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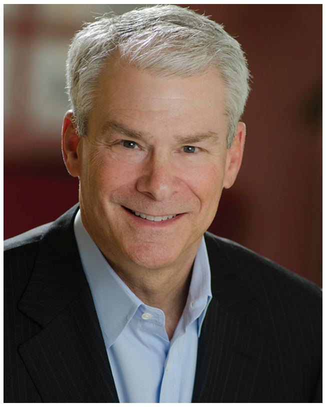
AASCIF
American Association of State Compensation Insurance Funds

PRESIDENT'S MESSAGE



Greetings,

I've recently returned from the AASCIF all-committee planning session in Huntington Beach and was very impressed by the creative content being planned for you for the upcoming 2020 Annual Conference in Denver. This year, we challenged the committees to plan experiential learning sessions and collaborate across disciplines to build sessions that examine issues from multiple perspectives.

We also recently released the schedule for this summer, which includes plenary speakers like Doris Kearns Goodwin, futurist Thomas Frey, and others. Also, the tour and reception schedule includes a concert at our famous Red Rocks Amphitheater and lots of other fun and enriching experiences. While many of us are managing snowy conditions, I can assure you a gorgeous Colorado summer is right around the corner.

Sincerely,

Phil Kalin

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FEATURES From AASCIF

THE ROLE OF THE BOARD OF DIRECTORS IN RISK MANAGEMENT

By Kurstin Adamson, Enterprise Risk Management Officer, Montana State Fund

An important obligation of an organization's board of directors is to maintain oversight of the organization's risk management efforts. This obligation became even more imperative following the financial crisis in 2008, which resulted in additional regulation of risk management practices. Though the obligation for risk oversight is clear, the method for doing so is not always simple. It would not be possible nor constructive for a board of directors to play a role in managing all risk details. So, what information does the board of directors need to know to fulfill their risk oversight obligation?

Risk Culture

The most basic piece of information to present to the board of directors is an overview to provide insight into and build an understanding of the organization's risk culture. Without assurance that there is a robust risk culture built on common values and behaviors, the board cannot be certain that decisions are being made with an appropriate and common goal in mind.

Perhaps the most notorious example of ineffective risk culture occurred in 2010 when the Deepwater Horizon oil rig caught fire and collapsed in the Gulf of Mexico. This incident resulted in 11 deaths and millions of barrels of oil spilled. It is considered the worst environmental disaster in United States history. Final reports indicated the disaster could have been mitigated or prevented altogether if any level of formal risk assessment had been conducted and reported upwards in the organization. Instead, critical operations decisions were made based on cost savings and with no consideration to other risks. This incident may never have happened if the organization responsible had built a risk culture equally around safety and financial strength.

Risk Management Framework

In addition to risk culture, the board of directors will also want to ensure that there is an effective structure or framework in place to manage risk and that they have at least a high-level understanding of the risk program. This framework provides a system that ensures risks are elevated to the appropriate level. Failing to do so could lead to untreated risk. For example, between 2011 and 2015, Wells Fargo employees created multiple accounts without the consent of their customers in an attempt to meet demanding sales targets with incentives. Despite employees raising concerns about sales pressure and increasing misconduct, this sales incentive program was initiated without any knowledge of the board of directors, and therefore with no high-level analysis of the risk it created for the entire organization. To avoid this, risk leaders should provide a basic overview of the organization's risk management structure to the board to ensure all levels of risk are being monitored and mitigated.

> *The most basic piece of information to present to the board of directors is an overview to provide insight into and build an understanding of the organization's risk culture.*

Critical Risks

The last and possibly most important piece of information the board of directors needs is a thorough understanding of the organization's most critical risks. In the food industry, for example, food safety is possibly the most significant risk and should be addressed at the board of directors level. Yet, when Blue Bell Creameries faced a Listeria outbreak in 2015, follow-up reports indicated that there was no evidence of regular discussion on any sort of risk, let alone food safety. Any risk discussions were not formal or documented. This opened Blue Bell up to additional litigation. The Delaware Supreme Court ultimately determined that management did not fully disclose operational risks to the board of directors, and the board of directors failed to implement an effective risk monitoring system. Perhaps the entire incident that involved product recalls, plant shutdowns, and employee layoffs could have been avoided if there was a system in place that ensured that the board of directors was aware of the risks the company was taking.

Boards of directors of modern organizations face the challenging task of making strategic planning decisions from a very high-level perspective. This is a daunting task under the best of circumstances, but it is made less so when the board has sufficient oversight of the organization's risk management efforts. Risk leaders can make this easier by making sure that the board has the information they need to understand how risks affect the organization's goals. Risk culture ensures that the entire organization is prioritizing the right risks, risk structure ensures that all levels of risk are being monitored, and management of critical risks should include the board of directors. The board of directors can only guarantee that these pieces of risk management are effective if they are updated on their status on a regular basis.

INSURANCE MULTI-ASSET OUTLOOK: OPTIMISM WITH A PINCH OF REALISM

By Tim Antonelli, CFA, FRM, and Daniel Cook, CFA, Wellington

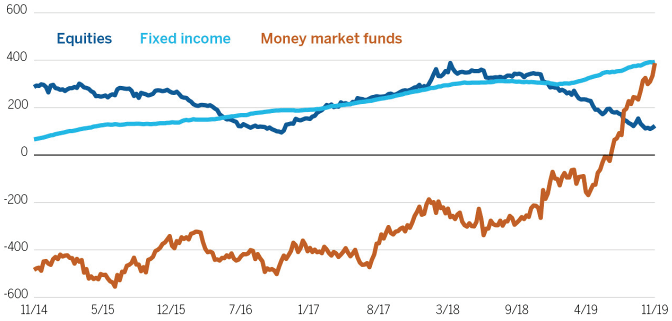
Key points

- While tail risks could reemerge, our outlook has brightened enough to consider less defensive positioning, including:
  - Risk-on over risk-off assets.
  - Within surplus assets, U.S. and European equities and U.S. high yield.
  - Within reserve assets, a continued allocation to securitized assets.
- Potential risks include a re-escalation of the trade war, another leg down in global economic data, and U.S. election momentum toward a more progressive Democratic candidate.

For most of 2019, our gloomy view of the global economy—including heightened tail risks related to Brexit and the US/China trade war, along with our lingering concern that central bank stimulus would fall short of market expectations—kept us sheltered in safer assets. As we prepare for 2020, we are encouraged by improving leading economic indicators, receding tail risks, and the fact that markets are no longer baking in much central bank support. While sentiment surveys have improved recently, asset flows and positioning data remain quite defensive, leaving room for a boost to risky assets as investors determine allocations for the new year (Figure 1).

FIGURE 1: WHERE'S THE LOVE? CASH AND FIXED INCOME SUCK UP EQUITY OUTFLOWS

Cumulative market flows (USD billion)



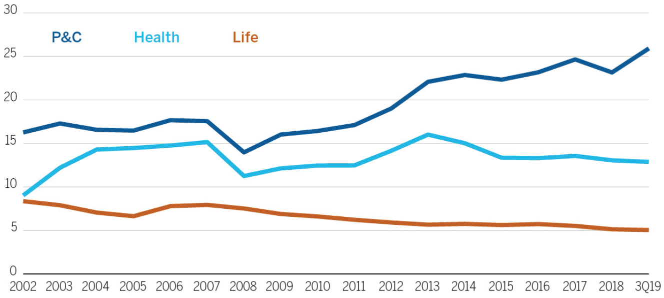
Source: EPFR | Asset class flows made up of ETFs and non-ETFs (> 99% non-ETF for money market funds), institutional and retail, and domestic and international. | Chart data: 5 November 2014 – 6 November 2019

The recovery in economic data is still fragile and tail risks could re-emerge, but we've seen enough to at least dip a toe back into risky assets. Within surplus allocations, we prefer equities to bonds, and within equities, we prefer Europe and the United States to Japan and emerging markets. We expect risk-free rates to rise gently, but we still find pockets of opportunity in the credit markets attractive. In particular, we recommend employing a "barbell" of high yield and higher-quality securitized assets in insurers' fixed income allocations. We think high yield can benefit from positive equity performance, while securitized can provide better risk/reward than investment-grade corporates in the near term. We have lowered our view on commodities to "moderately bearish," as we see less need for precious metals as a hedge and few reasons to expect much higher inflation—thus, our preference for industrial metals and natural resources as sources of cash.

> *As we prepare for 2020, we are encouraged by improving leading economic indicators, receding tail risks, and the fact that markets are no longer baking in much central bank support.*

Across the U.S. insurance industry, the life and health companies have leveled off their exposure to traditional market-risk assets like high-yield bonds and equities in recent years, while P&C insurers have maintained meaningful allocations. Given the supportive fundamentals entering the new year, selectively adding to market risk could be an attractive option for all lines of business (Figure 2).

FIGURE 2: HIGH-YIELD AND EQUITY EXPOSURE AS A % OF TOTAL INVESTMENTS



Sources: S&P Market Intelligence, Wellington Management | Chart data as of 30 September 2019

Global fundamentals: A bottoming process

We focus our attention on indicators that we think lead the Purchasing Managers' Index (PMI)—a measure of economic strength that tends to move coincidentally with the market. After turning downward for most of 2019, many of the indicators that usually lead the PMI by a few months seem to be bottoming. What's more, we're about at the point where the interest-rate declines of the last 12–18 months (about 100 basis points) should begin to give growth a boost.

Credit

Credit enjoyed an impressive year in 2019, with Treasury yields and spreads falling. Spreads are on the tight side now, but given the likelihood of range-bound global interest rates, strong demand from overseas, and our base case of no recession over the next 12 months, we think defaults will remain low too, so we remain moderately bullish on the asset class.

Within credit, we remain moderately bullish on high yield and securitized, but have lowered our view on investment-grade credit a notch to neutral. Spreads are about 100 basis points (bps) over Treasuries, which is below the median since the index's inception. Wider spreads can be found but are concentrated in 30-year BBB rated companies, where we think the risk/reward is not appealing. Balancing these factors with favorable supply/demand technicals and healthy free cash flow, we think spreads will likely be range-bound.

We think securitized assets offer several potential benefits:

- Structures that are default-remote and more diversified than corporate bonds.
- A way to tap into the relatively healthy U.S. consumer.
- Spreads that compare favorably to corporate bonds of similar rating.

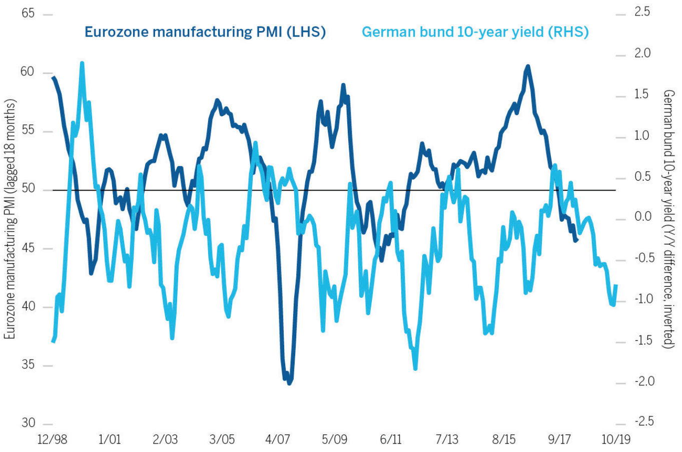
We believe real estate and other consumer-related assets are attractive areas within the securitized market. We favor high yield, given our more positive equity view, as well as potential opportunities resulting from the extreme dispersion between high- and low-rated bonds.

A better global backdrop should be favorable for emerging market debt (EMD); however, in the short-term, we think EMD is more vulnerable than other sectors to global political uncertainty. Within emerging markets, we prefer local debt. We think lower rate risk and currency exposure give local debt the best upside potential in a risk rally.

Europe

Overall, Europe's economy performed poorly in 2019, but in the last few months of the year, several reasons for optimism emerged. Following a multiyear downturn in manufacturing, many of the short-term leads look to have bottomed. And while manufacturers suffered from a slowdown in exports, consumers were more resilient, as the job market was steady and inflation low. Further, the decline in rates from late 2017 to late 2019 should provide some tailwind to Europe's economy in 2020 (Figure 3). Given the improving macroeconomic picture and cheap valuations, we have raised our view on European equities to "moderately bullish."

FIGURE 3: PAST DECLINES IN INTEREST RATES SHOULD HELP ECONOMIES IN 2020



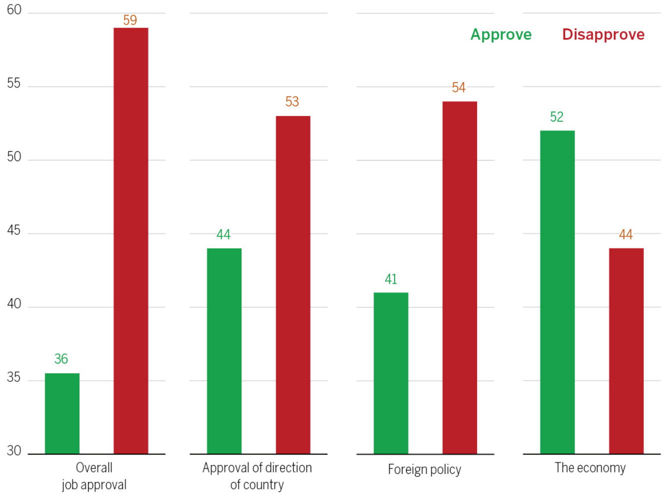
Sources: Bloomberg, Wellington Management | Chart data: December 1998 – November 2019. Eurozone manufacturing PMI data is lagged 18 months and is from June 2000 to November 2019. German bund 10-year yield data is from December 1998 to October 2019.

United States

The U.S. manufacturing economy is stuck in a tug-of-war between easier financial conditions and the uncertainty of the trade war. In the end, we think President Trump will likely choose the economy (his greatest strength in the polls; Figure 4) over being tough on China in a bid to boost his reelection campaign. Meanwhile, consumers continue to enjoy solid job gains and a strong housing market. Thus, we look for uncertainty to continue to subside and the economy to maintain its steady if unspectacular growth. We continue to hold a moderately bullish view on U.S. equities.

FIGURE 4: TRUMP STILL SCORES WELL ON THE ECONOMY

US adults' approval ratings of President Trump's handling of various issues



Source: Real Clear Politics | Chart data as of 30 November 2019

Japan

The big question hanging over Japan's economy is how it will recover from this past October's VAT (value-added tax) hike. Signs thus far seem benign, a modest fiscal easing is in the pipeline, and our global industry analysts continually point to corporate governance reforms having a positive impact on the economy. However, we haven't yet seen a decisive turn in the leading indicators and still fear that a negative geopolitical event could push up the yen and pressure equities. We currently have a neutral view on Japanese equities.

Emerging markets

Emerging markets should benefit from an improving global backdrop and reduced tail risks. In China, targeted stimulus seems to be offsetting the confidence drag from the trade war, while the expansion of the services and consumer side of the economy continues unabated. We think China's economy will likely muddle through with some upside potential. While headline data remains weak, underlying data suggests that the cycle has stabilized.

Elsewhere in emerging markets, we see areas of opportunity driven by positive reforms, including Brazil and India, along with areas of disappointment brought on by policymaking headwinds, including Turkey and South Africa. Russia also remains a standout in terms of its fiscal discipline. Overall, we have increased our view on emerging market equities to neutral. We'll need greater clarity on the global economy before we'll be comfortable upgrading to a bullish view.

Exploring downside risks

With our recommendations shifting toward more risk-seeking opportunities, we have been exploring the potential downside scenarios. One key risk is an escalation of trade restrictions that further damages the global economy. Hostile actions or rhetoric from the United States and/or China could cause negotiations to break down. However, our base case remains that there is sufficient motivation on both sides to ease tariffs, given the economic harm they have already done.

The UK's general election in December 2019 helped restore some political stability by removing the risk that left-wing candidate Jeremy Corbyn could take power. While this may help risky assets with exposure to the UK, Britain's departure from the European Union (EU) on January 31, 2020, marked the beginning of an 11-month transition period during which uncertainty around the EU–UK relationship could persist.

The scope for asset owners to shift from defensive to cyclical sectors in 2020 is unclear at this point. In late 2019, investor sentiment turned more positive from the extreme bearishness of the late summer and early fall, only to turn downward again in January 2020 amid coronavirus-related anxiety.

Finally, we are concerned about the upcoming U.S. election. Should a left-wing Democrat candidate win the primaries and build momentum against Trump, we think the equity market would be vulnerable.

A related issue is populism, which is finding expression in protests all over the world. As we have seen in Hong Kong, these movements can be very disruptive and even threaten to sink economies into recession.

Investment implications

Surplus assets—We prefer equities to bonds, as leading indicators have turned more positive, tail risks have decreased, and valuations in some risky assets are attractive. Past strong flows into cash and bonds could return to equities in 2020. We prefer Europe, where leads have bottomed and valuations are cheap, as well as the United States, where we believe market risk is lowest. Within credit, we favor shorter-duration investments in U.S. high yield.

Reserve assets—We prefer securitized assets due to their exposure to healthy U.S. consumers and U.S. housing markets. We think yields could rise gently but that investors should value the unique diversifying role that bonds can play in a portfolio. If we are wrong and growth sputters or tail risks reemerge, high-quality government bonds would be likely to outperform.

About the authors

Tim Antonelli is responsible for identifying, sharing, and acting on major business trends affecting insurers globally and their investments across asset classes. He interacts regularly with a range of insurance industry regulatory bodies, rating agencies, and trade organizations around the world.

Daniel Cook analyzes and interprets markets and translates this work into investment ideas for portfolio managers and clients. He also consults with clients on strategic asset allocation issues.

Learn more

To learn more about our insurance capabilities, please visit wellington.com/en/insurers or contact:

Rich Coffman – US
rmcoffman@wellington.com
(617) 951-5311

Sarah Marschok – US
smmarschok@wellington.com
(617) 790-7170

Jon Wagenseller, CFA – Bermuda
jwagenseller@wellington.com
(617) 289-3805

James Bradbury – EMEA
jbradbury@wellington.com
+442071266464

Bob Sharma, CFA – EMEA
bssharma@wellington.com
+442071266068

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SHOW ME THE TALENT

By George P. Lupanow, PMP, WCF Mutual Insurance Company

In the previous two IT Committee articles, we discussed the importance of "digital dexterity" in your company and the "transformation of talent" to help meet that requirement. But, how else do you find digitally dexterous employees that can help you with your technology initiatives?

Well, where is the talent?

Good people can be hard to find. For IT teams, it might be getting even harder. Some recruiters are speculating that there may not be enough talent out there for the number of open technology positions! Are you doing enough to proactively solve that problem? Probably not. In fact, some of the oft- discussed IT skills "shortage" might reasonably be attributed to recruiting staff and/or hiring managers focusing too narrowly on technical skills and not enough on the whole candidate and what they bring to the table—and most importantly, their future potential. If you're fishing in the same place for hours without so much as a nibble, that's often a clue that you should try a different spot.

I'm sure you are all aware of the many ways to find technologically savvy employees. There are the more traditional methods, including:

Advertising in the local paper (is there such a thing anymore) or the online equivalent.

Posting your job requirements on various websites, such as Indeed, CareerBuilder, Dice, and LinkedIn, (as well as your own website).

Participating in recruiting drives at local colleges and universities and sending your open position announcements to the various pertinent departments for distribution.

Getting employee referrals. Everyone knows someone, and usually if they are recommending that person, they really believe in their ability to be a good fit—after all, their reputation at the company is also on the line.

Participating in apprentice programs. This could be a longer term commitment, as the apprentice may have a year or two of school remaining before being available for full-time employment, but it serves as an excellent way for both the student and the employer to learn if their requirements are a match. Think of it as long-term recruiting. As an additional idea, how about an apprentice program for existing employees? Often, help desk and business employees are interested and capable of being contributors if they are given some resources and support.

Some less traditional but effective methods include:

Reaching out to passive candidates. They aren't really looking; however, considering that 85 percent of employed professionals globally would be open to switching jobs, a passive talent pool can be an excellent resource. Make sure your online information is up to date on sites like Glassdoor, and engage with candidates on LinkedIn, Twitter, and Facebook. Step up your brand's appeal by encouraging employees to create content, highlighting your growth.

Recruiting during your time off. You need to protect your time off, but it doesn't hurt to talk shop when it's appropriate. Let's say you are in a hiking club. Chances are, there are other technology people in the club. It wouldn't hurt to mention in conversation that you are looking for a certain skilled employee.

Holding a competition. If you have the resources, this is an interesting way to recruit talent. If you need a web developer, for example, host a "Top Developer" competition in which competitors design a new site that's judged by a panel of experts. The winner would snag the job, and maybe even some prizes. This not only lets you see how people work and whether they have the talent you're looking for, but it can also generate buzz. As a result, it may draw in more applicants beyond the attendees, creating brand awareness.

Wait, who is the talent?

It's crucial to get creative and consider nontraditional candidates you may not have thought of before. This might sound like a strategy that sounds good but is challenging to execute. Let's examine some ideas for widening your talent identification parameters. The goal is to include people who may not match up with your needs perfectly on paper but still have a high likelihood of developing into valuable team members.

Seek out the hikers and kayakers. "I often ask about what people do in their downtime to get an idea of how involved they are outside of their day job," says Brian Wilson, CISO of SAS. "The hikers and kayakers seem to be happier than those who are doing all IT all the time," he notes. You can substitute plenty of other hobbies and pursuits; the point is that people with a wider range of interests and pursuits may be more likely to have the attitude, balance, and penchant for continuous learning, which indicates that they are likely to grow on the job if you give them adequate support and resources.

Prioritize soft skills. If your job descriptions are a laundry list of technical qualifications but downplay soft skills (e.g., "Strong communications skills a plus" as a bullet point at the end), you may be missing people with great potential. "Hard skills can be taught, but a strong work ethic, positive attitude, and emotional intelligence can't," says Kitty Brandtner, director of major accounts, technology services, at LaSalle Network, a recruiting and staffing firm.

Consider candidates that don't have STEM degrees. If you're struggling to fill open positions, especially junior and mid-level positions, reconsider your education parameters. If you're ignoring people who don't have a computer science or other technology-oriented degree or certification, people with high potential are likely swimming right past your recruiting nets. Candidates can include those with transferrable analytical skills or strong writing skills.

Rethink minimum degree requirements. Consider the possibility that not every position on your team actually requires a bachelor's degree or higher as a prerequisite just to get an interview, much less land the job. Degrees may help get someone's foot in the door, but if an applicant has been able to learn on the job in previous roles and get real-world experience, that is sometimes just as valuable as having a degree.

Double-down on nontraditional backgrounds for security positions. If you're hiring security pros, your task might be even tougher. Analyst estimates project an ongoing talent shortage; Cybersecurity Ventures, for one, predicts there will be 3.5 million unfilled cybersecurity jobs in 2021. On the brighter side, experts often point to the security field specifically as one that's ripe for nontraditional candidates, including career-changers, IT pros who've been working in another function, and entry-level hires.

Summary

"Everyone talks about building a relationship with your customer. I think you build one with your employees first," says Angela Ahrendts, senior vice president, Apple.

"Great vision without great people is irrelevant," says Jim Collins, author of business management books such as *Good to Great, Built to Last,* and *Great by Choice*.

I think we can all agree that hiring good employees is one of the critical parts of our digital transformation. Who we consider for these vital roles in our corporations is even more important that where we find them. Gartner concluded that "Every employee is a digital employee!"

MEETING THE CHALLENGE OF A CHANGING ENVIRONMENT WITH DIVERSITY AND INCLUSION

By Carolina Thatcher, MPA, CDP, Director of Inclusion and Diversity, Ohio Bureau of Workers' Compensation

The United States is changing. We know that by 2044, the country will no longer be characterized by one single demographic majority. Our foreign-born population is increasing at a faster pace than the American born. The population is aging and working longer than before. We have five generations in the workplace, with Millennials being the largest proportion of American workers. These are some of the statements we hear as being challenges in the diversity and inclusion space.

However, the changes we are facing in the workers' compensation industry go beyond just population shifts. Technology is moving at an ever-faster pace, changing the business landscape, safety applications, and consumer behavior. Businesses adopt new technology that impacts safety, and new products hit the market on an almost daily basis. Just one example: In 2019, online shopping sales surpassed that of regular retailers. Technology in health care also affects our industry by reducing recovery time and costs. The challenge today is to adapt to this changing environment and effectively serve our customers—both injured workers and employers.

Being agile and innovative are necessary characteristics of successful organizations today, and for that, we need diversity of ideas, thought, experiences, knowledge, and backgrounds. Establishing an environment where these diverse ideas and innovative thinking can flourish is creating a culture of inclusion.

The Business Case for Inclusion and Diversity

Inclusion and diversity (I&D) models have evolved over the last few decades from a human resource function focused on legal compliance and representation to an organizational development practice that is critical to success. Several studies link inclusion and diversity with better business performance, talent recruitment, retention, and employee engagement.

There is a relationship between diversity and organizational performance and competitive advantage. McKinsey and Company reports that there is a significant correlation between diversity in leadership teams and financial outcomes. Companies in the top quartile for gender diversity on their executive teams were 21 percent more likely to have above average profitability than companies in the fourth quartile.

Diverse and inclusive teams tend to be more creative and innovative than homogeneous teams. Diversity of ideas drives innovation, but for diversity to work, inclusion must be present. Team members need to feel they are in an environment where they can share and discuss their ideas and they have a voice.

Diverse and inclusive organizations win the talent competition. BWC as a state agency competes for talent with other public agencies and with the private sector. We know that Millennials are more likely to work for organizations with a commitment to inclusion and diversity. Inclusive workplaces increase employee engagement. Inclusion boosts employee satisfaction and performance. Engaged employees are more likely to stay with an employer and recommend the company to others. We must stand out as a great place to work to attract and retain top talent

It Starts From the Top

For inclusion and diversity to be successful, it must start from the top. Leadership commitment is key for a successful strategy. The Center for Global Inclusion, in its Global Diversity Benchmarks, includes leadership as one of the foundational categories for a successful inclusion and diversity strategy: "Leaders are change agents and role models when it comes to inclusion and diversity strategies."

Getting Uncomfortable

We tend to be more comfortable and surround ourselves with people who think like us, look like us, or are similar to us in any aspect. It's human nature to continue doing the same things. When we stop thinking about inclusion and diversity, we go back to our comfort zone. When culture has not been defined, hiring for cultural fit can lead to comfort decisions that hide implicit bias. When we stop encouraging diverse thinking, we go back to conforming and status quo. Therefore, an I&D strategy must be sustainable over time and never forget that customer needs in a changing environment are at the center.

Systemic Approach

At the Ohio Bureau of Workers' Compensation, we adopted a strategic and systemic approach to inclusion and diversity because it aligns with best practices in the field and the agency's strategic goals. I&D goes beyond the relational aspect of appreciating our differences and focuses on organizational effectiveness, flexibility, and responsiveness to the changing needs of an increasingly diverse customer base. A systemic approach to I&D threads through the entire organization, engaging all functions.

For us, success involves the following:

1. Having practices that ensure that we have a diverse, skilled, and engaged workforce. These are goals around who we are.
2. Inclusion and diversity are being incorporated into BWC's business practices, values, organizational policies, and accountability. These are goals around processes.
3. Customer service where I&D has permeated all that we do, effectively anticipating and responding to a diverse customer base. This is what we consider culturally competent customer service.

Our Journey

In our case, it started from the top. The CEO and executive team started by having conversations with staff about diversity and inclusion and collecting their ideas. Employees proposed ideas on training, employee engagement activities, process improvements, and communications (internal and external). Their ideas were included as recommendations through the plan.

The agency created a position to lead the diversity and inclusion initiatives. We have increased awareness activities to expose staff to diversity within the organization. We have implemented ideas from employees in a program called innovation incubator. We created specific trainings for new employees so that the exposure to the inclusion and diversity culture is presented from the beginning. We have trained leadership on implicit bias and strategies to minimize it. We developed a diversity and inclusion track for the Ohio Safety Congress, one of the largest safety events in the country. Inclusion and diversity is at the table in workgroups and considered when developing leadership training, policy development, internal and external communication strategies, and succession planning.

We are two years in, but the progress is encouraging.

THE CHANGING ROLE OF THE UNDERWRITER

By Roger Walleck, CPCU, AIS, Missouri Employers Mutual

"With a show of hands, how many of you actually planned for a career in insurance underwriting?" That was the lead-off question of the "Underwriter of the Future" presentation at last year's AASCIF Annual Conference in Cleveland, Ohio. Slowly, and with a bit of embarrassment, one hand went up in the audience. For everyone else attending the session, the underwriting career had found them. Insurance carriers hired us with varied educational backgrounds and trained us for an underwriting desk job. In fact, as was confirmed by another show of hands, many of us who were hired by large national carriers attended training schools run by these same carriers. We were taught the art of underwriting because the science of underwriting was still underdeveloped, even throughout the 1980s and early 1990s. Also, due to the large population of baby boomers who entered the job market in the 1970s and early 1980s, recruiting and staffing open positions did not pose a problem for insurance carriers.

Now, looking around the room at the attendees of the Policyholder Services and Underwriting education track sessions in Cleveland, it became abundantly clear how few of us had joined the ranks of underwriters in the last 10 to 15 years. Why is this a concern? Because insurance has become an overlooked career choice by Millennial, Gen Y, and Gen Z workers. These generations of workers have been raised in a rapidly changing tech environment and want to use their skills in new, technology-driven fields. The talent-ready pool of future underwriters evaporated, seemingly overnight. Or did it? Were new generations of potential employees shunning our business, or had we just forgotten how to market ourselves in a way that highlighted how important technology skills had become to being a data-driven underwriter?

To dive deeper into this topic at the conference, Jim Owen, CEO of Missouri Employers Mutual; Sarah Mazzocco, director of HR at Missouri Employers Mutual; and Cody Allen, senior marketing underwriter at SFM, were invited to lead a panel discussion on hiring and retaining the next generation of underwriters. After a very interactive session, five common themes emerged.

First, there was acknowledgment that the traditional role of an underwriter has changed from "art" to "science" based on the increasing presence of underwriting data and the need for a strong data analytics skill set.

Second, our industry must engage with colleges and universities and partner with them to develop and deliver education specific to risk management, data science, and analytics. If we aren't proactive in reaching out to the source of our future talent pool, how can we expect them to prepare students for a career in a data- and technology-driven profession?

Third, culture matters. Feeling connected to your co-workers, even if you are a remote worker, is important. New underwriters are recruited for their analytical abilities, desire to innovate, and ability to interact in teams to develop products and solutions that meet customer demands. Experienced underwriters are highly valued for their insights and abilities to spot trends and to recommend how to respond to those trends. These groups should complement one another and not compete against each other.

Fourth, transparency is critical as the role of underwriting changes. Consistently messaging that technology aids underwriting but does not replace it is crucial for staff support of this transformative journey.

Fifth, embrace the change and help your organization become better focused on your customers' (agents and policyholders) needs. Helping your organization deliver "speed to value" can make you a differentiator in the marketplace.

To summarize: Yes, the role of the underwriter is changing, but in a positive way. We are positioned to drive change in our companies and to champion our chosen profession to a new

Insurance
Policy

HOW TO MANAGE TECHNOLOGICAL CHANGE

By Mike Bishop, VP of Product and Technology, Mitchell

As we enter the new decade and look back on the 2010s, it's clear that over just the past few years, technology has completely transformed our lives. With the advancement of smartphones and innovations like rideshare services, streaming platforms, self-driving cars, and many others, the world operates very differently today than it did just 10 years ago.

While technology has been transforming our personal lives, it has simultaneously revolutionized the business world with technologies like artificial intelligence, robotic process automation, telemedicine, and more, which are now available to help make work more effective and efficient. The rate of technological change isn't expected to slow down anytime soon. Gartner predicts in 2020, spending on information technology will increase to $3.9 trillion, a 3.7 percent bump from the previous year.

In the insurance industry, it can be challenging to keep up with this quick rate of technological change, though doing so can help state funds and other claims organizations to stay relevant in a competitive market and make sure they are providing the best products and services for their clients. Below, we've outlined some practical tips that state funds can employ when considering adding new technology to their business operations.

Tips for Managing Technological Change

1. **Streamline IT Investment**

   If the past decade is any indication, there will be many new technological innovations in the next few years that will be available to state funds and other claims organizations to help improve business operations and outcomes. While organizations may want to try to implement these new innovations, it can be challenging internally to vet and integrate with new vendors. One way to make this process easier is to choose one or two trusted and proven partners from the start that can provide a variety of different types of services and solutions. Selecting just one or two vendors can have a variety of benefits in helping manage technological change, including reducing implementation time and costs, simplifying relationship management, and minimizing procurement and vetting timeframes.

2. **Allocate Internal Resources Appropriately**

   It is important to understand that implementing new technologies into the claims workflow is a sizable project that will require internal resources to make it happen. Claims organizations should work closely with their technology partner to determine how many internal resources and how much time will be needed to make the implementation project successful. Managers should be provided these resources with the time needed to dedicate to the implementation project. This will help avoid delays and make the process more seamless for the organization.

3. **Consider Employee Impact to Improve Internal Adoption**

   In addition to managing the procedural aspects of a technology change, claims organizations also need to consider how they will help their employees to accept and adopt new platforms. Switching to a new technology system can be a somewhat jarring experience for users, so claims organizations should carefully consider how they will be impacted and communicate early and often about the reason for the change and the benefits the new technology will provide. One step further, organizations could consider implementing a change management program to help assist employees through the transition, if needed.

Technology Into the New Decade

As technology continues to advance, state funds and other claims organizations should be prepared to implement new software and other solutions to help their businesses grow. By following the tips above, state funds and other claims organizations can be better prepared to successfully manage technological change to help improve business processes and outcomes.

WHAT INVESTORS LEARNED FROM THE 2019 REPO MARKET EXPERIENCE: STRATEGIES FOR INSURANCE COMPANIES SEEKING TO OPTIMIZE CASH

By DWS Liquidity Portfolio Management & DWS Insurance Coverage-Americas

Yields may potentially be enhanced through structures that can invest further out on the yield curve while also adding modest credit risk.

Executive summary

- In September 2019, the repo market experienced a supply/demand imbalance, resulting in turbulence and a rise in financing rates. In response, the Fed introduced a new purchase program of $75 billion in overnight repo with another $30 billion in two-week repo. In October, the Fed executed another program to gain even further control of financing rates. Under this operation—currently projected to last six months—the Fed will purchase approximately $60 billion in Treasury bills per month.
- In this current low-rate environment, traditional money market funds might be inadequate as a sole solution for cash optimization, and currently tend to be even more biased toward the shortest maturities. Over the past decade, cash managers increasingly have been segmenting their cash according to their three-,six-, and nine-month liquidity needs.
- With segmentation, managers can make allocations to other vehicles that invest in asset classes and maturities that offer higher yields. For longer term liquidity needs, insurance companies may want to consider purchasing securities directly or opting for separately managed accounts (SMA).
- In an attempt to generate additional yield, a viable strategy could be taking on limited duration risk as well as investing in a range of asset classes, including floating-rate notes, asset-backed commercial paper, and medium-term notes.

The global economy weakens

In 2019, the global economy continued to slow, prompting central banks around the world to cut interest rates. The United States has not been immune to this trend, and the Fed cut the Fed funds target rate by a quarter point in the past three meetings. In September, the ISM Manufacturing Index fell to a 10-year low, and consumer sentiment has weakened. Job growth has also declined over the last few months.

Given the trade concerns and broader global weakness, the Fed sees significant downside risks to the economy and has begun what they've called a mid-cycle adjustment, cutting rates three times so far in the second half of 2019.

FIGURE 1: CENTRAL BANKS—ANOTHER 25 BPS RATE CUT BY THE FED

Institution	Current policy rate	Next meeting	Expectation	Comment
Fed	1.75-2.00	Oct 30	No change	Delivered a "neutral" 25bps cut
ECB	0.0	Oct 24	No change	Waiting for input from the new president
BoE	0.75	Nov 7	No change	Unchanged monetary stance
BoJ	0.0	Oct 31	No change	On hold for now, but signals change of easing at next meeting

Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 9/20/19.

Trouble in the repo market

In September, a supply/demand imbalance in the repo market resulted in some significant turbulence. In response, the Fed executed a number of open market repo operations to bring some stability to financing rates; the following month it executed another purchase program. Through mid- November, the Fed has injected approximately $200 billion into the market, with its action appearing to have had a significant effect and serving to "clear the pipes."

Given the trade concerns and broader global weakness, the Fed sees significant downside risks to the economy and has begun what they've called a mid-cycle adjustment, cutting rates three times so far in the second half of 2019.

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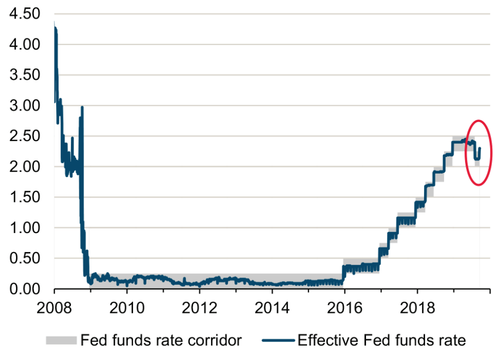
The turbulence in the repo market generated significant upward pressure on financing rates and on the Fed funds rate. And for the first time since 2008, the effective Fed funds rate traded above the upper target rate (See Figure 2). To some degree, this has signaled a loss of control by the Fed and a decline in its ability to manage interest rates lower.

FIGURE 2: U.S. POLICY RATE—FED FUNDS EFFECTIVE RATE VS. CORRIDOR (%)



Source: Bloomberg Finance L.P., DWS Investment GmbH; as of September 2019.

With the injection of liquidity by the Fed, they have appeared to have successfully anchored rates at the lower end of its target range and normalized the yield curve. But given the long-term expectation that interest rates are likely to remain lower for longer, what are the options available to insurance companies for optimizing their cash holdings?

Ways to optimize cash

Previously, cash management consisted of merely putting available cash into a money market vehicle. But over the past 10 years, this practice has changed, and today, other strategies are being employed as well. It is now common to set aside operational cash and segment the remainder by liquidity needs into three-, six-, and nine-month timeframes.

Money market funds still have a role to play in holding operational cash. But while they are currently offering attractive yields relative to the rest of the curve, they tend to be biased toward the shortest maturities because they're required to maintain daily and weekly liquidity. In addition, because of the switch from the LIBOR index to SOFR index, many of these funds are holding on to more SOFR related securities that are reset on a daily basis. Therefore, these funds are now even more biased towards shorter average maturities than they have been traditionally.

One alternative for potentially optimizing cash is to invest directly. A one-month U.S. Treasury bill, for example, pays a yield of 1.86% (as of September 30, 2019). Commercial paper (CP) provides a higher yield; highly rated one-month CP offers 1.91%, and six-month CP pays 1.99% (as of September 30, 2019). There are some risks to direct ownership, however, including access to a research team to analyze the unexpected market dynamics, access to a diversified pool of fundamentals, access to a team to monitor disruptions/ volatilities due to headline noise or investment vehicles that could be limited, and better price due to purchasing power.

On the other hand, separately managed accounts (SMA) may be used not only to meet liquidity needs but also to take advantage of other potential market opportunities. SMAs have the ability to be tailored to more customized investor guidelines, which could allow for greater flexibility than traditional money market funds. Generally speaking, for example, an SMA can be managed with a more aggressive tilt, identifying instruments that can deliver higher yields—sometimes amounting to between 5 and 12 basis points on average when compared to traditional money market funds, as well as differing levels of capital preservation and liquidity.

Another example of how a SMA can capture market opportunity was at the end of September, when the yield curve was flat-to-inverted in the Treasury market, it remained positively sloped in the corporate market. Attractive yields are available further out on this curve, and cash managers who have the ability to take on some credit risk and move out on the yield curve can take advantage of those higher yields as well as duration risk.

Emerging option: applying ESG filter to a cash program

Investors who seek to purchase instruments directly may find themselves constrained by environmental, social, and governance (ESG) considerations. In fact, a neutral or modest positive impact by ESG on performance exists between credit quality and ESG quality. More than 2,000 academic studies on the link between ESG and corporate financial performance have been published since the early 1970s and have been summarized in a joint meta study conducted by DWS and the University of Hamburg. This study revealed that companies with high ratings for ESG and Corporate Financial Performance historically demonstrated better performance over time. So, in some cases, perhaps on a short-term basis, the more attractive yields might be offered by issuers with poor ESG ratings. If you are operating with ESG constraints, you may have to forgo some yield. (Source: DWS and University of Hamburg, December 2015, and Robeco, 2016).

Through yield curve positioning and credit analysis, an actively managed strategy may be able to mitigate the effect of excluding higher yielding, low ESG credits, and at times even outperform funds that do not take ESG into account. Of course, this requires a capable team and strong credit research. Also, we consider ESG analysis to be a way to go beyond financial metrics and determine whether issuers will be healthy over the longer term.

Corporate enhanced cash strategy

One strategy that has the potential to assist you in optimizing your cash holdings is a Corporate Enhanced Cash Model. Figure 3 shows that, while a LIBOR-based portfolio produces a gross yield of 2.09%, the enhanced portfolio generates 2.16% while adding duration and extending the effective maturity (as of September 30, 2019). A portion of this enhanced yield comes from the allocation to higher risk asset classes; for example, the largest share in this hypothetical would go to floating-rate notes, with an average yield of 2.48%.

FIGURE 3: A COMPARISON—LIBOR VS. THE CORPORATE ENHANCED CASH MODEL

An example based on market levels as a way to demonstrate yield enhancement when comparing allocations.

INVESTMENT SUMMARY		
Asset Class	Allocation	Average Yield
Asset-Backed Commercial Paper	10%	2.09%
Certificate of Deposit	5%	1.96%
Commercial Paper	24%	2.03%
Floating Rate Note	30%	2.48%
Government Supported Programs	8%	1.95%
Medium Term Note	23%	2.01%

MODEL PORTFOLIO PERFORMANCE	
Estimated Gross Yield	**2.16%**
Avg. Duration (Year)	0.60
Avg. Effective Maturity (Year)	1.20
BENCHMARK PERFORMANCE SUMMARY	
Estimated Gross Yield	**2.09%**
Avg. Duration (Year)	0.25
Avg. Effective Maturity (Year)	0.25

The described model portfolio is hypothetical and based on the following assumptions

1. *Short term securities with minimum A-1/P-1 rating*
2. *Long term securities with minimum A rating*
3. *Effective duration calculation is based on the lower of the stated maturity date, next interest rate reset date or call/put date*
4. *The average duration of the portfolio shall not exceed 1 years*
5. *Average effective maturity calculation is based on the stated final maturity date*
6. *No more than 5% can be invested in any single issuer*
7. *The benchmark for this model is 3-Month Libor*
8. *Data as of 9/30/2019*

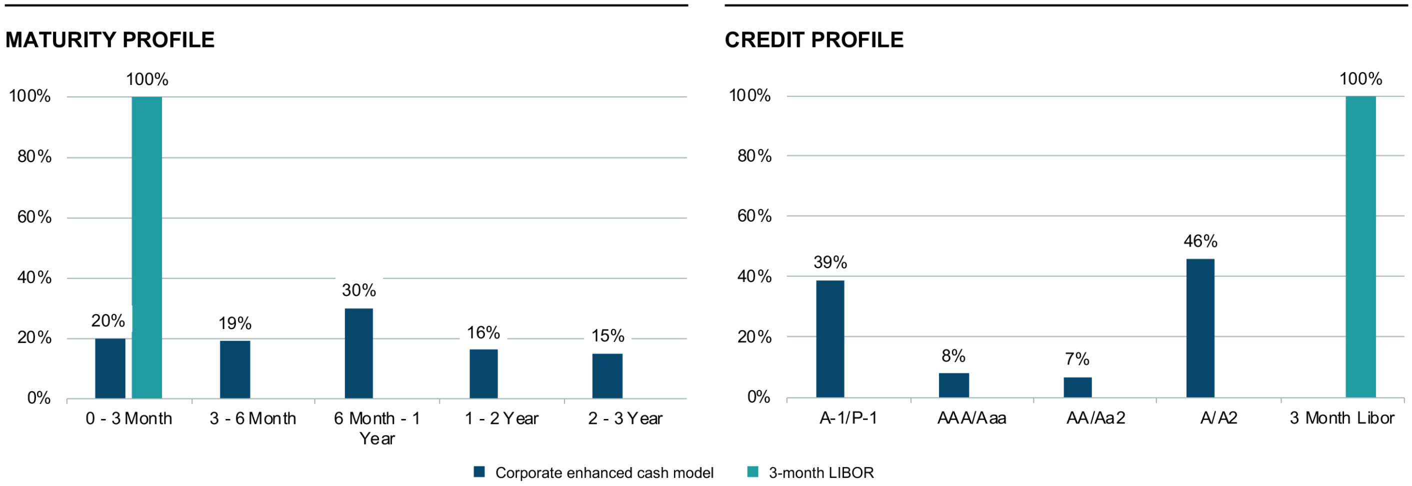
Source: DWS, Bloomberg. Note: This model portfolio and percentage allocations are shown for illustrative purposes only and reflect hypothetical performance results. Please note there are many inherent limitations in the use of hypothetical performance results, such as they are generally prepared with the benefit of hindsight, they do not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results. The hypothetical returns shown do not reflect the deduction of investment advisory fees. A clients return will be reduced by advisory fees and any other expenses that may be incurred in the management of its investment advisory account. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. Performance is shown gross of fees and does not reflect investment advisory fees. Had such fees been deducted, returns would have been lower.

> *Through yield curve positioning and credit analysis, an actively managed strategy may be able to mitigate the effect of excluding higher yielding, low ESG credits, and at times even outperform funds that do not take ESG into account.*

Figure 4 illustrates how the Corporate Enhanced Cash Model generates the additional yield from a longer average maturity and a range of credit quality. For example, 30% of the portfolio is in the six-month to one-year maturities, and 46% is in instruments rated A/A2.

Figure 5 illustrates the yields resulting from the Enhanced Cash Model's duration, sector, and credit quality allocations. For example, of the 2.16% yield generated by the model, 1.15 percentage points come from instruments with a 0 to 3-month duration, 1.11 percentage points come from the financial sector, and 1.03 percentage points originated with securities rated A/A2.

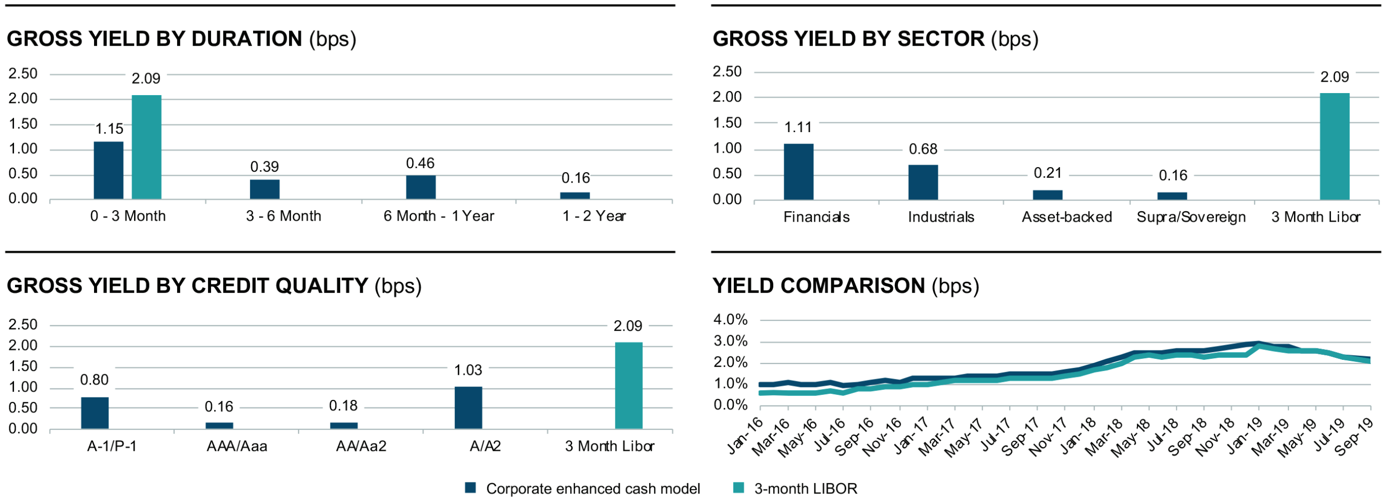
FIGURE 4: A HYPOTHETICAL COMPARISON—MATURITY AND CREDIT QUALITY



For discussion and illustrative purposes only. | Source: DWS, State street, and Bloomberg | Data as of September 30, 2019. Allocations are subject to change without notice.

Hypothetical performance results and all of which can adversely affect actual trading results. The hypothetical returns shown do not reflect the deduction of investment advisory fees. A clients return will be reduced by advisory fees and any other expenses that may be incurred in the management of its investment advisory account. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. Credit quality characteristics are subject to change. The credit quality ratings represents Standard & Poor's Corporation ("S&P") and Fitch Ratings. The ratings represent their opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality.

FIGURE 5: A HYPOTHETICAL PERFORMANCE ATTRIBUTION COMPARISON—DURATION, SECTOR, AND CREDIT QUALITY



For discussion and illustrative purposes only. | Source: DWS, State street, and Bloomberg | Data as of Sep 30, 2019. Allocations are subject to change without notice.

Hypothetical performance results and all of which can adversely affect actual trading results. The hypothetical returns shown do not reflect the deduction of investment advisory fees. A clients return will be reduced by advisory fees and any other expenses that may be incurred in the management of its investment advisory account. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown.

Conclusion

Given that the current low interest rate environment is likely to persist, insurance companies should consider looking beyond traditional money market funds if they want to truly optimize their cash holdings. Segmenting cash by liquidity needs can allow them to allocate a portion to SMA strategies. Via modest duration and credit risk, these vehicles can offer enhanced yields while potentially also providing liquidity and preserving capital.

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CALIFORNIA

California State Fund's Safety Incentive Pilot Makes a Powerful Impact on Roofing Industry

In January 2016, State Fund implemented a three-year Roofing Safety Incentive Pilot Program to influence safety culture in the roofing industry and help prevent injuries from falls—the leading cause of serious injury and death in the construction industry. The innovative program was designed to test the efficacy of incentives on safety adoption and not only proved to reduce injuries in California but also saved millions of dollars.

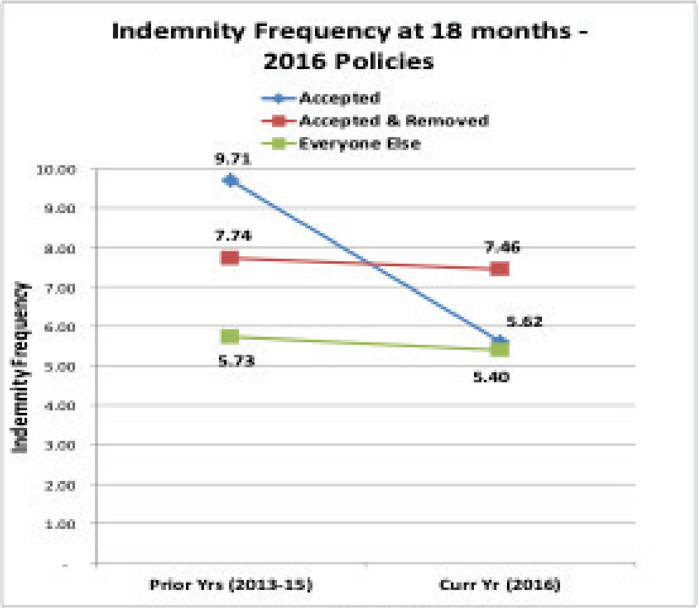
The pilot program was offered to State Fund's roofing policyholders who met the criteria for the program. To achieve the incentive of three payments made in the first year of participating, the roofers agreed to create and adhere to a safety program, attend training, and have all employees wear fall protection at all times.

Significant Success

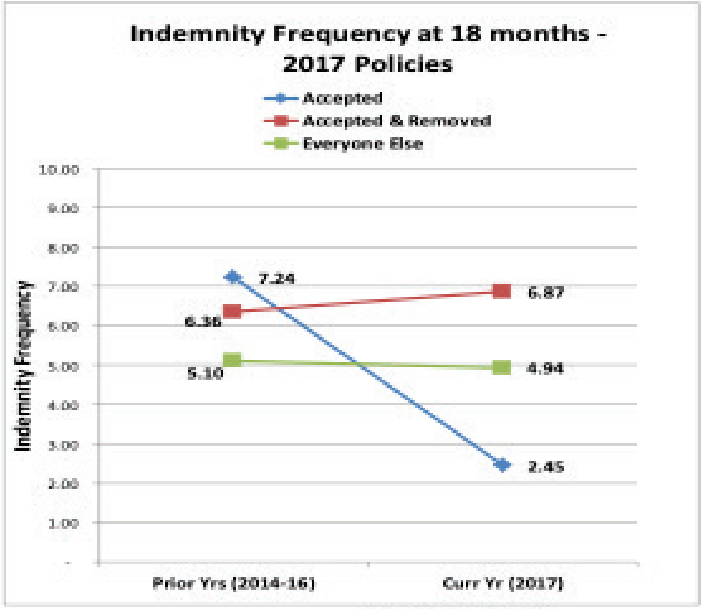
The program saved 26 claims in 2016 and 33 claims in 2017. Indemnity frequency decreased from 9.71 to 2.45 over the two-year span and outperformed the employers who did not participate in the program.

During the pilot, State Fund paid $1.8 million in incentives, and the estimated savings due to preventing injuries was $5.9 million while the plan was active. In terms of a long-term run rate of savings, we estimate at least a 33% reduction in annual indemnity claim frequency for participating employers, or a reduction of at least 20 claims per year. With an average indemnity cost of $100K per claim, that is a potential savings of $2 million each year.

As a result, the California State Fund will be expanding the incentive program, offering more incentives to policyholders in 2020 and beyond.



Employer Count (2016)	
Accepted	222
Accepted & Removed	75
Everyone Else	1,225



Employer Count (2017)	
Accepted	139
Accepted & Removed	69
Everyone Else	1,405

COLORADO

Mark Tapy Named Denver Business Journal's 40 Under 40 Winner

The *Denver Business Journal* (DBJ) honored Pinnacol Assurance's apprenticeship program manager, Mark Tapy, with its annual "40 Under 40" award. Nominees were young professionals under 40 in the Denver metro area and were judged on their leadership, community involvement, and business success within their organizations and industries. An independent panel of individuals from various industries, including prior award recipients and DBJ editorial staff, reviewed the more than 400 nominations.

Pinnacol's apprenticeship program was created in partnership with CareerWise Colorado. Now seeking applications for its fourth cohort, the program uses a Swiss apprenticeship model that helps develop skilled workers to become a part of the Pinnacol workforce, building the company's talent pipeline and mitigating the risk of a talent gap in the insurance industry. Under Tapy's leadership, Pinnacol's apprenticeship program has been recognized by Careerwise, the Colorado Department of Labor, and the state of Colorado. It has been studied by Harvard Business School, the White House Office of Management and Budget, and dozens of state government delegations.

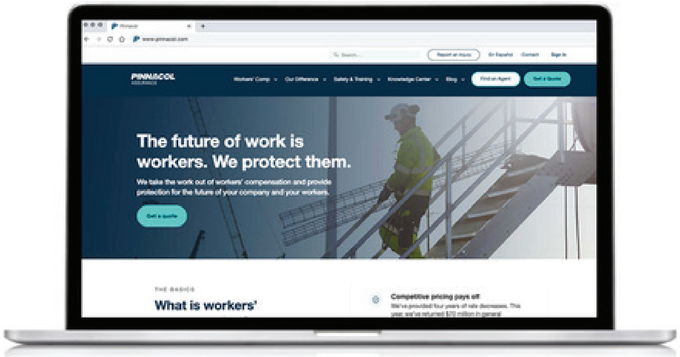
Pinnacol Employee Giving Campaign Beats Previous Record, Raising Over $312,000

Pinnacol's 2019 Employee Giving Campaign was a resounding success, with the total amount raised hitting $312,124 and 82.8 percent of employees participating. Those results surpassed the previous year's numbers of $288,350 and 82 percent of employees participating.

In addition, during Pinnacol in Action (PiA) Days, more than 90 employees volunteered nearly 300 hours of their time at four events involving projects such as tidying up public parks in the Denver area, providing families with locally grown produce, empowering school-age girls, and helping to organize the annual Walk to End Alzheimer's.

Sleek Redesign of Pinnacol.com Reflects Changes in Colorado Industry and Workers' Compensation

As Colorado grows, Pinnacol evolves with it, and a recent redesign of the Pinnacol website reflects those changes. Features of the new design include streamlined navigation, an easier purchasing process, and an enhanced agent directory with robust information so that customers can find the agent that best fits their business and industry.The knowledge center allows users to filter resources easily, and the new blog is the content hub for blog posts and news articles, highlighting Pinnacol's local industry expertise.



The future of work is workers. We protect them.

We take the work out of workers' compensation and provide protection for the future of your company and your workers.

THE BASICS

What is workers'

Competitive pricing pays off

During Pinnacol in Action (PiA) Days, more than 90 employees volunteered nearly 300 hours of their time.

HAWAI'I

HEMIC Acquires Downtown Honolulu Building

To support its growth and long-term stability, HEMIC has purchased a 12-story, 60,000-square-foot office building in the heart of Honolulu's Downtown. The purchase is the result of a conscientious, three-year search to find the right property to fit HEMIC's growth, vision, and mission.

HEMIC has grown significantly over the past five years, including the launch of wholly owned subsidiary Employers' Protective Insurance Company, a carrier offering temporary disability insurance.

"This is a very exciting development for HEMIC as an enterprise," said HEMIC CEO Martin J. Welch. "The new building will bring everyone together in one location, with consecutive floors to facilitate our communication and increase collaboration, as well as more room to support our existing operations and continued growth. With the new building, we have a great opportunity to structure our workspaces to be more collaborative, efficient, and effective, including modernizing the way we will work in the future, transcending the traditional office cubical layout. We plan to have some fun with this, engaging our employees to help us make this a comfortable home."

Owning real estate in Hawai`i is also an investment strategy that will add to HEMIC's financial stability. HEMIC plans to occupy half the space initially and lease the remaining space to local businesses. As a 100% local company, HEMIC is dedicated to serving the businesses and workers in Hawai`i. "We were very intentional in selecting this particular building," said Welch. "It reflects our commitment to Downtown Honolulu. We believe it is important for us—an obligation, perhaps—to be part of the solution to keep our urban core vibrant."

HEMIC
PROUDLY TAKING CARE OF HAWAI'I

IDAHO

Idaho Supreme Court Decision Affects Exclusive Remedy Rule

In December 2019, the Idaho Supreme Court issued a decision on rehearing in the case of *Gomez vs. Crookham Company* (2019 WL 7046397) that impacts the Idaho workers compensation exclusive remedy rule. The case arose out of an industrial accident where a worker was killed by a seed-sorting machine designed and built by the employer. In addition to receiving benefits under the workers' compensation law, the worker's family filed a tort action alleging various theories of recovery and alleging that the action was not barred by the Idaho workers' compensation law's exclusive remedy provisions. To avoid the exclusive remedy provision of Idaho law, the family alleged that the employer's actions met the statutory test of "willful or unprovoked physical aggression" against the employee. The lower court and the initial Idaho Supreme Court decision in December 2018 concluded that the families' action was barred by exclusive remedy and dismissed it. The plaintiffs sought reconsideration, however, and the Supreme Court changed its position.

The focus of the Supreme Court's decision on rehearing was the second prong of the Idaho exception to the exclusive remedy rule—specifically, whether the employer acted with unprovoked physical aggression against the employee. The phrase is undefined by the statute. In an earlier case, Barrett v. Hecla Mining Co., 161 Idaho 205, 208, 384 P.3d 969, 972 (2016), the Court examined what was meant by unprovoked physical aggression. Hecla found the test required that the "employer (1) committed an offensive action or hostile attack (2) aimed at the bodily integrity of the employee with (3) an unprovoked, i.e., general, intent to injure an employee appeared to require an employer's physical attack on the employee. To support a finding that the employer acted with general intent, the employee does not have to show the employer specifically wished the employee harm, but rather there must be evidence that the employer actually knew or consciously disregarded knowledge that employee injury would result from the employer's action." [Citations and internal quotes omitted.] In Gomez, the plaintiffs' argument on reconsideration focused on the Court's failure to apply the "consciously disregarded knowledge" test prior to dismissing its action.

The Court agreed, finding that an employer may be subject to a separate civil lawsuit if the employee/injured worker can prove the employer was aware of, but consciously ignored, a danger that would result in an injury, so as to constitute a "unprovoked physical aggression" against the employee under an exception to exclusive remedy rule found in Idaho Code § 72-209(3). The case was remanded to district court to pursue this inquiry. The end result may be an expansion of the exception to the exclusive remedy rule, making it easier for injured workers or their families to get around the rule.

LOUISIANA

LWCC Supports Louisiana Through Community Involvement

LWCC was founded by Louisiana to serve Louisiana. Each year this commitment to our great state is demonstrated by the willingness of employees to give back to the community. Over the past two years, LWCC employees have contributed over 780 hours of volunteer time as part of LWCC's Volunteer Time Off incentive. In 2019, the company's community efforts took several forms.

LWCC's largest community effort each year is the Kids' Chance Golf Tournament, which raised over $38,000 for the Louisiana Bar Foundation (LBF) Kids' Chance Scholarship Program in 2019. The program provides scholarships to dependent children of Louisiana workers killed or permanently and totally disabled in a workplace accident. Since its inception in 2004, 306 scholarships, totaling $719,600, have been granted. The tournament is planned and executed by LWCC staff and supported by LWCC agents.

During the holiday season, LWCC employees embraced the spirit of giving by taking on several gift-giving projects. LWCC's Angel Tree program provides all LWCC employees an opportunity to fulfill the wish list of children and surviving spouses of workers who were catastrophically injured or killed while on the job with LWCC policyholders. This past holiday season, Angel Tree provided 18 total recipients with gifts delivered by LWCC employees. Additionally, several individual teams or departments partnered with local charities to adopt local families and fulfill their wish lists.

In December, LWCC's Claims Department raised close to $5,600 at the biennial Stephen W. Cavanaugh Scholarship Fund Silent Auction, an internal event for LWCC employees. LWCC's Stephen W. Cavanaugh Scholarship Fund honors Stephen W. Cavanaugh, the first chief executive officer, who served from 1991–2006. It provides financial assistance to Louisiana students who are majoring in an insurance-related field at a Louisiana university, college, or community college.

Additional community outreach events in 2019 included the following:

- St. Vincent De Paul's Holiday Helpers at the Raising Cane's River Center—Several LWCC employees utilized their Volunteer Time Off (VTO) benefits to help prepare a traditional Thanksgiving meal to hundreds of people who otherwise would not have had one.
- LWCC Fall Fest—Presented by LWCC's Cornerstone Committee, Fall Fest raised over $1,500 for the American Heart Association. The event featured a jambalaya lunch, dunking booth, raffles, activities organized by each department, and an escape room as the main attraction.

Safety Services Reduces Claims

The LWCC Safety Services Department is driven by a mission to provide "best in class" service through partnering with key decision-makers to create a workplace culture where a conscious concern for employee safety is habit. The department offers life-saving safety recommendations to LWCC policyholders that are tailored to their needs and provide opportunities for improvement.

The Safety Services Department recently identified a safety issue among LWCC policyholders who are required to inflate tires and identified an opportunity to implement a safety procedure. LWCC policyholders experienced two fatalities and six accidents from tire explosions while inflating tires over a period of several years. Experience has shown that inflating a tire with air can lead to a deadly explosion without a detectable issue.

The department recommended that all policyholders who work with tires use an airline at least six feet in length, equipped with a remote air gauge, and clip on an air chuck and tire cage. The cost of the airline setup and tire cage is approximately

$600. Shortly after these recommendations were put into place at St. John the Baptist Parish, a tire explosion occurred. The explosion did not result in injury because of the safety measures that were taken prior to inflating the tire.

One Year of Wellness

LWCC believes in supporting the safety, security, and stability of each employee. The foundation of individual stability is health and wellness. In 2018, LWCC partnered with Cooper Wellness and Baton Rouge General Food Service to offer a comprehensive wellness program for all employees. An onsite fitness center is currently open and staffed by Cooper Wellness. Building renovations are underway that will provide a state-of-the-art fitness center and locker room facility. Daily healthy meal options are provided by Baton Rouge General Food Service.

Since launching, the LWCC fitness center members used a total of 1,923 equipment hours and 7,390 equipment miles. On the treadmills alone, 527,400 calories were burned collectively, and an average of 23 miles were walked per day. From July 2018 to July 2019, there was a 23% increase in LWCC'S fitness center membership. On average, the center sees over 900 check-ins per month, with employees participating in small group classes and individualized exercise programs. Additionally, roughly 25% of members are "active" by checking in to the fitness center more than five times a month.

MAINE

MEMIC Announces Promotion of Scott Valorose to Loss Control Director and Adds Small Business-Focused Underwriter to Its Northeast Team

Scott Valorose is now the director of loss control for The MEMIC Group's Northeast Region, which includes MEMIC's New Hampshire, Connecticut, and New York offices. Valorose joined MEMIC in 2012 and has provided ergonomics and safety-related consultative services for over 20 years. The Northeast team also added Améthyste Spardel to the company's underwriting team to help grow its small business segment in that region.

MINNESOTA

Jirak Named Large Accounts Team Leader

SFM Mutual Insurance Co. recently promoted Ryan Jirak to lead its Large Accounts Team, which is dedicated to serving policyholders above $200,000 in annual premium. Jirak replaces the retiring Craig Stroinski.

Jirak has been with SFM since 2011, having originally joined the organization as a mid-market marketing underwriter. He became a small business marketing representative in 2012 and moved to the large accounts team in 2017 as large accounts business development representative.

Jirak graduated from the University of St. Thomas in 2009 with a degree in finance. He holds an Associate of Underwriting (AU) designation and is currently pursuing his Certified Insurance Counselor (CIC) designation.

He serves as Minnesota Independent Insurance Agents and

Brokers (MIIAB) Emerging Leaders executive chair and is a guest lecturer for the University of St. Thomas, the Carlson School of Management Insurance, and risk management classes.

"We are very excited for Ryan to lead the team he's been a part of over the last couple of years," said SFM's senior vice president of strategic operations, Steve Sandilla. "With the great connections he's built through the years, there is a great deal of excitement amongst our agency partners to work with him in this new capacity."

SFM Foundation Accepting Scholarship Applications Until March 31

SFM Foundation will be accepting scholarship applications for the 2020–2021 academic year until March 31, 2020.

The SFM Foundation makes college more affordable for families affected by workplace injuries by offering post-secondary education scholarships to children of parents fatally or seriously injured on the job while working for a Minnesota or Iowa employer.

Interested applicants will find a registration form and eligibility requirements for the scholarships online at sfmfoundation.com/apply.

Scholarships will be awarded based on injury severity and impact on the student and their family, among other factors.

"We've been able to help a growing number of students throughout the years, and it all starts with a simple application form," said Linda Williams, SFM Foundation president. "We're grateful to anyone who can help spread the word about our program to families in need."

About the SFM Foundation

The SFM Foundation was created in 2008 by SFM Mutual Insurance Company (Minnesota). SFM Foundation is dedicated to easing the burdens on families affected by workplace accidents. Since its inception, the Foundation has awarded 173 scholarships totaling $2.1 million. For more information, visit sfmfoundation.com.

SFM Foundation is an affiliate of Kids' Chance of America in Iowa and Minnesota.

MONTANA

Stronger Communities, Safer Montanans

Dream Adaptive Recreation ski and snow board instructors in Whitefish, Mont., are now certified and trained to teach lessons to individuals with disabilities. The Roundup Memorial Healthcare facility has a functioning security system. And, an ADA-compliant ramp has been installed at the Women's Resource Center in Dillon, Mont.

These are just three of the 15 projects Montana State Fund (MSF) supported in 2019 through our Assisting Charitable Endeavors (ACE) program.

What Is ACE?

ACE is MSF's charitable giving program that has been in effect for 19 years. It was created as a vehicle to financially help Montana-based nonprofits to promote workplace safety, supply safety trainings, or purchase equipment that enhances safety and well-being. Since its start, 260 organizations have received help from the program. The average grant is $1,797, with a grand total of $467,191 dispensed. The ACE grants require a dollar-for-dollar match.

Making the Grade—Montana State Fund Awards Academic Scholarships

Montana's aging workforce faces a wave of retirements, especially in the construction and trades industry. In addition, this field has a higher percentage of workplace injuries. To improve this industry safety record and encourage the next generation to enter these fields, MSF awards scholarships to college students majoring in the occupational health and safety or construction trades professions.

These scholarships are part of MSF's *Growing a Safer Montana (GSM)* initiative. The program aims to educate young workers about the importance of workplace safety *before* they enter the workforce.

MSF began offering these competitive academic scholarships in 2018. Since that time, the number of scholarships and the monetary awards have risen. This year, 15 students received $4,000 scholarships. Last year, 11 students received $3,000 scholarships. And in the first year, 10 students were each awarded $1,500. In all, MSF has awarded 36 students a total of $108,000 in scholarship money.

The application process includes filling out a safety quiz, writing an essay on the importance of safety and how the applicant plans to champion safety in the future, and submitting two letters of recommendation. Finally, the student must have a cumulative GPA of at least 3.0.

NEW YORK

NYSIF Makes Doing Business Easier

NYSIF recently introduced a series of initiatives to make it easier to do business with us and improve the customer experience:

Notification Center

NYSIF's new Notification Center makes it easier for policyholders and representatives to manage their workers' comp policies. Online account holders can now opt to go paperless for premium bills and other policy documents, receiving automatic email notifications when these documents are available. A new option for broker accounts allows them to enroll to receive notifications when premium bills are issued to clients. NYSIF stopped mailing paper bills to representatives last September. Electronic versions of the bills are available in the Notification Center.

Streamlined Processing

Applying for workers' comp insurance is a much more streamlined process at NYSIF. Prospective policyholders who use our convenient and quick eQuote and paperless application process can now bind coverage sooner. In addition, NYSIF has begun straight-through processing, which further automates and streamlines the application and binding process for businesses with designated classification codes, who can now apply online and obtain coverage within minutes. Plans call for further developing this service to expand to a larger group of eligible new business.

Auto Policy Numbering

NYSIF now makes it easier for customers to bind coverage 24 hours a day. As part of our efforts to streamline applying for and receiving a workers' comp policy, we have automated the issuance of policy numbers for businesses that complete the eQuote and online application process. The automated process provides instantaneous policy numbering for previously quoted online workers' comp applications—even those completed and received after hours and on weekends. The service is available to most customers who digitally submit a workers' comp application, electronically sign and include payment with the application, and have no past due balance with NYSIF.

More Time to Pay

NYSIF customers now have more time to pay their workers' comp premium bill. We listened to their feedback and have extended our payment due dates to provide policyholders with five additional days to pay their monthly premium. Policyholders now have 25 days from the invoice date to the payment due date.

Applying for workers' comp insurance is a much more streamlined process at NYSIF.

OREGON

What's Holding You Back From Being Prepared?

In Oregon, preparing for a big earthquake can be overwhelming for our residents. With that in mind, SAIF provided details on what businesses or individuals will need if an emergency happens at work or at home. SAIF hosted two public seminars to provide a free overview of Oregon's Cascadia subduction zone risk and have a discussion on the cultural barriers that prevent us from talking about emergency prep. Our speaker, Steve Eberlein, is a global aid worker and workplace and community resilience advocate. He was a witness to the Sri Lanka Boxing Day Tsunami in 2004. He gave attendees tips for preparing their workplace, home, and family for an earthquake.

Two more seminars are planned in the spring.

Free Agriculture Seminars Kick Off

SAIF kicked off its annual agricultural safety seminars in October. This year, SAIF is offering 29 free seminars in 17 cities across Oregon through March 2020. Nine of the seminars will be presented entirely in Spanish.

"We purposely hold these in the off-season to encourage attendance," said Courtney Merriott, senior safety management consultant at SAIF and presenter at this year's seminars. "Our goal is to provide the latest safety content for the industry, so that every ag worker goes home safe and healthy each night."

This year's seminars will focus on four topics: respiratory personal protective equipment, working at elevation, safety leadership for anyone, and incident analysis.

Learn more at saif.com/agseminars.

Cold Weather Tips Spotlight Policyholders

In November, SAIF highlighted three ways employers prevent slips, trips, and falls during the winter months. Videos featuring three policyholders—the Oregon Coast Aquarium, Linfield College, and Evergreen Curling Club—provided simple tips employers and individuals can use to prepare for the cold weather. Watch the videos here.

Orchard Ladder Safety

There are many ways to use an orchard ladder, but not all of them are safe. SAIF's video on orchard ladder safety is a checklist on how to inspect, use, transport, and store your ladder. Watch it here.

Holiday Safety Lessons From a Holiday Classic

It may be a beloved classic movie, but "It's a Wonderful Life" also shows what can go wrong over the holidays. SAIF provided five tips, based on scenes from the film, to make sure the holidays are happy and safe. They include mental health, ladder safety, driving tips, and germ warnings.

2020 Calendar: Spotlight on Safety

We've got shoemakers, bakers, and worm caretakers. We've got loggers, pear packers, and fire trackers. The businesses, agencies, and employees featured in SAIF's 2020 calendar are creators, harvesters, community builders, and protectors. What do they all have in common? A commitment to safety and health.

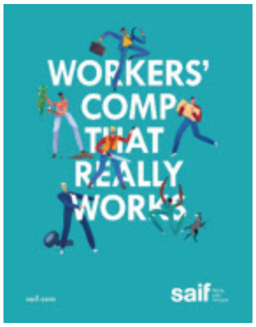
Some have used technology, automation, and innovation to improve their workplaces. Some have built up their safety cultures to include every voice in the company. Whether they've been in business 10 or 100 years, their passion and dedication to worker safety shine through. Find videos, slideshows, and more about the policyholders featured in this calendar at saif.com/stories.

12 Months of Safety

As a companion to our calendar publication, we created a year's worth of safety focus points for employers. From help with OSHA forms to ergonomics to PPE, safety committees can use the list to step up their safety game. See the tips with links to our library of resources here.

Workers' Comp That Works

A colorful new ad campaign celebrates SAIF's value to Oregon. In "Workers' Comp That Really Works," we celebrate our contribution to making Oregon an exceptional place to work and live.


WORKERS' COMP THAT REALLY WORKS
saif.com
saif

"It comes down to the value we provide to Oregon—premium savings, outstanding service, and a commitment to safety," says president and CEO Kerry Barnett. "We're the industry leaders and an incredibly important part of what makes workers' comp really work in Oregon."

The campaign will appear in print, on billboards, on the radio, and online.

Simple Solutions for Resolutions

Creating a Total Worker Health program doesn't have to be expensive or formal. SAIF has four simple solutions for workplace resolutions that can help promote health in Oregon's workplaces: start small, get support, learn from missteps, and celebrate successes.

"Setting and reaching goals, whether for yourself or your employees, can seem daunting, but by starting small and learning from success and failure, it's more doable than people may think," says Liz Hill, Total Worker Health adviser at SAIF.

Read more here.

Love Your Laptop

An internal SAIF campaign focused on how employees should treat and maintain their laptops. It was accompanied by this humorous video, based off actual SAIF laptop mishaps.

Digital Quote and Bind

On January 28, SAIF's digital solutions team officially launched the digital quote and bind site, making it available to potential policyholders. Customers will be able to access the application via saif.com or through a web search. An advertising campaign will soon launch that will drive additional traffic to the application.

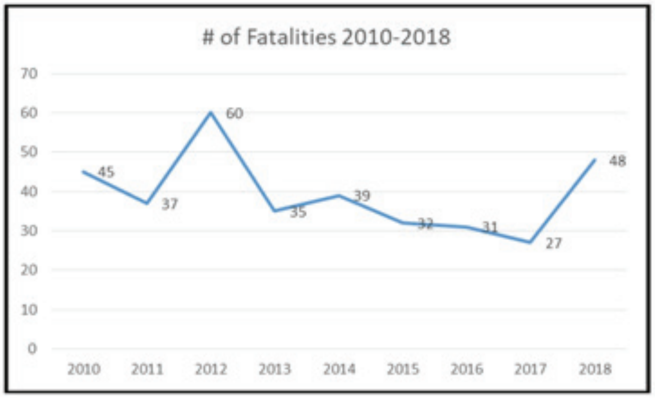
SASKATCHEWAN

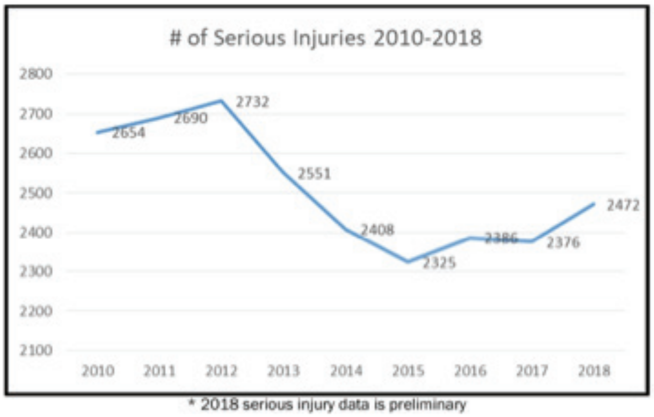
Digging Deeper to Help High-Risk Industries

WorkSafe Saskatchewan, the partnership between the Saskatchewan Workers' Compensation Board (WCB) and the Ministry of Labour Relations and Workplace Safety, has challenged its traditional approach to preventing fatalities and injuries by focusing on industries and occupations that experience a higher number of serious injuries.

From 2010 to 2018, the Saskatchewan WCB accepted 354 fatalities for Saskatchewan workers who died while on, or as a result of, their job. Approximately 2,400 Saskatchewan workers are seriously injured every year, and the province's serious injury rate has remained flat for the past several years.

"From 2010 to 2018, Saskatchewan on average had about 39 workplace fatalities every year. Our province also has roughly 2,400 serious injuries annually, and our new approach looks to tackle both of these complex injury trends as a way to reduce total injuries and the impact of those injuries," says Kevin Mooney, vice-president of prevention and employer services at the WCB.





* 2018 serious injury data is preliminary

For these reasons, WorkSafe launched its three-year Fatalities and Serious Injuries Strategy in December to hone in on the industries and occupations where the majority of fatalities and serious injuries occur.

"We need to better understand the root causes of those injuries," says Mooney.

Asbestos exposure, motor vehicle crashes, firefighter cancer exposure, and falls from heights are among the leading causes of work-related deaths in the province. The serious injury priorities are in the industries of health care, transportation, construction, and manufacturing and also focus on the first responder occupations.

To reduce fatalities and serious injuries, concrete initiatives are already under way including:

- **Improving general asbestos awareness and abatement controls.** From 2010 to 2018, approximately 37 percent of fatalities were from occupational diseases. Of these, asbestos-related cancers and firefighter cancers were the top two. In 2019, WorkSafe raised awareness among residential construction workers on the risks of asbestos exposure.
- **Reducing the risk of motor vehicle crashes.** Motor vehicle crashes are the No. 1 cause of acute-related fatalities. The WCB and SGI (Saskatchewan Government Insurance) compared collision data to determine the contributing factors most likely to cause motor vehicle crashes with injuries or deaths. Gravel, one of the factors, is three times more likely to cause a work-related collision. Saskatchewan Roughrider football player Dan Clark survived a crash on a dirt road and shared his story in a WorkSafe awareness video.
- **Improving firefighter cancer prevention controls.** Between 2010 and 2018, 23 percent of occupational disease fatalities were firefighter cancers. In 2019, WorkSafe partnered with Jim Burneka Jr. of Firefighter Cancer Consultants, who inspected 15 Saskatchewan fire stations to identify ways the stations could step up cancer prevention efforts.
- **Identifying barriers to wearing fall protection.** Falling was the fifth leading cause of workplace fatalities in 2018. Last year, WorkSafe hired a consulting firm to hold focus groups with construction workers, supervisors and safety personnel to better understand the challenges around wearing fall protection. The gaps were channeled into an awareness campaign with the Saskatchewan Construction Safety Association.
- **Coaching health care workers.** From 2010 to 2018, the health care sector accounted for more than 20 percent of the serious injuries provincially. In 2019, WorkSafe trained health care personnel on how to investigate safety incidents through root cause analysis.
- **Identifying the riskiest trucking tasks.** From 2010 to 2018, transportation, couriers, and commercial buses accounted for 7.75 percent of all serious injuries. WorkSafe partnered with the Saskatchewan Trucking Association (STA) and identified 13 tasks that lead to injury most often (moving freight and securing loads are in the top five.) Using this information, the STA developed a training course to help workers perform the tasks more safely.
- **Improving access to mental health resources.** Exposure to traumatic/stressful events is a common cause of serious injury among first responders in cities, towns, villages, rural municipalities, and government ministries. These two rate codes were in the top six rate codes for serious injuries from 2010 to 2018. Working with the Saskatchewan First Responders' Mental Health Committee, WorkSafe helped launch new mental health resources for first responders, their families, and employers, available at www.saskfirstrespondersmentalhealth.ca.
- **Reducing hand injuries.** Hand injuries among Saskatchewan's manufacturing workers account for more than 700 injuries annually. In 2019, WorkSafe identified five manufacturing facilities where the greatest number of serious hand injuries occur. As a start, personal protective equipment (PPE) audits are being planned for these targeted facilities.

Read more about WorkSafe's Fatalities and Serious Injuries Strategy at www.worksafesask.ca/prevention/serious-injuries-and-fatalities/.

WorkSafe Saskatchewan, the partnership between the Saskatchewan WCB and the Ministry of Labour Relations and Workplace Safety, has challenged its traditional approach to fatalities and serious injuries. A three-year Fatalities and Serious Injuries Strategy reflects the complexity of these issues.