Workers' Compensation Update:
2022 in review and what's on the horizon?

March 21, 2023

Debra Parker, COSS, COEA
Risk and Safety Consultant

Aspen Risk Management Group

Content Disclaimer

The information presented is general in nature and is intended to present an overview of workers' compensation. The written and verbal contents of the presentation are not intended to constitute consulting and/or advice and no client relationship is established between the presenter and attendees.

Agenda & Objectives

- **Workers' Compensation – Updates**

  - Financial Status of the industry
  - Important impacts on workers' comp (including continued COVID-19 tracking)
  - Reducing costs of workers' comp in your organization
  - The Future of things

Polling Question

Have you attended a previous Heffernan Webinar?

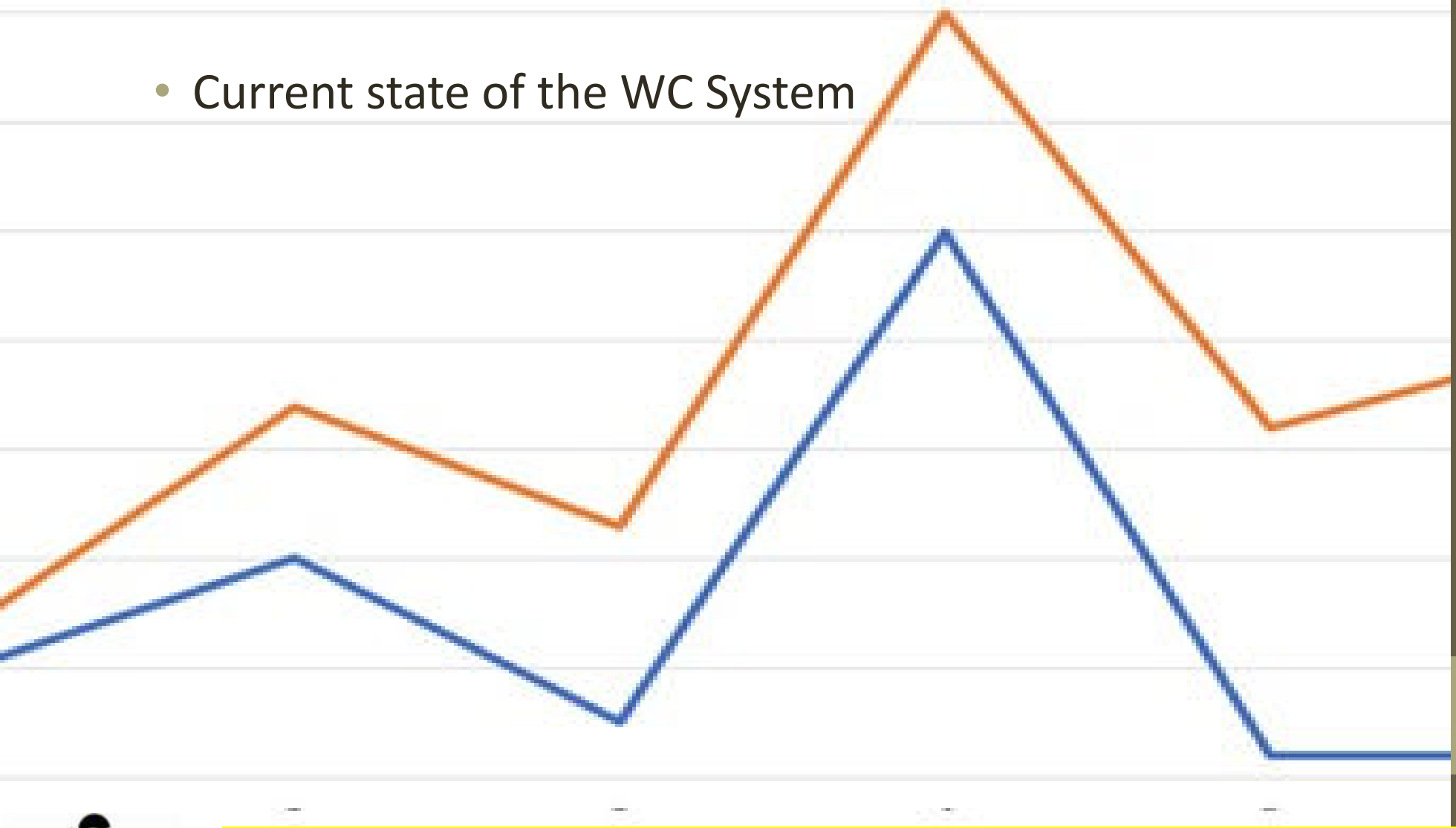
- Yes
- No

Polling Question

- What type of business are you in?
  - Hospitality
  - Agriculture, Construction, or Manufacturing
  - Wholesale/Retail
  - Non-profit or Government
  - Other

Trends and Updates

- Current state of the WC System



Premiums paid for WC

P&C Industry Net Written Premium Growth

Private Carriers

Line of Business	2020 ($B)	2021p ($B)	% Change From 2020
Personal Auto	243.3	252.8	
Homeowners	96.2	103.4	
Other Liability (Incl. Product Liability)	73.5	88.4	
Commercial Auto	39.9	46.0	
Commercial Multi-Peril	40.9	43.5	
Fire & Allied Lines (Incl. Earthquake)	35.7	41.8	
Workers Compensation	38.0	38.3	0.7
All Other Lines	82.4	94.1	
Total P&C Industry	**650.1**	**708.2**	8.9

p Preliminary
Source: NAIC's Annual Statement data for individual carriers prior to consolidation of affiliated carriers

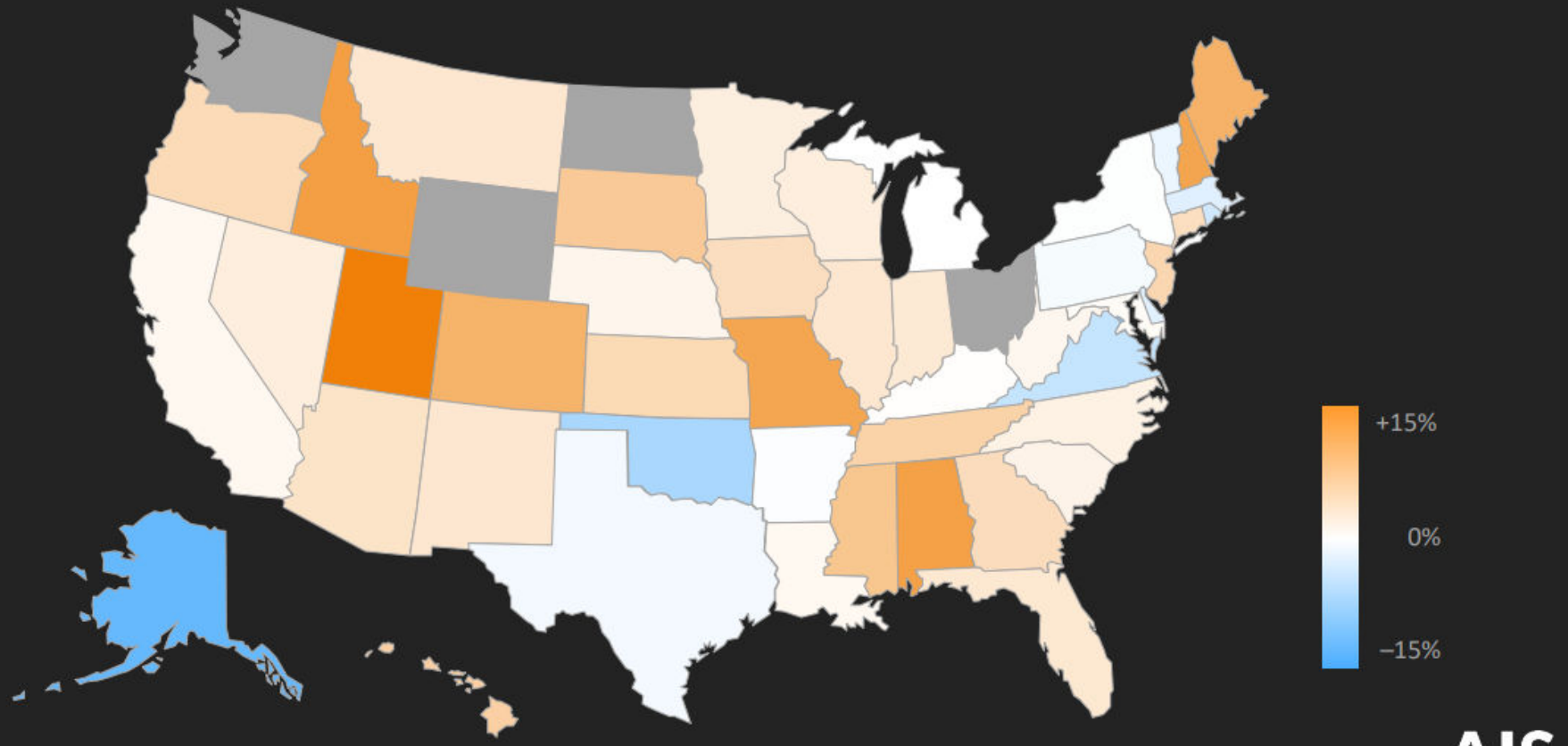
© Copyright 2022 NCCI Holdings, Inc. All Rights Reserved.

AIS 2022

Rate Changes by State for WC

WC Direct Written Premium Change—2021

Private Carriers



AIS 2022

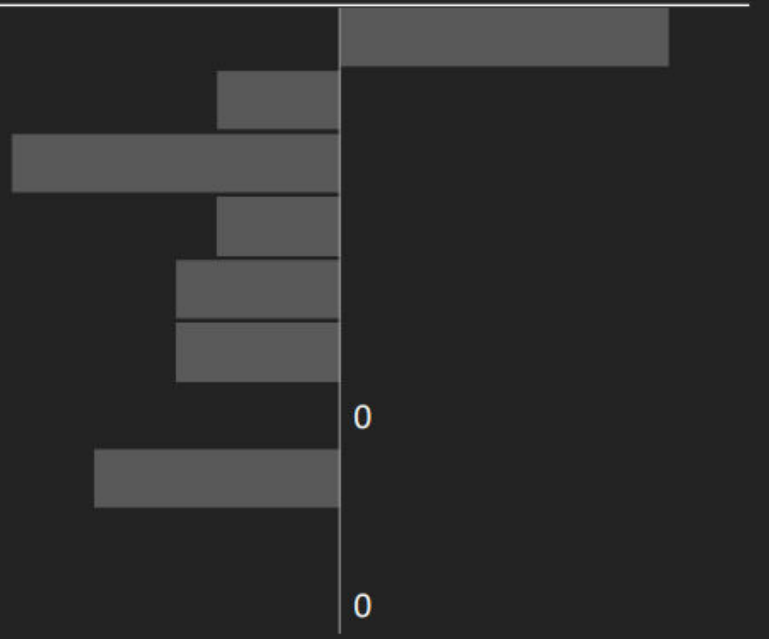
Source: 2020 and 2021 NAIC's Annual Statement Statutory Page 14

© Copyright 2022 NCCI Holdings, Inc. All Rights Reserved.

Profitability

Private Carriers

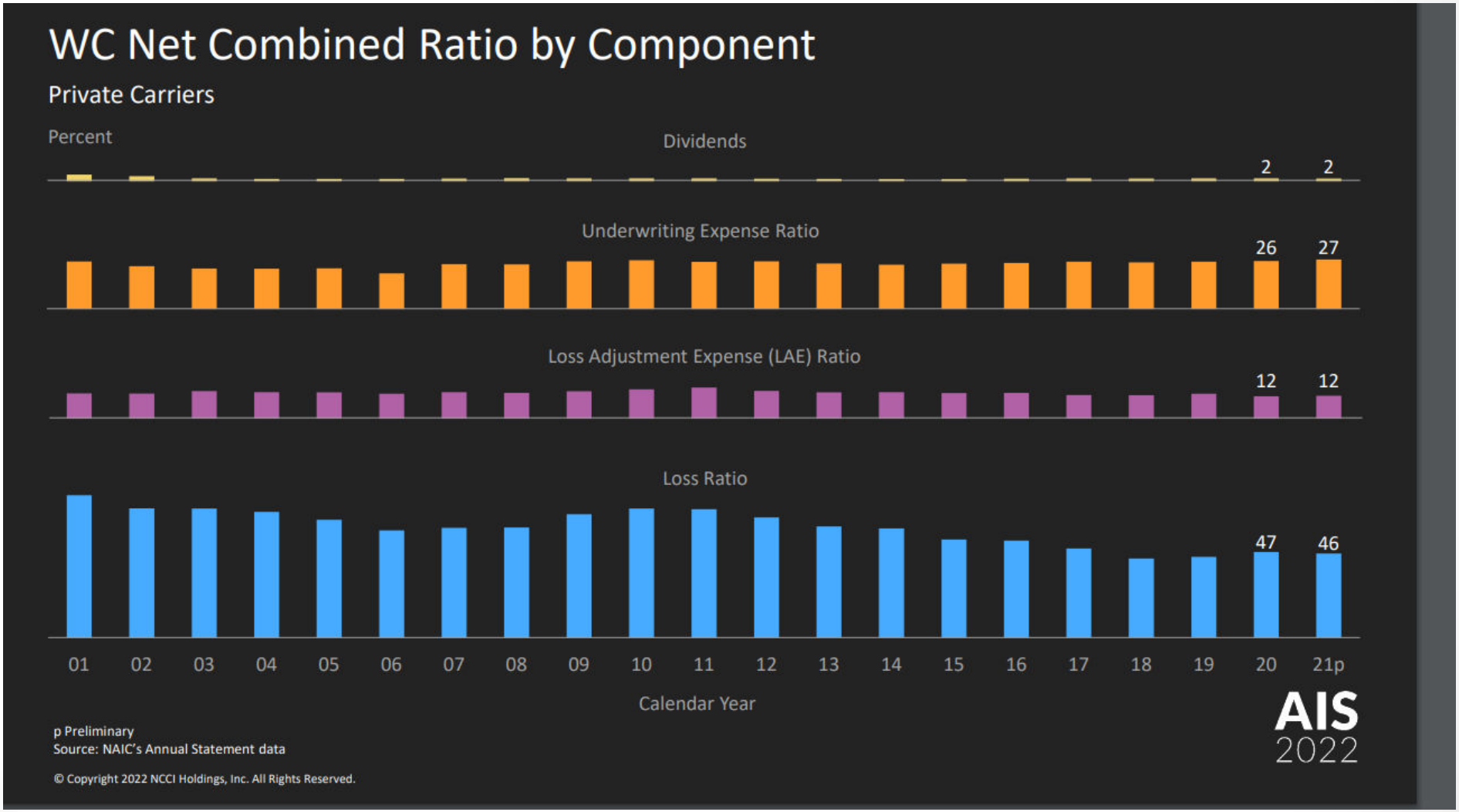
Line of Business	2020 (%)	2021p (%)
Personal Auto	93	101
Homeowners	107	104
Other Liability (Incl. Product Liability)	105	97
Commercial Auto	102	99
Commercial Multi-Peril	110	106
Fire & Allied Lines (Incl. Earthquake)	103	99
Workers Compensation	87	87
All Other Lines	98	92
Total P&C Industry	**99**	**99**



p Preliminary
Source: NAIC's Annual Statement data for individual carriers prior to consolidation of affiliated carriers

AIS 2022

Profitability



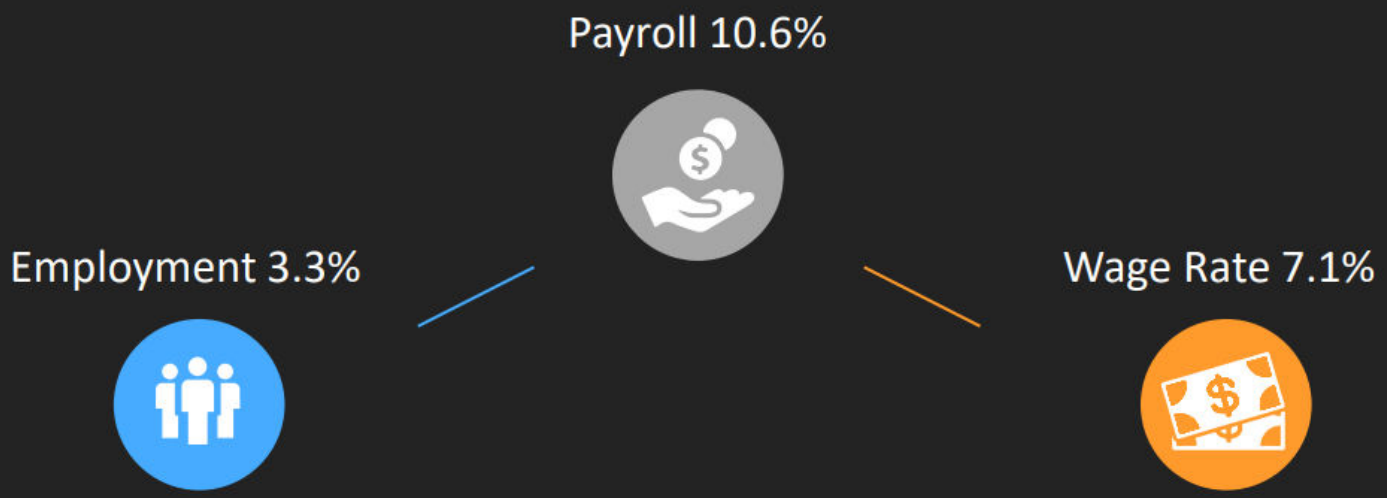
Economic Environment

AIS 2022

© Copyright 2022 NCCI Holdings, Inc. All Rights Reserved.

Workplace Environment

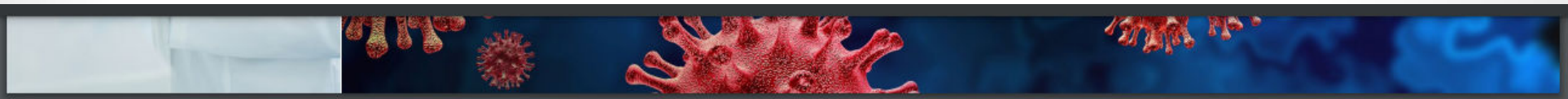
Changes in Payroll by Component 2020–2021



Sources: US Bureau of Labor Statistics; US Bureau of Economic Analysis; NCCI

© Copyright 2022 NCCI Holdings, Inc. All Rights Reserved.

AIS 2022



Direct Impact of COVID-19—Accident Years 2020 & 2021

Private Carriers and State Funds—NCCI States

≈60,000 claims

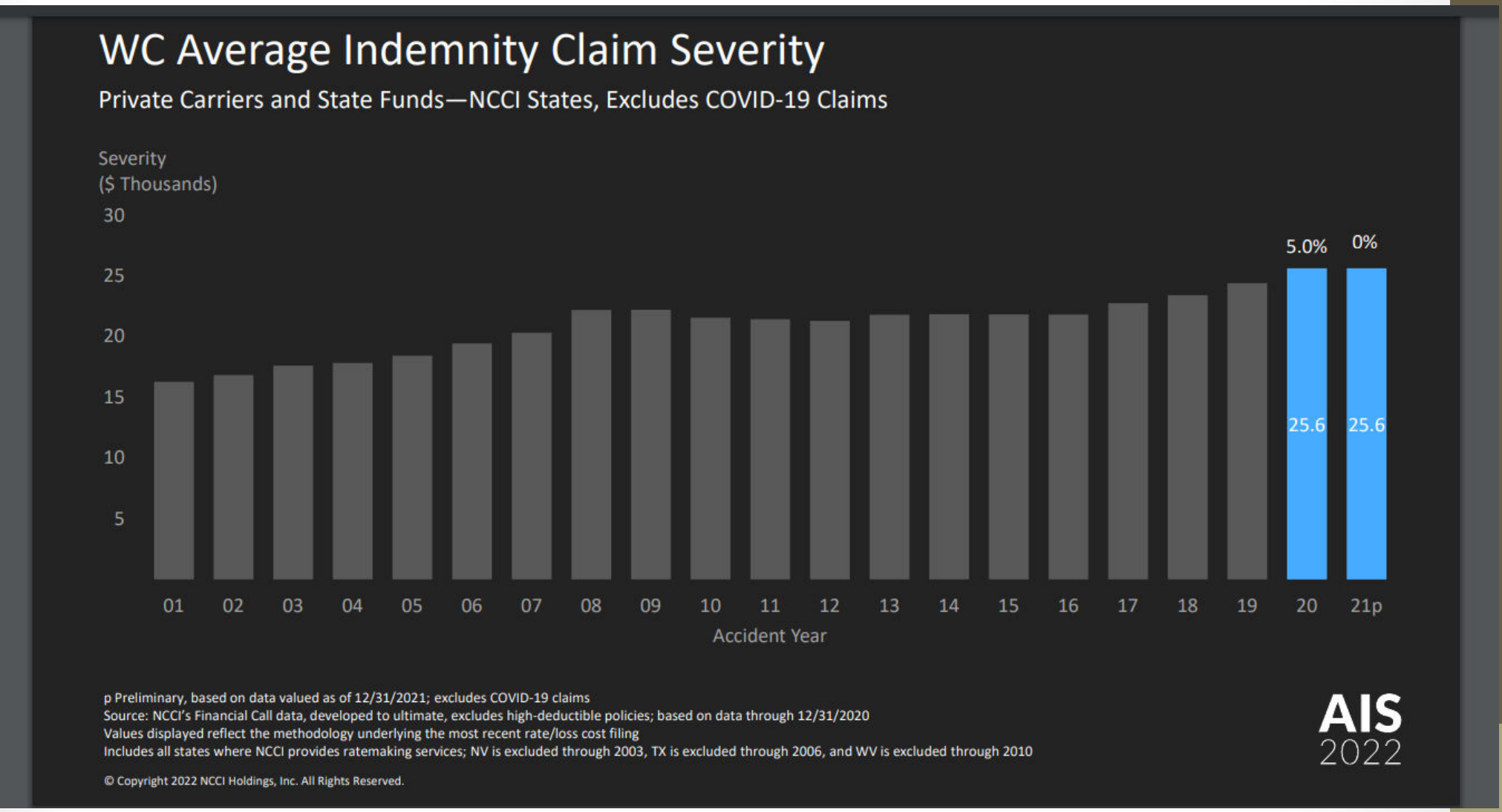
≈$500M in losses

Source: NCCI's Financial Call data through 12/31/2021, excludes expense-only claims

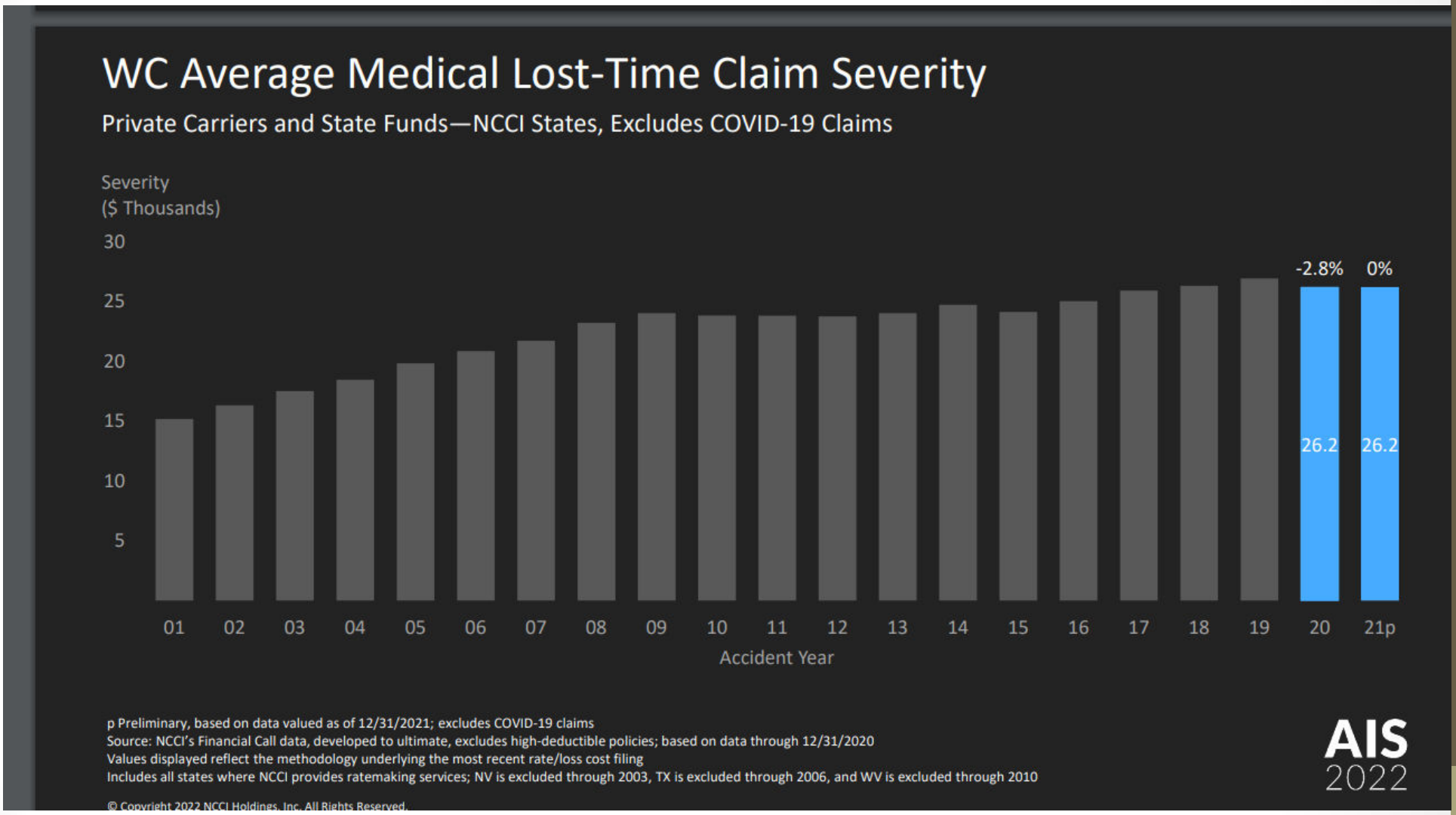
© Copyright 2022 NCCI Holdings, Inc. All Rights Reserved.

AIS 2022

Lost Time Injury Costs:



Lost Time Injury Costs:



COST OF CLAIMS

- The average cost for all claims combined in 2019-2020 was $41,353. That is considered a “Direct Cost”
- The INDIRECT cost of a claim is estimated to be 2/3 more than the direct cost (down time in production, supervisor investigation of the loss, temp employees or retraining of employees)
- Consider your “cost of doing business” (profit margin – may be 1% to 3%)
- Your cost of a $41,353 claim could cost you millions!

Injury Type	Instances	Direct Cost	Indirect Cost	Total Cost	Additional Sale (Indirect)	Additional Sale (Total)	
Claims Cost	1	$ 41,353	$ 45,488	$ 86,841	$ 1,516,276	$ 2,894,700	Remove

Totals

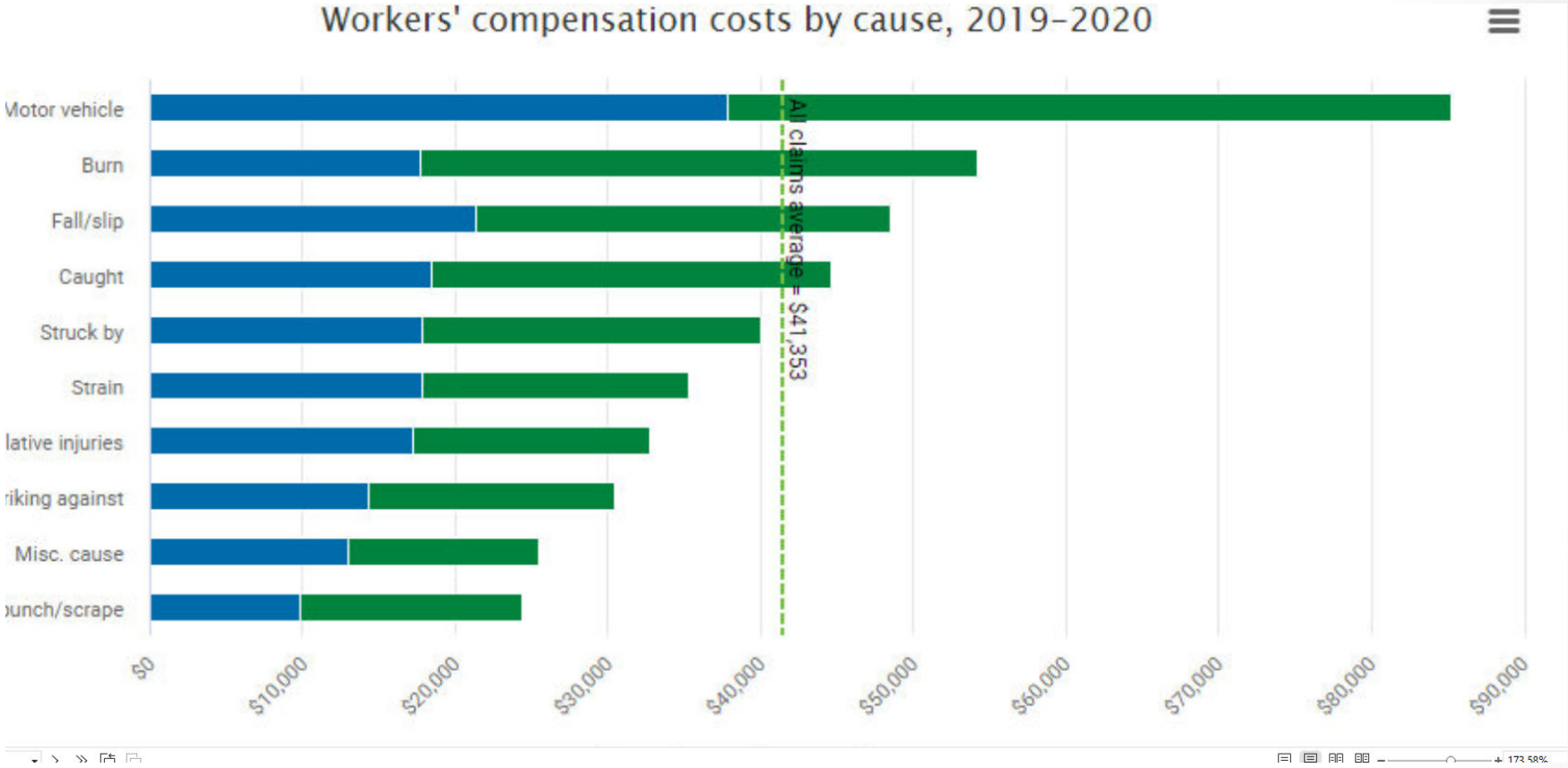
Estimated Direct Costs:	$ 41,353
Estimated Indirect Costs:	$ 45,488
Combined Total (Direct and Indirect Costs):	$ 86,841
Sales To Cover Indirect Costs:	$ 1,516,276
Sales To Cover Total Costs:	$ 2,894,700

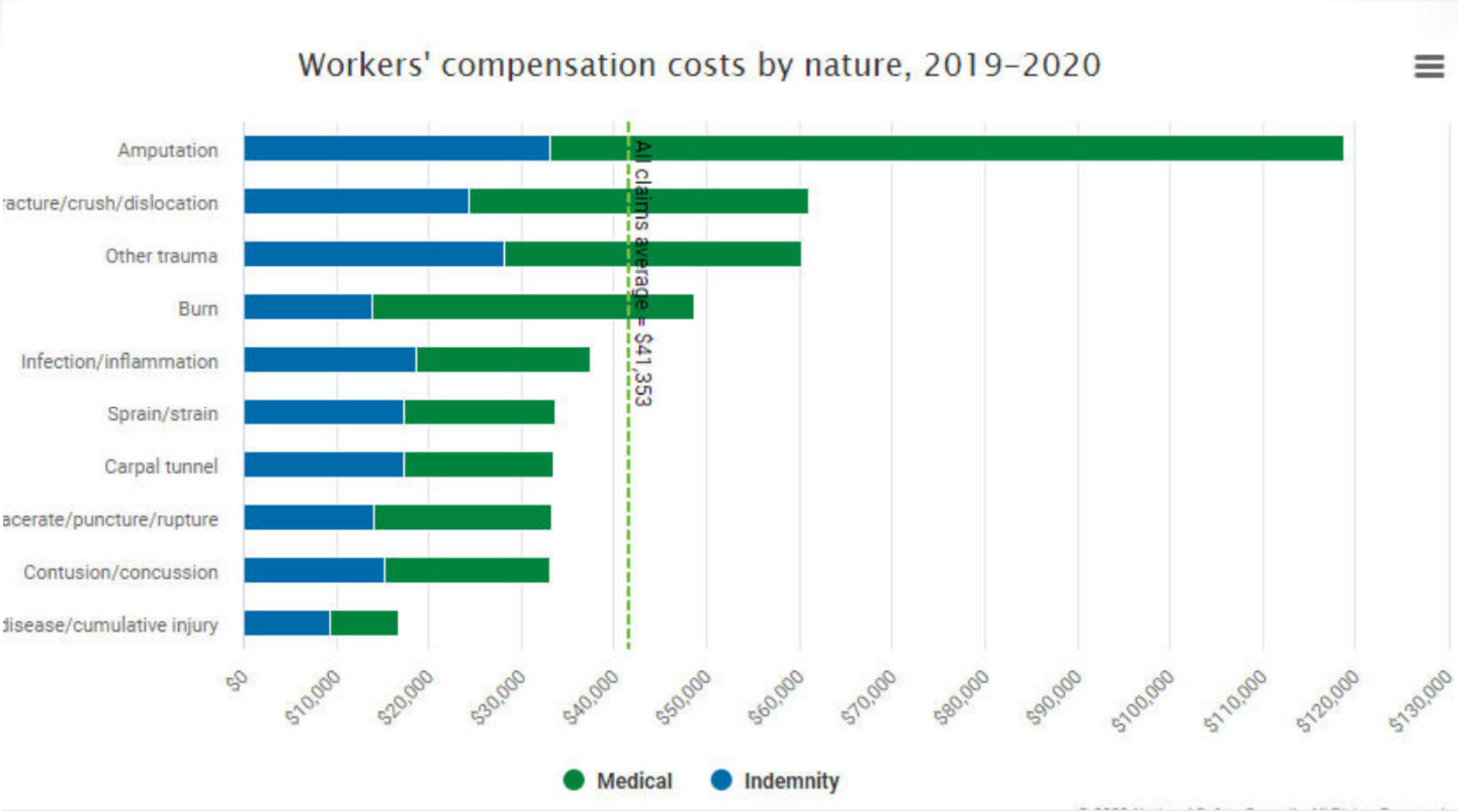
Disclaimer:

This program is not a new standard or regulation, and creates no new legal obligations. It is intended to help raise employers' awareness of the impact of occupational injuries and illnesses on profitability. The average claim cost estimates used in "$afety Pays" are provided by National Council on Compensation Insurance, Inc. (NCCI). The data reflects the average cost of lost time workers' compensation insurance claims derived from unit statistical reports submitted to NCCI for policy years 2015-2017. NCCI makes no guarantees nor assumes any responsibility for the accuracy of or any results obtained through the use of the NCCI data provided through this tool. NCCI's information and data may not be used or copied in any manner except as provided in conjunction with the OSHA website tool, "$afety Pays." Information entered into the form fields is not captured by OSHA. The system is not programmed to capture or relay any information entered or calculated by the worksheet. For additional information on the data and calculations used in "$afety Pays," see **Background of the Cost Estimates**.

https://www.osha.gov/safetypays/estimator

DIRECT COSTS INCLUDE:
• Medical bills
• Paid leave for the injured employee
INDIRECT COSTS INCLUDE:
• Callouts
• Staff turnover
• Burnout / poor performance (presenteeism)
• Reduced quality of care
• Lower patient satisfaction ratings


Workers' compensation costs by cause, 2019–2020
Motor vehicle
Burn
Fall/slip
Caught
Struck by
Strain
lative injuries
iking against
Misc. cause
unch/scrape
All claims average = $41,353
$0
$10,000
$20,000
$30,000
$40,000
$50,000
$60,000
$70,000
$80,000
$90,000


Workers' compensation costs by nature, 2019–2020
Amputation
acture/crush/dislocation
Other trauma
Burn
Infection/inflammation
Sprain/strain
Carpal tunnel
acerate/puncture/rupture
Contusion/concussion
disease/cumulative injury
All claims average = $41,353
$0
$10,000
$20,000
$30,000
$40,000
$50,000
$60,000
$70,000
$80,000
$90,000
$100,000
$110,000
$120,000
$130,000
Medical
Indemnity

Continuing COVID impact?

COVID-19 Update Key Insights

•The number of COVID-19 claims declined in 2021 with indemnity-only claims making up more than 50% of those claims.

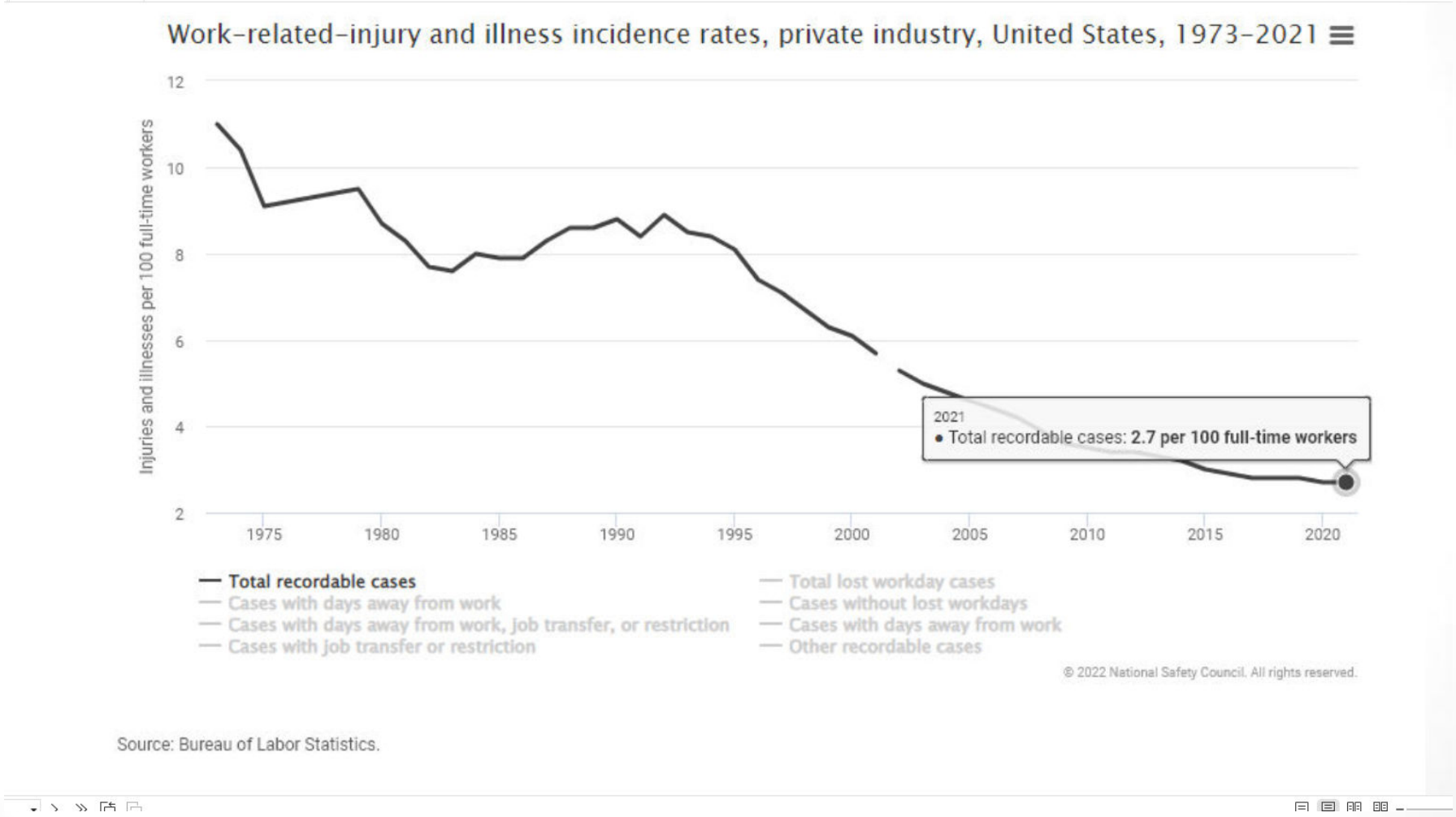
•Most COVID claims continue to be small. However, claims of more than $100,000 account for 1.2% of claims and 66% of losses. Nearly half of the most complex claims—those of more than $500,000—involved workers who died.

•Healthcare workers remain the most impacted by COVID-19 even as the number of impacted workers in nursing/convalescent homes declined substantially in 2021.

"The pandemic continues to impact the workers compensation system. We expect the impact will continue to lessen in future years."

—Nadege Bernard-Ahrendts
Practice Leader and Senior Actuary, NCCI

A bit of good news?



Source: Bureau of Labor Statistics.

Polling Question

What do you think the most frequent Cause of injury in the workplace is?

- Lifting/Strains
- Auto Accidents
- Falls
- COVID-19 exposure
- Other or Not sure

Workplace Safety

The 2022 Liberty Mutual Workplace Safety Index (WSI) compiles the top 10 causes of the most serious disabling workplace injuries – those that caused employees to miss work for more than five days – ranked by direct cost to employers based on medical and lost-wage expenses.

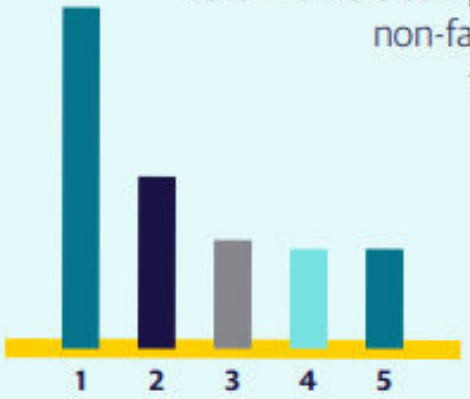
Workplace Safety

U.S. businesses spend more than one billion dollars a week on serious, nonfatal workplace injuries.

	Percent total	Cost billions	
1.	21.76%	$12.63	**Overexertion involving outside sources** (handling object)
2.	17.67%	$10.26	**Falls on same level**
3.	9.76%	$5.66	**Struck by object or equipment** (being hit by objects)
4.	8.73%	$5.07	**Falls to lower level**
5.	6.91%	$4.01	**Other exertions or bodily reactions** (awkward postures)
6.	6.18%	$3.59	**Roadway incidents involving motorized land vehicle** (vehicle crashes)
7.	4.34%	$2.52	**Slip or trip without fall**
8.	3.77%	$2.19	**Caught in or compressed by equipment or objects** (running equipment or machines)
9.	3.22%	$1.87	**Struck against object or equipment** (colliding with objects)
10.	2.39%	$1.39	**Non-roadway incidents involving motorized land vehicles**

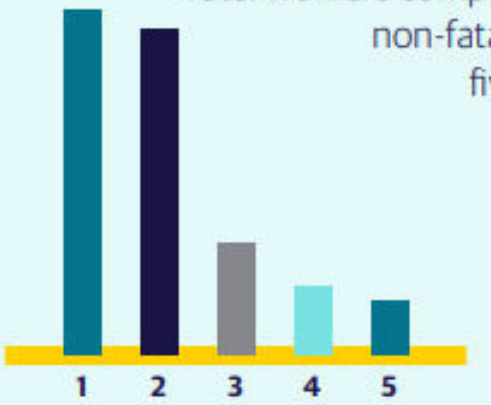
2020 Workplace Safety Index for Leisure & Hospitality

Total workers compensation direct costs for non-fatal claims with more than five days away from work



	Cost billions	Percent total	
1.	$1.13	30.6%	Falls on same level
2.	$0.57	15.6%	Overexertion involving outside sources (Handling objects)
3.	$0.36	9.9%	Other exertions or bodily reactions (Awkward postures)
4.	$0.33	9.1%	Falls to lower level
5.	$0.33	9.0%	Struck by object or equipment (Being hit by objects)

2020 Workplace Safety Index for Healthcare and social assistance:

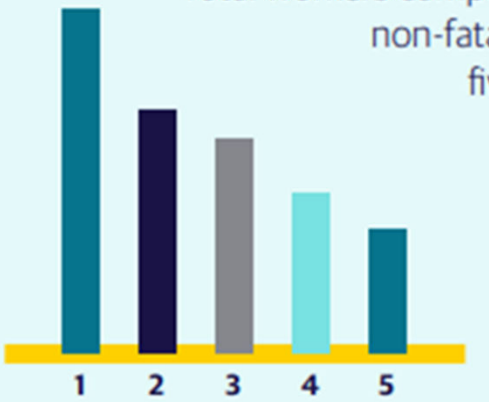


Total workers compensation direct costs for non-fatal claims with more than five days away from work

	Cost billions	Percent total	
1.	$1.66	30.1%	Overexertion involving outside sources (Patient handling)
2.	$1.56	28.3%	Falls on same level
3.	$0.54	9.8%	Intentional injury by person (Workplace violence)
4.	$0.33	6.1%	Injury by person – unintentional or intent unknown (Impacting with another person)
5.	$0.26	4.8%	Other exertions or bodily reactions (Awkward postures).

2020 Workplace Safety Index for Manufacturing:

Total workers compensation direct costs for non-fatal claims with more than five days away from work



	Cost billions	Percent total	
1.	$1.65	20.3%	Overexertion involving outside sources (Handling objects)
2.	$1.16	14.2%	Falls on same level
3.	$1.02	12.5%	Struck by object or equipment (Being hit by objects)
4.	$0.76	9.4%	Caught in or compressed by equipment or objects (Running equipment or machines)
5.	$0.59	7.2%	Other exertions or bodily reactions (Awkward postures)

Where are the most dangerous places to work?

- In 2021, depending on the measure used, each of these four industries could be ranked as most dangerous:

- CONSTRUCTION: experience the most workplace deaths
- EDUCATION AND HEALTH SERVICES: experienced the most non fatal injuries and illnesses involving days away from work
- AG, FORESTRY, FISHING AND HUNTING: experienced the highest death rate per 100,000 workers
- TRANSPORTATION AND WAREHOUSING: experienced the highest injury and illness rate involving days away from work per 10,000 workers

New factors in the workplace

Prior to 2020 less than 10% of the professional workforce worked from home all or most of the time, and while some experts put remote work at more than 70% during the peak of the pandemic, today, it seems we have normalized with approximately 60% now working primarily from home.

New factors in the workplace

Prevention – what to do?

1. Overexertion involving outside sources (handling objects)

Cost per year: $12.63B

2. Falls on the same level

Cost per year: $10.26B

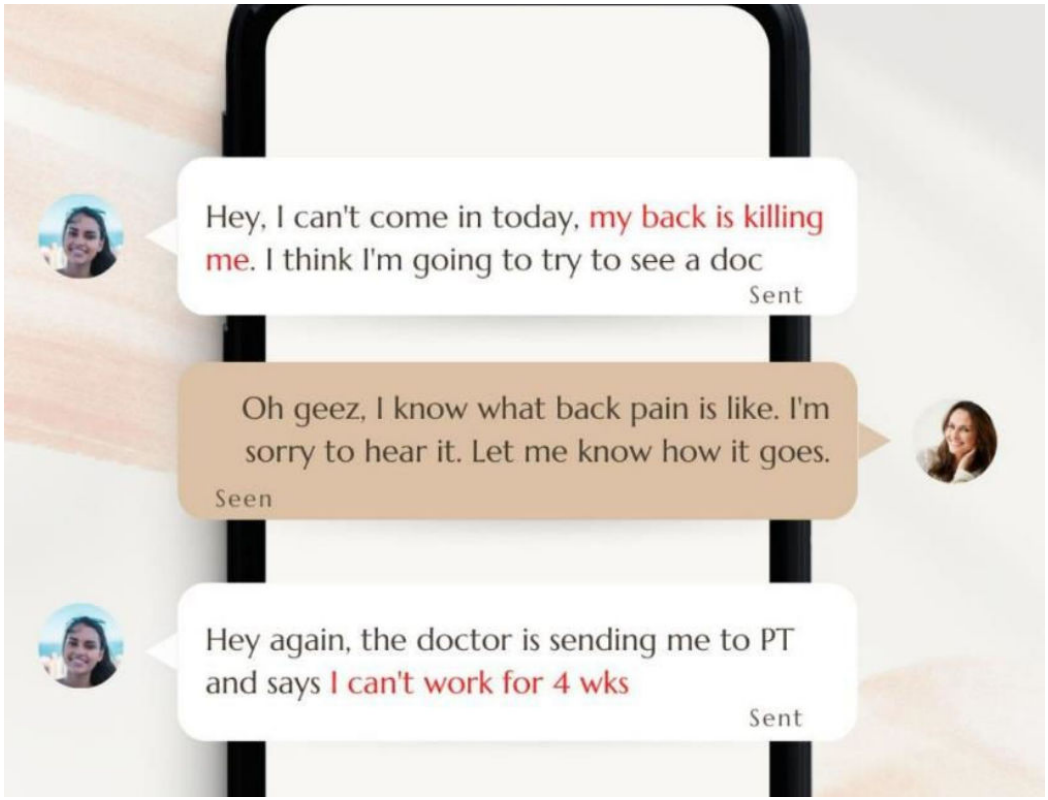
PREVENTION-What to do?

- Conduct regular self-inspection safety audits to identify and eliminate hazardous conditions.
  - NOTE: Make Zoom calls with remote employees to review their workspace conditions from an ergonomic view
- Good housekeeping-keep the floor clear of any materials that could cause a worker to slip or trip.
- Provide employees with adequate personal protective equipment – and enforce it's use!
- Properly train all employees and train often; newer employees are the most vulnerable to an accident, and seasoned employees can always use a refresher course.
- Recycle, Rinse, Repeat!

CONTROL COSTS-What to do?

- Investigate and Report injuries quickly– injured worker to supervisor, supervisor to HR, HR to insurance company…
- Get immediate and appropriate medical attention – MPN's, quality relationship with the doctor/medical facility
- Communication with injured person, insurance carrier and doctors
- Have a strong return to work program (modified duty)

CONTROL COSTS- “claim gone wrong!”



Employer:
Knows the employee has a long history of back problems and calling off work. Assumes this is just another issue with pre-existing back problems. Thinks they are being a great, understanding employer by not asking questions.

Employee:
Contacts employer two weeks later and asks when they will get paid.

Employer:
Confused. Explains that the employee doesn't have any PTO remaining

Claim gone wrong!

Employee:
States they should be paid since this is a work injury, and now the doctor is talking about surgery.

Employer:
Upset. Delays reporting the injury until they receive a letter of representation from an attorney. Demands the claim be denied.

Claim gone wrong!

Adjuster: (To all employers and supervisors) This happens ALL the time. Please don't ever assume the cause of your employee's complaint. Always ask. In most jurisdictions, it will be darn near impossible to deny the claim once the employee has settled on their story of work-injury. Don't be afraid of "creating claims". The claims will create themselves if you avoid the details. The best thing you can do is determine all the facts up front, report the incident immediately to your Work Comp insurance, and maintain integrity.

Successful strategies and best practices (general)

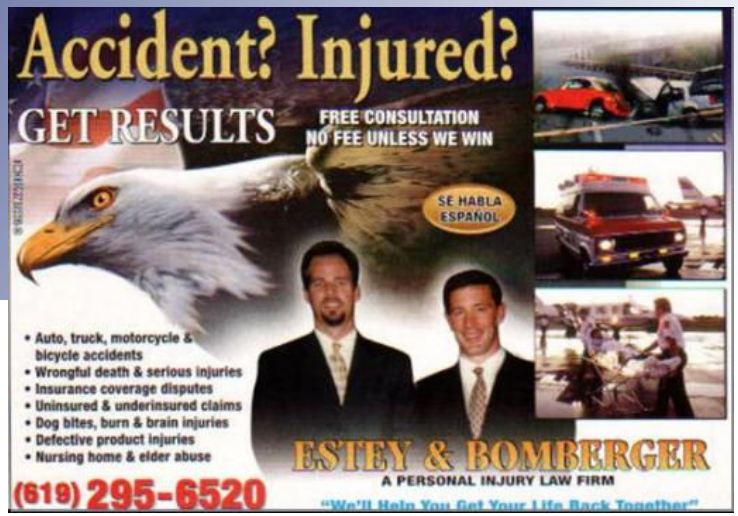
- Recovery opportunities (subrogation)
- Fraud and red flags (injured worker)
- Loss Control
- Minimizing the cost of injuries
  - After an injury
  - Reporting and investigation
  - Return to work
  - Medical providers
  - Claims team relationship
  - Broker/agent

Eliminate the Mystery of Workers' Compensation

- Provide fundamental information to supervisors and employees
- Reassure employees that their job is safe
- Tell injured employees about the reimbursement of mileage and other benefits they may not be aware of

Minimize Attorney Involvement

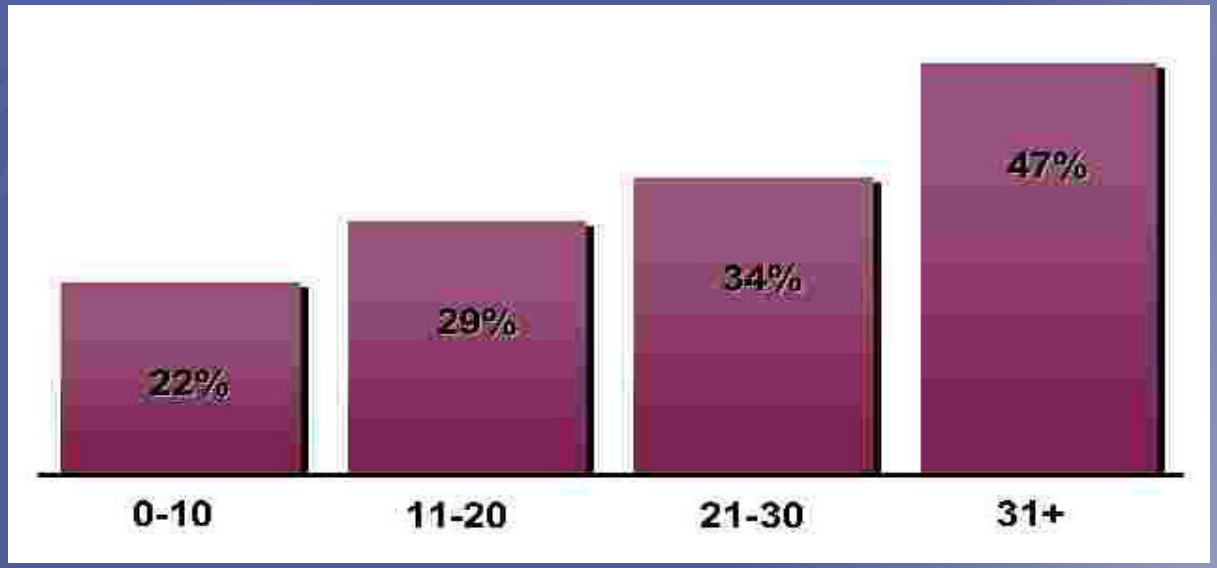
Where do you want your employees to learn about workers' compensation?



Minimize Attorney Involvement

- Get care for injured workers first
  - Do the paperwork later
- Notify claims team quickly after injury/notification
- Continue to practice “actively caring” steps

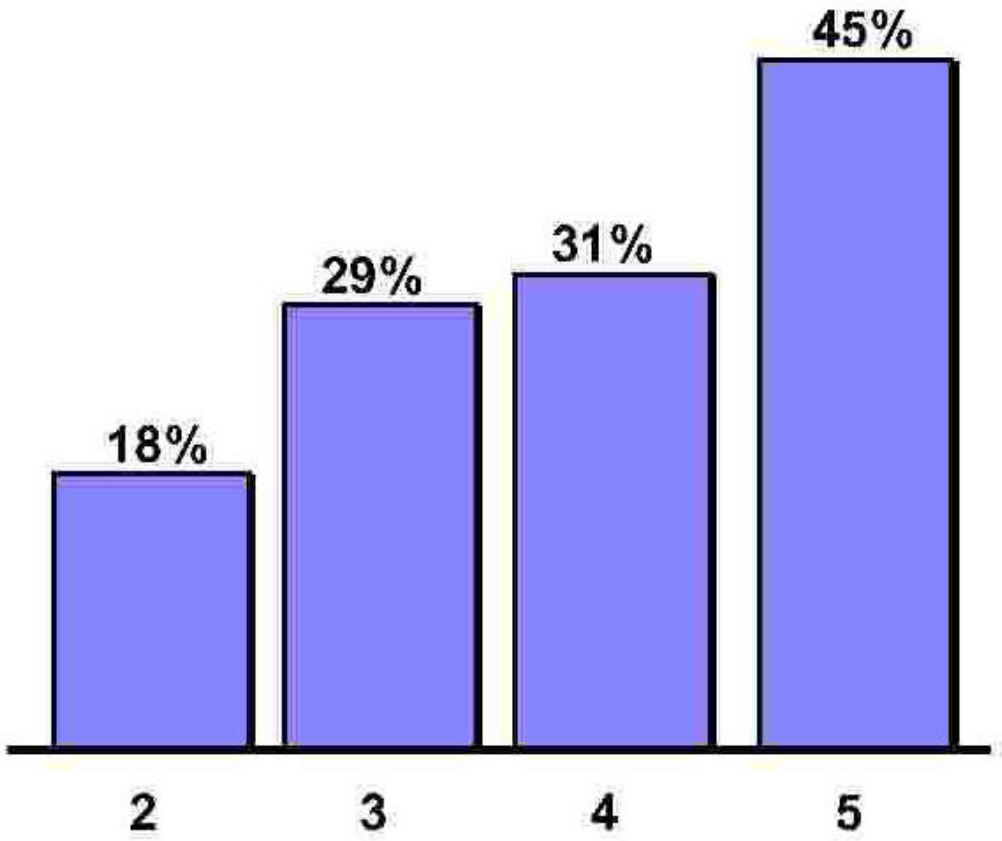
Minimize Attorney Involvement



The longer the reporting period – the higher the probability of litigation

Percentage of claims litigated, relative to report lag (in days: 10, 20, 30 and over 30)

Reporting costs



Injuries reported within 2 weeks of injury were 18% more expensive than those reported within one week.

…reported within 3 weeks were 29% more expensive than those reported within one week.

…reported at 4 weeks were 31% higher and at five weeks they were 45% higher.

Understand Employee Perception of Workers' Compensation

- Communication counts
- Show you care
- Treat people the way you would want to be treated
- Get help/medical care for injured
- Get well cards (signed by staff)
- Flower or other means of recognition
- Visits/calls
- Demonstrate understanding, caring behavior
- Discuss job security

Understand Employee Perception of Workers' Compensation

"… the preferred source for information should be provided by employers (supervisors) …"

What's the future holding?

Technology Driven!

- TELEMEDICINE
- Speeding delivery of proof of coverage, payments to injured workers
- Apps for injured workers to know where they are in the process of their claim

"Alexa, where's my check…, when is my doctor apt…."

- Data formatting (blockchain/riskblock) – think of loss data that is not standardized now. Allows for predictive analytics
- Pharmacists matching DNA to prescriptions (no errors)
- Robotics & AI (unmanned cars, manufacturing, etc.)

REMEMBER: We could not predict the future of COVID-19 and all the now remote workers we have!

Discussion and Questions

Thank You!

Debra Parker, COSS, COEA
Risk and Safety Consultant
Aspen Risk Management Group

dparker@aspenrmg.com
www.aspenrmg.com