AASCIFNEWS

FALL ISSUE | 2022

WHAT'S INSIDE

AASCIF
American Association of State Compensation Insurance Funds

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PRESIDENT'S MESSAGE

Hello all,

This is my last President's Message of my tenure. The past two years certainly were filled with challenges, tenacity, creativity, and perseverance!

On behalf of everyone at AASCIF, I want to personally thank and congratulate the committee chairs, advisors, executive monitors, and members for keeping us engaged and networked during COVID-19 stay-at-home orders, shutdowns, and return to work. At a time when it was most critical, you all stepped up and made it possible for us to what we do best—support and help one another. We appreciate it so very much!

The 2023 AASCIF committees are all set. We are preparing to convene the All-Committee Meeting in New Orleans in January, the first time we've been in person for this event since 2020. I am also thrilled we have added another committee to our rolls with the addition of the Analytics Committee. Many thanks to Amanda Aponte, Kevin Bingham, Tanya Keller, and Terry Miller for making this come to fruition.

Lastly, in case you haven't heard, the call for abstracts for the 2023 Annual Conference is open. The deadline to submit ideas for presentations for committee consideration is December 2, 2022.

Serving as AASCIF's president has been a highlight of my career. I am grateful for both colleagues and friends who provided a helping hand, a thoughtful email, a valuable resource, or important connections along the way. I look forward to serving as an advisor to the Executive Committee and welcome Vern Steiner as he assumes the presidency in January.

I hope the upcoming holidays are safe and joyous ones!

Thank you,

Jason Clark, President & CEO, CompSource Mutual Insurance Company

AASCIF President

FEATURES From AASCIF

Correction: In the summer edition of AASCIF News, we inadvertently included the wrong graph for Figure 2 in the Finance Committee's article. We are including the corrected version of the article in this fall edition of the newsletter.

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.

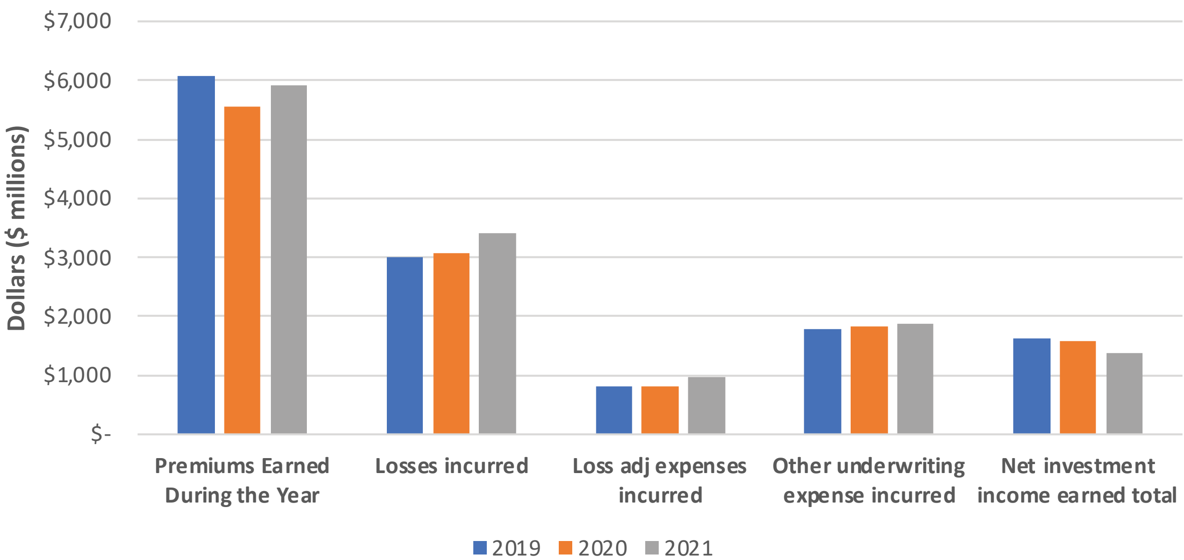
Strong Balance Sheets Amid Challenges

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

[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.



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.

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%).

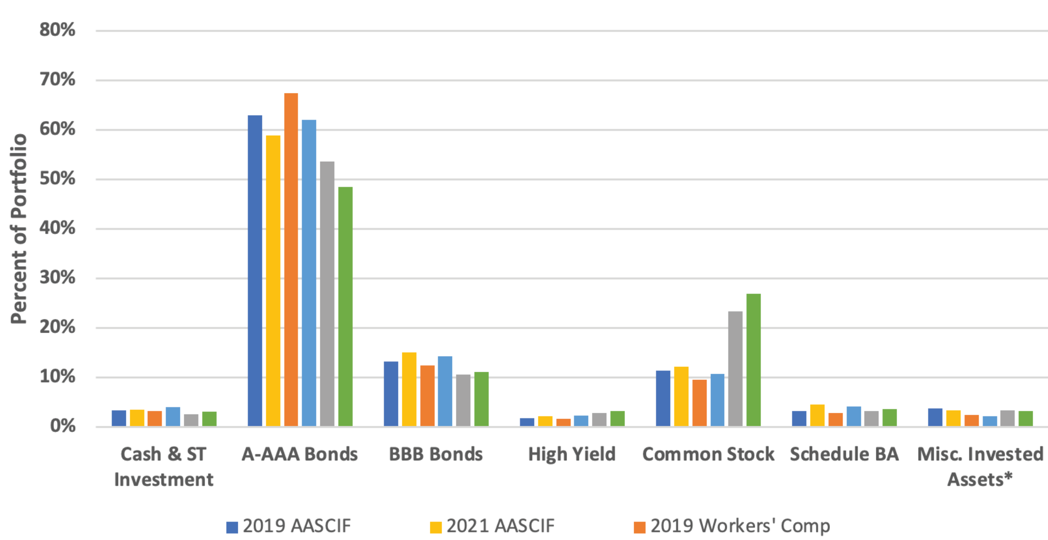
Trading Liquidity for Yield Potential

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.

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



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

[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

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

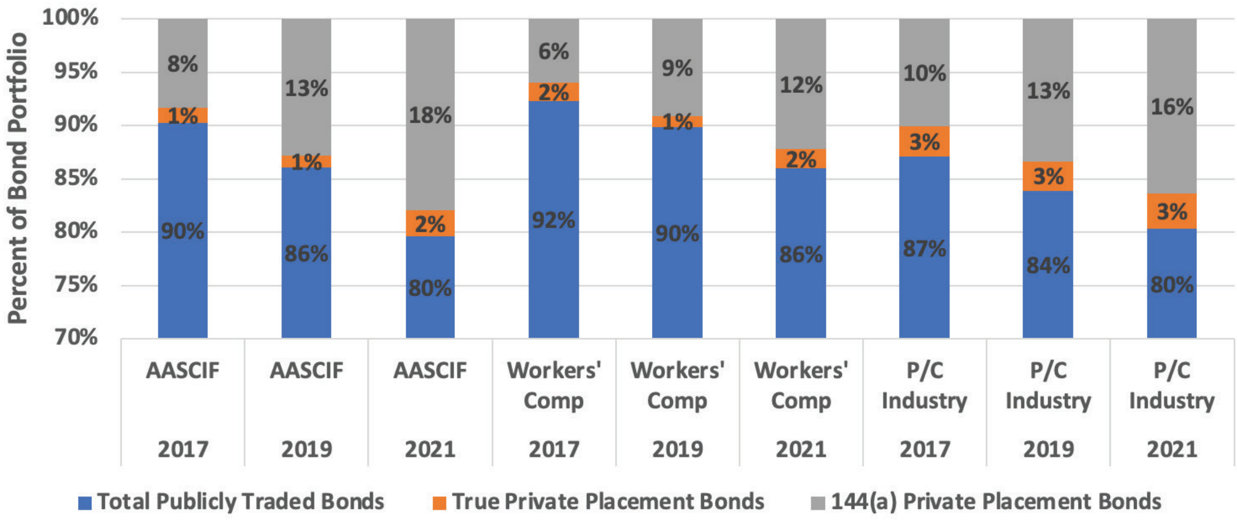
As 2022 progresses, AASCIF members will need to battle historic levels of inflation, which can hurt insurers in many ways. Inflation impacts the real (adjusted for inflation) values of the portfolio, future income, and portfolio returns. The impact on liabilities can be more complex, and it can have 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



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

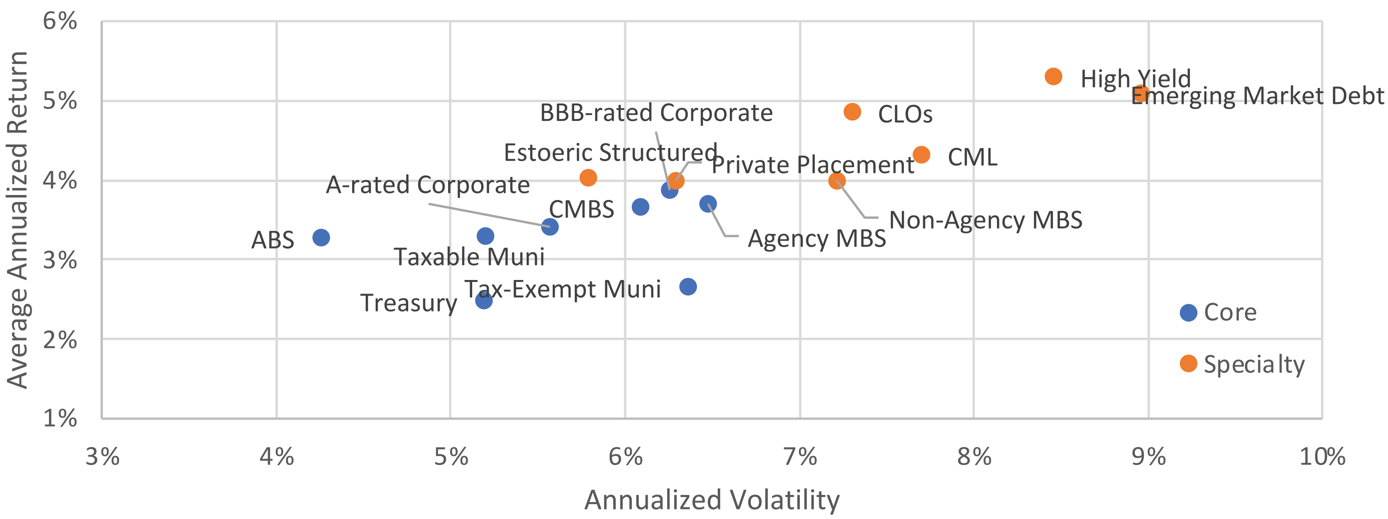
Building on Lessons Learned

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.

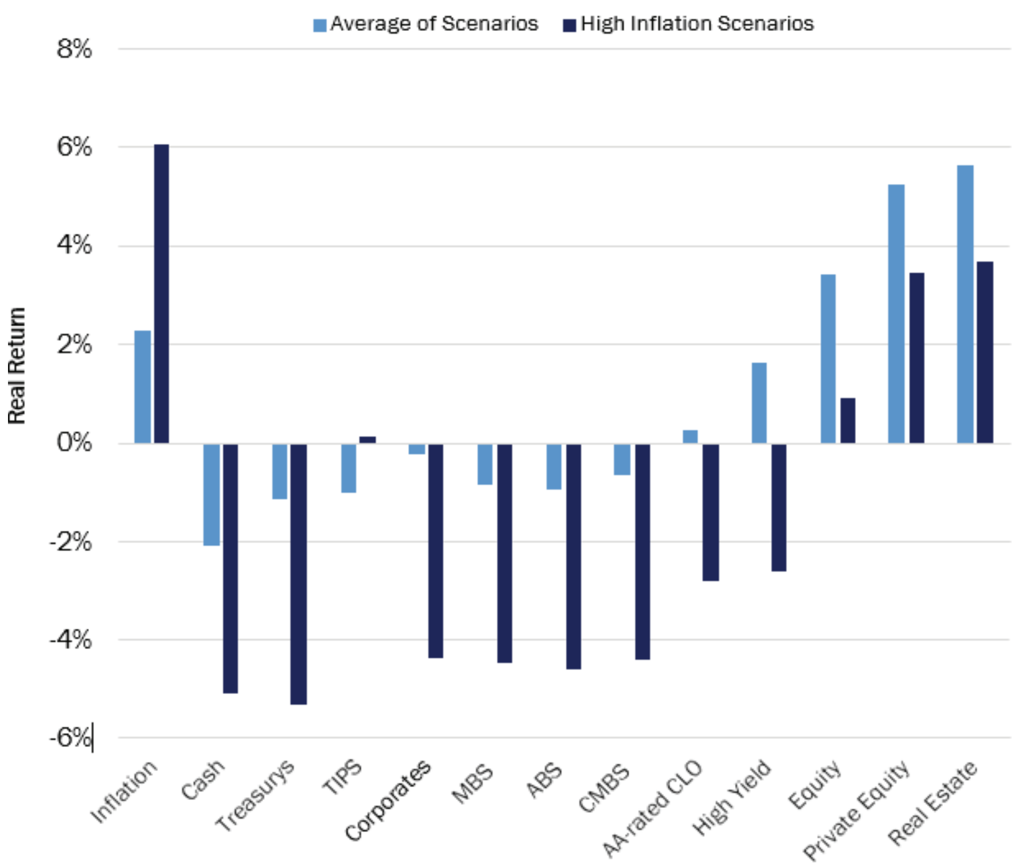
All investments, excluding treasury inflation-protected securities (TIPS) which provide a meager positive real return, fare worse in the higher inflation scenarios. Those investments with initially larger real returns, such as equities, tend to maintain their advantage, but the magnitude of shifts in 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

COMMUNICATION AWARDS WRAP-UP

By Valerie Kingsley, Communications Director, WSI

Submitted by the AASCIF Communications Committee

It was a great year to celebrate the talent and commitment to communications across AASCIF. The Communications Committee sent out the call for Communication Award entries in March and received 83 submissions across 12 categories.

New for 2022, the committee added the "Community Impact" category for philanthropic initiatives that improve or maintain an organization's relations or image in the communities in which it operates and/or advances public understanding of societal issues, problems, or concerns. The category received eight submissions in the first year.

Congratulations to all on your creative and effective communications! The complete list of the 2022 AASCIF Communication Awards winners can be found here: https://higherlogicdownload.s3.amazonaws.com/AASCIF/56192fb0-0f3b-4873-8129-bb38db2bfe3f/UploadedImages/2022AASCIFCommAwards.pdf.

DESPITE THE CONTROVERSY, MSA SUBMISSION IS STILL OKAY

By Daniel M. Anders, Esq., Chief Compliance Officer, Tower MSA Partners

Submitted by the AASCIF Claims Committee

The debate over whether to submit or not to submit a Medicare Set-Aside (MSA) for approval by the Centers for Medicare and Medicaid Services (CMS) remains heated. CMS poured more gas on the fire earlier this year with its own policy announcements around non-submit MSAs.

In January, CMS added a section to its *Workers' Compensation Medicare Set-Aside Reference Guide* that said the agency considered an "evidence-based" or "non-submit" MSA a "potential attempt to shift the financial burden." The update also said, "CMS will deny payment for medical services related to WC injuries until total settlement has been exhausted." In short, CMS indicated it will treat the use of non-CMS approved products as a potential attempt to shift the financial burden to Medicare, calling this process "improper."

This action caused workers' compensation payers to re-evaluate their submission programs, and many payers ended non-submit practices. The update also caused a few non-submit advocates to accuse CMS of going beyond its regulatory authority.

In a subsequent guide update, CMS clarified its stance, saying the agency "may" (instead of will) deny payment. CMS also added some type of post-exhaustion review that would determine whether the non-submit MSA amount was sufficient when funded and use of the funds post-settlement was appropriate. (Specifics on how such reviews would play out in practice were not provided by CMS).

To be clear, the MSA review process remains voluntary. And, depending on the circumstances of the claim and the positions of the settling parties, a non-submit MSA can be appropriate. However, the MSA submission route is preferred in many cases, so it is important, among calls for non-submission, to say that it's OK to submit an MSA to CMS.

MSAs fund an injured worker's future medical care for years and even decades to come. When CMS reviews and approves an MSA and its allocated funds are properly exhausted, Medicare will pay future injury-related medical costs.

When making the submit/non-submit decision, settling parties need to consider that submitting MSAs to CMS reduces risk. For the payer, approval brings finality to claim closure. For the injured worker, an approved MSA eliminates the chance that Medicare will deny payment for injury-related medical care after the MSA is properly exhausted.

Some non-submit proponents contend that CMS **never denies** these post-settlement claims anyway. However, A Study of CMS Policy on Treatment Denials for Injured Workers with a Medicare Set Aside (Ametros), disproves that thesis. Medicare **has** denied payments for medical care when a CMS-approved MSA has been funded by the settlement.

While the study only examined CMS-approved MSAs, CMS has data on almost all settlements involving injured workers who are Medicare beneficiaries because of Section 111 Mandatory Insurer Reporting. Settlement can be used to issue Medicare payment denials or to seek recovery for conditional payments related to injury-related care.

Non-submit advocates also argue that CMS-submitted MSAs take too long to settle and are more expensive. It is true that it used to take six months for CMS to review MSAs, but that has not been the case for quite some time. In 2022, we have seen CMS MSA review times of no more than 30 days.

Now, the key to receiving quick turnaround time is to provide CMS with the most recent two years of medical records and clear documentation on the need or lack thereof for future medical care. Clarifying treatment and prescription drug usage and proactively obtaining statements from treating physicians and claimants prior to MSA submission ensures a quick turnaround time for CMS MSA approval.

A submitted MSA may yield a higher MSA allocation than a non-submitted MSA. CMS sets the bar high, as its goal is to avoid the potential for shifting injury-related costs to Medicare. The flip side is that a non-submit MSA can set the bar too low.

In other words, without CMS approval, there can be a race to the bottom to find any argument, reasonable or not, to remove medical care from the MSA. These quick "cost-savings" may have adverse consequences for both payer and injured worker if CMS later finds the allocation was insufficient. Then, the risks laid out above become a reality for payer and/or injured worker.

Additionally, it is important to understand that not every CMS-approved MSA is over $100,000 and includes a laundry list of medications. Tower's data from 2021 point to a much different reality: a median CMS-approved MSA was $23,847. In addition, 67% of the MSAs we submitted had no prescription drugs at all.

How, then, can one obtain CMS approval of the MSA and still contain costs? First, do not allocate one dollar more than CMS will require. This is accomplished by reconciling every CMS MSA determination against CMS's own review guidelines and clinical references. When you believe CMS is wrong, challenge them. Often CMS will agree and reduce the MSA.

Second, identify the documentation/evidence CMS requires to approve changes to medical treatment and drug therapy. Obtain physician statements in advance and document them in the way CMS needs before submitting them with the MSA. (Because specific verbiage is required, it's best to have your MSP partner draft statements for physician signature.) Make it easy for CMS to approve the MSA.

These strategies will identify unnecessary cost drivers and reduce the cost of the allocation while ensuring adequate funds for future medicals and still complying with CMS.

Over the past two decades, CMS has strengthened its Medicare Secondary Payer (MSP) enforcement efforts. Noteworthy examples are implementing the Section 111 Mandatory Insurer reporting process, introducing the Benefits Coordination and Recovery Center (BCRC) and Commercial Repayment Center (CRC) contractors to recover conditional payments, and the installing a Workers Compensation Review contractor to centralize the MSA review process.

It's expected that CMS will also increase its capabilities and efforts to protect Medicare from post-settlement injury costs.

While the submit vs. non-submit dispute will undoubtedly continue, the MSA approval process allows parties to obviate the risk of shifting future injury-related medical care to Medicare by obtaining a stamp of approval. And keep in mind, this is a risk that lasts the injured worker's lifetime if CMS approval of the MSA is not obtained. Consequently, the CMS MSA submission process remains an appropriate option for both the payers and injured workers at time of settlement.

MAKING SAFETY GRANTS A WIN FOR THE POLICYHOLDER AND YOU

By Sheila Schmidt, Safety & Risk Services Regional Manager, Missouri Employers Mutual

Submitted by the Safety Committee

If you are a workers compensation fund, chances are you have considered a safety grant program. Not only are the programs a good sales tool, but they reap returns for the insurer in both retention and claims reduction.

Designed to offer funding for employers to purchase workplace safety interventions, many AASCIF partners have realized the benefits of offering safety grant programs. They vary in budget, type, and frequency of awards, but all strive to get products in place to improve workplace safety.

Carriers can measure success by retention, claims reduction, and, ultimately, by return on investment to the insurer and the employer. At Missouri Employers Mutual, five years of data from our safety grant program shows us those returns. Policyholders who implemented a safety intervention, enabled by our safety grants, saw claims in those areas decrease by an astounding 96% in count and 99% in costs.

One obstacle not explored in this article is the specific laws in your state and how they may impact the program. Perceived rebating can be a problem if not addressed properly. Here are some highlights of just a few of the successful programs that are offered to keep employees safe.

Ohio Bureau of Workers' Compensation

History: Ohio has been offering safety grants since 1999.

Program: Two tracks of grants: safety interventions and specialty programs. Intervention grants are for nonspecific items not typically covered under the specialty programs. This program was on hold during the pandemic and will be reopening with changes. The specialty programs remained open. The specialty programs are for defined items in the areas of firefighter cancer prevention, trench safety, school safety, and body armor, and for those working with individuals with developmental disabilities. The categories have different matching ratios and are always open for applicants.

Outcomes: Being the oldest program, Ohio has continued to see success and has improved and grown their program year after year. They currently have allotted $35 million for safety grants. The goal is to turnaround the payment for items in a month to the employers. Ohio has seen a 66% reduction in claims in participants of the programs.

Texas Mutual

History: Texas has been offering safety program grants since 2016.

Program: Texas Mutual has multiple programs in place. The specialty programs are designed to target specific needs. Grants may be used for ergonomic, safety, COVID-19 prevention, and/or industrial hygiene equipment to reduce or eliminate workplace injuries and illnesses. For its 2022 safety grant program, Texas Mutual is in the process of distributing about $2 million in safety grants to over 1,300 policyholders. Approved policyholders are awarded $1,500 that they must spend on their items. The cycle usually opens during the summer with an invite to apply. Grants are awarded until funds are spent, and then the program closes until the following year.

Outcomes: There is astonishing demand in the program. Ashley Mikytuck, senior technical writer & trainer with Texas Mutual, shared that when the window opened in 2021, the number of website login attempts crashed the website within the first two hours. Since then, they moved to the invitation system to keep the program fair and rolling in evenly. Popularity continued in 2022, with 1,543 registrants the first day alone. Policyholders must register online, and then they will be sent an invitation to apply over the next few weeks.

Outside of the safety grants, Texas Mutual offers relief grants that are activated after local disasters where policyholders have been adversely impacted (e.g., local storms, flooding, other natural disasters). There is also another program to support local community colleges with funding for safety training.

Pinnacol

History: Pinnacol's safety grant program started in 2017 and is only open to nonprofit policyholders. The annual budget for the program is $75,000.

Program: Pinnacol offers grants to nonprofit policyholders through its 80/20 matching grant program, with the average award being between $7,500 and $10,000 per grantee. The policyholders need to be in good standing, and the grants must assist employees working in Colorado. Pinnacol narrowed the scope of its grants to only nonprofits due to its budget and wanting to keep the scope on the small side initially. Like some of the other programs, Pinnacol has created a selection committee of Pinnacol safety professionals and an underwriter.

Pinnacol redacted the names of the applicants and used a scoring tool to rank applicants.

Outcomes: Since inception, Pinnacol has awarded 51 grants totaling a little over $360,000. The company tracks claims frequency and cost from two years pre-grant to two years post-grant. Pinnacol has seen very positive results, with more than a 50% reduction in claims reported. Grants awarded in 2017 saw lost time days for incidents related to the intervention decreasing from 1171 to 41. The incurred cost of claims went from $707,680 to $120,603. Along with a book of insured and agent testimonials, Pinnacol s showing a two-year combined ROI of 669%.

Missouri Employers Mutual

History: Like Texas Mutual, Missouri Employers Mutual started its program in 2016.

Program: MEM is offering $500,000 per calendar year in grant funds. Awards were initially offered in amounts up to $20,000 for a 1:1 match and now, the program is capped at $10,000 for the 1:1 match. Capping the award at $10,000 has allowed MEM to award more grants to more policyholders. MEM has a single stream program, open to all policyholders of any industry. Items purchased range from harnesses and horizontal lifelines to robots and vacuum-lift systems. The employer must demonstrate a safety case for the item they are requesting. In 2022, the grant program went from awarding only twice per year to awarding grants monthly. Grants are scored on their own merit, and monies are paid out until all funds are spent. There is a current graphic on the website showing interested parties how much has been paid out and how much remains.

Outcomes: As for the results of the program, MEM has seen a 99% reduction in claim costs and a 96% reduction in claim counts in areas where the intervention has an impact.

No matter which dataset one uses, success abounds from a safety grant program. The success can also be anecdotal; the stories and individual "thank yous" that follow grants implementation cannot be quantified. Sales and marketing partners see the program as an effective sales tool as well. Whether it's hard numbers or feel-good results, success is realized across all departments: safety grants are a good investment any way you slice it.

Interested? Join Us to Learn More in January

This is not an all-inclusive list of insurers who offer grants. Below, you will find links to some of the programs available. If you would like to learn more, there will be an online discussion forum in January 2023 for anyone who has questions or would like to know more about a specific program. To register for the discussion, please email sschmidt@mem-ins.com.

https://www.mem-ins.com/programs/safety-grants/

https://info.bwc.ohio.gov/for-employers/safety-and-training/safety-grants

https://www.texasmutual.com/employers/safety-grants

https://www.pinnacol.com/our-difference/safety-grant-program

USDOL/OWCP SEEKS FUNDING TO RESUME MONITORING OF STATE WORKERS' COMPENSATION PROGRAMS

By Matthew R. Richards, Esq., Louisiana Workers' Compensation Corporation

Submitted by the AASCIF Law Committee

In July 2022, the U.S. Department of Labor (USDOL), Office of Workers' Compensation Programs (OWCP) held a panel discussion titled, "50 Years after the National Commission: Is the Workers' Compensation System Serving Injured Workers?"[1] The director of the OWCP, Christopher J. Godfrey, led a panel discussion featuring Professor John F. Burton Jr., the chair of the 1972 National Commission on State Workers' Compensation Laws; Professor Emily Spieler of Northwestern Law School; and Alan Pierce, an attorney who represents injured employees in the workers' compensation system in Massachusetts. In his opening comments, Director Godfrey stated, "are we using, at the Department of Labor, and at the Federal government, all of the resources that we have to assist vulnerable workers across the country including those who become injured or ill in the workplace?" The panel was asked to provide insight as to what a National Commission of today should examine with respect to state workers' compensation programs. Mr. Pierce stated that changes to state workers' compensation programs over the last 30 years have led to a "race to the bottom" and suggested that the USDOL should maintain a role with overview and oversight and should use "its bully pulpit to really sound the word out there that we really need to stop this continuum of downward spiral." Professor Burton opined that the current system is "inadequate and inequitable." In response to the query, "what can be done to help the vulnerable workers?" Professor Spieler opined that the profit motivation built into the state workers' compensation system creates pressure to keep rates down and that the only way to achieve adequacy "would be to have Federal standards like we have in the Unemployment Insurance program." Over the course of the hour and a half program, the panel referenced the 1972 National Commission findings, a 2015 Pro Publica article "which issued a sweeping indictment" of state workers' compensation programs, and the 2016 USDOL report titled, *Does the Workers' Compensation System Fulfill Its Obligations to Injured Workers?* Further statements from the current DOL/OWCP administration indicate that it will seek to use its resources to address the perceived failure of state workers' compensation systems to provide adequate remedies for injured workers. The idea of involvement by the federal government in state workers' compensation systems dates back at least 50 years, and the recent statements made at the panel discussion echo the sentiment found in the 1972 National Commission report.

The National Commission on State Workmen's Compensation Laws was created by Congress as part of the Occupational Safety and Health Act of 1970.[2] The National Commission was made up of 18 members—15 members of the public representing various aspects of the state workers' compensation systems and three members from the president's cabinet.[3] The National Commission met 11 times over 32 days, held nine regional public hearings around the country, and employed a full-time staff of 30 employees.[4] The National Commission determined that there were essential elements required for state workers' compensation programs, and these essential elements fell under five principal objectives: (1) broad coverage of employees and of work-related injuries and diseases; (2) substantial protection against interruption of income; (3) provision of sufficient medical care and rehabilitation services; (4) encouragement of safety; and (5) an effective system for delivery of the benefits and services.[5] The National Commission determined that states should have until July 1, 1975, to adopt what it considered to be essential elements for every workers' compensation program, and failing to do so, they recommended that the federal government mandate compliance with these essential elements.[6] Upon publication of its report, the National Commission was dissolved as required by the sunset provision in the act that created it.

Since the 1972 *Report of the National Commission*, the issue of federal involvement in state workers' compensation systems

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[1] https://www.youtube.com/watch?v=fRAZJ2PosE0&t=3406s.

[2] Pub. L. 91-596.

[3] The Report of The National Commission on State Workmen's Compensation Laws, p. 14; https://workerscompresources.com/wp-content/uploads/2012/11/Introduction-Summary.pdf.

[4] *Id.*

[5] *Id.* P. 15.

[6] *Id.* p. 127; https://workerscompresources.com/wp-content/uploads/2012/11/NC-Chapter-7.pdf.

has waxed and waned, with the discussion at the federal level centered on what level of involvement can be obtained. The governance of state workers' compensation has historically been a state issue; however, critics of the state systems have sought federal involvement. Attempts through legislation to establish federal mandates, as well as an attempt to establish a second National Commission, have been attempted but have not found traction in Congress.[7] Nonetheless, subtle congressional action has taken place.

One year prior to the OWCP panel discussion discussed above, in July 2021, a House Appropriations Committee report accompanying the USDOL/OWCP appropriation bill provided that the committee was "concerned by an ongoing and systematic decline in the adequacy of benefits provided to injured workers under the State-based workers' compensation system."[8] The report further provided that the committee "believes that State workers' compensation programs should be monitored on an ongoing basis" and requested that the USDOL, through the OWCP, provide "an assessment of resources necessary to reinstate OWCP's monitoring of State workers' compensation programs and preparation of an annual report."[9] The purpose of the monitoring, when read in the context of the statement regarding a decline in the adequacy of benefits, suggests that further action may be requested by the House in the future.

This year's budget for the OWCP complies with the House Appropriations Committee request. In the Fiscal Year (FY) 2023 Congressional Budget Justification – Office of Workers' Compensation Programs Overview, the OWCP has requested funding to "reinstate the monitoring of the state workers' compensation program data, and beginning in 2024, will start producing an annual report on changes to state workers' compensation programs to determine the effect that changes to state workers' compensation laws have had on federal programs."[10] The budget requested by the OWCP for FY 23 is $25 million more than the 2022 appropriation. The recommendation of the House Appropriations Committee was to fund the OWCP at the levels requested, whereas the Senate Appropriations Committee recommendation is to fund the OWCP with a $9 million increase for FY 23.[11] The final appropriation for the OWCP for FY 23 is yet to be determined, as Congress passed a continuing appropriations bill through December 16, 2022.[12]

Do you believe states are in a better position to govern their own workers' compensation systems? Do you believe that local knowledge of the industry, workforce, medical providers, political environment, and return to work options provides the best opportunity to have a balanced and well-managed workers' compensation system in each state? The discussion related to federal involvement in state workers' compensation programs may wax and wane, but as 50 years of history demonstrates, it is not going away. Detractors to the state workers' compensation systems will continue to request that the DOL/OWCP use its "bully pulpit" to address perceived inequities. Maintaining awareness of the attempts to increase federal involvement should be a priority for all members of the state workers' compensation systems.

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[7] Congressional Research Service "Workers' Compensation: Overview and Issues," p. 20; https://sgp.fas.org/crs/misc/R44580.pdf; https://www.congress.gov/bill/111th-congress/house-bill/635/text.

[8] https://www.govinfo.gov/content/pkg/CRPT-117hrpt96/html/CRPT-117hrpt96.htm.

[9] *Id.*

[10] https://www.dol.gov/sites/dolgov/files/general/budget/2023/CBJ-2023-V2-03.pdf.

[11] https://www.govinfo.gov/content/pkg/CRPT-117hrpt403/html/CRPT-117hrpt403.htm; https://www.appropriations.senate.gov/imo/media/doc/LHHSFY23REPT.pdf.

[12] https://www.congress.gov/bill/117th-congress/house-bill/6833/text.

WORK-LIFE BALANCE—THE POSITIVE SIDE OF QUIET QUITTING

By Megan Kish, Chief Human Resources Officer, Ohio Bureau of Workers' Compensation

Submitted by the AASCIF Human Resources Committee

The term "quiet quitting" is the newest buzzword in corporate America. If you aren't familiar with this trend, you are most likely wondering why this is different than a regular resignation. In the case of quiet quitting, the employee does not actually resign. Instead, they continue to work for your organization while doing the minimum amount of work required to meet the expectations of their role. This may present itself differently depending on the employee. Some examples include not working outside of scheduled hours or no longer volunteering to work on additional projects. The quiet quitters have shifted their priorities and focus from excelling in their work environment at all costs, to a focus on work- life balance.

Although the term quiet quitting is new on the horizon, Greg Giangrande, chief people and chief communications officer at Ellucian stated, "quiet quitting is a new name for [an] old pastime that employees have been doing for decades." In the article, Giangrande continued to discuss that the popularity surrounding this topic is exacerbated by the fact that employees who are earlier in their careers are prioritizing their work-life balance, potentially more so than previous generations (Mayer, 2022). In addition, they are taking to social media to share their support for this trend.

With the added hype from social media drawing awareness to this new terminology, there are many articles examining how to address this concern. From a business perspective, the coverage on this trend has been primarily focused on the negative impacts it will have on an organization's success. However, to be top competitors in the challenging employment market, organizations may want to shift their thinking to welcoming and embracing the emotions behind quiet quitting. According to a 2022 study conducted by Monster, 74% of workers felt their employers didn't adequately prioritize their well-being, and 57% of workers stated that the ability to focus on both work and life was the most important criteria for job satisfaction (Brower, 2022). To retain your workforce, employers will need to sway the narrative away from negativity surrounding 'quiet quitters' to creating a culture and workload to allow employees balance.

This does not mean that employees should not be held accountable for their work product and deadlines. However, it is critical that we create a climate where employees feel set up to succeed and encouraged to put their life outside of work first. There are several possibilities for employers to focus on while shifting this expectation in work culture. Three of them are outlined below.

First, clearly outlining roles and expectations within a team is critical to providing balance. Although there may be times when responsibilities fall outside of an employee's job description, setting clear expectations of job requirements will reduce the likelihood that employees will begin to disengage. Proponents of quiet quitting have stated that their movement is in response to "job creep," defined as "pressuring employees to deliver more than the normal requirements of their jobs." The employer gradually increases requirements for employees, and behavior that was previously discretionary becomes increasingly expected or taken for granted by the employer" (Lutz, 2021). Revisiting job requirements regularly will create space for conversation surrounding increased workload demands with the potential to encroach on work-life balance. If an employee is regularly taking on additional responsibilities or responsibilities that are different from those outlined in their role, and they welcome this challenge, it is recommended that organizations determine if a lateral job change or promotion should be considered for the employee.

Second, organizations can support a work-life balance by having boundaries on communication with employees outside of work hours. With an increase in after-hours communication during the pandemic, some countries, such as Portugal, have implemented laws making it illegal for employees to be contacted by phone, message, or email outside of their regular hours (Cotovio, 2021). Although no law bans this communication in the United States, employees experience pressure and stress to respond immediately to emails sent after hours. According to Dr. Laura Giurge, research associate of organizational behavior, one way to reduce the impact on the receiver is to explicitly state when an email does not require an immediate response and to outline a timeframe for when a response is needed. In addition, Giurge recommends that if an email is sent off hours and does not require an immediate response, it be sent on a delay so that it is received at the start of the next business day (Giurge, 2022). Reducing after-hours communication allows for employees to disconnect and focus on themselves.

Finally, organizations that want to support work-life balance may require a cultural shift that hours put into work equals productivity. In other words, employees who work more hours aren't necessarily adding more value. Advocates for this reference a recent study discovering that shortening the workday to five hours may increase overall productivity and support work-life balance (Taylor, 2021). Reducing your organization's required work hours will inspire employees to work smarter, not harder or longer. This may result in greater job satisfaction and lower stress levels (MacKay, 2019). Although ideal for productivity, reducing work hours is not always feasible to support customers. If that is the case, focusing on how to efficiently deliver a product or service may reduce the demand for hours worked, providing a work-life balance and overall happier employees.

In her podcast series, *American Karoshi: Moving from a Work Culture of Burnout, Precarity & Stress to a Future of Worker Health & Well-Being in the 21st Century*, Brigid Shulte states that stress and overwork in the labor force was the fifth leading cause of death in the United States. From a business perspective, it is proven that programs designed to support employee work-life balance increase productivity, reduce turnover, and improve mental and physical health (Dobbin, 2022). It is critical that organizations consider options such as the suggestions above to support employees' work-life balance. As employers, it is best practice to provide our employees with an environment where they don't need to join in on quiet quitting because they already feel that they can disconnect, rejuvenate, and return to work in a productive way.

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INCREASING INTEREST RATES AND INFLATION—CAPITAL MODELS TAKE CENTER STAGE DURING PERIODS OF UNCERTAINTY

By Troy Meadows, Principal, and Molly Stark, Manager, Oliver Wyman Actuarial Consulting

Guy Carpenter/Oliver Wyman was a sponsor of the hospitality suite at the AASCIF 2022 Annual Conference.

Rising inflation.
Increasing liabilities.
Reinsurance capacity challenges.
Escalating premiums.

2022 has been another taxing year for the insurance sector, and state funds are by no means exempt from these challenges. With the rise in inflation driving liabilities up while interest rates are driving fixed income portfolio values down, the spotlight is shining even brighter on asset-liability management strategies in many finance departments. The multitude of pressures has many wondering what the best strategy is for their investment portfolios and what can help them determine that strategy. Capital models can be important tools to guide state funds in making those decisions.

Background

On March 16, 2022, in response to the rising inflation, the Federal Reserve approved the first interest rate hike in more than three years and followed with additional hikes that increased the federal funds rate by a total of 3% between

March and September.[1] Annual inflation as measured by the Consumer Price Index (CPI) hit a high of 9.1% in June 2022, a level not seen in 40 years.[2] While medical cost inflation was only 5.6% for the 12-month period ending August 2022,[3] this is a substantial increase from 2.9% in March 2022. Increases in medical costs lag behind other sectors, primarily due to negotiated prices and reimbursement rates that are set in advance. Likewise, wage inflation for the 12-month period ending June 2022 was 5.1%.[4] When compared to a 2.9% wage inflation rate for the 12-month period ending June 2021, the magnitude of the current inflationary environment becomes clearer. Rising wages and medical costs will impact both the costs of future policies and the current loss reserves of state funds.

Compounding the issue are rising interest rates that are driving fixed income portfolio values down. Combined with challenging stock market returns, state fund investment managers may be looking to make changes to their portfolios in response. Capital models can help management determine the potential impact on surplus of alternative investment portfolios or stress test investment performance against future short- and long-term adverse scenarios.

Where does a capital model come in?

A Data-Driven Modeling Approach Toward Guiding Management's Decisions

Capital models have long been a tool utilized by insurers to evaluate investment strategies and ensure alignment with insurance liabilities, among many other applications. Their usefulness is further enhanced during these current times when pressures are coming from multiple directions.

At a high level, a capital model is a simulation-based tool that models financial balance sheet/income statement variability based on the key risks of the state fund. Generally, those risks include:

1. Adverse reserve development (i.e., reserve risk).
2. Inadequate funding for future claims (i.e., pricing risk).
3. Investment underperformance (i.e., asset risk).

The current inflationary environment and resulting interest rate hikes are increasing volatility within all three of these risks. A capital model can help quantify these risks in a number of ways.

For insurance risks, liability durations are often longer than asset durations, exposing companies to interest rate risk. Workers' compensation claims can remain open and active for decades. As such, liability durations are often multiple years, whereas assets supporting the liabilities are often in shorter-term maturities. The larger the gap between the claim duration and the supporting asset maturities, the larger the risk.

While state funds can purchase longer fixed-income portfolios that generate higher returns and minimize interest rate risk, this can create liquidity concerns. State funds need enough liquid assets available to cover short-term losses.

A capital model can be used to assess this risk/reward tradeoff. Without a capital model, state funds will often take a heavily conservative approach to investments, which leads to suboptimal asset returns. In these situations, a capital model can evaluate multiple investment portfolio strategies to identify an optimal portfolio that can optimize returns relative to risk tolerance constraints such as capital variability, interest rate risk, and liquidity requirements.

Food for Thought

As a basic case study, take for example a state fund with an asset allocation that is heavy in short- and long-term fixed income, holding only a small amount in equities and money markets. Through the use of a capital model, portfolios with different asset allocation strategies could be evaluated that still achieve asset-liability duration matching but provide superior investment returns (e.g., through increased equity holdings) with limited or no increase in surplus volatility or requirements. This phenomenon is not magic but is simply the result of the diversification benefit of combining asset and insurance risks, which are relatively uncorrelated. Conversely, if a state fund is concerned that it is exposed to too much investment risk, capital models can help evaluate multiple portfolios that can minimize asset return volatility without unduly sacrificing investment returns.

To conclude, capital modeling can analyze reserve, premium, and asset risks to provide guidance on how to best balance the asset portfolio to support the insurance liabilities. Without an in-depth analysis, the assets may either be invested in a portfolio that is not optimizing returns or invested in a way that would not provide the needed liquidity. A capital model can provide that in-depth analysis to guide investment decisions.

If you'd like to learn more about how capital models may be able to help your organization, please reach out to me at troy.meadows@oliverwyman.com.

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[1] https://www.forbes.com/advisor/investing/fed-funds-rate-history/.

[2] https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm.

[3] https://www.bls.gov/news.release/archives/cpi_09132022.htm.

[4] https://www.bls.gov/news.release/archives/eci_07292022.pdf.

AROUND AASCIF

COLORADO

Pinnacol Foundation Awards $408,620 in Scholarships to Colorado Students Whose Parents Were Killed or Injured in Workplace Accidents

Each year, the Pinnacol Foundation provides scholarships to ensure that the children of people seriously injured or killed on the job have the opportunity to pursue their education dreams. The foundation scholarship program began 21 years ago with four students. Since 2000, the foundation has awarded nearly $7 million in scholarships to more than 700 students for college and vocational training. The Pinnacol Foundation recently awarded $408,620 in higher education scholarships to 87 students across Colorado for the 2022–2023 academic year. The average award is $4,700, and students are eligible whether or not Pinnacol was the carrier that covered the claim.

Pinnacol Assurance Hires Wes Parham to Lead Public Affairs

Wes Parham is joining Pinnacol Assurance as vice president of Public Affairs. Parham will have responsibility for legislative strategy, lobbying efforts, community relations, and external advocacy and will build on the strong and productive business, legislative, and community relationships that Pinnacol has established across the state. Parham spent the past seven years at Xcel Energy, most recently as director, Regional Government Affairs, where he and his team served as liaisons to the Colorado legislature, governor's office, and state agencies. Learn more about Wes Parham.

LOUISIANA

LWCC Provides Safety Funds to 21 Policyholders

LWCC seeks to foster a culture of well-being in Louisiana's workforce. To enhance the current offerings delivered by the LWCC Safety Services Team, the organization launched a program that provided policyholders with the opportunity to improve their safety measures with the assistance of safety funding.

In June, applications for up to $2,500 in one-time funds were opened to policyholders to implement increased safety measures. Following the application period, a committee evaluated the submissions based on merit, scope, and impact of intended programming. The committee selected 21 Louisiana-based businesses to receive funding, representing a total distribution of over $42,000.

Recipients can utilize funding to implement a safety project or purchase specialized equipment with a goal of decreasing the risk of workplace accidents. A member of LWCC's Safety Services Team will visit the workplace of each recipient to help maximize the use of provided funding and make recommendations on the safety initiative.

Louisiana Loyal Service Project Provides 29,291 Meals

Louisiana Loyal is a movement to celebrate and elevate Louisiana. But movement requires action—action to overcome challenges and work toward a brighter future. Together with agent partners, LWCC provided more than 29,000 meals through the Louisiana Loyal Service Project benefiting the Greater Baton Rouge Food Bank, a local organization that works to combat food scarcity within an 11-parish area.

The Louisiana Loyal Service Project took place between September 1 and 16, facilitating in-office food drives and a series of in-person volunteer opportunities with the Food Bank. Impact of the Louisiana Loyal Service Project includes:

- 158 individuals volunteered.
- 14 organizations hosted food drives.
- 28,070 pounds of food prepared through volunteer shifts, representing 23,392 meals.
- 7,078 pounds of food donated through food drives, representing 5,899 meals.

This year's service project has grown from what began as an employee-based initiative in 2020. With the inclusion of agent partners around the Baton Rouge area, LWCC was able to have an even greater impact on the local community. As the project continues to evolve, LWCC looks forward to providing additional opportunities for more volunteers to do good throughout the state.

MAINE

MEMIC Hires Hoff as New Vice President of Loss Control and Safety

The MEMIC Group has named Maryann Hoff ARM, CSP, MEHS, a 17-year insurance industry veteran, its new vice president of Loss Control and Safety.

Hoff comes to MEMIC most recently from Safety National Casualty Corp., where she served as senior risk control manager before being promoted to managing director of Client Engagement. Her previous experience includes time with major national carriers and workers' compensation specialty companies.

"Maryann combines a passion for workforce safety, a team-centered approach to her work, and a compassionate and collaborative approach to preventing workers from getting injured," said MEMIC president and CEO Michael P. Bourque. "Her long experience in the industry, and in markets where MEMIC is growing, give her a running start. She joins the best Loss Control department in the country, and I know her smarts and energy will help us to do even greater things."

Hoff earned a B.S. in chemical engineering with minors in chemistry and applied mathematics, and a Master of Environmental Health and Safety degree, both from the University of Minnesota at Duluth. She also holds Certified Safety Professional (CSP) and Associate in Risk Management (ARM) certifications.

Hoff also serves on the Board of Directors for the Insurance Society of Philadelphia and is actively involved with the American Society of Safety Professionals and Women in Safety Excellence.

Hoff said she developed her passion for safety when she was in college, studying to be an engineer.

"I found that I had a particular interest in the relationship of people within designed processes and how to reduce process failures, as well as the potential for loss or harm because of those processes," Hoff said. "At a deeper level, my experiences as a child who went through a civil war in Liberia created an inherent passion for the concept of safety."

"I believe workers' compensation will move beyond compliance by leveraging technology and data to improve employees' total health," she said.

Hoff replaces Karl Siegfried, who led MEMIC'S Loss Control team and retired from MEMIC after 24 years in June.

MEMIC Announces $17-Million Dividend for 2022—11th Straight Year of Double-Digit Distribution

The MEMIC Group Board of Directors has authorized distribution of a $17-million dividend to more than 14,000 eligible employers. The 2022 MEMIC dividend brings the total amount of capital and dividend declarations for Maine policyholders to $333 million since 1993.

MEMIC Group president and CEO Michael P. Bourque announced the annual dividend on October 11 at the 2022 Mainebiz CEO Breakfast Forum in Portland.

The dividend represents about 12 percent of premium paid by policyholders in 2019 and is the 11th consecutive year for a double-digit distribution.

“Our policyholders continue to be effective partners in driving down the number, severity, and cost of their workplace injuries, and in returning injured workers to productive livelihoods if they do happen to be injured on the job,” Bourque said. “As a mutual insurance company owned and governed by our policyholders, we truly understand that we’re all in this together, especially during the uncertainty of a pandemic when diligent injury management can be challenging.”

The average dividend for Maine employers will be $1,200; the largest will be $250,000. Checks will go out to eligible Maine employers in early November, Bourque said.

“Ultimately, the money returned to our policyholders is a reminder that our safety partnership really does pay dividends for them,” Bourque said.

The annual MEMIC dividend is not guaranteed. The return of money collected from policyholders is contingent upon everyone’s safety results, effective injury management, and efficient operations, as well as MEMIC’s investment and bond market performance. MEMIC reviews all factors annually to determine if a dividend is appropriate.

MEMIC’s strong financial status was affirmed with an “A” (excellent) rating by industry analyst A.M. Best in 2022.

MEMIC’s New Deductible Plan Takes Premium Pain From Industry

The MEMIC Group, specialists in workforce safety, is rolling out new workers’ compensation insurance products aimed at reducing companies’ out-of-pocket expenses while helping them build a culture of safety.

Taken together, the MEMIC Advantage plans are geared to help policyholders interested in protecting workers while freeing up cash flow once reserved for workers’ compensation premiums.

“MEMIC Advantage is a large deductible product for companies in the middle- to upper-middle market space that want to take some risk and achieve savings but don’t want the hassle of a self-insured program or perhaps have concerns about the potential downside of a traditional deductible program,” MEMIC senior loss sensitive underwriter Sunny Jarrard said.

“When we sat down with our agents and asked, ‘What can we do better?’ … there were some specific things they wanted,” Jarrard said. “One of the biggest was putting a cap on the worst-case scenario for companies so it isn’t as intimidating for them to take risk. That’s what we’ve done. It’s really a win-win for everybody, in our minds.”

The program is geared toward companies currently paying more than $250,000 annually in premiums interested in taking on more risk to reduce their workers’ compensation spend.

“Deductible credits can often cut premiums by more than half, giving the insured an opportunity to really control their costs by preventing and managing their claims,” Jarrard said, noting MEMIC’s reputation for helping companies instill safety measures that can limit the number, duration, and cost of injuries to their workers.

“We get our Loss Control consultants involved right away. Even before they meet the client, they’re engaged in the underwriting process,” she said. “It’s the beginning of a relationship. We’re setting the expectation of, ‘Here are the things we’ve identified already,’ so everyone understands what it is we’re there to do whenever coverage becomes effective.”

Companies that have tolerance for risk and favorable loss history and are dedicated to reducing their numbers of claims are invited to inquire about MEMIC Advantage by calling (603) 314-0653 or visiting thememicdifference.com.

MEMIC to Join National Construction Safety Alliance in Maine

The MEMIC Group, specialists in workplace safety, will join a collaborative alliance founded to foster health and safety practices and programs that improve Maine workplaces.

MEMIC was invited by the Construction Safety Alliance of Maine (CSAM) to join the alliance—one of more than 200 such industry-specific U.S. Occupational Safety and Health Administration programs nationally. Alliance members include OSHA's Augusta and Bangor district offices, and the Maine Department of Labor On-Site Consultation Program known as SafetyWorks!

The groups "recognize the value of establishing a collaborative relationship to foster safety and health practices and programs to improve American workplaces," according to a news release from OSHA.

The alliance will provide members and the public with information, guidance, and access to training resources that help protect workers by reducing and preventing their exposure to construction workplace hazards. Its members will address emerging and ongoing trends in construction safety and health and further emphasize the rights of workers and the responsibilities of employers under the Occupational Safety and Health Act.

Alliance organizations will use injury, illness, and hazard exposure data to identify areas of emphasis for safety awareness, outreach, and communication. The alliance also will implement member surveys and other methods to measure impact that ensures workplace safety and health improvements.

"MEMIC's Loss Control professionals delivered more than 400 safety training events in 2021, with around 8,500 attendees, so it's not surprising MEMIC was tapped for this worthy effort," Rod Stanley, MEMIC's regional director of Loss Control Services, said. "We're experts in workforce safety, but there's always something new to learn. The collaboration created by the alliance will add to our knowledge, as the monthly scheduled training our safety professionals receive will be communicated to the policyholders we serve when they revisit their jobsites."

For more information, see OSHA's news release at https://www.osha.gov/news/newsreleases/alliance/.

MEMIC Hires Coaker to Help Grow Southeast Book of Business

The MEMIC Group, specialists in workforce safety, has hired John Coaker as senior production underwriter in the Southeast, offering businesses of every size access to MEMIC's world-class worker health and safety program.

Coaker has worked in the industry for more than two decades, almost all in Georgia. His focus is on partnering with agents to help grow revenue and provide an exceptional service experience to the agent and to our mutual customers.

Southeast Territory manager Roger Comer said the addition of Coaker is part of a broad expansion of MEMIC's underwriting team in the Southeast. "With some of the biggest opportunities comes big challenges," he said. "Because he is focused on client relationships and delivering great service, I know John is well suited to meeting those challenges with us, and we're excited to have him on the team as we grow our clientele in the Southeast."

"I am excited to join the MEMIC team, continuing their legacy, and being able to bring the same great safety service and workers' compensation product to businesses in Georgia and throughout the Southeast," Coaker said. "I plan on building relationships and being a trusted advisor in order to provide exceptional client support and service delivery."

Coaker earned a B.A. in political science with a minor in business from Memorial University of Newfoundland in Canada. He also holds a Certified Insurance Counselor (CIC) certification.

A self-described outdoors enthusiast, he and his wife, Nicole, live in Georgia with their two daughters.

MINNESOTA

Bob Lund Scholarship Invests in Future Insurance Leaders

SFM former CEO Bob Lund

Earlier this year, SFM established a new scholarship program designed to identify and support future leaders and introduce them to rewarding careers in the insurance industry. The Bob Lund Scholarship is named for SFM's former CEO, who is widely known for his service to the field of insurance and his continuing passion for making the world a better place.

The group of SFM employees behind this effort, known as the Insuring the Future Committee, chose to partner with Wallin Education Partners. This Minnesota-based nonprofit has an established history of connecting students in need with the support they need to succeed in college and beyond. The Wallin scholarship program is committed to supporting students from historically underserved communities and eliminating barriers for groups that are underrepresented in business leadership roles (see page 100 of the 2022 Wallin Scholarship Yearbook, where the SFM program is detailed).

"We decided to partner with Wallin because not only do they facilitate the scholarship and help us find a student, but they also provide support to students in the program throughout their college career," said Insuring the Future Committee chair Carl Gruber. "They're committed to supporting their students and helping them succeed."

Meet the first Bob Lund Scholar

VAN NGUYEN

Robbinsdale Cooper High School
University of Minnesota - Twin Cities

The inaugural Bob Lund Scholarship recipient, Van Nguyen, started this fall at the University of Minnesota – Twin Cities as a first-year student.

The major Nguyen has chosen to pursue is Finance, Operations Management. She graduated from Robbinsdale Cooper High School in 2022, having distinguished herself through both academics and extracurricular achievements. The plan is to award Nguyen a scholarship through all four years of school, as long as she complies with the program's requirements.

In her scholarship application, Nguyen shared: "I believe that a successful college experience would be being able to find out who you are as you're developing so many new skills and academic enrichments while learning about your interests."

In addition to sponsoring Nguyen, the Insuring the Future Committee plans to support a new student each year, aiming to provide scholarships for four students at a time. The committee is also working on starting an internship open to Wallin Scholars.

SFM Foundation Holds Golf Fundraisers, Announces New Scholarships and Fall Event

The SFM Foundation started out in 2008 with a mission to ease the burdens on families affected by workplace accidents. Fourteen years and $3 million later, SFM Foundation scholarships are changing lives by making college possible for students in need.

In May, the Foundation's annual Iowa golf event saw record turnout and received rave reviews from participants. The Foundation's Minnesota golf outing in June has become one of the largest charity golf tournaments in the state, and this year's event did not disappoint! These annual "Golfing for Scholarships" tournaments are the primary source of fundraising for the scholarship fund, and support from the community has never been stronger. Combined, this year's golf events raised approximately $325,000 for the Foundation's scholarship program.

This fall brought yet another opportunity to support the Foundation, with the popular live fall fundraising event returning to the calendar in November. The in-person event took place on Thursday, November 10, at the Westin Edina Galleria in Edina, Minnesota, near SFM's Bloomington headquarters. The live event featured wine and craft beer tasting, a silent auction, raffles, shopping, appetizers, and more. The Foundation also planned a virtual silent auction November 7–10. Visit sfmfoundation.com to learn more about these events.

Since its inception in 2008, the Foundation's scholarships have helped 216 students pursue higher education, including the 13 new recipients announced this summer. Generous support from event sponsors and donors over the years has allowed the Foundation to grant scholarships totaling more than $3.2 million.

The SFM Foundation provides scholarships for students whose parents were seriously injured or killed while working for Minnesota or Iowa employers. The SFM Foundation is an affiliate of Kids' Chance of America in Iowa and Minnesota and is also known as Kids' Chance of Iowa. To learn more about the cause, visit sfmfoundation.com.

MONTANA

Montana State Fund Hosts Medical Conference—All AASCIF Members Encouraged to Attend

"Managing Recovery & Return to Work" is the theme of Montana State Fund's 2023 annual medical conference. This year the event will be held at the Lodge at Whitefish Lake, April 26–28, in Whitefish, Montana.

To conference benefits:

- Physicians
- Physicians Assistants
- Nurses
- Physical Therapists
- Medical Case Managers
- Vocational Rehab Consultants
- Claims Examiners

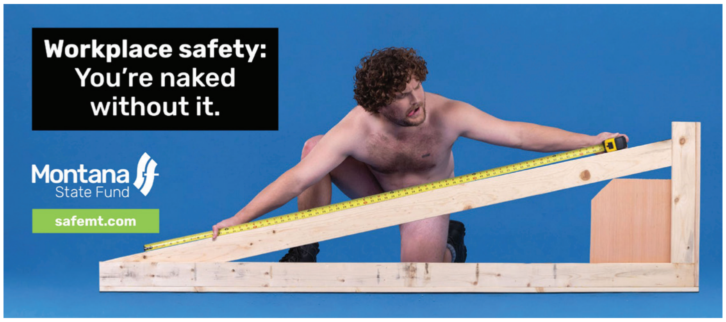
This is a joint conference between Montana State Fund and SCL Health. Continuing education credits are available.

For More Information

Please contact Shannon Hadley at shadley@mt.gov or (406) 495-5245 for more information or to be placed on an email list for agenda details and registration.

New Advertising Campaign Exposes Montanans to Safety

While we all know that on-the-job injuries are not funny, Montana State Fund's new advertising campaign definitely is. The "Naked Without It" statewide campaign rolled out on Labor Day, September 5, 2022.



The campaign features the ridiculous (and strategically positioned) anti-hero Gary, who represents an exaggerated metaphor about the importance of workplace safety. While comparing the lack of safety at work to being naked at work is clearly an exaggeration, it is a purposeful one, designed to grab viewers' attention and make a point that sticks.

The goal of the campaign is to create discussion, increase visits to MSF's safety information website, and reduce workplace injuries.

The campaign's media plan is a mix of broadcast TV, streaming services, radio, podcasts, Facebook, Instagram, Snapchat, website ads, and billboards, as well as ads in the televised Montana State and University of Montana football games.

Dividend Declared for 23rd Year

Montana State Fund recently declared a $30 million dividend. In a first for MSF, all policyholders who were insured with MSF for at least six months in Dividend Year (DY) 2020 (DY 20, July 1, 2019–June 30, 2020) will share in the dividend. This marks the 23rd consecutive year MSF has declared a dividend and the first year since the dividend program was modernized to be simple, understandable, representative, and beneficial to a greater number of policyholders.

The dividend will be paid to 23,137 policyholders and represents nearly 20% of premium paid in DY 20. Since 1999, MSF has issued dividends to policyholders totaling almost $400 million. In addition to dividends paid, MSF has reduced rates more than 54% since 2007, and current rates are at the lowest level in the company's 32-year history. The minimum dividend amount for qualifying policyholders is set at $100.

NEW BRUNSWICK

Tim Petersen Appointed President and CEO of WorkSafeNB

WorkSafeNB appointed Tim Petersen as its new president and chief executive officer on July 18, 2022. Petersen had served in the role in an acting capacity since October 2021.

"We trust in Tim's ability to lead WorkSafeNB through this exciting time of modernization and are confident the organization will thrive under his direction. Serving as acting president, Tim has demonstrated a steadfast commitment to the role, defined by great passion and considerable knowledge gained from close to 30 years service with WorkSafeNB," said Mel Norton, chair of WorkSafeNB's board of directors.

"Since taking on the role of acting president, Tim has proven his competence and earned the board's confidence. He's demonstrated a people-first leadership style and effected substantial progress on key projects, such as WorkSafeNB's modernization roadmap, new strategic plan, legislative amendments and reviews, and a new investment model," Norton said.

"With his deep expertise in every facet of our work—from prevention, compliance, and stakeholder relations to claims management, worker recovery, and financial operations—we believe we could not have chosen a better candidate."

The board of directors is responsible for appointing the president and CEO, with approval from the lieutenant-governor in council. It is a five-year term appointment.

A native New Brunswicker, Petersen earned his bachelor of business administration from the University of New Brunswick in 1990 and holds the professional designations of Chartered Professional Accountant, Chartered Accountant, Certified Information Systems Auditor, and Certified Internal Auditor.

Since joining WorkSafeNB in 1995, in addition to his most recent role as acting president, Petersen served as vice-president of Prevention Services, vice-president of Corporate Services, controller, and manager of Internal Audit.

He currently serves as governor, Council of Governors, Canadian Centre for Occupational Health and Safety; on the advisory committee of the Conference Board of Canada's Council for Safe Workplaces; and as a board member of the Association of Workers Compensation Boards of Canada.

OREGON

SAIF Declares $75-Million Dividend

In September, the SAIF board of directors declared a $75 million dividend for its policyholders.

SAIF determines whether a policyholder dividend is appropriate based on capital levels, claim trends, and the overall economic environment.

"Like all Oregon businesses, SAIF is cautious about current economic trends," said Chip Terhune, president and CEO of SAIF. "However, after careful consideration, we felt declaring this dividend was the right thing to do to serve our policyholders."

This is the 13th year in a row SAIF has been able to offer a dividend, and the 25th dividend since 1990.

50,960 policyholders received the dividend.

Improving Your Safety Culture Starts With Leadership

A new training series from SAIF focuses on safety leadership. It's free to anyone with an internet connection—you don't even need to be a policyholder. We built it using adult learning principles and the cafeteria learning model, which means you can pick from shorter training modules presented in a variety of formats. Every topic has a handout (most in Spanish too), and many have accompanying eLearning modules and videos, so you can pick trainings based on how you best learn. The content is not limited to managers or supervisors—anyone can benefit from learning these skills, regardless of job title.

The foundation of the course is human and organizational performance (HOP), which focuses on involving employees in work decisions instead of making them from the top down. The series also covers leadership styles, relationship building, and work styles, among other topics.

The whole series is built on SAIF's Ansbro Safety Culture Spectrum, which provides a roadmap of how to build a strong safety culture at organizations. Focusing on developing good leaders is one of the best ways to prevent injuries while improving in other operational areas at the same time.

You can access the trainings at saif.com/learntolead.

SAIF Brings Back Free In-Person Agricultural Safety Trainings

SAIF will be touring the state of Oregon in the next few months to offer free agricultural safety sessions.

The 29 free ag safety seminars will be in 17 cities across Oregon, running from October to March. Nine of the seminars will be presented entirely in Spanish.

SAIF has put the seminars on for the last 29 years, helping Oregon's farm owners, managers, and workers stay safe in one of the most hazardous industries. SAIF offered online webinars the last two years in lieu of in-person events.

"We are excited to get back on the road to offer these critical safety trainings this year," said Courtney Merriott, senior safety management consultant at SAIF and one of the seminar presenters. "Being able to get out into the ag community is more effective as we look at reducing hazards in this industry."

This year's seminars will focus on four topics: ag hacks and ag myth busters; coexisting with agricultural chemicals; balancing the effects of heat and the effects of OSHA's new heat rule; and first responders on the farm.

SAIF will also host online webinars in December and March in both English and Spanish.

More information can be found at saif.com/agseminars.

SAIF's Online Employer Resources Are Now Available in Spanish

From making payments to reporting payroll to helping injured workers return to work, SAIF's employer guide has all the information an employer needs when it comes to workers' comp.

And now, it's all available in Spanish.

Access SAIF's Guía de Empleadores from the saif.com homepage, along with our other Spanish resources: la Guía del Trabajador (Spanish worker guide) and desarrolla trabajo seguro y saludable (Spanish safety and health trainings).

Guía de Empleadores is a gateway to information and resources that help SAIF policyholders through the workers' comp process, including submitting payroll, filing and managing claims, and preventing fraud.

You can check out our new Spanish employer guide at saif.com/empleador.

SAIF Employees Honored by Occupational Health Nurses, Insurance Agents

SAIF's Chris Murrell, nurse consultant, was recently honored for her dedication to occupational health by the Oregon State Association of Occupational Health Nurses (OSAOHN). This is the second time she's received the Medique Leadership Award.

The leadership award honors nurses recognized by their peers as role models in demonstrating commitment, initiative, productivity, motivation, and creativity in keeping workers healthy and on the job while minimizing costs and maximizing wellness.

Pat Morrill, agency and group program coordinator, was recently named the 2022 Company Person of the Year by PIA (Professional Insurance Agents of Oregon and Idaho). Each year, insurance professionals nominate a person they consider the best of the industry's best.

SAIF Hiring for Vice President of Claims

SAIF is hiring a vice president of claims. The new executive will set the vision, direction, and strategy for our claims department, known statewide for outstanding customer service and for making a positive difference in the lives of injured workers and Oregon employers. Our current vice president, Kathy Gehring, is retiring at the end of the year after 32 years with SAIF.

Please review our vice president of claims webpage to learn more about this opportunity.

SASKATCHEWAN

Saskatchewan WCB Announces 2023 Preliminary Rate

The Saskatchewan Workers' Compensation Board (WCB) has announced the 2023 preliminary average employer premium rate of $1.28* per hundred dollars of payroll, compared to the 2022 rate of $1.23, an increase of 4.1%.

"While we are proposing a rate increase for 2023, our preliminary premium rate is likely to continue to remain among the lowest rates in Canada," said the WCB's chair Gord Dobrowolsky. "Claim costs and payroll are the two key drivers of the 2023 average preliminary premium rate. We are forecasting total costs to rise faster than employer payrolls in 2023, which is mostly driven by increasing long-term claim costs. As a result, we are proposing the five-cent increase to the 2023 board-level average preliminary premium rate."

The WCB adjusted the average premium rate for 2021 and 2022 to help lift pressure on employers due to COVID-19. The 2022 average premium rate was $1.23, below the required rate of $1.25, and the 2021 average premium rate was held at $1.17, below the required rate of $1.23. Not charging the required premium rate in 2021 and 2022 saved employers $14.0 million in 2021 and is expected to save them another $4.8 million in 2022.

"After adjusting the premium rate for the past two years, the rate increases for 2023 will ensure we maintain our funded position," said the WCB's CEO Phillip Germain.

The WCB has a legal obligation to be fully funded. The WCB's funding policy has a range between 105% and 120% funded.

With the 2023 rate proposal:

- The overall 2023 proposed average employer rate will be $1.28 per hundred dollars of payroll.
- Industry premium rates for approximately 65% of Saskatchewan's employers covered by the WCB will increase next year.
- Industry premium rates for approximately 35% of Saskatchewan's employers covered by the WCB will see a decrease or no change for 2023.

*All figures in Canadian funds.

WorkSafe Continues Firefighter Cancer Prevention Awareness Initiatives

Firefighter cancer is the second leading cause of work-related occupational disease deaths in Saskatchewan. From 2010 to 2018, 23% of work-related occupational disease fatalities in Saskatchewan were from firefighter cancers and in 2020, five firefighters lost their lives to cancer.

To help address this, WorkSafe Saskatchewan partnered with Jim Burneka Jr., founder of Firefighter Cancer Consultants, who toured and inspected 15 fire stations in the province and interviewed their staffs.

This year, Firefighter Cancer Consultants conducted a follow-up survey to the fire halls that were initially audited to measure their progress in implementing controls pointed out in the first surveys. Many fire halls have implemented easy, low-cost solutions. Almost all policies and procedures have been updated or newly created throughout the spectrum.

WorkSafe Saskatchewan Launches Asbestos Campaign

While workplace fatalities have decreased in Saskatchewan, asbestos is still the leading cause of work-related deaths and a hidden killer for homeowners.

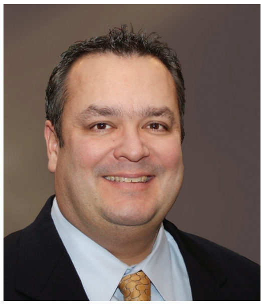
In Saskatchewan, from 2010 to 2021, approximately 40% of work-related fatalities in all industries were from occupational diseases. Between 2010 and 2021, 67% of occupational disease fatalities in all industries were asbestos related.

To increase awareness of the dangers of asbestos exposure and its long-term effects, WorkSafe Saskatchewan recently launched an awareness campaign that aims to educate contractors, tradespeople, construction workers, and homeowners on these risks and the correct preventative measures to reduce exposure and prevent asbestos-related disease and death. (WorkSafe Saskatchewan is the partnership between the WCB and the Saskatchewan Ministry of Labour Relations and Workplace Safety.)

The multimedia campaign targets industries where asbestos exposure is most prevalent. This includes retail awareness at home improvement stores, municipality outreach, a permit package to include with building permits, and paid digital and social media advertising. It also includes online resources to help workers and employers handle asbestos testing.

WASHINGTON

Mike Ratko Appointed Workers' Comp Leader in Washington State



After the recent retirement of Vickie Kennedy, the state of Washington has tapped a 30-year veteran in workers' comp and public service to succeed her. Mike Ratko has been leading the Insurance Services division within the Department of Labor & Industries (L&I) since April.

Mike outlined his plans going forward and said that he wants to continue the worker-centered approach Vickie championed for so long, while looking to improve other areas. He said that the department must continue to prevent worker disability by reducing complexities and delays in the system.

"For example, we know that there are gaps in mental health services as part of an injured worker's treatment," he said. "We want to address this and recruit additional providers to increase access to this critical support."

He said that providers are often frustrated in navigating the state system and that he wants to simplify and improve those interactions as well as give them additional resources to ease administrative burdens.

"I want providers to know how much we value their care of our injured workers," he said. "They have a key role in helping workers heal and return to work."

Mike said he's always had a great passion for Washington's unique workers' comp system, the sixth largest in the nation. He served 17 years as deputy assistant director of Insurances Services and has been with L&I in a variety of roles for more than 30 years.

He holds an MBA from Pacific Lutheran University and a BA from the University of Washington. In his spare time, he enjoys spending time with his family, boating, and working on house projects.