loss) portion of claims has been substantially lower than the past several years, however the difference was much more significant for indemnity. Based on statistics provided on timeliness of payments, we do not believe this is caused by a backlog in payments but rather reflects both a natural reduction in payments as claims age, as well as the potential that insurers may have attempted to settle outstanding claims prior to the closure of the Fund. This would have accelerated payments in 2011 and 2012. Additional observations on 2013 payments to date can be found in the Analysis section of this report (page 10).

Due to the existence of lifetime claims, the expected payout of the Fund continues well into the future, but at a diminishing rate. In addition, as fewer and fewer claims remain active, the projected cash flows become more dependent on each claim's characteristics. Periodic re-evaluations of the remaining claims should be undertaken to update the estimate of the remaining expected cash flows.

Alternative Funding Methods

KPMG has provided six options for satisfying the estimated \$346 million in unpaid liabilities as of June 30, 2013, including discussion of the potential for reinsurance in the form of a Loss Portfolio Transfer. The following list of options is by no means an exhaustive list, but is intended as a basis for discussion of the Board's potential options at Fund closure.

Option 1: Continued Assessment at 135%

Maintain the current annual assessment structure, at 135% of the prior year reimbursements, less the fiscal year end cash balance. The table below shows expected disbursements for the next ten years and the remaining estimated unpaid liability for 2023 and beyond. The estimated payment window extends to 2048, primarily for lifetime medical payments. Note that there is no expected assessment in the year ending June 30, 2014 because the year-end cash balance in 2013 exceeds 135% of the total 2013 payments. In 2015 we anticipate a \$13 million assessment, since significant cash balance is still expected at the end of fiscal year 2014, but the assessment would then increase in 2016.

The ending cash balances anticipate approximately 1.5% in annual investment income on average cash balances for the year, as well as ongoing expenses for the Fund. The table below displays the estimated cash flows through 2022, but at June 30, 2022 the estimated unpaid loss is \$156 million of which \$150 million is unfunded. With this option, assessments continue at low levels through 2048.

Table 9 - Option 1

Continued Assessments 2014-2048 (\$000s)						
Fiscal Year Ending	Expected Collected Assessment	Administrative Costs	Interest on Cash Balances	Total Paid Losses	Cash Balance Beginning	Cash Balance Ending
2013	\$ 98,351	\$ 835	\$ 956	\$ 46,586	\$ 39,693	\$ 91,673
2014		800	1,045	44,209	91,673	47,709
2015	13,052	760	556	34,075	47,709	26,483
2016	20,545	720	349	26,562	26,483	20,114
2017	16,689	680	264	21,326	20,114	15,061
2018	14,646	650	203	17,233	15,061	12,028
2019	12,113	620	160	14,424	12,028	9,258
2020	11,051	590	125	12,417	9,258	7,427
2021	10,133	560	103	10,780	7,427	6,323
2022	8,987	530	86	9,666	6,323	5,200
Remaining Unpaid				\$153,646		
Remaining Unfunded				\$150,446		

We anticipate the annual Fund administrative costs to decrease from approximately \$800,000 in 2014 to \$530,000 in 2022, due to less claim and reimbursement activity.

As the number of claims remaining open decreases, it is possible that the total paid losses may not decrease smoothly as shown in this estimate, but would show more random variation from year to year. This raises the possibility that there may not be sufficient cash balances to fund reimbursements in a given fiscal year.

Option 2: 3-Year Accelerated Assessment

Assessments of \$100 million per year for the next three years are anticipated to adequately fund the estimated losses. Reimbursement payments are unaffected by this option, but assessments at this level for three years, plus the Fund balance at June 30, 2013, is expected to be sufficient to build an asset large enough to pay off the remaining liabilities, assuming continued investment income at approximately 1.5% of average cash balances. A \$100 million assessment is similar in size to assessment levels over the past 5 years. The table below shows that the remaining cash balance at year-end 2022 is larger than the remaining payments. Building up a cash balance may also facilitate other options for extinguishing the remaining liability, such as a loss portfolio transfer.

We also show the present value ("PV"), using a 1.5% discount rate, of the remaining unpaid losses at each year end. The present value uses our anticipated payment patterns and the 1.5% discount rate was selected because it is close to the recent interest the Fund has earned on average cash balances. The 1.5% rate is between the current 7-year and 10-year Treasury bill rates, and therefore is close to a risk-free rate for long duration liabilities.

Table 10 – Option 2

3-Year Accelerated Assessments 2014-2016 (\$000s)							
Fiscal Year Ending 6/30	Expected Collected Assessment	Administrative Costs	Interest on Cash Balances	Total Paid Losses	Cash Balance Beginning	Cash Balance Ending	PV (at 1.5%) Year Ending Unpaid Losses
2013	\$ 98,351	\$ 835	\$ 956	\$ 46,586	\$ 39,693	\$ 91,673	\$ 295,375
2014	100,000	800	1,801	44,209	91,673	148,463	258,267
2015	100,000	760	2,736	34,075	148,463	216,366	224,766
2016	100,000	720	3,820	26,542	216,366	292,925	201,398
2017		650	4,261	21,326	292,925	275,210	182,933
2018		620	4,024	17,233	275,210	261,381	168,616
2019		590	3,837	14,424	261,381	250,204	156,309
2020		560	3,683	12,417	250,204	240,910	146,144
2021		530	3,555	10,780	240,910	233,153	137,475
2022		500	3,447	9,666	233,153	226,436	129,799
Remaining Unpaid				\$155,646			
Remaining Unfunded				\$(70,791)			

Note that the remaining unpaid amount of \$156 million is less than the cash balance of \$226 million at year-end 2022. Our total paid loss estimate is based on a central expected liability estimate projected to June 30, 2013. Given the magnitude of the reserve and the uncertainty around continued long term medical payments, the actual paid amounts could be larger or smaller than our expectation, and this funding option does include some additional margin for claims emergence.

The administrative costs are similar to Option 1, but we have assumed a slight additional reduction in 2017 due to the elimination of assessment billing and collection.

This option would require that a significant Fund balance be securely maintained and invested to have enough funds on hand to pay all claims until they close.

During fiscal year 2016, we expect the cash balance will exceed the present value of the remaining unpaid losses.

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Option 3: 5-Year Accelerated Assessment

While similar to Option 2, this option assumes a \$60 million assessment per year for the next 5 years. As shown below, this option also is anticipated to provide sufficient assets to pay all claims, but it does not build a cash balance as quickly, and the assessment rate will be lower in each of the five years.

Table 11 – Option 3

5-Year Accelerated Assessments 2014-2018 (\$000s)							
Fiscal Year Ending 6/30	Expected Collected Assessment	Administrative Costs	Interest on Cash Balances	Total Paid Losses	Cash Balance Beginning	Cash Balance Ending	PV (1.5%) Year ending Unpaid Losses
2013	\$ 98,351	\$ 835	\$ 956	\$ 46,586	\$ 39,693	\$ 91,673	\$ 295,375
2014	60,000	800	1,499	44,209	91,673	108,163	255,267
2015	60,000	760	1,825	34,075	108,163	135,153	224,766
2016	60,000	720	2,290	26,542	135,153	170,182	201,598
2017	60,000	680	2,859	21,326	170,182	211,035	182,933
2018	60,000	650	3,408	17,249	211,035	256,660	168,316
2019		590	3,766	14,424	256,660	245,412	156,309
2020		560	3,611	12,417	245,412	236,046	146,144
2021		530	3,482	10,780	236,046	228,218	137,475
2022		500	3,372	9,660	228,218	221,424	128,793
Remaining Unpaid				\$155,646			
Remaining Unfunded				\$(65,779)			

While the total assessments are the same as Option 2 (\$300 million) this option has a slightly lower expected cash balance at the end of 2022 due to lower total investment income. In addition, the administrative costs are slightly higher in 2017 and 2018 due to the costs of making assessments.

During fiscal year 2017 the cash balance is expected to exceed the present value of the remaining unpaid losses.

Option 4: Fixed Percentage Accelerated Assessment

Some carriers and self-insureds have expressed a desire to have greater predictability in the level of assessments. This option provides that by using a fixed 5% of normalized premium as the annual assessment for the next five years. The expected assessments are slightly lower than Option 3, but would be expected to continue for five years, if a 5% rate is used.

While this option provides greater predictability for each entity, there is slightly more uncertainty for the Fund. If there was a dramatic change in normalized premium for the state as a whole, the actual assessment collected could increase or decrease from this forecast. We estimated that normalized premium would increase at 0.5% per year, which has been the average change over the past six years.

Since at a 5% rate, we estimated the total assessment is slightly lower than Option 3, the cash balance is lower as well.

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Table 12 – Option 4

5-Year Fixed Percentage Accelerated Assessments 2014-2018 (\$000s)							
Fiscal Year Ending 6/30	Expected Collected Assessment	Administrative Costs	Interest on Cash Balances	Total Paid Losses	Cash Balance Beginning	Cash Balance Ending	PV of 5-Year Ending Unpaid Losses
2013	\$ 98,331	\$ 835	\$ 956	\$ 46,586	\$ 39,693	\$ 91,673	\$ 293,373
2014	51,123	800	1,482	44,208	91,673	99,221	255,267
2015	51,381	760	1,625	34,075	99,221	117,392	224,766
2016	51,638	722	1,958	26,542	117,392	143,724	201,398
2017	51,896	686	2,398	21,326	143,724	176,006	182,933
2018	52,155	652	2,919	17,018	176,006	213,193	168,316
2019	-	589	3,109	14,424	213,193	201,291	156,309
2020	-	560	2,644	12,417	201,291	191,258	146,144
2021	-	532	2,803	10,780	191,258	182,751	137,475
2022	-	505	2,685	9,686	182,751	175,265	129,759
Remaining Unpaid				\$155,646			
Remaining Unfunded				\$(19,619)			

With slightly lower anticipated assessments, the cash balance is not expected to exceed the present value of the remaining unpaid losses until 2018. However, the collected assessment could be larger than the forecast here.

Option 5: Negotiated "Buy Back" Settlement and Assessment

Set up a process to reach an agreement with each carrier or self-insured to "buy back" their claim(s) and no longer submit requests for reimbursement. These lump sum settlement amounts for all remaining open claims accepted by the Fund would be based on the claim specifics and the expected present value of future reimbursements. These negotiations should have a window in which they must be completed, perhaps six to twelve months, so that the funding level needed for negotiated settlements can be determined. Once settlement values are determined, use those amounts as the basis of a "final" assessment, and make payments for all negotiated settlements after assessing to have enough funds to pay the "buy backs". If agreement on a settlement value cannot be reached within the allotted time period, the claim reimbursement process would continue in its current method for the remaining claims. This plan could significantly accelerate the payment and closure of claims accepted by the Fund, but may not extinguish the entire liability.

This option would have a substantial impact on the expected cash outflows and total expected payments of the Fund, which are beyond the scope of this report. The option would also include significant administrative costs in reaching negotiated settlement values.

Option 6: Transfer of the Liability to the Reinsurance Market

The remaining liability of the Fund could be transferred to the reinsurance market through a Loss Portfolio Transfer (LPT). Generally, a reinsurer would require a reinsurance premium payment significantly greater than the estimated liability in order to provide a "risk premium" for the probability that losses may exceed expectations, as well as expense and profit considerations.

Purchase of an LPT may not relieve the Fund of all expense obligations. Negotiations with a reinsurer would include whether they would review the appropriateness of individual reimbursement requests (e.g. medical expense only for the second injury and in conformance with the medical fee schedule) from insurers and self-insurers or whether the Fund would retain that role. Even if the Fund retained that responsibility, the reinsurer may review any significant payments for appropriateness. The Fund also currently reviews settlement amounts with individual claimants, for appropriateness of those settlements. It would need to be determined if that review and implicit approval function would remain with the Fund or be transferred to the reinsurer.

In negotiation of appropriate premium with a reinsurer, historical information would need to be provided. In addition, the reinsurer may request individual claim file reviews at the insurer or self-insured to gain a better understanding of the liability assumed. Provision of such information may entail significant time or expense.

Exhibits

The accompanying exhibits provide the details of our analysis and should be considered an integral part of this study.

**South Carolina Second Injury Fund
Workers Compensation
Reserve Analysis as of November 30, 2012**

Summary of Ultimate Loss (000's)

Fiscal Year	Ultimate Loss 11/30/12			Paid Loss 11/30/12			Unpaid Loss 11/30/12			Projected Paid Loss 6/30/13			Projected Unpaid Loss 6/30/13		
	Indemnity	Medical	Total	Indemnity	Medical	Total	Indemnity	Medical	Total	Indemnity	Medical	Total	Indemnity	Medical	Total
Prior	131,228	72,510	203,738	181,387	61,491	242,878	41	11,018	11,059	101,128	61,888	223,016	30	10,812	10,842
1992	38,302	17,587	55,889	38,288	14,770	53,058	18	2,817	2,835	38,288	14,808	53,096	14	2,553	2,702
1993	37,221	17,067	54,288	37,198	14,719	51,917	21	2,878	3,099	37,202	14,820	52,022	18	2,878	2,896
1994	38,657	22,283	60,940	38,629	19,151	57,780	28	4,134	4,163	38,633	19,242	57,875	24	4,042	4,067
1995	45,817	25,434	71,251	44,577	20,658	65,235	40	4,778	4,818	44,583	20,701	65,284	34	4,733	4,767
1996	47,917	27,598	75,515	47,852	22,174	70,027	65	5,524	5,589	47,852	22,264	70,116	55	5,314	5,369
1997	47,485	27,268	74,753	47,434	21,811	69,245	61	5,788	5,849	47,433	21,743	69,176	62	5,853	5,705
1998	63,791	36,510	100,301	63,652	28,293	91,945	108	8,218	8,327	63,658	28,522	92,180	93	7,883	8,051
1999	73,228	44,288	117,517	73,015	33,558	106,573	214	10,718	10,934	73,047	33,535	106,582	182	10,332	10,534
2000	87,878	60,247	148,125	87,284	44,407	131,691	691	15,840	16,532	87,372	45,015	132,387	804	15,331	15,935
2001	114,887	80,083	194,970	113,277	58,850	172,127	1,510	23,133	24,743	113,853	57,743	171,596	1,234	22,941	23,575
2002	137,710	94,481	232,192	135,377	64,818	200,195	2,323	28,583	31,906	135,835	68,447	204,282	1,778	28,034	29,810
2003	137,318	93,941	231,259	134,854	61,804	196,658	2,854	31,558	34,412	136,328	63,121	199,449	1,980	30,820	32,811
2004	108,898	78,473	187,371	102,810	48,851	151,661	4,088	28,882	32,970	104,123	47,775	151,898	2,775	29,637	31,471
2005	70,005	46,827	116,832	64,234	25,827	90,061	5,783	21,238	26,019	68,380	28,740	97,120	4,828	20,087	24,714
2006	87,844	47,417	135,261	80,379	23,638	104,017	7,405	23,728	31,133	61,831	24,740	86,571	8,213	22,677	28,880
2007	58,275	37,670	95,945	48,851	15,883	64,734	8,224	21,887	30,911	50,404	17,540	67,945	7,871	20,130	28,000
2008	58,478	38,367	96,845	48,417	13,585	62,002	14,001	24,772	38,773	47,848	15,751	63,600	11,829	22,816	34,445
2009	30,505	23,508	54,013	21,157	8,466	29,623	8,309	14,042	23,351	22,621	7,711	30,332	7,814	12,787	20,011
2010	10,528	7,128	17,656	5,177	1,827	7,004	8,252	5,488	13,740	5,004	2,142	7,146	4,525	4,884	9,409
2011	8,534	5,778	14,312	878	215	1,093	7,885	5,653	13,538	1,824	809	2,633	6,911	4,872	11,783
Total	1,443,888	861,628	2,305,516	1,372,737	588,034	1,960,771	71,822	382,882	454,704	1,385,138	612,798	1,997,936	68,671	287,848	346,519

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Note: Medical Loss includes expenses

**South Carolina Second Injury Fund
Workers Compensation
Reserve Analysis as of November 30, 2012**

Summary of Ultimate Indemnity Loss (000's)

Report Year Ending 6/30:	Paid Indemnity as of 6/30/12	Paid Indemnity CDF	Paid Method Ultimate	Paid Indemnity as of 11/30/12	11/30/12 Paid CDF	Paid Method Ultimate	Ultimate Claims	Indicated Severity	Selected Severity	Frequency Severity Ultimate	Indicated Accident Year Ultimate	Selected Ultimate Indemnity Loss	Ultimate Indemnity Severity	Indicated Unpaid Indemnity as of 6/30/12	Total Paid Indemnity as of 11/30/12	Indicated Unpaid Indemnity as of 11/30/12	Projected Paid Indemnity as of 6/30/13
Prior	161,150	1.0000	161,150	161,150	1.0000	161,150	21,858	7,577	7,577	161,228	161,228	7,577	47	161,150	41	161,150	
1982	36,286	1.0006	36,302	36,286	1.0004	36,302	4,254	8,336	8,336	36,302	36,302	8,336	16	36,286	16	36,286	
1983	37,188	1.0008	37,223	37,188	1.0006	37,221	4,419	8,423	8,423	37,221	37,221	8,423	21	37,188	21	37,202	
1984	38,629	1.0008	38,650	38,629	1.0007	38,657	4,557	8,658	8,658	38,657	38,657	8,658	28	38,629	28	38,633	
1985	44,577	1.0010	45,630	44,577	1.0009	45,617	6,736	7,850	7,850	45,617	45,617	7,850	40	44,577	40	44,583	
1986	47,943	1.0011	47,965	47,943	1.0010	47,962	8,208	7,717	7,717	47,917	47,917	7,717	74	47,943	65	47,952	
1987	47,424	1.0014	47,482	47,424	1.0013	47,485	6,332	7,468	7,468	47,485	47,485	7,468	61	47,424	61	47,430	
1988	63,674	1.0018	63,778	63,674	1.0015	63,780	6,215	10,264	10,264	63,781	63,781	10,264	117	63,674	108	63,686	
1989	72,984	1.0028	73,174	73,015	1.0022	73,174	6,710	10,913	10,913	73,226	73,226	10,913	243	72,984	214	73,047	
1990	87,257	1.0025	87,564	87,257	1.0021	87,557	6,520	12,463	12,463	87,576	87,576	12,463	719	87,257	681	87,372	
1991	113,222	1.0024	113,242	113,277	1.0021	113,280	8,053	14,263	14,263	114,887	114,887	14,263	1,685	113,222	1,310	113,653	
1992	126,207	1.0117	130,783	126,277	1.0084	128,648	8,948	15,386	15,386	127,719	127,719	15,386	2,504	126,207	2,533	126,505	
1993	134,170	1.0222	137,130	134,684	1.0177	137,641	8,419	16,311	16,311	137,118	137,118	16,311	3,143	134,170	2,654	135,328	
1994	152,586	1.0533	158,048	152,810	1.0588	158,886	9,082	11,237	11,237	158,886	158,886	11,237	4,308	152,586	4,056	154,123	
1995	63,800	1.0004	68,509	64,224	1.0742	68,889	8,078	7,771	8,008	71,824	70,005	7,818	8,204	63,800	8,224	65,380	
1996	62,326	1.1428	67,783	60,379	1.1157	67,887	10,012	6,753	6,808	68,682	67,844	8,778	8,822	62,326	7,455	61,631	
1997	47,942	1.2167	54,293	49,051	1.1236	58,070	8,011	7,460	7,460	58,480	58,275	7,274	10,373	47,942	14,081	52,404	
1998	43,279	1.2501	58,690	45,417	1.2830	63,724	7,722	7,625	7,625	60,232	58,479	7,762	16,188	43,279	22,591	47,648	
1999	15,713	1.6029	22,587	21,187	1.5087	51,880	3,456	8,253	8,400	28,030	20,553	8,827	21,187	15,713	22,591	22,591	
2010	4,825	2.6053	11,818	5,177	2.8250	10,484	1,175	8,822	8,822	10,575	10,525	8,881	5,704	4,825	6,152	6,004	
2011	676	8.9987	4,430	676	4.1112	2,781	889	3,140	8,822	8,534	8,534	8,822	7,859	676	7,855	1,824	
Total	1,365,188		1,448,823	1,372,387		1,434,438	142,788			1,444,884	1,483,722	1,443,888	286,579	78,641	1,372,387	71,822	1,365,188

Abstract

415415415

**South Carolina Second Injury Fund
Workers Compensation
Reserve Analysis as of November 30, 2012**

Summary of Ultimate Medical Loss (\$000's) *

Report Year Ending 6/30:	Paid Medical as of 6/30/12	6/30/12 Paid CDF	Paid Medical Ultimate	Paid Medical as of 11/30/12	11/30/12 Paid CDF	Paid Medical Ultimate	Ultimate Claims	Indicated Severity	Selected Severity	Frequency/Sev erty Ultimate	Indicated Accident Year Ultimate	Selected Ultimate Medical Loss	Ultimate Medical Severity	Indicated Unpaid Medical as of 6/30/12	Total Paid Medical as of 11/30/12	Indicated Unpaid Medical as of 11/30/12	Projected Paid Medical as of 6/30/13
Prior	61,253	1,188	12,888	61,461	1,192	12,840	21,828	3,338	3,338	22,539		12,819	3,318	11,287	61,461	11,018	61,868
1982	14,757	1,188	17,644	14,778	1,202	17,587	4,354	4,334	4,334	17,687		17,687	4,334	2,888	14,798	2,617	14,808
1983	14,877	1,202	17,718	14,718	1,202	17,687	4,416	4,006	4,006	17,687		17,687	4,006	3,028	14,718	2,878	14,820
1984	18,004	1,222	22,227	18,151	1,238	22,285	4,787	4,854	4,854	22,285		22,285	4,854	4,261	18,151	4,254	18,242
1985	20,428	1,288	25,282	20,828	1,293	25,434	5,735	4,433	4,433	25,434		25,434	4,433	5,005	20,828	4,778	20,701
1986	22,853	1,288	27,714	22,374	1,287	27,688	6,308	4,681	4,681	27,688		27,688	4,681	5,643	22,374	5,024	22,384
1987	21,488	1,281	27,378	21,611	1,287	27,388	6,332	4,327	4,327	27,388		27,388	4,327	5,881	21,611	5,788	21,743
1988	27,875	1,307	36,388	28,283	1,382	36,504	8,218	6,575	6,575	36,518		36,518	6,575	8,835	28,283	6,218	28,532
1989	33,148	1,315	44,127	33,588	1,313	44,255	8,710	6,820	6,820	44,288		44,288	6,820	11,142	33,588	10,718	31,828
1990	43,774	1,383	58,884	44,487	1,353	61,668	8,528	8,258	8,258	60,947		60,947	8,258	16,573	44,487	15,940	45,018
1991	53,831	1,418	78,677	55,858	1,388	79,387	8,853	8,942	8,942	80,083		80,083	8,942	24,253	55,858	22,133	57,743
1992	61,882	1,458	84,745	64,618	1,442	83,753	9,948	10,538	10,538	84,481		84,481	10,538	30,588	64,618	25,383	60,447
1993	82,801	1,547	84,041	81,884	1,512	83,782	8,418	11,138	11,138	83,841		83,841	11,138	32,149	81,884	31,858	62,121
1994	45,448	1,711	78,038	45,681	1,847	78,478	8,082	8,411	8,411	78,478		78,478	8,411	31,823	78,478	28,884	58,447
1995	24,874	1,831	45,678	25,627	1,788	45,715	8,028	8,148	8,148	47,841		47,841	8,148	48,827	45,678	25,882	47,778
1996	23,483	2,082	48,012	23,688	1,832	48,775	10,012	4,622	4,622	48,858		48,858	4,622	21,888	48,858	22,228	28,740
1997	15,118	2,375	34,458	15,883	2,158	34,484	8,071	4,382	4,382	37,820		37,820	4,382	22,694	34,458	21,888	28,740
1998	12,854	2,784	35,843	13,583	2,823	34,283	7,782	4,437	4,437	42,471		42,471	4,437	23,518	34,283	21,888	28,740
1999	8,321	3,285	21,321	8,483	3,438	20,878	3,658	8,088	8,088	20,845		20,845	8,088	14,788	21,321	14,042	17,540
2010	1,485	4,853	7,681	1,627	4,348	7,283	1,575	8,828	8,828	7,283		7,283	8,828	1,837	7,283	5,448	2,142
2011	258	11,6184	2,374	216	7,734	1,528	888	1,577	8,500	5,778		5,778	8,500	5,571	216	5,553	888
Total	527,548		887,845	536,474		886,722	142,785			611,888	886,748	887,425	128,933	314,288	886,474	382,882	613,758

1994

• Note - between Downside

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Averages Ex Ante 1

Development Factor Selection

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**South Carolina Second Injury Fund
Workers Compensation
Reserve Analysis as of November 30, 2012**

Paid Indemnity Loss (\$000s) in Fiscal/Calendar Year ending 6/30:

Fiscal/Calendar Year Ending 6/30:	Unpaid as of 6/30/12	Unpaid as of 11/30/12	2013 (Partial)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 & Remaining
Prior	47	41	11	21	8	8	8	8	8	8	8	8	8
1992	18	16	3	7	5	2	0	0	0	0	0	0	0
1993	21	21	3	6	6	4	2	0	0	0	0	0	0
1994	28	28	4	8	6	6	4	2	0	0	0	0	0
1995	40	40	6	9	5	6	5	4	2	0	0	0	0
1996	74	65	10	14	10	8	8	5	2	0	0	0	0
1997	61	61	9	13	10	7	5	5	5	4	2	0	0
1998	117	106	16	23	17	13	10	7	7	7	5	2	0
1999	245	214	32	48	34	25	19	14	11	11	11	7	3
2000	719	691	87	151	113	85	64	48	36	27	27	27	27
2001	1,665	1,610	375	325	227	170	125	85	72	54	40	40	81
2002	2,504	2,333	557	789	250	182	136	102	77	58	43	32	87
2003	3,142	2,854	654	900	484	160	112	64	63	47	35	25	79
2004	4,309	4,068	1,313	1,300	667	359	115	83	62	47	35	25	79
2005	8,204	5,783	1,155	2,841	830	477	257	85	59	44	33	25	75
2006	8,522	7,485	1,252	2,428	2,162	761	300	210	69	46	36	27	82
2007	10,373	9,224	1,353	2,845	2,040	1,819	640	328	177	59	41	31	82
2008	18,196	14,061	2,232	3,537	2,787	2,149	1,916	673	345	186	61	43	129
2009	10,762	8,309	1,486	2,514	1,585	1,249	953	858	302	155	83	28	77
2010	5,704	5,352	827	1,489	977	619	405	374	334	117	68	32	41
2011	7,650	7,855	945	2,253	1,522	989	630	406	353	341	120	62	75
Total	78,543	71,022	12,351	21,143	13,859	8,098	5,804	3,480	2,010	1,207	634	409	836
Remaining Unpaid			58,871	37,527	23,668	14,570	8,577	5,196	3,186	1,979	1,345	836	0

**South Carolina Second Injury Fund
Workers Compensation
Reserve Analysis as of November 30, 2012**

Paid Medical Loss (\$000s) in Fiscal/Calendar Year ending 6/30:

Fiscal/Calendar Year Ending 6/30:	Unpaid as of 6/30/12	Unpaid as of 11/30/12	2013 (Partial)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 & Remaining
Prior	11,207	11,018	408	801	807	382	384	387	388	382	384	388	6,680
1992	2,830	2,817	128	143	144	145	92	92	93	93	94	94	1,597
1993	3,020	2,978	100	144	145	147	148	93	94	94	95	96	1,822
1994	4,281	4,134	92	181	182	184	188	198	125	126	128	127	2,567
1995	5,005	4,778	45	284	211	213	215	217	219	138	139	140	2,979
1996	5,843	5,524	210	289	280	224	228	228	238	232	148	147	3,311
1997	5,991	5,788	135	330	280	280	224	226	228	231	233	147	3,484
1998	8,535	8,218	229	450	440	386	374	290	302	305	308	311	4,815
1999	11,148	10,719	368	683	545	534	488	453	362	365	389	373	8,217
2000	16,573	15,940	609	1,084	912	761	734	644	624	568	503	508	9,063
2001	24,253	23,133	789	1,674	1,475	1,230	1,012	960	868	841	672	678	12,901
2002	30,589	29,583	1,529	2,210	1,935	1,705	1,422	1,189	1,144	1,004	872	778	15,597
2003	33,140	31,958	1,137	2,574	2,327	1,950	1,718	1,432	1,178	1,153	1,011	976	16,598
2004	31,023	29,892	1,195	2,000	2,229	1,828	1,658	1,487	1,240	1,020	896	878	15,220
2005	21,853	21,200	1,113	1,597	1,301	1,443	1,249	1,093	963	803	651	646	10,422
2006	25,014	23,728	1,051	1,528	1,558	1,344	1,491	1,290	1,129	885	830	682	11,433
2007	22,554	21,687	1,557	1,880	1,651	1,252	1,081	1,200	1,038	809	601	668	9,750
2008	25,513	24,772	2,156	2,431	1,858	1,555	1,258	1,084	1,203	1,041	911	803	10,448
2009	14,788	14,042	1,346	1,463	1,219	945	780	630	544	603	522	457	5,842
2010	5,632	5,499	515	571	480	411	319	253	212	123	203	178	2,058
2011	5,571	5,563	690	580	580	424	365	278	228	184	159	178	1,931
Total	314,260	302,952	15,306	23,055	20,216	17,444	15,432	13,752	12,414	11,210	10,148	9,258	154,710
Remaining Unpaid		Remaining	287,648	284,580	244,364	226,920	211,488	187,736	185,322	174,112	163,968	154,710	0

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IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

PEOPLE OF THE STATE OF ILLINOIS, *ex rel.*
ANDREW BORON, DIRECTOR OF
INSURANCE OF THE STATE OF ILLINOIS,

Plaintiffs,

v.

LUMBERMENS MUTUAL CASUALTY COMPANY,
an Illinois domestic property and casualty mutual,

Defendant.

NO.: 12 CH 24227

**ORDER OF LIQUIDATION
WITH A FINDING OF INSOLVENCY**

THIS CAUSE COMING TO BE HEARD upon the Verified Complaint for Liquidation, filed herein by the PEOPLE OF THE STATE OF ILLINOIS, on the relation of ANDREW BORON, Director of Insurance of the State of Illinois (the "Director"), by and through their attorney, LISA MADIGAN, Attorney General of the State of Illinois, pursuant to the provisions of Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187, *et seq.*, against the

Defendant, Lumbermens Mutual Casualty Company ("Lumbermens"); the Court having jurisdiction over the parties hereto and the subject matter hereof; the Court having reviewed the pleadings filed herein and having considered the arguments of counsel thereon, and the Court then being otherwise advised in the premises, and for good cause appearing therefore;

THE COURT FINDS:

1. That as to Defendant, Lumbermens:

(A) Sufficient cause exists for the entry of an order for liquidation of the Defendant, Lumbermens, including that Lumbermens is insolvent; and

(B) Pursuant to Section 191 of the Code, 215 ILCS 5/191, this Order creates an estate comprising of all of the liabilities and assets of Lumbermens which, pursuant to the prior order of this Court, have been substantively consolidated with the liabilities and assets of American Manufacturers Mutual Company and American Motorists Insurance Company; and

(C) The Liquidator's statutory authority includes, without limitation, the following:

(i) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Liquidator is vested by operation of law with the title to all property, contracts, and rights of action of Lumbermens; and

(ii) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Liquidator is entitled to immediate possession and control of all property, contracts, and rights of action of Lumbermens; and

(iii) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Liquidator is authorized to remove any and all records and property of Lumbermens to his

possession and control or to such other place as may be convenient for purposes of the efficient and orderly administration of Lumbermens' liquidation; and

(iv) Pursuant to Section 193(1) of the Code, 215 ILCS 5/193(1), the Liquidator is authorized to deal with the property, business and affairs of Lumbermens in his name, as Director, and the Court further Orders that the Liquidator is authorized to deal with the property, business and affairs of Lumbermens either in his name as the Liquidator of Lumbermens, or in the name of Lumbermens, as the case may be; and

(v) Pursuant to Section 193(2) of the Code, 215 ILCS 5/193(2), the Liquidator, without the prior approval of the Court, is authorized to sell or otherwise dispose of any real or personal property of Lumbermens, or any part thereof, and to sell or compromise all debts or claims owing to Lumbermens having a value in the amount of Twenty-Five Thousand (\$25,000.00) Dollars, or less. Any such sale by the Liquidator of the real or personal property of Lumbermens having a value in excess of Twenty-Five Thousand (\$25,000.00) Dollars, and sale or compromise of debts owing to Lumbermens by the Liquidator where the debt owing Lumbermens exceeds Twenty-Five Thousand (\$25,000.00) Dollars shall be made subject to the approval of the Court; and

(vi) Pursuant to Section 193(3) of the Code, 215 ILCS 5/193(3), the Liquidator is authorized to bring any action, claim, suit or proceeding against any director or officer of Lumbermens or against any other person with respect to that person's dealings with the company including, but not limited to, prosecuting any action,

claim, suit, or proceeding on behalf of the policyholders, creditors, or shareholders of Lumbermens; and

(vii) Pursuant to Section 193(7) of the Code, 215 ILCS 5/193(7),

All persons, companies, and entities shall immediately turn over to the Director all unearned premium that has been collected by or on behalf of the company and all earned premium owing the company unless otherwise directed in writing by the Director or by court order.

(viii) Pursuant to Section 194(b) of the Code, 215 ILCS 5/194(b), the Liquidator may, within two (2) years after the entry of this liquidation order or within such further time as applicable law permits, institute an action, claim, suit, or proceeding upon any cause of action against which the period of limitation fixed by applicable law had not expired as of the filing of the complaint upon which said order was entered; and

(ix) Subject to the provisions of Section 202 of the Code, 215 ILCS 5/202, the Liquidator is authorized to appoint and retain those persons specified in Section 202(a) of the Code, 215 ILCS 5/202(a), and to pay, without the further order of this Court, from the assets of Lumbermens all administrative expenses incurred during the course of the liquidation of Lumbermens; and

(x) Pursuant to Section 203 of the Code, 215 ILCS 5/203, the Liquidator shall not be required to pay any fee to any public officer for filing, recording or in any manner authenticating any paper or instrument relating to any proceeding under Article XIII of the Illinois Insurance Code, 215 ILCS 5/187 *et seq.*, nor for services rendered by any public officer for serving any process; and

(xi) Pursuant to the provisions of Section 204 of the Code, 215 ILCS 5/204, the Liquidator may seek to avoid preferential transfers of the property of Lumbermens and to recover such property or its value, if it has been converted; and

(D) Pursuant to Section 194 of the Code, 215 ILCS 5/194, and subject to Paragraph 1(B) of this Order, the rights and liabilities of Lumbermens, and of its respective policyholders, creditors and stockholders, and all other persons interested in its assets, except for those persons entitled to file contingent claims or to have their claims estimated, are fixed as of May 10, 2013. The rights of persons entitled to file contingent claims or to have their claims estimated shall be determined as provided in Sections 209(4)(b), (6) and (7) of the Code, 215 ILCS 5/209(4)(b), (6) and (7); and

(E) Pursuant to Section 209(5) of the Code, 215 ILCS 5/209(5), the obligation of Lumbermens, if any, to defend or continue the defense of any claim or suit under a liability insurance policy, including a certificate of insurance, is terminated upon the entry of this order of liquidation.

(F) Pursuant to Section 189 of the Code, 215 ILCS 5/189, this

court shall have jurisdiction, upon, or at any time after the filing of the complaint to issue an injunction restraining such company and its officers, agents, directors, employees and all other persons from transacting any company business or disposing of its property until the further order of the court. The court may also restrain all persons, companies, and entities from bringing or further prosecuting all actions and proceedings at law or in equity or otherwise, whether in this State or elsewhere, against the company or its assets or property or the Director except insofar as those actions or proceedings arise in or are brought in the conservation, rehabilitation, or liquidation proceeding. The court may issue such other injunctions or enter such other orders as may be deemed necessary to prevent interference with the proceedings, or with the Director's possession and control or title, rights or interests as herein provided or to prevent interference with the conduct of the business by the Director, and may issue such other injunctions or enter such other orders as may be deemed necessary to prevent waste of assets or

the obtaining, asserting, or enforcing of preferences, judgments, attachments, or other like liens, including common law retaining liens, or the making of any levy against such company or its property and assets while in the possession and control of the Director.

IT IS HEREBY ORDERED THAT:

A. This Order of Liquidation is entered as to and against Lumbermens, effective May 10, 2013 at 12:01p.m. C.D.T., and the rehabilitation of Lumbermens is hereby terminated; and

B. There being no just reason for delaying enforcement or appeal of this Order, this Order of Liquidation is a final order within the meaning of Illinois Supreme Court Rule 307(a)(5); and

C. Andrew Boron, Director of Insurance of the State of Illinois, and his successors in office, is affirmed as the statutory liquidator (the "Liquidator") of Lumbermens, with all of the powers appurtenant thereto; and

D. Subject to the further orders of the Court, the Liquidator is authorized to take such actions as the nature of the cause and the interests of Lumbermens, its policyholders, creditors and stockholders, or the public may require including, but not limited to, the following:

- (i) The Liquidator shall proceed to take immediate possession and control of the property, books, records, accounts, business and affairs, and all other assets of Lumbermens, and of the premises occupied by Lumbermens for the transaction of its business, and to marshal and liquidate the assets, business and affairs of Lumbermens pursuant to the provisions of Article XIII of the Code, *supra*, and the Liquidator is further directed and authorized to wind down and terminate the business and affairs of Lumbermens, and to make the continued expenditure of

such wages, rents and expenses as he may deem necessary and proper for the administration of the liquidation of Lumbermens; and

(ii) The Liquidator may both sue and defend on behalf of Lumbermens, or for the benefit of the certificate holders, policyholders and creditors of Lumbermens, in the courts either in his name as the Liquidator of Lumbermens, or in the name of Lumbermens, as the case may be; and

E. The caption in this cause and all pleadings filed in this matter shall read:

**"IN THE MATTER OF THE LIQUIDATION OF
LUMBERMENS MUTUAL CASUALTY COMPANY"**

F. All costs of these proceedings are taxed and assessed against the Defendant, Lumbermens; and

G. Pursuant to its authority under Section 189 of the Code, 215 ILCS 5/189, the Court hereby issues the following mandatory and prohibitive injunctions:

(i) Lumbermens is ordered to deliver to the Liquidator, at his request, copies of all documents in its possession or under its control concerning or related to Lumbermens, and to provide the Liquidator with such information as he may require concerning any and all business and/or professional relationships it may have with accountants, auditors and attorneys; and

(ii) Lumbermens and its directors, officers, agents, servants, representatives, and employees shall give immediate possession and control to the Liquidator of all property, business, books, records and accounts of Lumbermens, and all premises occupied by Lumbermens for the transaction of its business; and

(iii) Lumbermens and its officers, directors, agents, servants, representatives and employees are restrained from transacting any business of Lumbermens, or

disposing of any company property or assets, including books, records and computer and other electronic data, without the express written consent of the Liquidator, or doing or permitting to be done any action which might waste the property or assets of Lumbermens, until the further order of this Court; and

(iv) The officers, directors, agents, servants, representatives and employees of Lumbermens, and all other persons and entities having knowledge of this Order are restrained from bringing or further prosecuting any claim, action or proceeding at law or in equity or otherwise, whether in this State or elsewhere, against Lumbermens, or its property or assets, or the Director or Liquidator, except insofar as those claims, actions or proceedings arise in or are brought in these liquidation proceedings; or from obtaining, asserting or enforcing preferences, judgments, attachments or other like liens, including common law retaining liens, or encumbrances or the making of any levy against Lumbermens, or its property or assets while in the possession and control of the Liquidator, or from interfering in any way with the Liquidator in his possession or control of the property, business, books, records, accounts, premises and all other assets of Lumbermens, until the further order of this Court; and

(v) Lumbermens and its directors, officers, agents, servants, representatives, and employees are restrained from disbursing, or causing to be disbursed, or disposing, or causing to be disposed, any and all accounts and assets of Lumbermens in the possession on any bank, brokerage house, financial institution, or other company, person or entity, and Lumbermens is further restrained from disposing of, or causing to be disposed, or destroying, or causing

to be destroyed, any records pertaining to any business transaction between Lumbermens, and any bank, brokerage house, financial institution, company, person or entity with which Lumbermens has done or is doing business or having in their possession assets which are, or may be, the property of Lumbermens; and

(vi) All agents of Lumbermens, and its agents, servants, representatives and employees, are restrained from returning any unearned premiums or any money in their possession, or under their control, collected from premiums upon policies, contracts or certificates of insurance or reinsurance previously issued by Lumbermens, to their policyholders, certificate holders or others, and all said agents and agents, representatives, employees and servants of Lumbermens are directed to turn over all such funds in their possession or under their control, or to which they may hereafter acquire possession or control, to the Liquidator in gross and not net of any commissions which may be due thereon; and

H. All direct policies and/or certificates of insurance, and bonds heretofore issued by Lumbermens are hereby canceled upon the following terms:

(i) All direct policies and/or certificates of insurance, and bonds which may give rise to "covered claims," as defined in Sections 534.3 and 537.2 of the Code, 215 ILCS 5/534.3 and 537.2, of the Illinois Insurance Guaranty Fund or which may give rise to "covered claims" of a similar organization in any other state, as defined by the provisions of such similar statute in any such other state, shall be cancelled:

a. At 12:01 a.m., local time of the insured, policyholder, or principal of any such direct policy and/or certificate of insurance, or bond on the

thirty-first (31st) day following the effective date of the Order of Liquidation; or

b. Upon the expiration date of any such direct policy and/or certificate of insurance, or bond if the expiration date is less than thirty-one (31) days after the effective date of the Order of Liquidation; or

c. Upon the date the insured, policyholder, or principal of any such direct policy and/or certificate of insurance, or bond replaces the direct policy and/or certificate of insurance, or bond or upon the date the policyholder, insured, or principal on request effects cancellation, if the insured, policyholder, or principal does so prior to the thirty-first (31st) day following the effective date of the Order of Liquidation, whichever is earlier;

ii. All direct policies and/or certificates of insurance which are covered policies or certificates of insurance within the meaning of the Illinois Life and Health Insurance Guaranty Association Law, 215 ILCS 5/531.01 *et seq.*, or any similar life, accident and health insurance guaranty association law of any other state, or the obligations, or any part thereof, of which the Illinois Life and Health Insurance Guaranty Association, or any similar life, accident and health insurance guaranty association organization in any other state, is obligated to assure payment of, shall remain in full force and effect until cancelled, or until they expire in accordance with their terms.

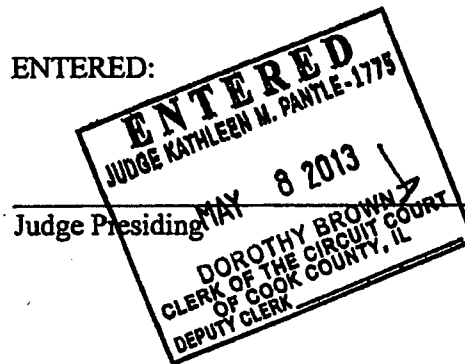
iii. All other direct policies and/or certificates of insurance, and bonds issued by Lumbermens shall be cancelled effective upon the entry date of this Order of Liquidation; and

I. All reasonable operating fees and expenses, including those of accountants, actuaries, lawyers and consultants, incurred prior to the entry of this order may be paid in the normal course of business.

J. This Court retains jurisdiction in this cause for the purpose of granting further relief as the nature of this cause may require and/or as the Court may deem proper in the premises.

K. This cause is set for general status on August 14, 2013, at 10:00a.m.

ENTERED:



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State of Illinois
Attorney for the PEOPLE OF
THE STATE OF ILLINOIS
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SOUTH CAROLINA P & C INS GTY. ASSOC
22977 LUMBERMENS MUTUAL (SC-34)
COMBINED CLAIM/UNEARNED PREMIUM REPORT WITH RESERVES

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CLAIMANT COVER		CHECK			
TRN MESSAGE	CLAIM-PAID TYPE	RESERVE	AMOUNT	NUMBER	DATE
CLASS:02240000199962	GUAR#:G9435	LIQ#:02240000199962			
POL#:SEA038877	CLASS:W.C.	LAWUIT:H ADJ:99 INS:SEALED AIR CORPORATION			LOSS:12-17-1999
00000-					
010 OPEN CLAIM	SEALED AIR Loss	0.00	0.00		06-04-2013
00001-965005					
100 INITIAL CLAIMANT/COVERAGE SET-UP	QUARLES, M Loss	0.00	0.00		06-04-2013
210 INITIAL EXPENSE RESERVE	QUARLES, M LAE	10,000.00	0.00		06-04-2013
410 EXPENSE PAYMENT	08/01/2013 08/01/2013 FIEDMONT P LAE	0.00	15.50	6369	03-14-2014
410 EXPENSE PAYMENT	02/28/2013 02/28/2013 FIEDMONT P LAE	0.00	15.50	6370	03-14-2014
410 EXPENSE PAYMENT	08/01/2013 08/01/2013 FIEDMONT P LAE	0.00	-15.50	6369	03-14-2014
410 EXPENSE PAYMENT	02/28/2013 02/28/2013 FIEDMONT P LAE	0.00	-15.50	6370	03-14-2014
410 EXPENSE PAYMENT	08/01/2013 08/01/2013 CORVEL LAE	0.00	15.50	45560	03-21-2014
410 EXPENSE PAYMENT	02/28/2013 02/28/2013 CORVEL LAE	0.00	15.50	45560	03-21-2014
410 EXPENSE PAYMENT	08/01/2013 08/01/2013 CORVEL LAE	0.00	16.68	45758	04-10-2014
410 EXPENSE PAYMENT	01/28/2014 01/28/2014 CORVEL LAE	0.00	16.68	45758	04-10-2014
410 EXPENSE PAYMENT	03/03/2014 03/03/2014 CORVEL LAE	0.00	29.18	46166	05-19-2014
410 EXPENSE PAYMENT	02/28/2014 02/28/2014 CORVEL LAE	0.00	15.50	46397	06-12-2014
410 EXPENSE PAYMENT	08/25/2014 08/25/2014 CORVEL LAE	0.00	29.18	47635	10-21-2014
410 EXPENSE PAYMENT	04/24/2012 07/12/2012 CORVEL LAE	0.00	41.26	48145	12-03-2014
410 EXPENSE PAYMENT	05/13/2013 05/13/2013 CORVEL LAE	0.00	16.30	48145	12-03-2014
410 EXPENSE PAYMENT	06/06/2013 06/06/2013 CORVEL LAE	0.00	16.30	48145	12-03-2014
410 EXPENSE PAYMENT	02/14/2013 02/14/2013 CORVEL LAE	0.00	29.18	48145	12-03-2014
410 EXPENSE PAYMENT	06/23/2014 06/23/2014 CORVEL LAE	0.00	16.68	48312	12-19-2014
410 EXPENSE PAYMENT	07/24/2014 07/24/2014 CORVEL LAE	0.00	16.30	48312	12-19-2014
410 EXPENSE PAYMENT	09/24/2014 09/24/2014 CORVEL LAE	0.00	16.68	48312	12-19-2014
410 EXPENSE PAYMENT	11/18/2014 11/18/2014 CORVEL LAE	0.00	29.18	48591	01-16-2015
410 EXPENSE PAYMENT	08/28/2014 08/28/2014 CORVEL LAE	0.00	15.50	48798	02-04-2015
410 EXPENSE PAYMENT	05/11/2015 05/11/2015 CORVEL LAE	0.00	15.50	50130	06-16-2015
410 EXPENSE PAYMENT	09/10/2015 09/10/2015 CORVEL LAE	0.00	29.61	51826	01-18-2016
410 EXPENSE PAYMENT	10/08/2015 10/08/2015 CORVEL LAE	0.00	16.71	51826	01-18-2016
410 EXPENSE PAYMENT	12/03/2015 12/03/2015 CORVEL LAE	0.00	16.71	51907	01-25-2016
410 EXPENSE PAYMENT	12/03/2015 12/03/2015 CORVEL LAE	0.00	10.00	52096	02-12-2016
410 EXPENSE PAYMENT	04/13/2016 04/13/2016 CORVEL LAE	0.00	29.61	53125	07-14-2016
410 EXPENSE PAYMENT	03/09/2016 03/09/2016 CORVEL LAE	0.00	16.71	53207	07-29-2016
410 EXPENSE PAYMENT	04/13/2016 04/13/2016 CORVEL LAE	0.00	10.00	53207	07-29-2016
410 EXPENSE PAYMENT	06/27/2016 06/27/2016 CORVEL LAE	0.00	29.61	53207	07-29-2016
410 EXPENSE PAYMENT	03/09/2016 03/09/2016 CORVEL LAE	0.00	10.00	53291	08-11-2016
	Claimant-Coverage Total(Loss)----	0.00	0.00		
	Claimant-Coverage Total(Expense)--	10,000.00	520.06		
00001-965010					
100 INITIAL CLAIMANT/COVERAGE SET-UP	QUARLES, M Loss	7,689.69	0.00		06-04-2013
120 CHANGE LOSS RESERVE	QUARLES, M Loss	14,291.31	0.00		06-04-2013
120 CHANGE LOSS RESERVE	QUARLES, M Loss	128,078.00	0.00		06-04-2013
210 INITIAL EXPENSE RESERVE	QUARLES, M LAE	10,000.00	0.00		06-04-2013
220 CHANGE EXPENSE RESERVE	QUARLES, M LAE	-10,000.00	0.00		06-04-2013
310 LOSS PAYMENT	06/06/2013 06/06/2013 CUSTOM MED Loss	0.00	900.00	43319	07-01-2013
310 LOSS PAYMENT	05/28/2013 05/28/2013 FIRST SCRI Loss	0.00	74.74	43434	07-30-2013
310 LOSS PAYMENT	05/23/2013 05/23/2013 FIRST SCRI Loss	0.00	765.74	43434	07-30-2013
310 LOSS PAYMENT	05/23/2013 05/23/2013 FIRST SCRI Loss	0.00	689.15	43434	07-30-2013

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SOUTH CAROLINA P & C INS GTY.ASSOC

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CLIENT COVER

TRN MESSAGE	CLIENT-PAID TYPE	RESERVE	AMOUNT	CHECK NUMBER	DATE
310 LOSS PAYMENT	05/13/2013 05/13/2013 FIRST SCRI Loss	0.00	66.51	43434	07-30-2013
310 LOSS PAYMENT	06/12/2013 06/12/2013 FIRST SCRI Loss	0.00	66.51	43434	07-30-2013
310 LOSS PAYMENT	07/03/2013 07/03/2013 CUSTOM MED Loss	0.00	900.00	43505	08-06-2013
310 LOSS PAYMENT	06/27/2013 06/27/2013 FIRST SCRI Loss	0.00	74.74	43506	08-06-2013
310 LOSS PAYMENT	07/11/2013 07/11/2013 CARLISLE M Loss	0.00	84.30	43575	08-13-2013
310 LOSS PAYMENT	06/19/2013 06/19/2013 FIRST SCRI Loss	0.00	50.32	44151	10-18-2013
310 LOSS PAYMENT	06/19/2013 06/19/2013 FIRST SCRI Loss	0.00	349.52	44151	10-18-2013
310 LOSS PAYMENT	06/19/2013 06/19/2013 FIRST SCRI Loss	0.00	268.87	44151	10-18-2013
310 LOSS PAYMENT	06/19/2013 06/19/2013 FIRST SCRI Loss	0.00	89.31	44151	10-18-2013
310 LOSS PAYMENT	06/19/2013 06/19/2013 FIRST SCRI Loss	0.00	127.62	44151	10-18-2013
310 LOSS PAYMENT	07/19/2013 07/19/2013 CARLISLE M Loss	0.00	1,134.91	44282	10-30-2013
310 LOSS PAYMENT	08/12/2013 08/12/2013 CARLISLE M Loss	0.00	84.30	44282	10-30-2013
310 LOSS PAYMENT	08/19/2013 08/19/2013 CARLISLE M Loss	0.00	1,070.31	44282	10-30-2013
310 LOSS PAYMENT	09/03/2013 09/03/2013 CARLISLE M Loss	0.00	838.28	44282	10-30-2013
310 LOSS PAYMENT	10/30/2013 10/30/2013 CARLISLE M Loss	0.00	84.30	44282	10-30-2013
310 LOSS PAYMENT	09/19/2013 09/23/2013 CARLISLE M Loss	0.00	1,833.60	44282	10-30-2013
310 LOSS PAYMENT	09/30/2013 09/30/2013 CARLISLE M Loss	0.00	1,085.83	44282	10-30-2013
310 LOSS PAYMENT	08/02/2013 08/02/2013 CUSTOM MED Loss	0.00	900.00	44341	11-11-2013
310 LOSS PAYMENT	10/16/2013 10/19/2013 CARLISLE M Loss	0.00	1,465.25	44769	01-02-2014
310 LOSS PAYMENT	10/29/2013 10/30/2013 CARLISLE M Loss	0.00	2,060.21	44769	01-02-2014
310 LOSS PAYMENT	11/29/2013 11/29/2013 CARLISLE M Loss	0.00	978.83	44827	01-08-2014
310 LOSS PAYMENT	11/16/2013 11/16/2013 CARLISLE M Loss	0.00	942.79	44827	01-08-2014
310 LOSS PAYMENT	12/02/2013 12/02/2013 CARLISLE M Loss	0.00	990.72	44827	01-08-2014
310 LOSS PAYMENT	12/11/2013 12/11/2013 CARLISLE M Loss	0.00	90.66	44827	01-08-2014
310 LOSS PAYMENT	12/18/2013 12/18/2013 CARLISLE M Loss	0.00	1,930.43	44827	01-08-2014
310 LOSS PAYMENT	02/03/2014 02/03/2014 CARLISLE M Loss	0.00	2,047.29	45260	02-19-2014
310 LOSS PAYMENT	08/01/2013 08/01/2013 PIEDMONT P Loss	0.00	75.00	6369	03-14-2014
310 LOSS PAYMENT	02/28/2013 02/28/2013 PIEDMONT P Loss	0.00	75.00	6370	03-14-2014
310 LOSS PAYMENT	03/10/2014 03/10/2014 CARLISLE M Loss	0.00	2,038.87	45569	03-24-2014
310 LOSS PAYMENT	03/03/2014 03/03/2014 CARLISLE M Loss	0.00	1,616.22	45569	03-24-2014
310 LOSS PAYMENT	02/10/2014 02/10/2014 CARLISLE M Loss	0.00	1,969.55	45569	03-24-2014
310 LOSS PAYMENT	01/28/2014 01/28/2014 MOUNTAIN V Loss	0.00	136.77	6468	04-04-2014
310 LOSS PAYMENT	08/01/2013 08/01/2013 MOUNTAIN V Loss	0.00	136.77	6467	04-04-2014
310 LOSS PAYMENT	04/01/2014 04/01/2014 CARLISLE M Loss	0.00	2,047.29	45912	04-16-2014
310 LOSS PAYMENT	04/08/2014 04/08/2014 CARLISLE M Loss	0.00	2,038.87	45912	04-16-2014
310 LOSS PAYMENT	03/03/2014 03/03/2014 MOUNTAIN V Loss	0.00	92.15	6808	05-09-2014
310 LOSS PAYMENT	02/28/2014 02/28/2014 PIEDMONT P Loss	0.00	75.00	6929	05-23-2014
310 LOSS PAYMENT	08/01/2014 08/01/2014 CARLISLE M Loss	0.00	2,047.29	46239	05-27-2014
310 LOSS PAYMENT	01/08/2014 01/08/2014 CARLISLE M Loss	0.00	1,988.50	46241	05-28-2014
310 LOSS PAYMENT	05/08/2014 05/08/2014 CARLISLE M Loss	0.00	1,060.04	46461	06-17-2014
310 LOSS PAYMENT	05/16/2014 05/16/2014 CARLISLE M Loss	0.00	95.11	46461	06-17-2014
310 LOSS PAYMENT	06/02/2014 06/02/2014 CARLISLE M Loss	0.00	2,047.29	46461	06-17-2014
310 LOSS PAYMENT	06/09/2014 06/09/2014 CARLISLE M Loss	0.00	1,943.76	46668	07-08-2014
310 LOSS PAYMENT	07/08/2014 07/08/2014 CARLISLE M Loss	0.00	2,080.46	46807	07-22-2014
310 LOSS PAYMENT	07/01/2014 07/01/2014 CARLISLE M Loss	0.00	1,588.14	46807	07-22-2014
310 LOSS PAYMENT	08/08/2014 08/08/2014 CARLISLE M Loss	0.00	3,023.36	47318	09-12-2014
310 LOSS PAYMENT	08/01/2014 08/01/2014 CARLISLE M Loss	0.00	1,468.01	47318	09-12-2014
310 LOSS PAYMENT	09/08/2014 09/08/2014 CARLISLE M Loss	0.00	3,023.36	47394	09-23-2014
310 LOSS PAYMENT	09/02/2014 09/02/2014 CARLISLE M Loss	0.00	1,468.01	47394	09-23-2014

SOUTH CAROLINA F & C INS GTY.ASSOC

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CLAIM-COVER		CHECK				
TRN	MESSAGE	CLMT-DATE	TYPE	RESERVE	AMOUNT NUMBER	DATE
310	LOSS PAYMENT	08/25/2014	08/25/2014 CARLISLE M Loss	0.00	90.66 47394	09-23-2014
310	LOSS PAYMENT	08/25/2014	08/25/2014 MOUNTAIN V Loss	0.00	92.15 7887	10-01-2014
310	LOSS PAYMENT	04/24/2012	07/12/2012 BAINDON, L Loss	0.00	380.00 8203	11-07-2014
310	LOSS PAYMENT	05/13/2013	05/13/2013 MOUNTAIN V Loss	0.00	92.15 8209	11-07-2014
310	LOSS PAYMENT	06/06/2013	06/06/2013 MOUNTAIN V Loss	0.00	92.15 8210	11-07-2014
310	LOSS PAYMENT	02/14/2013	02/14/2013 MOUNTAIN V Loss	0.00	92.15 8211	11-07-2014
310	LOSS PAYMENT	10/08/2014	10/08/2014 CARLISLE M Loss	0.00	4,375.83 47845	11-12-2014
310	LOSS PAYMENT	11/03/2014	11/03/2014 CARLISLE M Loss	0.00	206.20 47996	11-21-2014
310	LOSS PAYMENT	06/23/2014	06/23/2014 MOUNTAIN V Loss	0.00	136.77 8365	11-30-2014
310	LOSS PAYMENT	07/24/2014	07/24/2014 MOUNTAIN V Loss	0.00	92.15 8371	11-30-2014
310	LOSS PAYMENT	09/24/2014	09/24/2014 MOUNTAIN V Loss	0.00	136.77 8366	11-30-2014
310	LOSS PAYMENT	11/17/2014	11/17/2014 CARLISLE M Loss	0.00	17.23 48146	12-05-2014
310	LOSS PAYMENT	11/10/2014	11/10/2014 CARLISLE M Loss	0.00	4,285.17 48146	12-05-2014
310	LOSS PAYMENT	12/01/2014	12/01/2014 CARLISLE M Loss	0.00	211.97 48906	12-18-2014
310	LOSS PAYMENT	12/24/2014	12/24/2014 CARLISLE M Loss	0.00	4,285.17 48502	01-08-2015
310	LOSS PAYMENT	11/18/2014	11/18/2014 MOUNTAIN V Loss	0.00	92.15 8792	01-09-2015
310	LOSS PAYMENT	08/28/2014	08/28/2014 FIDELITY P Loss	0.00	75.00 8828	01-23-2015
310	LOSS PAYMENT	01/26/2015	01/26/2015 CARLISLE M Loss	0.00	4,774.71 48870	02-19-2015
310	LOSS PAYMENT	02/24/2015	02/24/2015 CARLISLE M Loss	0.00	4,709.74 49193	03-12-2015
310	LOSS PAYMENT	04/01/2015	04/01/2015 CARLISLE M Loss	0.00	588.55 49508	04-15-2015
310	LOSS PAYMENT	03/24/2015	03/24/2015 CARLISLE M Loss	0.00	3,605.45 49808	04-15-2015
310	LOSS PAYMENT	04/24/2015	04/24/2015 CARLISLE M Loss	0.00	4,289.11 49661	04-30-2015
310	LOSS PAYMENT	05/01/2015	05/01/2015 CARLISLE M Loss	0.00	70.13 49806	05-14-2015
310	LOSS PAYMENT	05/16/2015	05/16/2015 CARLISLE M Loss	0.00	4,630.96 49987	06-04-2015
310	LOSS PAYMENT	05/11/2015	05/11/2015 FIDELITY P Loss	0.00	75.00 9781	06-05-2015
310	LOSS PAYMENT	06/01/2015	06/01/2015 CARLISLE M Loss	0.00	95.11 50063	06-09-2015
310	LOSS PAYMENT	06/16/2015	06/16/2015 CARLISLE M Loss	0.00	4,698.22 50236	07-01-2015
310	LOSS PAYMENT	06/24/2015	06/24/2015 CARLISLE M Loss	0.00	288.11 50283	07-07-2015
310	LOSS PAYMENT	07/16/2015	07/16/2015 CARLISLE M Loss	0.00	833.08 50525	08-05-2015
310	LOSS PAYMENT	07/24/2015	07/24/2015 CARLISLE M Loss	0.00	4,150.25 50525	08-05-2015
310	LOSS PAYMENT	08/24/2015	08/24/2015 CARLISLE M Loss	0.00	4,817.79 50730	08-31-2015
310	LOSS PAYMENT	09/01/2015	09/01/2015 CARLISLE M Loss	0.00	142.42 50868	09-15-2015
310	LOSS PAYMENT	09/24/2015	09/24/2015 CARLISLE M Loss	0.00	4,840.91 51040	10-07-2015
310	LOSS PAYMENT	10/01/2015	10/01/2015 CARLISLE M Loss	0.00	142.42 51086	10-13-2015
310	LOSS PAYMENT	10/24/2015	10/24/2015 CARLISLE M Loss	0.00	4,925.85 51335	11-11-2015
310	LOSS PAYMENT	11/01/2015	11/01/2015 CARLISLE M Loss	0.00	142.42 51344	11-11-2015
310	LOSS PAYMENT	11/08/2015	11/08/2015 CARLISLE M Loss	0.00	130.62 51386	11-17-2015
310	LOSS PAYMENT	11/16/2015	11/16/2015 CARLISLE M Loss	0.00	3,698.68 51467	11-25-2015
310	LOSS PAYMENT	12/16/2015	12/16/2015 CARLISLE M Loss	0.00	3,858.06 51775	01-08-2016
310	LOSS PAYMENT	09/10/2015	09/10/2015 MOUNTAIN V Loss	0.00	93.61 11148	01-08-2016
310	LOSS PAYMENT	10/08/2015	10/08/2015 MOUNTAIN V Loss	0.00	139.68 11147	01-08-2016
310	LOSS PAYMENT	12/03/2015	12/03/2015 MOUNTAIN V Loss	0.00	139.68 11211	01-15-2016
310	LOSS PAYMENT	01/16/2016	01/16/2016 CARLISLE M Loss	0.00	3,740.18 51981	01-29-2016
310	LOSS PAYMENT	02/01/2016	02/01/2016 CARLISLE M Loss	0.00	49.70 52082	02-09-2016
310	LOSS PAYMENT	01/24/2016	01/24/2016 CARLISLE M Loss	0.00	95.11 52082	02-09-2016
310	LOSS PAYMENT	02/24/2016	02/24/2016 CARLISLE M Loss	0.00	3,536.38 52234	03-04-2016
310	LOSS PAYMENT	03/01/2016	03/01/2016 CARLISLE M Loss	0.00	719.87 52321	03-13-2016
310	LOSS PAYMENT	03/24/2016	03/24/2016 CARLISLE M Loss	0.00	2,539.01 52451	04-04-2016
310	LOSS PAYMENT	04/01/2016	04/01/2016 CARLISLE M Loss	0.00	719.87 52516	04-12-2016

SOUTH CAROLINA P & C INS GTY. ASSOC
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CLAIMANT-COVER		CHECK				
TRN MESSAGE	CLMT-PAYER TYPE	RESERVE	AMOUNT	NUMBER	DATE	
310 LOSS PAYMENT	04/24/2016 04/24/2016 CARLISLE M Loss	0.00	3,804.32	52627	05-03-2016	
530 LOSS RECOVERY	SCFCIGA Loss	0.00	-49.43	83362	05-05-2016	
310 LOSS PAYMENT	05/01/2016 05/01/2016 CARLISLE M Loss	0.00	719.87	52696	05-11-2016	
310 LOSS PAYMENT	05/08/2016 05/08/2016 CARLISLE M Loss	0.00	126.72	52748	05-20-2016	
310 LOSS PAYMENT	05/24/2016 05/24/2016 CARLISLE M Loss	0.00	1,030.31	52836	06-01-2016	
310 LOSS PAYMENT	06/01/2016 06/01/2016 CARLISLE M Loss	0.00	733.19	52845	06-07-2016	
310 LOSS PAYMENT	04/13/2016 04/13/2016 MOUNTAIN V Loss	0.00	93.61	012280	07-08-2016	
310 LOSS PAYMENT	07/08/2016 07/08/2016 CARLISLE M Loss	0.00	4,591.72	53137	07-19-2016	
310 LOSS PAYMENT	03/09/2016 03/09/2016 MOUNTAIN V Loss	0.00	139.68	012418	07-22-2016	
310 LOSS PAYMENT	06/27/2016 06/27/2016 MOUNTAIN V Loss	0.00	93.61	012419	07-22-2016	
120 CHANGE LOSS RESERVE	QUARLES, M Loss	100,000.00	0.00		08-01-2016	
310 LOSS PAYMENT	08/08/2016 08/08/2016 CARLISLE M Loss	0.00	5,336.78	53301	08-16-2016	
310 LOSS PAYMENT	09/24/2016 09/24/2016 CARLISLE M Loss	0.00	3,488.21	53679	10-14-2016	
Claimant-Coverage Total (Loss)-----		250,000.00	156,519.80			
Claimant-Coverage Total (Expense)---		0.00	0.00			
		-----LOSSES-----	-----EXPENSES-----	-----UN. PREM-----	-----ADMIN-----	
Rsrv Trans--		250,000.00	10,000.00			
Claim Trans--		156,519.80	520.06	0.00	0.00	
Ending Rsrv--		93,480.20	9,479.94			

CLIC#:02240000199962
LIQ#:02240000199962

GUAR#:69435

STATE OF SOUTH CAROLINA)

BEFORE THE SOUTH CAROLINA

COUNTY OF GREENVILLE)

WORKERS' COMPENSATION COMMISSION

Michael Quarles, Employee,)

ORDER

Claimant.)

W.C.C. FILE NO. 9928766

-vs-)

CARRIER FILE NO. 224CU199962W256

Cryovac Sealed Air Corporation,)

Employer,)

and,)

Lumbermen's Mutual Casualty Co.)

Carrier,)

Defendants.)

APPROVED

JAN 6 2005

S.C. Workers' Comp. Comm.

This matter now comes before the South Carolina Workers' Compensation Commission upon the petition of the claimant, Michael Quarles. The claimant is represented by Kathryn Williams of Greenville, South Carolina, and the defendants, Cryovac Sealed Air Corporation and Lumberman's Mutual Casualty Company, are represented by Willson, Jones, Carter & Baxley, LLC, Attorneys of Greenville, South Carolina. The South Carolina Workers' Compensation Commission has jurisdiction.

It appears that the claimant was an employee of Cryovac Sealed Air Corporation and that on December 17, 1999, he sustained an injury by accident arising out of and in the course of said employment when he was going up a ladder and hit his head on a metal tube and injured his head, neck, back, and psychological condition. As a result of this injury, claimant sought and received medical treatment, including medical treatment from Dr. Michael Bucci, Dr. Aaron MacDonald, Dr. Jeffrey Smith, and Dr. Kevin Kopera. Defendants accepted the claim and paid One Hundred Eight Thousand Sixty-Two and 50/100 (\$108,062.50) Dollars in temporary total compensation, and Thirty Thousand Four Hundred Eighty-One and 83/100 (\$30,481.83) Dollars in medical benefits. Claimant's compensation rate is Four Hundred Thirty-Two and 25/100 (\$432.25) Dollars. Disputes have now arisen concerning claimant's entitlement to

further medical care and treatment; further temporary total disability compensation and the extent of causally related permanent disability, if any.

The parties hereto now advise that in their opinion the matter is in bona fide dispute and in view of such dispute an agreement has been reached to settle this matter in its entirety, subject to the approval of the South Carolina Workers' Compensation Commission.

Under the proposed settlement the defendants have agreed to pay and the claimant has agreed to accept the sum of Ninety-Seven Thousand Four Hundred and 00/100 (\$97,400.00) Dollars in full settlement and satisfaction of every liability of whatsoever nature or kind under the South Carolina Workers' Compensation Act growing out of, or in any way connected with, said injury by accident occurring on or about December 17, 1999, while the claimant was an employee of Cryovac Sealed Air Corporation. As an integral part of this settlement agreement, it is expressly understood and agreed that the defendants shall be

responsible for all *medical expenses for the claimant's lifetime for all causally related physical and psychological injuries pursuant to the Commission's Order Dated April 24, 2002 and the S.C. Workers' Compensation Act.*

~~The claimant hereby asserts that he has been fully advised by his attorney of record of all his rights~~
under the South Carolina Workers' Compensation Act, and that the claimant is of the opinion that the proposed settlement is reasonable and fair and in this opinion the claimant's attorney concurs and asserts that she has fully advised the claimant of all her rights under the South Carolina Workers' Compensation Act, and they respectfully request that this Commission do approve the settlement as set forth above. The claimant hereby asserts that he recognizes that his consent to, and the approval of, this Order is a final determination and adjudication of all benefits under the South Carolina Workers' Compensation Act growing out of, or in any way connected with, the aforesaid injury by accident occurring on or about December 17, 1999, while the claimant was an employee of Cryovac Sealed Air Corporation.

Claimant, who was born on June 16, 1966, and is presently 38 years of age and who, as provided in the mortality tables set forth in S.C. Code Ann. § 19-1-150, has a life expectancy of 40.21 years, which is

482.52 months, hereby requests this Commission to approve the allocation of the aforementioned proposed settlement sum which is compensation for permanent impairment that will affect the claimant for life, as follows: Thirty Two Thousand Six Hundred Eighty-Four and 57/100 (\$32,684.57) Dollars as attorney's fees and costs in prosecuting this action, and Sixty Four Thousand Seven Hundred Fifteen and 43/100 (\$64,715.43) Dollars in compromise settlement of disputed future disability benefits at the rate of \$134.12 per month for a period of 482.52 months, pursuant to S.C. Code Ann. § 42-9-10 as interpreted in Utica-Mohawk Mills v. Orr, 227 S.C. 226, 87 S.E.2d 589 (1955). See also Sciarotta v. Bowen, 837 F.2d 135 (3d Cir. 1988); S.C. Code Ann. § 19-1-150; POMS 11501.235(c). (\$64,782.10) divided by 482.52 months equals \$134.26 per month).

It is expressly understood that the defendants take no position and make no representation as to the requested allocation of the proposed settlement sum as set forth hereinabove and that the proposed allocation in no way affects the absolute release of the defendants.

The parties hereto acknowledge that the South Carolina Workers' Compensation Commission relies ~~upon the representation of the attorney for the claimant that the claimant has been fully apprised of his~~ rights under the South Carolina Workers' Compensation Act.

This Commission is of the opinion that the allocation of the proposed settlement sum as set forth above should be approved.

NOW, THEREFORE, IT IS ORDERED that upon the payment of the sum of Ninety-Seven Thousand Four Hundred and 00/100 (\$97,400.00) Dollars by the defendants, and the acceptance of said sum by the claimant, and the payment of the medical expenses by the defendants as specifically set forth hereinabove, the defendants be, and they hereby are, fully and forever discharged of all liability of whatsoever nature and kind under the South Carolina Workers' Compensation Act growing out of, or in any way connected with, the aforesaid injury by accident occurring on or about December 17, 1999, while the claimant was an employee of Cryovac Sealed Air Corporation, so that upon such payment and the

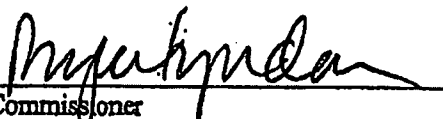
Michael Quarles v. Cryovac Sealed Air Corporation
WCC FILE NO. 9928766 - PAGE 4

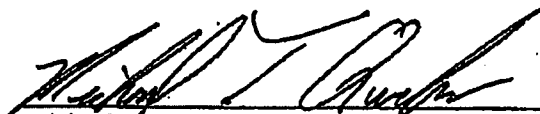
acceptance as aforesaid, this matter be, and it hereby is, res judicata and not subject to review under any conditions.

IT IS FURTHER ORDERED that the allocation of the settlement sum and the agreement as to attorney's fees as set forth hereinabove be, and the same hereby are, approved.

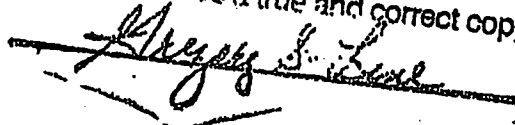
WE CONSENT TO THE
FOREGOING ORDER:

SOUTH CAROLINA WORKERS'
COMPENSATION COMMISSION

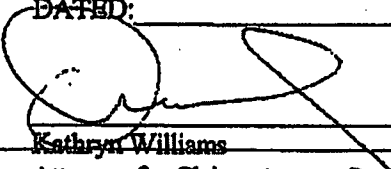
BY: 
Commissioner


Michael Quarles
Claimant

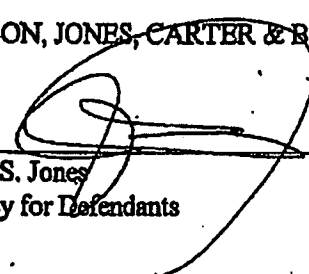
I certify this to be a true and correct copy.



DATED: _____


Kathryn Williams
Attorney for Claimant

WILLSON, JONES, CARTER & BAXLEY, LLC


Jeffrey S. Jones
Attorney for Defendants

Filed 4/25/02

**APPELLATE PANEL
DECISION AND ORDER
OF THE
SOUTH CAROLINA WORKERS' COMPENSATION COMMISSION
W.C.C. FILE NO. 9928766 & 0027997**

MICHAEL T. QUARLES,

**EMPLOYEE,
CLAIMANT/APPELLANT/RESPONDENT,**

- V -

CRYOVAC/SEALED AIR CORPORATION,

EMPLOYER,

AND

LUMBERMENS MUTUAL CASUALTY,

**CARRIER,
DEFENDANTS/RESPONDENTS/APPELLANTS.**

Appellate Panel Review held in Columbia,
South Carolina on March 26, 2002 per notices
timely and properly served on all parties of
interest.

Appellate Panel Decision and Order filed
April 24, 2002.

APPEARANCES:

Claimant/Appellant/Respondent represented
by Kathryn Williams, Esquire of Greenville,
South Carolina.

Defendants/Respondents/Appellants
represented by Jeffrey F. Jones, Esquire of
Greenville, South Carolina.

STATEMENT OF CASE

The parties were heard by Commissioner Donald L. Van Riper on October 11, 2001 in Moncks Corner, South Carolina. On October 19, 2001, he issued the following Order:

IT IS HEREBY ORDERED that defendants Cryovac Sealed Air Corporation and Lumberman's Mutual Casualty Company are required to pay the claimant temporary total disability compensation on the December 17, 1999 claim at the weekly rate of Four Hundred Thirty two and Twenty Five (\$432.25) Dollars, from March 8, 2000 through February 22, 2001, the date of maximum medical improvement.

IT IS FURTHER ORDERED that defendants shall pay the claimant sixty (60) weeks of disability compensation at the weekly rate of Four Hundred Thirty Two and Twenty Five (\$432.25) Dollars, commencing February 22, 2001, representing twenty (20) percent permanent partial disability to the spine for the claimant's neck injury on December 17, 1999.

IT IS FURTHER ORDERED the defendants shall pay all causally related medical expenses for the cervical spine relating to the December 17, 1999 work injury through February 22, 2001, provided, that the defendants shall not be responsible for any further medical expenses after that time since same shall not tend to lessen any disability.

IT IS FURTHER ORDERED that the March 17, 2000 claim is denied and dismissed with prejudice

AND IT IS SO ORDERED.

Within the statutory period, counsel for both parties filed Applications for Review in the case setting forth their reasons, copies of which were furnished to all interested parties, prior to oral argument presented before the Appellate Panel on March 26, 2002. All proffered testimony has been taken. Such, together with all

documentary evidence, has been delivered by oral argument to the individual members of the Full Commission and has since been under study and consideration.

By appeal, Claimant respectfully submits the following issues:

1. The hearing commissioner erred in failing to find Claimant sustained injury to his back and psyche.
2. The hearing commissioner erred in finding Claimant reached maximum medical improvement.
3. The hearing commissioner erred in reaching the issue of permanent disability or, in the alternative, erred in finding Claimant sustained only 20% permanent partial disability of his spine and erred in failing to find Claimant is totally and permanently disabled.
4. The hearing commissioner did not err in finding Claimant sustained compensable injury to his head and neck.

By appeal, Defendants respectfully submits the following issue: Whether the single commissioner erred in finding the Claimant's neck problems and neck surgery were related to his work injury of December 17, 1999?

In an appellate review, the Appellate Panel shall, pursuant to S.C. Code Ann. §42-17-50 (1985), review the Award, weigh the evidence as presented at the initial hearing and, if good grounds be shown therefore, make its own Findings of Fact and reach its own Conclusions of Law consistent with or inconsistent with those of the Hearing Commissioner.

After careful review in the instant case, the Commission, by unanimous vote, affirms in part and reverses in part the Order filed December 19, 2001.

The following are found as facts.

FINDINGS OF FACT

1. The South Carolina Workers' Compensation Commission has jurisdiction of these claims with Cryovac Sealed Air Corporation as employer and Lumberman's Mutual Casualty Company as carrier.

2. Claimant's average weekly wage was \$648.35 with a corresponding compensation rate of \$432.25 for both claims.

3. Claimant sustained an injury by accident on December 17, 1999 to his head and neck arising out of and in the course of his employment. When Claimant started physical therapy following his work-related neck surgery, he suffered a recurrence of his low back pain necessitating surgery for fusion of L4-5 in September 2000. This low back condition is compensable due to aggravation during physical therapy for Claimant's neck. See Mullinax v. Winn-Dixie Stores, Inc., 318 S.C. 431, 458 S.E.2d 76 (Ct. App. 1995).

4. Based on Dr. Kopera's reports and the testimony of the Claimant, Claimant's psychiatric injury is compensable. Dr. Kopera noted on September 7, 2001 and again on September 20, 2001 that Claimant exhibited symptoms of depression and anxiety as a result of his ongoing neck and back pain, and he prescribed medications and recommended evaluation by a psychiatrist. Testing performed by a certified vocational evaluator indicates Claimant is suffering from severe depression. Claimant testified that his pain and physical limitations make him feel worthless and that he is in treatment with Dr. Smith, a psychiatrist, at Dr. Kopera's referral. Clearly, Claimant's

physical injuries, and his resulting physical difficulties, have caused injury to Claimant's psyche.

5. Here there is evidence Claimant remains in active treatment with Dr. Kopera for pain control related to his neck and low back injuries. As such, Claimant has not reached maximum medical improvement and is entitled to additional medical and compensation benefits for all causally related physical and psychological injuries.

6. Any award of permanent partial disability benefits is premature. Furthermore, neither party has requested such an award.

7. Claimant has not reached maximum medical improvement.

CONCLUSIONS OF LAW

1. S.C. Code Ann. § 42-17-50 (1985) gives the Commission the power to affirm, amend, or reverse the decision of a Single Commissioner.

2. When deciding whether causation of a particular injury has been established, the Commission may consider both lay and expert evidence, including lay testimony concerning Claimant's health before and after an accident. Tiller v. National Health Care Center of Sumter, 334 S.C. 333, 513 S.E.2d 843 (1999).

3. All natural consequences resulting from a compensable injury by accident, absent an independent intervening cause, are also compensable. Whitfield v. Daniel Construction Co., 226 S.C. 37, 83 S.E.2d 460 (1954).

4. Therefore, new injuries resulting indirectly from treatment of the original injury and the aggravation of a preexisting condition, infirmity, or disease are also compensable. Mullinax v. Winn-Dixie Stores, Inc., 318 S.C. 431, 458 S.E.2d 76 (Ct. App. 1995).

ORDER

IT IS, THEREFORE, ORDERED the Order of the Single Commissioner filed in the above-captioned matter on December 19, 2001 is hereby affirmed in part and reversed in part.

IT IS FURTHER ORDERED Claimant is entitled to further medical treatment and benefits for all causally related physical and psychological injuries.

AND IT IS SO ORDERED.

S. C. WORKERS' COMPENSATION COMMISSION

Lisa D. Chavis

Lisa D. Chavis, Commissioner
For the Appellate Panel

AFFIRM IN PART/REVERSE IN PART

CONCUR: Holly Saleeby Atkins, Commissioner
W. Lee Catoe, Commissioner

(a:19928768.app)

CERTIFICATE OF SERVICE

This is to certify that the undersigned has this date served this order in the above entitled action upon all parties to this cause by depositing a copy hereof, postage paid, in the United States mail addressed to the attorney or attorneys for said parties. KW JFJ

This 24th day of April, 2002

By Barbara Choecheva

Administrative Assistant to the Commissioner

AGREEMENT TO REIMB :
COMPENSATION

WCC File Nu .r: 9928766
SIF File Number: 076870

MICHAEL TODD QUARLES

Employee

CRYOVAC SEALD AIR CORP.

Employer

LUMBERMENS MUTUAL CASUALTY CO Insurance Carrier

The South Carolina Second Injury Fund and LUMBERMENS MUTUAL CASUALTY CO have reached an agreement in regard to reimbursement of compensation and medical benefits for the injury sustained by said employee pursuant to Sections 42-9-400 and 42-9-410 of the South Carolina Workers' Compensation Code as amended and submit to the following statement of facts:

Date of Injury: 12/17/1999

Compensation Rate

Nature of Injury: BACK

NOV 21 2003

Nature of Prior Impairment: DEG CHANGES

S. C. Workers' Comp. Comm.

The terms of this agreement are that the said LUMBERMENS MUTUAL CASUALTY CO shall receive reimbursement of:

IN ACCORDANCE WITH THE PROVISIONS OF SECTION 42-9-400.

FOR THE CERVICAL SPINE ONLY

This agreement is in full and complete satisfaction of any and all claims by LUMBERMENS MUTUAL CASUALTY CO against Second Injury Fund for the above referenced accident claim.

South Carolina Second Injury Fund

LUMBERMENS MUTUAL CASUALTY CO

By James P. Crossman
Director

By Alison Bumgarner

Date of Agreement: 10/14/2003

Title

Claim Rep

(NOTICE OF AWARD NO. 302081)

The South Carolina Workers' Compensation Commission has examined the above agreement entered into between the South Carolina Second Injury Fund and the Employer Carrier for reimbursement of compensation and medical benefits under the Workers' Compensation Act and in accordance with the provisions of said Act has approved the same ordering reimbursement of benefits to the Employer Carrier by the Second Injury Fund.

S.C. Workers' Compensation Commission

RECEIVED

NOV 21 2003

Division of Claims
Claims Administrator
S.C. Workers' Comp. Comm.

EDGS : TCO

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RC#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

RECEIVED

DEC 1 2003

SECOND INJURY FUND

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999 ✓

Compensation Rate

\$432.25 ✓

Please Review Instructions on Reverse Side

Employee Michael T. Quarles		Employer Cryovac, Division of Sealed Air		Carrier Lumbermens Mutual Casualty
Date of first payment of compensation:		Date for 100% Medical Reimbursement: 6/15/2001 ✓ (1st Day of 79th Week after accident)		
Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total	March 8, 2000	May 28, 2003	168.00 ✓	\$72,618.00 ✓
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			168.00	\$72,618.00 ✓
			Weeks	Amount
Less 78 Weeks	Wks @ Full Compensation Rate		78.00	\$432.25
	Wks @ Temporary Partial Rate		0.00	\$0.00
			78.00	\$33,715.50 ✓
Net Reimbursable Indemnity Reimbursement			90.00	\$38,902.50 ✓
Less Any Prior Indemnity Reimbursement			0.00	\$0.00
Total Indemnity Reimbursement Requested			90.00	\$38,902.50 ✓
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)				\$0.00
Total Reimbursement Requested				\$38,902.50 ✓

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: November 25, 2003

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by Tryon FaceTitle: ConsultantDate: November 25, 2003

AGENCY VOUCHER NUMBER

DV 5117

STATE OF SOUTH CAROLINA

DISBURSEMENT VOUCHER

To THE COMPTROLLER GENERAL, SI076870

The attached bills are approved for payment as follows:

R16

SECOND INJURY FUND

12/29/03

04

AGENCY NO

AGENCY NAME

DATE FY

COMPTROLLER GENERAL'S WARRANT NUMBER

T R16 031229

6 002 017

CIRCLE IF SPECIAL TYPE

- 1 VENDOR TRAVEL
2 DESCRIPTIVE RECORD
3 LISTING ATTACHED

I hereby certify that the articles purchased or services rendered as shown herein have been received and are in accordance with law and that the payee is entitled to payment therefor by the State of South Carolina

LUMBERMENS MUTUAL CASUALTY CO

999900002

V

PAYEE

ONE KEMPER DRIVE

VENDOR NO SOCIAL SECURITY NO

V S

1099

STREET ADDRESS

VENDOR REFERENCE NO

C C D CODE

CITY COUNTY DISTRICT NAME

SIGNATURE

DATE

12/29/03

LONG GROVE

IL

60049

\$

38,902.50

DIRECTOR/DIR MGMT SERV

CITY

STATE

ZIP

CHECK NUMBER

AMOUNT

OFFICIAL TITLE

FM	TRANS CODE	MTH CODE	SUB FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	PH	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	MULTI PURPOSE	TRAVEL			C G H	C O USE ONLY
													S L N	NO MILES	NO TRIPS		
06	670	0000	4260					00		1401 01	38,902.50	5802-1002					
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
										TOTAL	1401	38,902.50	C O, AUDITOR				

STARS FORM 60 10/1/80

TOTAL

1401

38,902.50

C O, AUDITOR

TO PAYEE The attached check is in payment of (To be filled in by Department)

SECOND INJURY FUND

447

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RC#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

123

SECOND

S.I.F. Number 76870
Carrier File Number 224CU199962
Date of Accident December 17, 1999 ✓
Compensation Rate \$432.25 ✓

Please Review Instructions on Reverse Side

Employee Michael T. Quarles		Employer Cryovac, Division of Sealed Air		Carrier Lumbermens Mutual Casualty	
Date of first payment of compensation:		Date for 100% Medical Reimbursement: 6/15/2001 ✓ (1st Day of 79th Week after accident)			
Type of Comp Paid	Date Beginning	Date To	Weeks	Amount	
Temporary Total	March 8, 2000	December 17, 2003	197.00 ✓	\$85,153.25 ✓	
Temporary Partial					
Permanent Partial					
Permanent Total					
Death or Other (Specify)					
Total Indemnity to Date			197.00	\$85,153.25 ✓	
			Weeks	Amount	
Less 78 Weeks			Wks @ Full Compensation Rate	78.00	\$432.25
			Wks @ Temporary Partial Rate	0.00	\$0.00
			78.00	\$33,715.50 ✓	
Net Reimbursable Indemnity Reimbursement			119.00	\$51,437.75 ✓	
Less Any Prior Indemnity Reimbursement			90.00	\$38,902.50 ✓	
Total Indemnity Reimbursement Requested			29.00	\$12,535.25 ✓	
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)					\$10,902.80 ✓
Total Reimbursement Requested					\$23,438.05 ✓

SIF USE ONLY
EXAMINED BS

DATE 6/18/04
DATE 6/21/04

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: May 28, 2004

Mail Reimbursement To:
Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

DV 16447

✓ **Lumbermens Mutual Casualty**
Name of Carrier or Employer, if self-insured
Signed by Trigon Face
Title: Consultant **Date:** May 28, 2004

210

AGENCY VOUCHER NUMBER
DV10447

CIRCLE IF SPECIAL TYPE
1 VENDOR TRAVEL
2 DESCRIPTIVE RECORD
3 LISTING ATTACHED

STATE OF SOUTH CAROLINA
DISBURSEMENT VOUCHER

To THE COMPTROLLER GENERAL, SI076870

The attached bills are approved for payment as follows:

COMPTROLLER GENERAL'S WARRANT NUMBER
T R16 040628

6 001 029

R16 **SECOND INJURY FUND** **06/28/04** **04**
AGENCY NO AGENCY NAME DATE FY

I hereby certify that the articles purchased or services rendered as shown herein have been received and are in accordance with law and that the payee is entitled to payment therefore by the State of South Carolina

LUMBERMENS MUTUAL CASUALTY CO

999900002

PAYEE

VENDOR NO SOCIAL SECURITY NO

V 8

1099

ONE KEMPER DRIVE

STREET ADDRESS

VENDOR REFERENCE NO

CC D CODE

CITY COUNTY DISTRICT NAME

SIGNATURE

DATE **06/28/04**

ONE GROVE

CITY

STATE **SC** ZIP **29049**

CHECK NUMBER

\$ **23,438.05**

AMOUNT

OFFICIAL TITLE **DIRECTOR/DIR MGMT SERV**

FM	TRANS CODE	MFG CODE	SUB FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	FM	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	MULTI PURPOSE	TRAVEL			G O R	CO USE ONLY
				SOCIAL SECURITY NUMBER									S L N	NO MILES	NO TRIPS		
12	670	0000	4260				00		1401 01		12,535.25	5802-1002					
12	670	0000	4260				00		1401 02		10,902.80	5803-1002					
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	

449

STARS FORM 60 10/1/00

TOTAL

2002

23,438.05

CO AUDITOR

TO PAYEE The attached check is in payment of (To be filled in by Department)

SECOND INJURY FUND

DEPARTMENT

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

RECEIVED

DEC - 2 2004

SECOND INJURY FUND

Please Review Instructions on Reverse Side

Employee Michael T. Quarles		Employer Cryovac, Division of Sealed Air		S.I.F. Number 76870	
				Carrier File Number 224CU199962	
				Date of Accident December 17, 1999 ✓	
				Compensation Rate \$432.25 ✓	
				Carrier Lumbermens Mutual Casualty	
Date of first payment of compensation:		Date for 100% Medical Reimbursement: 6/15/2001 ✓ (1st Day of 79th Week after accident)			
Type of Comp Paid	Date Beginning	Date To	Weeks	Amount	
Temporary Total	March 8, 2000	July 7, 2004	228.00 ✓	\$97,688.50 ✓	
Temporary Partial					
Permanent Partial					
Permanent Total					
Death or Other (Specify)					
Total Indemnity to Date			228.00	\$97,688.50 ✓	
			Weeks	Amount	
Less 78 Weeks	Wks @ Full Compensation Rate		78.00	\$432.25	
	Wks @ Temporary Partial Rate		0.00	\$0.00	
			78.00	\$33,715.50 ✓	
Net Reimbursable Indemnity Reimbursement			148.00	\$63,973.00 ✓	
Less Any Prior Indemnity Reimbursement			119.00	\$51,437.75 ✓	
Total Indemnity Reimbursement Requested			29.00	\$12,535.25 ✓	
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)				\$3,852.91 ✓	
Total Reimbursement Requested				\$16,388.16 ✓	

SIF USE ONLY

EXAMINED

DATE

APPROVED

DATE

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: November 30, 2004

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

✓ Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Title: Consultant

Date: November 30, 2004

212

AGENCY VOUCHER NUMBER

DV 6328

CIRCLE IF SPECIAL TYPE

- 1 VENDOR TRAVEL
- 2 DESCRIPTIVE RECORD
- 3 LISTING ATTACHED

STATE OF SOUTH CAROLINA

DISBURSEMENT

VOUCHER

To THE COMPTROLLER GENERAL, SI076870

The attached bills are approved for payment as follows:

COMPTROLLER GENERAL'S WARRANT NUMBER

T R16 041222

6 002 036

R16 SECOND INJURY FUND

12/22/04 05

AGENCY NO

AGENCY NAME

DATE FY

LUMBERMENS MUTUAL CASUALTY CO

999900002

V

PAYEE

VENDOR NO SOCIAL SECURITY NO

V S

1099

ONE KEMPER DRIVE

I hereby certify that the articles purchased or services rendered as shown herein have been received and are in accordance with law and that the payee is entitled to payment therefor by the State of South Carolina

STREET ADDRESS

VENDOR REFERENCE NO

C C D CODE

CITY COUNTY DISTRICT NAME

SIGNATURE

12/22/04
DATE

LONG GROVE

IL 60049
STATE ZIP

CHECK NUMBER

\$ 16,388.16
AMOUNT

DIRECTOR/DIR MGMT SERV
OFFICIAL TITLE

PM	TRANS CODE	LDC CODE	SUB FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	PM	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	MULTI PURPOSE	TRAVEL			C O R	C O U S E S ONLY
													S L R	NO MILES	NO TRIPS		
06	670	0000	4260				00			1401 01	12,535.25	5802-1002					
06	670	0000	4260				00			1401 02	3,852.91	5803-1002					
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
12																	

STARS FORM 60 10/1/80

TOTAL

2802

16,388.16

C.O. AUDITOR

TO PAYEE The attached check is in payment of (To be filled in by Department)

SECOND INJURY FUND

DEPARTMENT

451

2 SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

all To:

C. Second Injury Fund
10 Executive Center Drive
Inthrop Building, Suite 119
Columbia, SC 29210

RECEIVED

MAY 02 2005

SECOND INJURY FUND

Please Review Instructions on Reverse Side

Employee: Michael T. Quarles
Employer: Cryovac, Division of Sealed Air

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999 ✓

Compensation Rate

\$432.25 ✓

Carrier

Lumbermens Mutual Casualty

Date of first payment
compensation:

Date for 100% Medical Reimbursement: 6/15/2001
(1st Day of 79th Week after accident)

Period of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total	March 8, 2000	December 15, 2004	249.00 ✓	\$107,630.25 ✓
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)	Order		225.33	\$97,400.00 ✓
Total Indemnity to Date			474.33	\$205,030.25 ✓

		Weeks	Amount
Wks 78 Weeks	Wks @ Full Compensation Rate	78.00	\$432.25
	Wks @ Temporary Partial Rate	0.00	\$0.00
Reimbursable Indemnity Reimbursement		396.33	\$171,314.75 ✓
Less Any Prior Indemnity Reimbursement		148.00	\$63,973.00 ✓
Total Indemnity Reimbursement Requested		248.33	\$107,341.75 ✓
Total Medical Reimbursement Requested (close Itemized List - See Instructions)			\$3,016.29
Total Reimbursement Requested			\$110,358.04

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: April 29, 2005

Reimbursement To:

Reimbursement Consultants, Inc.
Columbia Avenue
Columbia, SC 29036

✓ Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by: Jason Face

Title: Consultant

Date: April 29, 2005

The South Carolina Second Injury Fund



DOUGLAS P. CROSSMAN
DIRECTOR

WINTHROP BUILDING, SUITE 119
220 EXECUTIVE CENTER DRIVE
COLUMBIA, S.C. 29210
www.scsif.sc.gov

(803) 798-2722
FAX: (803) 798-5290

RE: Michael T. Quarles vs. Cryovac
SIF#: 76870
DATE: July 12, 2005

Dear Tryon:

Enclosed you will find a check for reimbursement on the above referenced claim. Please note that a modification has been made to your requested amount for the following reason(s):

- ☐ Dates given do not equate to your reported number of weeks.
- ☐ _____ weeks X comp rate of \$_____ = \$_____.
- ☐ First day of 79th week is incorrect.
- ☐ Mathematical error (see Reimbursement Request Form).
- ☐ Prior reimbursement is incorrect.
- ☐ Compensation rate is incorrect.
- ☐ Medicals for First 78 Weeks not computed correctly. (Total paid - \$3,000.00 X .5 = Amount Allowed)
- ☐ Please complete a new RRF for the resubmitted bill(s).
- ☐ See attached report for medical changes.
- ☒ **Other: Returned for additional documentation regarding psychiatric treatment.**

Sincerely,

Bonnie M. Sion

Bonnie M. Sion
Claims Examiner
Tel. Ext. 134

/bs
Attachment

512

AGENCY VOUCHER NUMBER

DV 455

STATE OF SOUTH CAROLINA
DISBURSEMENT VOUCHER

To THE COMPTROLLER GENERAL, SI076870

The attached bills are approved for payment as follows:

R16 SECOND INJURY FUND

07/18/05 06

COMPTROLLER GENERAL'S WARRANT NUMBER

T R16 050718

6 003 025

I hereby certify that the articles purchased or services rendered as shown herein have been received and are in accordance with law and that the payee is entitled to payment therefor by the State of South Carolina

CIRCLE IF SPECIAL TYPE

- 1 VENDOR TRAVEL
2 DESCRIPTIVE RECORD
3 LISTING ATTACHED

LUMBERMENS MUTUAL CASUALTY CO

999900002

PAYEE

ONE KEMPER DRIVE

VENDOR NO SOCIAL SECURITY NO

V 8

1099

STREET ADDRESS

VENDOR REFERENCE NO

C C D CODE

CITY COUNTY DISTRICT NAME

SIGNATURE

07/18/05
DATE

LONG GROVE
CITY

IL 60049
STATE ZIP

CHECK NUMBER

\$ 107,341.75
AMOUNT

DIRECTOR/DIR MGMT SERV
OFFICIAL TITLE

FM	TRANS CODE	MTR CODE	SUB FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	PH	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	MULTI PURPOSE	TRAVEL			COR	GO USE ONLY
													SLN	NO SALES	NO TRIPS		
01	670	0000	4260				00			1401 01	107,341.75	5802-1002					
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	

SI 103 FORM 89 10/1/89

TOTAL

1401

107,341.75

C.C. AUDITOR

TO PAYEE The attached check is in payment of (To be filled in by Department)

SECOND INJURY FUND

454

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Carrier

Lumbermens Mutual Casualty

Please Review Instructions on Reverse Side

SECOND INJURY FUND

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Date of first payment
of compensation:Date for 100% Medical Reimbursement: 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
			Weeks	Amount
Less 78 Weeks	Wks @ Full Compensation Rate		0.00	\$0.00
	Wks @ Temporary Partial Rate		0.00	\$0.00
Net Reimbursable Indemnity Reimbursement			SIF USE ONLY	0.00
Less Any Prior Indemnity Reimbursement			EXAMINED <u>BS</u>	0.00
Total Indemnity Reimbursement Requested			DATE <u>8/22/05</u>	0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)			APPROVED <u>MM</u> DATE <u>8-23-05</u>	\$1,747.00
Total Reimbursement Requested				\$1,747.00

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: August 09, 2005

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by Tracy FaceTitle: ConsultantDate: August 09, 2005

AGENCY VOUCHER NUMBER

DV 1772

STATE OF SOUTH CAROLINA

DISBURSEMENT VOUCHER

To THE COMPTROLLER GENERAL, SI076870

The attached bills are approved for payment as follows:

COMPTROLLER GENERAL'S WARRANT NUMBER

T R16 050823

CIRCLE IF SPECIAL TYPE

- 1 VENDOR TRAVEL
2 DESCRIPTIVE RECORD
3 LISTING ATTACHED

R16

SECOND INJURY FUND

08/23/05 06

6 001 038

AGENCY NO

AGENCY NAME

DATE FY

I hereby certify that the articles purchased or services rendered as shown herein have been received and are in accordance with law and that the payee is entitled to payment therefore by the State of South Carolina

LUMBERMENS MUTUAL CASUALTY CO

999900002

V

PAYEE

VENDOR NO SOCIAL SECURITY NO

V 8

1089

ONE KEMPER DRIVE

STREET ADDRESS

VENDOR REFERENCE NO

C C D CODE

CITY COUNTY DISTRICT NAME

SIGNATURE

08/23/05

DATE

LONG GROVE

IL 60049

\$ 1,747.00

DIRECTOR/DIR MGMT SERV

CITY

STATE

ZIP

CHECK NUMBER

AMOUNT

OFFICIAL TITLE

FM	TRANS CODE	MSG CODE	SUB FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	PH	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	BILLY PURPOSE	TRAVEL			C O R	C O U S E R ONLY
													S L N	N O M I L E S	N O T R I P S		
02	670	0000	4260				00			1401 02	1,747.00	5803-1002					
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	

STARS FORM 80 10/08

TOTAL

1401

1,747.00

C.O. AUDITOR

TO PAYEE: The attached check is in payment of (To be filled in by Department)

SECOND INJURY FUND

DEPARTMENT

456

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

RECEIVED

APR 19 2006

Please Review Instructions on Reverse Side of SECOND INJURY FUND

S.I.F. Number 76870	
Carrier File Number 224CU199962	
Date of Accident December 17, 1999	
Compensation Rate \$432.25	
Employee Michael T. Quarles	Employer Cryovac, Division of Sealed Air
Carrier Lumbermens Mutual Casualty	
Date of first payment of compensation:	Date for 100% Medical Reimbursement: 6/15/2001 (1st Day of 79th Week after accident)
Type of Comp Paid	Date Beginning
Date To	Weeks
Amount	
Temporary Total	
Temporary Partial	
Permanent Partial	
Permanent Total	
Death or Other (Specify)	
Total Indemnity to Date	
	0.00 \$0.00
Less 78 Weeks	
Wks @ Full Compensation Rate	0.00 \$0.00
Wks @ Temporary Partial Rate	0.00 \$0.00
Net Reimbursable Indemnity Reimbursement	0.00 \$0.00
Less Any Prior Indemnity Reimbursement	0.00 \$0.00
Total Indemnity Reimbursement Requested	0.00 \$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)	2673.47 ~~\$2719.98~~
Total Reimbursement Requested	2673.47 ~~\$2719.98~~

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: April 18, 2006

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Title: ConsultantDate: April 18, 2006

AGENCY VOUCHER NUMBER

DV11735

STATE OF SOUTH CAROLINA

DISBURSEMENT

VOUCHER
S1076870

COMPTROLLER GENERAL'S WARRANT NUMBER

T R16 060426

CIRCLE IF SPECIAL TYPE

- 1 VENDOR TRAVEL
2 DESCRIPTIVE RECORD
3 LISTING ATTACHED

To THE COMPTROLLER GENERAL,

The attached bills are approved for payment as follows:

R16

SECOND INJURY FUND

04/26/06

06

6 001 043

AGENCY NO

AGENCY NAME

DATE PY

LUMBERMENS MUTUAL CASUALTY CO

999900002

V

PAYEE

ONE KEMPER DRIVE

VENDOR NO SOCIAL SECURITY NO

V 8

1099

I hereby certify that the articles purchased or services rendered as shown herein have been received and are in accordance with law and that the payee is entitled to payment therefor by the State of South Carolina

STREET ADDRESS

VENDOR REFERENCE NO

C C D CODE

CITY COUNTY DISTRICT NAME

SIGNATURE

DATE

LONG GROVE

IL

60049

\$ 2,673.47

DEPUTY DIRECTOR

04/26/06

STATE

ZIP

CHECK NUMBER

AMOUNT

OFFICIAL TITLE

FM	TRANS CODE	MM CODE	SUB FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	PH	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	MAIN PURPOSE	TRAVEL			C O R	C O USE ONLY
													EL R	NO MILES	NO TRIPS		
10	670	0000	4260				00		1401 02		2,673.47	5803-1002					
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
TOTAL											1401	2,673.47	C.O. AUDITOR				

STARS FORM 60 10/1/80

TO PAYEE The attached check is in payment of (To be filed in by Department)

SECOND INJURY FUND

DEPARTMENT

458

219

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Please Review Instructions on Reverse Side

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Carrier

Lumbermens Mutual Casualty

Date of first payment
of compensation:

Date for 100% Medical Reimbursement: 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
Less 78 Weeks			Weeks Amount	
			Wks @ Full Compensation Rate	0.00 \$0.00
			Wks @ Temporary Partial Rate	0.00 \$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00
Less Any Prior Indemnity Reimbursement			0.00	\$0.00
Total Indemnity Reimbursement Requested			0.00	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)				\$3,732.22
Total Reimbursement Requested				\$3,732.22

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: October 13, 2006

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by Tracy Face

Title: Consultant

Date: October 13, 2006

120

AGENCY VOUCHER NUMBER
DV 4233

CIRCLE IF SPECIAL TYPE
1 VENDOR TRAVEL
2 DESCRIPTIVE RECORD
3 LISTING ATTACHED

STATE OF SOUTH CAROLINA
DISBURSEMENT **VOUCHER**
SI076870

COMPTROLLER GENERAL'S WARRANT NUMBER
T R16 061018

6 003 039

To THE COMPTROLLER GENERAL,
The attached bills are approved for payment as follows:
R16 SECOND INJURY FUND 10/18/06 07

I hereby certify that the articles purchased or services rendered as shown herein have been received and are in accordance with law and that the payee is entitled to payment therefor by the State of South Carolina

LUMBERMENS MUTUAL CASUALTY CO 999900002

PAYEE **ONE KEMPER DRIVE**
VENDOR NO SOCIAL SECURITY NO **V 1099**

STREET ADDRESS VENDOR REFERENCE NO C C D CODE CITY COUNTY DISTRICT NAME SIGNATURE DATE **10/18/06**

LONG GROVE IL 60049 \$ 3,732.22 DEPUTY DIRECTOR
STATE ZIP CHECK NUMBER AMOUNT OFFICIAL TITLE

FM	TRANS CODE	MFG CODE	SUR FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	PH	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	MULTI PURPOSE	TRAVEL			C O R	C O USE ONLY
													S L N	NO MILES	NO TRIPS		
04	670	0000	4260				00		1401	02	3,732.22	5803-1002					
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	

460

STARS FORM 80 10/1/80 TOTAL **1401 3,732.22** C O AUDITOR

TO PAYEE The attached check is in payment of (To be filled in by Department)

SECOND INJURY FUND

DEPARTMENT

AGENCY WARRANT NUMBER

DV 7738

CIRCLE IF SPECIAL TYPE

- 1 VENDOR TRAVEL
- 2 DESCRIPTIVE RECORD
- 3 LISTING ATTACHED

STATE OF SOUTH CAROLINA

DISBURSEMENT

VOUCHER

51076870

To THE COMPTROLLER GENERAL,

The attached bills are approved for payment as follows:

R16

SECOND INJURY FUND

02/01/07

07

AGENCY NO

AGENCY NAME

DATE FY

LUMBERMENS MUTUAL CASUALTY CO

999900002

V

PAYEE

ONE KEMPER DRIVE

VENDOR NO SOCIAL SECURITY NO

V S

1099

STREET ADDRESS

VENDOR REFERENCE NO

C C D CODE

CITY COUNTY DISTRICT NAME

SIGNATURE

DATE

LONG GROVE

IL

60049

STATE

ZIP

CHECK NUMBER

\$

2,853.12

AMOUNT

ADMN MGR

OFFICIAL TITLE

02/01/07

FM	TRANS CODE	LBB CODE	SUB FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	MOD	PROJECT CODE	PN	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	MULTI PURPOSE	TRAVEL			COR	GG USE ONLY
													IN	NO MILES	NO TRIPS		
08	670	0000	4260					00		1401 02	2,853.12	5803-1002					
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	

STARS FORM 10 10/180

TOTAL

1401

2,853.12

C.S. AUDITOR

TO PAYEE The attached check is in payment of (To be filled in by Department)

SECOND INJURY FUND

DEPARTMENT

462

223

SC SECOND INJURY FUND REIMBURSEMENT REQUEST

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

S.I.F. Number

76870

Carrier File Number

2246U199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Please Review Instructions on Reverse Side

SECOND INJURY FUND

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Carrier

Lumbermens Mutual Casualty

Date of first payment
of compensation:Date for 100% Medical Reimbursement: 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
Less 78 Weeks			Weeks Amount	
			Wks @ Full Compensation Rate	0.00 \$0.00
			Wks @ Temporary Partial Rate	0.00 \$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00
Less Any Prior Indemnity Reimbursement			0.00	\$0.00
Total Indemnity Reimbursement Requested			0.00	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)			EXAMINED <u>[Signature]</u> DATE <u>5/23/07</u>	\$2,805.00
Total Reimbursement Requested			APPROVED <u>[Signature]</u> DATE <u>5-24-07</u>	\$2,805.00

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: May 21, 2007

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

[Signature]Title: ConsultantDate: May 21, 2007

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

S.I.F. Number

76870

Carrier File Number

2240U199862

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Please Review Instructions on Reverse Side

SECOND INJURY FUND

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Carrier

Lumbermens Mutual Casualty

**Date of first payment
of compensation:****Date for 100% Medical Reimbursement:** 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
		Weeks	Amount	
Less 78 Weeks	Wks @ Full Compensation Rate	0.00	\$0.00	
	Wks @ Temporary Partial Rate	0.00	\$0.00	0.00 \$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00
Less Any Prior Indemnity Reimbursement			0.00	\$0.00
Total Indemnity Reimbursement Requested			0.00	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)			EXAMINED <i>[Signature]</i> DATE <i>5/23/07</i> \$2,805.00	
Total Reimbursement Requested			APPROVED <i>[Signature]</i> DATE <i>5-24-07</i> \$2,805.00	

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: May 21, 2007

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured**Signed by****Title:** Consultant**Date:** May 21, 2007

AGENCY VOUCHER NUMBER

DV12296

STATE OF SOUTH CAROLINA
DISBURSEMENT VOUCHER
S1076870

To THE COMPTROLLER GENERAL

The attached bills are approved for payment as follows:

R16 SECOND INJURY FUND 05/24/07 07

AGENCY NO

AGENCY NAME

DATE FY

CIRCLE IF SPECIAL TYPE

- 1 VENDOR TRAVEL
2 DESCRIPTIVE RECORD
3 LISTING ATTACHED

LUMBERMENS MUTUAL CASUALTY CO

999900002

V

PAYEE

ONE KEMPER DRIVE

VENDOR NO SOCIAL SECURITY NO

V S

1099

STREET ADDRESS

VENDOR REFERENCE NO

C C D CODE

CITY COUNTY DISTRICT NAME

LONG GROVE

IL

60049

STATE

ZIP

CHECK NUMBER

\$ 2,805.00

AMOUNT

ADMN MGR

OFFICIAL TITLE

SIGNATURE

DATE

05/24/07

FM	TRANS CODE	MIN CODE	SUB FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	PH	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	MULTI PURPOSE	TRAVEL			C O R	C O USE ONLY
													S L N	N O MILES	N O TRIPS		
11	670	0000	4260				00		1401 02		2,805.00	5803-1002					
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
TOTAL										1401	2,805.00		C O AUDITOR				

STARS FORM 00 10/1/00

TOTAL

1401

2,805.00

C O AUDITOR

TO PAYEE The attached check is in payment of (To be filed in by Department)

SECOND INJURY FUND

DEPARTMENT

465

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

RECEIVED

2007

SECOND INJURY FUND

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Please Review Instructions on Reverse Side

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Carrier

Lumbermens Mutual Casualty

**Date of first payment
of compensation:****Date for 100% Medical Reimbursement:** 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
			Weeks	Amount
Less 78 Weeks	Wks @ Full Compensation Rate		0.00	\$0.00
	Wks @ Temporary Partial Rate		0.00	\$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00
Less Any Prior Indemnity Reimbursement			0.00	\$0.00
Total Indemnity Reimbursement Requested			0.00	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)				4437.78 ~~\$5,027.78~~
Total Reimbursement Requested				4437.78 ~~\$5,027.78~~

SIF USE ONLY

EXAMINED

DATE

APPROVED

DATE

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: October 03, 2007

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured**Signed by****Title:** Consultant**Date:** October 03, 2007

AGENCY VOUCHER NUMBER

DV 3876

STATE OF SOUTH CAROLINA

DISBURSEMENT

VOUCHER
S1076870

To THE COMPTROLLER GENERAL,

The attached bills are approved for payment as follows:

R16

SECOND INJURY FUND

10/10/07 08

COMPTROLLER GENERAL'S WARRANT NUMBER

T R16 071010

6 002 044

CIRCLE IF SPECIAL TYPE

- 1 VENDOR TRAVEL
2 DESCRIPTIVE RECORD
3 LISTING ATTACHED

I hereby certify that the articles purchased or services rendered as shown herein have been received and are in accordance with law and that the payee is entitled to payment therefor by the State of South Carolina

LUMBERMENS MUTUAL CASUALTY CO

999900002

V

PAYEE
ONE KEMPER DRIVE

VENDOR NO SOCIAL SECURITY NO

V B

1099

SIGNATURE

DATE

10/10/07

STREET ADDRESS

VENDOR REFERENCE NO

C C D CODE

CITY COUNTY DISTRICT NAME

LONG GROVE

IL

60049

\$ 4,437.78

ADMN MGR

Y

STATE

ZIP

CHECK NUMBER

AMOUNT

OFFICIAL TITLE

PM	TRANS CODE	LSE CODE	SUB FUND CODE	BUDGETARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	PH	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	MULTI PURPOSE	TRAVEL			C O R	C O U B S ONLY
													S L N	N O M E S	N O T R I P S		
04	670	0000	4260				00		1401	02	4,437.78	5803-1002					
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	

STARS FORM 60 10/1/80

TOTAL

1401

4,437.78

C.O. AUDITOR

TO PAYEE The attached check is in payment of (To be filled in by Department)

SECOND INJURY FUND

DEPARTMENT

467

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Please Review Instructions on Reverse Side

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Carrier

Lumbermens Mutual Casualty

**Date of first payment
of compensation:****Date for 100% Medical Reimbursement:** 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
Less 78 Weeks			Weeks Amount	
			Wks @ Full Compensation Rate	0.00 \$0.00
			Wks @ Temporary Partial Rate	0.00 \$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00
Less Any Prior Indemnity Reimbursement			0.00	\$0.00
Total Indemnity Reimbursement Requested			0.00	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)				4415.51 \$4,590.51
Total Reimbursement Requested				\$4,590.51 4,415.51

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: January 24, 2008

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty**Name of Carrier or Employer, if self-insured****Signed by****Title:** Consultant**Date:** January 24, 2008

AGENCY VOUCHER NUMBER

DV 8095

STATE OF SOUTH CAROLINA

DISBURSEMENT

VOUCHER
S1076870

To THE COMPTROLLER GENERAL,

The attached bills are approved for payment as follows:

R16

SECOND INJURY FUND

01/29/08

08

AGENCY NO

AGENCY NAME

DATE PY

CIRCLE IF SPECIAL TYPE

- 1 VENDOR TRAVEL
2 DESCRIPTIVE RECORD
3 LISTING ATTACHED

LUMBERMENS MUTUAL CASUALTY CO

999900002

V

PAYEE
ONE KEMPER DRIVE

VENDOR NO SOCIAL SECURITY NO

V S

1089

STREET ADDRESS

VENDOR REFERENCE NO

C C D CODE

CITY COUNTY DISTRICT NAME

LONG GROVE

IL

60049

\$ 4,415.51

ADMN MGR

STATE

ZIP

CHECK NUMBER

AMOUNT

OFFICIAL TITLE

SIGNATURE

DATE

01/29/08

FM	TRANS CODE	MFI CODE	SUB FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	PH	AGENCY REFERENCE	OBJECT CODE	TRANSACTION	MULTI PURPOSE	TRAVEL			O R	CO USE ONLY
													E L N	NO MILES	NO TYPE		
07	670	0000	4260				00			1401 02	4,415.51	5803-1002					
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
TOTAL											1401	4,415.51	C.O. AUDITOR				

STARS FORM 60 10/180

TOTAL

1401

4,415.51

C.O. AUDITOR

TO PAYEE The attached check is in payment of (To be filed in by Department)

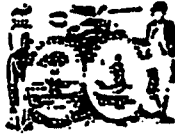
SECOND INJURY FUND

DEPARTMENT

469

230

The South Carolina Second Injury Fund



WINTHROP BUILDING, SUITE 119
220 EXECUTIVE CENTER DRIVE
COLUMBIA, S.C. 29210
www.scsif.sc.gov

WILLIAM E. GUNN
INTERIM DIRECTOR

(803) 798-2722
FAX: (803) 798-5290

STOP PAYMENT REQUEST

DATE 3-3-08

PAYEE Lumbermens mutual Cas CO

ADDRESS One Kemper Drive

Long Grove IL 60049

CHECK# 128517449

CHECK
AMT. \$ 2805.00

CHECK
DATE 6-8-07

OFFICIAL SIGNATURE

REPLACEMENT CHECK INFORMATION For Agency Records

REPLACEMENT CK. # 129181515 REPLACEMENT CK. DATE 3-5-08

DATE SENT TO PAYEE 3-10-08 BY Missy Bowner

(SIF) UE# 76870

PURSUANT TO WARRANT OF RICHARD BENSTROM COMPTROLLER GENERAL		STATE OF SOUTH CAROLINA		67-776 132
Office Of State Treasurer		129181515		
SECOND INJURY FUND		CONVERSE A. CHELLIS III, CPA		ER 128517449
		STATE TREASURER		
AGENCY NBR. R16	WARRANT NBR. R160705246003040	VOUCHER NUMBER DVI2296	DATE 03/05/2008	AMOUNT *****2,805.00
PAY TO LUMBERMENS MUTUAL CASUALTY		PAY-->\$ *****2,805.00		
ONE KEMPER DRIVE LONG GROVE, IL 60049		<i>Converse A. Chellis III</i> CONVERSE A. CHELLIS III STATE TREASURER		
CONTINGENCIES ACCOUNT WACHOVIA BANK, GREENVILLE, SC		VOID		

The South Carolina Second Injury Fund



WILLIAM E. GUNN
INTERIM DIRECTOR

WINTHROP BUILDING, SUITE 119
220 EXECUTIVE CENTER DRIVE
COLUMBIA, S.C. 29210
www.scsif.sc.gov

(803) 798-2722
FAX: (803) 798-6290

March 10, 2008

RCI
Karen Calhoun
231 Columbia Avenue
Chapin, SC 29036

RE: Replacement Check
SIF# 76870,83324,90004,100316,3370,60392

Dear Karen:

We are in the process of clearing out our outstanding check list. The attached check(s) are replacement checks issued for immediate deposit. I have listed below the payee, original check number and the replacement check number. I have also included a copy of any documentation available to assist you in identifying your file. Should you locate the "original" check, please destroy it or send it to my attention for destruction.

Payee	Orig #	Replacement #
Lumbermens Mutual Cas Co	128517449	129181515
Lumbermens Mutual Cas Co	128471480	129181514
Zurich American Ins Co	128246774	129181511
Indemnity Ins Co of NA	128246769	129181510
American Motorist Ins	128208674	129181507
American Mfrs Mutual Ins Co	128204128	129181506

Please deposit the replacement check(s) as soon as possible.

If you have any questions concerning these checks, please call.

Sincerely,

Missy Bonner
Missy Bonner
Fiscal Technician
Ext. 136

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.G. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

RECEIVED

MAY 15 2008

SECOND INJURY FUND

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Carrier

Lumbermens Mutual Casualty

Please Review Instructions on Reverse Side

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Date of first payment
of compensation:

Date for 100% Medical Reimbursement: 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid

Date Beginning

Date To

Weeks

Amount

Temporary Total

Temporary Partial

Permanent Partial

Permanent Total

Death or Other
(Specify)

Total Indemnity to Date

0.00

\$0.00

Weeks Amount

Less 78 Weeks

Wks @ Full Compensation Rate

0.00

\$0.00

Wks @ Temporary Partial Rate

0.00

\$0.00

0.00

\$0.00

Net Reimbursable Indemnity Reimbursement

0.00

\$0.00

Less Any Prior Indemnity Reimbursement

0.00

\$0.00

Total Indemnity Reimbursement Requested

0.00

\$0.00

Total Medical Reimbursement Requested

(Enclose Itemized List - See Instructions)

DATE

\$5,008.78

Total Reimbursement Requested

\$5,008.78

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: May 13, 2008

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by Sharon Face / KM

Title: Consultant

Date: May 13, 2008

AGENCY VOUCHER NUMBER

DV12453

STATE OF SOUTH CAROLINA
DISBURSEMENT VOUCHER
 S1076870

To THE COMPTROLLER GENERAL,

The attached bills are approved for payment as follows:

R16 SECOND INJURY FUND 05/19/08 08

AGENCY NO

AGENCY NAME

DATE FY

08

I hereby certify that the articles purchased or services rendered as shown herein have been received and are in accordance with law and that the payee is entitled to payment therefore by the State of South Carolina.

LUMBERMENS MUTUAL CASUALTY CO

999900002

V

 PAYEE
 ONE KEMPER DRIVE

VENDOR NO SOCIAL SECURITY NO

V S

1099

STREET ADDRESS

VENDOR REFERENCE NO

C C D CODE

CITY COUNTY DISTRICT NAME

SIGNATURE

DATE

05/19/08

LONG GROVE

STATE

IL 60049

ZIP

CHECK NUMBER

\$ 5,008.78

AMOUNT

ADMN MGR

OFFICIAL TITLE

FM	TRANS CODE	MID CODE	SUB FUND CODE	SUBSIDIARY ACCOUNT	ENCUMBRANCE NUMBER	M O D	PROJECT CODE	FM	AGENCY REFERENCE	OBJECT CODE	DETAIL	TRANSACTION	MULTI PURPOSE	TRAVEL			C O R	C O USE ONLY
														S L N	N O ALES	N O TRIPS		
11	670	0000	4260					00		1401 02		5,008.78	5803-1002					
2																		
3																		
4																		
5																		
6																		
7																		
8																		
9																		
10																		
11																		

STATE FORM 60 (01/80)

TOTAL

1401

5,008.78

C O AUDITOR

TO PAYEE The attached check is in payment of (To be filled in by Department)

SECOND INJURY FUND

DEPARTMENT

522

474

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

OCT - 2008

123

SECOND INJURY FUND

Please Review Instructions on Reverse Side

Employee Michael T. Quarles		Employer Cryovac, Division of Sealed Air		S.I.F. Number 76870
				Carrier File Number 224CU199962
				Date of Accident December 17, 1999
				Compensation Rate \$432.25
Date of first payment of compensation:		Date for 100% Medical Reimbursement: 6/15/2001 (1st Day of 79th Week after accident)		
Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
			Weeks	Amount
Less 78 Weeks	Wks @ Full Compensation Rate	0.00	\$0.00	
	Wks @ Temporary Partial Rate	0.00	\$0.00	0.00 \$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00
Less Any Prior Indemnity Reimbursement			0.00	\$0.00
Total Indemnity Reimbursement Requested			0.00	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)				\$1,058.11 \$3,769.63
Total Reimbursement Requested				\$1,058.11 \$3,769.63

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: September 30, 2008

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Title: ConsultantDate: September 30, 2008

AGENCY VOUCHER NUMBER

DV 4028

CIRCLE IF SPECIAL TYPE

1 VENDOR TRAVEL
2 DESCRIPTIVE RECORD
3 LISTING ATTACHED

STATE OF SOUTH CAROLINA

DISBURSEMENT

VOUCHER
SI076870

TO THE COMPTROLLER GENERAL

The attached bills are approved for payment as follows:

R16 SECOND INJURY FUND

10/08/08 09

AGENCY NO

AGENCY NAME

DATE	FY

09

LUMBERMENS MUTUAL CASUALTY CO

999900002

W

PAYEE
ONE KEMPER DRIVE

VENDOR NO SOCIAL SECURITY NO

YES

1099

STREET ADDRESS.

VENDOR REFERENCE NO.

C C D CODE

CITY COUNTY DISTRICT NAME

LONG GROVE

IL 60049

STATE ZIP

CHECK NUMBER

\$ 1,058.11

AMOUNT

ADMN MGR

OFFICIAL TITLE

10/08/08.

DATE _____

SIGNATURE

	FM	TRANS CODE	MINI CODE	SUB- FUND CODE	SUBSIDIARY	ENCUMBRANCE	M	PROJECT		AGENCY	OBJECT	D E T A I L	TRANSACTION	MULTI PURPOSE	TRAVEL			O G R	C O USE ONLY		
					ACCOUNT	NUMBER	O D	CODE	PH	REFERENCE					CODE	S L N	N O M I L E S			N O T R I P S	
					SOCIAL SECURITY NUMBER			TRAVELERS LAST NAME FI MI													
04		670	0000	4260					00		1401	02		1,058.11	5803-1002						
7																					
2																					
3																					
4																					
5																					
6																					
7																					
8																					
9																					
10																					
11																					
TOTAL												1401		1 058 11	C.O. AUDITOR						

STARS FORM 60 10/74

TOTAL

1407

1,058.11

C.G. AUDITOR

TO PAYEE The attached check is in payment of (To be filled in by Department)

SECOND INJURY FUND

DEPARTMENT

476

730

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

RECEIVED

DEC 18 2009

890200021

Please Review Instructions on Reverse Side of Form

SECOND INJURY FUND

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Carrier

Lumbermens Mutual Casualty

Date of first payment of compensation:**Date for 100% Medical Reimbursement:** 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
		Weeks Amount		
Less 78 Weeks	Wks @ Full Compensation Rate	0.00	\$0.00	
	Wks @ Temporary Partial Rate	0.00	\$0.00	0.00 \$0.00
Net Reimbursable Indemnity Reimbursement		SIF USE ONLY		0.00 \$0.00
Less Any Prior Indemnity Reimbursement		EXAMINED <i>[Signature]</i>		0.00 \$0.00
Total Indemnity Reimbursement Requested		DATE <i>1/4/10</i>		0.00 \$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)		DATE <i>1-5-10</i>		\$5,383.00
Total Reimbursement Requested				\$5,383.00

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: December 15, 2009

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured**Signed by***Bryan Face***Title:** Consultant**Date:** December 15, 2009

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

RECEIVED

AUG 11 2010

SC SECOND INJURY FUND

890200021

Please Review Instructions on Reverse Side

Employee Michael T. Quarles		Employer Cryovac, Division of Sealed Air		S.I.F. Number 76870	
				Carrier File Number 224CU199962	
				Date of Accident December 17, 1999	
				Compensation Rate \$432.25	
				Carrier Lumbermens Mutual Casualty	
Date of first payment of compensation:		Date for 100% Medical Reimbursement: 6/15/2001 (1st Day of 79th Week after accident)			
Type of Comp Paid	Date Beginning	Date To	Weeks	Amount	
Temporary Total					
Temporary Partial					
Permanent Partial					
Permanent Total					
Death or Other (Specify)					
Total Indemnity to Date			0.00	\$0.00	
			Weeks	Amount	
Less 78 Weeks	Wks @ Full Compensation Rate	0.00	\$0.00		
	Wks @ Temporary Partial Rate	0.00	\$0.00	0.00	\$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00	
Less Any Prior Indemnity Reimbursement			0.00	\$0.00	
Total Indemnity Reimbursement Requested			0.00	\$0.00	
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)			\$16,043.68		
Total Reimbursement Requested			\$16,043.68		

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: August 10, 2010

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Title: ConsultantDate: August 10, 2010

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

RECEIVED

SEP 28 2010

SECOND INJURY FUND

890200021

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Please Review Instructions on Reverse Side

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Carrier

Lumbermens Mutual Casualty

Date of first payment
of compensation:Date for 100% Medical Reimbursement: 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
		Weeks Amount		
Less 78 Weeks	Wks @ Full Compensation Rate	0.00	\$0.00	
	Wks @ Temporary Partial Rate	0.00	\$0.00	0.00 \$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00
Less Any Prior Indemnity Reimbursement			0.00	\$0.00
Total Indemnity Reimbursement Requested			0.00	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)				\$10,584.66
Total Reimbursement Requested				\$10,584.66

SIF USE ONLY

EXAMINED

DATE

APPROVED

DATE

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: September 27, 2010

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Title: ConsultantDate: September 27, 20103001375749
OCT 06 2010

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

RECEIVED

FEB 23 2011

SECOND INJURY FUND

890200021

Please Review Instructions on Reverse Side

Employee Michael T. Quarles		Employer Cryovac, Division of Sealed Air		S.I.F. Number 76870	
				Carrier File Number 224CU199962	
				Date of Accident December 17, 1999	
				Compensation Rate \$432.25	
				Carrier Lumbermens Mutual Casualty	
Date of first payment of compensation:			Date for 100% Medical Reimbursement: 6/15/2001 (1st Day of 79th Week after accident)		
Type of Comp Paid	Date Beginning	Date To	Weeks	Amount	
Temporary Total					
Temporary Partial					
Permanent Partial					
Permanent Total					
Death or Other (Specify)					
Total Indemnity to Date			0.00	\$0.00	
			Weeks	Amount	
Less 78 Weeks	Wks @ Full Compensation Rate	0.00	\$0.00		
	Wks @ Temporary Partial Rate	0.00	\$0.00	0.00	\$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00	
Less Any Prior Indemnity Reimbursement			0.00	\$0.00	
Total Indemnity Reimbursement Requested			0.00	\$0.00	
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)			\$13,087.05		
Total Reimbursement Requested			\$13,087.05		

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: February 22, 2011

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Karen Calhoun

Title: ConsultantDate: February 22, 2011

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 119
Columbia, SC 29210

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Carrier

Lumbermens Mutual Casualty

Date of first payment
of compensation:Date for 100% Medical Reimbursement: 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
		Weeks	Amount	
Less 78 Weeks	Wks @ Full Compensation Rate	0.00	\$0.00	
	Wks @ Temporary Partial Rate	0.00	\$0.00	0.00 \$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00
Less Any Prior Indemnity Reimbursement			0.00	\$0.00
Total Indemnity Reimbursement Requested			0.00	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)				\$13,247.99
Total Reimbursement Requested				\$13,247.99

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: June 10, 2011

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Karen Calhoun

Title: ConsultantDate: June 10, 2011

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
220 Executive Center Drive
Winthrop Building, Suite 100
Columbia, SC 29210

RECEIVED
OCT - 6 2011
SECOND INJURY

890200021

S.I.F. Number 76870
Carrier File Number 224CU199962
Date of Accident December 17, 1999
Compensation Rate \$432.25
Carrier Lumbermens Mutual Casualty

Please Review Instructions on Reverse Side

Employee Michael T. Quarles		Employer Cryovac, Division of Sealed Air		Carrier Lumbermens Mutual Casualty	
Date of first payment of compensation:		Date for 100% Medical Reimbursement: 6/15/2001 (1st Day of 79th Week after accident)			
Type of Comp Paid	Date Beginning	Date To	Weeks	Amount	
Temporary Total					
Temporary Partial					
Permanent Partial					
Permanent Total					
Death or Other (Specify)					
Total Indemnity to Date			0.00	\$0.00	
		Weeks		Amount	
Less 78 Weeks	Wks @ Full Compensation Rate	0.00	\$0.00		
	Wks @ Temporary Partial Rate	0.00	\$0.00	0.00	\$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00	
Less Any Prior Indemnity Reimbursement			0.00	\$0.00	
Total Indemnity Reimbursement Requested			0.00	\$0.00	
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)				\$10,270.82	
Total Reimbursement Requested				\$10,270.82	

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: October 05, 2011

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Karen Calhoun

Title: ConsultantDate: October 05, 2011

JAN 23 2012

SECOND INJURY FUND

890200021

Please Review Instructions on Reverse Side

Employee Michael T. Quarles		Employer Cryovac, Division of Sealed Air		Date of Accident December 17, 1999	
				Compensation Rate \$432.25	
Date of first payment of compensation:		Date for 100% Medical Reimbursement: 6/15/2001 (1st Day of 79th Week after accident)			
Type of Comp Paid	Date Beginning	Date To	Weeks	Amount	
Temporary Total					
Temporary Partial					
Permanent Partial					
Permanent Total					
Death or Other (Specify)					
Total Indemnity to Date			0.00	\$0.00	
Less 78 Weeks	Weeks Amount				
	Wks @ Full Compensation Rate	0.00	\$0.00		
	Wks @ Temporary Partial Rate	0.00	\$0.00	0.00	\$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00	
Less Any Prior Indemnity Reimbursement			0.00	\$0.00	
Total Indemnity Reimbursement Requested			0.00	\$0.00	
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)				\$18,827.89	
Total Reimbursement Requested				\$18,827.89	

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: January 19, 2012

Mail Reimbursement To:
Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

3002602603

2-6-12

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Karen Calhoun

Title: ConsultantDate: January 19, 2012

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

S.C. Second Injury Fund
100 Executive Center Drive
Suite 101, Santee Building
Columbia, SC 29210

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Please Review Instructions on Reverse Side

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Carrier

Lumbermens Mutual Casualty

Date of first payment
of compensation:Date for 100% Medical Reimbursement: 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
			Weeks	Amount
Less 78 Weeks	Wks @ Full Compensation Rate		0.00	\$0.00
	Wks @ Temporary Partial Rate		0.00	\$0.00
Net Reimbursable Indemnity Reimbursement			SIF USE ONLY 0.00	\$0.00
Less Any Prior Indemnity Reimbursement			REVIEWED <u>POH</u> DATE <u>5/22/12</u>	\$0.00
Total Indemnity Reimbursement Requested			EXAMINED <u>2EP</u> DATE <u>5/22/12</u>	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)			APPROVED <u>AGD</u> DUPLICATE <u>U/A</u> DATE <u>5/24/12</u>	\$8,702.12
Total Reimbursement Requested				\$8,702.12

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true
and correct as of this date: May 21, 2012

Mail Reimbursement To:

Reimbursement Consultants, Inc.
231 Columbia Avenue
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Karen C. Calhoun RWTitle: ConsultantDate: May 21, 2012

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 825321

Mail To:

SC Second Injury Fund
P.O. Box 12349
Columbia, SC 29211

RECEIVED

NOV 15 2013

SECOND INJURY FUND

S.I.F. Number

76870

Carrier File Number

02240000199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

Please Review Instructions on Reverse Side

Employee

Michael T. Quarles

Employer

Cryovac, Division of Sealed Air

Carrier

SC Property & Casualty Ins Guaranty

Date of first payment
of compensation:Date for 100% Medical Reimbursement: 6/15/2001
(1st Day of 79th Week after accident)

Type of Comp Paid	Date Beginning	Date To	Weeks	Amount
Temporary Total				
Temporary Partial				
Permanent Partial				
Permanent Total				
Death or Other (Specify)				
Total Indemnity to Date			0.00	\$0.00
			Weeks Amount	
Less 78 Weeks	Wks @ Full Compensation Rate		0.00	\$0.00
	Wks @ Temporary Partial Rate		0.00	\$0.00
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00
Less Any Prior Indemnity Reimbursement			0.00	\$0.00
Total Indemnity Reimbursement Requested			0.00	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)			DATE 11/16/13	\$3,621.69
Total Reimbursement Requested			DATE 11/18/13	\$3,621.69

SIF USE ONLY

REVIEWED PC DATE 11/16/13EXAMINED PC DATE 11/18/13APPROVED PC DUPLICATE

DATE 11-22-13

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true
and correct as of this date: November 13, 2013

Mail Reimbursement To:

Reimbursement Consultants, Inc.
PO Box 700
Chapin, SC 29036

3004430402 11/22/13
Lumbermens Mutual Casualty
SC Property & Casualty Ins Guaranty Assoc

Name of Carrier or Employer, if self-insured

Signed by Karen C. ColburnTitle: Executive Director Date: November 13, 2013

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NOV 12 2013

SECOND INJURY FUND

SELF USE ONLY

REVIEWED _____ DATE _____
EXAMINED _____ DATE _____
APPROVED _____ DATE _____
DATE _____

SC SECOND INJURY FUND REIMBURSEMENT REQUEST FORM

RCI#: 25321

Mail To:

SC Second Injury Fund
P.O. Box 12349
Columbia, SC 29211

RECEIVED

JAN 21 2014

SECOND INJURY FUND

S.I.F. Number

76870

Carrier File Number

224CU199962

Date of Accident

December 17, 1999

Compensation Rate

\$432.25

890200021

Please Review Instructions on Reverse Side

Employee Michael T. Quarles		Employer Cryovac, Division of Sealed Air		Carrier Lumbermens Mutual Casualty	
Date of first payment of compensation:		Date for 100% Medical Reimbursement: 6/15/2001 (1st Day of 79th Week after accident)			
Type of Comp Paid	Date Beginning	Date To	Weeks	Amount	
Temporary Total					
Temporary Partial					
Permanent Partial					
Permanent Total					
Death or Other (Specify)					
Total Indemnity to Date			0.00	\$0.00	
			Weeks Amount		
Less 78 Weeks	Wks @ Full Compensation Rate		0.00	\$0.00	
	Wks @ Temporary Partial Rate		0.00	\$0.00	
Net Reimbursable Indemnity Reimbursement			0.00	\$0.00	
Less Any Prior Indemnity Reimbursement			SIF USE ONLY	0.00	\$0.00
Total Indemnity Reimbursement Requested			REVIEWED <i>[Signature]</i> DATE 1/21/14	0.00	\$0.00
Total Medical Reimbursement Requested (Enclose Itemized List - See Instructions)			EXAMINED <i>[Signature]</i> DATE 1/21/14		\$42,596.12
Total Reimbursement Requested			APPROVED <i>[Signature]</i> DUPLICATE <i>[Signature]</i>		\$42,596.12
			DATE 1-22-14		

I hereby certify, that to the best of my knowledge and belief, the information as indicated above is true and correct as of this date: January 16, 2014

3604583122 1/22/14

Mail Reimbursment To:

Reimbursement Consultants, Inc.
PO Box 700
Chapin, SC 29036

Lumbermens Mutual Casualty

Name of Carrier or Employer, if self-insured

Signed by

Karen C. Calhoun *[Signature]*Title: Executive DirectorDate: January 16, 2014

RECEIVED

JAN 2 1 2014

SECOND INJURY FUND

FOR USE ONLY

REVIEWED DATE

EXAMINED DATE

APPROVED DATE

DATE

1/14/14

249

BEFORE THE
SOUTH CAROLINA WORKERS' COMPENSATION COMMISSION

Michael Quarles,) SCWCC NO. 9928766
)
Employee/Claimant,)
)
vs.)
)
Cryovac Sealed Air)
Corporation,)
)
Employer, and)
)
Lumbermens Mutual Casualty)
Company in)
Liquidation/SCPCIGA,)
)
Carrier,)
Defendants.)

DEPOSITION OF

W. DAVID STOOKSBURY

Wednesday, April 26, 2017
1:58 p.m. - 3:31 p.m.

The deposition of W. DAVID STOOKSBURY, was taken before Mary H. Occhipinti, a notary public in and for the State of South Carolina, commencing on Wednesday, April 26, 2017, at the offices of Robert Cook Law Firm, LLC, 128 North Oak Street, Batesburg-Leesville, South Carolina, pursuant to Notice of Deposition.

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APPEARANCES

Attorney for South Carolina Property and Casualty
Insurance Guaranty Association:

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WOOD LAW GROUP, LLC
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1320 Main Street, 17th Floor
Columbia, South Carolina 29201

Attorney for the South Carolina Second Injury Fund:

Robert M. Cook, II, Esquire
ROBERT COOK LAW FIRM, LLC
128 North Oak Street
Batesburg-Leesville, South Carolina 29006

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EXHIBITS

SCPCIGA Exhibit Numbers 1 through 5 were marked prior to the start of the deposition and are introduced herein as follows:

Exhibit Number 1	10
(Plan - Second Injury Fund Closure)	
Exhibit Number 2	23
(SC Second Injury Fund Review of Unfunded Liabilities and Alternative Funding Methods as of June 30, 2013)	
Exhibit Number 3	55
(Agreement to Reimburse Compensation Quarles)	
Exhibit Number 4	55
(Agreement to Reimburse Compensation Kimbrell)	
Exhibit Number 5	36
(Spreadsheet)	

1

STIPULATIONS

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Whereupon,

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BY MR. WOOD:

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Q. Okay. Mr. Stooksbury, we met a few minutes ago. I'm Hubie Wood and I represent the South Carolina Property and Casualty Insurance Guaranty Association in connection with several cases, two of which your deposition has been noticed on are Michael Quarles and Robert Dale Kimbrell are the two workers' compensation claimants the Guaranty Association is seeking reimbursement from the

1 South Carolina Second Injury Fund in connection
2 with benefits it's paying on those claims as a
3 result of the underlying insurance carriers
4 having been being liquidated; thus, the Guaranty
5 Association paying the claims. Have you ever had
6 your deposition taken before?

7 A. No.

8 Q. Okay. All right. Well, that gives me an
9 opportunity then, I guess, to sort of explain.
10 We'll have a conversation and I'll ask you
11 questions and you'll give me answers. And I
12 guess the primary thing is to answer the
13 questions verbally. And if you don't understand
14 the question, let me know so we can go back over
15 it. I want to make sure you understand the
16 question, okay?

17 A. Very good.

18 Q. If you're not sure, just let me know. I'll be
19 pleased to rephrase it or go over it, whatever we
20 need to do to get you clear on it. The other
21 thing is to try to avoid talking over each other.
22 Sometimes, you know, you may know where I'm going
23 with a question, I may know where you're going
24 with an answer, but we need to let each other
25 finish, or do the best we can, so that the court

1 reporter can make an accurate record. And if
2 we're talking over each other, that makes it
3 harder for her, so --

4 A. Understood.

5 Q. -- we'll try to get a clean record. In any
6 event, if you -- have you stated -- did you state
7 your full name? State your full name.

8 A. William David Stooksbury.

9 Q. Okay. Question of the day, how do you spell your
10 last name?

11 A. S-T-O-O-K-S-B-U-R-Y.

12 Q. Okay. Well, I was close. I had it B-E-R-R-Y,
13 but B-U-R-Y. I've seen it spelled a number of
14 different ways, wanted to clarify that. We'll
15 make sure the transcript reflects that,
16 notwithstanding my error on the notice. Okay.
17 Mr. Stooksbury, where are you from originally?

18 A. Columbia, South Carolina.

19 Q. All right. And have you lived there your whole
20 life?

21 A. No. I made my home in St. Matthews, South
22 Carolina, for the past 20 years.

23 Q. Okay. You commute back and forth to Columbia for
24 work?

25 A. Yes.

1 Q. Okay. And I understand that you are the -- from
2 taking Mr. Lombard's deposition a few weeks ago,
3 I understand that you are the -- is it the
4 finance manager for the Insurance Reserve Fund?

5 A. **Business manager is my job title.**

6 Q. Okay. All right. And what do those
7 responsibilities involve?

8 A. **For the Insurance Reserve Fund, I'm responsible**
9 **for accounts payable, accounts receivable, the**
10 **general function of the business office providing**
11 **administrative support to the underwriting and**
12 **claims office.**

13 Q. Okay. And as a result of the Second Injury Fund
14 having been -- or the Second Injury Fund
15 operations having been placed under the Insurance
16 Reserve Fund by the Budget and Control Board, now
17 the State Fiscal Accountability Authority, do you
18 have some operational oversight with regard to
19 the Second Injury Fund?

20 A. **Yes.**

21 Q. Okay. And tell me what that involves.

22 A. **Two areas. The Second Injury Fund annual**
23 **assessment, when I came onboard, they were**
24 **working under the closure plan. Closure plan**
25 **called for five annual assessments of \$60 million**

1 each. And I'm responsible for collecting all the
2 data to generate the assessment and getting the
3 information back out to the carriers and self-
4 insureds and then collecting the assessment
5 amounts from each.

6 Q. Okay.

7 A. The second task is staff under my supervision pay
8 the claims that the claims examiners of the
9 Second Injury Fund have approved for payment.

10 Q. Okay. All right. Now, as I understood Mr.
11 Lombard's testimony, the Insurance Reserve Fund,
12 essentially, the Second Injury Fund operations
13 were placed, or the Insurance Reserve Fund was
14 notified that the Second Injury Fund operations
15 would be placed under its administration in May
16 of 2013. And I understood from his testimony
17 that you were not yet onboard with the Insurance
18 Reserve Fund at that point. Is that correct?

19 A. That is correct.

20 Q. When did you start with the Insurance Reserve
21 Fund?

22 A. May 2014.

23 Q. Okay. So about a year later?

24 A. Yes.

25 Q. Okay. Now, just briefly, I'm just curious, your

1 professional background? What's your educational
2 background?

3 A. Bachelors of science, accounting major. I've
4 been a state employee working in one
5 administrative position or another since 2004.

6 Q. Okay. Had you been in the private sector before
7 2004?

8 A. Yes.

9 Q. Where did you work?

10 A. I was in the wholesale banking industry.

11 Q. Okay.

12 A. I was in that for 25 years.

13 Q. All right. Administrative accounting, business
14 administration or --

15 A. Yes. Sales, administration, project management.

16 Q. Okay. All right. And what other state agencies
17 have you worked for before coming on with the
18 Insurance Reserve Fund?

19 A. The Division of Procurement Services under the
20 old Budget and Control Board, and the South
21 Carolina Department of Mental Health.

22 Q. Okay. I think former -- you're over there with
23 former Workers' Comp Commissioner Lee Catoe, did
24 you work with him when he was --

25 A. Name doesn't ring a bell with me, no.

1 Q. Doesn't ring a bell? Okay. All right. All
2 right. Let me ask you, I guess the best way to
3 get started on this is to -- when you came
4 onboard with the Insurance Reserve Fund, the
5 responsibilities you've described for me with
6 respect to the Second Injury Fund operations,
7 that was placed with you day one?

8 A. Yes.

9 Q. Okay. So at that point in time in May of 2014,
10 the Second Injury Fund closure plan, and I guess
11 now is as good a time as any to go ahead and ask
12 you if you're familiar with this document? This
13 is Exhibit 1.

14 (Exhibit Number 1 was introduced into the record.)

15 A. Exhibit 1?

16 Q. We marked it as 1, yeah. Are you familiar with
17 the Second Injury Fund closure plan?

18 A. I know it exists. I know it calls for five equal
19 assessments of \$60 million.

20 Q. Right.

21 A. Beyond that, I haven't read it.

22 Q. Okay. All right. But you're familiar with the
23 -- well, let me ask you this question first.
24 This plan was already in place at the time you
25 came onboard with the Insurance Reserve Fund?

- 1 A. Okay.
- 2 Q. I'm asking you.
- 3 A. Well, I don't know when the plan was adopted. I
- 4 came onboard in May of 2014, so --
- 5 Q. Okay.
- 6 A. -- since they were already performing the
- 7 assessments called for by the plan, I can make an
- 8 assumption that it was already in place.
- 9 Q. Okay. So when you got -- when you came onboard,
- 10 the five-year \$60 million assessment funding plan
- 11 had already been adopted and approved by the
- 12 Budget and Control Board or --
- 13 A. That's my understanding.
- 14 Q. Okay. When did the Budget and Control Board
- 15 shift to become the State Fiscal Accountability
- 16 Authority?
- 17 A. Start -- fiscal year '16.
- 18 Q. Okay.
- 19 A. So that would have been July the 1st, 2015.
- 20 Q. Okay. And that would have been a little over a
- 21 year after you came on --
- 22 A. Yes.
- 23 Q. -- with the Insurance Reserve Fund?
- 24 A. Yes.
- 25 Q. Okay. All right. And who was handling the

1 assessments -- the assessment component of your
2 job as it relates to the Second Injury Fund
3 operations? Who was handling that immediately
4 before you came onboard?

5 A. I believe it was a joint venture between claims
6 and the administrative area of the Insurance
7 Reserve Fund. I don't think it was being handled
8 by the business office per se. My position had
9 been vacant for some time prior to me coming
10 onboard. I think that coincided with the amount
11 -- with the time that the first assessment that
12 the Insurance Reserve Fund performed was
13 executed.

14 Q. Right.

15 A. So I think Chris Lombard and the administrative
16 assistant they had in place at that time
17 performed the first assessment themselves.

18 Q. Okay. And that would have been the first of the
19 five year --

20 A. Yes.

21 Q. -- 60 million a year plan that we discussed a
22 minute ago?

23 A. That's what I understand, yes.

24 Q. Okay. All right. So you would have come on, I
25 guess, near the conclusion -- nearing the

1 conclusion of that first fiscal and then heading
2 into the second full fiscal year of the -- of the
3 five-year \$60 million assessment plan?

4 A. Yes.

5 Q. Okay. All right. Tim Friar is a name that Mr.
6 Lombard had given me as a predecessor in your
7 position. Do you know him at all?

8 A. I do not know him.

9 Q. Okay. You have any idea where -- his whereabouts
10 or where --

11 A. I do not.

12 Q. Okay. All right. Now, let's just talk in
13 general terms since you've been in place, because
14 I'm assuming -- do you have much knowledge as to
15 how the assessments were being run and
16 effectuated before you took over or before you
17 came in?

18 A. Well, no.

19 Q. Okay.

20 A. No. When I came onboard, they had worked up a
21 manual on how to perform the assessment.

22 Q. Right.

23 A. That sort of gave me my -- my map on who to
24 contact for information, how the letters were to
25 go out to the insureds and carriers.

1 Q. Okay. Is the manual -- the manual, is it still
2 in existence?

3 A. It is.

4 Q. And generally, what does it -- it just gives you
5 sort of a procedure or --

6 A. It says -- it says get this information from the
7 Workers' Compensation Commission; it says send
8 out data call letters by this date; it says after
9 you get the data call letters, do this to
10 calculate the assessment; after the assessment is
11 calculated, do this to get the letters out to the
12 self-insureds --

13 Q. Okay.

14 A. -- and the State Accident Fund and the carriers.

15 Q. All right.

16 A. And then --

17 Q. Really a to-do manual just --

18 A. It's just a -- yes.

19 Q. Okay. All right. Now, since you came in in May
20 of 2014, let's see, we've had '15, '16, and we're
21 in '17 now. So this would be the third fiscal
22 year that you have been in charge of the
23 assessment process?

24 A. That's correct.

25 Q. Okay. All right. Has your process remained the

1 same pretty much in terms of how you go about it

2 --

3 A. Yes.

4 Q. -- the three years that you've been involved?

5 A. Yes.

6 Q. Okay. Take me through that, the process as to --

7 as to how you, you know, go about calculating the

8 -- I mean, we don't need to get into the weeds of

9 the mathematical formula, but I'm just curious as

10 to the -- along the timeline, what you do to

11 effectuate the reimbursements on an annual basis.

12 A. We collect information on who to assess from two

13 sources.

14 Q. Okay.

15 A. Self-insureds, we get that list of self-insureds

16 that have paid direct losses for the calendar

17 year of the assessment from the Workers'

18 Compensation Commission. The carriers that have

19 paid direct losses, we get that list from A.M.

20 Best. Once that information comes to us, those

21 are the folks that are going to get what we call

22 data call letters. We will send to them an

23 explanation. It's a form letter that's been used

24 each year saying, you know, we're assessing you

25 for this calendar year and we need you to provide

1 us with information on the date a direct loss is
2 paid for that calendar year, and we send it back.
3 We ask for a 30-day return window. So we get
4 that information back. In the meantime, we
5 receive the -- there's a factor that we use. We
6 get that from the Department of Insurance that's
7 used in the assessment calculation, and we've got
8 that information in, so we collect the data from
9 the carriers, self-insured, State Accident Fund.
10 We plug all that into a formula. It calculates a
11 \$60 million assessment and everybody's share is
12 based on what their share of the total direct
13 losses paid is.

14 Q. And is that -- I know previously before 2013, it
15 was a statutory formula for the normalized
16 premium how to calculate the assessment and how
17 much money would be collected; I think it was 135
18 percent or something thereabouts of the Fund's
19 total payments for the prior year. But does the
20 -- and I think it's in -- and you're welcome to
21 look at this, but I think that the closure plan,
22 in addition to coming up with the, or setting
23 forth the chosen method of the accelerated
24 assessments or five-year \$60 million plan that
25 we've referenced, it also provides for the

1 calculation based on normalized premium as to
2 what the assessment is?

3 A. That's the ratio that we get from the Department
4 of Insurance.

5 Q. Okay. Okay. And that's designed to raise \$60
6 million in revenue for the Second Injury Fund for
7 that particular fiscal year?

8 A. That's what I understand, yeah.

9 Q. Okay. All right. So you send that out and what
10 time of year -- I guess fiscal year starts July
11 1. When do you generally get the assessment
12 notices out to the --

13 A. We get the data call letters out by June 1st.

14 Q. Before the fiscal years --

15 A. Yeah, before.

16 Q. Okay.

17 A. Yes.

18 Q. All right.

19 A. So we request that information and we give them
20 30 days. Invariably we wind up, you know, having
21 to chase a few.

22 Q. Right.

23 A. The assessment gets calculated, and we get the
24 assessment letter out by September the 1st --

25 Q. Okay.

1 A. -- with a due date for the first 70 percent of
2 each carrier or self-insured's amount to be due
3 by October the 1st, and then we send a reminder
4 letter out March the 1st that their 30 percent
5 due is due by April the 1st. And the original
6 assessment letter also includes a note that says
7 you're being, you know, assessed in two parts,
8 the 70 percent is due within 30 days and then the
9 remaining 30 percent will be due on April the
10 1st.

11 Q. Okay. All right. And assuming everybody pays
12 their assessed amount, then that brings in \$60
13 million for that year?

14 A. It does.

15 Q. Okay. All right. Let me ask you about this, and
16 Mr. Cook was kind enough to provide this to me
17 pursuant to some of our discovery requests. Let
18 me ask you if you're familiar with this, and I
19 will tell you that this includes the -- well, let
20 me ask you if you're familiar with it first?

21 A. Not intimately familiar with it. My
22 responsibility is with respect to the actuarial
23 review or to procure the service.

24 Q. Okay. All right. So what we're talking about
25 here is a document prepared by KPMG. What is

1 KPMG, do you know?

2 A. They're an actuarial firm. Beyond the service
3 that they provide us, I don't know what else they
4 do.

5 Q. Okay. But they provide actuarial services to the
6 Second Injury Fund?

7 A. They do.

8 Q. Okay. All right. And do you know why they were
9 initially retained to provide actuarial services
10 to the Second Injury Fund?

11 A. No.

12 Q. Okay. All right. What are they -- what do you
13 know about what they do for the Second Injury
14 Fund now?

15 A. Beyond the actuarial review that they do every
16 two years, I'm not aware that they do anything
17 for the Second Injury Fund.

18 Q. Okay. Now, what actuarial review are you
19 referring to?

20 A. The one that we've got here, 2013.

21 Q. All right. I think that's -- and I --

22 A. And there's another -- there was a second one
23 performed in 2015, and the closure plan --

24 MR. COOK: I think both of those are part of Exhibit 2.

25 Q. Yeah. That's what I wanted to point out to you,

1 that both the -- everything that I've gotten from
2 Mr. Cook that we requested in the way of
3 actuarial reports is included there, and you're
4 welcome to take as much time as you need to look
5 through that. But what's there is what I
6 understand to be the initial proposals on funding
7 options for the Second Injury Fund for the runoff
8 or the sunset that the Insurance Reserve Fund was
9 charged with responsibility for by the Budget and
10 Control Board, and also in that package is the
11 2015 actuarial review, and I think you indicated
12 you were onboard when that took place.

13 A. I was.

14 Q. Okay. All right. Let me show you this. This is
15 what we marked as Exhibit 1, and this is the
16 Second Injury Fund closure plan, and just ask you
17 to take a minute to look at Section 2.5 there.
18 Let me know when you've completed your review of
19 that.

20 A. (Witness reviews document.) Okay.

21 Q. And one of the reasons we -- in addition to your
22 role in the assessments, which we're going to
23 talk about here shortly, Mr. Lombard gave us your
24 name in terms of somebody who would have been
25 familiar with the actuarial reports. So that was

1 another reason why we had -- we had noticed your
2 deposition. But as I understand it -- and
3 correct me if I'm wrong and if you don't know,
4 let me know -- the Budget and Control Board or
5 Insurance Reserve Fund retained KPMG to come up
6 with various funding plans and options to
7 consider to fund the Second Injury Fund's
8 liabilities into the sunset. Do you understand
9 that to have been the case in what the original
10 2013 report pertained to?

11 A. I don't know.

12 Q. Okay. All right. Who would know the answer to
13 that question?

14 A. I don't know.

15 Q. Okay. All right. Well, you've indicated that
16 the -- and we know from the Second Injury Fund
17 closure plan and from your employment there that
18 the decision was made to go with a 60 million a
19 year five-year assessment?

20 A. Uh-huh.

21 Q. Is that correct?

22 A. That's correct.

23 Q. Okay. And was that -- to your knowledge, was
24 that envisioned or calculated by KPMG to be a
25 plausible way to fund the Second Injury Fund's

1 obligations into the sunset?

2 A. I can't speak to the plausibility of any of the
3 options that were looked at. When I came
4 onboard, the plan had already been determined
5 that there were going to be five assessments of
6 \$60 million each.

7 Q. Okay.

8 A. And my responsibilities with respect to those
9 assessments were pretty clearly outlined. I was
10 responsible for making sure they got executed and
11 that we collected the money.

12 Q. Okay. And you don't know who would have been
13 involved in the decision-making process as to
14 what of the -- and the document speaks for
15 itself, but you don't know who would have been
16 involved either at the Budget and Control Board
17 or the Insurance Reserve Fund insofar as making
18 the decision to select this funding plan that's
19 in place, which is the five-year 60 million a
20 year?

21 A. I do not.

22 Q. Okay. You just know it was in place when you got
23 there and you're administrator of that?

24 A. That's correct.

25 Q. Okay. Fair enough. Fair enough. Do you know

1 what -- what was considered by KPMG in
2 calculating the amount of money and the various
3 funding options that were proposed to raise the
4 money necessary to pay the Second Injury Fund's
5 obligations to its sunset?

6 A. I do not.

7 Q. Let me -- let me ask you, this is my copy. I've
8 got it tabbed here. Find you the --

9 MR. WOOD: Okay. Robert, this is page 1 of the -- like
10 the third page into the package.

11 MR. COOK: Okay.

12 BY MR. WOOD:

13 Q. Mr. Stooksbury, let me direct your attention down
14 there to the -- not really indented, but I guess
15 it's the next to the last paragraph that begins
16 with the phrase, "Our liability estimates"; you
17 see that?

18 A. I do.

19 (Exhibit Number 2 was introduced into the record.)

20 Q. Okay. And I'm just going to read it and then I'm
21 going to ask you a question about it. It says,
22 and this is from the March 2013 KPMG actuary
23 report that's part of what we marked as Exhibit
24 2. It says, "Our liability estimates are based
25 on claims data evaluated as of November 30, 2012,

1 as provided by the Fund and additional
2 information provided to us through February 7,
3 2013." Do you know what's being referred to
4 there?

5 A. I do not.

6 Q. Okay. Do you know what data or claims
7 information was provided to KPMG in the way of
8 the Second Injury Fund's liabilities and ongoing
9 obligations for it to consider?

10 A. They asked for claims data and that is scoured of
11 all personally identifiable information, and they
12 get that.

13 Q. Okay.

14 A. They asked for financial data, dollars expended
15 over a period of time.

16 Q. Right.

17 A. And they get that.

18 Q. Okay. So would claim -- would information on
19 claims that the Second Injury Fund is reimbursing
20 or was reimbursing and had reimbursed be included
21 in that data?

22 A. I don't know.

23 Q. Okay. Who is your -- I assume you have some
24 dealings with KPMG insofar as -- for instance,
25 with the 2015 interim actuarial review, and then

- 1 I assume there's another one coming up this year?
- 2 A. Yes.
- 3 Q. Okay. Has that process started yet?
- 4 A. It has.
- 5 Q. Okay. Who do you deal with at KPMG?
- 6 A. I deal with Patty Smollen.
- 7 Q. Can you spell her last name for me?
- 8 A. S-M-O-L-L-E-N.
- 9 Q. And where is Ms. Smollen?
- 10 A. You know, I really don't know.
- 11 Q. All right.
- 12 A. It's not in the Eastern time zone. That's the
- 13 only thing I can tell you.
- 14 Q. Okay. What's your title? What's her position
- 15 with KPMG?
- 16 A. I don't know what her title is within KPMG, but
- 17 she is the contact that I reached out to in 2015
- 18 and the contact that I reached out to in 2017.
- 19 Q. Okay. In contacting her, what type of -- what
- 20 are your reasons for contacting her?
- 21 A. It's -- my boss says the closure plan is due
- 22 every two years. We did one in 2013; we've got
- 23 to do one in 2015. This year. We did one in
- 24 2015. We've got to do one in 2017.
- 25 Q. Okay. Who is your boss?

1 **A. Anne Macon Smith.**

2 **Q. Okay. And Ms. Smith is the director? She's the**
3 **insurance director at the Insurance Reserve Fund?**
4 **What's her title?**

5 **A. She's director of the Insurance Reserve Fund.**

6 **Q. Okay. And is she the one who gave you Ms.**
7 **Smollen's contact information to deal with?**

8 **A. No. I -- I believe it was listed in the 2013**
9 **packet, the copy of the 2013 -- I don't see a**
10 **copy of the engagement letter. So there's some**
11 **document or evidence of correspondence with them**
12 **that I was able to use to track her down.**

13 **Q. Okay. And you believe that to be an engagement**
14 **letter of some type?**

15 **A. Yes.**

16 **Q. And that's in the Insurance Reserve Fund's**
17 **records pertinent to the Second Injury Fund**
18 **operations?**

19 **A. We would probably have a copy of it somewhere.**

20 **Q. Okay. All right. Do you know who retained KPMG;**
21 **who made the decision to retain KPMG?**

22 **A. No, I do not.**

23 **Q. Okay. Would you presume that Ms. Smith knows the**
24 **answer to that question?**

25 **A. I wouldn't presume to.**

1 Q. Okay.

2 A. I wasn't -- like I said, when the decision was
3 made, I wasn't party to the discussions.

4 Q. Okay. Let me go back to this section here on
5 page 1 of the 2013 actuarial report that I was
6 just asking you about. And based on your
7 experience since coming into the position you're
8 in with the Insurance Reserve Fund in May of
9 2014, would claims that the Second Injury Fund
10 was being reimbursed by the Second Injury Fund as
11 of November 30 of 2012, would that information
12 have been provided to KPMG for purposes of
13 preparing its report?

14 A. Yes.

15 Q. Okay. Now, Mr. Lombard, I asked him the question
16 in his deposition about how the 2015 interim
17 review -- is that an appropriate term to use,
18 interim review? I understand the closure plan
19 provides for reviews or updated actuarial reports
20 every two years. Is an interim review a fair way
21 to characterize it since we're still within the
22 five-year period or --

23 A. Well, I don't know. It says at a minimum of
24 every two years --

25 Q. Okay.

1 A. -- as management determines is necessary or at a
2 minimum of every two years.

3 Q. Okay.

4 A. So it's --

5 Q. Well, let me -- let me make clear what I'm
6 referring to. I'm using that term because it's
7 not the original proposal which we've talked
8 about that was done in March of 2013, and it's
9 still within the five-year \$60 million a year
10 funding plan, so that's why I'm using the term
11 "interim review" in referring to the 2015 that
12 was done as well as the 2017 that you indicated
13 is kind of in the process now. So that's why I'm
14 using that phrase. And I asked Mr. Lombard what
15 the result of the 2015 actuarial review was, and
16 I understood his testimony to be that things were
17 on track. In other words, that the plan as
18 adopted \$60 million per year for five years was
19 still on target in terms of funding the Second
20 Injury Fund's obligations to its sunset. So I'm
21 asking you that question. I think he kind of
22 indicated you would be more familiar with that.
23 So my question is to you is that -- is that a
24 fair characterization of the -- of the results of
25 the 2015 actuarial review?

- 1 A. Well, I'm not an actuary, and I haven't read the
2 review start to finish.
- 3 Q. Right.
- 4 A. Nobody's come to me and said that it -- upon
5 analysis of the review, it indicates that we are
6 going to either have more or less money than is
7 needed to fund all of the liabilities of the
8 Second Injury Fund they projected. So it's a
9 fair assumption I think --
- 10 Q. Okay.
- 11 A. -- for somebody to make.
- 12 Q. Okay. All right. In other words, following the
13 2015 actuarial review, there was no change made
14 to the five-year \$60 million funding plan?
- 15 A. No.
- 16 Q. Okay. All right. And when will the 2017 report
17 be available?
- 18 A. I don't know the date. We just secured the
19 service just in the last two weeks. So I would
20 expect maybe eight weeks.
- 21 Q. Okay. And just for clarity, I think you've
22 answered this, but just so I'm clear I'm going to
23 confirm that's KPMG --
- 24 A. Yes.
- 25 Q. -- and your contact is Patty Smollen?

1 A. **That's correct.**

2 Q. Okay. And I'm sorry, you told me when you would
3 expect it to be completed, generally?

4 A. **I would expect it to be completed eight weeks
5 after we sign the engagement letter.**

6 Q. Okay. All right. Is it designed to be done
7 before the 2018 fiscal year starts July 1?

8 A. **No, not by design.**

9 Q. Okay. All right. And is there any indication --
10 based on your knowledge of what's going on, is
11 there any indication as to whether's likely to be
12 any change or modification to the five-year \$60
13 million assessment plan?

14 A. **I'm not aware of any.**

15 Q. Okay. Is that something that you would be aware
16 of at this stage if there were anticipated issues
17 or problems with the funding?

18 A. **No. No. My responsibilities with respect to the
19 assessment are pretty straightforward.**

20 Q. Okay.

21 A. **Perform the assessment. If there needs to be a
22 sixth assessment, I suspect somebody will come to
23 me and tell me.**

24 Q. And that sort of leads me to who -- does the
25 Second Injury Fund or the Insurance Reserve Fund

- 1 have any on-staff actuaries?
- 2 A. No.
- 3 Q. Okay. And KPMG is an outside actuarial vendor, I
- 4 guess, is the best way to put it. Is there
- 5 anybody else involved in the -- in calculating
- 6 the Second Injury Fund's obligations and exposure
- 7 to sunset --
- 8 A. I'm not aware of any.
- 9 Q. -- other than KPMG?
- 10 A. I'm not aware of anybody.
- 11 Q. Okay. All right. And who do they report to? Do
- 12 they report to you, or do they report to Ms.
- 13 Smith or --
- 14 A. Well, we'll generally if they have a meeting
- 15 during the course of the review or while they're
- 16 doing their work, we'll get all together on the
- 17 telephone and if they have need of additional
- 18 information or clarification on something of that
- 19 nature they'll advise us then.
- 20 Q. Do they send -- does KPMG send folks to the
- 21 Insurance Reserve Fund's offices that house the
- 22 Second Injury Fund's records to work on these
- 23 actuarial evaluations, or is that all done
- 24 remotely?
- 25 A. No, they don't send anybody.

- 1 Q. Okay. All right. But is Ms. Smith the person
2 who is in charge of this, I guess? It sounds
3 like you just receive the information and you go
4 about doing your work with the assessments for
5 the following year. I'm trying to find out who
6 receives the information from KPMG and makes some
7 sort of judgment or determination on what KPMG is
8 recommending or reporting?
- 9 A. They send the report to us, us being the
10 Insurance Reserve Fund.
- 11 Q. Okay.
- 12 A. Ms. Smith gets a copy of it.
- 13 Q. Okay.
- 14 A. Who is the -- who has the final responsibility
15 for reviewing that actuarial report and
16 determining whether or not, you know, we're okay
17 sticking with the five-year plan or doing
18 something different, I don't know who that is.
- 19 Q. Okay. Who else would get the report beside Ms.
20 Smith?
- 21 A. I don't know who she hands it off to.
- 22 Q. Okay. Do you get the report?
- 23 A. I get a copy of it.
- 24 Q. Okay. And what do you do when you get the
25 report?

- 1 **A.** **I save it to my shared drive and --**
- 2 **Q.** **You don't read it?**
- 3 **A.** **I don't read it.**
- 4 **Q.** **Okay. All right. Does the Second Injury Fund or**
5 **the Insurance Reserve Fund as it relates to the**
6 **Second Injury Fund's operations use any other**
7 **outside auditors?**
- 8 **A.** **No.**
- 9 **Q.** **KPMG would be -- are they auditors as well as**
10 **actuaries or --**
- 11 **A.** **I don't know.**
- 12 **Q.** **Okay. Is there anybody internally who's sort of**
13 **the auditor of the Second Injury Fund operations**
14 **at the Insurance Reserve Fund?**
- 15 **A.** **No.**
- 16 **Q.** **Okay. So who's in charge of I guess reconciling**
17 **the books and --**
- 18 **A.** **Well, the Second Injury Fund is part of the**
19 **state's consolidated financial report.**
- 20 **Q.** **Yes, sir.**
- 21 **A.** **And that's available on either the treasurer's**
22 **website or the comptroller general's website.**
- 23 **Q.** **Okay. So that would be some apparatus under the**
24 **treasurer or comptroller general's office?**
- 25 **A.** **Yes.**

1 Q. Okay. And does KPMG serve an outside auditor
2 role for the Second Injury Fund operations?

3 A. No.

4 Q. No?

5 A. No.

6 Q. Okay. Do you know how much money is currently in
7 the Second Injury Fund's account?

8 A. I do not.

9 Q. As I understood Mr. Lombard's testimony, that
10 information could be available, somebody would
11 just have to look it up at any given point in
12 time?

13 A. That's correct.

14 Q. Okay. And that's all part of the state's
15 consolidated --

16 A. Yes.

17 Q. -- financial system?

18 A. That's correct.

19 Q. Okay. And is the Second Injury Fund's money
20 still kept in a segregated or separate Second
21 Injury Fund claim account?

22 A. Yes, it is.

23 Q. Okay. And do you have authority to -- who has
24 the authority to approve disbursements from the
25 Second Injury Fund's claim account?

- 1 **A.** **The claims examiners that work with the Second**
2 **Injury Fund claims.**
- 3 **Q.** **Okay. But do you -- I think I understood you to**
4 **say that you -- maybe I misinterpreted what you**
5 **said, but back when I was asking you about your**
6 **general -- general responsibilities you indicated**
7 **that you have staff under supervision, and I**
8 **think you referenced the claims examiners at the**
9 **Second Injury Fund?**
- 10 **A.** **For the Second Injury Fund reimbursements, my**
11 **staff takes documents that they received from the**
12 **Second Injury Fund claims examiner --**
- 13 **Q.** **Right.**
- 14 **A.** **-- and given the approval on those documents, we**
15 **pay the amount that they say that we should pay**
16 **to the people that they --**
- 17 **Q.** **Okay.**
- 18 **A.** **-- say we should pay it to.**
- 19 **Q.** **So the claims examiner approves the claim and**
20 **then they shift it to your department to actually**
21 **cut the check?**
- 22 **A.** **That's correct.**
- 23 **Q.** **Okay. All right. All right. This is another**
24 **area that Mr. Lombard provided your name as the**
25 **go-to person, and I hope you've got your high**

1 powered readers on, okay?

2 A. My Dollar General 1.75's so --

3 Q. Yeah. Well, this is -- this is the only we could
4 -- my office could get it all on one page, okay?

5 I've got the -- I guess the bigger original
6 documents here if they're helpful to you. I have
7 not marked those. I've just marked --

8 MR. WOOD: Robert, this is -- yeah --

9 MR. COOK: This will be Number 3?

10 MR. WOOD: Right. Well, Robert, it's marked -- we just
11 --

12 MR. COOK: 5?

13 MR. WOOD: It's marked Number 5.

14 MR. COOK: All right.

15 (Exhibit Number 5 was introduced into the record.)

16 Q. So we're referring to Exhibit Number 5 now. And
17 then these are the -- this is everything I
18 printed out that Mr. Cook -- again, this was
19 provided by Mr. Cook kindly in response to our
20 discovery requests. And I think this basically
21 covers all of the columns for every carrier,
22 okay. So I don't know whether it's easier for
23 you to locate the same information here --

24 A. Right here.

25 Q. You can see it, okay. All right. You got a

1 preference, you want to tackle CAGC or Lumbermens
2 first?

3 A. Whichever suits you.

4 Q. All right. Well, let's go in alphabetical order
5 and start with CAGC. What does that document
6 there that we've marked as Exhibit Number 5 --

7 A. Well --

8 Q. Go ahead.

9 A. -- with respect to CAGC, this document gives us
10 assessment data for calendar years 2009, '10,
11 '11, and '12. And it tells us that CAGC reported
12 direct losses paid in the amount of 244,000 -- I
13 make that to be 902 dollars for calendar year
14 2009; and then a million dollars in 2010; \$4.5
15 million in 2011; and \$5.3 million in 2012.

16 Q. Now, is that the information that's -- and this
17 predates the closure of the Second Injury Fund as
18 a separate agency, which occurred in 2013 and it
19 came under the Insurance -- or the Budget and
20 Control Board and directed to the Insurance
21 Reserve Fund in 2013. So all of that deals with
22 years prior to the Insurance Reserve Fund's
23 administration of the Second Injury Fund
24 operations?

25 A. I believe that's correct, yes.

1 Q. Okay. But would that generally -- the loss
2 information, is that what is provided to you by
3 the --

4 A. Carrier.

5 Q. -- carrier?

6 A. That's correct.

7 Q. Okay. So, and not talking about CAGC in
8 particular because they don't exist anymore; I
9 guess they're in liquidation, but generally
10 speaking, on carriers that are still doing
11 business, is that the type of information that
12 you receive back --

13 A. It is.

14 Q. -- in the current operations?

15 A. Yes.

16 Q. Okay. All right. What does -- when did the --
17 when did CA -- the Second Injury Fund has alleged
18 in this litigation of these two cases we're here
19 on today -- Michael Quarles and Robert Dale
20 Kimbrell workers' compensation cases -- the
21 Second Injury Fund has asserted that CAGC is
22 delinquent in its assessments to the Second
23 Injury Fund. And my question is -- really two
24 main questions, two areas of inquiry -- when did
25 CAGC become delinquent in its assessments, and

1 how much is the delinquency, if it is delinquent?

2 A. The amount is \$120,621.30.

3 Q. Can you -- Mr. Cook's got some nice highlighters
4 here. Can you highlight that figure for us
5 there, Mr. Stooksbury. So roughly \$120,000 --

6 A. Yes.

7 Q. -- you've got the exact figure there? Okay.

8 A. Yeah. From the 2012 assessment, the calendar
9 year 2012 assessment.

10 Q. All right. Now, how did the calendar year --
11 obviously the Second Injury Fund operations and
12 when it was its own agency was operating on a
13 fiscal year basis. My question is when you're
14 talking about the losses, are you talking about
15 the preceding calendar year? In other words, for
16 an assessment notice that goes out in September,
17 are you basing that on the losses and the
18 mathematical formula for what happened during the
19 calendar year prior to that September or --

20 A. That's correct.

21 Q. Okay.

22 A. As an example, this coming September we will mail
23 data call letters to carriers, self-insureds, and
24 the State Accident Fund for their direct losses
25 paid for calendar year 2016.

1 Q. Okay. So the information you're getting from the
2 -- you're getting from the carriers or self-
3 insureds as to their losses paid is for the prior
4 calendar year?

5 A. Yes.

6 Q. Okay. All right. So the assessment calculation
7 in that formula is based on the calendar --
8 previous calendar year and then it's paid into
9 the Second Injury Fund during the following
10 fiscal year?

11 A. That's correct.

12 Q. Okay. All right. So CAGC was current in payment
13 of its assessments until 2012?

14 A. It appears so. They -- they, according to this,
15 they paid their first payment of their calendar
16 year 2012 assessment on October the 28th, 2013,
17 which, while I wasn't there, sounds to me to be
18 what I would have considered current.

19 Q. Right on the 30 day --

20 A. Yes, borderline. They were a little late, but
21 nothing to be worried about.

22 Q. Okay. So they -- and then they didn't make the
23 April payment in 2014, which would have been the
24 final installment on 2012's --

25 A. That's correct.

1 Q. -- information? And that deficit is that
2 \$120,000 figure you referred to that you
3 highlighted?

4 A. It is.

5 Q. Okay. So when would the Second Injury Fund
6 operations, and just base this I guess on how you
7 currently operate, when would the -- when would a
8 carrier be considered delinquent if that same
9 pattern was occurring now? In other words, if
10 you had a -- if you had a carrier that paid the
11 assessment that was due last October, the other
12 one's due this month, when would the Second
13 Injury Fund consider the assessment to be in
14 arrears or delinquent?

15 A. Well, if they haven't made the payment by the due
16 date, we would consider them delinquent.

17 Q. Okay. And was there -- so that would have been
18 April 30th of 2014?

19 A. There or abouts.

20 Q. Okay. All right. And what action does the --
21 does the Second Injury Fund operations
22 administered by the Insurance Reserve Fund take
23 when that occurs?

24 A. The business office would notify the Second
25 Injury Fund claims office that CAGC hasn't paid

1 their assessment in full.

2 Q. And then what happens?

3 A. It's my understanding they quit honoring the
4 claim requests.

5 Q. Okay. Do they take any type of legal action to
6 try to collect it?

7 A. I'm not aware of any.

8 Q. Okay. And I assume some notification is sent out
9 to the carrier if that occurs?

10 A. I'm not aware of any.

11 Q. Okay. And how does -- who is involved in the
12 process? How does the process work in terms of,
13 okay, we've got a carrier that's delinquent that
14 hasn't made an assessment payment, how does that
15 information, you know, from A to Z get
16 transmitted to the point where the reimbursements
17 stop?

18 A. Today it would be an email.

19 Q. Okay.

20 A. I would just send an email to the claims examiner
21 --

22 Q. Right.

23 A. -- in the Second Injury Fund, these guys haven't
24 paid their assessment.

25 Q. Okay. All right. And the -- I guess the claims

1 examiners are trained or instructed to stop
2 reimbursements in that situation?

3 A. I don't know.

4 Q. Let me ask you this question. This might sound
5 like a silly question; we talked about it a
6 little bit with Mr. Lombard, but I'm kind of
7 curious about it. If a carrier is not paying
8 claims, if it becomes insolvent, under the
9 mathematical formula, they're not paying any
10 losses then the assessments would be zero under
11 the mathematical formula; am I understanding that
12 or stating that correctly?

13 A. If I get a data call letter back that reports
14 zero losses paid during the calendar year in
15 question, those folks don't get assessed.

16 Q. Okay. Because the mathematical formula would
17 yield zero?

18 A. That's correct.

19 Q. Kind of goes back to the if you multiply
20 something times zero you get zero, right?

21 A. (Nods head.)

22 Q. Okay.

23 A. Yeah.

24 Q. All right. Does the -- do you know, say a
25 carrier is continuing to -- say they're in

1 financial trouble and they're in rehabilitation
2 or under supervision, they're paying losses based
3 on their assets, but they're not writing any new
4 business and not collecting any premium, does
5 that still -- what does that do to the
6 assessments? Does that yield a zero assessment?

7 A. If they report direct losses paid --

8 Q. Right.

9 A. -- of a dollar or more, they're going to get
10 assessed.

11 Q. Okay. All right. So the collection of premium
12 on the revenue side for an insurance carrier
13 doesn't -- I mean, it may affect, I guess, the
14 bottom line, but it doesn't eliminate the
15 assessment obligation?

16 A. The data call -- the data that we request of them
17 -- I don't have enough information to answer that
18 question. We don't ask them to report -- in the
19 calculation of the assessment, premiums they
20 collect don't -- aren't a factor.

21 Q. Well, I think, if I'm not mistaken, at least
22 under the old statute, and we can look in the
23 closure plan, I think the closure plan uses the
24 same normalized premium term, but I think profit
25 is somehow factored into that. It's one of the

1 things in the expense ratio. Let me -- bear with
2 me one second. I don't want to misstate it.
3 Here is the -- Mr. Cook's aware of this -- this
4 is Section 42-7-200, which deals with the --
5 addresses the term normalized premium, and I
6 think -- let me borrow this exhibit here, Mr.
7 Stooksbury -- I think that same -- yeah. Instead
8 of 135 percent of the Second Injury Fund's
9 obligations or payments for the prior year it's
10 now 60 million a year under the five-year plan
11 that's in the closure plan, but I think it uses
12 the same -- same normalized premium definition to
13 I guess go into the assessment formula or ratio.
14 And so could you take a look at that and see if
15 you may have a better or more definitive answer
16 to the question I asked you about where profit or
17 revenue comes into premium that's collected by a
18 carrier comes into play?

19 MR. COOK: Give me on the 24 -- I'm sorry, 2.4^o on the
20 next page I think is what the definition of
21 normalized premium is.

22 MR. WOOD: Okay. Yeah.

23 MR. COOK: And that may help rather than read something
24 --

25 MR. WOOD: Yeah, yeah, yeah. Thank you, Robert. I

1 knew it was in there somewhere.

2 A. I don't have the data call letter for carriers or
3 self-insureds to refer to, but the number that --
4 or the definition that I assign or use that is on
5 the database refers to it as direct losses paid.
6 It says here that normalized premium is defined
7 as gross paid losses before salvage and
8 subrogation times a factor representing
9 normalized expenses. So my rudimentary
10 accounting skills tell me that I'm still looking
11 for reports of expenses from the carriers and
12 self-insureds in the Second Injury Fund that
13 we're asking from -- when I think of -- when I
14 think of the term "premium," I'm thinking of it
15 in terms of revenue. And these guys don't report
16 any revenue numbers to us.

17 Q. Okay. So your answer to -- based on that, I'm
18 interpreting your answer would be that if you
19 didn't have any premium coming in on the revenue
20 side that there would still be some assessment
21 due to the Second Injury Fund as a result of the
22 losses that were being paid?

23 A. I can't say, it would be invisible to us because
24 we're not asking you for information on the
25 premiums you collect. We're just asking you for

1 information on the direct losses you paid during
2 the calendar year.

3 Q. Okay. Okay. All right. Let's talk about --
4 well, let me get the same information from you on
5 Lumbermens that we talked about on CAGC, and that
6 again is when did Lumbermens become delinquent in
7 its assessments to the South Carolina Second
8 Injury Fund, and, if so, if that did indeed
9 occur, not only when was it, but how much are
10 they delinquent?

11 A. The evidence that I have and that I've passed
12 along is that Lumbermens isn't delinquent.
13 They've paid all amounts that we assessed.

14 Q. Okay. And we can talk about this I guess in the
15 context of Lumbermens or just in general. I
16 think we touched on it a minute ago. I kind of
17 was asking you about it before we got into the
18 normalized premium discussion. But if a carrier
19 goes under and they stop paying losses, the
20 assessment goes to zero?

21 A. Yes.

22 Q. That's a yes?

23 A. Yeah, that's a fair assessment, yeah.

24 Q. Okay. All right. All right. Now let's talk
25 about this in general terms and then we'll maybe

1 backtrack. I know the CAGC date was 2012 or the
2 calendar year 2012, April of 2014 would have when
3 the delinquency, I guess, would have been
4 established. But for whatever reason, and let's
5 talk about it now. Let's just talk about it
6 right now. You're getting ready to -- I guess
7 you're getting in the second installment of the
8 assessments that are for the current fiscal year
9 that were based on the calendar year of 2015?

10 A. That's correct.

11 Q. Okay. And we're trying to raise \$60 million
12 every year to fund the Second Injury Fund's
13 sunset operations. What do you do if you -- if
14 you assess somebody, whether it be an insurance
15 carrier, self-insured, self-insured fund, State
16 Accident Fund -- I assume the State Accident Fund
17 pays its assessment -- but what does the Second
18 Injury Fund operations administered by the
19 Insurance Reserve Fund do to make up any
20 shortfall? Say you have a -- I mean let's just
21 use a round figure and let's say that, you know,
22 the 60 million comes up short because somebody
23 doesn't pay, okay, and let's just use one million
24 dollars just for an example. So you've got 59
25 million and you were designed to get 60 million

1 and that one million shortfall is the result of a
2 carrier or carriers or self-insureds failure to
3 pay the assessment. Now I know what you told me
4 you do in terms of stopping reimbursements to a
5 delinquent carrier or self-insured or self-
6 insured fund, but what do you do to make up that
7 shortfall? You understand the question?

8 A. Well, I think so. I don't have any instructions
9 on how to make up a shortfall as you just
10 described it. My instructions are to assess \$60
11 million and collect it.

12 Q. Okay. But if you don't get to 60 -- let me ask
13 the question this way. The two years -- you're
14 now finishing up your third year?

15 A. Third year, yes.

16 Q. Okay. Third assessment year?

17 A. Yes.

18 Q. Okay. So you've already completed two and you're
19 on the verge of completing three since you've
20 been responsible?

21 A. That's correct.

22 Q. Okay. Have you had any occasions or instances
23 over the two prior years and what's anticipated
24 for this year where the full 60 isn't going to
25 come in?

1 A. No.

2 Q. So everybody's paid?

3 A. Everybody's paid.

4 Q. Okay. And that brings me to another question I
5 guess I've got. Is there any licensed, currently
6 licensed workers' compensation insurance carrier
7 in South Carolina that is currently delinquent on
8 its assessments to the South Carolina Second
9 Injury Fund?

10 A. No.

11 Q. Okay. Do you have any knowledge or familiarity
12 with respect to the member workers' compensation
13 insurers with the South Carolina Property and
14 Casualty Insurance Guaranty Association?

15 A. No.

16 Q. Okay. Let me ask the question this way. If --
17 if the member workers' compensation insurers of
18 the South Carolina Property and Casualty
19 Insurance Guaranty Association consists of those
20 insurance carriers licensed to write workers'
21 compensation insurance in South Carolina and who
22 are writing insurance in South Carolina, would
23 there be any of those member insurers who are
24 delinquent in their assessments to the South
25 Carolina Second Injury Fund?

1 A. I don't know who those member insurers are --

2 Q. I'm asking you to just hypothetically --

3 A. Okay.

4 Q. -- accept my proposal or statement that the
5 member workers' compensation insurers of the
6 South Carolina Property and Casualty Insurance
7 Guaranty Association, are those insurance
8 companies licensed in the state of South Carolina
9 to write workers' compensation insurance --

10 A. Okay.

11 Q. -- and who write workers' compensation insurance
12 in the state, are there any of those -- if that's
13 what the member workers' compensation insurers of
14 the South Carolina Property and Casualty
15 Insurance Guaranty Association consists of, are
16 there any of those insurance carriers who are
17 delinquent in their assessment to the South
18 Carolina Second Injury Fund as we speak here
19 today?

20 A. I don't consider any of them delinquent at this
21 time.

22 Q. Okay.

23 A. Of the 423 carriers and self-insurers that we
24 assessed, we have nine that haven't paid their
25 2015 assessment as of this --

- 1 Q. And when are those due?
- 2 A. -- date. They were due April the 1st.
- 3 Q. Okay.
- 4 A. So we're engaged in follow-up contacts with them
- 5 to remind them of their obligation.
- 6 Q. Okay.
- 7 A. We have three that we have evidence or have been
- 8 advised that they're in liquidation and the known
- 9 administrators handling the liquidation have been
- 10 contacted about the assessment as well.
- 11 Q. Okay. Well, if they're in liquidation then they
- 12 would meet the -- they wouldn't still be a
- 13 licensed --
- 14 A. Okay.
- 15 Q. -- insurance company to write workers'
- 16 compensation insurance?
- 17 A. Okay.
- 18 Q. Okay. Who are those three, do you know?
- 19 A. I do not.
- 20 Q. Okay.
- 21 A. I've got them identified, but I don't have them
- 22 committed to memory.
- 23 Q. But the three -- you mentioned nine entities?
- 24 A. Yes.
- 25 Q. Okay. That haven't paid the second installment?

1 **A. That's correct.**

2 **Q. Okay. And we're talking about for the -- their**
3 **losses for the calendar year 2015 and we're**
4 **talking about fiscal year 2017?**

5 **A. That's correct.**

6 **Q. Okay. Nine entities have not paid the second**
7 **installment?**

8 **A. That's correct.**

9 **Q. Okay. And three of those you indicated were**
10 **insurance carriers as opposed to self-insured --**

11 **A. All --**

12 **Q. -- funds or --**

13 **A. All three are carriers. And of those three, and**
14 **those three have not paid their first**
15 **installments.**

16 **Q. And all of those, to your understanding, are in**
17 **liquidation?**

18 **A. Yes.**

19 **Q. Okay. And the other six are self-insureds or**
20 **self-insured --**

21 **A. A mix. I don't -- I don't have the breakdown of**
22 **--**

23 **Q. Okay. But they're not -- they're not insurance**
24 **carriers? They would either be a self-insured**
25 **employer or self-insured association --**

- 1 A. They could be a --
- 2 Q. -- self-insured fund?
- 3 A. Could be a carrier. Could be an insurance
- 4 company or it could be a self-insured.
- 5 Q. Okay. But you don't know?
- 6 A. I don't know.
- 7 Q. Okay. But for the prior two years, there were no
- 8 delinquencies?
- 9 A. No.
- 10 Q. Okay. So I guess coming back to my question that
- 11 kind of got us along this line of discussion.
- 12 Say these nine for whatever reason don't pay up,
- 13 okay, and that leaves you with a shortfall for
- 14 fiscal year 2017 from 60 million, whatever that
- 15 shortfall is, what -- is there a plan or
- 16 procedure that's followed to try to make up that
- 17 shortfall in some fashion?
- 18 A. I have no mechanism to go back and say we had a
- 19 shortfall of this due to these guys not paying
- 20 and the rest of you have to make it up; we don't
- 21 have anything like that in place.
- 22 Q. Okay.
- 23 A. So we would report -- we assess this much and we
- 24 collected whatever we collected.
- 25 Q. Okay.

1 A. If that comes to pass.

2 Q. Okay. And I guess that would have to be
3 considered it's -- it would have to be a separate
4 action taken by the State Fiscal Accountability
5 Authority as the -- as the successor to the
6 Budget and Control Board? If they need to modify
7 the five-year \$60 million year plan to make up
8 that shortfall, that would be within their
9 discretion to do it?

10 A. I -- I don't know if they have statutory
11 authority to do that or not.

12 Q. Okay. Fair enough. But you don't know -- you
13 don't know -- you don't have any knowledge as to
14 what the plan would be to make up that shortfall?

15 A. No.

16 (Exhibit Numbers 3 and 4 were introduced into the
17 record.)

18 Q. All right. Let me show you -- Mr. Cook has seen
19 these. These are documents that he kindly
20 produced to us on the two cases we're here on
21 today. This is the Second Injury Fund's records
22 concerning reimbursements. This one is marked as
23 Exhibit 3 and this is the documentation
24 concerning the reimbursements on the Quarles
25 case. And just for reference purposes, we'll

1 take them one at the time, but marked as Exhibit
2 4 are the same documents pertaining to
3 reimbursements made by the Second Injury Fund on
4 the Robert Dale Kimbrell case. And again, that's
5 marked as Exhibit 4. And I want to -- let's take
6 them one at a time, Mr. Stooksbury, but if you
7 would kindly -- take as much time as you need,
8 but thumb through there, and I think what you'll
9 find there are the audited reimbursement request
10 forms, series of them, as well as the
11 disbursement documentation concerning
12 reimbursements on these two claims. So take a
13 minute to thumb through that and let me know when
14 you've completed your -- I'm not going to be
15 asking you about specific numbers but I'm more
16 interested in the timeline, I guess, is what the
17 questions are going to pertain to.

18 A. (Witness reviews documents.) I'm finished.

19 Q. Okay. And just generally, you looked at it, I
20 made a description of what I thought it was. Is
21 my description of the documentation there, was my
22 characterization of it fair?

23 A. In this packet, in the part that my unit plays in
24 this, that's the only thing we look at.

25 Q. Okay. And that's -- we used it back when the

1 Second Injury Fund was part of our active
2 practice in the workers' comp defense world,
3 that's the reimbursement request form --

4 A. That's correct.

5 Q. -- paperwork that would be submitted to the
6 Second Injury Fund. The Second Injury Fund
7 claims examiner would audit it and then, you
8 know, verify it, write it down, modify it,
9 whatever was appropriate and then the
10 reimbursement would be issued; is that --

11 A. Our part is the reimbursement.

12 Q. Okay.

13 A. If it's got a approved initial by somebody I
14 know, and in this case I know this person, and
15 the amount has been checked off on and not
16 modified --

17 Q. Right.

18 A. -- then we're going to pay these people this
19 amount of money.

20 Q. Okay. And what's the date of the particular
21 reimbursement -- let's be clear here. We're
22 talking about Exhibit Number 3 and this is the
23 documentation pertaining to the Quarles case.
24 What's the date of the reimbursement request form
25 there that you are looking at there, Mr.

1 Stooksbury?

2 A. Let's see, it left Lumbermens Mutual Casualty or
3 their third-party administrator on January 16,
4 2014. We stamped it in as being received in our
5 office on January 21, 2014. It was approved for
6 payment by the claims examiner on January 21,
7 2014, in the amount requested, and we processed
8 it through as a payable on January the 22nd,
9 2014.

10 Q. Okay. In light of that and in light of that
11 documentation, is it fair to say that the South
12 Carolina Second Injury Fund was reimbursing the
13 Quarles claim as of January the 21st of 2014?

14 A. This document would support that.

15 Q. Okay. And in thumbing back through the history
16 there, just generally, I mean, does it appear
17 that the reimbursements had been going on for a
18 number of years on that case prior to January of
19 2014?

20 A. The first one I see here is dated December 19,
21 2003, is the approval date from the claims
22 examiner.

23 Q. Okay. In light of that reimbursement
24 documentation there, is it fair to say that the
25 Quarles case would have been one of the ongoing

1 liabilities of the South Carolina Second Injury
2 Fund that would have been provided to KPMG when
3 it was retained to do its actuarial study in
4 March of 2013 based on the paragraph that we've
5 talked about a couple of times in the KPMG
6 actuarial report?

7 A. It would have been included in the claims data
8 that was handed off to KPMG when the actuarial
9 review was performed.

10 Q. And that would be the data that eventually led to
11 the 60 million a year five-year plan?

12 A. I can't say that specifically that data led to
13 the adoption of the five-year plan, but as we
14 paid it, I would -- I would say it was a claim
15 that was still, you know, in the system.

16 Q. Okay.

17 A. And when KPMG asked for data in the two reviews
18 that I've been involved with, they've not
19 indicated, to my knowledge, that they wanted
20 anything scoured date bound, you know, that way.

21 Q. Okay. But going back to, and this is the
22 paragraph that we talked about; it's on page 1 of
23 the document. This is my copy. You've got the
24 --

25 A. Exhibit.

1 Q. -- Exhibit 2 over there, yeah. And let's
2 highlight that because I want the record to be
3 clear here. I'm going to highlight the same
4 thing I've highlighted on my copy there, okay. I
5 wanted to ask you to highlight the same thing on
6 the copy I've been questioning you from. The
7 paragraph, next to the last paragraph there, it's
8 the third page of Exhibit 2, but the actual
9 document page within the exhibit is page 1.
10 Please highlight the paragraph we're talking
11 about there that starts, "Our liability
12 estimates."

13 A. Done.

14 Q. All right. So in light of the reimbursement
15 documentation that we just reviewed pertaining to
16 the Quarles case and the fact that reimbursements
17 were going -- were being paid by the Second
18 Injury Fund during the time period we just
19 discussed on Quarles, would the Quarles liability
20 or obligation on the Quarles claim of the Second
21 Injury Fund meet the definition of what KPMG
22 indicated its estimates were based on?

23 A. I would think so.

24 Q. Okay. So would it be fair to say that the
25 liability of the Second Injury Fund for

1 reimbursements on the Michael Quarles case was
2 factored into and included in the \$60 million a
3 year five-year plan?

4 A. I would say it was given to KPMG.

5 Q. Okay. All right. And KPMG, I guess we can read
6 their document and see what they came up with?

7 A. Yes.

8 Q. Okay. All right. Let's do -- here's the doc --
9 or reimbursement documentation we've marked as
10 Exhibit 4 on Kimbrell, that's the other case
11 we're here on today. Take a minute to look at
12 that just like you reviewed the reimbursement
13 documentation on Quarles, and let me know when
14 you've completed that.

15 A. (Witness reviews documents.) Okay.

16 Q. All right. What are the -- what's the last date,
17 Mr. Stooksbury, that the Second Injury Fund made
18 reimbursement on the Kimbrell case?

19 A. The last voucher is dated February 24, 2014.

20 Q. Okay. Now, I asked Mr. Lombard this question,
21 and I think you've answered it already in your
22 testimony -- he didn't know the answer to it --
23 but I asked him why the Second Injury Fund would
24 have reimbursed CAGC on a claim that it contended
25 the carrier was delinquent on its reimbursements.

1 And I think, based on your testimony earlier, the
2 answer to that question is that CAGC did not
3 become delinquent until the April installment due
4 in April of 2014 --

5 A. They had paid their first installment --

6 Q. Okay.

7 A. -- on October 28, '13.

8 Q. Okay. All right. Fair enough. That makes
9 sense. Now, let's go back to the -- and what
10 period of time do the reimbursements appear to
11 have taken place, the band of years there that
12 reimbursements were made on the --

13 A. I see the --

14 Q. -- Kimbrell case?

15 A. I see the first one here, it looks like it's
16 dated October the 1st, 2010. And again, the last
17 one that I have in this packet is dated February
18 24, 2014.

19 Q. Okay. And back to our defense Exhibit Number 2
20 here, the third page, page 1 of the actual
21 exhibit as it's numbered, our highlighted
22 paragraph that we were just referring to on the
23 Quarles case, same question here: Does the
24 information that you've reviewed there as
25 provided to us by Mr. Cook and that you've

1 reviewed documenting the reimbursements to on the
2 Kimbrell claim do those -- does the Kimbrell
3 claim appear to have been included in the
4 information that was provided to KPMG based on
5 this paragraph, the highlighted paragraph that
6 KPMG considered in making its estimates of the
7 Second Injury Fund's future liabilities?

8 A. If the data concerning this claim was included in
9 the claims data file that was handed off to KPMG,
10 I think that's a fair assumption.

11 Q. Okay. And if it was being reimbursed by the
12 Second Injury Fund as you see there from the
13 material, would it -- was there any reason why it
14 wouldn't have been included to KPMG?

15 A. Well, I can't say that. Once again, when we get
16 a voucher document that says pay this amount to
17 this person and it's authorized by the -- by the
18 claims examiner in the Second Injury Fund, we
19 take that claims examiner's word that this is a
20 good voucher to pay.

21 Q. Right. But what I'm asking you is is as of
22 November 30th of 2012 and again as of February 7
23 of 2013, the Kimbrell case was a claim that was
24 actively being reimbursed by the Second Injury
25 Fund at those two points in time?

1 A. We were -- we were paying bills according to this
2 --

3 Q. Okay.

4 A. -- during that period of time.

5 Q. Okay. And that appears to have been the
6 information that, based on the KPMG actuarial
7 report from March 2013, ongoing claims that were
8 being paid by the Second Injury Fund or
9 reimbursed by the Second Injury Fund were the
10 data that they relied on to --

11 A. If -- if this -- if this information was being
12 administered by using the Second Injury Fund
13 claims database, I would say so, yes.

14 Q. And have you ever seen a case that was being
15 reimbursed by the Second Injury Fund that wasn't
16 in the claims database?

17 A. No.

18 Q. Okay. All right. I think I asked you this
19 question a minute ago, and I think we basically
20 ended up, you know, whatever the KPMG's report
21 says it says, but just looking at these two cases
22 and the documents that we reviewed and the KPMG
23 actuarial report, does it appear to you that the
24 obligations of the Second Injury Fund on these
25 two cases, Quarles and Kimbrell, were included in

1 what the 60 million a year five -- for five years
2 was designed to pay for?

3 A. I can't say. I didn't perform the actuarial
4 review.

5 Q. Okay.

6 A. I got a voucher that said pay it; I paid it.

7 Q. I gotcha. I understand. Okay. You think it's
8 reasonable to draw that inference?

9 A. I would take it under consideration, but I don't
10 know that I've got enough information to really
11 --

12 Q. Okay.

13 A. -- even have an opinion on it.

14 Q. Presumably, the KPMG report would either address
15 that or whoever prepared the KPMG report would be
16 the definitive person to go to on that?

17 A. Whoever performed the analysis for the KPMG
18 report could better tell you what data was used;
19 however, personally identifiable information is
20 scoured out of the claims data that is sent to
21 KPMG.

22 Q. Right. Well, who at the Second Injury Fund would
23 have been the conduit transmitter of -- I mean, I
24 assume when you retain somebody like KM -- and
25 you've dealt with them here on the interim

1 reviews, I mean, they ask for information in
2 order to be able to do their work, right? Am I
3 correct that --

4 A. Correct.

5 Q. Okay.

6 A. Correct.

7 Q. And so who at the Second Injury Fund or the IRF,
8 in its responsibilities of administering the
9 Second Injury Fund, who is that person?

10 A. Well, timing comes into play here.

11 Q. Right.

12 A. There's not a management staff that was working
13 for the Second Injury Fund when it was the Second
14 Injury Fund as a standalone agency that made the
15 transition. So whoever was responsible for
16 coordinating that first actuarial review might be
17 able to answer that question. I don't know who
18 that first person was.

19 Q. Okay. But we don't know of any reason why the --
20 why these claims, or any claims for that matter
21 that the Second Injury Fund was actively
22 reimbursing would have been excluded from the
23 information provided KPMG?

24 A. I don't know of any reason.

25 Q. Okay. All right. I think you've testified on

1 this, but as far as you know here pending the
2 2017 interim report from KPMG, as far as you
3 know, the Second Injury Fund's financial status
4 is strong or on pace to or on track to meet its
5 obligations based on the five-year \$60 million a
6 year plan?

7 A. I know we're going to collect the \$60 million.

8 Q. Okay. Whether that's enough money or not you
9 would have to wait on KPMG to tell us?

10 A. We'll -- we'll -- you know, the KPMG actuarial
11 review will come along and be reviewed by
12 somebody that'll make that determination, and
13 whether or not they make a suggestion or not, I
14 couldn't say.

15 Q. Okay. But no changes were made after the 2015
16 interim actuarial report?

17 A. That's correct.

18 Q. Okay. Since you've been, or to your knowledge,
19 has the Second Injury Fund ever sent an
20 assessment notice to the South Carolina Property
21 and Casualty Insurance Guaranty Association?

22 A. I get the list of people to assess or entities to
23 assess from the Workers' Compensation Commission
24 and the -- and A.M. Best. So if they were
25 included in that list, they got a data call

1 letter.

2 Q. Okay.

3 A. If they -- if they got a data call letter and
4 reported direct losses paid, then they got
5 assessed.

6 Q. Okay. But you don't know whether they've ever
7 been assessed?

8 A. I don't. There's -- we send out like 600 data
9 call letters. I don't know them all.

10 Q. All right. Fair enough. And this may sound -- I
11 don't -- you know, sound like a stupid question,
12 but I'm just going to throw it out there. If
13 you've never been assessed, can you be delinquent
14 in your assessments?

15 A. I don't see how.

16 Q. Okay. All right.

17 MR. WOOD: Bear with me one second, Mr. Stooksbury, and
18 we'll wrap up here. Pardon us for a second.

19 (Off the Record)

20 BY MR. WOOD:

21 Q. I think I've asked the question several times,
22 but we'll make one more stab at it. Who, to your
23 knowledge, would know the data that the -- that
24 KPMG used in preparing the 2013 initial actuarial
25 report?

- 1 A. I don't know. I mean, they asked for claims --
2 as I said, they've asked for claims data and they
3 get that.
- 4 Q. Right.
- 5 A. They ask for financial data and they get that.
6 What they use out of that, they don't provide us
7 with a description or a step-by-step diagram of
8 how the data was used. So I don't know what data
9 they use. I know what data they requested and
10 that the data is provided.
- 11 Q. Okay. And since you've been there on the Second
12 Injury Fund's end or on the IRF's end, who's
13 providing the information to KPMG?
- 14 A. There's a programmer who did work for Second
15 Injury Fund.
- 16 Q. And who is that?
- 17 A. His name is Roy Bankston.
- 18 Q. Can you spell the last name?
- 19 A. B-A-N-K-S-T-O-N.
- 20 Q. All right. And is Roy a full-time employee of
21 the Insurance Reserve Fund?
- 22 A. No.
- 23 Q. Who's he with? Where --
- 24 A. He works with the Department of Administration,
25 Department of Technology operations.

1 Q. Okay. So he's like the computer guy who knows --

2 A. Yeah.

3 Q. -- how to access all the information that --

4 A. Yes.

5 Q. -- KPMG's asking for? Okay. And has he been
6 that person throughout your tenure?

7 A. Yes.

8 Q. Okay. And I assume he knows who he deals with at
9 KPMG, but from your standpoint in terms of
10 contacts with KPMG, the only person you know of
11 is Patty Smollen?

12 A. I know -- I see some other names. The one that
13 comes to mind is a Quinton Mosteller. Don't ask
14 me how to spell that.

15 Q. I think I know how to spell that one, believe it
16 or not.

17 A. And I don't know the capacity. I don't know what
18 he does.

19 Q. Senator Campsen's sister is -- she used to be, I
20 don't know if she still is but Cyndi Mosteller
21 down in Charleston who's the County Republican
22 Party Chairman.

23 MR. COOK: That's sort of a Lowcountry name.

24 MR. WOOD: Yeah, yeah.

25 BY MR. WOOD:

- 1 Q. And those contact, has it been Ms. Smollen and
2 Mr. Mosteller throughout your tenure?
- 3 A. Those names are copied on emails --
- 4 Q. Okay.
- 5 A. -- between myself and Ms. Smollen.
- 6 Q. Who at the Insurance Reserve Fund made the
7 decision not to continue reimbursements on the
8 claims involving CAGC Insurance and Lumbermens
9 Mutual Casualty Company?
- 10 A. I don't know on CAGC Insurance, and I don't know
11 who made the decision on Lumbermens. There is a
12 copy of an email I think that I've seen where the
13 supervisor -- supervising claims examiner
14 directing his subordinates not to process any
15 more Lumbermens claims.
- 16 Q. And who was that?
- 17 A. Pete Calamas.
- 18 Q. Pete's retired now. I've known Pete a long time.
19 Did you have any overlap with him there at --
- 20 A. A little.
- 21 Q. A little brief --
- 22 A. Yes.
- 23 Q. Okay. And you don't know about CAGC?
- 24 A. No.
- 25 Q. Okay. And was that already in place by the time

1 you arrived, or was that something that occurred
2 after you came onboard? And I think you came
3 onboard, if I'm thinking back clearly here, May
4 of 2014?

5 A. '14, yeah. I can't say definitely. I know the
6 -- with CAGC, it was on the assessment that was
7 finishing up when I got there. So I knew that
8 was sort of in process, hey, these guys haven't
9 paid, what do I need to do? Well, they're --

10 Q. So CAGC's delinquency occurred about the same
11 time you came on?

12 A. Yeah, their last payment would have been due
13 about a month before I came on.

14 Q. Okay.

15 A. Assuming that their second notices went out with
16 the same dates that I use.

17 Q. Okay. But generally --

18 A. Yeah.

19 Q. -- about that same time period? Okay. And
20 Lumbermens, you don't know -- you don't know
21 whether Pete's email predated --

22 A. I don't know what the circumstances were that led
23 up to that.

24 Q. Okay. Now, just in general, you mentioned these
25 call data letters that you send out.

- 1 A. Uh-huh.
- 2 Q. I think that usually goes out, you say, about
- 3 this maybe coming up here for the next year; is
- 4 that right?
- 5 A. Let's see, we send the data calls out, I believe,
- 6 we try to get them out around June 1.
- 7 Q. And that happens just once a year?
- 8 A. Yes.
- 9 Q. All right. What happens if you -- if you don't
- 10 get a call letter back or return information
- 11 back?
- 12 A. I call them. I call them, I email them, I need
- 13 you to send it, please, please, please, please
- 14 send me something --
- 15 Q. Okay.
- 16 A. -- you know.
- 17 Q. And if that doesn't happen, what is the -- what
- 18 happens?
- 19 A. I don't -- that's not occurred. We've got a data
- 20 call letter back from everybody that we've sent
- 21 them to.
- 22 Q. Okay.
- 23 A. Sometimes we get a response by email we didn't
- 24 pay any losses and don't bother me anymore, that
- 25 sort of thing but --

1 Q. In particular with CAGC, would a call letter have
2 gone out -- so the timeline is you come onboard
3 about April of 2014, we think the second
4 installment for that fiscal years assessment
5 would have been due about that time and CAGC
6 didn't pay it, according to your testimony.
7 Would another call letter have gone out to CAGC
8 in June of '14?

9 A. If they were on A.M. Best's list of companies
10 that paid losses during the 2013 calendar year,
11 they would have gotten a call letter.

12 Q. Okay. And you don't recall not getting a -- you
13 say you've never gotten -- had a situation since
14 you've been there where you didn't get the
15 information?

16 A. The big file that you have there, the printout of
17 all of which this is a subset --

18 Q. Yes, sir.

19 A. -- doesn't show anything for them for 2013, for
20 calendar year 2013. So that's evidence to me
21 that they didn't get a data call letter.

22 Q. And that data call letter would have gone out
23 June 1 or thereabouts of 2014?

24 A. That's correct.

25 Q. Okay. All right. And I've think you've

1 testified a number of times if there are no
2 losses then there's no assessment?

3 A. That's correct.

4 Q. Assessment yields zero?

5 A. You report to me that you don't pay any losses,
6 you don't get assessed.

7 Q. Okay. And I guess you would presume that if A.M.
8 Best doesn't -- if they're not on the A.M. Best
9 list, then according to A.M. Best, they haven't
10 paid any losses?

11 A. No. If they're on the A.M. Best list --

12 Q. Yeah.

13 A. -- they get a data call letter from me.

14 Q. Right. Okay.

15 A. Yeah.

16 Q. Now, do you know why -- what is the -- what is
17 the criteria for the list that A.M. Best
18 generates?

19 A. I do not know.

20 Q. Okay. All right. So if they're on the list,
21 they get a data call letter? If they're not on
22 the list, no data call letter?

23 A. They don't get a data call letter.

24 Q. And just so we're clear, you've got a pool of
25 entities paying into the five-year \$60 million

1 plan and if somebody drops out for whatever
2 reason, say they go liquidate or they, you know,
3 go belly up, the \$60 million is still going to be
4 raised in subsequent years, it's just going to be
5 apportioned amongst less number of entities,
6 correct?

7 **A. There will be fewer entities assessed.**

8 **Q. Okay. But the \$60 million is raised?**

9 **A. Yes.**

10 **Q. Okay. So going back to CAGC in 2014 shortly**
11 **after you come on with the call letter that went**
12 **out on June 1, you've drawn the educated**
13 **conclusion or guess that CAGC didn't get a data**
14 **call letter that year or one would not have been**
15 **sent on June 1 of 2014 or thereabouts?**

16 **A. Yes.**

17 **Q. Okay.**

18 **A. Yes.**

19 **Q. If one had -- who would it have been directed to**
20 **if the -- if CAGC had been liquidated in January**
21 **2014? If there was one to be sent, who would it**
22 **have been sent to?**

23 **A. Each data call letter, each entity has contact**
24 **information.**

25 **Q. Okay.**

- 1 A. So whoever was showing in the contact information
2 for a carrier or a self-insured, that's to whom
3 it's addressed.
- 4 Q. And that's from the A.M. Best list?
- 5 A. Yes and no. A.M. Best provides us with a list of
6 contacts. Sometimes we find out through
7 experience that that's not the correct contact --
- 8 Q. Right.
- 9 A. -- or the correct address or that sort of thing.
10 So we've adopted a practice of if you email me or
11 you send me something on your letterhead that
12 says your contact information is different from
13 what A.M. Best and I'm getting results from you,
14 that is, I'm getting data call letters returned
15 and you're responding to the assessment --
- 16 Q. You'll use that address?
- 17 A. -- then we use that address.
- 18 Q. Okay. But you don't have any specific
19 recollection or knowledge as we sit here today as
20 to who --
- 21 A. Who for CAGC?
- 22 Q. Yeah, particularly in 2014? You already
23 indicated you don't think a letter would have
24 been sent in 2014.
- 25 A. It's 600 of them --

1 Q. Okay.

2 A. -- on the list now, so I don't know what it was
3 back then.

4 Q. Does your office retain copies of the annual A.M.
5 Best list?

6 A. I have them going back to 2010.

7 Q. Okay. When is the second -- when does the
8 Insurance Reserve Fund get that -- get that
9 information from A.M. Best?

10 A. On or about 1st of May.

11 Q. Okay.

12 A. So it's coming close --

13 Q. About a month -- yeah. David, pleasure to meet
14 you today. Appreciate your time. Robert may
15 have some questions.

16 MR. COOK: I have no questions.

17 MR. WOOD: Okay. Thank you.

18 (There being nothing further, the deposition concluded at
19 3:31 p.m.)

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25

1	BEFORE THE		
2	SOUTH CAROLINA WORKERS' COMPENSATION COMMISSION		
3	Michael Quarles,	)	SCWCC NO. 9928766
4	Claimant,	)	
5	vs.	)	
6	Cryovac Sealed Air	)	
7	Corporation,	)	
8	Employer,	)	
9	Robert Dale Kimbrell,	)	
10	Employee/Claimant,	)	
11	vs.	)	
12	Chapman Concrete Products,	)	SCWCC NO.: 0009632
13	Inc.,	)	
14	Employer, and	)	
15	CAGC in Liquidation f/k/a	)	
16	CompTrust AGC of S.C./SCPCIGA,	)	
17	Carrier,	)	
18	Defendants.	)	

15 DEPOSITION OF

16 J. SMITH HARRISON, JR., CPCU

17 *****

18 Wednesday, March 8, 2017

19 3:07 p.m. - 4:05 p.m.

20 The deposition of J. SMITH HARRISON, JR., CPCU, was

21 taken before Andrea R. Taylor, a notary public in and for

22 the State of South Carolina, commencing on Wednesday, March

23 8, 2017, at the offices of South Carolina Property and

24 Casualty Insurance Guaranty Association, 240 Stoneridge

25 Drive, Suite 101, Columbia, South Carolina, pursuant to

Notice of Deposition.

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EXHIBITS

(There were no exhibits marked during this deposition.)

1 Q. Okay. Do people call you Smitty, typically?

2 A. Smitty, yes.

3 Q. Okay. All right. I'm assuming that you've had
4 your deposition taken previously; is that the
5 case?

6 A. Yes.

7 Q. How many times you think you've had it taken?

8 A. I'd say four or five.

9 Q. Okay. All right. Well, you sat through Chris'
10 deposition. A couple of things, if you have a
11 question about the question that I ask, you don't
12 understand it, I mumble or whatever, let me know
13 that, all right?

14 A. Okay.

15 Q. If you answer, I'm going to assume that you both
16 heard and understood the question unless you tell
17 me that was not the case, okay?

18 A. All right.

19 Q. This is not intended to be an endurance contest,
20 and I don't think that'll be a problem, but if
21 you need to take a break, just let me know, all
22 right?

23 A. I will.

24 Q. You're doing a great job. Always try to give me
25 a clear, verbal response to the question rather

1 than nodding your head or shaking your head
2 because I'll know what you mean, but the court
3 reporter is going to have a devil of a time
4 indicating exactly what you meant, all right?

5 **A. Yes.**

6 Q. All right. Good deal. Okay. Where are you
7 employed, Mr. Harrison?

8 A. I am technically employed by the South Carolina
9 Wind and Hail Underwriting Association --

10 Q. Yes, sir.

11 A. -- as executive director. Part of my
12 responsibilities include being the executive
13 director of the South Carolina Property and
14 Casualty Insurance Guaranty Association.

15 Q. All right. For purposes of this deposition, if I
16 use the phrase Guaranty Association, can we just
17 agree that by that I mean the Property and
18 Casualty Insurance?

19 A. Yes.

20 Q. Okay. So your paycheck actually is from the Wind
21 and Hail people; is that right?

22 A. Yes.

23 Q. Okay. What is the structure of the Guaranty
24 Association? You're the executive director you
25 said?

1 **A. Yes.**

2 Q. In terms of the day-to-day functioning of that
3 entity, do you report to anybody, or are you the
4 last person in the chain of command?

5 **A. I report to a board of directors.**

6 Q. How large is the board?

7 **A. Seven member companies.**

8 Q. All right. Are they -- does the membership
9 rotate, or are they set in stone who the member
10 companies are?

11 **A. There are elections every three years and then we**
12 **submit the election results to the Insurance**
13 **Department.**

14 Q. All right.

15 **A. There is Insurance Department oversight, so.**

16 Q. How frequently does the board meet?

17 **A. Generally, twice a year.**

18 Q. That being the case, it would seem that on a day-
19 to-day basis you're probably free to operate as
20 you deem best subject to ultimate board
21 oversight; is that accurate?

22 **A. Within their guidelines or directions, yes.**

23 Q. Okay. How long have you been the executive
24 director of the Guaranty Association?

25 **A. Since December 1993.**

1 Q. Okay. Is that coterminous with the time that you
2 were hired to do the Wind and Hail?

3 A. Yes. I was hired to do both at the same time.

4 Q. If you take your work with the Wind and Hail
5 Association and your work with the Guaranty
6 Association, does that equal 100 percent of your
7 work, or are there other things also?

8 A. I also serve as the special deputy receiver for
9 the South Carolina Insurance Company in
10 liquidation and special deputy receiver for the
11 Consolidated American Insurance Company in
12 liquidation.

13 Q. So there are two liquidated insurance companies
14 that you are a receiver for?

15 A. Yes.

16 Q. All right. Of those functions, including the
17 Wind and Hail, the Guaranty Association, and the
18 receiver work, what takes up most of your time?
19 And, by that, I mean which -- which entity takes
20 up most of the time that you spend working?

21 A. I would say the Wind and Hail Association.

22 Q. What does the Guaranty -- broadly understood,
23 what Guaranty Association do; what is its
24 purpose?

25 A. Our goal is to protect South Carolina consumers

1 should their insurance company go bankrupt or
2 insolvent. Then in accordance with the Guaranty
3 Act, we pick up those claims and pay them on
4 behalf of the insurance industry.

5 Q. And that's all with regard to a specific South
6 Carolina statute or series of statutes governing
7 the Guaranty Association?

8 A. Yes.

9 Q. As I understand it, the insurance companies do
10 not go bankrupt but each individual state has a
11 sort of a liquidation process; is that an
12 accurate statement?

13 A. Could you repeat that again?

14 Q. You mentioned bankrupt or insolvent. I've not
15 known insurance companies to actually go
16 bankrupt. Aren't they always required to go
17 through an insolvency process?

18 A. Yeah, they are insolvent.

19 Q. All right. And I guess the rules are different
20 for all 50 states?

21 A. The company -- the liquidation is based on the
22 company's state of domicile and the liquidation
23 act in that state.

24 Q. Right. Okay. Is there a fairly normal process
25 in this whole liquidation process? I mean, are

1 there -- generally recognized steps from an
2 insurance company's in trouble to there's no
3 longer an insurance company anymore?

4 **A. I would say yes.**

5 Q. What are they?

6 **A. Some run smoother than others --**

7 Q. Yes, sir.

8 **A. -- let's just say that.**

9 Q. What's the first step?

10 **A. The first key step would be the domestic state**
11 **insurance company issuing an order of insolvency**
12 **and getting a court of competent jurisdiction to**
13 **issue a final order of insolvency.**

14 Q. What's the impact of a final order of insolvency?

15 **A. It triggers the Guaranty Associations.**

16 Q. All right. Now --

17 **A. Sometimes there's pre-insolvency work going on.**
18 **May go into rehabilitation transition, but in**
19 **answer to your direct question, that's how a**
20 **liquidation --**

21 Q. All right.

22 **A. -- officially starts.**

23 Q. Once there begins to be a problem with, I guess,
24 the financial underpinning of any insurance
25 company, that company can seek the protection of

1 the state insolvency laws?

2 A. I think it's the other way around. I think the
3 state --

4 Q. Realizes there's a problem --

5 A. Yes.

6 Q. -- and then seeks to apply that? Okay. I've
7 heard the phrase "rehabilitation" used in
8 connection with insurance companies. That -- how
9 is that different from liquidation?

10 A. In rehabilitation, the domestic state insurance
11 department takes over the control of the
12 insurance company and operates it at their
13 direction.

14 Q. Is the goal to try to resurrect it and have it
15 become a going concern?

16 A. That could be the goal, but I would say almost
17 every case, it's to transition into liquidation.

18 Q. Okay. To provide for an orderly process?

19 A. Yes.

20 Q. All right. Without regard to any particular
21 insurance company, if an insurance company begins
22 that insolvency process or those type of
23 proceedings are started against an insurance
24 company, does the Guaranty Association
25 automatically get notice of that, or is it at

1 some later point in the process that they get
2 notified?

3 A. It varies depending on what's taking place and
4 which department -- insurance department. Some
5 are very secretive and won't give any notice,
6 others will not.

7 Q. All right.

8 A. Some are very cooperative and alert the guaranty
9 associations in advance to prepare, make for a
10 smooth transition.

11 Q. The claims that we're here on today involve two
12 different insurance companies: one is Lumbermens
13 and I believe the other is the -- was is it
14 Association of General Contractors?

15 A. Yes.

16 Q. All right. With regard to Lumbermens, what was
17 its state of domicile; do you recall?

18 A. Illinois.

19 Q. All right. And do you recall how you found out
20 about the insolvency of Lumbermens?

21 A. We were at -- at the time signatures to a
22 confidentiality agreement with the Illinois
23 Insurance Department, and they shared select
24 information with us. They went into
25 rehabilitation for many years before going

1 insolvent. So, I mean, I don't recall exactly
2 how we got notice this is the day they're going
3 into liquidation.

4 Q. Is the fact that there was that confidentiality
5 agreement, did that give the state authorities in
6 Illinois the ability to kind of give you an
7 earlier heads up that there might be problems,
8 because they knew you would keep that information
9 confidential?

10 A. They gave us information they thought was
11 appropriate. I will tell you the Florida
12 Guaranty Association violated that agreement and
13 we were cut off for a while.

14 Q. Okay. All right. Approximately how many years
15 was Lumbermens in rehabilitation?

16 A. In round numbers, I'd say almost ten years.

17 Q. Okay. And, at some point, they were declared
18 insolvent and there was a final order of either
19 insolvency or liquidation?

20 A. Yes.

21 Q. When was that approximately?

22 A. I'm thinking that was in May of 2013. I think
23 this morning we were discussing whether it was
24 the 8th or the 10th.

25 Q. Okay.

1 MR. WOOD: Robert, I don't mean to interrupt, but I've
2 got extra copies of -- or you have copies?

3 MR. COOK: Yeah, I do -- I do, yeah. And I'm -- at
4 this point, I'm not looking for a specific
5 figures anyway.

6 MR. WOOD: All right.

7 BY MR. COOK:

8 Q. Based upon your -- what you just testified to a
9 minute or so ago, there would have been an
10 approximately ten-year period before May of 2013
11 that -- that the Guaranty Association of South
12 Carolina was aware there were some issues with
13 Lumbermens?

14 A. Yes.

15 Q. What did you do with that information? How did
16 you use it?

17 A. Specifically, we used very little bit of it. We
18 have a national association and have committees
19 and they worked with -- at the time, it was the
20 Kemper. They changed the name to Lumbermens
21 later.

22 Q. Uh-huh.

23 A. And getting data, how do you show claims files,
24 will you be able to give us statistical
25 reporting, those kinds of issues.

1 Q. Were you receiving any of that information prior
2 to the final order of liquidation?

3 A. Probably not. They were working -- the committee
4 was really working with it.

5 Q. All right. On a percent basis, how many
6 companies go through this insolvency process that
7 end up actually liquidated and the claims being
8 transferred to the Guaranty Association? Is it
9 close to 100 percent?

10 A. I would say yes.

11 Q. Okay. Would it be accurate to say then that once
12 you were made aware by the Illinois State
13 authorities of issues with Lumbermens that you
14 could have reasonably anticipated that those
15 claims would, at some point, come under the
16 control of the Guaranty Association?

17 A. We believed at some point they would come to us,
18 yes.

19 Q. Okay. All right. All right. How did you find
20 out about the -- I think, is CompTrust the name
21 that they use for the Association of General
22 Contractors?

23 A. It was called CAGC was the insurance company.

24 Q. Okay. All right. CAGC. When did you find out
25 about that company being in liquidation?

1 A. The actual liquidation I think was -- we heard
2 shortly before it actually went into liquidation
3 from the North Carolina Insurance Department.

4 Q. Okay. And what year was that?

5 A. That would have been in probably November 2013.

6 Q. All right. Were you aware of any problems with
7 CAGC before November of 2013?

8 A. We had received a phone call from an attorney
9 wanting us to confirm that we would pay the
10 claims of their self-insurance trust that existed
11 before the claim.

12 Q. Do you remember when --

13 A. We said no.

14 Q. Okay. Do you remember when that phone call was?

15 A. No.

16 Q. All right. What sort of staff does the Guaranty
17 Association have?

18 A. Today they have -- I serve as executive director.
19 Rick Amick serves as our chief financial officer.
20 Brad Woodward is controller. Randy Mason serves
21 as claims manager. Amy Vickers serves as a
22 claims examiner, and Lynn Laag serves as a claims
23 examiner.

24 Q. All right.

25 A. Stacy Gunter handles general ledger.

1 Q. Did those people also have responsibilities for
2 the Wind and Hail?

3 A. They can. We're a small staff and some people
4 move back and forth.

5 Q. Okay. The staff that you just mentioned are --
6 are their duties limited to Wind and Hail and
7 Guaranty Association, or are they also involved
8 in the receiverships that you mentioned?

9 A. They're not involved in the receiver -- well Rick
10 Amick is involved in the receiverships.

11 Q. Okay. With the exception of Rick Amick, are the
12 other people, they do some Wind and Hail and some
13 Guaranty Association?

14 A. Yes.

15 Q. Would all of those people that you just
16 mentioned, were they employed here in by 2013, or
17 have some of them come on later than that?

18 A. Rick Amick was here in 2013. Stacy Gunter was
19 not. Amy and Lynn were here, but I believe they
20 were working at the time full time on the Wind
21 and Hail Association side. Randy Mason was
22 working here on both Wind and Guaranty.

23 Q. Has the size of the staff changed much over the
24 years?

25 A. No.

- 1 Q. Do you -- do you know Doug Crossman?
- 2 A. Yes.
- 3 Q. How do you know Doug Crossman?
- 4 A. One, just from the insurance industry; and then
- 5 second, I have met with him in the past at his
- 6 office.
- 7 Q. Okay. At the Second Injury Fund?
- 8 A. Yes.
- 9 Q. When you had dealings with Doug Crossman, I mean
- 10 that's -- I guess that was context at Second
- 11 Injury Fund?
- 12 A. Yes.
- 13 Q. All right. Okay. How many claims has the Second
- 14 Injury Fund reimbursed the Guaranty Association
- 15 in all?
- 16 A. I don't know off the top of my head.
- 17 Q. Could you -- more than ten? Less than ten?
- 18 A. Oh, certainly more than ten.
- 19 Q. More than ten. Okay. All right. Is there some
- 20 record of that?
- 21 A. I assume we could try to figure that out
- 22 somewhere.
- 23 Q. How would you go about figuring that out? What
- 24 would be the process?
- 25 A. I would see if we could pull that off our

1 **computer system.**

2 Q. Would they be keyed in some particular way that
3 you could --

4 A. **I believe that they would be.**

5 Q. Okay. As like Second Injury Fund reimbursements?

6 A. **Yes.**

7 Q. Has the Guaranty Association -- leaving aside the
8 present litigation, okay, and by that, I mean
9 these two claims that were Kimbrell and Quarles,
10 okay, and leaving aside the claims that were
11 specifically litigated in the earlier matter
12 where you had I think Peter Leventis and Mark
13 Cauthen were representing.

14 A. **Uh-huh.**

15 Q. You're familiar with those?

16 A. **Yes.**

17 Q. Okay. Before all of those, were there claims
18 that the Second Injury Fund had reimbursed the
19 Guaranty Association on?

20 A. **Yes.**

21 Q. All right. Were any of those every litigated or
22 were those all agreements?

23 A. **You mean between the Guaranty Association --**

24 Q. The Second Injury Fund and the Association.
25 Yeah.

- 1 A. Oh, they were all paid by agreement. We never
2 litigated.
- 3 Q. Did the Guaranty Association ever present claims
4 to the Second Injury Fund that were not paid?
- 5 A. I don't recall any.
- 6 Q. Okay. What would have -- what was the -- did you
7 handle the presentation of those claims to the
8 Second Injury Fund?
- 9 A. No.
- 10 Q. All right. You had indicated that you had met
11 with Doug at this office --
- 12 A. Yes.
- 13 Q. -- at the Second Injury Fund. What was the
14 subject matter of the discussions at that time?
- 15 A. Ironically, the same thing we're talking about
16 here today.
- 17 Q. Okay. Explain that a bit, okay.
- 18 A. They were raising questions as to whether they
19 should reimburse us. John Spratt, who was at the
20 time a claims examiner for us for workers comp,
21 and I went and met with Doug and walked him
22 through who we were, what we were doing and why,
23 and they continued to pay us after that.
- 24 Q. How many meetings do you think you had at Doug
25 Crossman's office?

1 A. Two maybe.

2 Q. All right. And were these both in the general
3 context of an explanation as to why the Guaranty
4 Association --

5 A. Yes.

6 Q. -- felt they were entitled to reimbursement?

7 A. Yes.

8 Q. All right. Approximate time frame of those
9 meetings?

10 A. Let's just say the latter of 1990s.

11 Q. Okay.

12 A. I couldn't give you the exact.

13 Q. Sure. And I asked you -- I'm asking you to guess
14 and I get --

15 A. Yeah.

16 Q. -- that, okay. Other than yourself did any -- I
17 think, and you said maybe John Spratt, was
18 anybody else involved on the Guaranty Association
19 end with regard to those discussions?

20 A. No. I do recall we had another meeting with the
21 Second Injury Fund, and Bill Parson was our
22 claims manager at the time, and we answered some
23 questions again for the Second Injury Fund, and
24 then they continued to pay us.

25 Q. Okay. When you were meeting with folks at -- was

1 it just Doug Crossman, or were there other people
2 from the Second Injury Fund who were participants
3 in those discussions?

4 **A. The first meeting was just -- the first set of**
5 **meetings was just with Doug.**

6 **Q. Yes, sir.**

7 **A. That second set was just one meeting. I think**
8 **there may have been two people. I don't recall**
9 **their names.**

10 **Q. You don't know the names?**

11 **A. (Shakes head.)**

12 **Q. Okay.**

13 **A. I remember -- I think one of the people we met**
14 **with walked with a cane, which sticks in my mind**
15 **now.**

16 **Q. I could probably figure out who that was if you**
17 **--**

18 **MR. WOOD: Do you want me to suggest?**

19 **MR. COOK: Is it --**

20 **MR. WOOD: Brooks. Brooks Shealy?**

21 **MR. COOK: Maybe, yeah.**

22 **BY MR. COOK:**

23 **Q. Does that name ring a bell?**

24 **A. That doesn't ring a bell.**

25 **Q. Big tall guy probably ticked you --**

1 A. **Big guy, yeah.**

2 Q. -- off during the course of the meeting about
3 something he said?

4 A. **No. No, no, very nice fellow.**

5 Q. All right. Okay.

6 MR. WOOD: Did he have a prosthetic leg? I mean he
7 lost --

8 MR. COOK: Yeah, yeah.

9 MR. WOOD: -- he lost a limb?

10 BY MR. COOK:

11 Q. Yeah. What was the reason given -- as I
12 understood your testimony just a moment ago, you
13 indicated that the Second Injury Fund called into
14 question the correctness of paying claims
15 presented by the Guaranty Association; did I
16 understand that correctly?

17 A. **I think they wanted to verify whether or not they**
18 **were doing the right thing.**

19 Q. Okay. Did you -- did you feel like the
20 information you provided them helped them make
21 that decision?

22 A. **Yes.**

23 Q. What information did you provide to them?

24 A. **I know they asked for our financial statements,**
25 **and we gave them that.**

- 1 Q. Uh-huh.
- 2 A. **They talked about the role of the Guaranty**
3 **Association.**
- 4 Q. All right. Has the Second Injury Fund at any
5 time ever sent an assessment notice to the
6 Guaranty Association?
- 7 A. **No.**
- 8 Q. All right. If they -- if it had been done, do
9 you think you would have been aware of it?
- 10 A. **Yes.**
- 11 Q. Okay. All right. This question is not as -- I
12 hope not as stupid as it's probably going to
13 sound, which is has the Guaranty Association ever
14 paid an assessment to the -- to the Second Injury
15 Fund?
- 16 A. **No.**
- 17 Q. Has the issue of the Guaranty Association not
18 paying assessments to the Second Injury Fund, was
19 that discussed as part of the overall
20 conversations that you had back in the late '90s
21 or whenever they were?
- 22 A. **Yes.**
- 23 Q. Okay. What was -- what was said and what was the
24 response?
- 25 A. **Specifically, I couldn't tell you. Generally, it**

1 would involve, you know, the -- you know, do you
2 pay assessments? No. Then why should we pay
3 your claims? And we said because the members are
4 paying your assessment, the member insurers are
5 paying your assessments.

6 Q. Okay.

7 A. And they dropped the issue.

8 Q. All right.

9 A. I'm sure it was more involved than that.

10 Q. Yeah, I know. I understand, yeah.

11 A. That's a 30-second summary.

12 Q. Y'all probably talked about guns, too, I imagine,
13 knowing Doug.

14 A. Somehow chili cook offs were part of it.

15 Q. Yeah, there you go. Yeah.

16 A. That I do remember, it was more on chili than it
17 was --

18 Q. Yeah, he's a man of several hats. What role did
19 you play in the -- strike that. Let me ask a
20 different question. What precipitated the
21 decision of the Guaranty Association to have Mark
22 Cauthen and Peter Leventis present a series of
23 claims to the Second Injury Fund for
24 reimbursement, those claims? What led up to
25 that?

1 A. We had been in discussion with the Second Injury
2 Fund, this is when Bill Morrison and I met with
3 them.

4 Q. Uh-huh.

5 A. And I think that the next step was I informed
6 Reliance and Legion of some of the changes that
7 were going on in the Second Injury Fund and that
8 they would not be paying any more claims.
9 Reliance and Legion later communicated to us that
10 they had taken legal action and were getting
11 reimbursed and they expected us to do the same.

12 Q. Now, how did that play out? So obviously -- I'm
13 trying to recall and I'm ashamed to admit I was a
14 participant in some of that litigation, although
15 my recollection of pieces of it is not so great.
16 Reliance and Legion were represented by Dan
17 Addison, I believe; does that name ring a bell
18 with you?

19 A. The name rings a bell, but I wasn't personally
20 involved in the meetings.

21 Q. What sort of interest did the Guaranty
22 Association have separate and apart from what was
23 presented by Reliance and Legion?

24 A. I believe Reliance and Legion were trying to
25 collect on claims they had submitted prior to

1 **liquidation.**

2 Q. Okay. And then your involvement as the Guaranty
3 Association would have been post-liquidation --

4 A. **Yes.**

5 Q. -- matters?

6 A. **That we submitted, yes.**

7 Q. Okay. That makes sense. I thought that's what
8 you were going to say, but okay. Did you have
9 discussions with the Second Injury Fund about
10 payment of those post-liquidation claims prior to
11 getting legal counsel involved?

12 A. **Yes. And we -- as I said, we went out there and**
13 **met with the gentleman you mentioned.**

14 Q. And at that point, I'm -- and I'm guessing that
15 the position of the Fund was they were not going
16 to pay those claims; is that correct?

17 A. **They said they were going to stop, yes.**

18 Q. Stop. Okay. All right. And then that's what
19 led to retention of attorneys --

20 A. **Yes.**

21 Q. -- and presentation of the claims? Okay. All
22 right. In terms of who was making the decisions
23 for the Guaranty Association in the context of
24 that litigation, were you the final -- did the
25 buck stop with you in terms of a decision to

1 handle that litigation?

2 A. Well, obviously the board was aware of what was
3 taking place, but in terms of the decision
4 approval process, yes, I'd say it stopped with
5 me.

6 Q. All right. And I'm trying to recall. I know
7 there was a fairly lengthy settlement conference
8 that was had. Did you participate in that?

9 A. No, but I was called at home.

10 Q. Okay. All right. You were made aware, yes. All
11 right.

12 A. Several times I was called.

13 Q. What was -- what was your understanding and -- as
14 to the terms of the settlement insofar as it
15 affected the Guaranty Association? And by that,
16 I'm talking about the 2013 settlement.

17 A. That it involved the specific claims that they
18 were discussing. I remember talking to Randy
19 Mason from my kitchen and we agreed that the
20 settlement terms did not involve any future
21 claims because I said we can't obligate, you
22 know, people whose claims we don't handle.

23 Q. You mean claims that were not yet in your
24 possession, for lack of a better word?

25 A. Yes, because we didn't know anything about them,

1 whether they had Second Injury reimbursement or
2 didn't. We knew nothing --

3 Q. Okay.

4 A. -- about that.

5 Q. In terms of claims that would have been, and I'm
6 sure I'm not using the phrase you use, but let's
7 say within the portfolio that was being held by
8 Guaranty Association at that time, was it your
9 understanding that all claims that were in the
10 possession of the Guaranty Association at the
11 time of that settlement were to be covered by the
12 terms of the settlement?

13 A. I remember it being Reliance, Legion, and there
14 were references to several American Mutual
15 liability claims and claims we had as of that
16 date of that conference.

17 Q. Well, and that's what -- I guess that's what I'm
18 asking, though. I mean if you -- if you had a
19 claim as of the date of that settlement
20 conference, was it your expectation that whatever
21 you got paid was going to be paid to extinguish
22 all those claims?

23 A. I believe that's correct, yes.

24 Q. Okay. All right. But I believe you testified
25 earlier that it was your understanding if after

1 discussion with Randy Mason --

2 **A. Yes.**

3 Q. -- that it would not include future claims; is
4 that right?

5 **A. That's correct.**

6 Q. When you used the phrase "future claims," tell me
7 what you meant when you said the phrase future
8 claims, okay?

9 **A. Claims that we received after that settlement.**

10 Q. Okay. All right. Now, with regard to the CAGC,
11 you have had -- in connection with the claims
12 being presented now on behalf of CAGC, if I'm
13 understanding the chronology correctly, you had
14 none of those claims in your possession at the
15 time of the 2013 settlement; is that correct?

16 **A. Correct.**

17 Q. Okay. What about with regard to Lumbermens, did
18 you have any of the claims that are currently
19 being presented in your possession at the time of
20 the 2013 settlement?

21 **A. No.**

22 Q. All right. Let me explore that in a little bit
23 more detail. You were aware that there was a
24 likelihood that there would be claims coming to
25 the Guaranty Association from Lumbermens by that

1 time, though; is that accurate?

2 A. We were told they were placed in rehabilitation
3 and --

4 Q. Yes, sir.

5 A. -- they were going to put it in a runoff plan and
6 they doubted that we would -- there was a
7 possibility we would not get any claims.

8 Q. Okay.

9 A. But we have to prepare assuming that they're
10 going to run out of cash at one point and we
11 would take over claims for them. What the claims
12 were or what they looked like or if they were
13 even workers' comp claims we really didn't know
14 at that time.

15 Q. What information would have been available to the
16 Guaranty Association at the time of that
17 settlement in connection with the claims that it
18 got with -- for Lumbermens? Would you have known
19 the claimants' names --

20 A. No.

21 Q. -- the nature of the claims?

22 A. No.

23 Q. When would you have found that out?

24 A. Probably after the liquidation orders, when we
25 would receive that.

1 Q. Okay. And that was I think -- was that May of
2 2013?

3 A. Yes.

4 Q. All right. Well, there again, the settlement, I
5 think, was approved in July of 2013; does that
6 sound right to you?

7 A. For some reason they couldn't finalize the
8 wording.

9 Q. All right.

10 A. And it took them months to finalize it.

11 Q. And I'm -- if I incorrectly put words in your
12 mouth, I'm sure either that you or Mr. Wood will
13 let me know, but as I understand your position
14 today, although -- although the liquidation of
15 Lumbermens occurred in May of 2013 and the final
16 agreement on the settlement with the Second
17 Injury Fund was June of 2013, your position today
18 is that those claims for Lumbermens were not
19 included in the settlement; is that correct?

20 A. That's because we didn't know about it back in
21 February.

22 Q. All right. And that's -- that's the explanation,
23 you didn't know about them then; is that
24 accurate?

25 A. Yes.

1 Q. Okay. All right. Okay.

2 A. And I don't recall the time. We may not have
3 even known about them when the signing was coming
4 on and they were coming.

5 Q. When was a decision made to pursue reimbursement
6 on these Lumbermens claims against the Second
7 Injury Fund?

8 A. My recollection is that we were informed that the
9 Second Injury Fund wouldn't pay. I reached out
10 to Anne Macon Smith and communicated to her that
11 was not my understanding of the settlement. She
12 asked that I send her the settlement agreement,
13 and I did, and then never heard from her. I
14 followed up a few times. And then we received a
15 letter at some point from the Second Injury Fund
16 saying it's not covered, so.

17 Q. Your attorney had asked Chris Lombard several
18 questions about a June 2016 letter that he wrote;
19 is that what you're talking about, or was it
20 different?

21 A. I believe that is the letter, yes.

22 Q. Okay. All right. Did you have conversations
23 with Anne prior to that?

24 A. Yes.

25 Q. What was -- tell me what went on during those

1 conversations.

2 A. Actually, I think I had lunch with her --

3 Q. Okay.

4 A. -- at the Blue Marlin and we talked about a
5 number of topics, such as the State Insurance
6 Reserve Fund was getting ready to do a
7 reinsurance RFP. I think that was the real
8 reason she was getting a --

9 Q. What is an RFP?

10 A. Request for proposal.

11 Q. Okay.

12 A. They were looking at different brokers.

13 Q. Okay. All right.

14 A. That's something that we do on the Wind and Hail
15 side, so she was looking for guidance. And it's
16 at that point I followed up with her, you know,
17 about our agreement and we didn't believe the
18 Second Injury Fund was following it.

19 Q. Had you ever had any discussions -- I don't think
20 -- let me ask it in a clear way. Did you ever
21 have any dealings with Mike Harris at the Second
22 Injury Fund about the compensability of the
23 claims brought by the Guaranty Association?

24 A. I'm trying to think, does Mike now work for
25 Southern Mutual Insurance --

- 1 Q. He's retired now.
- 2 A. Oh. Was he an accountant?
- 3 Q. No.
- 4 A. No. Then he's not the Mike Harris I'm thinking
5 about.
- 6 Q. Okay.
- 7 A. The Mike Harris I'm thinking about, I did not
8 discuss it with him --
- 9 Q. Okay.
- 10 A. -- or anybody named Mike Harris; doesn't ring a
11 bell.
- 12 Q. Mike was the -- was the director of the Fund
13 after Doug Crossman --
- 14 A. No.
- 15 Q. -- retired. Did you ever have any discussions
16 with Steve Elliott at the Budget and Control
17 Board --
- 18 A. No.
- 19 Q. -- about these claims of the Guaranty
20 Association? Would Anne Macon have been -- I
21 knew her as Anne Macon Flynn, but apparently she
22 goes by Smith now.
- 23 A. Yes.
- 24 Q. Was she the only person you had discussions with?
- 25 A. Yes.

- 1 Q. And it sounds like it was fairly early on
2 established that the position of the Fund was
3 that those claims were not owed; is that
4 accurate? Inaccurate?
- 5 A. I would say not responsive --
- 6 Q. Okay.
- 7 A. -- would be a better word --
- 8 Q. At some --
- 9 A. -- they just quit paying and wouldn't respond
10 why.
- 11 Q. At some point was it clear to you that they were
12 not going to pay those claims?
- 13 A. Yes.
- 14 Q. All right. What was the precise reason given as
15 to why those claims would not be paid?
- 16 A. That the settlement agreement excluded all future
17 claims.
- 18 Q. All right. Did you have -- did you play any --
19 any particular role with regard to the drafting
20 of the settlement language?
- 21 A. Did I personally? No.
- 22 Q. All right. You relied upon your attorneys to --
- 23 A. Yes.
- 24 Q. -- do that? What role did Randy Mason play with
25 regard to that? Was he just there, or did he

1 play a different role?

2 A. He's an experienced claims manager with a lot of
3 workers' comp experience, so he was participating
4 as our representative.

5 Q. Okay. How were these -- the claims that the
6 Guaranty Association now seeks payment from the
7 Fund on both with regard to Lumbermens and CAGC,
8 how were they identified?

9 A. I believe they'd previously been filed with the
10 Second Injury Fund and accepted and payments had
11 been made.

12 Q. All right. And there would have been other
13 claims that you got from those two carriers that
14 there was no Second Injury Fund element to?

15 A. Yes.

16 Q. Was it just a matter of going through those files
17 and looking to see if there was an agreement or
18 --

19 A. Yes.

20 Q. Who did that?

21 A. Randy Mason. I should say Amy Vickers may have
22 helped too.

23 Q. Okay.

24 A. Randy would have headed up that project.

25 Q. The makeup of the Guaranty Association, is it

- 1 limited just to insurance companies?
- 2 **A. It's to insurance companies licensed as admitted**
- 3 **companies by the South Carolina Department of**
- 4 **Insurance.**
- 5 Q. So unlicensed insurance companies, not a member?
- 6 **A. That's correct.**
- 7 Q. Self-insureds, not a member?
- 8 **A. Correct.**
- 9 Q. State Accident Fund, not a member?
- 10 **A. No.**
- 11 Q. But if you're a properly licensed workers' comp
- 12 insurance company within the -- within -- under
- 13 South Carolina law, then you're per se a member
- 14 of the Guaranty Association?
- 15 **A. Yes. Any company -- auto, homeowners, liability**
- 16 **-- would be a member.**
- 17 Q. And it's not something that they seek to join, by
- 18 force of law they're members; is that right?
- 19 **A. Yes.**
- 20 Q. And y'all have --
- 21 **A. They'd quit if they could.**
- 22 Q. Yeah. And y'all have some -- I assume when you
- 23 pick up the -- the existing claims of now
- 24 insolvent insurance companies like Lumbermens and
- 25 CAGC, where do the funds come to pay those

1 claims?

2 A. Several sources. The primary source is we send
3 out a bill to the insurance industry. In the
4 case of Lumbermens and CAGC is they were all
5 workers' -- oh, excuse me, I shouldn't say that
6 for Lumbermens, there's some other claims in
7 there. Just about -- let's just talk about the
8 workers' comp claims.

9 Q. All right.

10 A. We bill the workers' comp carriers doing business
11 in South Carolina.

12 Q. Is there a formula that you use to prorate the
13 amounts sought?

14 A. Yes. If a company were to go insolvent today in
15 March 2017, we would look at their workers'
16 compensation writings as of December 31, 2016,
17 and take a picture.

18 Q. All right.

19 A. And they're in the picture forever, and as long
20 as we're assessing the company -- for the company
21 insolvent today, we'll go back to year end 2016.
22 We can assess one or two percent of their written
23 premium per year.

24 Q. Is it sort of a market share thing? The more
25 market share, the more --

- 1 A. Yes.
- 2 Q. -- you will get assessed?
- 3 A. Yes.
- 4 Q. Okay.
- 5 A. That's one source of income to us. The second is
- 6 sometimes the South Carolina Department of
- 7 Insurance has a statutory deposit at the
- 8 Insurance Department. The issue with that is
- 9 they're very small and takes years to get it.
- 10 Q. Right.
- 11 A. And then our third source is sometimes the
- 12 insolvent companies will give us what's called
- 13 early access money. They'll advance us some
- 14 money.
- 15 Q. And with the expectation that you're going to be
- 16 paying claims down the road?
- 17 A. That they would -- when the estate is finally
- 18 settled out and they distribute whatever assets
- 19 there are, they will go ahead and advance us some
- 20 of that money to pay claims today.
- 21 Q. If you assume that at some point these two
- 22 claims, the Quarles claim and the Kimbrell claim,
- 23 were either -- were found to be reimbursable by
- 24 the Second Injury Fund now that they're held by
- 25 the Guaranty Association, what will the Guaranty

1 Association do with that reimbursement?

2 A. Well, we will report it to like CAGC, we paid X
3 dollars, we collected so much from the Second
4 Injury Fund so our net claim against that estate
5 one day is smaller, which means that's a smaller
6 assessment we'll send out to all the member
7 companies to make up the difference.

8 Q. And so -- so it's sort of a -- I guess it's an
9 administrative type claim that the Guaranty
10 Association has against the insolvent carrier to
11 recoup what they've paid out?

12 A. I wouldn't use administrative.

13 Q. Okay. Fair enough.

14 A. There is an administrative what it costs to run
15 the Guaranty Association like for the executor of
16 an estate. Then there's another class for claims
17 paid, and that would be a smaller claims paid
18 filing.

19 Q. Okay.

20 A. Whether they reimburse us three cents on the
21 dollar or 95 percent or 100 percent on the
22 dollar, you have to check back with us in 30
23 years and we'll let you know.

24 Q. Yeah. And typically, it's not a dollar for
25 dollar type thing, is it --

- 1 **A. No. No.**
- 2 Q. -- to be paid out? Yeah.
- 3 **A. For example, in CAGC, I don't think they really**
4 **have any money, so --**
- 5 Q. Okay.
- 6 **A. -- we're paying those claims.**
- 7 Q. When you at the beginning of your deposition
8 testified that you were a special receiver for
9 two insurance companies, I guess that's the hat
10 you -- when you wear that hat, you're doing some
11 of what we just talked about, which --
- 12 **A. Yes.**
- 13 Q. -- is taking care of assets that may come in and
14 what goes out and trying to get -- at some point
15 figure out what's the bottom line on this
16 situation; is that --
- 17 **A. Yes.**
- 18 Q. Yeah. Okay. Do you know how it would affect the
19 assessment responsibilities of the Second Injury
20 Fund if these claims that are being presented by
21 the Guaranty Association were paid?
- 22 **A. I'm not sure I fully understand your question.**
- 23 Q. I'll try to break it --
- 24 **A. Okay.**
- 25 Q. -- in just some pieces then. Are you aware that

1 the Second Injury Fund has a statutory
2 responsibility to assess participants in the
3 Second Injury Fund process?

4 A. Yes.

5 Q. Are you aware of how that works now that they're
6 being sunsetted as opposed to how it worked
7 before the sunset provision?

8 A. I heard about that this morning.

9 Q. Okay. All right.

10 A. Or this after -- early this afternoon.

11 Q. All right. Then I guess the question is this: Do
12 you know whether there would be any impact on the
13 Second Injury Fund's assessment responsibilities
14 if it pays these claims to the Guaranty
15 Association or not?

16 A. No, I don't know.

17 Q. Okay. What is your understanding as to what the
18 total dollar value of the reimbursement to be
19 sought on behalf of Lumbermens is in connection
20 with the guaranty -- with -- in connection with
21 the claims against the Second Injury Fund?

22 A. I don't know what the dollar amount is. I know
23 it's an ongoing process --

24 Q. Right.

25 A. -- as we pay claims.

- 1 Q. Okay. But in terms -- has that been analyzed, to
2 your knowledge, what that is likely to be?
- 3 A. I'm sure we have those numbers somewhere.
- 4 Q. Okay. And also equally true for the CAGC?
- 5 A. Yes.
- 6 Q. All right. I want to go back to something you
7 raised at the beginning, which was you indicated
8 that you thought that there were more than ten
9 claims that had been reimbursed by the Second
10 Injury Fund.
- 11 A. Over the years, yes.
- 12 Q. Okay. Going back to the time that you started in
13 1994 --
- 14 A. '93, yes.
- 15 Q. '93. Okay. All right. And you think that would
16 be -- that list could be ascertained and the
17 amounts reimbursed described in all of that?
- 18 A. I think we could pull some of that. I think the
19 Second Injury Fund would probably know better
20 what they paid us.
- 21 Q. You'd think that, wouldn't you, but, you know, I
22 wouldn't -- I wouldn't necessarily assume that.
- 23 A. As I don't --
- 24 Q. Yeah.
- 25 A. -- handle that data file, I couldn't tell you --

1 Q. Sure.

2 A. -- but I'm under the impression that, at least
3 for a number of those years, we would be able
4 access that.

5 Q. Did the Guaranty Association have a third-party
6 reimbursement consultant handle those or were
7 they handled in-house?

8 A. We've used a third party.

9 Q. Was that Reimbursement Consultants?

10 A. I believe that was their name.

11 Q. All right.

12 A. Although there have been several of them.
13 Sometimes they were previously handling the
14 claims depending on who the insolvent company was
15 and --

16 Q. So with regard to these claims that you've
17 indicated were being reimbursed by the Second
18 Injury Fund, would all of those been handled by
19 third-party companies?

20 A. I believe that they were.

21 Q. All right. Do you know whether any type of new
22 agreement or new documentation was entered into
23 between the Guaranty Association and the Second
24 Injury Fund, or was there just a continued
25 reliance upon the previous agreements before the

1 insurance companies went insolvent?

2 A. I believe it was based on their accepting it from
3 that company, from the insolvent company.

4 Q. So nothing -- there was no new agreement with
5 anybody?

6 A. I don't believe there was, no.

7 Q. All right. So the documentation would be, I
8 guess, the checks, for lack of a better word?

9 A. Yes.

10 Q. Okay. All right. Give me just a second, okay?

11 A. Sure.

12 Q. I do have a -- while I'm looking at my notes,
13 there were several, either two or three claims
14 specifically mentioned within the settlement
15 agreement back in 2013; you know what I'm
16 referring to?

17 A. Yeah, there was -- there was some American Mutual
18 claims that were --

19 Q. I forget, but there were several mentioned by --
20 by name, yeah. Yeah. It looks like American
21 Mutual and those -- were those ones that the
22 Second -- that the Guaranty Association was
23 receiving ongoing payments from the Fund at the
24 time of the settlement?

25 A. Yes.

- 1 Q. All right.
- 2 A. And I believe they were -- they were included in
3 the settlement --
- 4 Q. All right.
- 5 A. -- because they wanted to get out -- go ahead and
6 settle those.
- 7 Q. And would it -- is it accurate then to say that
8 those would have been the only three claims of
9 which the Guaranty Association was aware that it
10 was receiving current reimbursement from the Fund
11 on? My question is were there others that
12 weren't mentioned?
- 13 A. I believe that there were others --
- 14 Q. Then you would have --
- 15 A. -- or there could have been.
- 16 Q. Okay.
- 17 A. There could have been.
- 18 Q. Okay. How would we determine that if that was
19 the case?
- 20 A. I can ask Randy Mason to research it.
- 21 Q. Okay. All right.
- 22 A. Our focus was on the Reliance and Legion, and I'm
23 not really sure how the American Mutual claims
24 popped up in there.
- 25 Q. Yeah.

1 **A. They were, and they were included.**

2 Q. Okay.

3 MR. COOK: I believe that's all that I have, Mr.

4 Harrison.

5 MR. WOOD: Robert, I've got a few.

6 MR. COOK: Sure.

7 EXAMINATION

8 BY MR. WOOD:

9 Q. Smitty, just picking up on Mr. Cook's questioning
10 with regard to the settlement agreement
11 concerning the Legion and Reliance cases. As of
12 February 22 of 2013, was the Guaranty Association
13 being paid by or receiving reimbursement from the
14 Second Injury Fund on any CAGC or Lumbermens
15 claims?

16 A. No. They were not insolvent companies, and we
17 would have not had any involvement with them.

18 Q. In other words, you wouldn't have been paying --
19 you wouldn't have been paying the underlying
20 claims to get reimbursed on?

21 A. We would not have had the claims or knowledge of
22 what was underlying.

23 Q. Okay. And in particular, on the cases that this
24 deposition is noticed under, the --

25 MR. COOK: Quarles and Kimbrell.

1 Q. -- the Quarles and Kimbrell cases, was the Second
2 Injury Fund being paid -- excuse me -- was the
3 Guaranty Association being paid by the Second
4 Injury Fund or reimbursed by the Second Injury
5 Fund for those cases on February 22 of 2013?

6 A. No, we didn't know they existed.

7 Q. Okay. I wanted to ask you one thing. Mr. Cook
8 was asking you about the Legion and Reliance
9 litigation and he made reference -- I think both
10 of you kind of made reference to the fact that
11 Legion and Reliance were participant -- were
12 participating in their own course of litigation
13 against the Second Injury Fund. Was that Legion
14 and Reliance per se, or was that the liquidator
15 -- liquidators in charge of Legion and Reliance
16 at the time?

17 A. That was -- I think those are actually the same
18 people. Their -- the insolvent insurer becomes
19 Reliance Insurance Company in liquidation and the
20 special deputy receiver or receiver is basically
21 the CEO/president of those companies.

22 Q. Okay. But it was after the insolvencies
23 obviously?

24 A. Yes.

25 Q. Okay. Now, Mr. Cook asked you a little bit about

1 the structure of the Guaranty Association --

2 A. Uh-huh.

3 Q. -- and I kind of want to go over that a little
4 bit with you. All property and casualty --
5 licensed property -- admitted licensed property
6 and casualty insurers --

7 A. Yes.

8 Q. -- are members?

9 A. Yes.

10 Q. Okay. And within the overall membership, is
11 there any breakdown of categories?

12 A. There are four statutory accounts: homeowners,
13 auto, all other, and workers' compensation.
14 Covered guaranty lines of business fall in one of
15 those four categories.

16 Q. Okay. And in terms of funding of the claims, and
17 Mr. Cook asked you about how do you fund the
18 claims and one of the mechanisms that you
19 mentioned were the -- was the assessment on the
20 member insurers. Is that done on a category-by-
21 category basis? In other words, do workers'
22 compensation member insurers get assessed for
23 workers' compensation liabilities of the Guaranty
24 Association?

25 A. Yes.

1 Q. Okay.

2 A. A company that would write only homeowners would
3 not pay anything for a workers' comp assessment.

4 Q. Okay. To your knowledge, do all of your workers'
5 compensation member insurers pay assessments to
6 the South Carolina Second Injury Fund?

7 A. I'm not aware of any that are not paying them.

8 Q. Okay. Is it fair to say that the Guaranty
9 Association's member workers' compensation
10 insurers who pay assessments to the Guaranty
11 Association to pay workers' compensation
12 liabilities of the Guaranty Association also pay
13 assessments to the South Carolina Second Injury
14 Fund?

15 A. It's my understanding that they do.

16 Q. With regard to the Guaranty Association's
17 liabilities under the Guaranty Act, can you
18 explain in general terms the concept of covered
19 claim, what's -- what is the significance of the
20 term "covered claim"?

21 A. The Act specifically charges the Guaranty
22 Association to pay covered claims. One type is a
23 unearned premium claim or return the unearned
24 portion of the claim -- of the -- of the policy
25 premium. The second type is for a claimant

1 that's a resident of South Carolina or if it
2 involves property located in South Carolina.

3 Q. With regard to workers' compensation claims,
4 covered workers' compensation claims, is there
5 any limitation on the Guaranty Association's
6 liability for that workers' compensation claim to
7 the claimant?

8 A. We pay the full statutory benefit. There is no
9 exception, there's no deductible, there's no
10 statutory cap.

11 Q. Okay. And does that differ from the other
12 categories?

13 A. Yes. We add an additional deductible to a
14 homeowners' policy and will not pay more than
15 300,000. That's not applicable for workers'
16 comp.

17 Q. Now, you mentioned in response to Mr. Cook's
18 questioning the sources of revenue for the
19 Guaranty Association to pay its workers'
20 compensation liabilities, and as I understood
21 your testimony, you were referring to the
22 assessments on your workers' compensation member
23 insurers, as well as the estate of the liquidated
24 carrier?

25 A. Yes.

1 Q. As a result of that funding source or your
2 relationship to those, to your member insurers as
3 well as the estate of the liquidated carrier,
4 insolvent carrier in question, does the Guaranty
5 Association view itself as having any type of
6 fiduciary duties or fiduciary responsibilities to
7 your member insurers, as well as the estate of
8 the insolvent carrier?

9 A. Absolutely. We have a -- well, first, we have to
10 be responsible and do a good job in terms of
11 paying the claim as set forth by the Guaranty Act
12 or by the policy or with workers' comp with the
13 workers' compensation law. We, you know, what we
14 pay out we have to assess the member company so
15 we need to fulfill our obligation, but not over
16 fulfill it to the -- because we submit those as
17 claims against the estate, we have to do a good
18 job because some of those claims are subject to
19 reinsurance, you know, and hopefully that
20 reinsurance will be collected by the state -- by
21 the estate and one day they'll share that with
22 us. So we'll have to do a good job handling it.
23 Some of these employers will submit their data to
24 get an experienced mod, so we need to make sure
25 that we're paying the right amounts for that. So,

1 yes, we have a fiduciary duty to a number of
2 people.

3 Q. And --

4 A. And to the entire estate. If we inflate our
5 claims, then that's less money to go to other
6 claimants across the country.

7 Q. Okay. And what role or what effect do those
8 fiduciary responsibilities play in the Guaranty
9 Association's decision to pursue reimbursement
10 claims in the Lumbermens cases and CAGC from the
11 Second Injury Fund?

12 A. Well, I think we've got an obligation to handle
13 the claim as a standard carrier would, and if
14 there's sources of revenue, salvage, subrogation,
15 Second Injury we would -- we'd do that. I mean,
16 if -- that benefits the reinsurers, that benefits
17 the estate, and again, if they file an experience
18 mod then that would help -- help the employer.

19 Q. And does it benefit your member insurers?

20 A. Yeah, there would be less money we would assess
21 the insurance industry.

22 Q. Okay. And those are the same member insurers who
23 are paying into the Second Injury Fund?

24 A. Yes.

25 Q. Okay. You were here for the deposition with Mr.

1 Lombard earlier and there was a little bit of
2 back and forth on this whole concept of
3 authorized to insure under the South Carolina
4 Workers' Compensation Act. Can you describe for
5 the record the responsibilities, the demands, the
6 regulatory action that the Workers' Compensation
7 Commission takes toward the Guaranty Association
8 as it relates to covered workers' compensation
9 claims under the Guaranty Act?

10 A. Within the scope of covered claims, we become the
11 insurance company. We pay the claims; we pay the
12 benefits; we provide the rehab nurses, you know,
13 whatever a standard company would do, those -- we
14 file the various forms with the Workers'
15 Compensation Commission. If we're late, they
16 fine us. We go to hearings; we pay for attorneys
17 to represent the employer. We're not responsible
18 for any, you know, bad faith on behalf of the
19 insolvent company, but any bad faith of our part
20 in handling the claims we would be subject to.

21 Q. Just an example, if you had a claimant out there
22 who was not represented by a lawyer and he filed
23 a hearing request with the Workers' Compensation
24 Commission on one of these Lumbermens or CAGC
25 cases, who would the Workers' Compensation

1 Commission serve that Form 50 on, Form 50 hearing
2 request on?

3 A. On us.

4 Q. Okay. In your experience, you've been on the job
5 24 years with the Guaranty Association as
6 executive director, as I understood your
7 testimony, does the Workers' Compensation
8 Commission expect and demand that the Guaranty
9 Association pay full amount of any covered
10 workers' compensation claim?

11 A. Yes.

12 Q. For an insolvent carrier?

13 A. Yes. And they send us a lot of mail too.

14 Q. You're familiar with the list, you know the
15 roughly 45 cases, Lumbermens cases and CAGC
16 cases, two of which are the -- this deposition's
17 been noticed under, but you're aware of the
18 others that the Guaranty Association has
19 presented to the Second Injury Fund; you're aware
20 of those?

21 A. Yes.

22 Q. Are all of those claims covered workers'
23 compensation claims that the Guaranty Association
24 is paying the full amount?

25 A. Yes.

1 Q. Including the two specific cases that we're here
2 on today, Michael Quarles and Robert Kimbrell?

3 A. Our discussion today has nothing to do with our
4 obligation to pay those claims.

5 Q. Okay. But Robert --

6 A. We are paying those claims.

7 Q. Robert Kimbrell and Michael Quarles' worker's
8 compensation claims are fully covered workers'
9 compensation claims that the Guaranty Act is
10 responsible for?

11 A. Yes.

12 Q. And you're paying them?

13 A. Yes.

14 Q. Okay.

15 MR. WOOD: I think that's all I have, Robert. Thank
16 you.

17 MR. COOK: All right. Thank you for your time.

18 (There being nothing further, the deposition concluded at
19 4:05 p.m.)

20

21

22

23

24

25

1		BEFORE THE	
2		SOUTH CAROLINA WORKERS' COMPENSATION COMMISSION	
3	Michael Quarles,	)	SCWCC NO. 9928766
4	Claimant,	)	
5	vs.	)	
6	Cryovac Sealed Air	)	
7	Corporation,	)	
8	Employer,	)	
9	Robert Dale Kimbrell,	)	
10	Employee/Claimant,	)	SCWCC NO.: 0009632
11	vs.	)	
12	Chapman Concrete Products,	)	
13	Inc.,	)	
14	Employer, and	)	
15	CAGC in Liquidation f/k/a	)	
16	CompTrust AGC of S.C./SCPCIGA,	)	
17	Carrier,	)	
18	Defendants.	)	

14 DEPOSITION OF

15 CHRISTOPHER M. LOMBARD

16 *****

17 Wednesday, March 8, 2017

18 1:15 p.m. - 2:52 p.m.

19 The deposition of CHRISTOPHER M. LOMBARD, was taken

20 before Andrea R. Taylor, a notary public in and for the

21 State of South Carolina, commencing on Wednesday, March

22 8, 2017, at the offices of South Carolina Property and

23 Casualty Insurance Guaranty Association, 240 Stoneridge

24 Drive, Suite 101, Columbia, South Carolina, pursuant to

25 Notice of Deposition.

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1	EXHIBITS	
2		
3	(SCPCIGA Exhibit Numbers 1 and 2 were marked prior to the	
4	start of the deposition.)	
5	SCPCIGA Exhibit Number 1	
6	(Affidavit of Christopher M. Lombard)	
7	SCPCIGA Exhibit Number 2	
8	(Letter dtd. 6/24/16 Mr. Lombard to Mr. Wood)	
9	SCPCIGA Exhibit Number 3	36
10	(Consent Order)	
11	SCPCIGA Exhibit Number 4	47
12	(Remittitur dtd. 7/2/13)	
13	SCPCIGA Exhibit Number 5	54
14	(Excel spreadsheet)	
15	SCPCIGA Exhibit Number 6	60
16	(Agreement to Reimburse Compensation re: Kimbrell	
17	approved 9/23/10)	
18	SCPCIGA Exhibit Number 7	64
19	(Agreement to Reimburse Compensation re: Quarles	
20	approved 11/21/03)	
21	SCPCIGA Exhibit Number 8	79
22	(Cases Closed between 1/01/2012 and 5/12/2016)	
23	SCPCIGA Exhibit Number 9	79
24	(Client Update Report)	
25		

- 1 today. Thank you for your time. As you know, I
2 represent the South Carolina Property and
3 Casualty Insurance Guaranty Association in
4 connection with a number of reimbursement claims
5 arising out of workers' compensation claims
6 against the Second Injury Fund. I don't know how
7 long we'll be here. Hopefully, we can get
8 through it relatively quickly, but I'm -- have
9 you had your deposition taken before?
- 10 **A. Several times.**
- 11 Q. Okay. So you know the routine. The main thing
12 is to answer the questions verbally so the court
13 reporter can get your responses down. If you're
14 not clear --
- 15 **A. My head isn't going --**
- 16 Q. Okay. If you're not clear about a question,
17 please let me know so we can, so I can rephrase
18 it, make sure you're --
- 19 **A. Sure.**
- 20 Q. -- answering the question I asked, okay?
- 21 **A. Okay.**
- 22 Q. All right. You've stated your full name. Why
23 don't you kind of give me a brief summary of your
24 educational background.
- 25 **A. I have a liberal arts degree from Rutgers College**

1 in New Brunswick, New Jersey. That was in 1984.
2 I hold a few insurance designations, which are
3 CPCU, ARM, AIC.

4 Q. Okay. You've been in the insurance business most
5 of your life, professional life?

6 A. Pretty much all my professional life.

7 Q. Okay. All right. And I think in reading your
8 affidavit, which we have marked over here, the
9 affidavit filed in connection with the Supreme
10 Court litigation, you've been at the South
11 Carolina Insurance Reserve Fund as assistant
12 director of claims since 2012?

13 A. That's correct.

14 Q. Okay. Where had you worked prior to 2012?

15 A. The company was Farm Family Casualty. They're
16 based out of Albany, New York. Their parent
17 company is -- was American National based out of
18 Galveston. And in the state of South Carolina
19 they were American National Property and
20 Casualty.

21 Q. And what did you do with them?

22 A. A mix of things. I was a -- I did special
23 underwriting work for them; I did risk management
24 work for them; I handled claims in multiple
25 states for them; and prior to -- I used to work

1 for them in New Jersey. When I worked for them
2 in New Jersey, I was a claims supervisor for
3 property and casualty claims.

4 Q. And how long were you with them approximately?

5 A. Approximately eight years.

6 Q. Okay. Prior to that?

7 A. Prudential Property and Casualty. They're no
8 longer in business. They sold the business. I
9 was there for 17 years, and everything from
10 starting out as a casualty rep, being a casualty
11 sup, be a multiline sup, working and -- on
12 special projects related to training, working on
13 special projects related to claim systems.
14 Pretty much a gamut of things.

15 Q. Okay. Great. And just curious, what brought you
16 to South Carolina to come on with the Insurance
17 Reserve Fund?

18 A. My job with American National or Farm Family had
19 sort of dead ended.

20 Q. Okay. All right. And what -- tell me exactly
21 what you do, what your role is with the Insurance
22 Reserve Fund as the assistant director of claims.

23 A. As the assistant director of claims, I'm in
24 charge of overall management of all our claims as
25 they relate to the Insurance Reserve Fund. That

1 means our tort claims, professional liability
2 claims, and property claims. We third-party out,
3 we reinsure our auto claims. Additionally to
4 that, when the Second Injury Fund came onboard, I
5 had responsibility for the management of that
6 fairly small claims unit.

7 Q. Okay. And so that kind of brings us to July 1,
8 2013, or had a --

9 A. Yes, correct.

10 Q. Okay.

11 A. Correct.

12 Q. Well, I'm assuming -- I mean, I know that's
13 obviously the statutory changeover date. What
14 type of lead up did your organization or your
15 group participate in in anticipation of taking
16 over on July --

17 A. It was a very short period. We reported to the
18 Budget -- the Insurance Reserve Fund was part of
19 the Budget and Control Board at the time.

20 Q. Right.

21 A. Steve Elliott was the -- forget if he was the
22 chief of staff for the Budget and Control Board
23 or whatever else, but as part of that, he was
24 also acting director of the Second Injury Fund.
25 And he made the decision in May because the

1 Budget and Control Board had the decision as to -
2 - they were charged with seeing how the sunset
3 operations go. They decided to stick it into the
4 Insurance Reserve Fund that, you know, this is
5 yours now.

6 Q. Okay.

7 A. And we only got that in May.

8 Q. Okay.

9 A. Of that year, so May of 2013.

10 Q. Okay.

11 A. So in that short period of time, we had to do
12 everything from office space, moving the files,
13 that sort of thing.

14 Q. And you were involved in that?

15 A. Yes.

16 Q. Okay. So the Insurance Reserve Fund is part or
17 was part of the Budget and Control Board?

18 A. Correct.

19 Q. Okay. Help me out historically, I know that we
20 had a restructuring or --

21 A. Correct.

22 Q. -- a structural reform bill, something along
23 those lines that basically did away with the
24 Budget and Control Board and replaced it with the
25 State Fiscal Accountability Authority.

- 1 A. That's correct, the SFAA is how we termed it.
- 2 Q. All right. When did that happen?
- 3 A. I believe it was, I want to say July 1, 2016, but
- 4 I'm off -- I'm off by a year on that.
- 5 Q. Okay.
- 6 A. It was a fiscal -- it was a fiscal year. I can't
- 7 remember if it was '16 or '15.
- 8 Q. Okay. All right. But it happened within a year
- 9 of --
- 10 A. '15. It was '15. I'm pretty sure it was '15.
- 11 Q. Okay. Roughly two years or so after --
- 12 A. Right.
- 13 Q. -- the Second Injury Fund closed as a separate
- 14 entity and came under the Budget and Control
- 15 Board?
- 16 A. Correct.
- 17 Q. Okay. And just -- we don't need to get into the
- 18 weeds, but I'm just curious how the Budget and
- 19 Control Board was different than the current
- 20 setup with the State Fiscal Accountability
- 21 Authority. I mean, I read the newspapers and I'm
- 22 familiar with the old Budget and Control Board,
- 23 as well as the membership of the SFAA. But
- 24 practically speaking, was there much structural
- 25 change, or did it just change names?

- 1 A. In some ways it just changed names because the
2 Insurance Reserve Fund, my executive director,
3 she reported up to the executive director of
4 what's now the SFAA, just like she did when it
5 was the Budget and Control Board.
- 6 Q. Right.
- 7 A. The one difference was when the SFAA first came,
8 when the split took place, we only had a
9 temporary director -- that was David Avant -- who
10 has now gone back to the administration. I can't
11 think what the name of their --
- 12 Q. And he was the temporary executive director --
- 13 A. Yes.
- 14 Q. -- of the SFAA?
- 15 A. Of the SFAA.
- 16 Q. Okay. And you mentioned Mr. Elliott was the --
17 was he the executive director of the Budget and
18 Control Board during the --
- 19 A. You know, well, I don't know if he was executive
20 director or titled as chief of staff at that
21 time.
- 22 Q. Okay. I've just noticed in some of the -- in the
23 runoff, or the closure plan, funding plan that
24 Robert was kind of enough to produce for us
25 pursuant to the discovery request, the term

1 "executive director" is referenced. And I think
2 when that plan was created, we're going to go
3 over it in some detail later, but it makes
4 reference to an executive director, and at that
5 time, it's talking about the Budget and Control
6 Board. Who would be the executive director
7 that's referred to in the Second Injury Fund
8 closure plan?

9 A. At that time --

10 Q. Well --

11 A. -- or current? Or current?

12 Q. Well, tell me currently and at that -- at the
13 time of.

14 A. At the time, I think it was Steve Elliott. Steve
15 left shortly after this period of time. I don't
16 know when he retired, might have been September,
17 something like that after they came onboard. At
18 that point, I believe it was Paul Koch, was
19 technically the executive director. Well, let me
20 take that back. Take that back. The executive
21 director of the Budget and Control Board was
22 Marcia Adams. Steve Elliott was the chief of
23 staff, I believe. I believe that was his title
24 at the time. Currently, Grant Gillespie is the
25 executive director of the SFAA.

- 1 Q. Okay. And is there a separate director of the --
2 who's the head person with the Insurance Reserve
3 Fund?
- 4 A. **Anne Macon Smith.**
- 5 Q. Okay. And you work under Anne?
- 6 A. **Yes.**
- 7 Q. Okay. All right. You said that in May, it was
8 basically a month of lead time?
- 9 A. **Month and a half.**
- 10 Q. At the time the Budget and Control Board
11 basically put it under the Insurance Reserve
12 Fund, and I guess at that point you had to figure
13 out what to do. So you had, I presume, a number
14 of sort of just getting organized, like you said,
15 office space, staffing, and that sort of thing?
- 16 A. **Correct.**
- 17 Q. You brought over some of the people from the
18 Second Injury Fund?
- 19 A. **They had physical files as well.**
- 20 Q. Right.
- 21 A. **We didn't have physical files, so we had to find
22 room for that sort of stuff. The bringing them
23 over there was a -- that was really controlled by
24 Budget and Control Board HR. They actually made
25 the people post for their jobs and they cut their**

1 salaries.

2 Q. Okay. And who did they bring over from the --
3 who stayed on from the Second Injury Fund?

4 A. Pete Calamas came over as the manager of the
5 Second Injury Fund claims unit, and we had two
6 claims representative processors, I guess you
7 would call them. One was Linda Brown, and one
8 was Linda Manor.

9 Q. Okay.

10 A. M-A-N-O-R.

11 Q. All right.

12 A. There was a fourth person who was supposed to
13 come over. They declined to come over.

14 Q. Okay. All right. And when did Marla come over,
15 Marla Rehborn?

16 A. Pete retired, Pete Calamas retired, perhaps a
17 year or so ago.

18 Q. Right.

19 A. When Pete retired, Marla was already on our
20 staff, on the Insurance Reserve Fund staff
21 handling tort claims and the like. She had
22 experience with this, so we basically split her
23 job, half her job is spent doing Second Injury
24 Fund stuff, managing that, supervising that. The
25 other half, she's doing her regular tort claim

1 work.

2 Q. And I think for a while she had been -- had she
3 gone over to the State Accident Fund when it took
4 over --

5 A. That might have been where we -- we hired her
6 from somewhere.

7 Q. Okay.

8 A. It might have been the State Accident Fund.

9 Q. All right. No big deal. So who's involved now
10 in the Second Injury Fund apparatus at the
11 Insurance Reserve Fund?

12 A. It's a small unit. Linda Manor. I don't know --
13 I don't know technically if she left. She had a
14 workers' comp claim, something, but Linda Manor's
15 gone.

16 Q. Okay.

17 A. So Linda Brown right now is the only full-time
18 employee. As I mentioned, Marla is a half-time
19 employee. And we're currently training a new
20 person, Brittney Williamson, who was a recent
21 college grad we had as an administrative person.
22 And we're training her to -- how to process the
23 claims.

24 Q. Okay.

25 A. So we have a backup to Linda if something

- 1 happens.
- 2 Q. So Linda just -- she's just a claims examiner?
- 3 A. Right.
- 4 Q. Okay.
- 5 A. She's the main claims examiner, with Brittney now
- 6 doing some small stuff.
- 7 Q. Okay. And what do you do on a day-to-day basis?
- 8 A. On a day-to-day basis, I don't have any -- I
- 9 don't have anything with the Second Injury Fund.
- 10 Q. Okay.
- 11 A. What comes up to me is, wow, we're having a
- 12 mediation on this, this is how much money I need.
- 13 Q. Okay.
- 14 A. I'll get a write-up on that. Some sort of
- 15 question comes over about something and they need
- 16 my okay or run it by me.
- 17 Q. Okay. We're going to talk about the funding --
- 18 as I mentioned, the funding plan or the runoff
- 19 plan in detail in a little while. But who --
- 20 since the State Budget and Control Board, IRF has
- 21 taken over operation of the Second Injury Fund,
- 22 who is in charge of the assessment side of
- 23 things? Who deals with that?
- 24 A. Currently, that's David Stooksbury. He's our
- 25 finance manager.

- 1 Q. And what's -- he has other responsibilities with
2 the IRF?
- 3 A. Oh, sure, yes.
- 4 Q. Okay. All right.
- 5 A. That was one -- one of the issues we had when
6 they came over was since everybody didn't come
7 over --
- 8 Q. Right.
- 9 A. -- in every spot, we had to use some of our own
10 Insurance Reserve Fund people to fill in the
11 gaps.
- 12 Q. And was Stooksbury there from the outset?
- 13 A. No. There was -- we had a -- the finance manager
14 at that time was a man by the name of Tim Friar.
15 In fact, he was here when we were doing the move.
16 He retired within two months, perhaps, of them
17 coming over. And David didn't come onboard for
18 another six to seven months. So the first
19 assessment, working with our IT Department, Ann
20 Macon Smith, myself, and we had an administrative
21 person, we're the ones who had to run the first
22 assessment.
- 23 Q. So a team effort?
- 24 A. Exactly.
- 25 Q. Okay. When was the first assessment after the

1 takeover by the -- and I'm just going to use --

2 A. We had -- well, I'm guessing, I think the letters
3 have -- we got the letters out, the initial
4 letters have to go out to the carriers asking for
5 their figures --

6 Q. Right.

7 A. -- was in September of 2013. They had to return
8 them within X amount of days. Once they all come
9 in -- and the biggest problem we had was
10 following up. The person who didn't come over
11 from the Second Injury Fund apparently had that
12 down to a -- to a T. So we scrambled around a
13 bit with that. But once we got everything in,
14 then we were able to do the calculations and send
15 out the initial letter saying, this is what
16 you've reported; this is how much of that \$60
17 million assessment that you owe.

18 Q. Okay. And when would that -- when do estimate
19 that letter would have gone out?

20 A. I believe that would have gone out in -- I
21 believe that would have gone out in -- I believe
22 that would have gone out in December because I
23 think it's two -- it was in two sections. I
24 believe it was like 70 percent you had to pay up
25 initially, and there's another 30 percent. And

- 1 the last 30 percent had to be in by April
2 something.
- 3 Q. Okay.
- 4 A. So by April of 2014, they should have got all the
5 payments.
- 6 Q. The full annual payment would --
- 7 A. Correct.
- 8 Q. -- have been due by April?
- 9 A. Correct.
- 10 Q. Of the following year, but the same fiscal year?
- 11 A. Correct. Correct.
- 12 Q. Okay. All right. And do you -- and you may or
13 may not know, but do you know whether that was
14 typically the same way the Second Injury Fund,
15 when it was a separate entity, had operated in
16 terms of the assessment schedule?
- 17 A. In terms of the time frame, we tried to keep to
18 it because we didn't know -- we were following
19 what they had done.
- 20 Q. Okay.
- 21 A. What was different was that we had a set amount
22 as opposed to they had a different calculation
23 that came up with different amounts of --
- 24 Q. Right.
- 25 A. -- 90 million, 100 million, whatever it was.

1 Q. Right. Okay. So instead of the statutory
2 formula that's under 42-7-310, y'all came up with
3 the funding runoff plan?

4 A. Right.

5 Q. And I think we're going to talk about it again in
6 a minute. But the accelerated assessment is \$60
7 million?

8 A. Sixty million dollars, correct.

9 Q. Okay. All right. We'll come back and get into
10 some of the details on that later. Just from a
11 takeover standpoint just reading the statute and
12 the plan, the money was -- I mean, basically the
13 Second Injury Fund's money was transferred to an
14 account that the IRF or the Budget and Control
15 Board used, you know, just to transfer the cash;
16 is that basically what it was?

17 A. All I know is that the funds that get paid out on
18 the Second Injury Fund claims come from a
19 different account than what the Insurance Reserve
20 Fund once did.

21 Q. Right.

22 A. Separate account.

23 Q. But when the Second Injury Fund closed on June 30
24 of 2013 and it came under -- and I'm just going
25 to -- if we can agree to use the phrase or the

1 term IRF as opposed to --

2 A. Sure.

3 Q. -- Budget and Control Board or Fiscal
4 Accountability Authority.

5 MR. WOOD: Is that okay with you, Robert?

6 MR. COOK: That's fine.

7 MR. WOOD: Okay.

8 MR. COOK: Yeah, as long as it's clear.

9 BY MR. WOOD:

10 Q. All right. So when the IRF took over the
11 operation of it on July 1 of 2013, did the money
12 stay in the same bank account where it was, or
13 was it transferred to a different bank account?

14 A. I have no idea what -- the state of -- the state
15 of South Carolina uses a system called SCEIS, S-
16 C-E-I-S. I don't know what it stands for.
17 Within that, you're able to transfer accounts and
18 give them numbers. I don't deal with it. I just
19 know that when we make payments, there's a
20 specific account there.

21 Q. Okay.

22 A. It may not have changed anywhere and they just
23 had to change the account numbers; that may be
24 all it was.

25 Q. But the IRF basically had access to the Second

1 Injury Fund's money to pay the Second Injury Fund
2 reimbursement claims?

3 A. Right. We're able to use that code, whatever
4 that code.

5 Q. Okay. And do you know how much money was
6 available in the fund at that time?

7 A. No.

8 Q. Okay. Do you know how much money is in the fund
9 today?

10 A. No.

11 Q. Who knows that?

12 A. There are audited financials that are done I
13 think every two years after -- I think they --
14 they already did one -- they already did one
15 audit to check to see if the amount that they're
16 assessing is going to be enough. So I think that
17 was taken into account at that time exactly how
18 much was in the fund --

19 Q. Right.

20 A. -- how much they proposed out.

21 Q. Okay. But nobody knows what the balance is at
22 any given time?

23 A. At any given time, whether it's the Treasurer's
24 Office, whether it's SCEIS or the Comptroller
25 General, someone can always pull that up. I

- 1 can't do it.
- 2 Q. Okay.
- 3 A. I don't have access to that.
- 4 Q. All right. And who are the auditors?
- 5 A. I don't know the name of the auditing company.
- 6 Q. Okay. Who would know the auditors?
- 7 A. Anne Macon Smith would know who came in.
- 8 Q. Okay. All right.
- 9 A. And so would -- actually you know what, David
- 10 Stooksbury is probably just as good a person as
- 11 Anne.
- 12 Q. Okay. All right. Okay. So the IRF takes over
- 13 operation of the Second Injury Fund, and I
- 14 presume that the first order of business in
- 15 connection with the statutory directive, you're
- 16 obviously -- we've got your -- let me just show
- 17 you here. We've got it. We've already marked
- 18 two of these documents. Just identify that
- 19 document.
- 20 MR. WOOD: Robert, it's in your stack there. I'm just
- 21 out of sequence.
- 22 A. It's a letter from me on June 24, 2016, to you
- 23 and your law office.
- 24 Q. Okay. And you were responding to an inquiry I
- 25 had sent you on behalf of the Guaranty

1 Association --

2 A. Correct.

3 Q. -- concerning these Lumbermens and CAGC claims
4 that are the subject of the litigation that we're
5 involved in now?

6 A. Correct.

7 Q. Okay. And then can you identify this document
8 which we've marked as SCPCIGA 1?

9 A. This is an affidavit and attachments related to
10 the matters filed in the South Carolina Supreme
11 Court by the State Fiscal Accountability
12 Authority and South Carolina Second Injury Fund
13 vs, the Guaranty Association.

14 Q. Yeah, sure. And we can also -- I think the
15 phrase Guaranty Association and the name Guaranty
16 Association we can use that --

17 A. It's easier to say it than SCPCIGA.

18 Q. Yes, it is. It is. But it's not easier to
19 write, though. Okay. So I would assume, Chris,
20 that at the outset, in addition to just getting
21 situated physically and, you know,
22 administratively, I presume that, based on the
23 statutory directive in 42-7-320, that one of the
24 first orders of business was to come up with the
25 funding plan for the Second Injury Fund's

- 1 remaining liabilities?
- 2 A. When you say come up with a set -- the sunset,
- 3 what we call the Sunset Plan sets out the --
- 4 Q. Yeah.
- 5 A. -- sets out the \$60 million -- they set it out.
- 6 We didn't set it out.
- 7 Q. Who is they?
- 8 A. The state legislature.
- 9 Q. They set out \$60 million?
- 10 A. It's in -- I believe it's in the closing plan.
- 11 Q. Yeah. Well, let's talk about that. It's in
- 12 Exhibit -- and instead of marking it separately
- 13 since it was an exhibit to your affidavit, I've
- 14 just included it. It's part of that.
- 15 A. Okay.
- 16 Q. All right. So what we're referring to here is
- 17 the -- in Exhibit 1 is the Second Injury Fund
- 18 Closure Plan. When did this plan come about?
- 19 A. It predated us getting the Fund.
- 20 Q. Okay. And as I understand it, that was the
- 21 responsibility -- to come up with a plan was the
- 22 responsibility of the Budget and Control Board?
- 23 A. Correct. I believe that's part of what Steve
- 24 Elliott was in charge of at that time.
- 25 Q. Okay. Where is Mr. Elliott now?

1 **A.** **I believe he retired three years ago, two years**
2 **ago.**

3 **Q.** **Okay. Is he still in Columbia, do you know?**

4 **A.** **No idea.**

5 **Q.** **Okay.**

6 **A.** **Never seen him since.**

7 **Q.** **Okay. So this plan was something that the Budget**
8 **and Control Board came up with prior to your**
9 **group at the IRF actually taking the reins of the**
10 **Second Injury Fund --**

11 **A.** **Correct.**

12 **Q.** **-- operations?**

13 **A.** **Correct.**

14 **Q.** **Okay. And anybody else beside Mr. Elliott, that**
15 **you would be aware of, who was involved in this**
16 **-- in this plan?**

17 **A.** **Not that I'd -- not that I'd be aware of.**

18 **Q.** **Okay. Do you know when the plan would have --**
19 **you said was it was before, do you know when it**
20 **would have been -- I mean, I assume it would have**
21 **had to have occurred sometime between the**
22 **statutory amendments in July, effective July of**
23 **-- July 1 of 2007, and when IRF began dealing**
24 **with the fund on a day-to-day basis, which you've**
25 **indicated was in May or June of 2013?**

- 1 A. Yeah, we got notice in May of 2013 that they
2 would be coming over. What date they came up
3 with the this is how much actuarially you're
4 going to need to -- the \$60 million --
- 5 Q. Yeah.
- 6 A. -- for five years, what date they came up with
7 that, I don't know. We were presented with it
8 once we took over the Fund, this is what you need
9 to do.
- 10 Q. So this was already in place?
- 11 A. This was already in place with the --
- 12 Q. Okay. And other than Mr. Elliott, you don't know
13 anything about the process of how that came
14 about?
- 15 A. No.
- 16 Q. All right. Is there anybody at the SFAA or the
17 IRF today that would have more information or
18 knowledge about that?
- 19 A. Unlikely, no. I can't think of anybody who --
20 because nobody was there.
- 21 Q. Okay. All right. And do you know who did the
22 actuarial studies on it?
- 23 A. No, I don't.
- 24 Q. Okay. So we've talked about the \$60 million
25 figure. As I understand it, and correct me if

1 I'm wrong, that's part of an accelerated funding,
2 accelerated assessment plan?

3 A. I don't know if I would call it accelerated
4 assessment plan. My understanding was if you did
5 a \$60 million assessment for five years, that
6 would carry the Fund down to the last person's
7 paid in approximately 2042. That's obviously
8 some actuarial decision.

9 Q. Right. But we don't know -- you don't know
10 anything about the actuarial process?

11 A. No.

12 Q. Who did it? Who was involved?

13 A. No.

14 Q. Okay. You just know it would have been under Mr.
15 Elliott's --

16 A. Correct.

17 Q. -- time at the direction at the time at the --

18 A. Correct.

19 Q. -- at his time at the Budget and Control Board?

20 A. Correct.

21 Q. Okay. What went in -- I guess you don't know
22 what went into coming up with the \$60 million?

23 A. I'm not an actuary; I don't know how to come up
24 with those things.

25 Q. Okay.

- 1 **A.** **That's a numbers person.**
- 2 **Q.** But do you know what claims or what liabilities
3 of the Second Injury Fund were taken into account
4 in arriving at this, is it five years or four
5 years? I was counting it --
- 6 **A.** **It's a five --**
- 7 **Q.** -- at four.
- 8 **A.** **It's a five-year plan.**
- 9 **Q.** Five-year plan, okay.
- 10 **A.** In the sense that I don't know how they -- I
11 don't know what type of calculation they used
12 based on I'm guessing -- again, I don't -- I just
13 don't know. I mean, I don't know. I don't know
14 what they did.
- 15 **Q.** Okay.
- 16 **A.** You know, I can't guess that. I'm not an
17 actuary.
- 18 **Q.** And who approved this plan?
- 19 **A.** This had to be approved by the Budget and Control
20 Board at some point.
- 21 **Q.** Okay. And are there public records and documents
22 associated --
- 23 **A.** I don't --
- 24 **Q.** -- with that process?
- 25 **A.** I don't have them. I've never looked at them. I

1 **assume they're there.**

2 Q. Okay. Anybody other than Mr. Elliott would know
3 about -- about the process?

4 A. **The people who were around at that time aren't**
5 **around anymore.**

6 Q. Well, I know. But who were -- who were they,
7 besides Mr. Elliott?

8 A. Well, the only -- the person we dealt with
9 because we are a member of the -- the Insurance
10 Reserve Fund was part of the Budget and Control
11 Board, so we dealt with Steve Elliott. We had no
12 dealings with Second Injury Fund until we were
13 told they're coming over, and then we got to meet
14 with some of the people over here. Mike Harris,
15 at the time, was the person in charge.

16 Q. Of the Second Injury Fund?

17 A. **Yes.**

18 Q. He was the director at the time the Second Injury
19 Fund closed?

20 A. **Correct.**

21 Q. Okay. All right. Did the Second Injury Fund
22 itself, do you know whether, when it was a
23 separate entity, it had its own actuary on staff?

24 A. **I have no idea.**

25 Q. Okay. All right. So you can't tell me the

1 various liabilities that went into coming up with
2 this five-year, \$60 million a year --

3 A. No.

4 Q. -- plan?

5 A. No.

6 Q. Okay. All right. Now, so it's five years and it
7 runs from fiscal year 2014, which would have
8 started July 1, 2013; is that right?

9 A. I believe you're right on that.

10 Q. And that would run through June 30th of 2018?

11 A. I believe we have one left.

12 Q. Okay.

13 A. I believe that's -- I believe that's right, we
14 have one left.

15 Q. Okay. All right. And in looking at this, it
16 seems to me -- if you flip over to 2.5. And you
17 can use that copy. I can use mine. As I
18 understand it, there has been -- there's a
19 required schedule of intervening or interim
20 actuarial evaluations, is that -- is that how --

21 A. That's my understanding too.

22 Q. Okay. So you had the initial plan and actuarial
23 study that came up with this 60 million for five
24 years. Who has conducted the interim actuarial
25 valuations that are provided for, both the

1 mandatory ones, as well as any, I guess,
2 discretionary actuarial valuations that are
3 referenced in 2.5?

4 A. I don't know the name of the company. David
5 Stooksbury or Anne Macon could tell you who it
6 was.

7 Q. Okay.

8 A. And they did come in. I do know that.

9 Q. Okay. And has there been -- other than the -- in
10 looking at it, I think that there was mandatory,
11 at least every two years, not more -- not less
12 than two. Let's see. So it has to happen every
13 two years?

14 A. Correct. That's my understanding.

15 Q. Okay. To your knowledge, has it happened -- how
16 many have we had --

17 A. I believe we had one completed.

18 Q. Okay. And do you know when that would have
19 occurred approximately?

20 A. If they came over in 2013, I guess in 2015 at
21 some point.

22 Q. Okay. And did that -- was there any change in
23 the Second Injury Fund's, the funding plan, the
24 60 million --

25 A. We did -- we did not have to change the

1 **assessment plan.**

2 Q. Okay. Now, does that assume or presume that the
3 60 million for five years is going to be
4 sufficient to carry out the Fund's liability?

5 A. That's my understanding of what they're checking
6 on to see if that is not going -- if it's not
7 going to be, whether they had to change the
8 assessment or have an additional assessment.

9 Q. Okay. And as far as you know, at least the one
10 in 2015, we think in 2015, the one that's been
11 done, it didn't result in any change?

12 A. We still do a \$60 million assessment; I do know
13 that.

14 Q. Okay. And is there a report that's been given as
15 to verifying whether the 60 million over five
16 years --

17 A. I believe so.

18 Q. -- is going to be sufficient?

19 A. I believe so.

20 Q. And who does that report go to?

21 A. That would have gone to Anne Macon and to David
22 Stooksbury.

23 Q. Okay. All right. And on your end, you just know
24 there hasn't been any change?

25 A. They might have shown it to me, but from my day-

1 to-day business, it's not --

2 Q. Fair enough.

3 A. -- that important.

4 Q. Fair enough. I presume we would have another one
5 coming up here since we're in 2017 on the two-
6 year interval; is that -- is that your
7 understanding, or do you know?

8 A. My understanding, we would have one more in a
9 two-year interval. So I would think it's coming
10 up, but again, David Stooksbury, Anne Macon,
11 that's something they could --

12 Q. I gotcha.

13 A. -- definitely address better.

14 Q. Okay. Fair enough. And would David or Anne
15 Macon know what liabilities of the Second Injury
16 Fund were taken into account in coming up with
17 the 60 million five-year plan?

18 A. If it's in the report, they could read it.

19 Q. Okay.

20 A. Whether or not from an -- whether or not they
21 have the capacity to understand from an actuarial
22 standpoint, I don't know.

23 Q. But when you do an actuarial study, I mean, they
24 don't just come in and make a presentation. The
25 actuary actually issued a written report?

- 1 **A.** **Correct. That's my understanding, yeah.**
- 2 Q. And we think that would have happened in 2015 on
3 the interim schedule?
- 4 **A.** **I believe so, correct.**
- 5 Q. And do you know whether there was an actuarial
6 report associated with the original plan,
7 presumably?
- 8 **A.** **I don't -- I don't know.**
- 9 Q. Okay.
- 10 **A.** **I mean, it seems to me odd they would come up**
11 **with numbers without having one --**
- 12 Q. Right.
- 13 **A.** **-- but I don't have one, so.**
- 14 Q. Okay. All right. But to the extent there is
15 that report that exists, the people there now
16 that would maybe know about it would be Mr.
17 Stooksbury and Ms. Smith?
- 18 **A.** **I'm sure they have a copy of it.**
- 19 Q. Okay. All right. And that's something that we
20 could -- if we made a discovery request we could
21 get?
- 22 **A.** **I would think so.**
- 23 Q. Okay. All right. All right. Let me ask you
24 about --
- 25 MR. WOOD: Let's go ahead and mark -- let's go to the

1 settlement document, Robert, from the Legion.

2 Let's mark this one as 3.

3 (SCPCIGA Exhibit Number 3 was marked for identification
4 purposes.)

5 BY MR. WOOD:

6 Q. Take a minute to look at that, Chris, and let me
7 know if you're familiar with that document?

8 A. **I've seen this before.**

9 Q. Okay. Well, let me -- let's refer back to your
10 letter to my attention of June 24, 2016. And in
11 that letter I believe you make reference to the
12 settlement agreement that had been entered
13 between the Second Injury Fund and the Guaranty
14 Association, agreement and release on June 17 of
15 2013. Is that -- is that -- are those the two --
16 the same thing?

17 A. **They match up.**

18 Q. Yes.

19 A. **They do match up.**

20 Q. I just want to make sure that we're in agreement
21 that what you're referring to in paragraph two of
22 your letter to me in Exhibit 1 is the settlement
23 agreement that's been marked as Exhibit 3?

24 A. **Correct.**

25 Q. Okay. So I think the settlement agreement --

1 what's the date of approval on it? I think it
2 was finalized June 17 of 2013. What was your --
3 what was your involvement in terms of, you know,
4 participating in the discussions about that
5 settlement? What role did you have?

6 **A.** Really, none at all. We were informed that this
7 was being resolved. They were trying to get
8 wording done. There was a companion case we
9 called Legion and Reliance, I believe was the
10 name of the companies.

11 **Q.** Yeah.

12 **A.** All we were told about it, in general, was that
13 these are two things, they're trying to clear
14 them both up so these issues never come up again.
15 Okay.

16 **Q.** And this was -- the Second Injury Fund was still
17 operating as a separate state agency --

18 **A.** It was --

19 **Q.** -- in its final days at that point?

20 **A.** Correct.

21 **Q.** Okay. So the -- in terms of deciding to settle,
22 driving the bus or making the decision to settle,
23 that was being directed by Mr. Harris over at the
24 Fund?

25 **A.** He signed off on it. I don't know if he had any

1 say versus Steve Elliott, who was the -- I don't
2 know if they called him temporary director --

3 Q. Right.

4 A. -- of the Second Injury Fund. I believe that was
5 his decision, his call.

6 Q. Okay. All right. Now, you make reference in
7 your letter to my attention that it's the Second
8 Injury Fund's position or the IRF, SFAA's
9 position that this settlement agreement that's
10 marked as Exhibit 3 bars or precludes the claims
11 that the Guaranty Association has made or
12 indicated they intend to make with respect to the
13 Lumbermens claims and the CAGC claims; is that
14 correct?

15 A. **That's correct.**

16 Q. Okay. And is the IRF or the Second Injury Fund,
17 SFAA, are they still maintaining that position?
18 Because I did not see that issue raised in the
19 Supreme Court filings. Is that still the Second
20 Injury Fund's position?

21 A. **That the release did bar these, correct.**

22 Q. Yes. Okay. Can you point to me the language in
23 that settlement agreement that the Second Injury
24 Fund or the IRF or the SFAA relies upon for that
25 in support of that position? Chris, if you

1 wouldn't mind, any place you mark the document,
2 if you would please put your -- just so the
3 record's clear, your initials there that'd be
4 great.

5 **A. I wish I had my marked up copy to come in here.**

6 Q. Take your time.

7 **A. But I believe I -- let me see.**

8 Q. Go ahead.

9 **A. On page 5 of 14 of the release.**

10 Q. Yes, sir.

11 **A. I believe that's where it bars the claims.**

12 Q. Okay. And is there any -- in particular, any
13 phrase in there that is of --

14 **A. Occurring or claimed to exist or to have occurred**
15 **at any time on or before the date of execution of**
16 **the settlement and release agreement -- settle**
17 **agreement and release.**

18 Q. And then it goes on to say "that are either"
19 followed by a colon, and there's sort of an
20 itemized listing, correct?

21 **A. Right.**

22 Q. Okay. Was the Second -- is the Second Injury
23 Fund, to your knowledge, either as an independent
24 entity or since it's been under the direction of
25 your group, the IRF, has it ever reimbursed the

1 Guaranty Association on any Lumbermens claim?

2 **A. Since they've come over, not to my knowledge.**

3 Q. Okay. Are you aware of any reimbursement ever
4 made by the Second Injury Fund to the Guaranty
5 Association?

6 **A. I'm unaware of any reimbursement they may have**
7 **made before they came over.**

8 Q. Okay. Are you aware of any reimbursements that
9 the Second Injury Fund, either as a separate
10 entity before July 1 of 2013 or thereafter, since
11 it's been under the IRF's direction, of any
12 reimbursements the Guaranty -- the Second Injury
13 Fund has made to the Guaranty Association on any
14 CAGC Insurance Company claim?

15 **A. I'm unaware of anything prior to them coming**
16 **over. I'm not aware of any payments to the**
17 **Guaranty Association since they came over.**

18 Q. Well, let me ask you about the phrase there
19 that's in with the itemized listing there on page
20 5 of the settlement agreement. I guess, number B
21 or B, "whether related or unrelated to Legion
22 and/or Reliance and/or American Mutual Insurance,
23 any and all claims on which the SIF is currently
24 paying to the Guaranty Association as of February
25 22, 2013," and then it goes on to say, including

- 1 but not limited to, it looks like three specific
2 dates there. Do you have any evidence or proof
3 -- does the Second Injury Fund or the IRF have
4 any evidence or proof that the Second Injury Fund
5 was paying or reimbursing the Guaranty
6 Association on any Lumbermens or CAGC case as of
7 February 22 of 2013?
- 8 **A. As of February 22 of 2013?**
- 9 Q. Yes, sir.
- 10 **A. That's prior to them coming over. I wouldn't**
11 **have any knowledge of that.**
- 12 Q. Okay. So you don't -- you don't have any proof
13 or evidence that the Guaranty Association was
14 being paid or reimbursed by the Second Injury
15 Fund for any Lumbermens or CAGC case as of that
16 date?
- 17 **A. We could have files. I have no personal**
18 **knowledge of it.**
- 19 Q. Okay. All right. But in drafting this letter to
20 my attention of June 24, 2016, did you have
21 knowledge of any -- of any reimbursements or
22 payments from the Second Injury Fund to the
23 Guaranty Association on any Lumbermens or CAGC
24 case as of February 22, 2013?
- 25 **A. No. I had no knowledge of that.**

1 Q. Okay. And you still don't today?

2 A. I still don't.

3 Q. Okay. What is -- do you know -- have any
4 knowledge as to the significance of February 22
5 of 2013?

6 A. No.

7 Q. Why that date was chosen?

8 A. No.

9 Q. Okay. All right. Is there anything else that
10 the Second Injury Fund or the IRF or SFAA relies
11 on in this settlement document marked as Exhibit
12 3 in support of its -- other than what we've just
13 talked about, in support of its position that
14 that settlement release bars the reimbursement
15 claims the Guaranty Association has indicated it
16 is pursuing or intends to pursue on Lumbermens or
17 CAGC Insurance Company claims?

18 MR. COOK: Hubie, I'm going to object to the extent
19 that -- I mean, we've raised the settlement
20 agreement as a whole as a defense to these
21 claims. And as I understand it, you're asking
22 him as Chris Lombard what does he -- what is his
23 statement as to what he thinks out of those --
24 out of that is. And I'm not trying to make a
25 running objection, but I guess what I'm trying to

1 say is subject to all the defenses we've already
2 raised, I don't think there's anything
3 objectionable about you getting into that, but I
4 mean clearly the defenses that we've raised,
5 we've raised. And I don't understand you to be
6 asking him to say anything other than what he
7 understands this document to mean.

8 MR. WOOD: Well, he --

9 MR. COOK: Yeah.

10 MR. WOOD: -- the reason I'm asking it is because you
11 plead it in your Form 55 answers --

12 MR. COOK: Yes, sir.

13 MR. WOOD: -- on the two cases that are here. It was
14 stated by Mr. Lombard in his letter to me of June
15 24, 2016, and obviously, we have a different view
16 and interpretation of the agreement. I'm trying
17 to find out what he, in his capacity as assistant
18 director of insurance with the IRF, which is
19 responsible for the Second Injury Fund operations
20 right now, what is being relied upon in this
21 settlement agreement to support that position.

22 MR. COOK: Yeah, and I'm thinking insofar as you're
23 talking about the letter and saying, okay, Mr.
24 Lombard, when you referred to that letter, what
25 were you relying upon, that's clearly something

1 that you can get into. But, I mean, to the
2 extent that you're asking him to sort of analyze
3 the defenses that I've raised, I mean, I think
4 that gets into legal issues --

5 MR. WOOD: Well, I didn't --

6 MR. COOK: -- you know.

7 MR. WOOD: Well, he's offered a number of legal
8 opinions in both this letter and in this --

9 MR. COOK: Yeah.

10 MR. WOOD: -- this affidavit.

11 MR. COOK: As clients often do, yeah.

12 MR. WOOD: I understand.

13 MR. COOK: Yeah.

14 MR. WOOD: I'm just trying to make sure that we have an
15 understanding of exactly what language in this
16 settlement agreement is being relied upon by the
17 Second Injury Fund, the SFAA, and the IRF in
18 support of the defense that you've raised in your
19 pleadings and that Mr. Lombard has outlined in
20 his letter to me. So that's the -- that's what
21 I'm trying to find out.

22 MR. COOK: Okay. And I guess what I would say is to
23 the extent that it seeks to have him to specify
24 what I meant when I raised it in those Form 55s,
25 I don't think that's appropriate. Now to the

1 extent that you're asking him when you raised it
2 in the letter of June 24, 2016, Exhibit Number 2,
3 what were you relying upon, I mean, I don't -- I
4 don't think there is an objection. I don't think
5 I could object to that because that's a fair
6 question.

7 MR. WOOD: Okay. Well, let's ask it in that context.

8 BY MR. WOOD:

9 Q. Is there any other language in the settlement
10 agreement that we've marked as Exhibit 3 that you
11 would rely on, Mr. Lombard, in your capacity as
12 assistant director of insurance with the
13 Insurance Reserve Fund, responsible for managing
14 the Second Injury Fund's affairs as outlined in
15 your June 24, 2016, letter to me that this
16 settlement agreement bars the Lumbermens and CAGC
17 claims?

18 A. In just partially the paragraph -- in that same
19 paragraph above it, it talks about whether these
20 claims are known or unknown, noticed or
21 unnoticed, existing or contingent, suspect or
22 unsuspected.

23 MR. COOK: What page are you on?

24 THE WITNESS: Right here.

25 MR. WOOD: Page 5.

1 MR. COOK: Okay. All right.

2 BY MR. WOOD:

3 Q. Okay. But you acknowledge the language "that are
4 either," followed by a colon, and then the
5 remaining language in that paragraph? You
6 acknowledge that's part of the agreement,
7 obviously?

8 A. Well, it's a 14-page agreement, that's what's
9 there.

10 Q. Okay. Fair enough. Now, along this time, June
11 of 2013 when the settlement agreement on the
12 Legion cases -- I know we're dealing with
13 Reliance, but if we can just refer to it as the
14 Legion cases just for purposes of our
15 conversation -- that was about the time you were
16 kind of in a holding pattern getting ready to
17 take over the Second Injury Fund's operations?

18 A. Right. Our main concern was trying to --

19 Q. Right.

20 A. -- find chairs, desks, things like that.

21 Q. And you had some knowledge of that, you
22 indicated, that Second Injury Fund was dealing
23 with it, Mr. Elliott may have approved it, but
24 really wasn't -- you were --

25 A. Correct. At some point they told us, hey, it's

1 all done; you won't hear about these claims
2 anymore.

3 Q. Okay. Were you aware of the litigation, the
4 various claims that were being litigated at that
5 time involving Legion and Reliance, the
6 liquidator for Legion and Reliance, as well as
7 the Guaranty Association?

8 A. Just in what they told us, hey, these are the
9 things we're getting done. We didn't get deep
10 into the weeds about what they were resolving
11 before we were going to take over the --

12 Q. Okay. Did you understand that at the time this
13 settlement was entered in June of 2013 that there
14 was -- and let me show you this.

15 MR. WOOD: Let's mark this one. This is the
16 Remittitur, Robert, it's two pages -- three
17 pages, excuse me, from the Court of Appeals on
18 the --

19 MR. COOK: That's going to be Number 4, I guess?

20 MR. WOOD: Yes.

21 (SCPCIGA Exhibit Number 4 was marked for identification
22 purposes.)

23 BY MR. WOOD:

24 Q. So you were aware there were a number of cases
25 ongoing and pending. Were you aware specifically

1 of the reimbursement litigation involving the
2 Second Injury Fund and Legion's liquidator and
3 the Guaranty Association involving the claim of
4 Herman Webster that was pending in the Court of
5 Appeals?

6 **A. No. Specifically no.**

7 Q. Okay. You didn't have any knowledge that there
8 was a -- that there was a case pending at that
9 level dealing with the issues --

10 **A. No.**

11 Q. -- of whether the Guaranty Association was
12 entitled to reimbursement?

13 **A. No.**

14 Q. Okay. Were you aware of that when you completed
15 the affidavit that we've marked as Exhibit 1?

16 **A. No.**

17 Q. Okay. What knowledge do you have about the
18 litigation of the reimbursement claims involving
19 the Second Injury Fund and Guaranty Association
20 associated with Legion and Villanova Insurance?

21 **A. Limited, very limited.**

22 Q. Okay.

23 **A. That releases were gained, to our understanding**
24 **so that all the Legion and Reliance claims would**
25 **be gone and there would be no more claims for the**

- 1 **Guaranty Association.**
- 2 Q. Okay.
- 3 A. And in speaking, that was what we were told.
- 4 Q. Where was that information coming to you from?
- 5 A. It was coming to us from Steve Elliott.
- 6 Q. Okay. Do you have any --
- 7 A. And --
- 8 Q. Go ahead. I'm sorry, I didn't mean to cut you
- 9 off.
- 10 A. It also came from one of the counsel who was
- 11 involved in putting these together.
- 12 Q. Okay. You said counselors?
- 13 A. Counsel.
- 14 Q. Oh, counsel, okay. And who was that?
- 15 A. Oh, gosh, what's the name of that firm?
- 16 Elizabeth -- can't think of the name.
- 17 Q. Counsel for the Second Injury Fund?
- 18 A. Yes.
- 19 MR. COOK: You're talking about Elizabeth Felder?
- 20 THE WITNESS: Yeah, was her maiden name --
- 21 MR. COOK: With Willoughby's firm?
- 22 THE WITNESS: Yeah, Mitch Willoughby's firm.
- 23 BY MR. WOOD:
- 24 Q. Okay. ElizabethAnn Loadholt Carroll is who --
- 25 A. Right. Correct.

1 Q. Okay. All right. And so your understanding was
2 from Mr. Elliott and Mr. -- or counsel --

3 A. Yeah.

4 Q. -- Ms., what was it --

5 MR. COOK: Carroll.

6 Q. Yeah -- that these claims were out there, that
7 they were being settled, and that was going to
8 extinguish the Guaranty Association's rights to
9 seek reimbursement; that's what you understood?

10 A. Right. Because^t the -- the little understanding
11 we had when we first came over from the -- Second
12 Injury Fund came over to us from Mike Harris,
13 from Pete Calamas the other ones, why are the --
14 why were these in dispute in the first place, and
15 they explained why they said they don't think
16 they owe these.

17 Q. Okay. All right. And do you have any knowledge
18 as to what the results of that litigation had
19 been at various increments in the process,
20 various stages?

21 A. No, nothing specific.

22 Q. Okay. Are you aware of whether the Second Injury
23 Fund's denial of the Guaranty Association's
24 reimbursement claims in connection with the
25 litigation, the Legion -- litigation of the

1 Legion claims, whether the Second Injury Fund's
2 position was sustained in any proceedings?

3 **A. I'm totally unaware.**

4 Q. Okay. All right. And you didn't have any
5 specific knowledge of the dismissal of the case
6 that was pending in the Court of Appeals that
7 we've marked as Exhibit 4?

8 **A. No.**

9 Q. As part of that following from that settlement
10 agreement?

11 **A. No.**

12 Q. Okay. All right. Let's talk about the
13 particular, or the specific carriers that we're
14 dealing with here in these cases, CAGC and
15 Lumbermens and their assessment history. Because
16 I believe in your letter to me of June 24, 2016,
17 as well as in your affidavit, you've asserted
18 that the -- that both carriers were delinquent in
19 their assessments and that that was a basis for
20 the Second Injury Fund's denial of the
21 reimbursement claims; is that correct?

22 **A. Partially. Whose reimbursement? Reimbursement**
23 **directly to Lumbermens or directly to CAGC?**

24 Q. Well, let's -- I guess let's take them one at a
25 time.

1 A. Because, I mean, we -- just for clarification
2 here the -- as noted in the paragraph below, what
3 you're referring to, the bottom line issue is
4 that we're a statutory agency. We're given
5 direction as to who we're allowed to reimburse,
6 and there's no mention of the Guaranty
7 Association in any of that paperwork.

8 Q. Okay. And what paperwork are you referring to?

9 A. If you -- if you refer back to the entities that
10 we're allowed to reimburse, the Second Injury
11 Fund.

12 Q. Okay.

13 A. The Second Injury Fund is allowed to reimburse
14 employers or insurance carriers. Insurance
15 carriers are noted as, self-insurers, insurance
16 carriers, and the State Accident Fund.

17 Q. Okay. Are you referring to Section --

18 A. I couldn't tell you the section right off the top
19 of my head but --

20 Q. Okay.

21 A. -- we're only allowed to reimburse -- people
22 don't show up at our door and just say give me
23 money. Let's put it that way.

24 Q. Well, of course not. But you said there was
25 paperwork, and so what I'm trying to understand

1 is what paperwork you're --

2 A. I guess I would say statutes and the like, but I
3 don't have it in front of me here to --

4 Q. Okay. I want to talk about that issue with you
5 in a minute.

6 A. Okay.

7 Q. But as to whether -- I understand your point and
8 the Second Injury Fund's position that the
9 Guaranty Association is not a carrier, insurance
10 carrier who is entitled to receive reimbursement
11 from the Second Injury Fund. I understand that.
12 We obviously have a disagreement about that, but
13 we'll come back to that in a minute. Let's talk
14 about Lumbermens specifically. And Mr. Cook
15 provided me -- this is the only way I could get
16 it on one sheet

17 MR. WOOD: Let's mark this one as an exhibit. Robert,
18 this is the --

19 MR. COOK: Uh-huh. Okay.

20 MR. WOOD: -- Excel spreadsheet that we were able to,
21 in a very small font -- and I'm sorry about that,
22 Chris. This is the only way I could get it on
23 one page. What is that 5 or 6?

24 COURT REPORTER: 5.

25 MR. WOOD: Okay, 5.

1 (SCPCIGA Exhibit Number 5 was marked for identification
2 purposes.)

3 BY MR. WOOD:

4 Q. And, generally, what I'm trying to find out,
5 Chris, is with respect to both carriers, when did
6 they become delinquent. And let's take them one
7 at a time. So, but generally, what I'm looking
8 to find out from you is when did each carrier
9 become delinquent in its assessments and how much
10 that delinquency is? And let's --

11 A. I can't -- first of all, I can't read this, just
12 to be honest with you, I can't. And I wouldn't
13 be able to tell you because this is not my -- I
14 didn't produce this. Where did you get this?

15 Q. Yeah, Mr. Cook produced this.

16 MR. COOK: David Stooksbury prepared this.

17 A. Right. David Stooksbury could tell you exactly
18 the assessment amounts, what's everything like.

19 Q. Okay. So from the assess --

20 A. Correct.

21 Q. In terms of that general area of inquiry that I
22 just outlined for you, when did Lumbermens and
23 CAGC become delinquent on their assessments,
24 action taken by the Second Injury Fund in
25 connection with that delinquency, and how much

1 the delinquent assessments are, you don't -- you
2 can't answer those questions?

3 A. I can't answer that.

4 Q. Okay. And Mr. Stooksbury would be the person who
5 could answer those questions?

6 A. Correct. He would have the financial information
7 on that.

8 Q. Okay. All right. Now, you've made the
9 representation in both your letter to me of June
10 24, 2016, as well as in your affidavit, that the
11 underlying carriers through which the Guaranty
12 Association seeks reimbursement, which you agree
13 -- we agree, I think, that that's CAGC and
14 Lumbermens, correct --

15 A. Correct.

16 Q. -- in this litigation? You've stated that both
17 are delinquent -- in both your letter, as well as
18 your affidavit, that both are delinquent in their
19 assessments, correct?

20 A. Correct.

21 Q. All right. And who has provided you that
22 information?

23 A. That relate -- well, let me think about that.

24 That would have come from the -- that would have
25 come from the assessment process that they didn't

1 pay their assessments. So that would have come
2 out of -- that would have come out of that
3 financial information that David Stooksbury is
4 able to pull as to when these people last paid.
5 Whether Lumbermens didn't pay before they came
6 over to us, I can't say off the top of my head.
7 I don't know.

8 Q. Okay. But you got the information from Mr.
9 Stooksbury?

10 A. Right. Right.

11 Q. So you're relying on what Mr. Stooksbury is
12 telling you or the information he's providing you
13 when you generated your June 24, 2016, letter to
14 me, as well as executed the affidavit that's part
15 of the SFAA and Second Injury Fund Supreme Court
16 filings?

17 A. You covered a lot there, you want to take it one
18 at a time?

19 Q. Yes.

20 A. Can we do the letter first?

21 Q. Yes, sir.

22 A. What is the specific part in the letter you're
23 referring to?

24 Q. I'm referring to the statement that the entities
25 through which the Guaranty Association seeks

1 reimbursement are not current or have unpaid
2 assessments, and therefore, the reimbursement
3 claims that the Guaranty Association seeks to
4 make are barred and, in particular, by the
5 statutory provision of the 2003, the June 25,
6 2003, amendment to Section 42-7-310. So you've
7 made the statement --

8 **A. Right. That that --**

9 Q. -- and I don't know that we dispute it. We're
10 just trying to find out the details --

11 **A. Right. That the --**

12 Q. -- that the underlying carriers in this
13 situation, CAGC and Lumbermens, you know, hadn't
14 paid assessments or were behind on their
15 assessments. And I'm trying to find out where
16 that information came from that enabled --

17 **A. And again --**

18 Q. -- you to make the representations in your letter
19 --

20 **A. It would come --**

21 Q. -- as well as your affidavit?

22 **A. It would come from the assessment information --**

23 Q. Okay.

24 **A. -- that they have not paid it.**

25 Q. And the assessment information -- I mean, is that

1 something you looked up yourself, or did you meet
2 with Mr. Stooksbury? Or how did you get the
3 information?

4 A. I had access at the time to the system probably,
5 but I probably got it from David. David also
6 would alert our claims staff if there was a
7 carrier who was not making their payments.
8 That's not specific to Lumbermens or CAGC.

9 Q. Okay. And is that part of the normal day-to-day
10 operations since the IRF has taken over the Fund,
11 that if a carrier is delinquent in assessments,
12 that information is relayed to the claims
13 examiners?

14 A. Correct.

15 Q. And what are they instructed to do when that
16 happens?

17 A. If they're not making their assessments, at that
18 time, further payments are stopped if they have
19 any claims with us.

20 Q. Okay. But the specific numbers, timetable, all
21 that would be information Mr. Stooksbury would
22 need to provide?

23 A. Correct.

24 Q. Okay.

25 A. And as you had this one exhibit here, which I'm

- 1 **sorry I can't read, I can't read --**
- 2 Q. Well, you can borrow my glasses if you want.
- 3 A. I don't know if it would work, but that's where
- 4 **he's able to pull that information.**
- 5 Q. Okay. Okay. And that tells us that information
- 6 is on record as to --
- 7 A. **When's the last time they made a payment.**
- 8 Q. And how much?
- 9 A. **Right.**
- 10 Q. Does it also show how much was due; in other
- 11 words, if they only made a partial payment?
- 12 A. **I think they're able to pull both of that. I**
- 13 **think it's on the same --**
- 14 Q. Okay.
- 15 A. **-- same database, I believe.**
- 16 Q. Okay. And you indicated earlier in your
- 17 testimony that they're basically two -- it's a
- 18 two-tiered payment schedule. You have one
- 19 payment that you pay twice a year?
- 20 A. **I think it was 70/30 was the breakdown. Some**
- 21 **carriers will pay 100 percent up front,**
- 22 **especially if they didn't have a lot.**
- 23 Q. Do you get a discount if you do that?
- 24 A. **No discounts.**
- 25 Q. Okay. Well, with today's interest rates I'm not

1 sure that's much of a break anyway. Okay. Let
2 me show you -- and we'll take these one at a
3 time. But let's mark this one the next exhibit.
4 (SCPCIGA Exhibit Number 6 was marked for identification
5 purposes.)

6 BY MR. WOOD:

7 Q. Chris, these are documents that Mr. Cook provided
8 to me pursuant to my subpoena that I presume came
9 from your office dealing with the Kimbrell case,
10 which I believe is the CAGC case that's pending.
11 And I think that was in response to my request
12 for documentation concerning reimbursements made
13 by the Second Injury Fund on the case. How far
14 back does this -- do the records go that IRF
15 maintains on the Second Injury Fund
16 reimbursements?

17 A. They're all paper records, so they -- if they
18 accepted it, they still have a paper record of it
19 going back to whenever until something's closed
20 down.

21 Q. Okay. All right. Now, do you -- are you aware
22 of the liquidation date of -- I think you're
23 aware specifically of the liquidation date of --
24 from Lumbermens of May 8, 2013, only your letter
25 to me indicated May 10 of 2013.

- 1 **A.** **Uh-huh.**
- 2 Q. Are you familiar with the liquidation date of
3 CAGC?
- 4 **A.** **No.**
- 5 Q. Okay. What does that information tell us over
6 here with the reimbursement information, right
7 there? Is that 6?
- 8 **A.** **Yes, that's 6.**
- 9 Q. All right. When was the last reimbursement made
10 by the Second Injury Fund on the Kimbrell case?
11 I think they're in sequence from earlier to
12 later.
- 13 **A.** **February 17, 2014, Karen Calhoun. Payment made**
14 **roughly about the same time. Okay.**
- 15 Q. Okay. All right. Do you know why a -- if the
16 liquidation date of CAGC was in January of 2014,
17 why the Second Injury Fund would have been
18 reimbursing CAGC after that date?
- 19 **A.** **They may not have known that they were liquidated**
20 **at that time.**
- 21 Q. Okay. And you don't know when CAGC became
22 delinquent on their assessments? You've
23 indicated that. I think you indicated that.
- 24 **A.** **I don't know the exact date.**
- 25 Q. Okay.

1 **A. There was a date they stopped.**

2 Q. All right. Assuming that CAGC was delinquent in
3 its assessments before its liquidation date of
4 January 17 of 2014, and given the operating
5 procedure that you just indicated with the Second
6 Injury Fund, why would the Second Injury -- or
7 would IRF's operation of the Second Injury Fund,
8 why -- what would explain continuing
9 reimbursements after a carrier became delinquent
10 on its assessments?

11 A. **Either don't have knowledge of the carrier has**
12 **liquidated, so you don't have knowledge that**
13 **they're not paying their assessment; or the**
14 **second thing is, somebody can make an error.**

15 Q. Okay. But you would know whether -- the Second
16 Injury Fund and the IRF's operations of the
17 Second Injury Fund would know the carriers who
18 don't make their payments on time?

19 A. **Correct.**

20 Q. Okay. And you indicated that Mr. Stooksbury
21 would notify the claims examiners?

22 A. **Correct.**

23 Q. In that situation and reimbursements would stop.
24 So I know we don't know and we're not going to be
25 able to find out today from you when CAGC became

1 delinquent on its assessments. But assuming that
2 was before the last reimbursement that was made
3 to CAGC based on information that y'all have
4 provided here in Exhibit 6, I mean, how do you --
5 how do you explain why the -- why the carrier --
6 why there would be continuing reimbursements
7 after a delinquency in assessments?

8 A. Well, there's again, two, actually three options
9 you could have there. One is somebody made a
10 mistake, they paid something they shouldn't have
11 paid.

12 Q. Right.

13 A. That happens. Number two is notification to the
14 claims department hadn't come over that the
15 assessment had stopped; or number three, they had
16 made a partial payment of their assessment and
17 they never concluded and made the second one.
18 So, because they've made the first one, it
19 appeared they'd made their thing, and then at
20 some point, they -- they didn't make the second
21 one. And that might have been in April.

22 Q. But they wouldn't be delinquent in the assessment
23 in that situation because they would have paid
24 what was due at that time?

25 A. Right. But if they had been liquidated, that

1 entity wouldn't exist anymore --

2 Q. Okay.

3 A. -- so.

4 Q. All right. Well, if a Second Injury Fund
5 reimbursement check is issued to a carrier that's
6 insolvent, what happens to the check; do you
7 know?

8 A. Well, hopefully, the check comes back.

9 Q. Okay.

10 A. -- till somebody can cash it.

11 Q. All right. Do you know whether that --

12 A. I can't say whether that individual check came
13 back or not.

14 Q. It wouldn't go to the estate, the liquidator of
15 the carrier?

16 A. No. No.

17 Q. Should come back to the Second Injury Fund?

18 A. Right.

19 Q. Okay. Let's mark this one. It's Exhibit Seven,
20 I suppose.

21 (SCPCIGA Exhibit Number 7 was marked for identification
22 purposes.)

23 BY MR. WOOD:

24 Q. It's a little bit bulkier, Chris, but this is the
25 reimbursement documentation that Mr. Cook

1 provided me concerning the Quarles case, which is
2 the Lumbermens claim that's pending before the
3 Commission. And take a look at that in terms of
4 the last reimbursement date on that one.

5 **A. It says January 16 -- well, January 21, 2014.**

6 Q. Okay. And now your letter indicates that was
7 after the -- after the IRF had taken over
8 operation of the Second Injury Fund, July 1,
9 2013, correct?

10 **A. Correct.**

11 Q. All right. And your letter to me indicates you
12 had the liquidation date of Lumbermens as May 10
13 of 2013?

14 **A. Uh-huh.**

15 Q. I've got the liquidation order here, and it says
16 May 8, so I don't want to quibble over a couple
17 of days. But, obviously, there were a number of
18 reimbursements going on in connection with this
19 Quarles Lumbermens case after the liquidation,
20 correct?

21 **A. After they actually liquidated, correct.**

22 Q. Yeah.

23 **A. Whether we had knowledge of it, I don't know at**
24 **that time -- at that time, whether we had**
25 **knowledge of it.**

1 Q. You didn't know whether Lumbermens had been
2 liquidated?

3 A. We're not notified. We don't get notified. We
4 have to go find out sometimes that -- what
5 happened.

6 Q. Okay. Well, let me just ask you generally. I
7 mean, on the two cases that we're here on today,
8 specifically Kimbrell, the CAGC case, and
9 Quarles, a Lumbermens case, these claims from the
10 Second Injury Fund's perspective were still being
11 reimbursed -- still being reimbursed as of early
12 2014 based on the documentation --

13 A. Correct.

14 Q. -- you provided?

15 A. Correct.

16 Q. Okay. And that was well after the \$60 million a
17 year five-year plan had been enacted or put into
18 place by the Budget and Control Board to fund the
19 Second Injury Fund's liabilities; is that -- is
20 that --

21 A. Correct. Our first one would have started in
22 July --

23 Q. Okay.

24 A. -- would have started in September of 2013.

25 Q. Okay. Does that suggest to you one way or the

1 other whether these claims, Quarles and Kimbrell,
2 were included in the actuarial study that came up
3 with this \$60 million a year for five years?

4 **A. I have no opinion.**

5 Q. You don't know?

6 **A. I have no opinion, no.**

7 Q. Okay. And I guess Mr. Elliott is the person or
8 the actual actuarial report would give us that
9 information?

10 **A. There was an actuarial report. Mr. Elliott would**
11 **have received it at some point, correct.**

12 Q. Okay. But the actuarial report would provide us
13 the details, would it not, of the liabilities of
14 the Second Injury Fund that were included in
15 coming up with the fact that we need \$60 million
16 dollars a year for the next five years?

17 **A. It would have explained what that was in**
18 **actuarial terms.**

19 Q. Right. And I would assume that in coming -- I'm
20 not an actuarial, I would never survive as an
21 actuary, and I wouldn't be a very good one. But
22 if the Second Injury Fund was paying claims, the
23 claims it was paying at the time, would that be
24 included in the actuarial study?

25 **A. I'm not sure I understand.**

1 Q. Okay.

2 A. **Could you rephrase that?**

3 Q. Yeah. If you're an actuary and you're trying to
4 come up with how much the Second Injury Fund's
5 liabilities are over the remaining years,
6 integral to coming up with that number would be
7 understanding what the current ongoing
8 liabilities were; is that fair?

9 A. **I would assume that would be part of it.**

10 Q. Okay. And if you're paying a reimbursement
11 claim, that would be an ongoing liability; you
12 agree with that?

13 A. **I'm not an actuary, and I'm not sure if what
14 you're saying there is correct as an actuary.**

15 Q. All right. Okay. Fair enough. Are there any --
16 to your knowledge, any current property --
17 workers' compensation licensed property and
18 casualty insurance carriers in South Carolina
19 operating today that are delinquent or behind, in
20 arrears, whatever phrase you want to use, in
21 default, on their assessments to the Second
22 Injury Fund?

23 A. **I couldn't answer that. David Stooksbury could.**

24 Q. Okay. Let me ask you this question, and you've
25 made reference several times in your letter and

1 your affidavit to the insurance carriers, State
2 Accident Fund, and self-insurers. Those are the
3 entities that pay assessments to the Second
4 Injury Fund, correct?

5 **A. Correct.**

6 Q. Okay. Both under the statute, the original
7 funding statute, as well as the closure plan that
8 we've talked about?

9 **A. Correct.**

10 Q. Okay. So we got the State Accident Fund and
11 we've got the self-insurers, and I understand
12 that. But let's put them over there, okay. The
13 remaining group are the workers -- the carriers
14 who write workers' compensation insurance in
15 South Carolina?

16 **A. Correct. They're insurance carriers to write,**
17 **yeah, correct.**

18 Q. Do you agree with me that those are identical to
19 the workers' compensation member insurers of the
20 South Carolina Property and Casualty Insurance
21 Guaranty Association?

22 **A. I don't know what makes up the Guaranty**
23 **Association.**

24 Q. Okay.

25 **A. I'm not an expert in the Guaranty Association.**

1 Q. All right. Now, you've also mentioned when we
2 touched on it earlier the Second Injury Fund and
3 the IRF, SFAA's position that the Guaranty
4 Association is not an insurance carrier entitled
5 to reimbursement, and we obviously have a
6 differing viewpoint on that. But what is it that
7 the Second Injury Fund or the IRF or the SFAA
8 relies upon for the notion that the Guaranty
9 Association is not an authorized association to
10 insure liabilities under the South Carolina
11 Workers' Compensation Act?

12 A. You'd have to rephrase that.

13 Q. Okay.

14 A. I mea, if the issue is, is the question being
15 made is the Guaranty Association an insurance
16 carrier regulated by the State -- by the State
17 Department of Insurance; is that the question?

18 Q. No. The question is what evidence or what does
19 the Second Injury Fund, the IRF, and the SFAA
20 rely on to contradict the notion that the
21 Guaranty Association is an authorized association
22 to insure liabilities under the Workers'
23 Compensation Act? Do you have anything to oppose
24 that proposition with?

25 A. No. And, in fact, what you're saying is saying

1 that they're not an insurance carrier; you're
2 saying they're an association. So thank you.

3 Q. What I'm saying is are they an authorized
4 association to insure liabilities under the
5 Workers' Compensation Act?

6 A. An authorized association by who? I don't
7 understand the question.

8 Q. By the -- okay. Well, let me --

9 A. I mean, what -- what --

10 Q. If you don't understand the question, let's --

11 A. Yeah, I --

12 Q. Let's get the question clear so that you do
13 understand the question. We don't want you
14 answering questions you don't understand. Take a
15 look at this statute, Section 42-1-60.

16 A. Okay.

17 Q. All right.

18 MR. COOK: Did you get a chance to look at it?

19 THE WITNESS: Yeah.

20 BY MR. WOOD:

21 Q. So my question is what exactly does the Second
22 Injury Fund or the IRF or the SFAA rely upon to
23 contradict or to indicate that the Guaranty
24 Association is not authorized to insure
25 liabilities under the workers' compensation law?

- 1 A. They're not an insurance -- they're not an
2 insurance carrier. The question isn't relevant
3 to the dispute. I mean the dispute is, are you
4 an insurance carrier? Are you -- is the Guaranty
5 Association an insurance carrier?
- 6 Q. Well, the term carrier --
- 7 A. The Guaranty Association, I believe, argues that
8 they're not, but --
- 9 Q. Is the Guaranty Association authorized to insure
10 liabilities under the South Carolina Workers'
11 Compensation --
- 12 A. That's what you're showing here and that's what
13 you -- you're saying that's what it says. And
14 you're saying that's the meaning of it.
- 15 Q. Well, I'm asking you what --
- 16 A. I'm not an expert. I'm not an expert in this
17 book that it came out of -- it came out of
18 anyway. I mean, I understand it's sort of like a
19 legal trick, a legal thing, but
- 20 Q. Well, no --
- 21 A. And I appreciate it for that, Hubie.
- 22 Q. But you've made the -- you've made these
23 statements in your letter?
- 24 A. Correct.
- 25 Q. Okay. And you've made them in your affidavit?

- 1 **A. Right.**
- 2 Q. So what I'm trying to understand is what
3 specifically does the -- does the IRF, SFAA,
4 Second Injury Fund rely upon, what facts or
5 evidence to contradict the notion that the
6 Guaranty Association is authorized to insure
7 liabilities under the Workers' Compensation Act?
- 8 **A. The response is they're not an insurance carrier.**
- 9 Q. That's your response?
- 10 **A. That's the response.**
- 11 Q. Okay. All right. And you -- would you agree
12 with me?
- 13 **A. I can't agree. I mean, I can look at the whole**
14 **book if we want to take a few hours or go through**
15 **page after page.**
- 16 Q. We can take as long as we need.
- 17 **A. I mean, I -- I'm not here to agree with you on**
18 **what -- what you're saying there has any**
19 **relevance to what we're talking about here.**
20 **That's sort of like -- I mean, a cow ain't a**
21 **chicken. I don't know how else to put it.**
- 22 Q. I'm not asking you to agree with me on anything.
- 23 **A. You just did. You said, won't you agree with**
24 **what I just said.**
- 25 Q. Well, I'm asking you a question, do you agree?

1 **A. I don't agree.**

2 Q. Okay. All right. But you don't have any -- you
3 can't cite anything specific to support your
4 statements or to support the assertion that the
5 Guaranty Association is not authorized to insure
6 liabilities under workers' compensation?

7 **A. I believe what I said, they're not an insurance**
8 **carrier.**

9 Q. Okay.

10 **A. And I believe that's correct.**

11 Q. Do you dispute the notion that the Guaranty
12 Association is authorized to insure liabilities
13 under the Workers' Compensation Act?

14 **A. I'm not an expert on the Guaranty Association.**

15 Q. You don't know the answer to that question?

16 **A. I'm not an expert on the Guaranty Association.**

17 Q. Are you an expert on what the Commission does
18 vis-a-vis the Guaranty Association as it relates
19 to workers' --

20 **A. I'm not an expert on the Commission.**

21 Q. Okay. All right. Well, let me ask the question
22 this way. What exactly are you relying on when
23 you say that the Guaranty Association is not an
24 entity entitled to a reimbursement from the
25 Second Injury Fund?

- 1 A. The Second Injury Fund is allowed by statute,
2 allowed by statute to reimburse three types of
3 entities: self-insureds, insurance carriers, and
4 the State Accident Fund. If you go through the
5 entire -- any sort of reference, statutory or
6 otherwise, regarding the Second Injury Fund, I
7 don't believe there's any mention of reimbursing
8 the Guaranty Association.
- 9 Q. But there are references to reimbursing an
10 employer or its insurance carrier?
- 11 A. Correct.
- 12 Q. Okay. And I've just shown you the statutory
13 definition of insurer and carrier.
- 14 A. Insurance carrier is defined in the Second Injury
15 Fund is defined -- is defined specifically as,
16 again --
- 17 Q. Where?
- 18 A. Again, I don't have the statute in front -- I
19 don't have -- I don't have the Second Injury Fund
20 statutes in front of me here.
- 21 Q. Let me show you 42-7-310. You're familiar with
22 that, aren't you? You cited that in your
23 affidavit, I believe. You're familiar with that
24 statutory provision?
- 25 A. Can I have a second to take a look at it?

1 Q. Certainly, you can take as long as you need to
2 look at that. Are you ready? Let me know when
3 you're done.

4 A. What's the question you were asking?

5 Q. Okay. The question is does 42-7-310 govern
6 reimbursements?

7 A. It says the establishment, purpose,
8 administration or funding and staff, Second
9 Injury Fund.

10 Q. Does it govern reimbursements?

11 A. I can't say without reading the whole thing.

12 Q. Okay. So you don't know whether it governs
13 reimbursement?

14 A. I can't -- yeah, I can't say. I don't know off
15 the top of my head. I will not say that.

16 Q. Okay. Does that section deal with who pays
17 assessments?

18 A. 42-7-320. Right, but over here -- right.

19 Q. Are reimbursements governed by separate statutory
20 provisions, other than 42-7-310?

21 A. I can't make -- I can't make a legal comment on
22 whether or not separate statutory provisions
23 apply or something like that.

24 Q. Okay. Do you agree with me that the phrase
25 you've used several times of insurance carriers,

1 self-insured funds and the State Accident Fund,
2 that that's for when referenced to that, as used
3 in that section only, 42-7-310?

4 A. It's in 42-7-320 as well.

5 Q. I'm talking about 42-7-310.

6 A. You said that was the only place it was.

7 Q. I'm asking you --

8 A. I mean I'm --

9 MR. COOK: Let's figure out exactly what the question
10 is and then we'll --

11 A. Let's figure out exactly what the question is.
12 What is the question?

13 Q. What I'm asking you is, is does the phrase you've
14 used, insurance carriers, the State Accident
15 Fund, and self-insurers, in terms of the
16 reference to the generic term "insurance
17 carrier," in this statute does it provide that
18 that's as used in this section only, 42-7-310, as
19 opposed to throughout the Workers' Compensation
20 Act?

21 A. I can't comment on that.

22 Q. Okay. Going back to the actuarial studies, you
23 mentioned that the IRF or the SFAA has those.
24 Who, in particular, would be in possession of
25 those?

1 **A. Anne Macon and David Stooksbury may both have a**
2 **copy.**

3 Q. Okay. What's your understanding as to the
4 financial status of the Second Injury Fund right
5 now? We kind of touched on it earlier when we
6 were talking about the interim -- the interim
7 actuarial study that you thought would have been
8 done in 2015 with another one coming up in 2017.

9 **A. My understanding is that the \$60 million annual**
10 **assessment five years is still on course to be --**
11 **to be adequate.**

12 Q. Okay. Let me show you these. I sent these to
13 you with my letter back last summer. It resulted
14 in you responding with your June 24, 2016,
15 letter. So I've sent these to you previously,
16 but I wanted to show them to you again and ask if
17 you can identify these? I think they're also
18 referenced in your --

19 **A. You sent these as attachments, yeah.**

20 Q. Yes. Okay.

21 **A. You sent these as attachments, correct.**

22 Q. Right. Okay. So you understand -- and we'll
23 mark these separately. But you understand these
24 to be the CAGC and the Lumbermens cases that the
25 Guaranty Association is pursuing reimbursement

1 against the Second Injury Fund?

2 **A. Correct. That's what you represented.**

3 Q. Okay. Do you know whether any -- whether -- do
4 all of these cases involve an approved agreement
5 to reimburse compensation or a final judicial or
6 Commission order awarding reimbursement to the --

7 **A. My understanding, that's not an issue.**

8 Q. Okay. Okay. All right. Let's mark these
9 separately as whatever, it doesn't matter the
10 sequence.

11 COURT REPORTER: Okay. 8 and 9.

12 (SCPCIGA Exhibit Numbers 8 and 9 were marked for
13 identification purposes.)

14 BY MR. WOOD:

15 Q. Now, Chris, I know you're not in the actuarial
16 side of things over there, but do you have any
17 idea how many cases the Second Injury Fund is
18 currently reimbursing, approximately?

19 **A. I think we have 2,500, approximately, open files.**

20 Q. Okay.

21 **A. Some of those may be things we haven't reimbursed**
22 **in a long time, but they're still open.**

23 Q. Okay. All right. My question is if,
24 hypothetically speaking, if the Second Injury
25 Fund were reimbursing these CAGC and Lumbermens

1 cases that are listed in Exhibits 8 and 9 that we
2 just marked, would that extend the life or the --
3 I mean, is there any contention that that extends
4 the lifespan of the Second Injury Fund? I
5 understand it may affect liability.

6 A. I can't -- yeah, I -- yeah, I can't speak to
7 anything actuarially. The only thing I can say
8 is if we make payments that we're not supposed to
9 make by statute, obviously, the amount of
10 liabilities will be decreased. Whether or not
11 that requires another assessment, I don't know
12 that.

13 Q. Now, the Second -- or the IRF and the SFAA, I
14 think you do in your affidavit, but I just want
15 to confirm this, you acknowledge the power and
16 authority to continue to assess as long as
17 necessary to fund the Second Injury Fund's
18 liabilities as well as its administrative cost?

19 A. Well, at this point it's only the 60 million for
20 five years, but if we're told otherwise, yeah,
21 we're supposed to do that.

22 Q. In other words, if you need the money then you
23 have the power to go out and do the assessments?

24 A. Correct. That's my understanding.

25 Q. Okay. Has the Second Injury Fund ever sent an

- 1 assessment or notice of assessment to the
2 Guaranty Association?
- 3 **A.** **I don't believe so.**
- 4 **Q.** **Okay.**
- 5 **A.** **Part -- and David Stooksbury can better explain**
6 **that, but I believe what drives the assessment**
7 **are carriers and self-insured as recognized by**
8 **the Workers' Compensation Commission, they**
9 **provide that information to us. If the Guaranty**
10 **Association's not on there, they would never get**
11 **assessed.**
- 12 **Q.** So the entities that you send assessments to, as
13 you understand it, that information comes from
14 the Workers' Compensation Commission?
- 15 **A.** **I believe so.**
- 16 **Q.** **Okay.**
- 17 **A.** **I believe that have it on disk or something.**
- 18 **Q.** All right. So whoever's on there gets an
19 assessment notice?
- 20 **A.** **Correct.**
- 21 **Q.** All right. I'm kind of -- mathematics is not my
22 strong suit, that's probably why I'm a lawyer.
23 But I want to just try to understand the \$60
24 million plan as you -- as much as you understand
25 it or know about it. But, for instance, if you

1 had, let's just say you had 60 carriers out
2 there, okay, and they're paying into this \$60
3 million plan, in that hypothetical, or that
4 example, each carrier would pay a million dollars
5 a year, right?

6 **A. It depends on what they've paid out in losses.**

7 Q. Right. Okay.

8 **A. There's a calculation that goes in there.**

9 Q. Yeah. Let's assume that it's all the same, okay?

10 **A. Yeah, they would -- if everybody had exactly the**
11 **same paid losses for the year, they'd all pay the**
12 **same.**

13 Q. Okay. And if you had an additional entity that
14 came in, then it would be reduced pro rata,
15 right? In other words --

16 **A. Correct.**

17 Q. -- the Second Injury Fund wouldn't collect more
18 than 60 million?

19 **A. It's only 60 million.**

20 Q. It would just be divided up differently?

21 **A. Correct.**

22 Q. Okay. And that was -- was that your
23 understanding under the prior funding formula
24 before?

25 **A. The only thing I know about the prior funding**

1 formula, they didn't have a set amount. There
2 was some formula at the term, so it varied by
3 year-to-year.

4 Q. Right. But it was a set amount that was funded
5 pro rata based on the normalized premium by
6 insurance carriers, self-insured funds --

7 A. Some -- something that, something to that effect
8 was just different than us, because I remember
9 when we got the software that was related to this
10 from the Second Injury Fund, that was part of the
11 problem, it wasn't set for a final amount.

12 Q. Okay. But I guess the point I'm trying to
13 understand and make sure I'm clear on is that the
14 amount the Second Injury Fund brings in annually
15 is a set amount?

16 A. Correct.

17 Q. The only variable is who's paying into it in what
18 amounts?

19 A. Correct.

20 Q. Okay. So if you had less -- if you had more
21 entities paying into it, then everybody would pay
22 a little bit less?

23 A. In theory, yes.

24 Q. In theory, okay. And then similarly, if you had
25 less people, you'd have to pay a little bit more?

1 The money to the Second Injury Fund wouldn't
2 decrease or increase, it stays the same?

3 **A. Yeah, 60 million is 60 million.**

4 **Q.**Okay. All right. And do you know whether there
5 have been any -- since the \$60 million per year,
6 five-year plan has been in place, do you know
7 whether there have been situations with defaults
8 on assessments as part of that --

9 **A.**The only thing I'm aware of is there have been
10 companies that have decided not to pay their
11 assessment because I guess the money they were
12 getting out of it wasn't as much as the
13 assessment they'd be paying. I think we've had a
14 few of those, self-insureds, I think mainly.

15 **Q.**Okay. Do you know of any licensed property and
16 casualty insurance carrier --

17 **A.**Not offhand, no. I just happened to know that --
18 I just remembered that we've --

19 **Q.**So they could make that as a business decision,
20 instead of paying assessments --

21 **A.**Correct.

22 **Q.**-- just forgo our reimbursements?

23 **A.**Correct.

24 **Q.**Okay. All right. And in those situations, do
25 the -- do the remaining participants or payors

- 1 into the Second Injury Fund get assessed the
2 differential?
- 3 A. I can't say how that's worked out because I think
4 it's been -- I think -- I think before they ever
5 assess -- we get something back, because you have
6 to send out a call letter for data. I think
7 mainly it comes back at that point saying we
8 don't want to participate or something at that
9 point. David -- I mean, David Stooksbury could
10 tell you probably than me.
- 11 Q. Okay. Well, I guess what I'm trying to get at is
12 if you've got somebody who drops out --
- 13 A. Right.
- 14 Q. -- use that phrase, do the remaining participants
15 have to pay a little bit more to make up that
16 difference to get to the 60 million?
- 17 A. They would have if it was done beforehand. But
18 if you've assessed everything, let's say some
19 didn't pay their \$100, let's say, you're not
20 going to go back and assess everybody the \$100
21 for that, so.
- 22 Q. And I guess you'd go to -- you'd have to talk,
23 look at the actuarial reports, but that also
24 changes the liability. If somebody doesn't pay
25 -- makes the decision not to pay assessments and

1 forego their reimbursements, then that changes
2 the liabilities?

3 A. I think that we -- I think as long as we
4 acknowledge we're steadily close to the 60
5 million and if they have -- it was big enough,
6 they could make an adjustment. I think
7 everything has been like very small -- very small
8 numbers.

9 Q. Sounds like Stooksbury's the guy on the whole
10 assessment question?

11 A. Yeah.

12 Q. Okay.

13 A. I mean, he know -- I mean, he's done it now for,
14 I guess, three years.

15 Q. Okay. All right. Give me one second and we'll
16 wrap up here, Chris.

17 A. I appreciate, I have a medical appointment later
18 --

19 Q. Oh, I'm sorry. You should have told me.

20 A. That's all right.

21 Q. I apologize.

22 A. That's all right.

23 Q. Let me just scan your affidavit real quick, my
24 highlighted copy of it. Does the Second Injury
25 Fund receive any taxpayer funding?

- 1 **A.** **Not that I know of. I believe all -- I believe**
2 **even our one and a half or maybe two combined,**
3 **even our employees are paid out of the same fund.**
- 4 **Q.** Are attorney fees for litigating disputes
5 included in the administrative costs of the
6 Second Injury Fund?
- 7 **A.** **Yes.**
- 8 **Q.** You may not know this, this may be an actuarial
9 thing, but if a insurance carrier is insolvent
10 and is not paying any losses because it's gone,
11 would their assessments go to zero under the
12 formula, both in the statute, the original
13 funding as well as the continuing?
- 14 **A.** **I guess if they reported zero, it would be zero.**
15 **Whatever the -- whatever that formula is on the**
16 **assessment, you mean?**
- 17 **Q.** Yeah.
- 18 **A.** **I think --**
- 19 **Q.** You've got in the plan as well as it was in the
20 statute under 42 --
- 21 **A.** **I believe if you reported zero you'd pay zero.**
- 22 **Q.** Right. So if you don't have any -- you're not
23 paying any losses, then your assessment would be
24 zero?
- 25 **A.** **It's like you're not an active carrier at that**

1 **point.**

2 Q. Right. Okay. And as I understand this plan in
3 general, if there's money at the end of the day
4 when the last dog dies, as Bill Clinton used to
5 say, or the last claim is paid, the intention is
6 to rebate that money in some sort of pro rata
7 fashion to the --

8 A. I think it's the --

9 Q. -- to the entities that pay it?

10 A. And I think it's the entities who paid the last
11 assessment are the ones who get it.

12 Q. Okay. Okay. Okay, Chris, thanks. All right.

13 (Off the record)

14 BY MR. WOOD:

15 Q. I'll let you go -- just one final question, and I
16 don't know if you're familiar with this. But
17 when you've got an insurance carrier that is sort
18 of on the rocks, hasn't been declared insolvent,
19 but is in rehabilitation and they're paying
20 runoff claims, but they're not writing any new
21 business, they're not issuing new policies or
22 renewing policies, in that situation, are there
23 still assessments levied against the carrier?

24 A. If the carrier still exists, there are, correct.

25 Q. And that's governed both under the old statutory

1 funding as well as the funding plan with this
2 normalized premium calculation?

3 A. They still show up under the information that we
4 get, I guess from the Work Comp Commission as
5 somebody who's currently writing or paying. They
6 show up somehow as that they're paying.

7 Q. Okay. So the workers' comp, again --

8 A. Again, we get information in, it's Work Comp
9 Commission and we get stuff from Best too.

10 Q. A.M. Best?

11 A. Yeah.

12 Q. Okay.

13 A. There's some combination that goes together.

14 Q. But I guess ultimately whether there was any
15 assessment due would be controlled by the
16 formula, the normalized premium?

17 A. Right. Right.

18 Q. Okay. All right. Good. Thanks for your time.

19 A. Thank you very much.

20 (There being nothing further, the deposition concluded at
21 2:52 p.m.)

22

23

24

25

THE STATE OF SOUTH CAROLINA
In The Supreme Court

IN THE ORIGINAL JURISDICTION

RECEIVED

FEB 10 2017

S.C. SUPREME COURT

State Fiscal Accountability Authority and
South Carolina Second Injury Fund, ... Petitioners,

v.

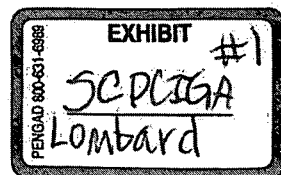
South Carolina Property and Casualty Insurance
Guaranty Association, ... Respondent.

AFFIDAVIT OF CHRISTOPHER M. LOMBARD

PERSONALLY APPEARED BEFORE ME, Christopher M. Lombard, who being first
duly sworn, deposes and states as follows:

1. I am currently employed by the South Carolina Insurance Reserve Fund as its
Assistant Director of Claims. I have held this position since 2012.

2. Pursuant to S.C. Code Ann. § 42-7-320, the South Carolina General Assembly
provided for the termination of the programs and appropriations of the Second Injury Fund
effective July 1, 2013. The General Assembly directed the State Budget and Control Board,
which is now the State Fiscal Accountability Authority, with providing for (1) the payment of
liabilities of the Second Injury Fund remaining after June 30, 2013, and (2) appropriate staffing



until such time as staff services are no longer required to administer the obligations of the Second Injury Fund.

3. These functions have been assigned to the Insurance Reserve Fund, which is a division of the State Fiscal Accountability Authority.

4. The closure of the Second Injury Fund and the administration of remaining liabilities are currently governed by the Second Injury Fund Closure Plan, a copy of which is attached hereto as Exhibit A. The Closure Plan provides for mechanisms for funding liabilities and administrative costs through FY 2018. The Closure Plan also provides for the State Fiscal Accountability Authority to take any further action to modify or extend the funding mechanisms, including the use of assessments to generate sufficient funding to cover all liabilities and administrative costs for winding down the affairs of the Second Injury Fund.

5. The South Carolina Property and Casualty Insurance Guaranty Association ("Guaranty Association") has submitted numerous claims to the Second Injury Fund seeking reimbursement for claims paid by the Guaranty Association for insolvent insurers including Lumbermens Mutual Insurance Company and CAGC Insurance Company. The Guaranty Association has put the Second Injury Fund on notice of its intent to pursue at least 45 claims which are documented on the two lists provided by counsel for the Guaranty Association. The two lists are attached hereto as Exhibit B.

6. To date, the Guaranty Association has filed WCC Form 54s with the South Carolina Workers' Compensation Commission with respect to two of these claims -- Claimants Robert D. Kimbrell and Michael T. Quarles. It is anticipated that counsel for the Guaranty Association will be filing additional WCC Form 54s for the other claims. A copy of the two WCC Form 54s are attached hereto as Exhibit C.

7. The Second Injury Fund has filed a WCC Form 55 in reply to each claim. A copy of the two WCC Form 55s are attached hereto as Exhibit D.

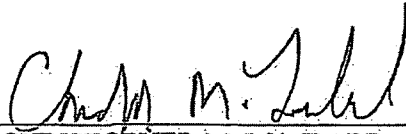
8. The Second Injury Fund has denied the claims made by the Guaranty Association. In taking that position, the Second Injury Fund has raised several legal defenses which are included in the WCC Form 55s that have already been filed and will be raised in response to all claims as may be filed by the Guaranty Association. The Second Injury Fund takes the position that the Guaranty Association is not an entity that is statutorily authorized to receive reimbursement from the Fund. In addition, the Guaranty Association does not pay any assessments to the Second Injury Fund and, on that basis, is not entitled to receive reimbursement from the Fund. Further, the insolvent insurers, through whom the Guaranty Association is claiming its rights to reimbursement, are in default and unable to pay any assessments and thereby have no right to reimbursement pursuant to S.C. Code Ann. § 42-7-310(d)(2).

9. The State Fiscal Accountability Authority has been tasked by the General Assembly with providing for the efficient and expeditious closure of the Second Injury Fund and the winding down of its affairs. The State Fiscal Accountability Authority also has the responsibility to the self-insureds and carriers that pay assessments to ensure that only reimbursements as required by law are paid so as to minimize the need for and/or the amount of future assessments. For this reason, the State Fiscal Accountability Authority, in administering the Second Injury Fund, is compelled to take this action to determine whether the Guaranty Association is or is not entitled to reimbursement as a matter of statutory law and public policy.

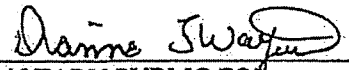
10. The State Fiscal Accountability Authority also has a responsibility to minimize the administrative costs, including the expenditure of attorney's fees, associated with winding

down the affairs of the Second Injury Fund. It is believed that having the legal issues decided by the South Carolina Supreme Court in its original jurisdiction will ultimately be the most efficient use of the Second Injury Fund resources.

FURTHER AFFIANT SAYETH NOT.


CHRISTOPHER M. LOMBARD

SWORN TO BEFORE ME THIS 9
DAY OF FEBRUARY 2017.


NOTARY PUBLIC FOR (SEAL)
SOUTH CAROLINA

COMMISSION EXPIRES: 1/13/2020

Exhibit A

PLAN
Second Injury Fund Closure

1. Introduction

SC Code Section 42-7-320 terminates the programs and appropriations of the Second Injury Fund effective July 1, 2013 and charges the Budget and Control Board with providing for: (a) the payment of liabilities of the Fund remaining after June 30, 2013, using a mechanism or mechanisms that are determined reasonably necessary to fund the liabilities and (b) appropriate staffing until staff services are no longer required to administer the obligations of the Fund.

In addition, effective July 1, 2013, SC Code Section 42-7-200 establishes the South Carolina Workers' Compensation Uninsured Employers' Fund within the State Accident Fund and transfers all functions related to the Uninsured Employers' Fund from the Second Injury Fund to the State Accident Fund in accordance with the Budget and Control Board's plan for closure of the Second Injury Fund.

To meet its statutory responsibilities the Budget and Control Board adopts the following plan.

2.0 Plan

2.1 Designation of Agency to Administer Remaining Liabilities

Upon the termination of the Second Injury Fund July 1, 2013, the Budget and Control Board shall administer the winding down of affairs of the Second Injury Fund and payment of its remaining liabilities as provided in this plan.

2.2 Transfer of Second Injury Fund Accounts, Assets and Liabilities

In order for the Board to administer the wind down and remaining liabilities, the Second Injury Fund Trust and Administration accounts (Funds 4260 and 4799) together with their associated assets and liabilities, shall be transferred from the Second Injury Fund (R160) to the Budget and Control Board (F030). The Budget and Control Board shall coordinate processing transfers and establishing general ledger accounts within the Board with the Comptroller General and State Treasurer.

The funds shall be transferred and general ledger accounts established under the Board as soon as practicable after FY 2012-2013 closing transactions are processed. The transferred funds shall continue to be held as separate and distinct trust accounts.

Because the Second Injury Fund terminates July 1, 2013, the Board is authorized to act on behalf of the former Second Injury Fund to process its FY 2013 closing transactions and appropriately record the transactions. The Division of State Budget shall provide the Second Injury Fund and Budget and Control Board, as appropriate, other fund spending authority equal to the amount of any remaining administrative expenditures associated with closing the Second Injury Fund, if needed and adequately documented.

2.3 Administration and Use of Funds

The Budget and Control Board shall use funds transferred according to paragraph 2.2, along with additions generated from assessments and earnings, to satisfy the remaining liabilities of the Second Injury Fund and pay expenses necessary to the performance of this and related responsibilities. The executive director of the Budget and Control Board or his or her designee is authorized to employ staff as needed for these purposes.

2.4 Mechanisms for Funding Liabilities and Administrative Costs after June 30, 2013

Unless modified in accordance with the provisions of paragraph 2.6, beginning FY 2014 and continuing through FY 2018, the mechanism for funding payment and administration of Second Injury Fund obligations is by:

- (a) equitable assessments upon each carrier, which shall make annual payments to the fund in an amount equal to that proportion of sixty million dollars (\$60,000,000) which the normalized premium of each carrier bore to the normalized premium of all carriers during the preceding calendar year. Each insurance carrier, self-insurer, and the State Accident Fund shall make payment based upon workers' compensation normalized premiums during the preceding calendar year. The charge to each insurance carrier is a charge based upon normalized premiums. An employer who has ceased to be a self-insurer continues to be liable for any assessments into the fund on account of any benefits paid by him during such calendar year. Any assessment levied or established in accordance with this section constitutes a personal debt of every employer or insurance carrier so assessed and is due and payable when payment is called for by the Budget and Control Board. In the event of failure to pay any assessment upon the date determined, the employer or insurance carrier immediately may be assessed a penalty in an amount not exceeding ten percent of the unpaid assessment. If the employer or insurance carrier fails to pay the assessment and penalty, they shall be barred from any recovery from the fund on all claims without exception until the assessment and penalty are paid in full. The executive director of the Budget and Control Board or his or her designee may file a complaint for collection against the employer or

insurance carrier in a court of competent jurisdiction for the assessment, penalty, and interest at the legal rate, and the employer/carrier is responsible for the Budget and Control Board's attorney's fees and costs. The penalty and interest under this subsection are payable to the Budget and Control Board for deposit to the Second Injury Fund (Fund 4260). At the time of the filing of the complaint, the Budget and Control Board also shall notify the South Carolina Department of Insurance and the South Carolina Workers' Compensation Commission for appropriate legal and administrative action.

- (b) For purposes of this Plan, "carrier" is defined as the State Accident Fund and any person or fund authorized to insure workers' compensation liability under Title 42 of the SC Code of Laws, including self-insurers.
- (c) For purposes of this Plan, "normalized premium" is defined as gross paid losses before salvage and subrogation times a factor representing normalized expenses. Normalized expenses include taxes, licenses, fees, general expenses, profit, contingencies, and other expenses as reported on the Insurance Expense Exhibit of the NAIC Annual Statement blank. This normalized expense factor is computed annually by the Workers' Compensation Commission by August first of each year and is based upon aggregate expense information obtained from the Department of Insurance derived from insurers' most recently filed annual statements.

2.5 Actuarial Valuation(s)

The executive director of the Budget and Control Board or his or her designee shall cause to be conducted an actuarial valuation of the Fund's remaining liabilities and funding based on data as of June 30, 2014, and at such other times as the executive director or designee determine appropriate, but not less than every two years. Actuarial valuations shall be conducted to determine if: (a) funding as provided in paragraph 2.4 is adequate to generate sufficient funds by fiscal year end 2018 to satisfy the Fund's remaining liabilities without further assessment, (b) sufficient funding has been accumulated to transfer the Fund's remaining liabilities and administration to a third party at a more economical cost than continuing assessments as provided in paragraph 2.4, or (c) funds are being generated in excess of the amount reasonably needed to satisfy the Fund's liabilities and administrative cost.

2.6 Termination or Revision of Funding

The executive director of the Budget and Control Board or designee must advise the five member Budget and Control Board, as appropriate, if an actuarial valuation indicates funding generated in accordance with paragraph 2.4: (a) is insufficient to satisfy the Fund's liabilities by fiscal year end 2018 without further assessment, (b) has reached or is projected to reach a balance potentially sufficient to transfer the Fund's remaining

liabilities and administration to a third party at a more economical cost; or (c) will produce funding exceeding the amount needed to satisfy Fund liabilities and administrative cost. The Board shall take such action as it considers appropriate to modify the funding mechanism, amount or duration, to suspend or terminate the assessment, or to cause a transfer of liabilities or administration or both to a third party.

2.7 Rebate of Excess Assessments

If funds derived from the Second Injury Fund assessment remain after all of the Fund's liabilities and expenses are extinguished or satisfied, the remaining funds shall be returned to those who paid a Second Injury Fund assessment. The amount rebated to each carrier, self-insurer and the State Accident Fund shall be determined by the percentage of the total assessment each paid. For purposes of a rebate, "total assessment" means the aggregate assessment during the last fiscal year in which assessments are collected. For purposes of determining the "total assessment" and share due each carrier, self-insurer and the State Accident Fund, the rebate shall be based upon amounts actually paid and received as Second Injury Fund assessments during the relevant fiscal year.

2.8 Uninsured Employers' Fund

Pursuant to section 42-7-200, effective July 1, 2013 the powers, duties, obligations and responsibilities of the Second Injury Fund that relate to the South Carolina Workers' Compensation Uninsured Employers' Fund are devolved upon the South Carolina Workers' Compensation Uninsured Employers' Fund within the State Accident Fund. In addition, in accordance with this plan's closure of the state agency administering the Second Injury Fund and Uninsured Employers' Fund, and by operation of section 42-7-200, all functions within the Second Injury Fund related to the Uninsured Employers' Fund, including all allied, advisory, affiliated, or related entities, as well as employees, funds, property, and all contractual rights and obligations associated with the Uninsured Employer' Fund are transferred to the Uninsured Employers' Fund within the State Accident Fund. The following positions, along with the employees, are associated with the Uninsured Employers' Fund and transferred pursuant to section 42-7-200: Administrative Assistant 60025625; Administrative Assistant 60025637; Insurance Claims Examiner 60025634; Insurance Claims Examiner 60025632; Claims Analyst I 60025635; Claims Analyst I 60025628; Attorney II 60025640; Attorney III 60025636; Administrative Coordinator I 60025547; Administrative Manager I 60025641; Administrative Coordinator II 60025546; Administrative Specialist II 60025626; Administrative Manager I 60025630; Administrative Specialist II 60025548; and Program Manager II 60025642.

Exhibit B

Between 1/01/2012 and 5/12/2016

For All Branches, CAGC Insurance Company In Rehabilitation, All Locations, All Divisions
All Carriers, All Employers, All Consultants, All Processors

RCI #	Claimant's Name	Carrier Name	D/A	Con	Reimb	Recvd	Date Closed
25580	Bunch, Steve M.	CAGC Insurance Company	3/04/1999	JTC	\$180,559.80		3/18/2014
28333	Fuchs, Amy T.	CAGC Insurance Company	11/20/2002	MTF	\$128,169.32		3/18/2014
36116	Langlois, Jean M.	CAGC Insurance Company	7/31/1997	NA	\$7,044.40		3/18/2014
25541	Bridges, Darrell W.	CAGC Insurance Company	10/03/2001	LMG	\$868,699.53		3/20/2014
25553	Kynett, Kenneth	CAGC Insurance Company	1/07/1997	LMG	\$414,826.33		3/20/2014
25951	Landry, Cindy V.	CAGC Insurance Company	2/21/2002	LMG	\$292,188.31		3/20/2014
27849	Smith, Roger L.	CAGC Insurance Company	10/17/2002	JTC	\$253,417.78		3/20/2014
28328	Bullock, William E.	CAGC Insurance Company	4/05/2003	JCB	\$249,879.45		3/20/2014
30231	Watford-Roth, Barbara	CAGC Insurance Company	1/26/2004	MTF	\$186,001.67		3/20/2014
36113	Yates, James S.	CAGC Insurance Company	3/17/1997	NA	\$52,216.76		3/20/2014
36114	Watkins, Roger D.	CAGC Insurance Company	6/29/1994	NA	\$54,978.39		3/20/2014
25967	Kimbrell, Robert D.	CAGC Insurance Company	6/15/2000	JCB	\$1,342,329.85		3/27/2014
27860	Fender, Harold T.	CAGC Insurance Company	8/03/2001	LMG	\$81,195.65		3/27/2014
28330	Cook, Timothy L.	CAGC Insurance Company	6/26/2003	LMG	\$309,761.03		3/27/2014
28331	Davis, Earnest B.	CAGC Insurance Company	6/11/2003	JTC	\$269,640.74		3/27/2014
28720	Floyd, David L.	CAGC Insurance Company	12/17/2003	JTC	\$52,453.61		3/27/2014
30696	Ferguson-Furr, Kimberly	CAGC Insurance Company	6/04/2003	JCB	\$89,524.53		3/27/2014
27457	Scott, Andrew	CAGC Insurance Company	8/20/2002	MTF	\$418,098.75		4/24/2014
28337	Poston, Michael	CAGC Insurance Company	10/12/2003	MTF	\$276,706.26		4/24/2014
30235	Ridgeway, Lander D.	CAGC Insurance Company	10/22/1997	MTF	\$122,780.50		4/24/2014
36115	Snuggs, James V.	CAGC Insurance Company	7/24/1995	NA	\$446.62		4/24/2014
28334	Heslewood, Wayne	CAGC Insurance Company	3/18/2003	LMG	\$479,843.49		7/15/2014
Grand Totals		22 Cases			\$6,130,772.77		

Reimbursement Consultants, Inc.

P.O. Box 700 * Chapin, SC 29036 * (803) 345-5716 * FAX (803) 345-0876

SC Property & Casualty Ins Guaranty Assoc

Claimant's Name	Employer	RCI #	Carrier File #	Status	Con/rp

Please Update the Following Created Cases:

1. Arnold, Roger	The Service Team.Com	36120	G9452	F7	NA/jwj
2. Birch, Donald W.	Mail Contractors of America	825610	02240000211300	F7	MTF/jwj
3. Bortio, Deborah	Ben Franklin Insurance Agency/The U	827906	02240000219427	F7	JCB/jwj
4. Cole, Lance	Carolina Cannerys, Inc	819157	G9456	F7	LMG/jwj
5. Floyd, Liston	Pilliod Furniture	830947	G9450	F7	LMG/jwj
6. Holcombe, Bobby R.	Sealed Air Corporation	823678	02240000195434	F7	JTC/jwj
7. Holladay, James	Tom's Foods Inc.	823876	G9462	F7	MTF/jwj
8. Hunter, Richard	Throughbred Industries, Inc.	820906	G9453	F7	JCB/jwj
9. Kelly, Barbara L.	Dillon Yarn Corporation	823761	G9424	F7	LMG/ahy
10. Key, Beverly J.	Independent Life & Accident Ins. Co	819158	G9426	F7	JTC/ahy
11. Lee, Jeanette G.	Community Newspaper, Inc.	821476	G9431	F7	JTC/ahy
12. Little, Scarlett R.	Sea Containers	821513	G9446	F7	MTF/ahy
13. Lucas, Claxton V.	Carolina & Southern Processing	819154	G9432	F7	JTC/ahy
14. Palmer, Cecil	General Nutrition Companies	830952	04450000068435	F7	JTC/ahy
15. Pressley, Sherry	Tupperware Corporation	828548	02240000214524	F7	JCB/ahy
16. Quarles, Michael T.	Cryovac, Division of Sealed Air	825321	02240000199962	F7	MTF/ahy
17. Stone, David	The F.A. Bartlett Tree Expert	823955	02240000187170	F7	JCB/ahy
18. Tyrrell-Kuhn, Donna M.	Bedroom Express	827925	02240000206261	F7	JTC/ahy
19. Verdin, Betty O.	Kemet Electronics	830172	10060000206310	F7	LMG/ahy
20. Wanzer, Jo Ann	Focus Golf Systems	823035	04450000052828	F7	LMG/ahy
21. Warren, Judith L.	Southern Real Estate Management	827059	02240000215692	F7	MTF/ahy
22. Williams, Robert	Meristar/Hampton Inn	827926	02240000206300	F7	JCB/ahy
23. Williamson, Carl R.	Institution Food House	821477	G9438	F7	JCB/ahy

Total Creates 23 Cases

Grand Totals 23 Cases

Reimbursement Consultants, Inc.

P.O. Box 700 * Chapin, SC 29036 * (803) 345-5716 * FAX (803) 345-0876

Exhibit C

South Carolina Workers' Compensation Commission
1333 Main Street, Suite 500
P.O. BOX 1715
Columbia, SC 29202-1715
(803) 737-5675 www.wcc.sc.gov



WCC File #: **0009632**
Carrier File #: **103459**
Carrier Code #:
Employer FEIN #: **570904970**

Claimant's Name: Robert Dale Kimbrell SSN: [REDACTED] Employer's Name: Chapman Concrete Products, Inc.
Address: [REDACTED] Address: P.O. Box 4275
City: [REDACTED] State: SC City: Spartanburg State: SC Zip: 29305
Home Phone: [REDACTED] Work Phone: () Carrier: CAGC in liquidation f/k/a CompTrust AGC of S.C./SCPCIGA
Preparer's Name: J. Hubert Wood, III Preparer's Phone #: (843) 577-5732

Check applicable claims and complete all blanks.

1. The employee sustained a compensable accidental injury to the [REDACTED] (part of the body) on 6/12/2000 (date) in Spartanburg (county), State of South Carolina (state).
2. That the Second Injury Fund was put on notice of the claim on 4/26/01 (date).
3. That the carrier concluded the disability claim by ☐ Award ☒ Agreement on 6/7/05 (date).
4. That the subsequent injury combined with or was aggravated by the below-named permanent impairment under S.C. Code Section 42-9-400(d):
 - a. Listed Impairment - (1) - (33) [REDACTED]
 - b. (34) (a) _____
 - c. (34) (b) Disability in excess of 78 weeks
5. ☒ a. That the impairment preexisted;
☒ b. That the impairment was permanent; and
☒ c. That the impairment is a physical condition.
6. ☒ That the prior impairment combined with or was aggravated by the subsequent injury.
7. ☒ That the combination/aggravation substantially increased the liability of the carrier for: ☐ disability ☐ medical or ☒ both.
8. ☒ That the impairment was a hindrance or obstacle to employment or re-employment.
9. ☒ a. That the employer has knowledge of the prior impairment;
☐ b. That the impairment was unknown to the employee and the employer; or
☐ c. That the employee concealed the prior impairment from the employer.
10. ☐ That the subsequent injury would not have occurred "but for" the prior impairment.
11. That the above claim qualifies for reimbursement under S.C. Code Section 42-9-410 because:

12. Other grounds for claim: Approved/Filed Agreement to Reimburse Compensation provided that Carrier would be reimbursed for 70% of exposure for [REDACTED] and SCPCIGA asserts all rights of liquidated carrier pursuant to 638-31-60(b) of the S.C. Code (1976, as amended) and demands continuing reimbursement in accordance therewith under 642-7-310.

- ☐ Mediation
- ☐ a. Mediation is requested to be ordered pursuant to Reg. 67-1801 B.
 - ☐ b. Mediation is required pursuant to Reg. 67-1802.
 - ☐ c. Mediation is requested by consent of the Parties pursuant to Reg. 67-1803.
 - ☐ d. Mediation has been conducted by a duly qualified mediator and resulted in an Impasse.

Questions regarding mediation may be submitted to mediation@wcc.sc.gov.

I certify I have served this document pursuant to Reg. 67-211 by delivering a copy to See attached certificate of service
Address See attached certificate of service on the 6th day of January 2017, by ☐ first class postage ☐ certified mail ☐ personal service.
A \$25.00 filing fee is required.

Preparer's Signature: [Signature] Attorney for SCPCIGA: hubie@woodgroupinc.com 1/6/17
Title: _____ Email: _____ Date: _____

Questions regarding this form should be directed to the Judicial Department at 803.737.5675, or judicial@wcc.sc.gov or mediation@wcc.sc.gov. Refer to Regulations 67-204 through 67-211 and Regulations 601 through 67-615 as well as Reg. 67-1801.

WCC Form # 54
Revised 7/13

54

Employer's Notice of Claim and/or
Request for Hearing

South Carolina Workers' Compensation Commission
1333 Main Street, Suite 500
P.O. BOX 1715
Columbia, SC 29202-1715
(803) 737-5675 www.wcc.sc.gov



WCC File #: 9928766
Carrier File #: 224CU199962
Carrier Code #: _____
Employer FEIN #: _____

Claimant's Name: Michael T. Quarles SSN: [REDACTED] Employer's Name: Cryovac Sealed Air Corporation
Address: [REDACTED] Address: 603 W. Maple Street
City: [REDACTED] State: SC Zip: [REDACTED] City: Simpsonville State: SC Zip: 29681
Home Phone: 0 - Work Phone: 0 - Carrier: Lumbermens Mutual Casualty Company in liquidation/SCPCIGA
Preparer's Name: J. Hubert Wood, III Preparer's Phone #: (843) 577-5732

Check applicable claims and complete all blanks.

1. The employee sustained a compensable accidental injury to the [REDACTED] (part of the body) on 12/17/1999 (date) in Greenville (county), State of South Carolina (state).
2. That the Second Injury Fund was put on notice of the claim on 12/21/2000 (date).
3. That the carrier concluded the disability claim by ☐ Award ☒ Agreement on 1/06/05 (date).
4. That the subsequent injury combined with or was aggravated by the below-named permanent impairment under S.C. Code Section 42-9-400(d):
 - a. Listed Impairment - (1) - (33) _____
 - b. (34) (a) [REDACTED]
 - c. (34) (b) [REDACTED]
5. ☒ a. That the impairment preexisted;
☒ b. That the impairment was permanent; and
☒ c. That the impairment is a physical condition.
6. ☒ That the prior impairment combined with or was aggravated by the subsequent injury.
7. ☒ That the combination/aggravation substantially increased the liability of the carrier for: ☐ disability ☐ medical or ☐ both.
8. ☒ That the impairment was a hindrance or obstacle to employment or re-employment.
9. ☐ a. That the employer has knowledge of the prior impairment;
☒ b. That the impairment was unknown to the employee and the employer; or
☐ c. That the employee concealed the prior impairment from the employer.
10. ☐ That the subsequent injury would not have occurred "but for" the prior impairment.
11. That the above claim qualifies for reimbursement under S.C. Code Section 42-9-410 because:

12. Other grounds for claim: SCPCIGA asserts all rights of the liquidated carrier pursuant to §38-31-60 of the S.C. Code (1976, as amended) and demands continuing reimbursement for benefits paid for [REDACTED] in accordance with approved/fled Agreement to Reimburse Compensation per §42-7-310.

☐ Mediation

- ☐ a. Mediation is requested to be ordered pursuant to Reg. 67-1801 B.
- ☐ b. Mediation is required pursuant to Reg. 67-1802.
- ☐ c. Mediation is requested by consent of the Parties pursuant to Reg. 67-1803.
- ☐ d. Mediation has been conducted by a duly qualified mediator and resulted in an impasse.

Questions regarding mediation may be submitted to mediation@wcc.sc.gov.

I certify I have served this document pursuant to Reg. 67-211 by delivering a copy to see attached certificate of service
Address see attached certificate of service on the 8th day of December 2016, by ☒ first class postage ☒ certified mail ☐ personal service.

A \$25.00 filing fee is required.

Preparer's Signature: [Signature] Attorney for SCPCIGA: hubie@woodgroupinc.com Date: 12/08/16
Title: _____ Email: _____ Date: _____

Questions regarding this form should be directed to the Judicial Department at 803.737.5675, or judicial@wcc.sc.gov or mediation@wcc.sc.gov. Refer to Regulations 67-204 through 67-211 and Regulations 601 through 67-615 as well as Reg. 67-1801.

Exhibit D

South Carolina Workers' Compensation Commission
1335 Main Street, Suite 500
P.O. Box 1715
Columbia, SC 29202-1715
(803) 737-5675 www.wcc.sc.gov



WCC File #: 0009632
Carrier File #: 103459
Carrier Code #: _____
Employer FEIN #: 570904970

Claimant's Name: Robert Dale Kimbrell SSN: [REDACTED] Employer's Name: Chapman Concrete Products, Inc.
Address: [REDACTED] Address: P.O. Box 4275
City: [REDACTED] State: SC Zip: [REDACTED] City: Spartanburg State: SC Zip: 29305
Home Phone: () - Work Phone: () - Carrier: CAGC in liquidation f/k/a CompTrust AGC of S.C./SCPCIGA
Preparer's Name: Robert M. Cook II Law Firm: The Robert Cook Law Firm, LLC Preparer's Phone #: (803) 317-2171

The South Carolina Second Injury, in answer to the claim, respectfully shows:

1. It is ☒ acknowledged ☐ denied the employee sustained a compensable accident; Admitted per prior order(s) in underlying merits claim.
2. It is ☒ acknowledged ☐ denied the notice was given to the Second Injury Fund; Admitted only as to original presentation of claim by [REDACTED] Carrier, R.M.C.
3. It is ☐ acknowledged ☒ denied the disability claim has been concluded. (SCSIF understands medicals, at least, to remain open).
4. It is ☒ acknowledged ☐ denied the impairment is: Per prior order(s) in underlying merits claim.
5. a. It is ☒ admitted ☐ denied the impairment pre-existed.
b. It is ☒ admitted ☐ denied the impairment was permanent.
c. It is ☒ admitted ☐ denied the impairment is physical.
6. It is ☒ admitted ☐ denied the impairment combined with or was aggravated by the subsequent injury.
7. It is ☒ admitted ☐ denied the combination/aggravation substantially increased the carrier's liability for
☐ disability ☐ medical or ☐ both: Per Fund's prior agreement with [REDACTED] regarding reimbursement on this claim.
(If ANY) R.M.C.
8. It is ☒ admitted ☐ denied the impairment was a hindrance or obstacle to employment or re-employment.
9. a. It is ☒ admitted ☐ denied the employer had knowledge of the impairment.
b. It is ☒ admitted ☐ denied the impairment was unknown to the employee and employer.
c. It is ☒ admitted ☐ denied the employee concealed the impairment.
10. It is ☐ admitted ☒ denied the subsequent injury would not have occurred "but for" the prior impairment.
11. It is ☐ admitted ☒ denied the claim qualifies for reimbursement under S.C. Code Section 42-9-410;
See special defenses raised in attachment to this F55. Basically, the SCPCIGA simply not entitled to reimbursement. Generally speaking, the Fund does not deny that the claim would otherwise be reimbursable.
12. The Carrier's claim is barred by the Statute of Limitations pursuant to S.C. Code Section 42-15-40;
Fund reserves right to raise this defense after full investigation by current legal counsel.
13. Other grounds for denial: See attachment.

☐ Mediation

- ☐ a. Mediation is requested to be ordered pursuant to Reg. 67-1801 B. (Legal issues only. Mediation not likely to be helpful).
☐ b. Mediation is required pursuant to Reg. 67-1802.
☐ c. Mediation is requested by consent of the Parties pursuant to Reg. 67-1803.
☐ d. Mediation has been conducted by a duly qualified mediator and resulted in an impasse.

Questions regarding mediation may be submitted to mediation@wcc.sc.gov.
Attorney for SCSIF

Robert M. Cook II
Preparer's Signature

Title

robcook1965@yahoo.com
Email

2/1/2017
Date

2/1/2017
Signature on behalf of the Second Injury Fund Date (m/d/yyyy)

Questions about the use of this form should be directed to the Judicial Department at 803.737.5739 or judicial.wcc.sc.gov or mediation@wcc.sc.gov. Refer to Regulation 67-205 through 67-211 and Regulations 67-601 through 67-615; as well as Reg. 67-1801.

WCC Form # 55
Revised 07/13

55
728

Second Injury Fund's Answer to Employer's
Request for Hearing

ATTACHMENT TO FORM 55 OF THE SC SECOND INJURY FUND
(OPERATIONS)

Robert Dale Kimbrell v. Chapman Concrete Products, Inc.

(SCWCC No. 0009632)

(SIF No. 79951)

Additional and specific defenses asserted by the SC Second Injury Fund (Operations):

1. The South Carolina Property and Casualty Insurance Guaranty Association (SCPCIGA) is not an entity that is statutorily authorized to receive reimbursement from the Fund. This claim is barred as a result.
2. The SCPCIGA does not pay assessments to the Fund and therefore is barred from receiving reimbursement from the Fund. This claim is barred as a result.
3. The carrier from which the SCPCIGA purportedly asserts its rights, ~~Chapman Concrete Products, Inc.~~ ^{RM CB} is in liquidation and is (and has been) in default in payment of its statutory assessments to the Fund. Accordingly, there is no right to reimbursement so long as this default in payment of assessments remains uncured per the provisions of S.C. Code Section 42-7-310(d)(2). This claim is barred as a result.
4. The reimbursement claim of the SCPCIGA is barred by reason of a certain 2013 agreement and release between these parties. This is barred as a result. SCWCC
5. Public policy precludes the reimbursement of these claims. FEB 03 2017
6. This claim for reimbursement is barred for failure to meet the notice/documentation provisions and deadlines found in S.C. Code Section 42-7-320. This claim is barred as a result. JUDICIAL
7. The Fund's obligations, in the event reimbursement is not otherwise barred, are limited to reimbursement for items properly encompassed by the prior orders of the Circuit Court and Commission in the underlying workers' compensation claim. This claim (or portions thereof) may be barred as a result.
8. The Fund reserves the right to assert all second injury qualification related defenses that may become apparent or later arises with regard to the specific reimbursement items sought by the SCPCIGA. Counsel for the Fund received limited portions of this file on January 11th and investigation is ongoing.

RM CB

South Carolina Workers' Compensation Commission
1333 Main Street, Suite 500
P.O. BOX 1715
Columbia, SC 29202-1715
(803) 737-5675 www.WCC.SC.gov



71870

WCC File #: 9928766
Carrier File #: 224CU199962
Carrier Code #:
Employer FEIN #:

Claimant's Name: Michael T. Quarles SSN: [REDACTED] Employer's Name: Cryovac Sealed Air Corporation
Address: [REDACTED] Address: 803 W. Maple Street
City: [REDACTED] State: SC Zip: [REDACTED] City: Simpsonville State: SC Zip: 29681
Home Phone: () - Work Phone: () - Carrier: Lumbermans Mutual Casualty Company in liquidation/SCPCIGA
Preparer's Name: Robert M. Cook II Law Firm: The Robert Cook Law Firm, LLC Preparer's Phone #: (803) 317-2171

The South Carolina Second Injury, in answer to the claim, respectfully shows:

1. It is ☒ acknowledged ☐ denied the employee sustained a compensable accident; Admitted per prior order(s) in underlying merits claim.
2. It is ☒ acknowledged ☐ denied the notice was given to the Second Injury Fund; Admitted only as to original presentation of claim by Lumbermans.
3. It is ☐ acknowledged ☒ denied the disability claim has been concluded. (SCSIF understands medicals, at least, to remain open).
4. It is ☒ acknowledged ☐ denied the impairment is: Per prior order(s) in underlying merits claim.
5. a. It is ☒ admitted ☐ denied the impairment pre-existed.
b. It is ☒ admitted ☐ denied the impairment was permanent.
c. It is ☒ admitted ☐ denied the impairment is physical.
6. It is ☒ admitted ☐ denied the impairment combined with or was aggravated by the subsequent injury.
7. It is ☒ admitted ☐ denied the combination/aggravation substantially increased the carrier's liability for
☐ disability ☐ medical or ☐ both: Per Fund's prior agreement with Lumbermans regarding reimbursement on this claim.
8. It is ☒ admitted ☐ denied the impairment was a hindrance or obstacle to employment or re-employment.
9. a. It is ☒ admitted ☐ denied the employer had knowledge of the impairment.
b. It is ☒ admitted ☐ denied the impairment was unknown to the employee and employer.
c. It is ☒ admitted ☐ denied the employee concealed the impairment.
10. It is ☐ admitted ☒ denied the subsequent injury would not have occurred "but for" the prior impairment.
11. It is ☐ admitted ☒ denied the claim qualifies for reimbursement under S.C. Code Section 42-9-410;
See special defenses raised in attachment to this F55. Basically, the SCPCIGA simply not entitled to reimbursement. Generally speaking, the Fund does not deny that the claim would otherwise be reimbursable.
12. The Carrier's claim is barred by the Statute of Limitations pursuant to S.C. Code Section 42-15-40;
Fund reserves right to raise this defense after full investigation by current legal counsel.
13. Other grounds for denial: See attachment.

SCWCC
JAN 10 2017
JUDICIAL

☐ Mediation

- ☐ a. Mediation is requested to be ordered pursuant to Reg. 67-1801 B. (Legal issues only. Mediation not likely to be helpful).
☐ b. Mediation is required pursuant to Reg. 67-1802.
☐ c. Mediation is requested by consent of the Parties pursuant to Reg. 67-1803.
☐ d. Mediation has been conducted by a duly qualified mediator and resulted in an impasse.

Questions regarding mediation may be submitted to mediation@wcc.sc.gov.

Attorney for SCSIF

robcook1965@yahoo.com

1/5/2017

Preparer's Signature

Title

Email

Date

Signature on behalf of the Second Injury Fund

1/5/2017

Date (m/d/yyyy)

Questions about the use of this form should be directed to the Judicial Department at 803.737.5739 or judicial.wcc.sc.gov or mediation@wcc.sc.gov. Refer to Regulation 67-205 through 67-211 and Regulations 67-601 through 67-615; as well as Reg. 67-1801.

WCC Form # 55
Revised 07/13

Second Injury Fund's Answer to Employer's
Request for Hearing

55
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ATTACHMENT TO FORM 55 OF THE SC SECOND INJURY FUND
(OPERATIONS)

Michael Quarles v. Cryovac Sealed Air Corp.

(SCWCC No. 9928766)
(SIF No. 76870)

Additional and specific defenses asserted by the SC Second Injury Fund (Operations):

1. The South Carolina Property and Casualty Insurance Guaranty Association (SCPCIGA) is not an entity that is statutorily authorized to receive reimbursement from the Fund. This claim is barred as a result.
2. The SCPCIGA does not pay assessments to the Fund and therefore is barred from receiving reimbursement from the Fund. This claim is barred as a result.
3. The carrier from which the SCPCIGA purportedly asserts its rights, Lumbermens Mutual Ins. Co., is in liquidation and is (and has been) in default in payment of its statutory assessments to the Fund. Accordingly, there is no right to reimbursement so long as this default in payment of assessments remains uncured per the provisions of S.C. Code Section 42-7-310(d)(2). This claim is barred as a result.
4. The reimbursement claim of the SCPCIGA is barred by reason of a certain 2013 agreement and release between these parties. This is barred as a result.
5. Public policy precludes the reimbursement of these claims.
6. This claim for reimbursement is barred for failure to meet the notice/documentation provisions and deadlines found in S.C. Code Section 42-7-320. This claim is barred as a result.
7. The Fund's obligations, in the event reimbursement is not otherwise barred, are limited to reimbursement for items properly encompassed by the prior orders of the Circuit Court and Commission in the underlying workers' compensation claim. This claim (or portions thereof) may be barred as a result.
8. The Fund reserves the right to assert all second injury qualification related defenses that may become apparent or later arises with regard to the specific reimbursement items sought by the SCPCIGA. Counsel for the Fund received limited portions of this file on January 4th and investigation is ongoing.

PNCB
1/5/2017

STATE OF SOUTH CAROLINA) BEFORE THE SOUTH CAROLINA
COUNTY OF RICHLAND) WORKERS' COMPENSATION
COMMISSION

South Carolina Property and
Casualty Insurance Guaranty
Association,

Plaintiff,

vs.

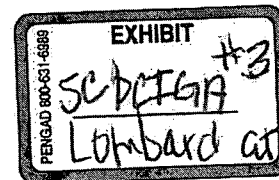
South Carolina Second Injury Fund,

Defendant.

IN RE:

All claims of South Carolina Property
and Casualty Insurance Guaranty
Association against the South
Carolina Second Injury Fund related
to Legion Insurance Company, in
Liquidation (Carrier Code 148) and
Villanova Insurance Company
(Carrier Code 1031), and all claims
related to Reliance Insurance
Company, in Liquidation (Carrier
Code 232), Reliance National
Indemnity Company (Carrier Code
261), Reliance National Insurance
Company (Carrier Code 454), United
Pacific Insurance (Carrier Code 320),
American Mutual Insurance
Company, in Liquidation (Carrier
Code 13), and/or Subrogation
Partners, on behalf of either Reliance
Insurance Company or Legion
Insurance Company, in Liquidation.

CONSENT ORDER



The parties to the above referenced claims hereby advise the South Carolina Workers' Compensation Commission (the "Commission") that they have reached an agreement resolving all claims as defined by and on the terms set forth in the fully-executed Settlement Agreement and Release of Claims ("Settlement Agreement"), attached hereto as Exhibit A and incorporated herein by this reference. Plaintiff South Carolina Property and Casualty Insurance Guaranty Association ("Guaranty Association") is represented by Mark D. Cauthen and Peter P. Leventis, IV, of Columbia, S.C. Defendant South Carolina Second Injury Fund ("SIF") is represented by Mitchell Willoughby and ElizabethAnn Loadholt Carroll, also of Columbia, and Robert Cook of Batesburg, SC.

The parties request that the Guaranty Association's claims (as defined in the Settlement Agreement) against the SIF related to Legion Insurance Company, in Liquidation (Carrier Code 148) and Villanova Insurance Company (Carrier Code 1031), and all claims related to Reliance Insurance Company, in Liquidation (Carrier Code 232), Reliance National Indemnity Company (Carrier Code 261), Reliance National Insurance Company (Carrier Code 454), United Pacific Insurance (Carrier Code 320), American Mutual Insurance Company, in Liquidation (Carrier Code 13), and/or Subrogation Partners, on behalf of either Reliance Insurance Company or Legion Insurance Company, in Liquidation, be forever ended and dismissed *with prejudice*. The parties agree that should the

terms of this Consent Order be read to differ from the terms of the attached Settlement Agreement, the terms of the Settlement Agreement will control.

NOW, THEREFORE, the undersigned Commissioners having reviewed the terms of the Settlement Agreement and having found and concluded the terms are fair and reasonable;

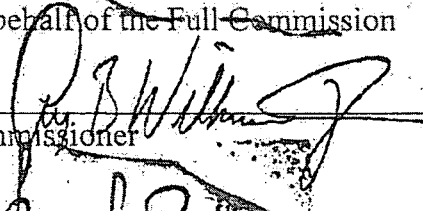
IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the Settlement Agreement is adopted as a binding Order of the Commission and all claims, as defined by the Settlement Agreement, are hereby settled, ended, and forever dismissed with prejudice.

AND IT IS SO ORDERED.

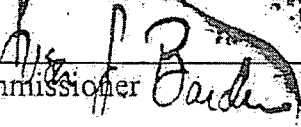
S.C. WORKERS' COMPENSATION COMMISSION



T. Scott Beck, Chairman
On behalf of the Full Commission



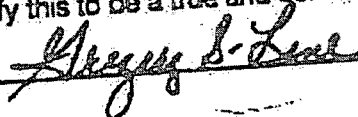
Commissioner



Commissioner

June 17, 2013



I certify this to be a true and correct copy.


Gregory S. Lane

WE CONSENT



Mitchell Willoughby, Esquire

ElizabethAnn Carroll, Esquire

WILLOUGHBY & HOEFER, P.A.

930 Richland Street

Columbia, South Carolina 29202-8416

(803) 252-3300

Robert M. Cook, II, Esquire

THE ROBERT COOK LAW FIRM

Post Office Box 3575

Leesville, South Carolina 29070

(803) 317-2171

Attorneys for South Carolina Second Injury Fund

WE CONSENT



Mark D. Cauthen

Peter P. Leventis, IV

McKAY, CAUTHEN, SETTANA & STUBLEY, P.A.

P.O. Box 7217

Columbia, South Carolina 29202-7217

(803) 256-4645

Attorney for South Carolina Property
and Casualty Insurance Guaranty Association

Settlement Agreement and Release of Claims

This Settlement Agreement and Release of Claims (the "Settlement Agreement and Release") is made and entered into on this the 17th day of June 2013 by and between the South Carolina Property and Casualty Insurance Guaranty Association (hereinafter "Guaranty Association") and the South Carolina Second Injury Fund (hereinafter "SIF") (collectively, the "Parties").

Recitals

WHEREAS the Guaranty Association has asserted legal claims against the SIF, some of which are currently pending before the South Carolina Workers' Compensation Commission, the South Carolina circuit courts, and the South Carolina Court of Appeals, as well as claims and/or potential claims which are not currently pending before any tribunal (collectively "Guaranty Association's claims");

WHEREAS, the Guaranty Association's claims against the SIF originate from its position that it is entitled to reimbursement from the SIF for monies it paid on behalf of certain insureds of Legion Insurance Company, in Liquidation and its subsidiaries, including, but not limited to, Villanova Insurance Company which were liquidated by the Commonwealth Court of Pennsylvania as of July 25, 2003 (hereinafter collectively "Legion") and Reliance Insurance Company in liquidation, and its subsidiaries, including, but not limited to, Reliance National Indemnity Company, Reliance National

Insurance Company, and United Pacific Insurance which were liquidated by the Commonwealth Court of Pennsylvania as of October 3, 2001 (hereinafter collectively "Reliance") whose claims, the Guaranty Association asserts, qualify for reimbursement from the SIF as a result of the liquidations of Legion and Reliance;

WHEREAS, the SIF denies any liability to the Guaranty Association for any and all of its claims against the SIF;

WHEREAS, the Parties, through negotiations by and between their respective counsel, have agreed to enter into this Settlement Agreement and Release in order to avoid further time, expenses, and uncertainty associated with litigation;

WHEREAS, the Parties have informed the pertinent tribunals, including the South Carolina Workers' Compensation Commission, the South Carolina Fifth, Eighth, and Eleventh Circuit Courts, and the South Carolina Court of Appeals, that the Parties have reached a settlement and that no further hearing or determination by any tribunal is necessary, with the exception of the approval of this Settlement Agreement and Release by the South Carolina Workers' Compensation Commission.

Agreement

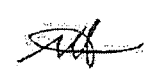
In consideration of the above-stated recitals, the promises and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Payment to Guaranty Association.** Within fifteen (15) days of the receipt of (1) orders from the South Carolina Workers' Compensation Commission, the

South Carolina circuit courts, and the South Carolina Court of Appeals dismissing fully, finally, and with prejudice, any and all of the Guaranty Association's claims pending before those tribunals against the SIF related to Legion and/or Reliance ("the Court Actions") and any and all Guaranty Association claims related to Legion and Reliance subject to the jurisdiction of the Workers' Compensation Commission, (2) an order of the Workers' Compensation Commission approving this Settlement Agreement and Release; and (3) the Guaranty Association's delivery of this Settlement Agreement and Release executed by it and its counsel to SIF's counsel, the SIF shall pay the Guaranty Association the total sum of two million nine hundred thousand dollars (\$2,900,000) (the "Payment") by issuing and delivering a check in said amount to the trust account of the Guaranty Association's counsel, Peter P. Leventis, IV and Mark D. Cauthen, Esq., McKay, Cauthen, Settana & Stublely, P.A. The Guaranty Association agrees that it shall immediately notify SIF's counsel in writing of the receipt of the Payment. The SIF makes no representations or warranties regarding the taxability of the Payment provided under this Settlement Agreement and Release, and the Guaranty Association shall be solely responsible for the payment of any tax on any portion of the Payment provided under this Settlement Agreement and Release. The Guaranty Association further agrees to indemnify and hold harmless the SIF for any and all fees, fines, penalties, interest payments, or surcharges, or any other liability that may be incurred by the Guaranty Association based on receipt of such Payment relating to the tax treatment of the Payment provided under this Settlement Agreement and Release.

2. Dismissals with Prejudice of Court Actions. Simultaneously with the execution of this Settlement Agreement and Release, counsel for the Parties shall fully execute the Stipulations of Dismissal of Court Actions (the "Stipulations of Dismissal"), (attached hereto as Exhibits A, B, C, D, and E). Thereafter, within three (3) business days, counsel for the SIF shall file the Stipulations of Dismissal with the appropriate courts and the Parties agree to take all other actions necessary to dismiss with prejudice the Court Actions.

3. Release. As a material inducement to SIF to enter into this agreement, to the fullest extent permitted by law, the Guaranty Association, as well as its administrators, trustees, legal representatives, and successors and assigns, hereby agree to accept from SIF the consideration specified in paragraph 1 of this Agreement entitled "Payment to Guaranty Association," in full resolution and satisfaction of, and hereby irrevocably and unconditionally waive, release, and forever discharge the SIF and its past, present or future officers, directors, trustees, fiduciaries, administrators, employees, agents, representatives, predecessors, successors and assigns, including, but not limited to, the State of South Carolina and its past, present or future officers, directors, trustees, fiduciaries, administrators, employees, agents, representatives, predecessors, successors and assigns, from, any and all claims, counterclaims, damages, charges, demands, sums of money, actions, rights, promises, agreements, causes of action, costs and expenses, obligations and liabilities of any kind or nature whatsoever, at law or in equity, including, but not limited to, any common law claim, whether intentional or negligent, or any



violation of any federal, state, municipal, or other governmental constitution, statute, regulation, or ordinance, of any nature whatsoever, including, but not limited to exemplary or punitive damages or any penalties, liquidated damages, equitable relief, injunctive relief, declaratory relief, pre- or post- judgment interest, whether these claims are known or unknown, noticed or unnoticed, existing or contingent, suspected or unsuspected, apparent or concealed, direct or contingent which the Guaranty Association now or in the future may have or claim to have against SIF based upon or arising out of any facts, acts, conduct, omissions, transactions, payments, lack of payments, occurrences, contracts, events, causes, matters or things of any conceivable kind or character existing or occurring or claimed to exist or to have occurred at any time on or before the date of the execution of this Settlement Agreement and Release that are either: (A) related to Legion and/or Reliance or: (B) whether related or unrelated to Legion and/or Reliance and/or American Mutual Insurance, any and all claims, on which the SIF is currently paying to the Guaranty Association as of February 22, 2013, including, but not limited to, the cases of (1) Quick, Grover v. FA Bailey & Sons, (Accepted Date: October 1, 1987; Carrier: American Mutual Liability Insurance); (2) Alston, Kenneth v. Bi-lo, (Accepted Date: November 2, 1988; Carrier: American Mutual Liability Insurance); and (3) Lusk, Ray E. v. Bi-lo, (Accepted Date: August 10, 1989; Carrier: American Mutual Liability Insurance). The Parties intend this release to be general and comprehensive in nature and to release : (A) all claims related to Legion and/or Reliance and (B) any and all claims, whether related or unrelated to Legion and/or Reliance, on

which the SIF is currently paying the Guaranty Association as of February 22, 2013, whether known or unknown, noticed or unnoticed, asserted or not asserted, accepted or not accepted, existing or potential, including, but not limited to, any claims which may arise pursuant to any "large deductible" policies issued and/or administered by Legion and/or Reliance, as well as their administrators, trustees, legal representatives, and successors and assigns to the maximum extent permitted by law for which the Guaranty Association assumed responsibility pursuant to S.C. Code Ann. Title 38 Chapter 31 (The Guaranty Association Act) subsequent to the respective liquidations of the underlying carrier or carriers. It is the intent of the Guaranty Association that the SIF and its past, present or future officers, directors, trustees, fiduciaries, administrators, employees, agents, representatives, predecessors, successors and assigns, including, but not limited to, the State of South Carolina and its past, present or future officers, directors, trustees, fiduciaries, administrators, employees, agents, representatives, predecessors, successors and assigns shall never be liable to any other person or party, whether a private or governmental entity, asserting any claim for any additional sums of money, including any reimbursements, attorneys' fees and/or other costs and expenses of litigation, with respect to the claims released herein.

4. **Indemnification.** The Guaranty Association agrees to indemnify and hold the SIF, as well as its past, present or future officers, directors, trustees, fiduciaries, administrators, employees, agents, representatives, predecessors, successors and assigns, including, but not limited to, the South Carolina Budget & Control Board and its past,

present or future officers, directors, trustees, fiduciaries, administrators, employees, agents, representatives, predecessors, successors and assigns, and any other successors and their past, present or future officers, directors, trustees, fiduciaries, administrators, employees, agents, representatives, predecessors, successors and assigns which may assume responsibility for claims made against the SIF harmless from and against any claim, demand, damage, debt, liability, expense (including payment of attorneys' fees and costs actually incurred whether or not litigation is commenced), action, and cause of action, including for reimbursement, that is released pursuant to this Settlement Agreement and Release.

5. **Covenant Not to Sue and Limitation on Relief.** The Guaranty Association further covenants that it will not initiate, participate in, file or assert any action, proceeding, lawsuit, claim, or cause of action (whether common law, statutory, regulatory, federal, state, legal, or equitable) against the SIF, as well as its past, present or future officers, directors, trustees, fiduciaries, administrators, employees, agents, representatives, predecessors, successors and assigns, including, but not limited to, the State of South Carolina and its past, present or future officers, directors, trustees, fiduciaries, administrators, employees, agents, representatives, predecessors, successors and assigns for any event, transaction, or occurrence related to or arising from the matters released herein as provided for in paragraph numbered "3" above.

6. **Binding Effect.** This Settlement Agreement and Release shall inure to the benefit of and shall be binding upon the Parties and their respective directors, officers, shareholders, members, principals, administrators, trustees, successors, and assigns.

7. **Interpretation and Construction of Agreement.** The language in all parts of this Settlement Agreement and Release shall in all cases be construed as a whole according to its meaning and not strictly for or against any Party. The Parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Settlement Agreement and Release. As to the matters released herein, as set forth in paragraph numbered "3" above, the Parties agree that the terms of this Settlement Agreement and Release are to be given the broadest meaning such that the interpretation and construction do substantial justice to the intent of the Parties.

8. **Voluntary Agreement.** Each of the Parties acknowledges that this Settlement Agreement and Release has been executed freely and voluntarily, without economic compulsion and with full knowledge of its legal significance and consequences.

9. **Counterparts.** This Settlement Agreement and Release may be executed in multiple counterparts (including by means of facsimile or other electronic signature), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10. Headings. The headings used in this Settlement Agreement and Release are intended solely for convenience of reference and should not in any manner amplify, limit, modify or otherwise be used in the interpretation of any of the provisions of the Settlement Agreement and Release.

11. Authority and Capacity. Each person executing this Settlement Agreement and Release as an agent or in a representative capacity warrants that he or she is duly authorized to execute this Settlement Agreement and Release and such execution shall be binding upon the entity which the person represents.

12. Survival. All representations and warranties contained herein and no others shall survive the execution and delivery of this Settlement Agreement and Release and the execution and delivery of any other document or instrument referred to herein.

13. Further Assurances. In addition to the acts recited in this Settlement Agreement and Release, the Parties agree to perform or cause to be performed on the date of this Settlement Agreement and Release or thereafter any and all such further acts as may be reasonably necessary to consummate the transactions contemplated hereby.

14. Governing Law. This Settlement Agreement and Release shall be construed in accordance with, and governed in all respects by, the laws of the State of South Carolina (without giving effect to principles of conflicts of laws).

15. No Admission. The Guaranty Association agrees and understands that the SIF denies any wrongdoing or liability to the Guaranty Association and that this Settlement Agreement and Release does not constitute, and should not be construed as

constituting an admission by the SIF that it took any action with respect to the Guaranty Association that was unlawful or wrongful, or violated any contractual obligation, or federal or state law, order, policy, rule or regulation. This Settlement Agreement and Release effects the compromise and settlement of disputed and contested claims and nothing contained herein shall be construed as either an admission by the SIF of any liability of any kind to the Guaranty Association or as a valuation of any claim(s) that have been or could have been asserted by the Guaranty Association against the SIF.

16. Costs. Each Party to this Settlement Agreement and Release will bear his/her own costs, expenses, and attorney's fees, whether taxable or otherwise, incurred or arising out of or in any way related to this Settlement Agreement and Release and the subject thereof.

17. No Assignment or Transfer. The Guaranty Association warrants and represents that it is the sole and lawful owner of all rights, title, and interest in and to all matters released pursuant to this Settlement Agreement and Release, and warrants and represents that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person or organization any matter released herein, and agrees to indemnify and hold the SIF harmless from and against any claim, demand, damage, debt, liability, account, reckoning, obligation, cost, expense (including payment of attorneys' fees and costs actually incurred whether or not litigation is commenced), lien, action, and cause of action, based on, in connection with, or arising out of any such assignment or transfer.

18. Integration and Modification Clause: Waiver. This Settlement Agreement and Release is intended by the Parties as a final expression of their agreement and as a complete and exclusive expression of its terms. This Settlement Agreement and Release contains the complete agreement between the Parties, and supersedes any and all prior and contemporaneous communications, agreements, warranties, representations, and/or understandings, written or oral, express or implied, except as expressly provided herein. All prior and contemporaneous conversations, negotiations, possible and alleged agreements, representations, covenants and warranties concerning the subject matter hereof are merged herein. This Settlement Agreement and Release is an integrated agreement and it constitutes the sole agreement between the Parties.

The Settlement Agreement and Release may not be modified, amended, annulled, rescinded or otherwise changed unless in writing signed by all Parties, which writing expressly refers to this Settlement Agreement and Release. No failure to exercise and no delay in exercising any right, remedy or power under this Settlement Agreement and Release shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy or power under this Settlement Agreement and Release preclude any other or further exercise thereof, or the exercise of any other right, remedy or power provided herein or by law or in equity.

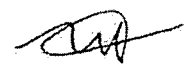
19. Severability. In the event that any one or more of the provisions of this Settlement Agreement and Release is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not be affected or

impaired thereby and shall be construed, performed and enforced as if the invalidated or unenforceable provision had not been included in the text of the agreement. This Settlement Agreement and Release shall survive the performance of the specific arrangements contained herein.

20. **Counsel.** The Parties acknowledge that they have had the opportunity to obtain, and have obtained, advice on the terms of this Settlement Agreement and Release from independent legal counsel retained to represent them in this matter.

The Parties further acknowledge that they have consulted with their counsel with respect to the meaning and effect of this Settlement Agreement and Release as to both their rights and obligations. The Parties represent that they are fully competent to decide whether to enter into this Settlement Agreement and Release; that they have had adequate time to review this Settlement Agreement and Release and decide whether to enter into it; that they have read it and fully understand the rights, obligations, remedies and consequences herein; and that they knowingly and voluntarily enter into this Settlement

21. **Inducement.** The Parties declare and represent that no promise, inducement, or agreement not herein expressed has been made to any of them and that this Settlement Agreement and Release contains the entire arrangement between them. The Parties are not relying upon any representation, understanding, promise, undertaking or agreement not set forth in this Settlement Agreement and Release and each party expressly disclaims any reliance on any such representation, understanding, promise, undertaking or agreement.



22. **Burdens and Benefits.** This Settlement Agreement and Release, including all covenants and agreements contained herein, shall be binding upon and inure to the benefit of the Parties and to their respective legal representatives, heirs, executors, administrators, trustees, beneficiaries, successors, assigns, employees and agents of the Parties, as well as the State of South Carolina and its legal representatives, heirs, executors, administrators, trustees, beneficiaries, successors, assigns, employees and agents, hereto to the extent permitted by law.

NOW THEREFORE as evidence of their full and complete agreement to the terms and conditions set forth above, the Parties have caused their duly authorized representatives to execute this Settlement Agreement and Release and intend it to be binding and effective on and after the date set forth in the first paragraph above.

Notices

Any notices required or permitted under this Settlement Agreement and Release shall be in writing and directed to:

For South Carolina Property and Casualty Insurance Guaranty Association:

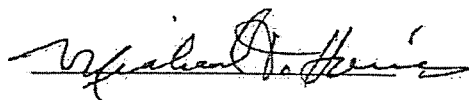
Mark D. Cauthen, Esquire
Peter P. Leventis, Esquire
McKay, Cauthen, Settana & Stublely, P.A.
P. O. Box 7217
Columbia, SC 29202
plevantis@mckayfirm.com
mcauthen@mckayfirm.com

For SIF:

Mitchell Willoughby, Esquire
Elizabeth Ann Loadholt Carroll, Esquire
WILLOUGHBY & HOEFER, P.A.
930 Richland Street
Post Office Box 8416
Columbia, SC 29202-8416
mwilloughby@willoughbyhoefer.com
ecarroll@willoughbyhoefer.com

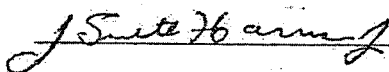
IN WITNESS WHEREOF, the undersigned have executed this Settlement Agreement
and Release as of the day and year first above written.

**SOUTH CAROLINA SECOND
INJURY FUND**



BY: Michael T. HARRIS
ITS: Deputy Director

**SOUTH CAROLINA PROPERTY AND
CASUALTY INSURANCE
GUARANTY ASSOCIATION**



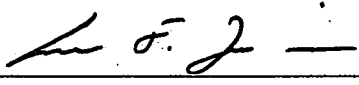
BY: J. SMITH HARRIS, Jr.
ITS: EXECUTIVE DIRECTOR / SECRETARY

CERTIFICATE OF COUNSEL

RECEIVED
OCT 16 2019
SC Court of Appeals

The undersigned counsel certifies that the Record on Appeal contains all material proposed to be included by all parties and not any other material.

LINDEMANN, DAVIS & HUGHES, P.A.

BY: 

Andrew F. Lindemann #13030
5 Calendar Court, Suite 202
Post Office Box 6923
Columbia, South Carolina 29260
(803) 881-8920

-and-

Robert M. Cook, II #66296
THE ROBERT COOK LAW FIRM, LLC
Post Office Box 3575
Leesville, South Carolina 29070
(803) 317-2171

*Counsel for Appellant Second Injury Fund
Operations of the South Carolina Insurance
Reserve Fund f/k/a South Carolina Second
Injury Fund*

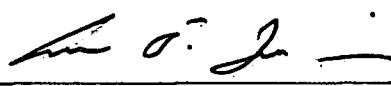
September 26, 2019

CERTIFICATE OF COMPLIANCE

RECEIVED
OCT 16 2019
SC Court of Appeals

The undersigned counsel for the Appellant certifies that the Record on Appeal complies with the Supreme Court's Revised Order Concerning Personal Identifying Information and Other Sensitive Information in Appellate Court Filings, issued April 15, 2014.

LINDEMANN, DAVIS & HUGHES, P.A.

BY: 

Andrew F. Lindemann #13030
5 Calendar Court, Suite 202
Post Office Box 6923
Columbia, South Carolina 29260
(803) 881-8920

-and-

Robert M. Cook, II #66296
THE ROBERT COOK LAW FIRM, LLC
Post Office Box 3575
Leesville, South Carolina 29070
(803) 317-2171

*Counsel for Appellant Second Injury Fund
Operations of the South Carolina Insurance
Reserve Fund f/k/a South Carolina Second
Injury Fund*

September 26, 2019