



Workers' Compensation Update: 2025 in review and what's on the horizon?

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On behalf of
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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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Intro our Guest Experts

Deb Beddoe

Jim Kerr



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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

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Financial Trends and Updates

2025 State of the Line Highlights:

- Workers' compensation net written premium decreased 3% in 2024
- The 2024 calendar year combined ratio for workers' compensation is 86%, a sign of underwriting strength for the system - the most profitable line of business.
- Lost-time claim frequency declined by 5% in 2024, a faster pace of decline than the long-term average of 3.6% annually
- Severity grew in 2024 with increases of 6% for medical claim severity and 6% for indemnity claim severity
- Fatal injuries are down 4% from 5,283 in 2023 to 5,070 in 2024

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NCCI Data

Big Picture of Labor Market as of Feb 2026: This report largely erases the upbeat tone of the previous report. The labor market has now returned to a precarious state of little-to-no job growth, raising questions about the go-forward trajectory.

The recent increase in geopolitical tensions has added a new layer of uncertainty for the economy and may make it more difficult for the labor market to strengthen in the near term.



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NCCI Data

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

Private Carriers

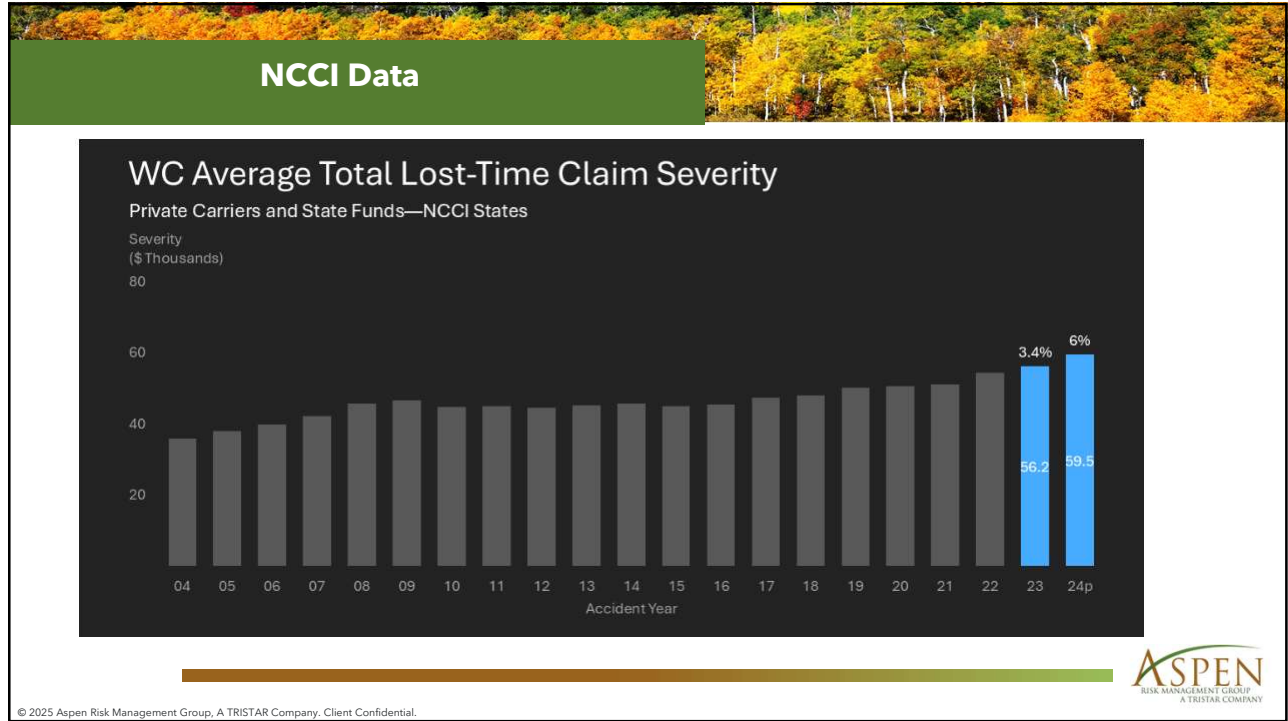
Line of Business	2023 (\$B)	2024p (\$B)	% Change From 2023
Personal Auto	306.6	345.8	
Homeowners	128.0	145.7	
Other Liability (Incl. Product Liability)	101.0	104.0	
Commercial Auto	55.8	61.6	
Commercial Multi-Peril	54.6	58.2	
Fire & Allied Lines (Incl. Earthquake)	56.1	58.0	
Workers Compensation (WC)	43.0	41.6	-3.2
All Other Lines	107.2	112.1	
Total P/C Industry	852.3	927.1	8.8

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

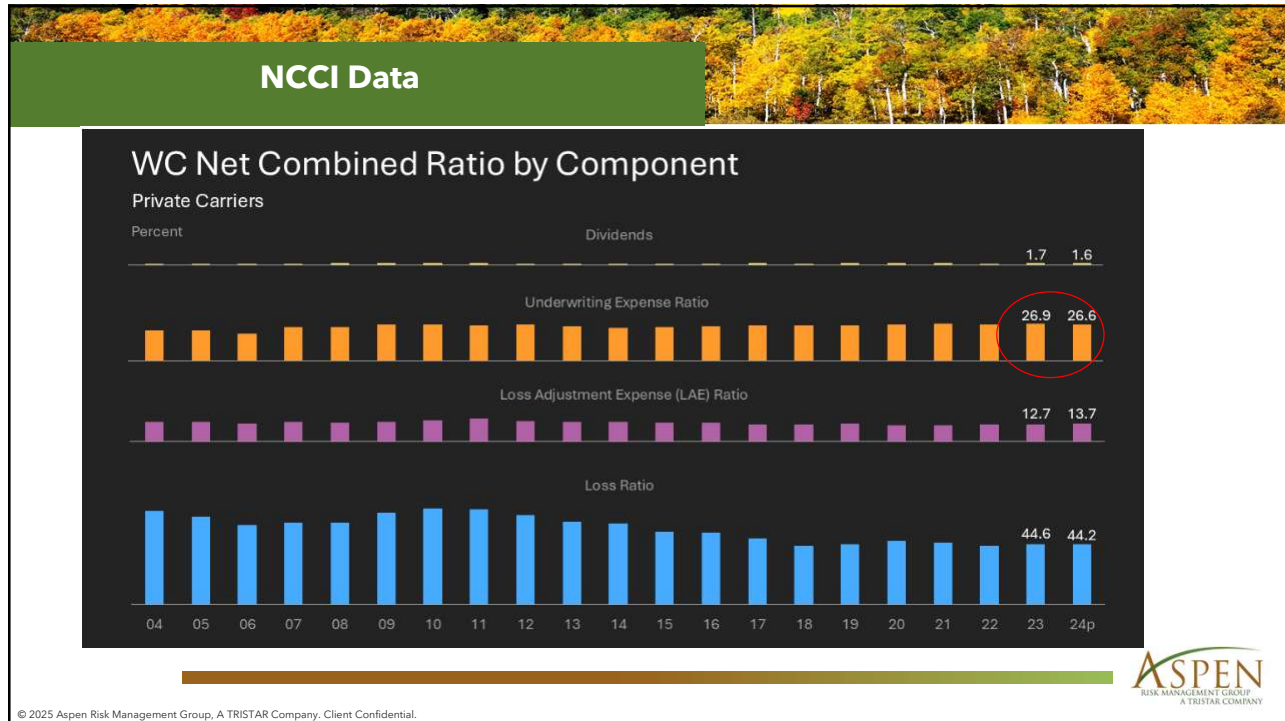
P/C Industry Net Combined Ratio

Private Carriers

Line of Business	2023 (%)	2024p (%)	Difference From 2023
Personal Auto	105	95	-10
Homeowners	111	100	-11
Other Liability (Incl. Product Liability)	100	109	+9
Commercial Auto	109	107	-2
Commercial Multi-Peril	107	100	-7
Fire & Allied Lines (Incl. Earthquake)	93	83	-10
Workers Compensation	86	86	0
All Other Lines	88	88	0
Total P/C Industry	102	97	-5

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Polling Question #3



What is your guess on what cause of loss is the leading cause in 2024 ?

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


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Liberty Mutual's 2024 Workplace Safety Index



1	2
Overexertion involving outside sources	Falls on same level
	
Cost per year: \$12.49B	Cost per year: \$9.99B
↑	↑
Warning sign: heavy loads	Warning sign: wet floors

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Liberty Mutual's 2024 Workplace Safety Index

3	4
Falls to lower level	Struck by object or equipment
	
Cost per year: \$5.68B	Cost per year: \$5.55B
↑	↑
Warning sign: wobbly ladders	Warning sign: unsecured tools, racks, or product

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Liberty Mutual's 2024 Workplace Safety Index

The top 10 most costly causes of injury and their direct costs to U.S. businesses

Cause	Cost (billions)	Percentage
Overexertion involving outside sources	\$12.49	21.5%
Falls on same level	\$9.99	17.2%
Falls to lower level	\$5.68	9.8%
Struck by object or equipment	\$5.55	9.6%
Other exertions or bodily reactions	\$3.68	6.3%
Roadway incidents involving motorized land vehicles	\$2.76	4.8%
Slip or trip without fall	\$2.34	4.0%
Caught in or compressed by equipment or objects	\$2.05	3.5%
Struck against object or equipment	\$1.84	3.2%
Repetitive motions involving microtasks	\$1.54	2.7%

<https://business.libertymutual.com/insights/2024-workplace-safety-index/>



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The Cost of Claims

The average cost of a workers' compensation claim (medical and indemnity) in 2024 range is from \$30,000 to \$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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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

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The Cost of Claims

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

Totals

Estimated Direct Costs:

Estimated Indirect Costs:

Combined Total (Direct and indirect Costs):

Sales To Cover Indirect Costs:

Sales To Cover Total Costs:

Disclaimer: [Estimated Costs of Occupational Injuries and Illnesses and Estimated Impact on a Company's Profitability Worksheet | Occupational Safety and Health Administration](#)

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 "Safety 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

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INCIDENT RATES (LAGGING INDICATOR)

Performance indicators should include both *leading* and *lagging* indicators. Lagging indicators generally track worker exposures and injuries that have already occurred. Leading indicators reflect the potential for injuries and illnesses that have not yet occurred.

Examples of lagging indicators include: Number and severity of injuries and illnesses; results of worker exposure monitoring; and amount paid to workers' compensation claims.

INCIDENT RATES: Compared incidents to # of employees/payroll (size) of a company compared to the averages of the industry

Examples of leading indicators include: level of worker participation in safety program activities; number of hazards and close calls/near misses reported, as well as amount of time taken to respond to reports; number and frequency of management walkthroughs; number of hazards identified during inspections; number of workers who have completed required safety and health training; number of days needed to take corrective action after a workplace hazard is identified or an incident occurs.



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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.


$$\text{TRIR} = (\# \text{ of incidents} \times 200,000) / (\# \text{ Hours Worked})$$

Look at your OSHA300A (annual report required to be posted from Feb 1 to April 30th each year)




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Workers' Comp Updates


HR Essentials: What You Need to Know Now






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Workers' Comp Updates

HR Essentials: What You Need to Know Now



6-9% Cost Increase This Year	2x Mental Health Claims	\$50K Fines for Uninsured Owners
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Mental Health & PTSD Claims



Year	Claims
2022	100
2023	120
2024	133
2025	140

- Add a mental health policy with EAP referral path
- Train supervisors: listen, document, refer fast
- Log every call — missed reports = 6-figure fights

Now 2nd most common disability claim — behind pregnancy


CA & NY: PTSD from work stress = compensable injury


Early help cuts claims by up to 50%

DO TODAY: Post a mental health hotline by the break room



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02


Remote Work Risks – Home Isn't Always Safe

#1

Ergonomic claims rise in remote workers

Still Liable

If remote worker is hurt at home

\$000s


Cost of one bad back from a wobbly desk

- 1

Send a Safety Checklist
 Chair height, screen level, no cords on floor — email it this week. Takes 10 minutes.
- 2

Open the Door
 Tell staff: Report anything unsafe — I will fix it. Creates accountability both ways.
- 3

Document Everything
 Photo the setup, note dates. If they claim later, you have proof you warned them.



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Compliance & Fraud – Don't Get Caught

State Law Updates

California SB 847
Faster fines up to \$50,000 for uninsured owners

New Jersey
Raised claim thresholds — review your coverage levels

New York
Registration deadline: April — don't miss it

Fraud & AI Detection

Insurers now use AI to flag suspicious claims. If your records are incomplete, you look guilty.

Keep on file:


- Payroll records by employee
- Hours logged
- All injury reports with dates
- Photos of workspaces

ACTION THIS MONTH: Call your broker — ask: Are we fully covered? Any gaps? Then verify your certificate is current.



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Your 3-Step Action Plan

No fluff. Just what to do next.

1

Update Your Policies

Add home safety rules + mental health reporting. Use free online templates.
Time required: ~1 hour

2


Train Your Team

One 30-min meeting: spot signs, document incidents, escalate properly. Record it for new hires.
Time required: 30 minutes

3

Prevent — Don't Just React

Wellness app + safety walk-through + telehealth access. Costs pennies, saves thousands.
Time required: Ongoing



START HERE → Audit last year's claims log, see what's spiking, then call your broker.

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Forecasting 2026?

"Navigating risk in 2026 is about planning for what you don't know is coming, not just what keeps you up at night right now..."

- **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 crises.
- **Catastrophe planning and disaster recovery:** rising frequency of weather extremes, immigration pressures (labor access).
- **AI - Artificial intelligence and robotics:** Fortune 500 Survey shows 70% have AI risk committees in place.
- **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 2026.

Resources cited from : Sedgwick's [2026 Global Risk Study](#)



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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!

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CONTROLLING COSTS

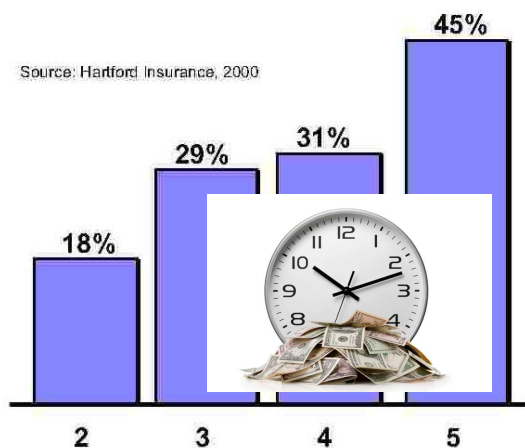
- Investigate and Report injuries quickly- injured worker to supervisor, supervisor to HR, HR to insurance company...
- Get immediate and appropriate medical attention - MPN's, quality relationship with the doctor/medical facility
- Communication with injured person, insurance carrier and doctors
- Have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



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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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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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WC Updates from Claims Professional



Jim Kerr
Vice President Audit & Compliance
TRISTAR Insurance Group



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Compliance and Audit Updates

California Audit Trends:

- The Annual Performance Standard is set by industry performance in five areas of claims administration:
- Payment of accrued and undisputed indemnity
- Late First payment of Temporary Disability (TD)/ first notice of Salary Continuation
- Late first payment of Permanent Disability (PD) and Death Benefits
- Late subsequent indemnity payments
- Provision of notice for QME-Notices



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Financial Trends and Updates

California Audit Trends:

The biggest issue found by the Auditors relates to documentation of the Average Weekly Wage leading to adverse findings on indemnity payments

- The information used to determine benefits must be retained in the claim.
- Additional information received must be addressed
- Dates for Seasonal employees must be documented.
- Concurrent employment earnings must be included in the calculations. LC §4453(c)(2)
- Salary increases in the history of earnings must be addressed.
- Salary continuation must be a formal plan. (MOU)

What we are seeing them find or argue

- Periods of lower or no payments in the record should be removed from the average
- Periods of Return to Modified Duty need positive proof the no wage loss occurred



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Compliance and Audit Updates

Case Law Update:

Illinois Midwest Insurance Agency LLC v. Workers' Compensation Appeals Bd. (Rodriguez) (2025) Cal.App.5th 1168; review granted Jan. 21, 2026, S294463

- The Second District Court of Appeal issued a sweeping clarification of California's medical treatment dispute framework, squarely rejecting the long-relied-upon *Patterson v. The Oaks Farm* (2014) 79 Cal.Comp.Cases 910 and restoring the primacy of Utilization Review (UR) and Independent Medical Review (IMR) for post-2013 medical-necessity disputes.
- Although review has now been granted by the California Supreme Court, the Court of Appeal's reasoning currently provides significant guidance regarding the exclusivity of UR and IMR in disputes involving continuing medical treatment. The Supreme Court's forthcoming opinion will determine whether that framework remains intact or whether any limitation on the scope of UR/IMR exclusivity will be recognized.



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Compliance and Audit Updates

Know-Your-Rights Notice:

- The California Labor Commissioner's Office ("LCO") has issued a reminder about a new state law, the Workplace Know Your Rights Act, which requires employers to annually provide workers with clear information about their workplace rights.
- This new law took effect on January 1, 2026, and requires employers to provide yearly notice to workers by February 1, 2026, explaining key rights under California's labor laws. The written notice must be provided to all workers, regardless of their immigration status, and shared through common methods such as email, text message, or in person, in languages normally used at the workplace. The notice must include information explaining workers' rights related to retaliation, workers' compensation, protections against unfair immigration-related practices, the right to organize or act together with co-workers, emergency contact notification, and interactions with law enforcement at the workplace. More specifically relating to workers' compensation, workers must be provided with notice that they have the right to medical care and other workers' compensation benefits if they experience work-related injuries or illnesses. The notice must also how workers can report injuries and get these benefits.



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Thank you and Q&A



Discussion and Questions

Thank You!



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