AASCIFNEWS

SUMMER ISSUE | 2022

WHAT'S INSIDE

AASCIF
American Association of State Compensation Insurance Funds

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PRESIDENT'S MESSAGE

Hello all,

On behalf of AASCIF and all of our members, I want to express my sincere gratitude to Lanny Hubbard and his entire team at the Montana State Fund for hosting us in Big Sky last month. I can't tell you how impressed I was with the entire event and, in particular, every MSF volunteer. The team was visible, helpful, knowledgeable, and adept at anticipating our needs.

I'd also like to formally welcome Holly O'Dell to the AASCIF family. Holly is taking over for Lanny at the Montana State Fund and some of us were able to meet and welcome her in person in Big Sky. We want to wish Lanny well on his retirement. We're surely going to miss him!

Thanks are also in order to all who took time away from their families and businesses to present and participate at the 2022 Annual Conference. We all took home new connections, insights, and inspiration.

The 2022 Annual Conference is going to be a tough act to follow, but we're nevertheless thrilled to see all of you in Denver for our next conference, scheduled for July 30-August 2nd.

I hope you enjoy the rest of your summer!

Thank you,

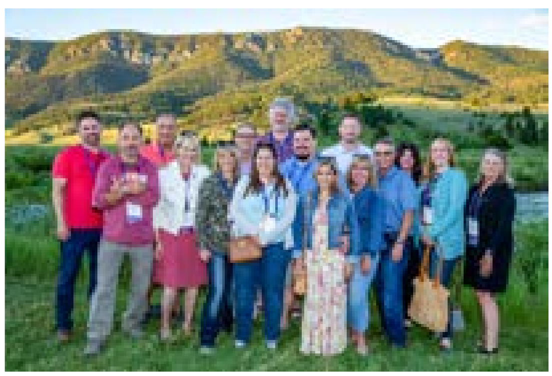
Jason Clark, President & CEO, CompSource Mutual Insurance Company
AASCIF President

FEATURES From AASCIF

AASCIF 2022 ANNUAL CONFERENCE RECAP

By Mary Boyle, Montana State Fund

Montana State Fund was honored to share a special part of our state with the AASCIF members and sponsors who gathered in Big Sky for the 2022 AASCIF Annual Conference. We had a wonderful time seeing old friends and meeting new ones. We would also like to give a big shout out to the MSF volunteers and AASCIF event planning committee of Kristen, Grace, Jessica, Mary Claire, and Sara who worked so hard to organize such a successful event.



AASCIF MEMBERS' STRATEGIES EVOLVE AS INVESTMENT CHALLENGES GROW

By Matthew Reilly, CFA, Managing Director, Institutional Solutions, Conning

Submitted by the AASCIF Finance Committee

The workers' compensation industry and environment for state funds have been challenging and filled with uncertainty in the post-COVID world. Leveraging Conning's proprietary workers' compensation industry insights, we look at AASCIF members' recent performance and examine how investment strategies have adapted.

The past few years have proved a challenging environment for all insurers with risks and uncertainties not seen in decades. AASCIF members have not been immune. The challenges of managing a business through a global pandemic and the accompanying economic drawdown, the continuation of lower interest rates, and now a period marked by high inflation and a range of variables make the future even more difficult to prepare for.

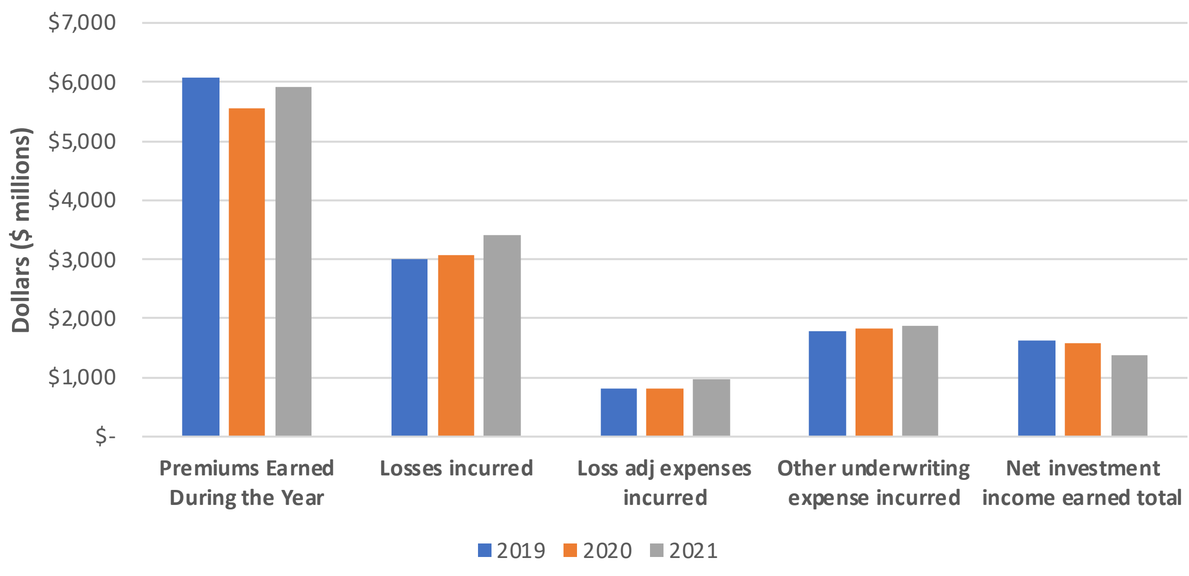
Luckily for AASCIF members, the average RBC ratio at year-end 2019 exceeded 1,090%,[1] providing a strong base for managing amid rising uncertainty. However, operating ratios, which had averaged 88% in 2017–2019, rose to 89% in 2020 and 95% in 2021. It remains to be seen how AASCIF members will fair in 2022, but we are not out of the woods. In this challenging and uncertain environment, AASCIF members need to ensure that their investment strategy appropriately supports operations.

Strong Balance Sheets Amid Challenges

The COVID-19 global pandemic and accompanying economic and financial market conditions proved a challenging environment. Premiums earned for AASCIF members decreased 8% in 2020 due to pandemic-driven shutdowns (see Figure 1). The following year saw premiums rebound, but still not to 2019 levels. The other top-line components of investment income continued to be challenged. Decreasing book yields and portfolio earnings were not a new phenomenon facing AASCIF members, but the level of that stress was unprecedented. In the wake of easing global monetary policy, declining long-term interest rates, and global growth grinding to a halt, the 10-year treasury spent most of 2020 below 1%. As illustrated in the far-right column of Figure 1, investment income fell modestly in 2020—3%—but fell another 13% in 2021 to only $1.37 billion.

[1]For this number, and in the rest of the piece when we quote statistics and analytics about AASCIF members, it excludes certain members. This is due to irregularity in their reporting relative to other members. These members include Alberta, British Columbia, Washington, New York, and Ohio.

Figure 1 AASCIF Consolidated Performance, 2019–2021



Prepared by Conning, Inc. Source: Copyright 2022 S&P Global Market Intelligence.

Meanwhile, losses and expenses were on an upward trend. Losses grew 2% in 2020, with less economic activity reducing overall loss exposure. However, as the economy reopened more meaningfully in 2021, losses grew 11% to $3.4 billion. Meanwhile, policies became more expensive to underwrite and claims more expensive to process. LAE grew 20% from 2019 to 2021, closing the year just shy of $1 billion, and underwriting expenses grew 5% over the same period to end at $1.9 billion. In the face of historic inflation, the growth in these numbers is not likely to subside over the near term as costs for handling claims and underwriting new business for many continue to increase (with labor being a major factor). While this has been challenging and losses have mounted, the overall health and balance sheets of AASCIF members remain strong (the average RBC ratio at year-end 2021 was 1092%).

Trading Liquidity for Yield Potential

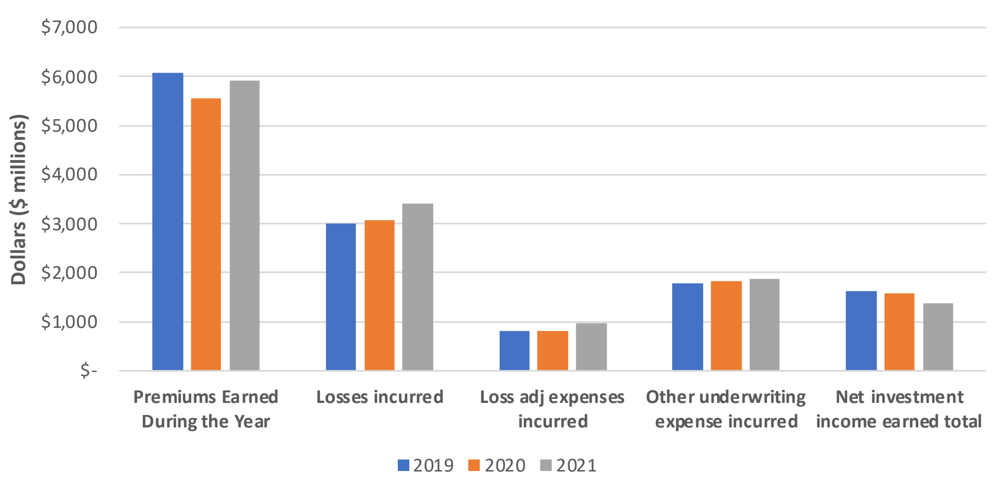
Increased losses and volatility arising from insurance operations have stressed the profitability of AASCIF members post-pandemic. Falling interest rates continue to stress earned investment income. Given these factors, AASCIF members—and really all insurers—need to reflect, reassess, and react to ensure their investment strategy is appropriately supporting their business models.

In isolation, it appears that AASCIF members increased their investment risk between 2019 and 2021. As illustrated in Figure 2, NAIC 1 (AAA-, AA-, and A-rated bonds) allocations on average fell by 4% from year-end 2019. This was paired with increases in NAIC 2 (BBB-rated) bonds of 2%, and 1% increases in both stock and schedule BA assets (traditionally these are alternatives, such as private equity and hedge funds). However, these changes are consistent when compared with the P&C industry overall. Both AASCIF members and the P&C industry decreased allocations to bonds rated AAA-A by 5% and increased their combined allocation to stocks and alternatives by 2% and 3%, respectively.

Most of these moves are quite easy to explain. Increased allocations to equities reflect the strong equity market performance in 2020 and 2021 rather than an increase in marginal reinvestment allocations to equities. The increase in BBBs has been a nearly decade-long trend and was exacerbated by the TCJA in 2017,[2] as insurers looked to combat lower reinvestment yields from higher-rated bonds. AASCIF members should understand that the asset-allocation changes they made over the past few years have not added undue risk and are well-aligned with broader industry trends.

After analyzing allocations over the past few years, the changing mix of portfolios from public to private bonds stood

Figure 2. Asset Allocation – 2019 and 2021[3]



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[2]The TCJA (Tax Cut and Jobs Act) of 2017 reduced the attractiveness of high-quality tax-exempt municipals for taxable insurance entities.

[3]Miscellaneous investments include Preferred Stock, Securities Lending Collateral, Mortgage Loans, Agg Write-ins, Investment Real Estate, Contract Loans, Owner Occupied Real Estate, Derivatives

above the rest. For AASCIF members, the broader workers' compensation industry, and the total P&C industry allocations to public bonds decreased, while allocations to less liquid 144A and private placements increased. Among AASCIF members, allocations to 144A and privates grew 10% and 1%, respectively. The shifts for the other groups were also significant (see Figure 3).

This shift to less liquid securities provides investors with potentially additional yield. Private placements—still a small part of allocations—offer potentially higher yields in exchange for a less liquid investment. CLOs and many esoteric structured securities would fall into the 144A bucket and have over the past few years provided a yield premium for investors. The overall increase in these assets illustrates how AASCIF members are modifying their investment strategies and, in Conning's view, demonstrates their greater confidence in understanding cash flow and liquidity profiles to make better use of less liquid investments.

The Inflation Headwind

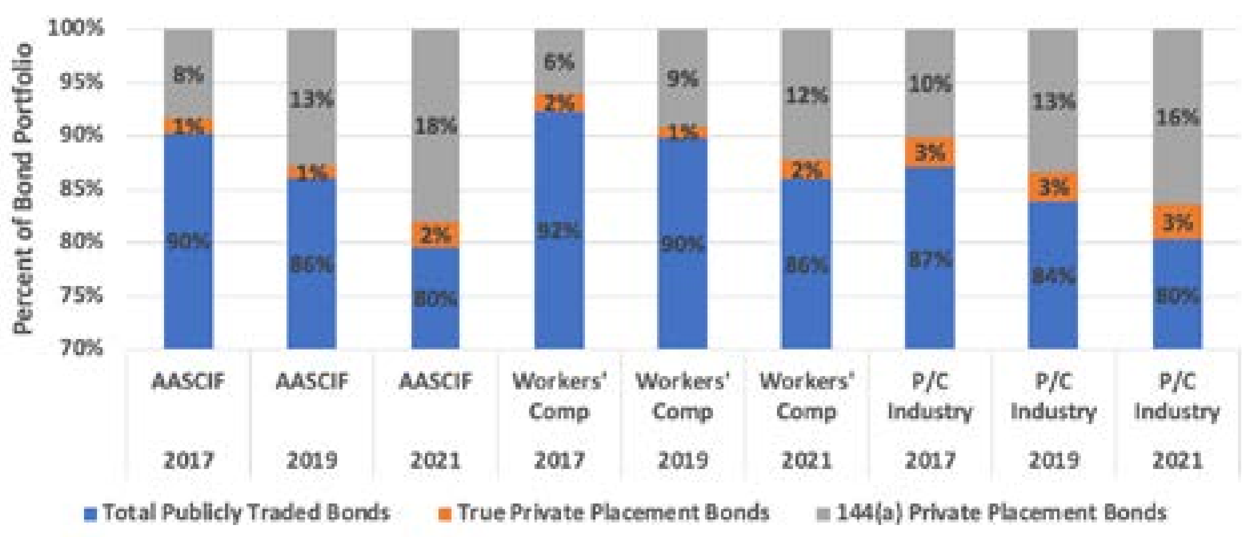
As 2022 progresses, AASCIF members will need to battle historic levels of inflation, which can hurt insurers in many ways. Inflation impacts the real (adjusted for inflation) values of the portfolio, future income, and portfolio returns. The impact on liabilities can be more complex, and it can have greater effects on the workers' compensation industry and others who insure longer tail risk.

In higher inflationary environments, expenses for insurance operations and claims increase more than expected, resulting in lower income in the current period. Insurance carriers can mitigate this somewhat by repricing their policies for higher expenses and claims costs. For prior losses, insurers carry reserves and as future prices rise, the amount reserved for these losses might be inadequate. In such a case, an insurer may need to increase reserves for prior-loss periods.

Workers' compensation, with its longer payout patterns and claims process, is more susceptible to inflationary pressures. The increased length of payouts and uncertainty over future claims expose insurers to a meaningfully higher risk of underestimating current claims costs and, in an inflationary environment, these impacts can be exacerbated.

Investment portfolios are also affected as real (inflation-adjusted) values of holdings decrease, future investment income is worth less, and yields rise.

Figure 3. Allocations of Public, 144A, and Private Bonds



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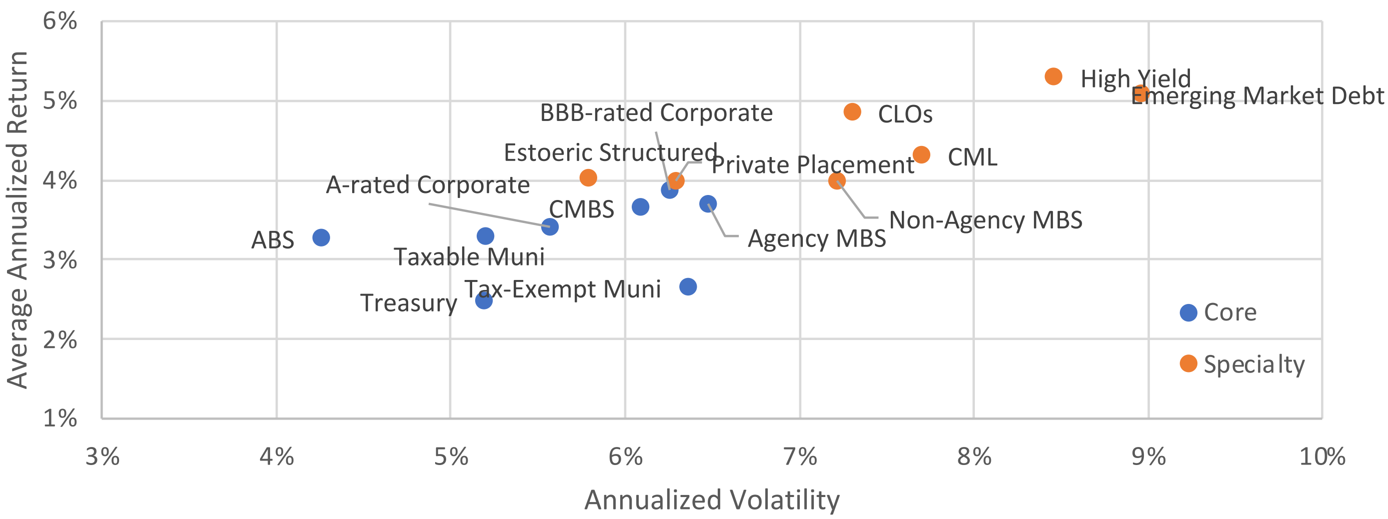
Building on Lessons Learned

While markets may have moved on from the low-interest rates and lower volatility of the past years, we expect that AASCIF members will look to build on the lessons they have learned in managing their investment strategies. The low-rate environment led many insurers to pursue new investment strategies to offset meager yields and the trend of pursuing different risk premiums for the portfolio, such as the illiquidity premium, is one we expect to continue.

As discussed earlier, two of the more noticeable trends among AASCIF members were the shift from investment-grade bonds to equities and alternatives and the growth of less-liquid bond holdings. Now that AASCIF members have done their diligence and built allocations to these areas in the portfolio, we would expect this trend to continue.

One reason why is pictured in Figure 4, which charts out expected annual returns and volatility over the next five years. The orange dots represent specialty fixed income (investments such as private placements, commercial mortgage loans, CLOs, etc.) and the blue represent traditional core fixed income sectors. The average return across specialty relative to core provides an additional 70 basis points per year, a meaningful gain over the expected 2–4% core yields. While higher overall expected yields and returns might slow the rate at which investors move into these areas, it will not likely end it.

Figure 4. Expected Annual Returns and Volatility Over the Next 5 Years



Prepared by Conning, Inc. Source: Conning Inc.'s GEMS® Economic Scenario Generator.

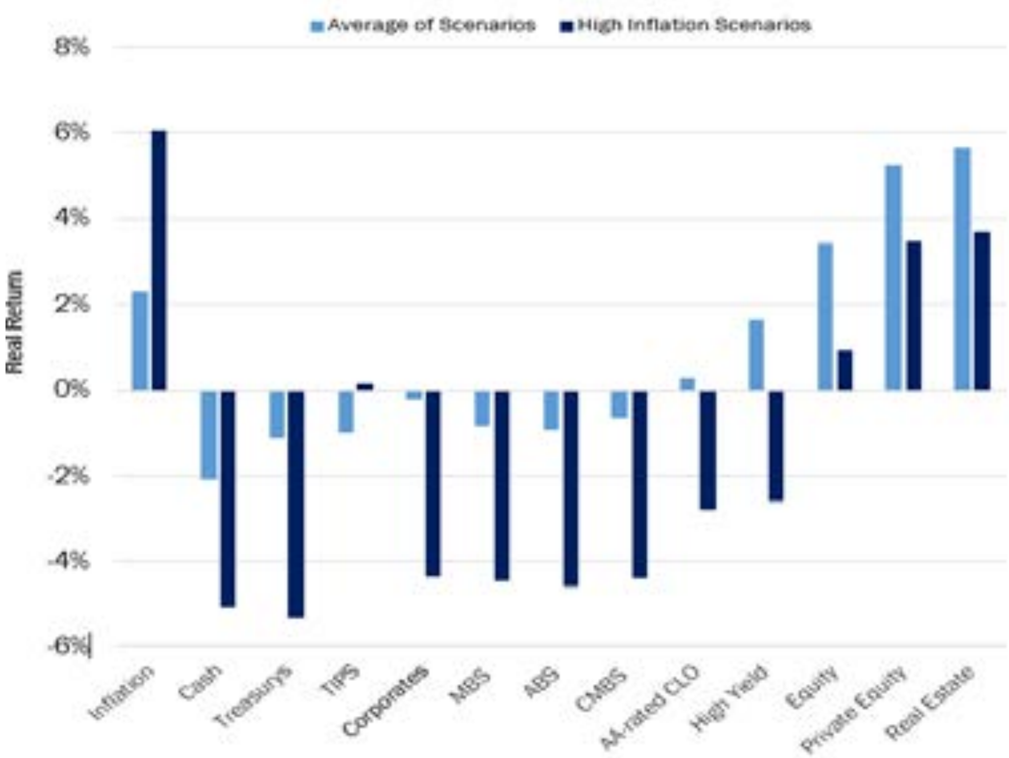
We also expect a larger focus on risk factors that have not been prominent recently. Inflation is front of mind today, but if we experience an economic slowdown perhaps default risk will consume more bandwidth. In the near term, we might expect to see AASCIF members look to better understand their specific inflation risk and look to investments that might provide some hedge in higher inflationary environments. Figure 5 looks at simulated real returns across a range of investments in average inflation (i.e., close to the U.S. Federal Reserve's long-term target) and higher inflationary scenarios.

All investments, excluding treasury inflation-protected securities (TIPS) which provide a meager positive real return, fare worse in the higher inflation scenarios. Those investments with initially larger real returns, such as equities, tend to maintain their advantage, but the magnitude of shifts in returns varied. While CLOs fare better than their fixed coupon peers, the change in returns varies. Equity exposures and real estate, while also negatively affected, fared better than non-TIPS fixed income sectors as they can adjust pricing with higher rates of inflation.

Value of a Long-Term Strategy

While some of these investments and others may be part of a solution for a resilient portfolio, none in isolation can replace a long-term successful strategy tested across a range of economic environments. As AASCIF members look to combat the challenges of 2022, a thorough analysis of stressed market conditions and the associated range of outcomes is critical to ensuring their enterprise is prepared to achieve its goals across a range of environments.

Figure 5. Simulated Real Returns – Average Inflation Versus High Inflation Scenarios



Prepared by Conning, Inc. Source: Conning Inc.'s GEMS® Economic Scenario Generator.

Disclosures

The efficient frontier was created using Conning's GEMS® Economic Scenario Generator. Projections of future values are based on forward-looking assumptions about investment performance and insurance results developed by Conning. Although our assumptions are based on information from reliable sources, we do not guarantee their accuracy or completeness. Assumptions are based in part on historical economic, investment and insurance market data. Past performance may not be indicative of future results. Therefore, no one should assume that the future performance of any specific investment, investment strategy or product, or any insurance company, composite or line of business, made reference to directly or indirectly, will necessarily resemble the indicated performance levels in our models. Model output and recommended investment strategies and portfolios are used to illustrate Conning's approach to insurance asset management. These were developed using publicly available data. It is not intended that any recommendations be implemented without preparing an updated strategic asset allocation analysis, incorporating private company information.

Unless noted otherwise, all data is per S&P Global Market Intelligence.

Additional Source Information

CHANGE MANAGEMENT: A TALE OF TWO COMPANIES

Written by Amy Mayer, Workforce Safety and Insurance, and Tami Johnson, SAIF Corporation

Submitted by the AASCIF IT Committee

Tell us the story of change management at your organization.

WSI: North Dakota Workforce Safety & Insurance (WSI) is undergoing a multi-year program to replace core policy and claims management applications. This is a very large undertaking, and every product release impacts every WSI team member and our external customers. During the first five years of the project, change management was managed from a project management perspective. This included communications through articles on WSI's intranet, emails, demos of functionality to departments, even those not impacted by the change. The change management efforts were led by the project manager or communications director. In the fall of 2020, the State of North Dakota started a formal process for change management. Many of the project team members attended training and learned how to strategically implement change management into WSI's project.

SAIF: We also have been transforming our core systems from completely custom, in-house applications to packaged solutions. Initially, we treated change management as a function of project management. We didn't really call it "change management." We called it "communication" and created a plan for communicating with the impacted stakeholders. Depending on the project and stakeholders, the communication strategy could vary, from emails and articles to roadshows at team meetings. We focused on system-level changes and the immediate impact to desk-level procedures.

As we moved into our strategy, it was evident we needed more than a communication plan. We weren't just moving our employees' cheese; we were changing the maze and changing from cheese to pasta. Change management as a separate practice offered a way to navigate the people side of a change, while the project management practice focused on the technical (systems and procedures) side of change.

What was your goal for change management?

WSI: The main goal of WSI's change management strategy is to effectively communicate to stakeholders the change being implemented and the impact. Before the state started implementing change management, there was a struggle to identify who would be impacted by the product changes. We now have a mechanism to identify who is impacted and how they are impacted in each release. There were many times the question was asked: "What's in it for me?" We now have a better way to answer that question.

SAIF: We had two goals. First, awareness of change management as its own practice, separate from project management. We wanted to provide education for the company and for project team members about change management, the need for it, and the value it could bring.

The second goal was to implement change management practices to ensure the success of the specific project. We were implementing Guidewire's Policy and Billing Centers to replace legacy systems we had spent over 20 years customizing. The project would be multi-year, impacting multiple business areas with a mixture of tenured and new employees. This was a huge shift for us at SAIF, not only in IT for our employees, but for our partners, as well.

How did you start?

WSI: About five years into the system replacement program, the State of North Dakota launched a change management initiative in partnership with Prosci Inc. Several WSI team members, including business analysts, project managers, and application developer managers, were trained in the Prosci methodology for change management. Those trained began to introduce elements of the change management methodology in small bits when an opportunity arose in the release cycle. Fundamentals of change management training was taking place statewide, and it was highly encouraged for all project team members, as well as the whole agency.

With the kick-off of a new release, WSI was able to imbed a change manager within the project team. The change manager works alongside the project manager, communications director, and project sponsor to coordinate change management efforts. The knowledge and tools from the Prosci methodology, paired with a dedicated change manager, allows the project team to identify the impacted departments and how to communicate to each of them. Improved identification of the impacted groups allows the business representatives to tailor communications for their respective division. A series of new articles is being shared agencywide to give employees knowledge of what changes are coming at the time of go-live.

SAIF: We started with a single project (replacing our policy and billing systems), rather than developing a change management office or a team that sat organizationally outside the project team. That project had a change manager and a business transition team dedicated to bringing change management practices into the project. The team was small, with managers and supervisors from impacted business areas. This team had a seat at the table with executive sponsors, program sponsors, and project leadership. Several of the team members were trained in the Prosci method of change management.

What challenges did you encounter?

WSI: As with anything new, there was lack of knowledge about change management and education was a priority. A challenge we faced was team members taking time away from the project and daily responsibilities to gain knowledge. This challenge was met with easy access to eLearnings to build understanding of change management. Specific to the project, a focus was placed on more communication, built on the foundation of change management, of answering the "why." Articles were posted on WSI's intranet and information was shared outside the technology change that was taking place. This helped people overcome the challenge and resistance to the system change taking place which impacted their work.

SAIF: Similar to WSI's experience, we had to educate the company on what change management is and why we needed it. Employees saw the embrace of change management and the projects we were working on as two distinct changes. The other challenge was learning as we were leading.

Talk about your successes.

WSI: Since WSI's system replacement program is a multi-year program, we were able to look at what successes and areas of improvement we had had before change management and build on that with the Prosci methodology. It was eye opening that a lot of the techniques and roles were already being used by project leaders. We were able to marry what was being done with a more formal process.

A big success was getting people trained in change management and this came in many forms. There were news articles shared on WSI's intranet, training opportunities from the state, discussions at department meetings, and an FTE position created at WSI to manage change.

WSI is still growing and feeding the change management process into the system replacement project and small-scale projects. Using the tools and adding a change manager to the project team, it's been easier to have discussions about new and upcoming changes taking place. With the ongoing training, everyone can speak the same language.

SAIF: We have several. For our policy and billing project, everyone knew it was coming and why we had to change. Even if a few employees didn't like it, they understood why we were doing it.

Employees are also thinking about change management as we tackle new changes. The process of change management is expected. In fact, just this year, SAIF hired a director of project and change management for the enterprise. That would not have been considered a decade ago.

Most projects now include the role of change manager. Based on the project, that role will be either a dedicated position or part of a broader role. The role of change manager though is clearly acknowledged and assigned, with distinct deliverables on par with any other project deliverable. In some cases, change management is considered a workstream in the same way we have an integration or configuration workstream. Then, the change manager and a team are assigned to facilitate and manage the change.

Applying change management practices to subsequent projects has been easier. Change is such an individual thing, and organizational change requires change from many individuals. So, we approach each opportunity for change management as brand new, using lessons learned from previous experiences to build the best experience for a particular change.

In terms of a specific activity, the "preferred sender" technique really helped us as an organization with change management. Prosci has done research showing that employees prefer to hear messages from the sponsor of the change and from their immediate supervisor. We use the sponsors of the change for those messages about why we are doing the change and immediate supervisors for messages about the personal impact of the change. Preparing the supervisors to deliver project messages allows the project team to "practice" change management with the supervisors before going to the team member level.

Final thoughts?

IT projects introduce change, and for a project to be successful, that change needs to be managed. Both our companies found that using a proven change management methodology helped us introduce change management as a practice and provided the tools our projects needed to succeed on the people side of change. Focusing on the people as much as the technical side of a project, while it's messy in the middle, ultimately brings value.

HOW TO MANAGE THE RISKS OF USING ARTIFICIAL INTELLIGENCE

By Kelly Lutinski, Chief Risk Officer, Pinnacol

Submitted by the AASCIF ERM Committee

Artificial Intelligence (AI) is the ability for a computer to do tasks typically done by humans because the tasks traditionally required human intelligence. In general, AI systems work by intaking large amounts of data and analyzing the data for patterns and relationships with the goal of predicting an outcome. Think about your smart phone converting the spoken word into text, a chatbot answering text questions posed to them, or Amazon letting you know what else you may want to purchase based on what other customers purchased. All of these are and can be performed by humans. Benefits of AI are the time taken to perform these tasks is reduced, results are more consistent, and the systems are always available (e.g., virtual agent). Detriments to using AI is it can be expensive, it requires strong technical expertise, and it's only as good (or bad) as the data it ingests.

In the insurance industry, AI is starting to be used more extensively. It is changing the way insurance is purchased, delivered, and experienced. It is streamlining and accelerating claims processing, helping to detect and prevent insurance fraud, enhancing customer pricing, and driving operational efficiencies. It is not a matter of IF AI should be implemented at your organization, it is a matter of WHEN and HOW to implement and maintain AI without taking on unknown risks.

Yes, there are risks in implementing AI, but they are not so overwhelming that they should impede the implementation of AI solutions. The rewards can far exceed the risks if implemented correctly.

Risks in implementing AI can include:

- Data quality impacting outputs/results
- The AI model is developed in a way that is not consistent with its original purpose
- Data collection, processing, and storage is not in compliance with laws and regulations
- The AI model is put into production before it is adequately tested

The above risks represent the impact to the final AI models. There are ancillary risks that result in the above risks manifesting, such as a lack of technical expertise and/or the model function is not amended to changing business requirements. Keep these types of risks in mind as you move forward with your AI model development. Additionally, it should be noted these risks don't just apply to internally developed models, but also can occur with third-party models.

In July 2022, The National Association of Insurance Commissioners (NAIC) adopted principles for AI that were developed by the NAIC's Artificial Intelligence Working Group (now called the Big Data and Artificial Intelligence Working Group). While the principles do not have the effect of law, they do set out expectations the regulators have for insurers using AI. As summarized by the NAIC, the principles include expectations that models developed are:

- **Fair and ethical:** Respecting the rule of law and implementing trustworthy solutions.
- **Accountable:** Responsibility for the creation, implementation, and impacts of any AI systems.
- **Compliant:** Have knowledge and resources in place to comply with all applicable insurance laws and regulations.
- **Transparent:** Commitment to responsible disclosures regarding AI systems to relevant stakeholders, as well as ability to inquire about and review AI driven insurance decisions.
- **Safe/Secure/Robust:** Ensure reasonable level of traceability of datasets, processes, and decisions made and implementation of a systematic risk management process to detect and correct risks associated with privacy, digital security, and unfair discrimination.

The Big Data and Artificial Intelligence Working Group continues to analyze the ways the insurance industry works to detect and mitigate for bias in AI activity. Expect additional direction/requirements to come from them in the next few years.

Now that you have an understanding of the risks and the expectations of the NAIC, how do you reduce your AI risks to a level that is in alignment with your risk appetite? At the 2022 AASCIF conference (which was great, thank you Montana State Fund!), Ernst & Young presented on AI risks and risk mitigation activities. The speaker provided broad guidance on how to reduce AI risks. The most important risk mitigation activity mentioned is to develop a strong governance framework, which would include an AI risk assessment and the creation of an AI Center of Excellence (COE). The AI COE would guide the teams as they develop, test, and ultimately place the model in production.

The AI COE should be a cross-functional team. The team should have business knowledge, technical expertise in model development, and skills in data validation, laws and regulations, stress testing, and code of conduct.

In summary, the implementation and maintenance of AI has model risk, data risk, third party risk, technology risk, legal/regulatory risk, and operational risk. Developing the appropriate governance framework through an AI COE and closely collaborating with model developers reduces all of the risks mentioned.

For further information, please visit the AASCIF website and the EY presentation (Track Session 2 from 9:45 am–10:45 am on Tuesday).

SAFETY SERVICES WORKING WITH UNDERWRITING TO MITIGATE NEW HIRE LOSS TRENDING

By *Timothy B. Wilson, Safety and Risk Services Regional Manager,* Missouri Employers Mutual

Submitted by the AASCIF Policyholder Services and Underwriting Committee

The unique relationship between underwriting and safety services has long been understood as a cornerstone of doing profitable and ethically sound business in the workers' compensation arena. A common expression used to convey the evaluation services provided by the latter is "safety services are the eyes and ears of underwriting," but when this relationship is optimized and leveraged you can move beyond just risk evaluation and selection and delve into risk improvement. In essence, safety services can be far more than just the sensory organs of underwriting, but also the arms and legs. Thus, fostering positive change amongst the policyholders and improving the risk profile of the organization's book of business.

The focus of this article, mitigating new hire injuries, provides an excellent example of how safety services can not only provide underwriting with valuable information needed to make the most informed business decisions possible, but also how they can collaborate to reduce exposure to this ubiquitous source of significant losses.

The frequency and severity of new hire injuries combine to form one of the scourges of our industry. Perform a loss analysis for any AASCIF organization and this will be demonstrated to be true. For example, at Missouri Employers Mutual between 2012 and June 2022 injured workers with less than one year of tenure accounted for 34% of claim frequency and 33.7% of severity, while those with three or fewer years of tenure accounted for 55% of frequency and 53.3% of severity. So how can safety services and underwriting work together to reduce new hire injuries and improve your organization's risk profile? The answer can be found in the opening paragraph and centers on the synergy of a two-pronged approach, emphasizing informed risk evaluation and selection while providing strategic Risk Improvement measures, programs, and strategies.

Risk Evaluation & Selection

The importance of onsite evaluation of risk by a safety and health consultant is of vital importance to ensure underwriters are equipped with quality, relevant, and timely information. In essence, safety services, as the "eyes and ears," paint a picture of the risk. The more brush strokes provided, the clearer the picture becomes, and the more informed the underwriters' decisions can be.

Often these evaluations take the form of a risk assessment. The significance of new hire loss trending dictates the need for risk assessments to evaluate the risk's applicant vetting, as well as new hire orientation/onboarding processes. Both will be further detailed below. For now, suffice it to say that employee selection and training are key components to minimizing new hire injuries.

During the evaluation process, deficiencies will often be noted. When those deficiencies are significant, it is incumbent on the safety and health consultant to generate, communicate, and follow up on recommendations. These recommendations may be issued in support of a service plan or as stand-alone tactics to encourage mitigation of uncontrolled risk. During this process, the safety and health consultant should clearly communicate to underwriting the likelihood and expected timing of compliance, as these are key pieces of information to be weighed in the balance until the final status of the recommendation can be determined.

The safety and health consultant should also be apprised of industry specific staffing challenges and be prepared to evaluate and document how a risk is adapting to said challenges. Two examples relevant to new hire loss trending would be the current shortage of quality drivers in the transportation industry and the classic issue of residential roofing companies claiming that they would have no employees if they started drug testing. The informed consultant will be prepared when they encounter these situations and be able to inform the underwriter while laying out avenues of risk improvement for the insured.

Risk Improvement

The old saying that "you can insure a burning building with enough premium" holds a measure of truth, but the ethical insurer is not satisfied with the pricing solution alone. Instead, they challenge themselves with risk improvement. If safety services are the eyes and ears of underwriting in the risk evaluation process, then they are the arms and legs when charged with improving the risk that an insured brings to the book of business.

When attempting to minimize the probability and severity of new hire injuries, the safety and health consultant should always start from a position of knowledge and understanding of the risk. In other words, evaluation is the most effective starting point for safety service. During the evaluation process, the consultant should give special attention to some basic new hire specific strategies, such as applicant vetting, new hire training, new hire monitoring, and enforcement of safety policy. As noted above, significant deficiencies in any of these areas provide opportunities to springboard into service via recommendations and/or a service plan designed to rectify the deficiency at hand. Controls often employed to combat new hire losses include:

Applicant Vetting

- Workers' Compensation Records Check (if allowed in your state)
- Post Offer Employment Testing (POET)—Designed to determine if an applicant is physically capable of performing the job.
- Drug & Alcohol Testing
- Behavior Based Testing—Third party testing services that focus on identifying applicants with behavioral traits that are counterproductive to the insured's goals (safety compliance, productivity, lower turnover, reduced theft).

New Hire Training

- Provided and documented prior to initial assignment and should comprehensively address all safety expectations of the position.
- Refresher training provided and documented at regular intervals during the first 6–8 months of employment with annual follow-up training provided thereafter.

New Hire Monitoring & Enforcement of Safety Policy

- Coworkers, supervisors, and management should be tasked with modeling safe behaviors, knowing who the new hires are, and making regular observations to ensure safe behaviors are being employed. If unsafe behaviors are observed, this should be addressed immediately.
- It is not uncommon for new hires to wear distinguishing clothing that makes them easily identifiable, thus more easily monitored.
- New hires should have regular debriefings with their supervisor to review basic competencies and safety observations while providing both positive and negative feedback.

Each of these controls, if not effectively in place, may be developed into a recommendation and/or customized service plan by the safety and health consultant. Throughout this process, communication between safety services and underwriting is paramount and the consultant needs to be very careful and deliberate with the language they use to minimize the likelihood of erroneous interpretations. For example, a recommendation to an insured that is fully committed to effectively mitigating the exposure is a very different risk than the insured that reluctantly complies. Both may be marked as complied but only one is invested in the change and likely to maintain it in the long term.

Mitigating the new hire injury epidemic will take a concerted and collaborative effort that employs not only informed underwriting and pricing strategies, but also risk improvement at the individual policyholder level fostered by skilled safety consultation. For this to happen, both departments need to be committed to effective collaboration, communication, and continual improvement.

U.S. REAL ESTATE AND INFLATION: BACK TO THE FUTURE?

DWS is the sponsor of AASCIF's Finance & Investment Track.

By Kevin White, CFA, Global Co-Head of Real Estate Research, DWS

In a Nutshell:

- Today's macro environment, featuring war, energy shocks, high inflation, and rising interest rates, is reminiscent of the 1970s, in our view.
- History suggests that real estate should perform relatively well as an inflation hedge.
- However, rising interest rates could rattle markets and impair valuations of some sectors and assets.

Just two years after the onset of COVID, the U.S. has jumped from the proverbial frying pan into the fire. Pandemic restrictions have been lifted and the economy has largely recovered. But fiscal and monetary remedies, tight labor markets, stretched supply chains, and now war in Europe have pushed inflation to a 40-year high.[1] The Federal Reserve, which in late-2021 characterized inflation as "transitory," has responded with interest rate hikes and signaled many more to come, as well as a runoff of its bloated balance sheet.[2] Long-term rates have dutifully jumped, although not enough to prevent a flattening of the yield curve, signaling a potential economic slowdown ahead.[3]

The rapidly shifting financial environment may seem unprecedented to most practicing investors. But, we have been here before. Indeed, recent events are reminiscent of another tumultuous period in U.S. economic history: the "stagflation" of the 1970s and early-1980s (see Exhibit 1). From 1970 to 1984, America experienced war (Vietnam, ending in 1975), monetary laxity (after the Gold Standard was abandoned in 1971), two oil shocks (1973 and 1979), spiraling inflation (peaking at 15% in 1980), and surging interest rates (10-year Treasuries topped 15% in 1981). Economic growth, though reasonably buoyant overall (averaging 3% annually), was extraordinarily volatile: the period saw four recessions, averaging one every three years, compared with one every nine years in the four decades since.

The analogy is not perfect. The U.S. was arguably more vulnerable to inflation back then: the economy's energy intensity and union membership were more than double what they are today.[6] After 30 years of relative price stability, businesses and workers may be deeply conditioned to expect more of the same, reducing the risk of a wage-price spiral. It is also possible that the Federal Reserve will act more quickly and forcefully to reduce demand, or that geopolitical and other catalysts will abate on their own. But as Mark Twain is reputed to have said, "History does not repeat itself, but it often rhymes." It is in this spirit that we look to the 1970s for clues about what to expect from real estate in the coming years.

The good news is that despite war, inflation, high interest rates, and economic volatility, the 1970s were quite good for U.S. commercial real estate (see Exhibit 2). History shows that price corrections have always been triggered by recessions (although their magnitude have been influenced by other factors, such as

EXHIBIT 1: INFLATION AND RECESSIONS

Source(s): U.S. Bureau of Labor Statistics (CPI); NBER (recessions) as of April 2022

[1]Bureau of Labor Statistics. As of April 2022.

[2]FOMC Statements. November 2, 2021 and March 16, 2022.

[3]Federal Reserve (yield curve). As of April 2022.

[4]Bureau of Labor Statistics (consumer price index); Federal Reserve (10-year Treasury yield). As of April 2022.

[5]Bureau of Economic Analysis (GDP); National Bureau of Economic Research (recessions). As of April 2022.

[6]U.S. Energy Information Administration (energy intensity); Bureau of Labor Statistics (union membership). As of December 2021.

supply and financial conditions).[7] Yet the reverse has not always been true: not all recessions have caused prices to fall. Before the COVID recession, which might have passed too quickly to register in real estate valuations, the notable exceptions were the three recessions of the 1970s and early 1980s. True, real estate eventually capitulated after the second leg of the 1980s "double-dip." But the pullback was mild: 3.5%, only a tenth of the Global Financial Crisis (GFC) slump.[8] From 1970 to 1984, real estate prices increased 8% annually, double the average of the past 35 years.[9] Cap rates are not available for most of the 1970s, but assuming they were roughly in line with 1980 levels (8%), total returns would have averaged about 15% annually from 1970–1984, compared with 9% for large-cap stocks and 7% for long-term Treasuries.[10] On the residential side, growth in single-family home prices remained positive throughout, even as fixed-rate mortgage rates pierced 18% in 1981.[11]

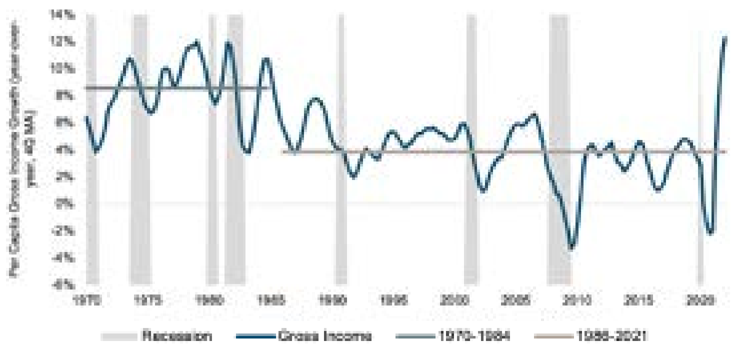
How could real estate prove so resilient? The historical record does not provide visibility into underlying dynamics, such as vacancies, rents, or cap rates. However, it is possible to draw inferences based on theory and economic circumstances at the time.

EXHIBIT 2: COMMERCIAL REAL ESTATE PRICES AND RECESSIONS

Source: Federal Reserve (commercial real estate prices); NBER (recessions). As of March 2022.

First, per capita incomes increased sharply; they oscillated around recessions, but averaged 8.6% annually over 15 years (see Exhibit 3).[12] Although this may seem counterintuitive given the turbulent economy (the unemployment rate increased from 3.9% in 1970 to 10.8% in 1982), it was inherent to systemic inflation: while many people were out of work, the lucky ones who were employed won sizeable pay hikes, both driving (due to higher costs) and allowing (because of higher household incomes) companies to increase prices.[13] Rising revenue and wages may have lifted commercial and residential renters' ability and willingness to pay higher rents.

EXHIBIT 3: PER CAPITAL INCOME GROWTH



Source: U.S. Bureau of Economic Analysis (national income); U.S. Census Bureau (population estimates); NBER (recessions). As of March 2022.

Second, inflation pushed up construction costs (see Exhibit 4). Interestingly, commercial and residential development progressed at a healthy pace (averaging about 1.5% of GDP from 1970–1984, compared with 1.0% in 2021).[14] However, new projects surely demanded higher rents to compensate for rising costs, which renters were willing and able to absorb as incomes increased. It would be reasonable to assume that higher market rents and replacement costs lifted the values of existing assets.

[7]Federal Reserve (commercial real estate prices); National Bureau of Economic Research (recessions). As of March 2022.

[8]Federal Reserve (commercial real estate prices). As of March 2022.

[9]Federal Reserve (commercial real estate prices). As of March 2022.

[10]Ibbotson SBBI US Large Cap Stocks (large cap stocks); Ibbotson SBBI US Long-term (20-Year) Government Bonds (Treasuries). As of March 2022.

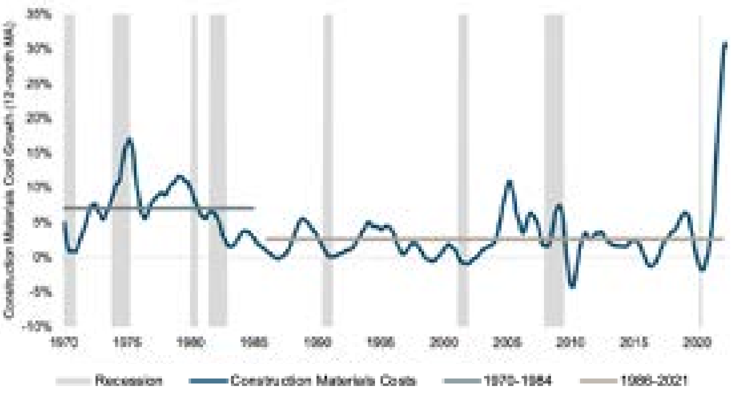
[11]National Association of Realtors (median single-family home prices); Freddie Mac (30-year Fixed Rate Mortgage). As of March 2022.

[12]Bureau of Economic Analysis (income growth). As of March 2022.

[13]Bureau of Labor Statistics (unemployment rate). As of March 2022.

[14]Bureau of Economic Analysis. As of March 2022.

EXHIBIT 4: CONSTRUCTION MATERIALS PRICES



Source: U.S. Bureau of Labor Statistics (PPI); NBER (recessions). As of March 2022.

But what about cap rates? Evidence is limited, but the earliest data suggests that real estate yields averaged 8% in 1981 at a time when yields on 10-year Treasuries were 15%.[15] Why would investors accept a lower yield on property, subject to leasing and other risks, than on liquid, "risk-free" government bonds? The reason is straightforward: whereas Treasury coupons and principal were fixed, real estate rents and values were not. In theory, cap rates are a function of interest rates (+), a risk premium (+), and expected rent growth (-). Investors might have calculated that high interest rates were a corollary to high inflation, which would feed into stronger rent growth—neutralizing any upward pressure on cap rates.

The economic landscape today betrays striking parallels to the 1970s. Per capita income and average wages increased 8% and 6% year-over-year, respectively, in March 2022.[16] The cost of construction materials jumped nearly 18% year-over-year in April and were up nearly 50% since pre-COVID. [17] Interest rates are low but rising quickly. The economy is strong—unemployment is near pre-crisis lows—yet a flat yield curve hints at potential volatility ahead.

Investment advisors caution that "past performance does not guarantee future results." It is unlikely that the 2020s will mirror every twist and turn of the 1970s. Moreover, real estate's apparent resilience should be taken in perspective. Price gains from 1970 to 1984 were less impressive after adjusting for inflation: values barely increased in real terms.[18]

Finally, although index numbers are comforting, they obscure vulnerabilities beneath the surface. In the coming years, real estate may be prized more for its inflationary growth than for its yield, particularly if interest rates eclipse cap rates. This shift in financial profile may create instability, as investors with different risk and return objectives, as well as financing structures, react differently to this apparent trade-off. Moreover, if real estate's resilience is predicated on its ability to generate higher rents, what will happen to buildings occupied on long-term leases at fixed (or nearly fixed) rental rates? And if the next decade is marked by economic volatility, could more frequent recessions undermine occupancies? In short, Inflation 2.0 could bring as many tailwinds as headwinds, but that could still make for a bumpy ride.

[15] NCREIF (cap rate); Federal Reserve (10-year Treasury yield). A of March 2022.

[16] Bureau of Economic Analysis (income); Atlanta Fed (wages). As of March 2022.

[17] Bureau of Labor Statistics (construction materials price). As of April 2022.

[18] Federal Reserve (commercial real estate price); Bureau of Labor Statistics (consumer price index). As of March 2022.

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AROUND AASCIF

COLORADO

Pinnacol Welcomes Celia Dietrich to Board of Directors

Pinnacol welcomes [Celia Dietrich] to its [board of directors] upon her appointment by Gov. Jared Polis. Her appointment is contingent upon approval by the Colorado Senate once the General Assembly reconvenes in 2023.

Pinnacol Named to Ward's 50 List of Top Insurance Providers for Fifth Consecutive Year

For the fifth consecutive year, Pinnacol was included on Ward's 50® list of best-performing property and casualty insurance companies in the United States, selected by benchmarking analysts at Aon. The annual list is based on superior financial performance over the past five years. The award also places Pinnacol in the top 2% of the nearly 2,900 property and casualty (P&C) insurance carriers Aon evaluated. Learn more.

Pinnacol's Kathy Kranz is a 2022 Colorado Titan 100

Kathy Kranz, Pinnacol Assurance's chief financial officer, has been named a 2022 Colorado Titan 100. The Titan 100 program recognizes Colorado's top 100 CEOs and C-level executives. Kranz has been instrumental in helping the company improve and demonstrate its financial stability. She improved Pinnacol's financial strength after the 2008 Great Recession and positioned the organization to manage the COVID-19 pandemic in innovative ways as an insurance carrier, employer, and force for good in Colorado. Read more.

LOUISIANA

LWCC Hosts Daymond John to Share the Power of Purpose

LWCC continued their Speaker Series at the Foster Learning Center by hosting Daymond John, founder of FUBU and star of "Shark Tank." During the event, Daymond exhilarated an audience of policyholders, alongside select employees and agent partners, with his tips to success, labeled "shark points," which he utilized to depict his rise to success from a Hollis, Queens, youth to an internationally known trailblazer.

Daymond highlighted the significance of a purpose orientation in connecting with consumers, a philosophy embraced by LWCC through Louisiana Loyal. He explained that a brand's core initiatives and purpose can be the determining factor behind a consumer's purchase decision, especially in a cluttered product landscape. Consumers are increasingly motivated to spend their money with purpose-driven businesses, a trend

Daymond has capitalized on through his own investments, like Bombas socks. Bombas is the most profitable "Shark Tank" investment to date, underscoring that having a business centered on "why" can result in stronger business results.

To conclude the event, Seth Irby, SVP, Chief Marketing and Customer Experience Officer, hosted a Q&A, which connected Daymond's personal story of passion for entrepreneurship and purpose driven businesses to LWCC's over-arching mission of inspiring others to use their businesses for the enhancement of Louisiana.

MAINE

MEMIC Elevates Fongemie to Top Financial Role

The MEMIC Group Board of Directors approved the appointment of Eileen Moran Fongemie to the position of senior vice president and chief financial officer, effective May 1.

Fongemie becomes only the third chief financial officer in MEMIC history and will also assume the role of corporate treasurer.

MEMIC Group President and CEO Michael Bourque said he was excited the board of directors unanimously accepted his nomination of Fongemie, saying she has "broad knowledge of the organization and of all the important financial aspects of the job."

Fongemie joined MEMIC in 2007 and has served as vice president, finance, since 2016. Bourque said she helped guide the company through an impressive growth trajectory and has been "a key contributor to MEMIC's transformation into a super-regional workers' compensation insurer."

Fongemie rose from senior accountant in 2007, to financial reporting manager in 2010, to director of finance in 2014, and to vice president, finance and assistant treasurer in 2016, responsible for planning, direction, and management of the company's financial information under direction of the chief financial officer.

Fongemie succeeds Senior Vice President and Chief Financial Officer Dan McGarvey, who announced his retirement last month after 13 years with MEMIC.

"Dan and the current leadership team have built a strong foundation," Fongemie said. "I am excited to keep the momentum going and step into the CFO role at MEMIC to help the group continue executing its strategic plan and vision, and to deliver MEMIC values to our key stakeholders."

Fongemie is a graduate of the University of Southern Maine with a bachelor's degree in English and has attended the Executive Program in Corporate Strategy at the University of Chicago and Introduction to Analytics at the Northeastern University Roux Institute. She lives in Scarborough, Maine, with her husband, son, and daughter.

MEMIC Adds to Regional Underwriter Posts

The MEMIC Group has bulked up its Underwriting team to support expansion in the Northeast, hiring four experienced professionals to regional underwriter posts from New York to Virginia.

(Clockwise from top: White, Raynard, Carter, Turner)

Heidi L. Carter is senior production underwriter in eastern and downstate New York; Bryant O. Turner is senior production underwriter in the Southeast Region; Matthew Raynard is express production underwriter in New England; and Curtis White is a senior production underwriter in Pennsylvania.

Carter has spent a majority of her career specializing in workers' compensation claims and risk management, with seven years at First Cardinal, managing workers' compensation group self-insured trusts in New York State and 10 years as senior underwriter managing numerous territories in New York for Amtrust Financial.

Turner comes to MEMIC with nearly two decades of experience in financial and underwriting roles, including as business development underwriter for ICW Group Insurance Companies in San Diego, CA; inside sales executive and senior account manager for Travelers Insurance Company in Chantilly, VA; and allied healthcare underwriter for Hanover Insurance Group in Reston, VA.

Raynard spent five years at Travelers Insurance then transitioned to underwriting at First Comp Markel, where he served as strategic partner underwriter and senior strategic partner underwriter. He also worked at AmeriTrust Insurance as a senior underwriter.

White's career in the workers' compensation industry spans 14 years after spending eight years in the banking industry. Based in Lancaster, PA, he will focus on building a robust agency footprint in central and western Pennsylvania.

Lily Hanstein Named Vice President of Strategy

Lily Hanstein has been named the first-ever vice president of strategy for The MEMIC Group.

Hanstein joined MEMIC as director of strategy in February of 2020, having previously served as a senior consultant with provoke, a corporate strategy and culture consulting group, as well as a branch manager for Gorham Savings Bank where she was honored as Employee of the Year.

"Since joining the company, Lily has contributed immeasurably to the enormous undertaking of our corporate strategy, right in the midst of the pandemic," The MEMIC Group President & CEO Michael P. Bourque said. "She has led the company-wide process of refining our mission and vision statements, as well as the foundational values statement that guides our work. We are fortunate to have her energy and organizational skills in this key position."

MEMIC Confers Horizon Scholarship on Four Collegians

Four college students with parents injured at work will be able to continue their educations with help from MEMIC.

MEMIC's Harvey Picker Horizon Scholarship Program recipients for 2022 are Janly James of Southampton, PA; Angel and Tyrone Thompson of Eatonville, FL; and Emma Whitney of Surry, ME.

James, winner of a $10,000 award, attends Lake Erie School of Osteopathic Medicine in Erie, PA, where she is engaged in graduate work to become a pharmacist. Angel and Tyrone Thompson will split a $5,000 award, with Angel Thompson attending Bob Jones University in Greenville, SC, and Tyrone Thompson attending Pensacola Christian College in Pensacola, FL. Whitney will use a $2,500 award to continue her studies at the University of Maine flagship in Orono.

Founded in 2008, the Harvey Picker Horizon Scholarship Program aids children and spouses of workers who have been seriously injured on the job. MEMIC has awarded more than $242,000 in scholarships since the program's inception.

For more about the awardees, click here.

MARYLAND

Chesapeake Employers Insurance Promotes Lyndsey Meninger to VP, Hires 3 Directors

Chesapeake Employers' Insurance Company announces the promotion of Lyndsey Meninger to vice president of legal services and hires three directors to lead IT Infrastructure and Systems, Underwriting Services, and Compliance Departments.

Lyndsey Meninger Promoted to Vice President of Legal Services for Chesapeake Employers Insurance

Lyndsey Meninger was recently promoted to vice president of legal services at Chesapeake Employers' Insurance Company, Maryland's largest writer of workers' compensation insurance. In this position, Ms. Meninger is responsible for overseeing the Legal and Subrogation Departments and assisting the company's chief legal officer with government relations. Prior to her new position, Ms. Meninger was the director of legal services at Chesapeake Employers.

In 2008, Ms. Meninger joined Chesapeake Employers as a law clerk. Other roles she's held while working at the company include staff attorney, attorney, and senior attorney. Ms. Meninger earned a Bachelor of Arts degree from Washington College, a master's degree in Business Administration from University of Baltimore and Towson University, and a Juris Doctor from the University of Baltimore School of Law.

Thomas M. Lewis Joins Chesapeake Employers Insurance as Director of IT Infrastructure and Systems

Chesapeake Employers' Insurance Company welcomes Thomas M. Lewis as the new director of IT infrastructure and systems. In this position, Mr. Lewis is responsible for ensuring the efficient operations of the company's computer network, security, servers, databases, and data networks. This includes managing the IT staff responsible for systems engineering and administration, database administration, the service desk, and operations.

Prior to joining the company, Mr. Lewis was IT director at Willscot Mobilemini. His previous experience includes various IT leadership roles at GBMC and St. Agnes Healthcare.

Mr. Lewis possesses a master's degree in business administration from Loyola University and a graduate certificate in project management from the University of Maryland.

Daniel Navarro Joins Chesapeake Employers Insurance as Director of Underwriting Operations

Daniel Navarro, CPCU, CLU, ChFC, joins Chesapeake Employers Insurance as the new director of underwriting operations. In this position, Mr. Navarro is responsible for directing the daily operations of the Underwriting Department and developing strategies to meet the department's goals that align with the company's strategic plan and corporate objectives.

Prior to joining the company, Mr. Navarro was vice president of underwriting at United Heritage Property and Casualty. Previously, he was vice president of underwriting at Oklahoma Farm Bureau and worked for State Farm for 22 years where he held various positions in commercial underwriting, P&C field underwriting, and loss control.

Mr. Navarro possesses a bachelor's degree in business administration from Arizona State University. Additionally, he holds the Chartered Property Casualty Underwriter (CPCU) designation, Certified Life Underwriter (CLU) designation, and Chartered Financial Consultant (ChFC) designation.

David T. Wiltsey Joins Chesapeake Employers Insurance as Director of Compliance Programs

David T. Wiltsey, CHPC, joins Chesapeake Employers Insurance as the new director of compliance programs. In this position, Mr. Wiltsey is responsible for assisting the chief compliance officer in implementing, communicating, and reviewing corporate policies and procedures, trends, and work systems as part of the overall enterprise-wide Corporate Compliance Program.

Prior to joining the company, Mr. Wiltsey worked for the University of Maryland Medical System as a corporate compliance analyst for seven years. His previous experience includes underwriting roles with Hanover Insurance Group and ProAssurance.

Mr. Wiltsey possesses a bachelor's degree in business administration from Salisbury University. He is a member of the Health Care Compliance Association and the Society of Corporate Compliance and Ethics. Mr. Wiltsey is also Certified in Healthcare Privacy Compliance.

AM Best Affirms A (Excellent) Rating for Chesapeake Employers' Insurance Company

Chesapeake Employers' Insurance Company is pleased to announce that on May 12, 2022, AM Best affirmed the company's financial strength rating of A (Excellent) and the long-term issuer credit rating of "a." AM Best stated that the credit ratings reflect Chesapeake Employers' strong balance sheet, which AM Best categorizes as strongest. AM Best also cites Chesapeake Employers' adequate operating performance, limited business profile, and appropriate enterprise risk management (ERM) as the basis for the positive rating. The rating firm also said that it expects Chesapeake Employers' balance sheet to remain in the strongest category.

AM BEST A Excellent

MINNESOTA

SFM's Financial Strength Rating of A- (Excellent) Reaffirmed by AM Best

SFM Mutual Insurance Co. announced that its Financial Strength Rating of "A- (Excellent)" and Long-Term Issuer Credit Rating of "a-" have been reaffirmed by AM Best Rating Services, Inc.

AM Best issued this affirmation based on its assessment of SFM's balance sheet strength, as well as its operating performance, business profile, innovation, and enterprise risk management. Prior to publicly disclosing this affirmation, AM Best conducted a detailed analysis of SFM's finances and operations.

"Our annual review with AM Best gives us the opportunity to share our company's story with experts from the largest credit rating agency in the world," said SFM President and CEO Terry Miller. "We view their rating as an important indicator of SFM's long-term financial strength and stability."

MONTANA

Montana State Fund President/CEO Retires

Montana State Fund (MSF) President and CEO Laurence (Lanny) Hubbard retired after 19 years in the position and nearly 33 years with the company.

Hubbard joined MSF in 1989 at a time when Montana's workers' compensation system was in financial crisis and costs for employers were very burdensome. Hubbard began his career as an attorney in the legal department before becoming vice president of operations and then president and CEO of the largest workers' compensation insurance company in Montana.

Over the years, Hubbard's leadership has helped steer the organization into a financially strong, service-centric company that aims to care for employers and their injured workers in the most Montana way possible. Hubbard also served as president of the American Association of State Compensation Funds and on the board of directors of the National Council on Compensation Insurance. He has also served on the Board of Governors of Leadership Montana and is current chair of the Montana Chamber Foundation.

"Montana State Fund's success has been, without question, accomplished by extraordinary teamwork. The hard work of our focused and dedicated employees and professional staff, a supportive and trusting board of directors, and policymakers who had the foresight to create an independent insurance organization made certain that our goals have become reality. I am most proud of the culture of customer service, teamwork, and transparency that I have been able to foster as MSF's President/CEO," said Hubbard.

Hubbard's successor is Holly O'Dell. Ms. O'Dell comes to MSF from Oregon's SAIF Corporation, where she spent 17 years. She was most recently the vice president of strategic and legal services and general counsel.

NEW MEXICO

Texting Makes It Easier To Communicate With Injured Workers

Workers injured on the job now have a more convenient way to reach our Claims Department thanks to Hi Marley, one of our most recent innovations.

Hi Marley is a communications platform for those who prefer texting over time-consuming voicemails and emails. The secure SMS system has already achieved a 77% opt-in rate over the last 90 days.

"The claims adjusting process is often stressful and complex for workers," said Dan Girlamo, vice president of claims at New Mexico Mutual. "But Hi Marley has given us a way to improve communication about the claim process to an injured worker, which helps to relieve some of this stress. This communication method helps us gets answers to our injured workers sooner and lets us exchange messages, photos, and documentation more easily."

Hi Marley comes with an automated translation feature that's been a big hit with our Spanish-speaking injured workers. The feature is especially useful in New Mexico, where nearly 30% of people speak Spanish as their primary language at home.

Hi Marley's intelligent platform captures SMS conversations, documents, and more into a single claim file, ensuring all information is secure and up to date. This super useful innovation is already making a lasting impact on our business.

RPA Automation Brings Time-Saving Benefits

New Mexico Mutual team members gained more time for relationship building with the recent introduction of an advanced technology called "robotic process automation"—RPA for short.

RPA technology uses automated "bots" to perform tedious, repetitive tasks, freeing employees to focus more of their efforts on meaningful work. The bots increase team productivity while eliminating the possibility of human error from certain rote functions.

"We already rely on automation for key functions, like predictive analytics for pricing and claims analysis," said Kristen Carey, New Mexico Mutual's vice president of underwriting. "We've digitized most stakeholder documents, too. Now we're introducing another innovation to give our team more time to engage with policyholders and agents."

Team members watched the RPA tool in action during our recent rollout. They were excited to see how the tool could take some repetitive tasks off their plates.

For example, our underwriting department renews more than 9,000 policies a year. We're now using RPA technology to gather the renewal documents, prepare the policy analysis, and complete some initial renewal steps. These processes alone will save our company about 2,000 hours annually.

"Rest assured we aren't looking to RPAs to reduce our workforce," said Carey. "We just want to give our team more time for the interesting parts of their jobs. It's been gratifying to help make that happen."

NHCC's New Mexico Mutual Welcome Center Is Here

Albuquerque's National Hispanic Cultural Center (NHCC) recently hosted a grand opening for its new welcome center—a beautiful facility that bears our name.

The New Mexico Mutual Welcome Center is the new entry point for everything NHCC offers—from art exhibitions to lectures, performing arts, educational programming, and more.

"Supporting the NHCC has always been a natural fit for us," said Kellie Mixon, our president and CEO. "As a local company, we've been committed to supporting New Mexico and its people from the start."

NHCC is the nation's premiere showcase for Hispanic culture, attracting 280,000 visitors annually. The center is dedicated to the preservation, promotion, and advancement of Hispanic arts, culture, and humanities.

OREGON

Holly Tindall Promoted to Vice President of Corporate Services

SAIF has promoted Holly Tindall to a newly created position, vice president of corporate services. Holly previously served as the director of the administrative services division. In her role, Holly is responsible for administrative operations, facilities, and transportation and will serve on SAIF's executive leadership team.

"Holly adds an important voice to our executive leadership team," said Chip Terhune, president and CEO of SAIF. "Her business acumen, curiosity, and strategic thinking will serve us well."

A graduate of University of Oregon, Tindall has more than 25 years of experience in management, facilities, HR, office administration, and finance. Most recently, she ran her own facility consulting business, Ideal Planning, after spending more than 15 years with a third-party administrator serving Oregon Medicaid and Medicare plans.

Is Your Safety Committee Stuck in the Jurassic Era?

In honor of the latest Jurassic Park movie, SAIF's communication and design team was inspired to create a dinosaur-themed campaign for policyholders. The campaign poses the question of whether policyholders' safety committees—a requirement in Oregon—are stuck in the Jurassic era. It also provides SAIF resources to develop effective safety committees and help workers and workplaces stay safe and healthy.

AGC/SAIF Members Rewarded For Safety Efforts

The Associated General Contractors Oregon-Columbia Chapter (AGC) and SAIF announced a $1.4M retrospective return for the 619 companies who participated in the AGC/SAIF group workers' compensation program during 2020–2021. This represents a 4.6% return of paid premiums during the policy year.

The ongoing success of this program relies on the strong partnerships between participating members, their employees, AGC and SAIF staff, and independent insurance agents. The retro return is based on the safety performance of all group members, so it is truly a team effort.

Safety Employees Recognized

Two SAIF employees were recently honored for their work in safety and health.

Sarah Cipriano, senior safety management consultant, received the 2022 Safety Professional of the Year (SPY) award from the Women in Safety Excellence (WISE) organization. WISE honored Sarah for her leadership and collaboration in the safety industry, as well as her initiative and dedication.

Naomi Hernandez, senior safety management consultant, was named the 2021 American Society of Safety Professionals (ASSP) Hispanic Safety Professional of the Year.

"Naomi is a great role model, as she is eager to help promote the Hispanic Safety Professionals (HSP) group in Oregon and across the globe," said the ASSP, which has over 36,000 members in 80 countries. "Naomi presents herself with a serving heart and makes others want to follow her leadership."

SAIF Hosts 30th Workers' Comp Seminar

In May, SAIF hosted the 30th annual SAIF Workers' Compensation Seminar. 140 appointed agents and employees attended the all-day event, which included remarks from President and CEO Chip Terhune, a presentation from Oregon's Office of Economic Analysis, and discussions on legal updates, employment best practices, and recent workers' compensation cases.

RHODE ISLAND

Kevin O. Flood Named Legal Services Director at Beacon Mutual

Kevin O. Flood has been named legal services director for The Beacon Mutual Insurance Company after serving as a senior attorney in the Law Office of Michael D. Lynch, staff counsel to Beacon.

As legal services director, Kevin will direct the operations of Beacon's legal services department and closely partner with Beacon's claims team to ensure effective legal representation of Beacon's customers and management of claims-related litigation. Kevin is an experienced workers' compensation litigator, who will serve as a subject matter expert and liaison among the various stakeholders in workers' compensation matters.

"In his new role, Kevin will continue to contribute to Rhode Island's stable workers' compensation system with his demonstrated experience in managing claims litigation and deep knowledge of workers' compensation law and policy," said Amy C. Vitale, Esq, EVP & Chief Legal Officer at Beacon Mutual.

A Rhode Island native, Kevin is a graduate of the University of Rhode Island, where he was captain of the track team, and a graduate of Roger Williams University Law School. Kevin has been representing employers and insurance companies at the Rhode Island Workers' Compensation Court for over 20 years and is a member of the Rhode Island Bar Association and its Workers' Compensation Bench Bar Committee.

Prior to joining the Law Office of Michael D. Lynch in 2007, Kevin worked for a Providence-based law firm representing employers, self-insureds, and insurers on workers' compensation matters. In addition, Kevin previously served in various public service roles, including with the Governor's Office and the City Solicitor's Office for the City of East Providence, as well as an attorney for the American Federation of Teachers.

SASKATCHEWAN

Compensation Institute Shines Spotlight on Mental Health Issues in the Workplace

As workers and employers return to the post-pandemic workplace, issues such as mental health and burnout are top of mind. Those were two of the main workplace safety issues discussed at the 2022 Saskatchewan Workers' Compensation Board (WCB)'s free virtual event, Compensation Institute. More than 500 people registered for the 24th edition of the two-day event, which ran May 17–18.

Compensation Institute provides a unique opportunity for attendees to hear from world-class keynote presenters on a range of topics, experiences, and perspectives regarding workplace safety and safety leadership and practices. This year's topics included mental health and addictions, psychological health and safety, safety leadership, health, safety, and well-being.

Compensation Institute is an important avenue in support of the WCB's corporate vision of eliminating injuries and restoring abilities. This event is an opportunity to connect and engage with customers and partners on workplace safety. It is also a chance for workers and employers to learn about the workers' compensation system. This event provided attendees with additional tools and resources that they can use to help improve safety at their workplaces.

Compensation Institute attendees learned about the inner workings of the WCB, including employer accounts, prevention of serious injuries, and the claims process. The event also featured the presentation of WorkSafe Saskatchewan's Safe Worker and Safe Employer Awards, formally recognizing a worker and an employer who go above and beyond to develop a culture of safety in their workplace.

More information on the 2022 Compensation Institute can be found here.

Saskatchewan WCB Shares 2021 Results at Annual General Meeting

The WCB shared an overview of the organization's operating and financial results at its annual general meeting, held virtually in Regina on May 18. The WCB's executive team also provided attendees with 2021 workplace injuries and fatalities statistics and provided a plan that will transform the way customers are served at the WCB.

In 2021, the WCB announced the start of a multi-year transformation of how the organization serves the workers and employers in the province. The WCB recognizes its customers' needs are changing and because of that, through the WCB's Business Transformation Program, the organization will work to adapt its business processes to meet current and future expectations of all customers.

The WCB remained fully funded at 107.6% in 2021. Under *The Workers' Compensation Act, 2013*, the WCB is legislated to maintain an injury fund to cover all current and future injured worker claims. To ensure its funded position, the WCB established a funding range based on advice from external actuaries that targets a funded position between 105 and 120%.

The WCB continued to provide additional COVID-19 support to workers and employers through 2021 and the first six months of 2022. This included providing more than $8.5 million in cost relief to employers with accepted COVID-19 injury claims through the occupational disease reserve for claims that occurred from 2020 to May 31, 2022. The WCB also held employer premium rates at $1.17 when the required rate was $1.23, providing more than $13 million in financial relief to employers.

In 2021, 90% of Saskatchewan workplaces reported zero injuries or fatalities for the second year in a row. Last year, 31 workplace fatalities were reported, down from 34 in 2020. The WCB, along with its WorkSafe Saskatchewan partners at the Saskatchewan Ministry of Labour Relations and Workplace Safety, continued to implement initiatives outlined in its Fatalities and Serious Injuries Strategy, launched in December 2019.

For more information on the operating and financial results, the WCB's 2021 annual report is available at wcbsask.com.