Workers' Compensation Update: 2024 in review and what's on the horizon?

On behalf of Heffernan Consulting
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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.

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AGENDA and OBJECTIVES

- **Workers' Compensation – Updates**
  - Financial Status of the industry
  - Important impacts on workers' comp
  - Reducing costs of workers' comp in your organization
  - The Future of things

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Polling Question #1

Have you attended a previous Heffernan Webinar?

Yes

No

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Polling Question #2

What type of business are you in?

- Hospitality
- Agriculture, Construction, or Manufacturing
- Wholesale/Retail
- Non-profit or Government
- Other

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Financial Trends and Updates

Current state of the WC System

Financial Trends and Updates

FACTORS TO CONSIDER IN THE NCCI DATA:

1) Does not account for open claims beyond 10 years
2) Large employers such as public entities do not report data to NCCI
3) Large tail claims over the last 6 years (as reported by one insurer) have increased for $2mil incurred level by 91% and $10mil incurred by 183%
4) For more information: www.ncci.com

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NCCI Data

Property & Casualty (P&C) Industry Net Written Premium Growth

Private Carriers

Line of Business	2022 ($B)	2023p ($B)	% Change From 2022
Personal Auto	268.0	306.5	
Homeowners	113.9	127.9	
Other Liability (Incl. Product Liability)	99.4	100.9	
Commercial Auto	51.7	55.7	
Commercial Multi-Peril	48.4	54.6	
Fire & Allied Lines (Incl. Earthquake)	47.2	56.0	
Workers Compensation (WC)	42.5	43.0	1.0
All Other Lines	100.5	107.1	
Total P&C Industry	**771.7**	**851.7**	10.4

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

AIS 2024

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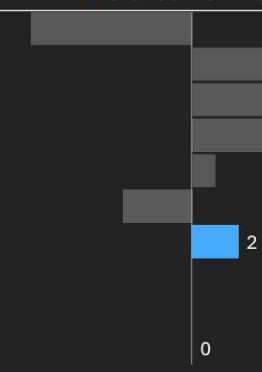
NCCI Data

Private Carriers

Line of Business	2022 (%)	2023p (%)
Personal Auto	112	105
Homeowners	104	111
Other Liability (Incl. Product Liability)	96	100
Commercial Auto	105	109
Commercial Multi-Peril	106	107
Fire & Allied Lines (Incl. Earthquake)	96	93
Workers Compensation	84	86
All Other Lines	87	87
Total P&C Industry	**102**	**102**



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

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NCCI Data

WC Net Combined Ratio by Component

Private Carriers

p Preliminary
Source: NAIC's Annual Statement data

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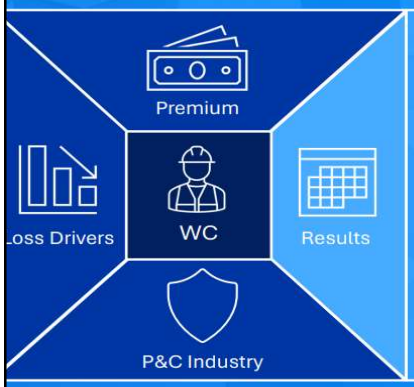
NCCI Data



Another profitable year for WC:

- A decade of underwriting profits
- Seventh year of operating gains above 20%
- Strong reserve position with a redundancy of $18B

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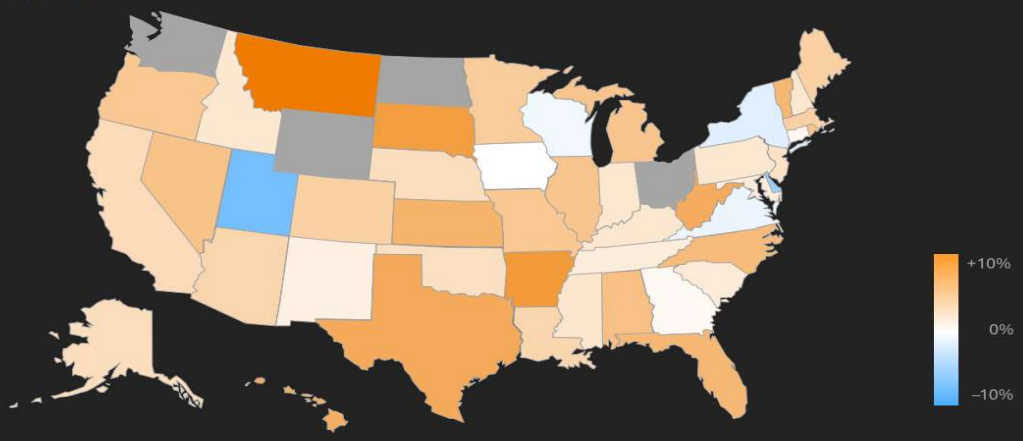
NCCI Data

WC Direct Written Premium Change—2022 to 2023

Private Carriers



Sources: 2022 and 2023 NAIC's Annual Statement Statutory Page 14

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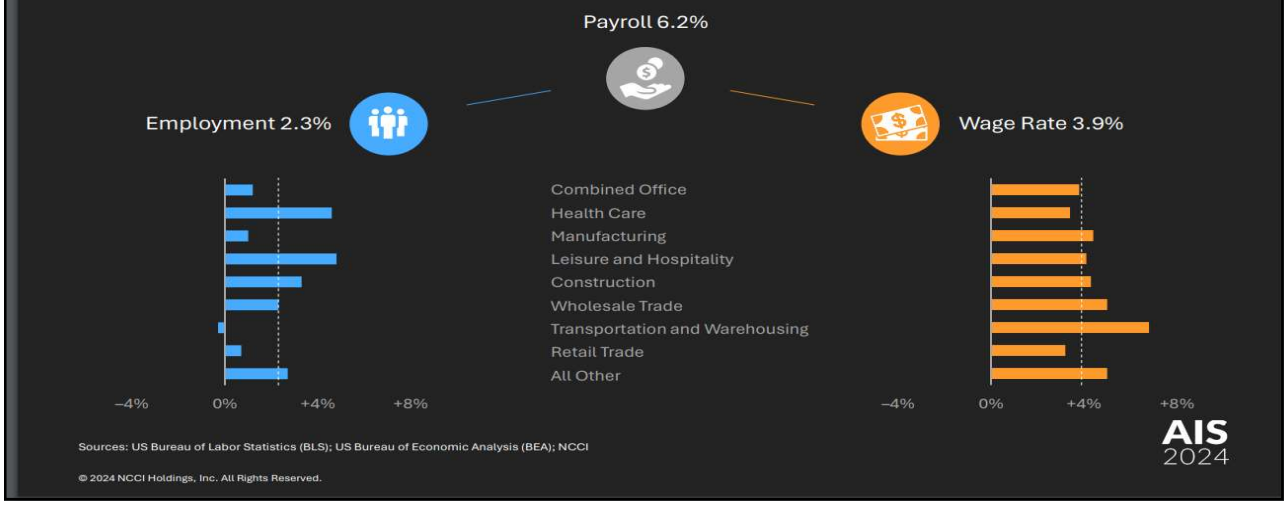
NCCI Data

Changes in Payroll by Component—2022 to 2023



Sources: US Bureau of Labor Statistics (BLS); US Bureau of Economic Analysis (BEA); NCCI

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NCCI Data

- Net written premium increased by 1%
- Residual market remains manageable
- Payroll increased by 6% between 2022 and 2023, driven by increases in both employment and wages
- All NCCI states continue to approve decreases in bureau premium level in their latest filing

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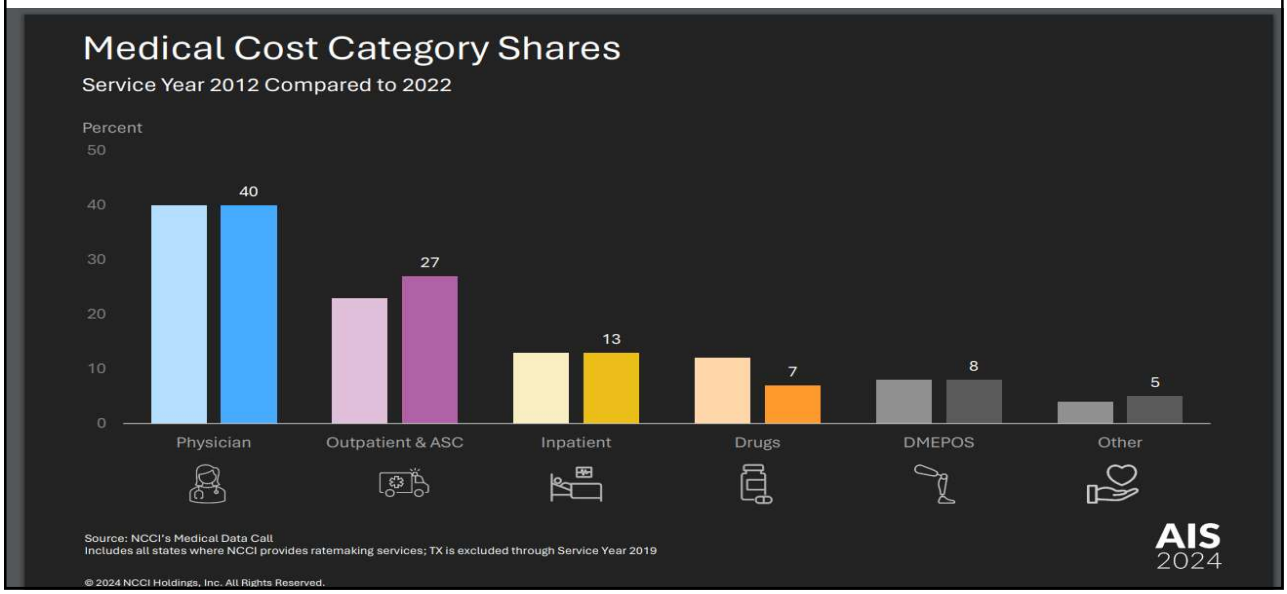
NCCI Data



Polling Question #3

What is your guess on what cause of loss has increased the most between 2015-2022?

1. Strains
2. Motor Vehicle
3. Slip/Fall
4. Stuck Against

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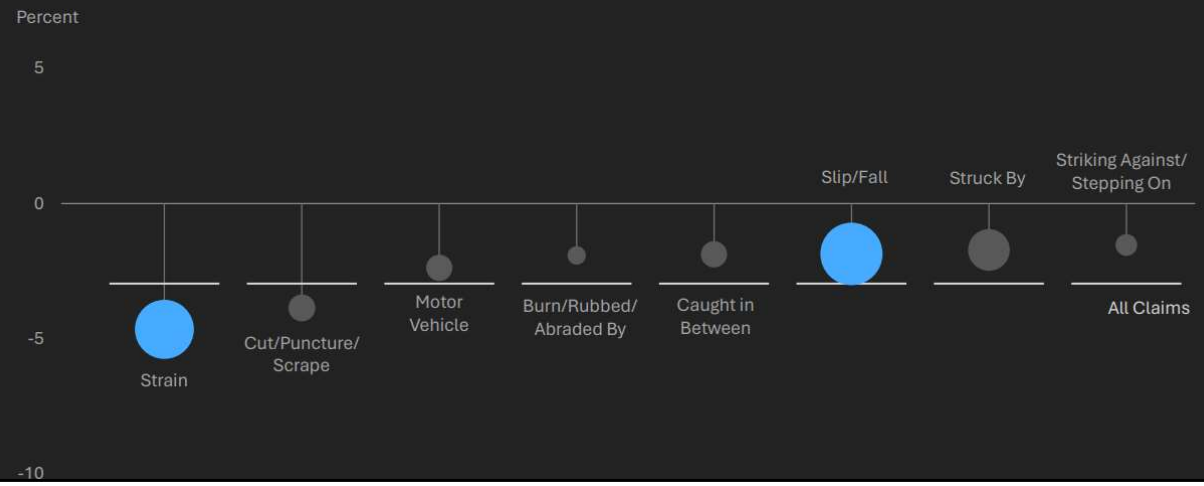
NCCI Data

WC Lost-Time Claim Frequency by Cause of Injury

Average Annual Change in Claims per $1M Pure Premium, Accident Years 2015–2022p
Private Carriers and State Funds—NCCI States



NCCI Data

2023 Workers Compensation Insights

Lowest combined ratio compared to other lines

P&C Industry

5% share of the P&C Industry **net written premium**

2023 reported combined ratios:

CY **86%** AY **98%**

Results

$18 billion reserve redundancy

1% increase in **net written premium**

Premium

Payroll change components:

2.3% Employment **3.9%** Wage Rate

Wage-adjusted changes:

–8% Claim frequency

Loss Drivers

Unadjusted severity changes:

2% Medical **5%** Indemnity

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WCIRB Data (California)

Industry Average Charged Rates

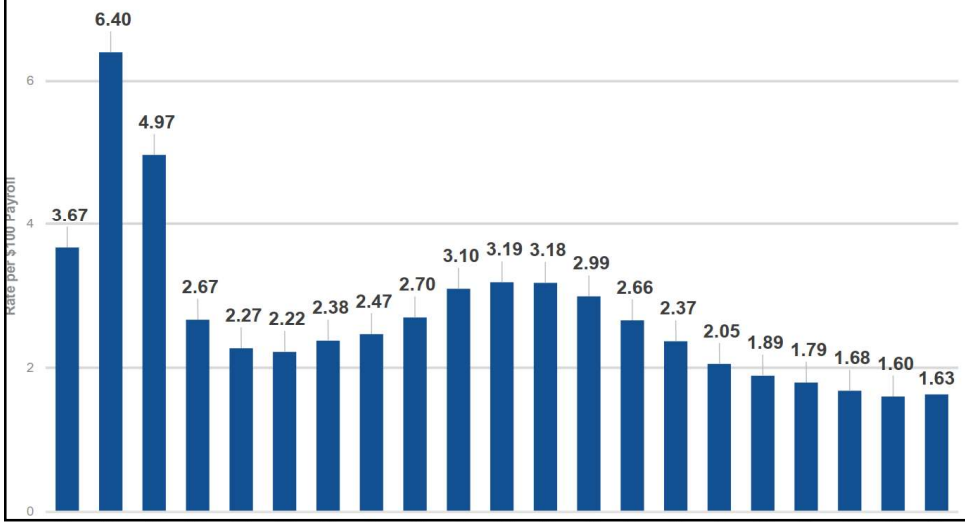

CHART 2
As of June 30, 2024

Prior to 2024, the average charged rate had been declining steadily, reaching a historical low in 2023. The preliminary average charged rate for 2024 (based on six months) is 2% higher than 2023, suggesting the recent rate declines are flattening.

In the September 1, 2024 Pure Premium Rate Filing, the WCIRB proposed an average 0.9% increase in advisory pure premium rates. In the Filing Decision, the Insurance Commissioner approved an average 2.1% decrease in advisory pure premium rates.

The Cost of Claims

The average cost of a workers' compensation claim (medical and indemnity) in 2022 was $45,000. That is considered a "Direct Cost"

The INDIRECT cost of a claim is estimated to be 2/3 of 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 $45,000 claim could cost you millions!

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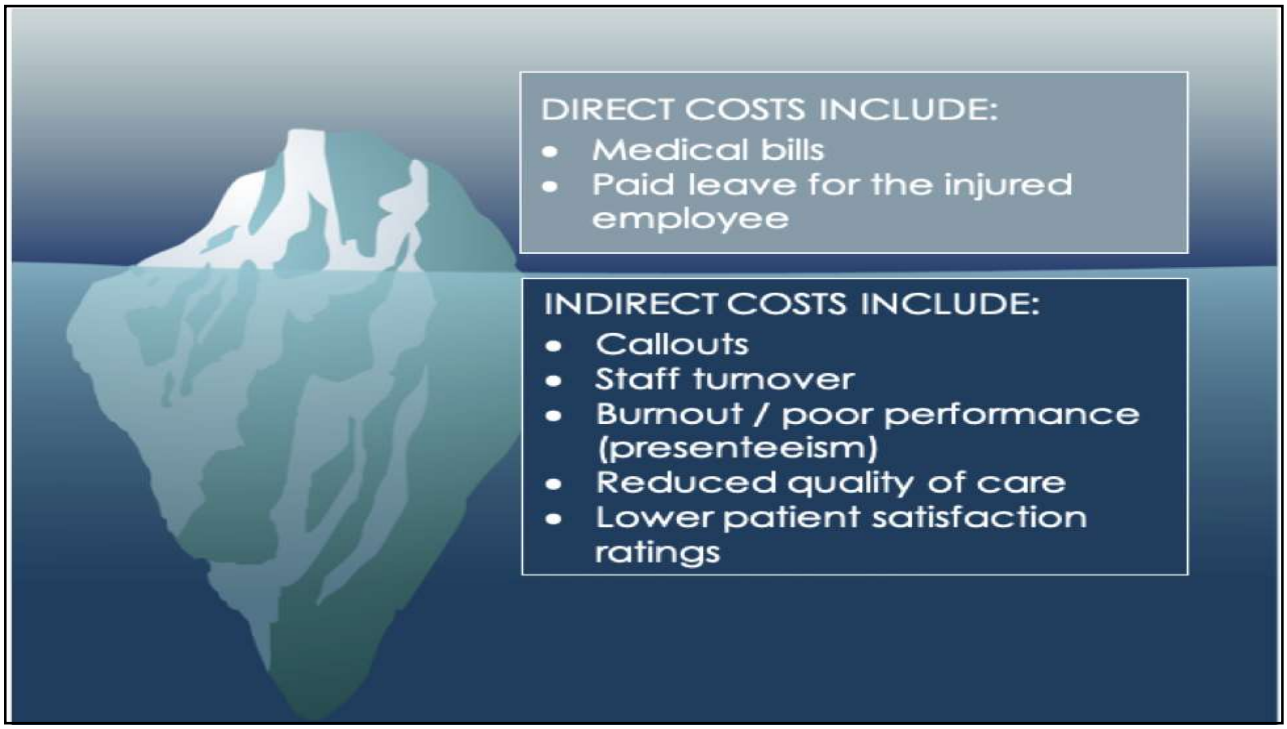


The extent to which the employer pays the direct costs depends on the nature of the employer's workers' compensation insurance policy. The employer always pays the indirect costs.

Injury Type	Instances	Direct Cost	Indirect Cost	Total Cost	Additional Sale (Indirect)	Additional Sale (Total)	
Claims Cost	1	$ 45,000	$ 49,500	$ 94,500	$ 1,650,000	$ 3,150,000	Remove

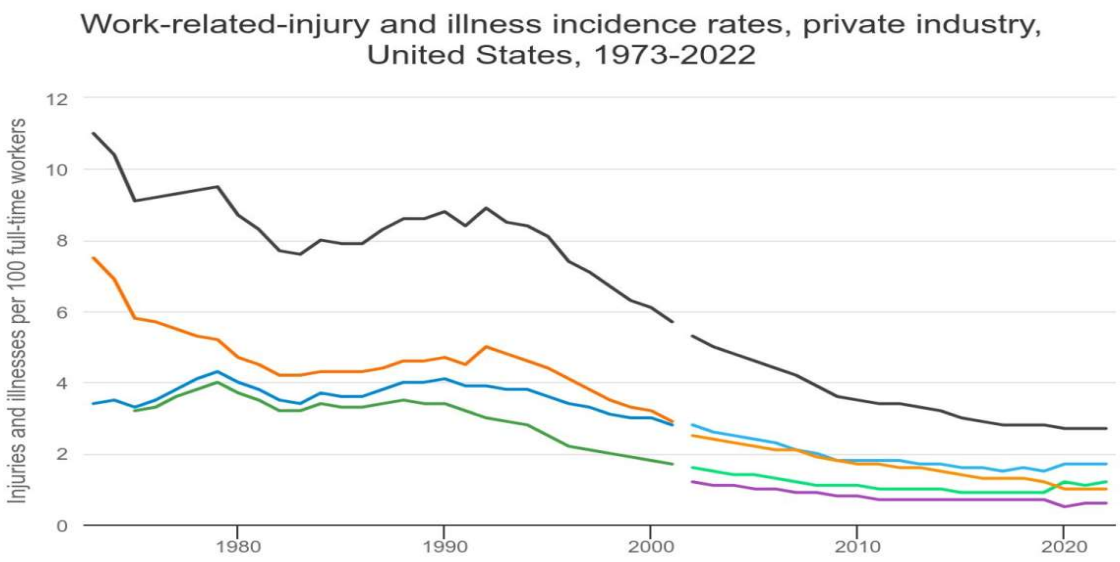
Totals

Estimated Direct Costs:	$ 45,000
Estimated Indirect Costs:	$ 49,500
Combined Total (Direct and Indirect Costs):	$ 94,500
Sales To Cover Indirect Costs:	$ 1,650,000
Sales To Cover Total Costs:	$ 3,150,000

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

A bit of good news!



A bit of good news!

Private Carriers in 38 Jurisdictions, 1999-2019

Policy Period	Total	Medical Only (MO)	MO as Percent of Total	Temporary Total (TTD)	TTD as Percent of Total	Permanent Partial (PPD)	PPD as Percent of Total
1999	6,446	5,047	78.3%	927	14.4%	461	7.2%
2000	6,003	4,685	78.0%	870	14.5%	437	7.3%
2001	5,510	4,277	77.6%	799	14.5%	423	7.7%
2002	5,239	4,036	77.0%	770	14.7%	422	8.1%
2003	4,901	3,747	76.5%	725	14.8%	423	8.6%
2004	4,728	3,635	76.9%	702	14.8%	385	8.1%
2005	4,571	3,514	76.9%	667	14.6%	383	8.4%
2006	4,376	3,351	76.6%	638	14.6%	381	8.7%
2007	4,076	3,107	76.2%	587	14.4%	375	9.2%
2008	3,615	2,730	75.5%	515	14.2%	363	10.0%
2009	3,452	2,659	77.0%	521	15.1%	357	10.3%
2010	3,492	2,621	75.1%	509	14.6%	358	10.3%
2011	3,412	2,566	75.2%	504	14.8%	338	9.9%
2012	3,277	2,464	75.2%	486	14.8%	321	9.8%
2013	3,208	2,405	75.0%	484	15.1%	315	9.8%
2014	3,083	2,313	75.0%	470	15.2%	296	9.6%
2015	2,950	2,221	75.3%	454	15.4%	271	9.2%
2016	2,874	2,165	75.3%	459	16.0%	246	8.6%
2017	2,876	2,164	75.2%	466	16.2%	242	8.4%
2018	2,799	2,105	75.2%	460	16.4%	230	8.2%
2019	2,458	1,804	73.4%	439	17.9%	211	8.6%
Percent change, 1999-2019	-61.9	-64.3		-52.6		-54.2	

Source: National Council of Compensation Insurance, 1997-2023, Exhibit XII, *Annual Statistical Bulletin*. The most recent data available is 2019.

Total injuries down 61.9% 1999 to 2019

Fatal injuries down by 12% from 2001 to 2021

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Polling Question #4

Do you know what your incident rate for your company is?

Yes
No
Not Sure but I have a good guess

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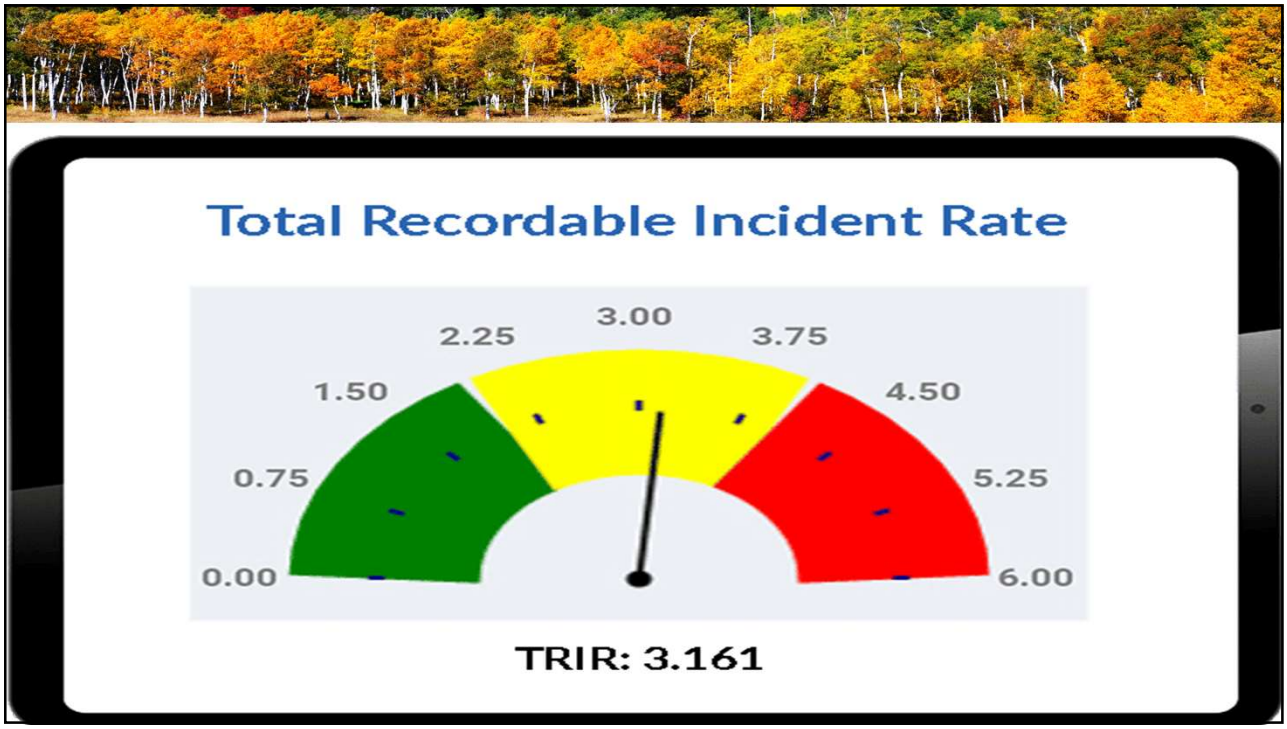

Industry	Incident Rate in 2020
Construction	2.5
Agriculture/forestry/fishing and hunting	4.6
Mining, Quarrying, and oil and gas extraction	1.2
Transportation and Warehouse	4.0
Manufacturing	3.1
Educational and health services	5.0
Wholesale trade	2.4

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To calculate your total recordable incident rate, you multiply the number of incidents which have occurred on-site by 200,000. Then divide that number by the total number of hours worked that year. 200,000 equates to the number of hours 100 workers would usually work within the span of one year.

TRIR= (# of incidents x 200,000)/(# Hours Worked)

Look at your OSHA300A

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Most Dangerous Places to Work?

1.Construction: It consistently ranks among the industries with the highest rates of workplace accidents and fatalities.

2.Manufacturing: Common accidents in manufacturing include equipment malfunctions, slip and fall accidents, and injuries from handling machinery.

3.Agriculture: Farming remains one of the most hazardous occupations globally.

4.Transportation: involves significant risks due to vehicle accidents, transportation of hazardous materials, and long hours of work leading to fatigue-related incidents.

5.Healthcare: healthcare workers face various workplace hazards such as exposure to infectious diseases, needlestick injuries, lifting injuries, and workplace violence.

Other Costs to watch for

Jan 2025:

BREAKING OSHA NEWS - OSHA's citation penalties automatically will increase on January 15, 2025, by an inflation adjusted amount. The new maximum penalties are below along with some comments about OSHA penalties.

$16,550 for Serious, Other-than-Serious, or Posting, per item
$165,514 for Willful or Repeat, per item
$16,550 for Failure to Abate, per day

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Other Costs to watch for

OSHA penalties in a citation are proposed, not final!

Every employer has the statutory right to contest any items in a citation, including the proposed penalty amounts. The contest goes before a separate and independent federal agency: the US Occupational Safety and Review Commission (OSHRC).

But the usual elimination or reduction of items or proposed penalties is a result of engaging in an informal settlement conference and related discussions with OSHA.

Don't consider an OSHA Citation as final. Everything, including the proposed penalty amounts, can be deleted, revised, or contested. And OSHA is not the final decision-maker on whether it can sustain any citation items.

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Forecasting 2025?

View the full report: Sedgwick Forecasting 2025

- **The future of the workplace**: generational differences, focus on mental health, new talent recruitment, retention and development and developing efficient support systems to respond to workplace injuries and other crisis.
- **Catastrophe planning and disaster recovery**: rising frequency of weather extremes
- **AI – Artificial intelligence and robotics** have driven some of the most prominent workplace evolutions of the past few years. Must keep up with new regulations, associated vulnerabilities and risks. Have the team in place to effectively implement and maintain them.
- **Planning Ahead**: The world is rapidly changing. Supply chain disruptions, new tariffs, more frequent and sophisticated cyber-attacks and business interruption will greatly impact organizations in 2025.

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Forecasting 2025?

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.

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Forecasting 2025?

- **Certain industries**, such as healthcare, social services, and retail, have historically experienced higher rates of workplace violence due to factors such as interactions with volatile individuals, handling of cash, or exposure to high-stress environments.
- **Legislative and Regulatory Changes:** Many jurisdictions have implemented legislation and regulations aimed at preventing workplace violence and protecting workers. These efforts often include requirements for risk assessments, training programs, and policies and procedures to address potential violence in the workplace.

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CA new regulation under SB 553 (implemented July 2024)

- The latest data shows in the U.S., an average of 1.3 million nonfatal violent crimes in the workplace occurred annually from 2015 to 2019. There were 57 fatal incidents.
- Females are twice as likely to be assaulted in the workplace
- Number of injuries reported by victim-offender relationship shows 43% of incidents are from patients (in the healthcare field) with the next highest at 23% being from students (schools/education)
- Employers must have a workplace Violence Prevention Plan
  - In writing showing responsible party, how to respond to reports, ways to communicate, review plan annually, training, recordkeeping and reporting

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PREVENTION IS KEY!

- 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!

CONTROLLING COSTS

- 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)

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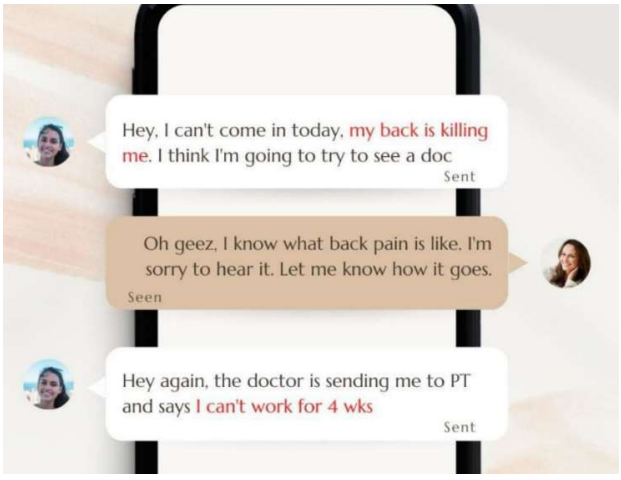
CLAIM "GONE WRONG"



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Polling Question #5

Do you feel this should be filed as a workers' comp or a health insurance claim?

1. WC
2. Health Insurance
3. Not Sure – not enough details

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Control of a claim happens before a claim is made

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.

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Control of a claim happens before a claim is made

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

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.

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Control of a claim happens before a claim is made

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.

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A CLAIM GONE RIGHT!

Here's a fictional case example of a workers' compensation claim in 2023:

Background: John Smith, a 35-year-old warehouse worker, was employed by XYZ Logistics, a large distribution company. John's job responsibilities included loading and unloading heavy cargo from trucks, operating forklifts, and organizing inventory in the warehouse. On a typical workday in 2023, John suffered a severe back injury while lifting a pallet of goods, resulting in significant pain and limited mobility.

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A CLAIM GONE RIGHT!

Injury and Medical Treatment: Upon experiencing the injury, John immediately reported the incident to his supervisor and sought medical attention from the company's designated healthcare provider. An initial evaluation revealed that John had sustained a herniated disc in his lumbar spine, requiring prompt medical intervention. He underwent diagnostic tests, including MRI scans, to assess the extent of the injury and develop a treatment plan.

The treating physician prescribed a comprehensive course of treatment, including:

- Physical therapy sessions to improve flexibility, strength, and range of motion.
- Prescription medications to manage pain and inflammation, with careful monitoring to minimize the risk of opioid dependence or adverse side effects.
- Injections of corticosteroids or nerve blocks to alleviate pain and facilitate rehabilitation.
- Occupational therapy to address ergonomic issues and teach proper lifting techniques to prevent future injuries.

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A CLAIM GONE RIGHT!

Workers' Compensation Claim Process: John filed a workers' compensation claim with XYZ Logistics' insurance carrier, seeking coverage for medical expenses, wage replacement benefits, and vocational rehabilitation services during his recovery period. The claim was promptly processed, and John received timely authorization for necessary medical treatments and diagnostic procedures.

Throughout the claim process, John's employer provided ongoing support and accommodations to facilitate his return to work as soon as medically feasible. XYZ Logistics implemented modified duty assignments, adjusted work schedules, and provided ergonomic equipment to accommodate John's physical limitations while ensuring his continued productivity and job satisfaction.

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A CLAIM GONE RIGHT!

Resolution and Return to Work: After several months of intensive medical treatment and rehabilitation, John's condition gradually improved, allowing him to return to light-duty work at the warehouse with temporary restrictions on lifting and bending. XYZ Logistics collaborated with John's healthcare providers to develop a phased return-to-work plan, gradually increasing his job duties and responsibilities as he regained strength and mobility.

Despite the challenges posed by his injury, John successfully transitioned back to full-duty status within a reasonable timeframe, thanks to the collaborative efforts of his employer, healthcare providers, and workers' compensation team. XYZ Logistics' proactive approach to injury prevention, claims management, and employee support helped minimize the impact of the incident on John's health, finances, and overall well-being.

A CLAIM GONE RIGHT!

Lessons Learned: This case example illustrates the importance of:

- Timely injury reporting,
- Comprehensive medical treatment,
- Effective communication, and
- Proactive return-to-work strategies

By prioritizing employee safety, health, and recovery, employers can mitigate the adverse consequences of workplace injuries, foster a supportive work environment, and promote sustainable business operations.

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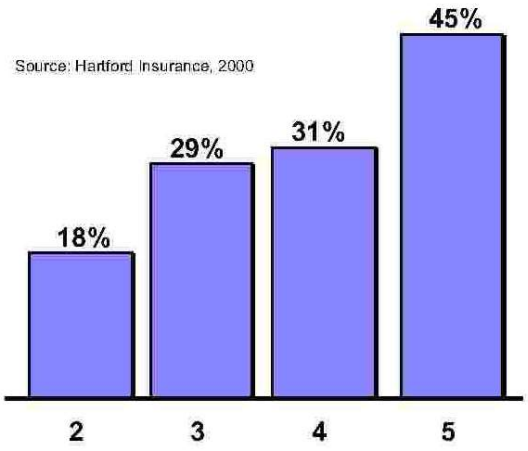
What are Best Practices?



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.

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What's the future hold?

- **Technology Integration:** Experts anticipate continued integration of technology into workers' compensation processes, including claims management, risk assessment, fraud detection, and injury prevention. Advancements in artificial intelligence (AI), machine learning, wearable devices, telemedicine, and data analytics are ***expected to streamline operations, improve efficiency, and enhance outcomes for injured workers.***
- **Telemedicine and Remote Work:** The COVID-19 pandemic accelerated the adoption of telemedicine and remote work arrangements, leading experts to predict their continued prevalence in the workers' compensation landscape. Telemedicine offers opportunities for virtual consultations, remote medical evaluations, and post-injury care, reducing the need for in-person visits and ***improving access to healthcare services for injured workers, particularly those in rural or underserved areas***.

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What's the future hold?

- **Focus on Mental Health:** There's growing recognition of the importance of addressing mental health issues in the workplace and their impact on workers' compensation claims. Experts anticipate increased emphasis on mental health support, trauma-informed care, and holistic wellness programs to ***address psychological injuries, stress-related disorders, and workplace violence incidents***.
- **Regulatory Reform:** Legislative and regulatory changes are expected to shape the future of workers' compensation, with policymakers exploring ways to balance the needs of injured workers, employers, insurers, and healthcare providers. Reforms may focus on benefit adequacy, access to care, dispute resolution mechanisms, and cost containment strategies while ***addressing emerging risks and challenges in the evolving work environment.***

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What's the future hold?

- **Workforce Trends:** Demographic shifts, such as an aging workforce, gig economy expansion, and remote work arrangements, are expected to influence workers' compensation trends. Experts anticipate changes in injury profiles, claim patterns, return-to-work strategies, and vocational rehabilitation needs as ***the composition of the workforce evolves and new employment models emerge.***
- **Prevention and Early Intervention:** There's a growing emphasis on prevention and early intervention strategies to mitigate workplace injuries and reduce workers' compensation costs. Employers, insurers, and safety professionals are investing in proactive risk management, safety training, ergonomic assessments, and wellness ***programs to prevent accidents, promote health, and improve overall workplace safety culture.***

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What's the future hold?

- **Legislated Budget Cuts**: Current Administration plans to cut spending may cut into federal and state budgets.

Overall, while the future of workers' compensation may be shaped by various uncertainties and external factors, experts agree that embracing innovation, fostering collaboration, prioritizing prevention, and ***adapting to evolving workforce dynamics will be critical for navigating the changing landscape effectively and promoting a safer, healthier, and more resilient workplace for all.***

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Thank you and Q&A

Discussion and Questions

Thank You!

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