

Workers' Compensation

What to Expect in 2024

Workers' Compensation Center of Excellence
January 24, 2024

Moderator



Christine Williams

Managing Director

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State of workers' compensation



Workers' compensation market update



Trends and emerging issues

Agenda

Today's panelists



Douglas Anderson
Senior Vice President
Manager, WC Claims
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Jennifer Rowe
Managing Director
Casualty Placement Leader, Atlanta
Marsh

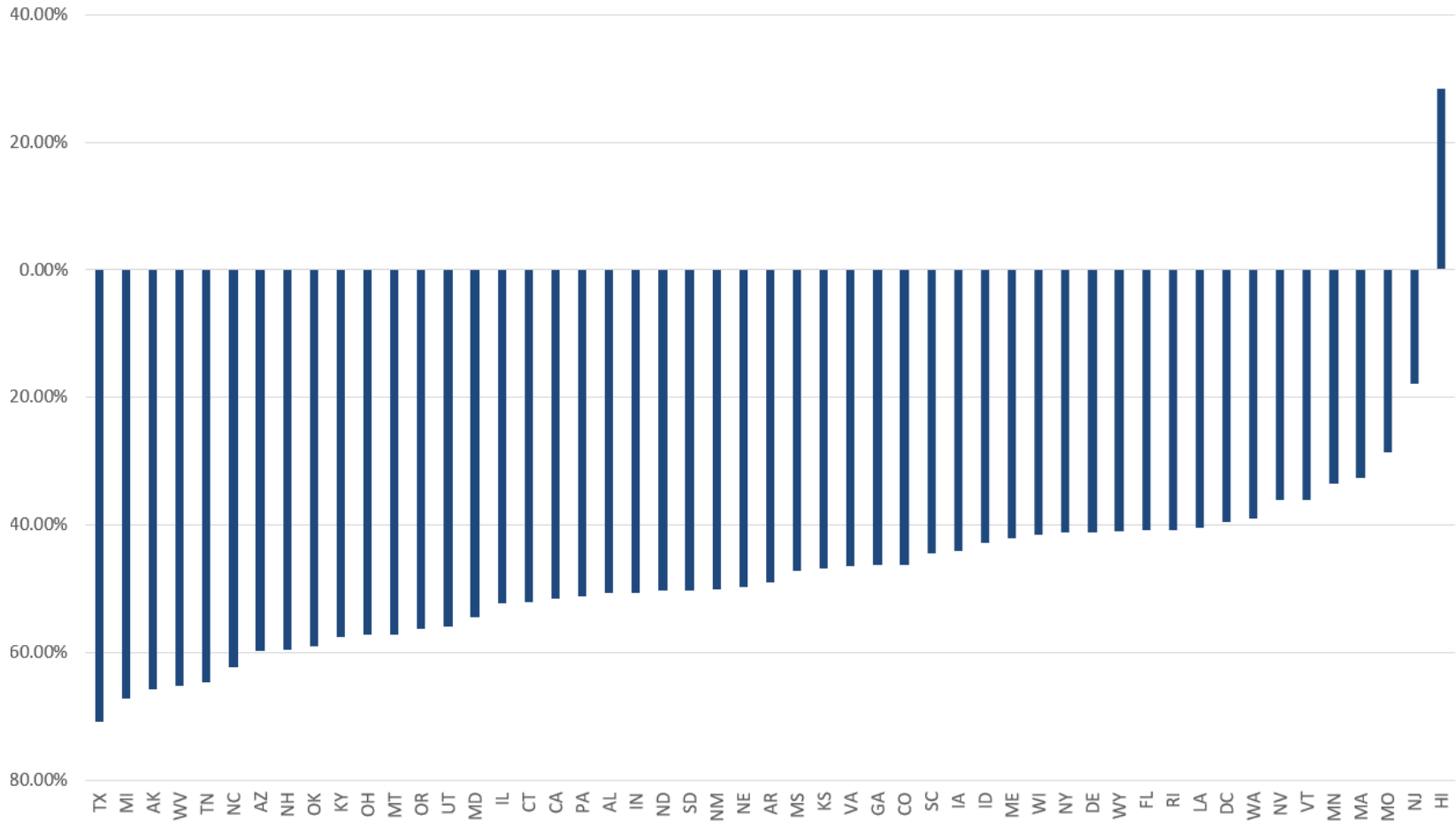


Dennis Tierney
Senior Vice President
Director WC Claims
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State of workers' compensation

WC loss rates (Losses per \$100 of payroll)

Overall trends in loss rates (Average YE 2012 vs YE 2023)

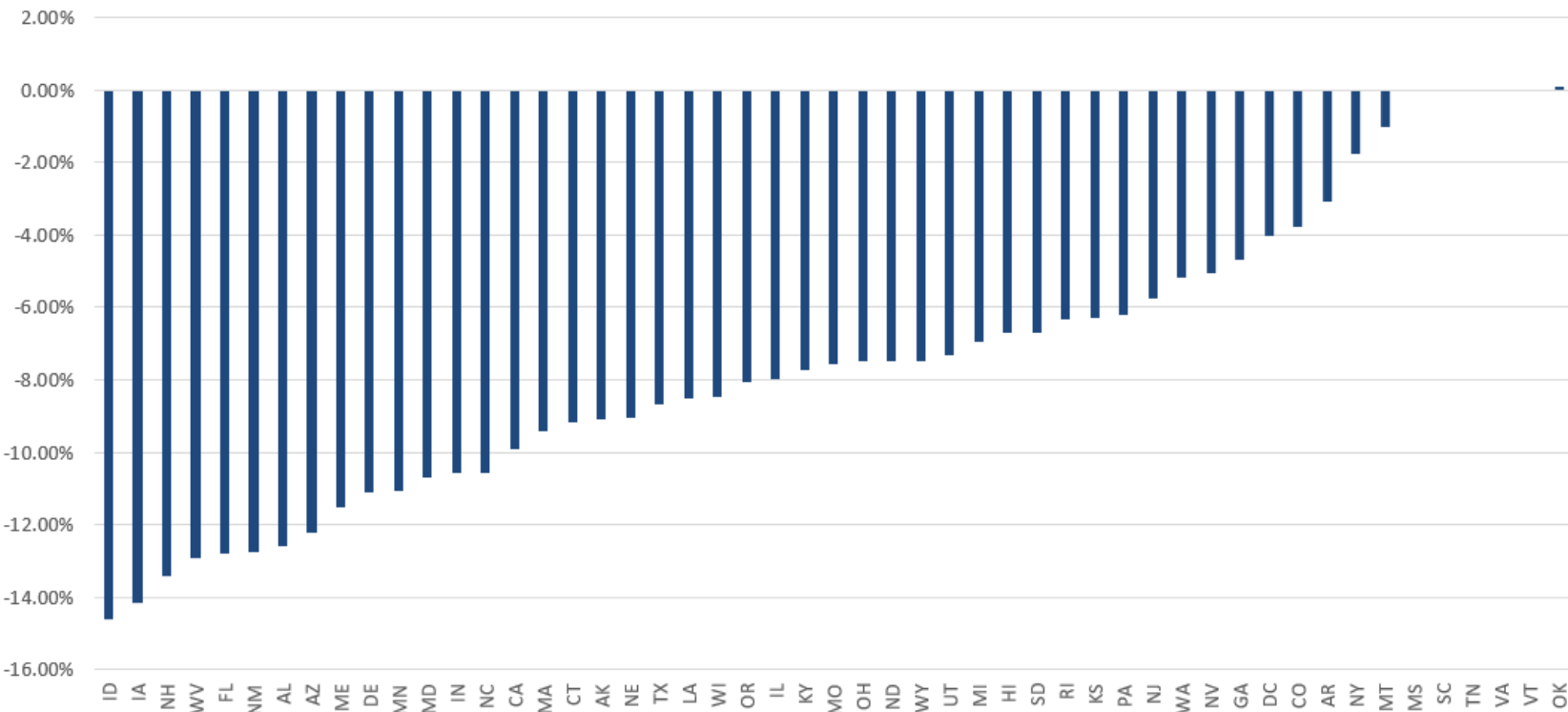


Since we started tracking this data in 2012:

- Average loss rates for all states (excluding Hawaii) have decreased
- 24 have decreased more than 50%
- 48 and Washington DC have decreased more than 20%

WC loss rates – Overall trends

Losses per \$100 of payroll 2023 vs 2022



Oklahoma has a very small increase of .1%.

The breakdown of the remaining states:

- 11 were flat to -5%
- 25 were between -5% and -10%
- 14 were -10 to -15%

Workers' comp average loss rates - Top 10 (highest) states

NJ, CA and NY continue to have some of the highest loss rates in the country, but between 2012 and 2023 overall loss rates have gone down more than 52% in CA, and 41% in NY. The decrease in NJ is more moderate at almost 18%.

Original 2012	2020	2021	2022	2023
CA 2.79	NJ 1.84	NJ 1.72	NJ 1.61	NJ 1.52
NY 2.48	NY 1.73	NY 1.62	CA 1.5	NY 1.46
NJ 1.85	CA 1.43	CA 1.40	NY 1.48	CA 1.35
OK 1.85	WA 1.27	HI 1.31	HI 1.36	HI 1.27
MT 1.84	DE 1.21	DE 1.21	WA 1.14	WA 1.08
AK 1.80	HI 1.16	WA 1.21	MN 1.02	VT .92
CT 1.80	CT 1.14	WI 1.02	CT .95	MN .91
WA 1.78	GA 1.09	LA 1.00	WI .93	CT .86
IL 1.74	WI 1.07	CT 0.98	VT .92	WI .85
NH 1.68	LA 1.04	VT 0.98	IL .90	IL .83



Average of top 10 in 2012 – **1.96**

Average of top 10 in 2023 – **1.11**

43.4% decrease for the average of the top 10 highest states

AM Best

Workers' Compensation Market Segment Report

Positive Trends

- Strong performance; most profitable of the major P/C lines
- Combined ratio 2022 87.8 vs overall P&C 102.4
- US wage growth and strong job growth led to premiums rising back to pre-pandemic levels
- Declines in claims frequency
- Favorable prior year loss reserve development

Source: AM Best Market Segment Outlook: US Workers' Compensation, July 18, 2023

“Workers’ Compensation Remains a Profit Engine for the P/C Industry”

Watch for

- Medical and indemnity severity increased but the magnitude was less than the increase in wages
- Some observers fear that wages and healthcare costs could rise faster than overall inflation which could weaken reserve adequacy and temper the possibility of further improved underwriting results because of higher than expected claims from prior accident years

National Council on Compensation Insurance

Positive Trends

- WC system is healthy
- Lost-time claim frequency returned to its 20-year trend, declining 4% in the past year
- Payrolls returned to pre-pandemic levels
- Overall P/C combined ratio 102 driven by personal and commercial auto, but WC is 84 which is down from 87 (strongest profitability)
- Reserve redundancy grew to \$17 billion
- Notable rise in severity for 2022 with medical claim severity increasing about 5% and indemnity claim severity rising about 6% year over year
- Longer-term perspective indicates this is a manageable rise
- Final net written premium for 2002 increased by 11.3% to \$47.5 billion

Watch for

- Potential economic downturn
- Changes in the workplace
- Medical inflation

“Despite the unsettled environment over the past few years, the reality is that workers compensation has had more tailwinds than headwinds influencing results. Experience tells us that it won’t last forever, and we must be ready.”

- Bill Donnell – NCCI President and CEO

NCCI survey of workers' compensation executives

Top concerns and emerging issues

Carrier Executive Survey

NCCI Analysis

Financial Health of the System and Rate Adequacy

Executives expressed concerns about the steady decline in rates and loss costs. Questions arose about whether the data and analysis currently being used are sufficient to evaluate potential risks to the long-term financial health of the system. Carriers are anticipating it to become more challenging to maintain profitability in the market.

- Strong and healthy system
- Positive trends
 - Claim frequency has decreased
 - Medical severity is moderate; fee schedules function as control mechanism for medical costs
 - Higher wages translate to higher indemnity payouts; indemnity costs are offset by increasing premiums
- Continued declining loss costs thanks to strong employment, decreasing loss frequency, and moderate changes in claim severity

Medical Inflation

Medical costs are rising, causing uncertainty for carriers that are concerned about frequency, severity, and large claims. These costs coupled with inflation in general make pricing workers' compensation insurance a bigger challenge.

- Medical severity up 1% annually since 2019
- Price pressure is moderate
- Factors offsetting overall increases
 - Medical conditions treated
 - Type and volume of medical services; fee schedules function as control mechanism for medical costs
- CMS' projects Personal Health Care index to remain in the 2.5% to 3.5% range through 2031

NCCI survey of workers' compensation executives

Top concerns and emerging issues

Carrier Executive Survey

NCCI Analysis

Economic Uncertainty

Many executives noted that while wages and consumer inflation are rising, workers' compensation loss costs and rates are declining. While employment is strong and economic growth is solid, they question whether the labor market will start to stabilize or if wage inflation is the new normal.

- Shift toward a more balanced labor market
 - Employment growth remains healthy
 - Wage growth elevated, supports premium growth
- Probability of a recession has diminished
 - Strong employment levels, real income growth, further capacity for debt, and still-elevated excess savings support consumer spending

Changing Workplace and Workforce

The changing workforce includes telecommuters, gig workers, aging workers, inexperienced workers, and an overall shortage of workers. Carriers noted that they're evaluating how this new dynamic changes the profile of workplace injuries and what losses might look like in the future.

- Recent reports echo concerns, project shift to more balanced levels
 - Turnover has normalized
 - Increased labor force easing worker shortages
- Remote work and hybrid schedules key contributors to lowering frequency

Spotlighting Emerging Issues

Looking ahead, carrier executives are preparing for emerging challenges that could reshape the insurance industry. These challenges include climate change, the expansion of marijuana legislation, the impacts of artificial intelligence, and the prospects for wearables and other new safety technologies.

- NCCI actions relative to latest industry trends
 - Safety technology series - how wearables, artificial intelligence, and more are helping to create safer workplaces
 - State Insight tool - updates on marijuana legislation

California trends



Premium levels increasing

- Premium levels increased by 14% in 2022.
- Written premium through 3Q23 was 2% higher than 3Q22 at \$12.1 billion.



Increasing wage levels drive increases in indemnity severity

- Indemnity severity has increased steadily since 2017.
- Accident year 2022 indemnity severity is 6% higher than 2021 and 23% higher than 2017.
- Recent growth in indemnity claim severities has been in part driven by above average wage inflation during the pandemic.



Indemnity claim frequency returning to pre-pandemic levels

- Frequency changes in 2022 and the first nine months of 2023 are more comparable to the modest frequency changes during the pre-pandemic period.
- Frequency decreased by 6% in the first nine months of 2023, driven by a sharp drop in COVID-19 claims.



Pharmaceutical costs

- Pharmaceutical costs per claim decreased by 86% from 2012 through 2022.
- After increasing during the early pandemic period in 2020, average pharmaceutical costs per claim reverted to the pre-pandemic trend in 2021 and declined another 12% in 2022.

After increasing over the prior five years, the projected combined ratio for accident year 2022, including COVID-19 claims, is 6 points lower than in 2021 at 107.

New York trends



Premium levels increasing

- Direct written premium increased in 2022, driven by the strong payroll increases which more than offset the recent decreases in the loss cost level.



Claims frequency

- The number of claims continued to rebound in 2022.
- Total claim activity in 2022 was approximately 6.3% higher than in 2021 but remained nearly 10% below 2019 levels.
- The number of claims through May 2023 remains below pre-pandemic levels.



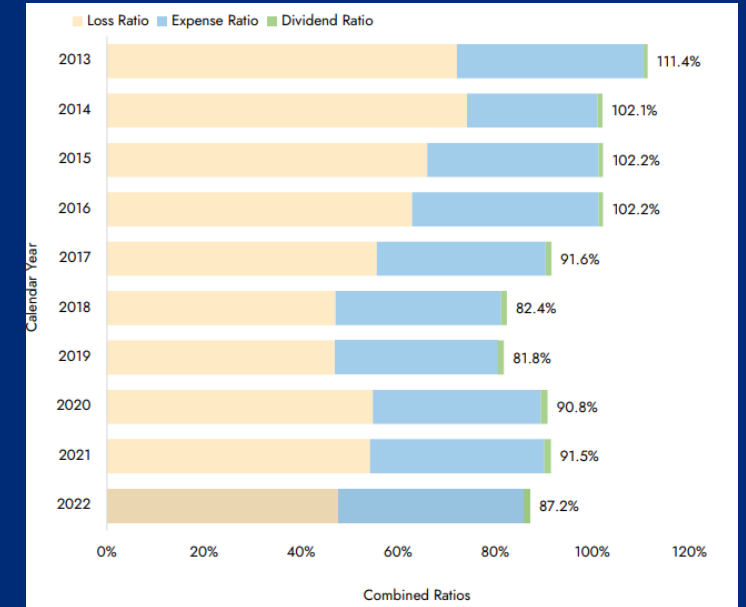
Significant changes to the experience rating formula effective 10/1/22

- NY left the NCCI interstate rating program.
- On average, companies with low prior mods will have lower new mods and companies with high prior mods will likely have higher new mods.
- The new formula places more emphasis on claim frequency and less on claim severity.



Pharmaceutical costs

- Payments as a % of medical payments have decreased significantly since 2014.
 - 19.2% in 2014
 - 6.2% in 2022



After increasing in 2020 and 2021, the projected combined ratio for 2022 is more than 4 points lower than in 2021 at 87.2

WC market update

Primary casualty market trends

Q3 - 2023

Pricing →

Overall – Remained stable to competitive (for WC)

Capacity →

Insurers continue seeking new business for most industry segments

Market trends

Q3 continued the general overall competitive WC marketplace. Insurers will continue to seek to write WC for the remainder of 2023, but will push for rate increases on the auto line and begin focusing more on the GL line. Insurers willing to provide lead umbrella capacity along with a primary program offering saw an increase in market share in Q3.

Workers' compensation

- Majority of insurers remain focused on increasing their market share.
- Markets writing WC as a new line can help to offset some of the increases in the Auto or GL lines with a combined offering.

Auto liability

- Auto still remains the challenged line for the majority of insurers. Carriers have begun pushing for higher rate increases, and it is anticipated that rates will continue to increase in 2023.
- Mono-line placements remain extremely challenged.

General liability

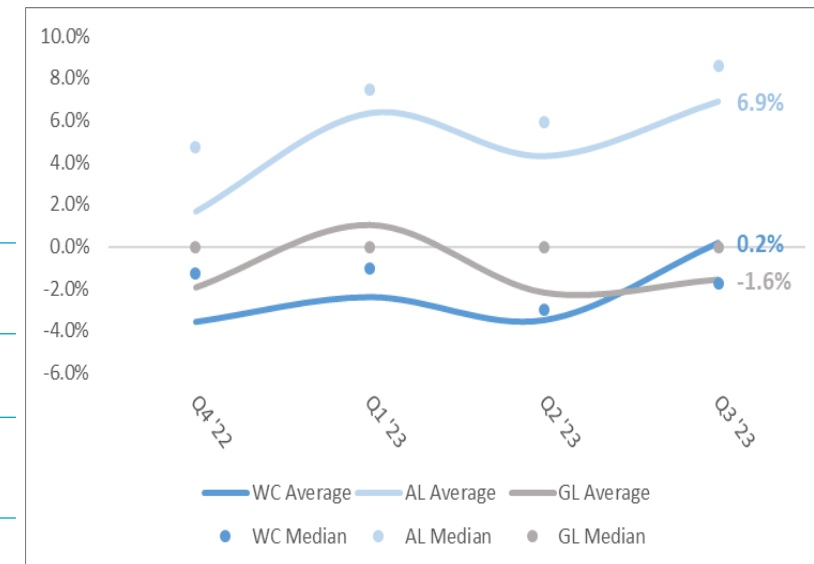
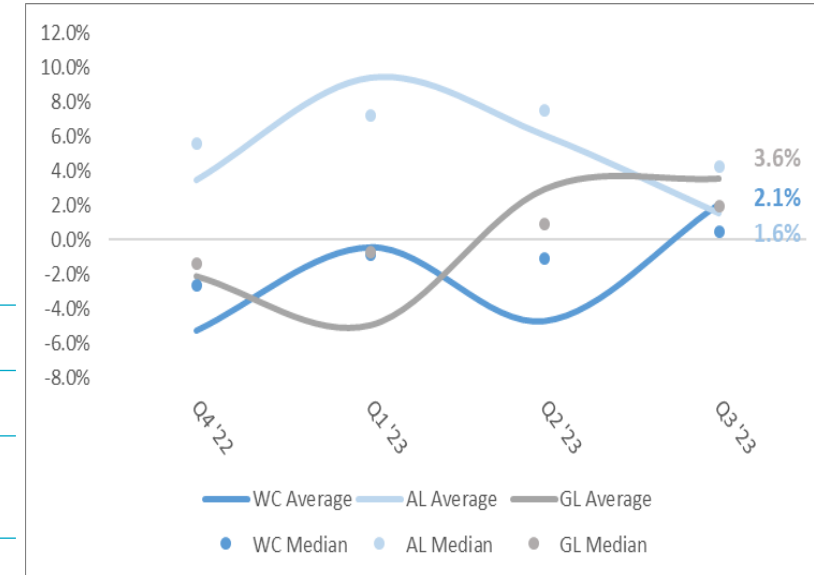
- Though carriers continue to state that GL has been challenging, we continue to see insurers willing to price competitively when writing the WC line in conjunction.
- Markets seeking to partner with clients by providing primary and umbrella/excess limits can be strategic positives.

Loss sensitive rate trends

	Avg Q3 '23	Avg Trend	Med Q3 '23
Workers' Comp	+2.1%	▲	+0.5%
Auto Liability	+1.6%	▼	+4.3%
General Liability	+3.6%	▲	+2.0%

Guaranteed cost rate trends

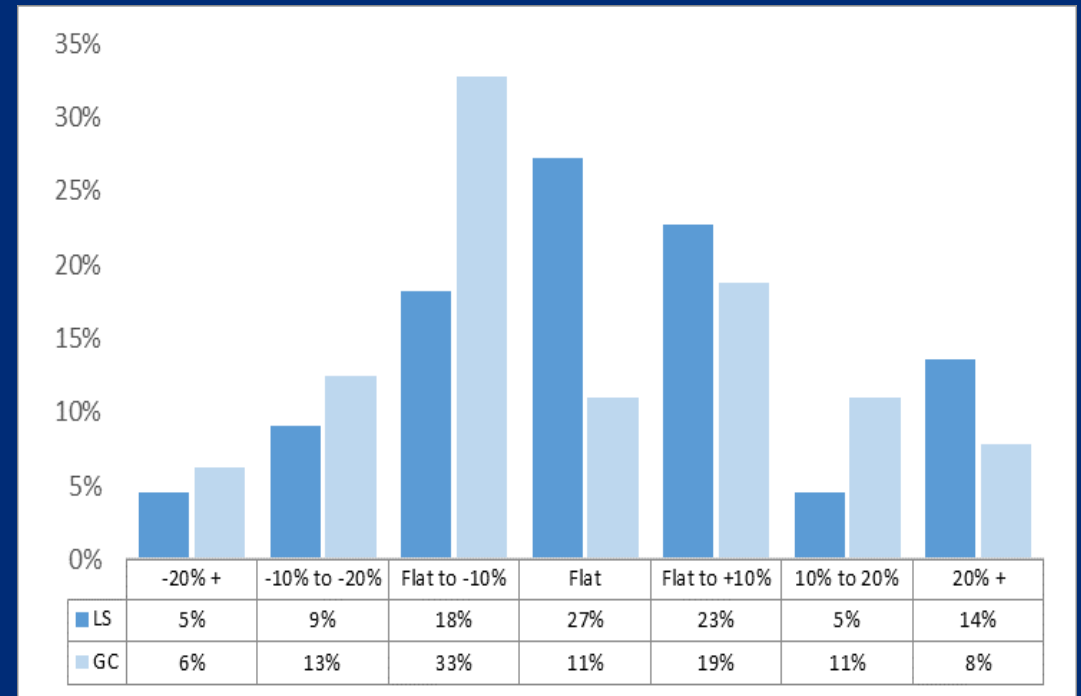
	Avg Q3 '23	Avg Trend	Med Q3 '23
Workers' Comp	+0.2%	▲	-1.7%
Auto Liability	+6.9%	▲	+8.6%
General Liability	-1.6%	▲	0.0%



Workers' compensation

- Generally, a competitive rate environment continued in the 3rd quarter with the majority of loss sensitive renewals ranging between either flat rate or flat to +10% rate. The median was just slightly above flat.
- Insurers have expressed concerns that continued medical costs inflation will impact rates for the remainder of 2023 and into 2024.
- Alternative collateral solutions should be considered as an option i.e., surety backed letter of credit, 1970 Group, etc. Connect with your local geography placement colleague during the IRSM process to discuss.
- There is still an appetite for multi-year arrangements, but as payrolls expand and unemployment currently remains low; we should ensure that these agreements will properly align with the potential growth of the client.
- Insurers are still willing to offer MYA and competitive collateral terms to win new business or retain business that is out to market.

Distribution of rate changes, 2023 Q3



Trends and emerging issues

Medical inflation and workers' comp

Workers' Compensation Research Institute (WCRI) study findings

- While consumer inflation overall and for major consumption categories such as energy, food, and housing was substantial in 2021-2022, price increases in the medical sector were not a main driver.
- The major contributor to price increases in the general health care system was the growth in hospital payments.
 - Similar patterns were found in WC.
- Workers' compensation fee schedules are found to be effective tools to temper medical inflation to levels similar or below those in the general health care system.
- States that updated their fee schedule rates based on inflationary growth in the general economy rather than within the medical sector started to see faster price growth in 2022.

Overall, there was no evidence of faster growth in WC medical prices and payments in most states over the high inflation period of 2021-2022.

Economic impact on WC claims

WCRI study

- High rates of job turnover are contributing to a faster occurrence of work-related injuries during an employee's tenure.
- Researchers found that 50.4% of all injuries occur within a worker's first two years on the job, with 35.8% occurring in the first year.
- Rising wages in the tight labor market have accounted for increases in the average indemnity payment for injured workers, to varying degrees.
- An average weekly wage increase of \$100 accounted for a 5.4% increase in indemnity payments overall.

More workers at new jobs will likely cause a slight uptick in WC claims frequency, and higher wages are affecting indemnity payments.

Challenges to exclusive remedy



Many states include a loophole to exclusive remedy. If an employer is found by the courts to have been grossly negligent, it may be subject to tort litigation.

Disputes over exclusive remedy in workers' compensation will continue as more injured workers and surviving families sue employers.

One of the causes of lawsuits being brought is the nuclear verdicts that we're seeing nearly daily in various parts of the country. Plaintiffs' counsels are looking at certain cases where it might be worth the fight and take the chance to bypass exclusive remedy.



Relevant court cases

- Abigail Zwerner vs. Newport News School Board – Virginia
- Deniece Abraham vs. Wells Fargo Bank, N.A. – California
- Ledford vs. Jenway Contracting, Inc. – Maryland

Presumptions in workers' compensation



Presumption statutes state that some infectious diseases are more likely to occur with workers in certain industries given the specific physical and emotional demands of their job, but causation as arising directly from work may be difficult to prove.



In recent years, there has been increased activity in developing and expanding presumptions – this is especially true with COVID-19, which accelerated and evolved expectations regarding how openly infectious diseases are considered as work related. California (AB 1751) which extended the COVID-19 presumption expired as of the first of the year.



Each state's WC statutes determine eligibility for presumptive benefits so each has its own unique workers' compensation landscape, and by consequence, its own unique set of presumption laws.



Presumptions in workers' compensation apply usually to certain public entity employees, such as first responders — police officers, emergency medical technicians and firefighters – and apply for certain conditions or diseases these employees may encounter as a risk while in the course of their employment.



Presumption statutes can potentially widen WC coverage beyond what is employment related for which employers have no ability to control or prevent.



The injured worker must first establish that the presumption applies, and that the condition arose or developed out of the course and scope of their employment. Under a presumption law, upon proving these facts, the disease can be then presumed to be compensable.

Presumptions are a timely topic as state legislative sessions resume in the new year. Once again, states will be evaluating changes and expansions to their workers' compensation laws, which can impact employers countrywide.

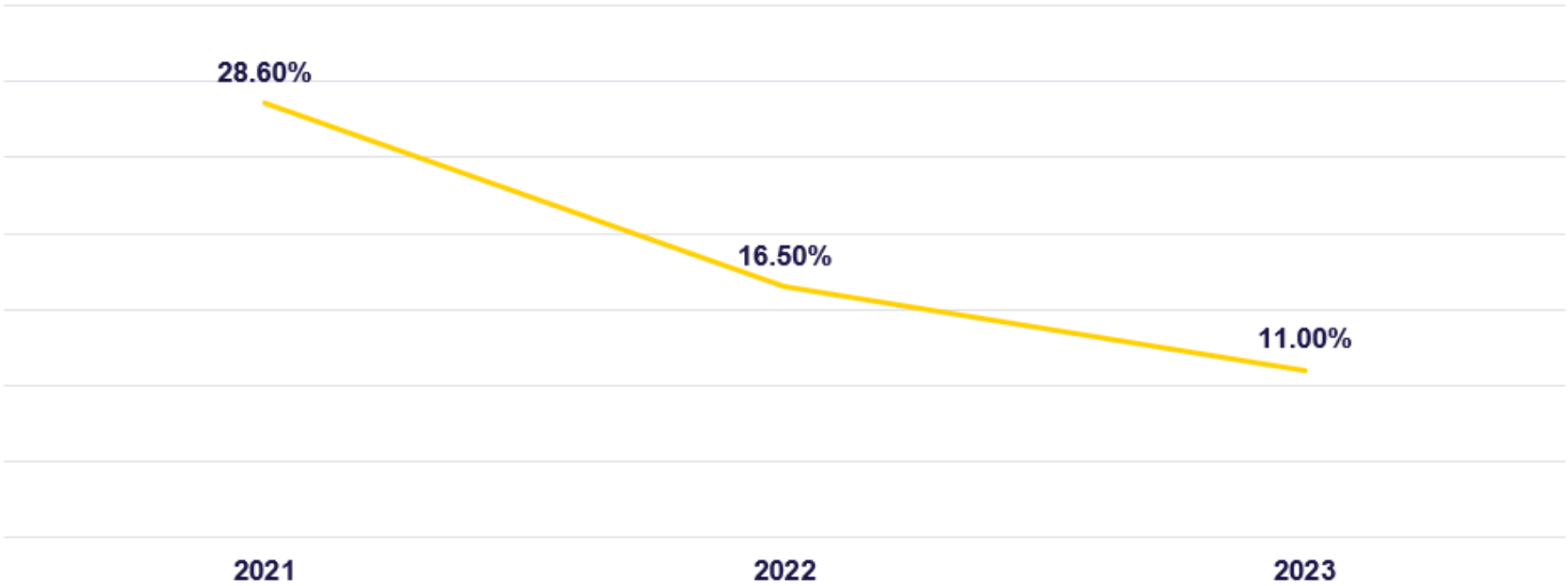
Workers Compensation Talent Trends

Turnover

Claims has experienced several talent trends in the last 5 years, emphasizing the need to invest in **talent development** and **innovative resources** to empower our teams for success

Yearend WC Voluntary Turnover

Turnover has been decreasing over the last couple of years, returning to **pre-pandemic levels**



People, Tools, and Resources

Workers' Compensation Capabilities

Focus on **talent development** and **enhanced resources** to empower teams to deliver exceptional service

Talent

Resources and Capabilities



Investing in Training and Development

- Empower talent with predictive modeling claim insights
- Enable leaders with improved development tools
- Provide leaders with advanced metrics to improve coaching



Enhancing the SSIs Menu and Platform

- Improve clarity into the customizable services offered
- Deliver more consistent service through new technology experience
- Enhance service offerings to allow flexibility and options that better align with a client's program



Partnering with OneCall on WC Physical Therapy

- Afford ease of use and access for injured workers
- Expanded data analytics and network coverage
- Deliver optimal RTW and/or functional outcomes



Treating provider shortages in WC

- State-mandated fee schedules for workers' comp can prove challenging.
- Contract rates in the workers' compensation industry are based upon these fee schedules, and providers are challenged with staying current on schedule and rule changes.
- The big concern is that these staffing shortages will cause facility disruptions and compromise care, which could result in unfavorable outcomes for the injured worker and the overall claim costs.

What is being done to address this major concern?

Some states have changed their regulations to allow non-physician providers such as nurse practitioners, physician assistants, and chiropractors to provide primary care services.

States like CA have passed legislation allowing licensed clinical social workers to treat employees in need of mental health services.

Remote work

Workers' compensation claim trends

- The thought that the industry was going to be inundated with “telecommuter” WC claims has not occurred since the pandemic.
 - There were increases just due to the amount of employees working from home, but nothing substantial.
- Repetitive stress injuries, slips and falls, and mental health claims are the most common claims by telecommuters.

What we know now (Insurer/TPA findings)

1. Liberty Mutual: % of incoming claims:
 - 2021: 0.20%
 - 2022: 0.11%
 - 2023: 0.12%
2. National Carrier: “Reported work from home claims have been minimal (less than 0.3% of our reported claims since January 2020)”.
3. Global TPA: “Remote work” WC claims have been below about .5% of their WC claim inventory.

But...

We have found that not all claims handling organizations are utilizing a flag or other means to identify claims from telecommuters, so if you want to measure this, be sure to include it in your claim handling instructions.

Remote work best practices

Telework agreements



- Create a **telecommuting policy** that outlines the employer's expectations for employees who work from home.
- Establish **guidelines for a home office**, such as a designated work area, and provide training related to **workstation setup and safety measures**, including ergonomics.
- When appropriate and possible, **conduct periodic checks** of employee home offices to help identify and eliminate work area safety hazards.
- Set **fixed work hours** and **meal and rest periods** for telecommuters. Doing so can help establish whether an injury was “in the course of” employment.

Managing telecommuting claims



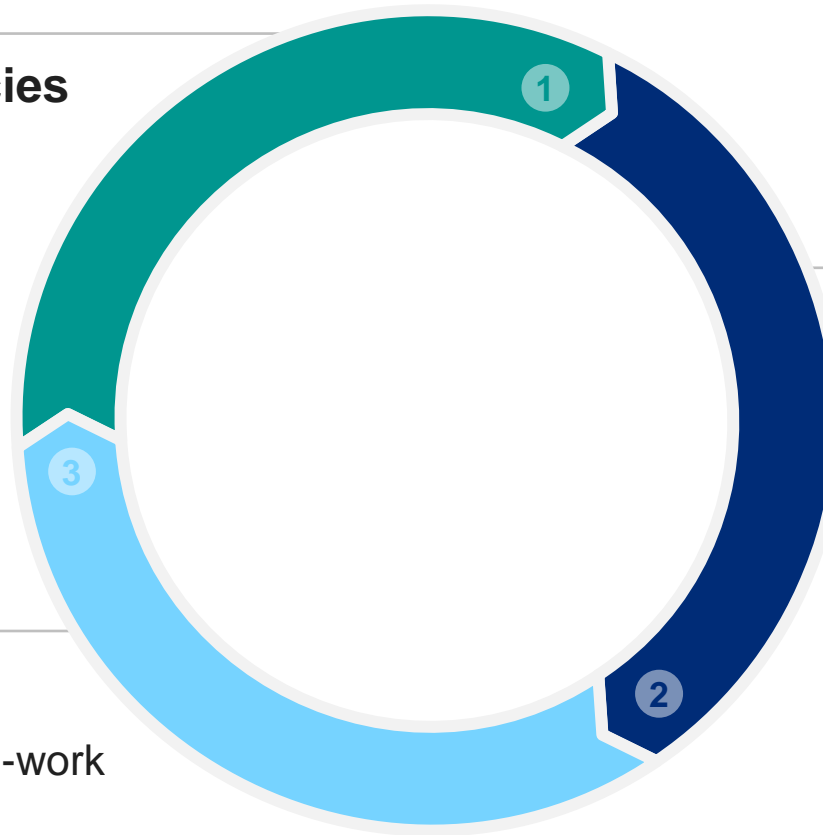
Set up claim handling policies

- Establish specific protocol with claims administrator for WFH claims
- Implement an effective accident investigation processes
- Establish reporting timelines



Post-loss strategies

- Be creative in return-to-work accommodations
- Provide ergonomic support for employees returning
- Provide job description and physical demands to facilitate RTW
- Assess employees' individual needs
- Communication



During the claim



- Because coming and going laws don't apply, it is important to document the location and time of injury
- Channel care to effective health care providers
- Claims advocacy approach with employees
- Communication

Labor department rule change

Amended criteria for classification of independent contractors vs. employees

- If a worker is classified as an employee, they are entitled to workers' compensation.
- This final rule rescinds a 2021 rule which made it easier to achieve independent contractor status.
- Restores the six-factor, totality-of-the-circumstances analysis, where the factors are not assigned predetermined weights and are considered in light of the economic reality of the entire activity.
- While this rule establishes the DOL Wage and Hour Division standards, it is not binding on courts or most other laws/rules that address misclassification.

Six economic reality factors to consider

1. Opportunity for profit or loss depending on managerial skill
2. Investments by the worker and the potential employer
3. Degree of permanence of the work relationship
4. Nature and degree of control
5. Extent to which the work performed is an integral part of the potential employer's business
6. Worker's skill and initiative

Additional factors may also be considered if they are relevant to the overall question of economic dependence.

Legalized marijuana and workers' compensation



Reimbursable form of medical treatment?

Varying case law by jurisdiction

- 2023 – PA Commonwealth Court Ruling – Insurers may reimburse workers for medical marijuana where the drug is being used to treat compensable work injuries. The Court reasoned that since the employer was not purchasing or prescribing marijuana, and simply reimbursing claimant for his lawful use thereof, the Employer would not violate the Federal Controlled Substance Act.
- 6 other states are on record as requiring WC insurers to reimburse medical marijuana - **Connecticut, Minnesota, New Hampshire, New Jersey, New Mexico and New York.**
- The majority of these states allow medical marijuana reimbursement due to court orders (NJ, NH, NM and NY). MN allows marijuana reimbursement in WC due to a state general administrative rule and CT allows it because of a state WC administrative panel decision.



Intoxication defense?

- Most jurisdictions— employer must prove that intoxication or impairment was the **sole cause of the injury** in order to deny a workers' compensation claim.
- Contributing factors —a wet floor, a falling object, or an equipment malfunction — **could invalidate an intoxication defense**, whether for marijuana, alcohol, or other drug use.
- An intoxication defense may also be complicated since marijuana can stay in a person's system for months making it extremely difficult to determine whether an employee was actually impaired at the time of a workplace injury.

NOTE: There are significant variations in the allowance of marijuana as a reimbursable form of medical treatment for WC as well as in the applicability of the intoxication defense as marijuana is legalized for different uses in the U.S.

Mental health in workers' compensation

12B

Working days estimate by the World Health Organization that are lost every year to depression and anxiety.

\$1T

WHO estimate of lost productivity per year due to depression and anxiety.

76%

U.S. workers reported at least one symptom of a mental health condition According to the results of a 2022 survey released by the Surgeon General.

84%

U.S. workers that said that their workplace conditions contributed to at least one mental health challenge.

52%

Workplace injuries from stress and anxiety are the most common per a new Atticus study.

25-45%

Injured workers that develop symptoms of depression as early as one month post-injury.

Mental health in workers' compensation

- Injured workers may develop psychosocial barriers to return to function and work. Psychosocial barriers **increase** the likelihood for delayed recovery after a work-related injury.
 - Fear avoidance
 - Pain catastrophizing
 - Recovery expectations
 - Coping
- Psychosocial barriers can significantly impact the cost of indemnity claims, as injured workers remain out of work.

By being proactive in creating a workplace environment that supports good mental health and ensuring that injured workers receive the appropriate evaluations of their psychosocial well-being, employers can foster a positive work environment and help injured workers recover more quickly.

Mental injuries in workers' compensation



WC for workplace-related mental injuries

NCCI in 2023, monitored **86** bills addressing workers' compensation for workplace-related mental injuries. This included **71** bills related to post-traumatic stress disorder (PTSD). While this has been a hot topic in workers' compensation for several years, NCCI identified more bills in 2023 addressing coverage for PTSD — primarily for first responders — than in previous years.



Defining “mental injury”

States have unique definitions.

- CT bill S.B. 913 went into effect Jan. 1, 2024, and expands the compensability for mental injuries already provided to first responders. Under the law, a mental health professional must examine the claimant and diagnose post-traumatic stress disorder “as a direct result of an event that occurs in their course of employment.” This new law presumes a person is suffering due to the work experience, without the worker having to prove that the incident caused the suffering.
- Some states, such as California, already accept workers' compensation claims for mental injuries that occur due to something experienced at work, such as witnessing violence or being robbed, without a physical injury component.

Workplace violence

20k+

US workers

experience physical trauma in the workplace each year according to the Bureau of Labor Statistics.

\$121B

Annual cost

of these incidents to employers, according to the Department of Justice. We have seen some of these incidents result in Employer Liability claims.

What can you do?

Early prevention and preparedness are essential, and establishing a comprehensive strategy can help reduce risks. Proactive management includes training, enhanced physical security, and active assailant action plans that provide for preparing, reacting, and recovering.

California Response

Governor Gavin Newsom signed Senate Bill No. 553 (“SB 553”) into law effective July 1, 2024, which requires covered California employers to take steps to prevent and respond to workplace violence.

SB 553 requires covered employers to adopt a comprehensive workplace violence prevention plan that must include things like maintaining a log, training, protocols, working with law enforcement, post incident response and investigation, etc. Covered employers would be responsible for reviewing their plan annually.

Pharmacy costs in workers' compensation claims

Enlyte report



Costs inching up?

- Utilization is up 2.6% per claim.
- Cost per claim is up 3.7%.
- Cost per script is up 1.1%.



What is driving cost increases?

Largest utilization increase:

- Topical medications now represent a leader in spend and an expanded area of focus in the workers' compensation space, accounting for 7.2% of utilization, but 18.5% of costs.



Opioids

- Scripts and costs dropped 1.3% and 2.5% respectively, and the percentage of injured employees using opioids in 2022 declined nearly 3 percentage points to 23.8% from 2021.
- While opioid use is continuing to drop in workers' comp, it is still No. 1 for utilization, accounting for 18.7% of prescriptions.
- Opioids still remain a concern, especially with legacy claims where injured workers have been on opioids for some time.



Opioid alternatives

Medications that target and impact different specific receptors and neurotransmitters in the pain pathway, including:

- Non-steroidal anti-inflammatory drugs (NSAIDs)
- Steroidal anti-inflammatory drugs
- Antidepressants or anticonvulsants used off-label to treat pain
- Topical analgesics



Specialty medications

Medications have low utilization but have very high costs. Be sure that these are flagged by your PBM. Such medications are Hematological, HIV, Respiratory and Migraine.



Biggest concern

Physician dispensing continues to be a major concern and cost driver within the industry.

Mega workers' compensation claims

What is driving these increases in large claims?

- Significant advances and utilization of medical care and technology are increasing accident survivability and prolonging life expectancies for severely injured workers.
- Legislative expansion of benefits through various measures has also contributed to the increasing costs of severity on catastrophic claims.
- Large-cost drivers associated with catastrophic injury claims are often not covered by fee schedules.

Bottom line: The latest medical advances are improving the efficiency of claims management and the effectiveness of patient treatments in workers' compensation, but injury prevention, early intervention, and timely medical coordination are all important factors to help manage large claims.

“Mega” claims account for less than 1% of all workers' compensation claims, but as much as 20% of total WC losses.

One large national WC insurer has seen a large increase in frequency of severity over the last 3 years.

- ***30% increase in claims with incurred over \$10 million***
- ***Also a rise in claims with incurred of \$5M to \$10 million.***

Mega Claim Trends

Mega Claims are less frequent in WC compared to other products lines, but are still prevalent with **several industry trends potentially impacting the frequency of mega claims**

Mega Claim (\$10M+) Trends

7 Mega Claims Since 2017

5
Catastrophic Vehicle
Accidents

NO Common Industry or
Region

\$13.3M Average Loss
Incurred Amount
Per Claim

\$25M
Largest Single Loss
Incurred Amount

Future Potential Impacts to WC Mega Claims



**Medical Inflation &
Physician Accessibility**



Risky Driving Behavior



**Litigation Trends &
Legal System Abuse**



Next Generation Analytics

Workers' Compensation Capabilities

Leveraging **predictive modeling** and **advanced analytical insights** to drive optimal outcome

Utilizing Different Models to Achieve Better Outcomes



Fraud model

Fighting fraud is important to keep prices competitive and to make sure no one can take advantage of injured workers.



Dual strategy model

This model encourages claims specialists to think about varied paths at the onset of a claim.



Early severity model

Early severity alerts are designed to flag potentially large claims. 2.5X better results compared to prior model



Compensability model

Our compensability model is designed to provide timely and accurate information to our Claims Specialists so an appropriate compensability decision can be made.



Subrogation model

The decision to pursue reimbursement from an at-fault third party is one that can come with significant costs.

Investing in Generative AI

Generative Transformer models can fundamentally change how we build and use Natural Language Processing Models



Large Language Models trained on vast amounts of data (500B words)



Massive tunable parameter space: 175B – 540B



A single training run would take years and 10M+ in computational cost

NA Claims has identified Summarization use cases that will enable us to test & learn, and drive immediate value

Sample Use Cases



Manager Reviews



Early Severity Model Enhancements



Automating Reporting



Q&A

Audience members can submit questions for the panel by typing them into the Q&A window at the bottom of your computer screen.

If your question is not answered during today's program, someone will get back to you shortly.



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