AASCIFNEWS

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WHAT'S INSIDE

AASCIF

American Association of State Compensation Insurance Funds

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PRESIDENT'S MESSAGE

As we enter the final stretch of 2023, I'd like to extend my gratitude to the entire AASCIF community for your engagement throughout the year. Looking back, I am grateful for the numerous opportunities we had to get together. Beginning with the all-committee meeting in January in New Orleans, followed by the National Issues conference in Washington, D.C. in April, and culminating with the annual conference in Denver, 2023 actually went as planned. While I used to take that for granted, the last few years have taught me to appreciate these events even more!

I am also grateful for all the contributions by the hard-working members of each AASCIF member company. As I read each of the newsletters that were published this year, I was struck by the quality of content and by the level of involvement from many member organizations. That commitment to quality and to helping each other fulfill our purposes as State Funds is what makes AASCIF such a special and valuable organization.

Changing perspective a bit and looking forward to 2024, I am excited about what we have in store for next year. The work is already starting, and I look forward to seeing all the ways each member organization continues to innovate and find new ways to contribute to the health of each of our workers' compensation systems.

Vern Steiner, President & CEO of the State Compensation Insurance Fund
AASCIF President

FEATURES From AASCIF

THE PLAYBOOK: A MODERN GUIDE TO HIRING SAFETY PROFESSIONALS

By Sheila Schmidt, Missouri Employers Mutual Insurance Company; Stacy Rose, Texas Mutual Insurance Company; Steve Lichtenberg, SFM Mutual Insurance Company

Submitted by the AASCIF Health & Safety Committee

Earlier this year, we explored the Ideal Skill Set of a Loss Prevention Representative. Now that we have identified our ideal candidate, how do we recruit, onboard, and retain them? Like many industries, the field of safety is battling for the same limited resource of people to fill their open roles.

Current employees are doing more with less and while there is some new talent coming into the field, those experienced folks are even more elusive. While we know what we want in an employee, they also know what they want from an employer. The fit needs to be right on both sides for the relationship to last. Some may be looking for a new and challenging experience. Some may be nearing the end of their career, looking for consistency and less responsibility. Overnight travel might be appealing to some, while others at different stages of life may want to be home every night. Having realistic conversations around these and other topics will help in recruitment and retaining those valued employees.

Recruiting

Building relationships with other organizations is crucial to expanding your hiring pool. Schools, insurance agencies and industry associations often work with talented professionals who are looking for work. It is helpful to maintain relationships with local schools to keep a pulse on graduates and alumni who may be looking for work. Some areas are exploring 'grow your own' options where those interested in the field of safety can start in a developing role and learn as they take on more responsibility. Some colleges and universities offer a master's degree in safety, usually a nine-month program for college graduates and second career employees. These students gain a strong understanding of safety, health and environmental knowledge that provides a foundation for insurance loss prevention. Through the program, they learn the workers' compensation side of the business quickly and are eager to make a positive impact.

For a more seasoned employee, recruiting from insurance agency partners can build a strong rapport between the agent and the mutual fund. However, it's important to avoid utilizing a single agency multiple times as that can produce negative effects.

Joining manufacturing associations and working with the local Veterans Service Office can bring employees into your company that have specific industry knowledge and experience.

It's important to remember to cast a wide net for candidate recruitment. This can increase the applicant pool and attract the best available talent in the market. Other than maintaining valuable partnerships, one approach to increase the applicant pool is to use diverse and inclusive job posting language. There are software programs such as DataPeople that can be used to enhance job posting language to be more inclusive to job seekers. Another approach in casting a wide net is to share job postings with local diversity partners and/or with organizations such as Professional Diversity Network (ProDivNet). ProDivNet is a recruiting platform that connects diverse professionals with employers through recruitment solutions.

Ideally, a great candidate will parlay into a great insurance loss prevention consultant. Keep in mind that even if the candidate isn't the best fit for the current position, it doesn't mean they wouldn't be a good fit for a future loss prevention role or a different role within a company. It's best practice to keep your options open and begin building a pipeline of future candidates.

Selecting

Ideally, through successful recruiting, you will then have multiple candidates to interview to make the best choice for your team. Missouri Employers Mutual's (MEM's) safety department has multiple steps in its selection process. Before the interview, a PXT personality profile and a DISC profile are completed by the candidate. These profiles are very helpful in identifying characteristics of a candidate that the team may wish to ask more questions around during the interview. After the interview, there is a skills assessment, which tests the candidates' comfort around some of the technology they will be using, basic computer skills and how they deal with the unknown.

Having an up-to-date job description will set the expectations and discernment process for the prospective employee. Loss prevention can mean different things to different candidates. In the workers' compensation industry, we use "loss prevention" to prevent work-related injuries. Loss prevention is also used in the retail industry to prevent theft of merchandise. A simple reinforced explanation from the start of the process can alleviate the possible confusion.

At Texas Mutual, candidates will go through multiple team interviews. Interview teams are comprised of loss prevention management, loss prevention consultants and others from departments such as underwriting or claims. The intent is to have a variety of diverse perspectives and levels of engagement from multiple people. We've learned that our loss prevention consultants find a lot of value in being asked to participate in the interview process. It's not only a professional development opportunity for them but candidates really appreciate asking a consultant directly about a day in the life of a Texas Mutual loss prevention consultant.

Our team interview strategy is to build interview questions around the job's key competencies. Written assessments are administered to evaluate business communication skills, safety and insurance knowledge, and overall thought and reasoning processes. Transparency of what the job entails is critical in moving candidates forward in the interview process as well as, if hired, retention. We use mapping software to show territory assignments both in terms of geography and industry make-up. On some occasions, we partner the candidate with a loss prevention consultant for a policyholder joint visit. The goal is to have the candidate fully understand the role and ask questions in a less formal environment. It also provides us with the ability to assess whether the candidate has the right combination of soft skills, experience, and career goals that align with the mission and values of Texas Mutual.

Onboarding

A thorough onboarding process is an essential part of retention. When new employees start, they are often wondering if they made the right choice. Onboarding usually involves multiple people and departments and can set the tone for one's career. The key for managers is knowing who is responsible for each part. Setting up access, equipment and making introductions to others all needs to be planned out and available for the new employee on day one. This shows the new employee that the company values them and has prepared to support them in their career.

For the department, expectations should be set early and communicated clearly. While the manager or team lead is often the main point of contact, a peer or mentor should also be assigned to help with other questions and exploring the social norms of the organization and department. This will also help the new hire get to know their peers.

Onboarding has always been important but has new emphasis in a virtual environment where making connections can be more difficult. As many companies learned during the pandemic, virtual onboarding works for some training topics, but it's hard to replace in-person interactive training. Being in front of new employees allows for more complex topics to be explained. Additionally, the foundation of relationship-building and trust starts to develop. This is invaluable and can strengthen interpersonal relationships, team camaraderie, feelings of belonging and hopefully, retention. At Texas Mutual, an onboarding practice for loss prevention consultants who live farther away from an office involves splitting time between the manager meeting the employee in their town and the employee traveling to meet the manager at an office. Based on employee feedback, the benefits of splitting time in this way have led to successful onboarding experiences.

Retaining

Through the aches and pains of the selection and onboarding process, the need for retention becomes clear. Great employees are hard to come by, and once found, you don't want to lose them. Ongoing, open conversations can help with retention. Gaining feedback from the onboarding process and whether the job meets their expectations can also help with your ever-evolving onboarding process. Employees should have frequent meetings with their manager and methods of giving and receiving feedback on the current state of the job and future expectations. When it comes to feedback, know the difference between being nice and kind. Don't be nice and tell the employee what they want to hear, or that everything is ok if there are concerns about their performance. Be kind and have the difficult conversation so everyone can grow and maintain expectations.

A good work-life balance and opportunities for future advancement in the company also help with the recruiting and retention process. Companies used to ask new employees where they expect to see themselves in five years to gain insight into the employees' career path. In reality, many employees are focused on gaining employment and haven't always thought about their career five, ten and thirty years in the future. Using a different approach, such as explaining to the employee what the advancement opportunities are within the company and the varied career paths that are available illustrates that the company is proactive and engaged with their employees' career goals.

As a new employee's leader, convey early and often that your role is to help them learn, develop, and grow. Get to know the whole person before you start discussing career growth and development plans. This makes future career conversations and performance discussions flow much more authentically. Reinforcing growth is a continuous process and you are there to help create experiences and provide exposures to help them get to where they want to be. Additionally, it's good to periodically discuss employee benefits such as compensation, incentive plans, retirement plans, vacation time and any other perks your company offers. Create experiences that reward, engage, and connect people to each other and to the company. Employees who feel valued and connected to a company are more likely to stay. It's worth the time and investment to retain employees who not only contribute to successful financial results but become true ambassadors for the company.

MANAGING THE QUALITY OF OUTSOURCED SERVICES: THE WASHINGTON STATE EXPERIENCE

By Kirsta Glenn, Washington State Department of Labor & Industries

Submitted by the AASCIF Claims Committee

Why outsource?

Workers' compensation insurance carriers often outsource specialty services. After all, it's not always practical to recruit, hire, and train internal staff to perform specialized or highly variable work. The benefits of purchasing third-party services can be substantial - from cost savings and efficiency gains, to greater flexibility and lower workload fluctuation risk. On the other hand, loss of control over the outsourced function can pose significant risks in oversight and control of quality.

At the Washington State Department of Labor & Industries (L&I), we purchase vocational rehabilitation services from private sector counselors to help workers safely and effectively return to work. However, we are required by statute to make referrals to vocational providers based on **quality and effectiveness**. Over the past 30 years, L&I has struggled to implement a successful method for measuring quality and effectiveness of outsourced vocational services. The results of our newest quality assurance model, however, shows much promise.

Background

In Washington State, if an employer is not self-insured, they must purchase workers' compensation insurance through L&I. About 100,000 claims are received by L&I each year, of which about 30% result in the worker missing some time from work. To reduce time-loss and enable the worker to return to work sooner, L&I relies on the expertise and individualized services provided by over 300 vocational counselors who are L&I-approved and credentialed in our state.

Prior models for managing the quality of services attempted to embed quality assurance in existing resources and processes, which created additional risk and unintended consequences.

What didn't work	Underlying problem
Allowing claim adjudicators to assign referrals based on their independent assessment of the counselor's quality and effectiveness.	L&I has hundreds of claim adjudicators making thousands of referrals each year. It was hard to create consistency and impossible to coordinate referrals across private sector providers.
Basing quality and effectiveness on the duration of referrals or specific vocational outcome codes.	Duration of referrals and outcome codes became the focus of counselor's attention often interfering with the provision of high-quality, worker-centric services.
Basing quality and effectiveness on the timeliness of progress reports.	Timeliness of reports is too simplistic of a measure and doesn't begin to evaluate the complexity of effective vocational counseling.
Relying on external credentialing bodies to determine quality.	Credentialing bodies certify minimum qualifications, but do not provide an evaluation of the individual work provided by the counselor.

New Process

Starting in 2016, L&I made a major, system-wide shift in its focus away from following a standard process and towards providing worker-centric, customized vocational counseling. This shift forced us to rethink how we manage the quality of outsourced services. The way we had been measuring quality focused on adherence to processes and, hence, incentivized counselors to focus on a consistent process rather than the needs of the worker.

The new design for managing quality and effectiveness would change the way we worked with individual providers, created new data sources, and modified existing processes and structures.

Significant system changes included:

- Holding vocational firms, rather than individual counselors, accountable for the quality of services.
- A new internal team that set quality assurance expectations, meets regularly with each vocational firms, and holds firms accountable for meeting expectations.
- A new centralized, firm-based referral distribution model.
- Quality assurance data elements that are now tracked and reported monthly by vocational firms.
- Surveys that are administered by phone and online to better understand the experience of workers.
- Vocational firms that individually agree to implement quality assurance plans designed for their firm.
- An advisory committee, comprised of 12 vocational firms, which helps us continuously improve our system.

Resource requirements

Based on our experience, assuring the quality of complex, outsourced services requires a significant amount of time and effort, but it's worth it. The key elements for standing up a quality assurance program include:

- Qualified professionals to review claim files and meet regularly with private sector firms.
  - o In Washington State, the ideal ratio of external providers to internal staff is 8 to 1.
  - o Additional support staff for scheduling, managing records, and reporting.
- Legal guidance on new or unprecedented situations involving law, rule, and policy.
- New/updated forms and processes to support firms.
- Technology changes to operate the program efficiently.
- A strong, collaborative relationship with vocational providers.
- Vocational service specialists serve as a resource to review work and help resolve issues for both vocational counselors and claim managers.
- Success measures and the capability to track and report performance.
- A strong, but fair, quality assurance compliance management process to hold the system accountable for worker outcomes.
- A continuous improvement mindset and resources committed to plan-do-check-act (PDCA).

Results

As the quality assurance program for vocational services at L&I approaches its third full year in operations, the results continue to improve.

- Return to work outcomes have increased from 33% in January 2019 to 45% (as of August 2023).
- Preventing one short-term disability claim from becoming a long-term disability claim saves ~$370,300.
  - o The average cost of a vocational recovery referral is $2,700.
  - o So, the return is 137 to 1.
- Worker experience data collected from the survey validates the importance of worker-centric services and shows a steady increase in affirmative responses year-over-year since 2021.
- The quality assurance compliance management process has effectively held vocational firms accountable for identifying and correcting service delivery issues.
- L&I is currently working with a vocational provider advisory committee on at least five more continuous improvement projects.

ESG AND WORKERS' COMP: OPPORTUNITIES IN UNDERWRITING

By Scott Hawkins, Head of Insurance Research, Conning

Submitted by the AASCIF National Issues Committe

Environmental, social, and governance (ESG) issues have emerged as key challenges confronting governments, businesses, and individuals. These groups have their own levels of involvement, and responses, to those challenges.

For insurers, those responses have broadly focused on two areas. First, insurers are adjusting their investment portfolios in response to pressures from multiple stakeholder groups (as discussed in a Conning-authored article in the Q3 issue). Second, ESG issues are becoming a factor in underwriting risk.

Complicating matters is that a lack of uniform reporting guidelines hampers the development of robust responses to ESG issues. At the same time, ESG has become a hot-button political issue and management teams face a notable risk of regulatory and reputational pushback.

Given this background, how is the insurance industry grappling with ESG issues? Looking more closely at workers' compensation insurers, can ESG play a role in improving underwriting, without becoming a political issue?

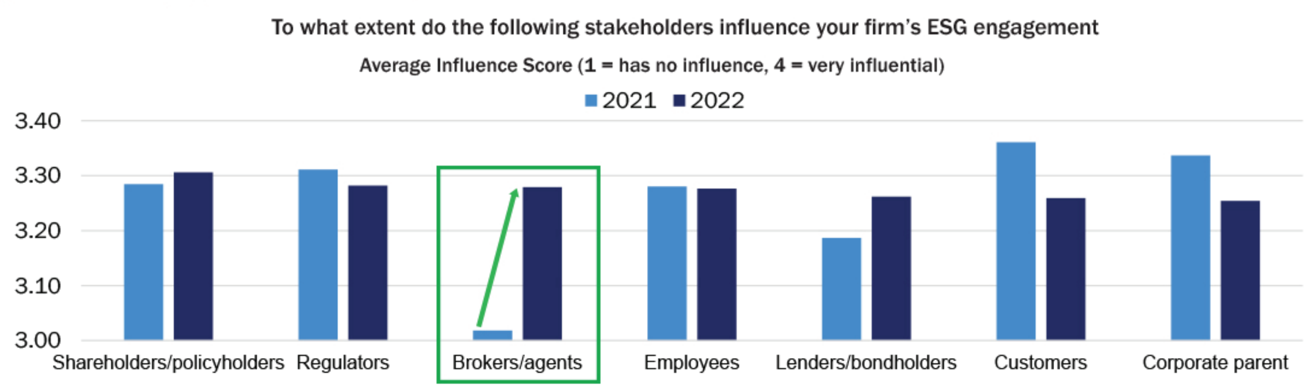
Insurers Continue High Engagement with ESG

In 2021 and 2022, Conning surveyed insurance executives on their engagement with ESG issues. The results, published in *Conning's Risk Assessment Survey of U. S. Insurers,* highlighted several key points.

- Engagement with ESG is high and increasing.
- Insurers' ESG engagement is influenced by a large number of stakeholders.
- Insurers are asking for more ESG information and support from vendors and distributors.

In the 2022 survey, 57% of respondents reported their companies had a "high level" of engagement with ESG issues, compared to 41% in 2021. While multiple stakeholders are influencing that engagement, our analysis noted a significant increase in the influence of brokers and agents. Meanwhile, corporate parents, customers, and even regulators were having less influence (See Figure 1).

Figure 1 Brokers/Agents Increase in Importance as ESG Influencers for Insurers



Prepared by Conning, Inc. Source: ©2023 Conning, Inc. The *Conning Risk Assessment Survey of U.S. Insurers* utilized survey technology provided by Qualtrics, LLC. In 2022, surveys were sent to approximately 4,000 U.S. insurance company decision makers with 303 qualified responses (2021 survey was sent to approx. 7,000 U.S. insurance company decision makers with 280 qualified responses). Results may not be representative of any one respondent's experience as they reflect an average of all, or a sample of all, of the experiences of surveyed U.S. insurance company decision makers. Qualtrics, LLC was paid a fee for services rendered.

The survey also found that insurers increased the requirement for vendors and business partners to disclose or meet ESG standards. Just over 50% of insurers in 2022 had a requirement that vendors meet ESG standards, a strong increase from 37% in 2021. In 2022, 47% of insurers had a requirement that vendors report on ESG, an increase from 35% the prior year. Both increases suggest a growing awareness of the importance supply chain relationships have in helping insurers meet their own ESG standards.

ESG Underwriting Opportunity in Workers' Comp

For workers' compensation insurers, integrating ESG factors into underwriting may be an opportunity to improve their financial performance. At the same time, integrating ESG factors into underwriting may also help contribute to an insurer's own ESG engagement.

With a combined ratio of 87.2% in 2021, the workers' compensation segment reported its eighth consecutive year of underwriting profitability.[1] At Conning, we project that trend to continue through 2025. However, there are potential changes that could affect that outlook.

After a sharp decrease in claims frequency in 2020 due to COVID-19, claims frequency increased in 2021 and was expected to increase in 2022.[2] That increase is due to lower unemployment, a rise in inexperienced workers, and a rise in older-aged workers. At the same time, claims severity is likely to increase due to higher wages and higher medical inflation.

The concentration of claims within a few high-risk industries is also a factor in driving claims. Together, our analysis finds that the manufacturing, construction, and transportation industries account for approximately half of all claims.

What role can ESG play in helping reduce the likelihood of a strong increase in claims frequency? The answer may lie in integrating ESG into underwriting. As with investing, ESG factors can provide additional insights into policyholder risk exposure. Of the three ESG factors, E and G may provide the biggest insight.

For example, the E in ESG stands for environmental and usually refers to the impact a firm has on the natural environment. From a workers' compensation perspective, however, the environment could also mean the workplace environment. Is the building up to code in terms of worker safety? Are workers exposed to hazardous materials?

The G in ESG stands for governance. For a workers' compensation insurer, understanding a firm's approach to worker safety provides insights into risk. For example, does the firm provide safety training to its workers? Does it actively look for opportunities to improve safety?

For many of you, this may sound like EHS - Employee Health and Safety - which has been used in the industry for decades. EHS is focused on the practical aspects of protecting the environment while also maintaining the health and safety of employees.

However, there are differences between ESG and EHS, generally revolving around time horizons. EHS is usually focused on the short term, whereas ESG takes a longer-term view of issues.

Both have a key role in improving claims. EHS efforts can provide faster results. A firm that improves the storage and handling of hazardous waste is an example of its EHS efforts. ESG can be used to "bend the curve" for long-term claims improvement. If that same firm works to replace those hazardous materials with safer alternatives, that could be part of its ESG effort.

At this point, the relationship between ESG and reducing EHS risk is conceptual. That said, efforts are underway to quantify that relationship. In October 2022, Marsh began analyzing ESG ratings and workers' compensation claims and found an inverse relationship, suggesting the use of ESG ratings may be useful in evaluating policyholder claims risks.[3] We would not be surprised to see other groups undertake a similar analysis.

ESG, Building on the State Fund Advantages

State funds already engage in EHS. For example, New Mexico Mutual offers multiple safety training events.4 Maine Employers' Mutual Insurance Company (MEMIC) provides multiple online resources to help clients improve their workplace safety. As MEMIC states[5] in its corporate responsibility page:

> *The success of our business relies on educating and training people to work safely. That sense of purpose is embedded within our entire team. For those who are injured in the course of work, our commitment is to help them regain their health and return to life and work as they knew it. In a broad sense, our work complements the corporate responsibility of all our policyholders to take care of their people.*

While providing training to improve short-term safety, and perhaps incorporating ESG to better evaluate policyholder risk, there is one final advantage for state funds as they engage with ESG. In a competitive landscape, a deeper engagement with

ESG issues can generate a higher ESG rating for the workers' compensation insurer. In connection with a clear commitment to improving the safety of workers within their state, a higher ESG rating may help these state-focused firms better compete against more commercially focused insurers.

Scott Hawkins is a managing director and Head of Insurance Research at Conning, responsible for producing research and strategic studies related to the insurance industry. Prior to joining Conning in 2006, he was senior research fellow for Networks Financial Institute at Indiana State University and an analyst and senior researcher at Skandia Insurance Group in the U.S. and Sweden. Mr. Hawkins studied history at Yale, has a Certificate in Information Management Systems from Columbia University and was a board member of the J. M. Huber Institute for Learning in Organizations at Teacher's College.

About Conning

Conning is a leading investment management firm with a long history of serving the insurance industry. Conning supports institutional investors, including insurers and pension plans, with investment solutions, risk modeling software, and industry research. Founded in 1912, Conning has investment centers in Asia, Europe and North America.

Notes

1. Conning analysis of data from S&P Global Market Intelligence LLC.
2. Ibid.
3. Copyright 2022 March LLC, "ESG performance and US workers' compensation liability correlations," October 2022, https://info.marsh.com/l/395202/2022-10-20/cggzl1/395202/1666265764Wo5i7HVc/ESG_performance_and_US_workers_compensation_correlations_Oct_2022.pdf
4. New Mexico Mutual website home page: https://www.newmexicomutual.com/
5. MEMIC website, Corporate Responsibility page: https://www.memic.com/about-memic/company-overview/corporate-responsibility

Disclosures:

Additional Notes on Sources

AASCIF 2023 COMMUNICATIONS AWARDS— AND THE WINNERS ARE…

Submitted by the AASCIF Communications Committee

The judging is complete, and we're pleased to announce the winners of this year's AASCIF Communication Awards!

Each year, this awards program recognizes the best, most creative, and effective communications efforts of our member boards. Below is the full list of this year's award winners with links to view their entries.

Congratulations to this year's winners and thank you to all the member boards that submitted entries for consideration!

Excellence in Design

This category recognizes outstanding design in any medium, including print, online, digital, branded items, new or updated company branding, and more.

1st Place: Coverage Plus Campaign – State Compensation Insurance Fund

2nd Place: Agent Contingent Commission Program Brochure – SIF, Idaho Workers' Compensation

3rd Place: BWC Booth at 2003 Ohio Safety Congress & Expo – Ohio Bureau of Workers' Compensation

Excellence in Writing

This category recognizes outstanding writing in any medium such as newsletter, magazine, newspaper, or online.

1st Place: Shining a Light on Long COVID – NYSIF

2nd Place: People and Culture Campaign: Intranet Article Series – Texas Mutual Insurance Company

3rd Place: Worker Trench Safety Op-Ed – Washington State Department of Labor & Industries

Policyholder Communications

This category evaluates policyholder communication assets and their effectiveness. Formats include newsletters, emails, collateral pieces, and more.

1st Place: Safety Services Video – LWCC

2nd Place (tie): HEMIC 25th Anniversary Annual Report – HEMIC

2nd Place (tie): Policyholder checklist – Missouri Employers Mutual

3rd Place: 24/7 Injury Triage Policy Holder Poster (Spanish Version) – The MEMIC Group

External Campaigns

This category is for advertising or communications campaigns using multiple mediums for external audiences.

1st Place: Workplace Safety: You're Naked Without It – Montana State Fund

2nd Place: 30th Anniversary Campaign – The Beacon Mutual Insurance Company

3rd Place: The HEMIC Family of Companies Can Do More for Your Business – HEMIC

Multimedia Production

This category recognizes excellent multimedia productions such as videos, live streams, presentations, podcasts, and more.

1st Place: Worker Memorial Day video – Washington State Department of Labor & Industries

2nd Place: Agriculture Safety – Montana State Fund

3rd Place: The Gift of Hearing video – Ohio Bureau of Workers' Compensation

Website/Mobile App

This category showcases websites and mobile apps that are launched, redesigned, or refreshed within the contest eligibility period.

1st Place: Empleador: SAIF's Spanish employer guide – SAIF

2nd Place: Agent Toolkit – Missouri Employers Mutual

3rd Place: Idaho SIF Website – SIF, Idaho Workers' Compensation

Internal Communications Excellence

This category showcases internal communications efforts or campaigns, which may include intranet posts, advertisements, email campaigns, etc.

1st Place: Safety Second – Montana State Fund

2nd Place: Employee Learning Week – State Compensation Insurance Fund

3rd Place: NYSIF Mental Health Awareness Week 2022 – NYSIF

Open Category

This category recognizes marketing and communications excellence and may include any effort or asset.

1st Place: Crafted in Oregon: SAIF's 2023 policyholder calendar – SAIF

2nd Place: Sustainability at SIF – SIF, Idaho Workers' Compensation

3rd Place: Welcome to the New HEMIC Tower brochure – HEMIC

Community Impact

This category is 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.

1st Place: 30th Anniversary Safety Grant Program – The Beacon Mutual Insurance Company

2nd Place: 2022 Texas Mutual Week of Giving – Texas Mutual Insurance Company

3rd Place: Sustainability Inspire Series: Drought in California – State Compensation Insurance Fund

CLOSING OUT THE 2023 U.S. REAL ESTATE MARKET YEAR

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

Summary

- U.S. real estate has responded to higher interest rates. Market prices have dropped about 20% from their Spring 2022 peak. We believe that appraisal values will converge to market levels by year-end.
- Fundamentals are healthy (outside of the office sector), with vacancies near an all-time low (since 1988). A recent slowdown in the apartment and industrial sectors can be attributed to a post-COVID reset that we believe is largely complete.
- In our view, long-term interest rates are close to their peak and banking tremors will be relatively benign for core real estate financing. By extension, we believe that market cap rates have also essentially peaked, relieving pressure on valuations.
- We believe that fundamentals will soften modestly over the next year amid a mild recession and a wave of apartment and industrial construction, but then retighten in the second half of 2024 as the economy recovers and supply retreats. Investors looking through this dip will find opportunities to buy into strong long-term fundamentals at attractive yields.
- COVID and its aftershocks have distorted sector and market dynamics. We believe that structural trends continue to favor industrial and residential property in the Sun Belt and Mountain West.

Real Estate Outlook

Rapid interest-rate increases since the end of 2021 — more than 500 basis points (bps) at the short end of the yield curve and 300 bps at the longer end — have reverberated through most asset classes, including real estate.[1] Appraisal-based NCREIF Property Index (NPI) values dropped 9% from the second quarter of 2022 to the second quarter of 2023.[2] Other metrics indicate that as of mid-year 2023, market prices were down about 20% from their peak (more for Office, less for Industrial and Retail).[3] We believe that NPI valuations will converge to these lower levels over the balance of 2023.

Yet underlying fundamentals are generally strong: Vacancy rates held near an all-time low (5.5%) and NOIs increased 4.3% (year-over-year) in the second quarter of 2023.[4] Vacancy rates remained at or near all-time lows in the apartment, industrial, and retail sectors, although they increased in the office sector.[5]

To be sure, there are signs of cooling. Demand growth for apartments turned negative last year and decelerated sharply for industrial buildings in the first half of 2023, a slowdown not seen since the Global Financial Crisis (GFC).[6] Unlike then, the recent slide had little to do with the economy, in our view: 6.5 million jobs were created in the 18 months through June 2023, more than double the normal pace, reducing unemployment to nearly a 50-year low.[7] Rather, it reflected a post-COVID reversion of consumer spending from housing (apartments) and goods ordered online (industrial) to recreational services. According to our analysis, this rebalancing is now largely complete (i.e., apartment demand and e-commerce have returned to pre-pandemic trends).[8]

In the context of broadly healthy fundamentals, real estate's repricing over the past year was primarily driven by capital markets. Since 1993, appraisal cap rates have closely tracked long-term BAA bond yields, lagging by one year.[9] Sharply higher interest rates imply an increase in cap rates toward 5.5% (from under 4%) — a correction that we believe has already occurred in the transactions market and will be reflected in valuations by year-end.

There are signs that market cap rates have reached a plateau. While interest rates increased in September, BAA yields remained below their October 2022 peak.[10] Inflation has steadily declined from 9% to 3%-5% (depending on the measure).[11] While it remains above the Federal Reserve's target (2%), perhaps leading to another Fed Funds rate hikes, a flat 10-30-year yield curve implies that longer-term interest rates — and cap rates — will remain steady.[12]

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[1] Federal Reserve. As of September 2023.
[2] NCREIF. As of June 2023.
[3] GSA. As of September 2023.
[4] NCREIF. As of June 2023.
[5] NCREIF. As of June 2023.
[6] CBRE-EA. As of June 2023.
[7] Bureau of Labor Statistics. As of June 2023.
[8] CBRE-EA (apartment demand); Census Bureau (e-commerce). As of June 2023.
[9] Moody's (BAA yields); NCREIF (cap rates). As of June 2023.
[10] Moody's (BAA yields); Federal Reserve (10-year Treasury yields). As of July 2023.
[11] Bureau of Labor Statistics (CPI); Bureau of Economic Analysis (PCE). As of June 2023.
[12] Federal Reserve. As of July 2023.

Turmoil in the regional banking industry earlier this year has also raised the specter of a contraction in real estate credit. The concern is understandable, given that community and regional banks account for about a third of commercial and multifamily mortgage debt.[13] A net 68% of senior loan officers reported a tightening of lending standards in the third quarter of 2023, on a par with Global Financial Crisis (GFC) peaks.[14] Yet there is little evidence of a credit crunch so far: After dipping slightly in the second half of March, outstanding bank real estate loan balances fully recovered in June.[15] Spreads on senior real estate loans, though up slightly, are in line with historical norms.[16]

While signaling a possible end to cap-rate expansion, the yield curve also conveys another, less positive message. Ten-year Treasury yields are well below 3-month rates (as they have been since last summer), an inversion that has foreshadowed each of the past eight recessions, 1-2 years in advance.[17] Indeed, we believe that the economy will succumb to the dampening effects of high interest rates later this year.

A recession typically translates into weaker leasing as businesses and households retrench. This will coincide with record levels of building completions (in absolute terms, although not as a share of existing inventory) in the industrial and residential sectors, as projects delayed by supply-chain disruptions finally come to fruition.[18] This combination of inhibited demand and inflated supply will soften fundamentals over the next year, in our view.

Yet we believe that the slowdown will amount to no more than a soft patch. Labor markets are structurally tight (job openings outstrip available workers by a large margin).[19] Household finances are solid (financial obligations as a share of disposable income are near their lowest levels since the 1980s).[20] And after years of shortages, pent-up demand has backstopped the rate-sensitive auto and housing industries (vehicles sales jumped 20% year-over-year in June and home prices have been stable since January).[21] Meanwhile, construction starts have tumbled 30% from recent peaks amid tighter financing and lower real estate prices, portending a supply pullback in the second half of 2024.[22]

Accordingly, we believe that vacancy rates, though rising, will remain well below historical norms, sustaining positive (albeit slower) rent growth. The office sector (roughly 20% of the market) will struggle, as companies adapting to hybrid working reduce footprints into 2025.[23] But across the industrial, residential, and retail sectors, we expect that vacancy rates will begin to recede, and rent growth accelerate, in the second half of 2024 as the economy picks up and supply dwindles.

The next year might be somewhat choppy, in our view, as improving capital markets collide with a soft patch in fundamentals. But conflicting signals are the hallmark of inflection points, where opportunities are often at their greatest. Fortune may favor the brave investor who can look through the dip, capitalize on attractive valuations, and ride the next cycle.

Investment Strategy

COVID sent shockwaves through the real estate industry. Apartment and industrial demand initially boomed as homebound Americans diverted spending from recreation to housing and goods ordered online.[24] Rents in these sectors soared 16% and 26%, respectively, from 2019 to 2022.[25] Remote working also spurred migration to the Sun Belt and Mountain West: Apartment rents jumped by a third in Salt Lake City and Miami but fell 6% in San Francisco.[26]

Some of these shockwaves created undertows in COVID's aftermath. Apartment absorption turned negative in 2022, and while industrial demand held up better (possibly because space shortages had created pent-up demand), it stagnated in the first half of 2023.[27] From a geographical perspective, since early last year apartment rents are up 10% in New York but flat in Phoenix.[28]

These swings are unusual for an asset class more typically given to long-term cycles. The challenge for investors is to distinguish the durable signal from the transitory noise. Notwithstanding the recent volatility, we believe that long-term structural forces — amplified by COVID — will continue to favor industrial and apartment properties over offices, and the Sun Belt and Mountain West over coastal gateways (although tech-hubs like Seattle and Boston may fare better). We also believe that after a tough decade, retail property is turning the corner.

Industrial: A post-COVID normalization of spending patterns has dampened absorption, but we believe this correction is

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[13]Federal Reserve Flow of Funds; DWS calculations. As of June 2023.
[14]Federal Reserve. As of September 2023.
[15]Federal Reserve. As of June 2023.
[16]ACLI. As of June 2023.
[17]Federal Reserve (yield curve); National Bureau of Economic Research (recessions); DWS calculations. As of September 2023.
[18]CBRE-EA. As of June 2023.
[19]Bureau of Labor Statistics. As of August 2023.
[20]Federal Reserve. As of June 2023.
[21]Census Bureau (vehicle sales); Case-Shiller (home prices). As of June 2023.
[22]Dodge Data & Analytics (starts); Engineering News Record (construction costs); DWS calculations. As of June 2023.
[23]NCREIF (office share). As of June 2023.
[24]Census Bureau. As of June 2023.
[25]CBRE-EA. As of June 2023.
[26]CBRE-EA. As of June 2023.
[27]CBRE-EA. As of June 2023.
[28]CBRE-EA. As of June 2023.

largely complete.[29] E-commerce growth stabilized (up 8% year-over-year) and industrial demand ticked higher in the second quarter.[30] Structural drivers also remain intact: In our view, e-commerce penetration (i.e., as a share of retail sales) is poised to increase from 18% to nearly 30% by the end of the decade, while efforts to protect supply chains from geopolitical and other disruptions will accelerate the pre-COVID trend toward increased inventory accumulation. While the development pipeline is active (about 550 million square feet underway), it is poised to dwindle once current projects are completed.[31]

Residential: Residential demand cooled in 2022 as Americans shifted spending from housing to recreation.[32] However, this reset appears complete, in our view, as apartment absorption stabilized in the first half of 2023.[33] Looking ahead, we believe that Millennial household formation will drive housing demand, skewing toward rentals amid high mortgage rates and for-sale prices. The multifamily segment is facing a wave of COVID-delayed deliveries (adding 860 thousand units, or nearly 5% to inventory) over this year and next, but we expect it to taper later next year.[34] Moreover, the short-term supply bump will only make a dent in America's chronic housing shortage: Rental vacancy rates (across both single- and multifamily units) are near their lowest level since 1984.[35]

Retail: Retail conditions have continued to tighten, driven by the neighborhood and community (N&C) segment, where vacancies fell to their lowest level in at least 17 years.[36] Given that they are largely service-oriented, N&C centers are relatively insulated from e-commerce, and to the extent that they dispense goods (e.g., groceries), they can help to fulfill online orders (i.e., delivery or pickup from store). Because they are typically located in or near residential areas, they may also capture more sales as people move to suburbs and spend more of their workweek at home. Years of underperformance have also curtailed construction and kept yields at comparatively attractive levels.[37]

Office: The office market continues to struggle. Vacancy rates have climbed to their highest levels since the early-1990s (above their Global Financial Crisis peak), as work-from-home and layoffs in the critical technology and financial industries have curbed demand.[38] Although we believe that employees will return to the office in greater numbers, hybrid work may leave a permanent mark on demand. Over time, this slack may be absorbed through job growth, particularly as construction shuts down and some existing buildings are converted to alternative uses (net deliveries are poised to plummet based on current pipelines).[39] However, this adjustment could take several years.

Markets: In our view, relative performance hinges on several factors, but over extended periods, demand (supported by population, jobs, and spending) is the dominant driver. Migration to the Sun Belt and Mountain West has seemingly cooled as provisionally remote employees have returned to gateway headquarters. But this migration did not start with COVID. For decades, and especially since the GFC, families (joining Baby Boomers and others) have moved in pursuit of lower costs and a better quality of life, and employers have followed suit.[40] The corollary is that higher-cost gateways face an uphill battle against population decline. Some of these markets stand a fighting chance. Despite recent cutbacks after a COVID hiring boom, we believe that the technology industry (including artificial intelligence, life sciences, and defense) will serve as a medium-term growth driver for Boston, Seattle, Silicon Valley, and Northern Virginia.

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[29] CBRE-EA. As of June 2023.
[30] Census Bureau (e-commerce); CBRE-EA (demand). As of June 2023.
[31] CBRE-EA (pipeline). As of June 2023.
[32] Census Bureau. As of June 2023.
[33] CBRE-EA. As of June 2023.
[34] CBRE-EA. As of June 2023.
[35] Census Bureau. As of March 2023.
[36] NCREIF. As of June 2023.
[37] CBRE-EA (construction) and NCREIF (yields). As of June 2023.
[38] CBRE-EA. As of June 2023.
[39] CBRE-EA. As of June 2023.
[40] Census Bureau. As of June 2023.

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Investments are subject to risk, including market fluctuations, regulatory change, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you might not get back the amount originally invested at any point in time.

An investment in real assets involves a high degree of risk, including possible loss of principal amount invested, and is suitable only for sophisticated investors who can bear such losses. The value of shares/ units and their derived income may fall or rise.

War, terrorism, sanctions, economic uncertainty, trade disputes, public health crises and related geopolitical events have led, and, in the future, may lead to significant disruptions in US and world economies and markets, which may lead to increased market volatility and may have significant adverse effects on the fund and its investments.

AROUND AASCIF

LOUISIANA

LWCC Provides Safety Funds to 15 Policyholders

LWCC selected 15 Louisiana-based businesses as recipients of its 2023 Safety Funding Program. Launched in 2022, this initiative reflects LWCC's unwavering commitment to not only promote safe work environments, but also to foster a culture of workplace safety for all Louisiana businesses and workers.

In June, applications opened with a new tiered format allowing policyholders to request a funding level that best supported their needs. Following the application period, a committee evaluated the submissions based on merit, scope, and impact of intended programming. The committee selected 15 Louisiana-based businesses to receive funding, representing a total distribution of over $50,000.

Recipients can utilize the provided funding to implement a safety project or purchase specialized equipment with the goal of increasing workplace safety and reducing the risk of 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.

Meet the recipients and learn more about the program.

Louisiana Loyal Service Project Provides 72,223 Meals

Louisiana Loyal is a movement to celebrate and elevate Louisiana. But movement requires action; action to overcome challenges and work towards a brighter future. LWCC is celebrating the culmination of service and action as we conclude the 2023 Louisiana Loyal Service Project, which supported Second Harvest Food Bank in Acadiana and metro New Orleans, and the Greater Baton Rouge Food Bank. In collaboration with agent partners, LWCC employees amassed 700 volunteer hours, donating and sorting more than 25,000 pounds of food to provide 72,223 meals to families struggling with food insecurity across South Louisiana.

"The success of our 2023 Louisiana Loyal Service Project illustrates the power of collaboration between like-minded businesses looking to make a positive impact on our local communities," said Seth Irby, LWCC's Chief Marketing & Customer Experience Officer. "At LWCC, we believe small actions we take together add up to transformational change. The outstanding work of our dedicated volunteers and partners embodies that belief and is an example of putting our purpose of helping Louisiana thrive into action."

What began as an employee-based initiative in 2020 has evolved into a state-wide project. By partnering with Second Harvest and the Greater Baton Rouge Food Bank, LWCC is able to reach families who need help the most. Through the Louisiana Loyal Service Project's in-person volunteer efforts, in-office food drives, and direct donations, Second Harvest and the Greater Baton Rouge Food bank are able to support more than 800 partner organizations in providing needed meals in 34 parishes across South Louisiana.

Learn more about our impact.

MAINE

MEMIC to Distribute $18 Million Annual Dividend

The MEMIC Group announced an $18 million dividend to be distributed to more than 14,000 eligible policyholders in 2023.

The dividend represents about 12 percent of premium paid by policyholders in 2020 and is the 25th time a dividend has been issued and the 12th consecutive double-digit declaration.

"Our policyholders and their employees continue to be effective partners in driving down the number, severity, and cost of their workplace injuries," MEMIC Group President & CEO Michael P. Bourque said. "As a mutual insurance company, we know that diligent injury prevention and management is the right thing for our policyholders and their workers, and it's also good financially. We salute all our policyholder members for earning this dividend."

MEMIC dividend brings the total sum of capital and dividend declarations for Maine policyholders since 1998 to $351 million.

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

Michelle Allen Joins MEMIC Executive Team

Michelle Allen joined MEMIC's senior leadership team as the new senior vice president and chief human resources officer, effective Sept. 25.

"Michelle was our top candidate through all three rounds of interviews," MEMIC Group President & CEO Michael P. Bourque said. "Her combination of experience, skills, and personality make her a great fit for our team, and I am excited for her to begin work with us as we scale the business for expansion and greater success."

Allen has worked in human resources since 2007, and in officer-level HR positions for 15 years. Most recently, she served as executive vice president at Androscoggin Bank, where she helped lift employee engagement into the top quartile among peers, and led an effort to achieve B Corp™ certification.

Allen holds an MBA from Southern New Hampshire University and numerous national industry certifications, including Certified Employee Benefits Specialist, Compensation Management Specialist, and Senior Professional in Human Resources.

"The chance to lead people initiatives in a company with MEMIC's solid reputation and commitment – in the community, in the state, and in the industry – is a once in a lifetime opportunity," Allen said.

MEMIC Makes 2 Key IT Hires

MEMIC boosted its IT talent with the recent hires of a vice president of information technology and a solutions-focused software engineer. Ruchir Jaipuriyar takes MEMIC's No. 2 tech role as vice president of information technology while Bryan Kotlyar fills a new MEMIC title as director, software engineering. Both began at MEMIC effective Sept. 5.

Jaipuriyar comes to MEMIC from RBC Wealth Management in Minneapolis, where he spent seven years as a technology innovator, most recently as director of data services. In this role, he defined product strategy, created unified processes to manage work intake, aligned service strategies to business partners, enabled teams to build and enhance API solutions, and forged new capabilities to drive innovation.

Kotlyar's history of developing software solutions includes roles as senior director of algorithm engineering for S&P Global Platts in New York City, he recruited talent to develop externally facing, enterprise-wide analytical data offerings, and managed development, maintenance, and enhancements of more than 60 platforms, data, and web apps in support of a $70 million recurring revenue stream.

MARYLAND

Chesapeake Employers Insurance Declares $15 Million Corporate Dividend for 2024

Chesapeake Employers' Insurance Company, Maryland's largest workers' compensation carrier, and its Board of Directors declared $15 million in corporate dividends for calendar year 2024 to qualifying policyholders based on their safety performance. This marks the seventh consecutive year that the company is declaring dividends for its customers. In all, Chesapeake Employers will have returned a total of $85 million to Maryland employers.

The dividends are a direct reflection of the commitment Chesapeake Employers' customers have to creating safe workplaces that contribute to the company's strong financial performance.

"Our corporate dividend program is just one way we help support Maryland businesses, their employees, and the Maryland economy," said Mark Isakson, CEO of Chesapeake Employers Insurance. "Together, we help keep Maryland safe and strong."

In 2023, nearly 80% of the company's policyholders qualified for a corporate dividend.

The latest dividend will be awarded to qualifying policyholders with payment beginning July 1, 2024. Dividends are based on performance and are not guaranteed. The corporate dividend was approved by the Maryland Insurance Administration.

NEW YORK

Governor Hochul Announces New York State Insurance Fund Has Returned $585 Million To New York Businesses

New York's Largest Workers' Compensation Provider Distributes More Than Half a Billion Dollars to Employers Through Dividends and Return of Premium

NYSIF Has Distributed More Than $1 Billion Under Governor Hochul's Leadership

Governor Kathy Hochul today announced the New York State Insurance Fund, New York State's largest workers' compensation insurer, allocated $585 million to New York employers last year through its dividends and return-of-premium programs. Every year, NYSIF returns funds to New York State businesses that prioritize worker safety protocols and exhibit strong safety records.

"Through efforts like NYSIF's dividends and return-of-premium program, New York State is proving that safe, stable workplaces are not just good for workers – they're also good for business," **Governor Hochul said**. "New York's small businesses are the engine behind our economy and our state's largest employers, and my administration is proud to provide these much-needed savings to companies in every industry that are joining our mission to keep workers safe."

The majority of the New York State Insurance Fund's (NYSIF) policyholders are small- and mid-sized businesses in every region of New York State, many of whom have been with the company for decades. Companies either insure directly with NYSIF or belong to a NYSIF safety group where employers in the same industry can pool together to further reduce workers' compensation expenses.

Gaurav Vasisht, Executive Director & CEO of NYSIF said, "We're honored to pass these savings to employers as part of our mission to provide New York businesses with workers' compensation coverage at the lowest possible cost. Thanks to Governor Hochul's leadership and commitment to helping smaller businesses, NYSIF can deliver hundreds of millions in savings for employers."

New York law requires businesses to secure workers' compensation coverage, which is obtained through NYSIF, a private carrier, or by self-insuring. Unlike private carriers, NYSIF serves as a guaranteed source of coverage and must cover any employer that applies for coverage, regardless of risk and at the lowest possible cost to maintain a solvent fund. Providing dividends and return of premium to its policyholders is a key tenet of NYSIF's role. NYSIF also provides disability insurance and paid family leave to New York businesses.

While the program is not guaranteed and dependent on various factors, including financial performance, NYSIF has returned more than $1 billion to many New York businesses insured through this program during the last two years.

New York State Workers' Compensation Board Chair Clarissa Rodriguez said, "We commend Governor Hochul and NYSIF for rewarding businesses that prioritize worker safety and reduce the need for workers' compensation benefits. As we all know, the best accident is the one that never happens."

New York State AFL-CIO President Mario Cilento said, "Everyone wins when worker safety is the priority. Policyholders with a proven commitment to keeping their workers safe are rewarded through the NYSIF dividends and discounts announced by Governor Hochul. More importantly, workplace safety means working people benefit from improved conditions on the job. We applaud Governor Hochul, NYSIF, and the unionized workers at the agency for continuing to put safety first."

The Business Council of New York State President and CEO Heather Mulligan said, "The Business Council of New York State appreciates the efforts of NYSIF to help New York's businesses struggling during a challenging economy, and as the state's leading advocacy group we applaud the continuing efforts of employers who are keeping workers safe and reducing workplace injuries. We commend Governor Hochul for working to keep workers' compensation rates from increasing for all employers and her ongoing commitment to businesses."

NYSIF Launches Innovative Mobile App to Assist Injured Workers with their Workers' Compensation Claims

The new app enables NYSIF claimants to easily access their claim number and status, case manager contact information, benefit payment dates and amounts, and a schedule of upcoming events important to their claim.

The New York State Insurance Fund (NYSIF), the state's largest workers' compensation insurance provider, has launched a new Claim Mobile App to improve communication with and help injured workers access real-time information about their workers' compensation claims.

"Our new Claim Mobile App was designed with injured workers in mind and is geared to provide the most up-to-date and commonly requested information about their claims and benefit payments," said **NYSIF Executive Director and CEO Gaurav Vasisht.** "This app reinforces NYSIF's commitment to use technology to help meet the needs and improve communications with injured workers who rely on us."

Designed based on extensive data analysis of the most common inquiries, the new app enables NYSIF claimants to easily access their claim number and status, case manager contact information, benefit payment dates and amounts, and a schedule of upcoming events important to their claim. The app also provides claimants with one-touch access to their current prescription card, and the ability to email or call their case manager and to sign up to receive benefit payments by direct deposit.

Workers' compensation and benefit claimants can download the free NYSIF Claim Mobile App by searching "NYSIF Claim" in their app stores (available for both iOS and Android devices). The app is one of the few apps exclusively created and designed for workers' compensation claimants.

As more customer interaction with companies moves to mobile devices, NYSIF's new app will facilitate these exchanges while continuing to support current means of communications with claimants. NYSIF has determined approximately 86% of its claimants have access to smart phones and expects this to help injured workers better manage their claims. NYSIF will continue unveiling new online and technical solutions to help injured workers.

NORTH DAKOTA

North Dakota Workforce Safety & Insurance is thrilled to announce the successful completion of our inaugural internal bildU leadership program by a group of exceptional team members. This pioneering class has not only embraced the challenges of this new leadership initiative but has also set a remarkable standard for those who will follow. Their commitment, enthusiasm, and drive to become better leaders have truly impressed us all.

As we celebrate this milestone, we eagerly look forward to witnessing the positive transformations and inspired leadership that will undoubtedly emerge from this talented group as they continue to grow and make a lasting impact on our organization. Congratulations to our inaugural class of the new bildU leadership program for setting the bar high and paving the way for future leaders in our team!

bildU cohort of 2023

Al Schmidt
Nicole Spoor
Tonia Bachmeier
Luke Schlichenmayer
Nichole Ayers
Donna Helgeson
Heather Aarhus
Aleisha Hellman
Jarrod Brown

OREGON

SAIF Declares $135 Million Dividend

In September, the SAIF board of directors declared a $135 million dividend for its policyholders. This marks the 14th year in a row SAIF has been able to offer a dividend, and the 26th dividend since 1990.

"Serving our customers with expertise and heart is at the core of what we do," said Chip Terhune, president and CEO of SAIF. "We have carefully considered current economic trends and believe it is right that we offer this dividend to our employers."

This year, SAIF is able to pay dividends because of its solid financial standing and continued success in managing workplace safety and health and controlling losses.

"In addition to dividends, we are proud to offer the largest network of workplace safety professionals of any insurance carrier in Oregon," said Terhune. "Our vision is to make Oregon the safest and healthiest place to work, and we appreciate our policyholders' efforts to ensure their workers go home safely at the end of each day."

52,023 policyholders received the dividend, which was based on premium for policies whose term ended in 2022 and was distributed in October. On average, policyholders received 23.7% of premium.

SAIF Hires Sonji Young as Chief Diversity, Equity, and Inclusion Officer

Sonji Young is SAIF's new chief diversity, equity, and inclusion officer. Young brings more than 14 years of experience in DEI and HR across multiple organizations and industries. She has served as Human Rights Commissioner for the City of Portland and was appointed to a taskforce on elder abuse by former Governor John Kitzhaber. Most recently, Sonji served as the global vice president of diversity, equity, and inclusion for Armstrong Teasdale LLP.

"I believe Sonji is an outstanding choice to lead our DEI team here at SAIF," said Chip Terhune, president and CEO of SAIF. "Her communication style is direct, she is an exceptional listener, and she approaches her work with a combination of professional drive, curiosity, and humility."

Young holds a Bachelor of Arts in communications from the University of Missouri.

Ag Safety Seminars and New Construction Safety Seminars Kick Off in Oregon

SAIF will be touring the state during the next few months to offer free agriculture and construction safety sessions.

SAIF has offered the agricultural safety seminars for nearly 30 years, helping Oregon's farm owners, managers, and workers stay safe in one of the most hazardous industries. SAIF is adding construction safety seminars after a successful pilot last year.

The seminars are designed primarily for people working in the two industries but are open to anyone interested in safety and health—they don't have to be insured by SAIF.

SAIF is offering seven free construction seminars in four cities (including three Spanish-only presentations), along with English and Spanish webinars online. Topics include how to prepare for an injury-free workday and how to respond to incidents and analysis.

SAIF will conduct 30 free ag safety seminars in 17 cities across Oregon. Seminars will continue through March and 10 of the seminars will be presented entirely in Spanish.

This year's ag seminars will focus on four topics:

- Dealing with serious injuries and fatalities on the farm
- Anatomy of a "comprehensive consultation"
- Hot work/welding safety, including control measures, precautions, and PPE
- Driving safety—both on and off the farm

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

SAIF Resources Help Employers Protect Workers and Respond to Opioid-Related Events

Opioid related exposures, illnesses, and deaths are a growing concern for employers. To support them, SAIF created a new suite of resources for employers and workers to promote safe work practices around potential fentanyl exposures.

"Drug use is a growing issue in communities across the state and this created a dire need for information to support employers who are trying to protect workers from exposure to fentanyl and other drugs," says Wendy Boughton, occupational safety and health nurse consultant at SAIF.

The resources include an online training, Fentanyl: Preventing work exposure. This training and others can be found on SAIF's new safety topic page, Fentanyl and other opioids.

Oregon Odd Jobs Wraps Up With 10 Key Safety Tips

SAIF's video series, Oregon Odd Jobs, celebrates the jobs Oregonians do and how they stay safe doing them. After nine episodes, what we've found is that, while jobs may look different, some aspects of workplace safety are universal. We concluded the first season with a look at 10 safety tips for any workplace.

RHODE ISLAND

Rising Above Inflation: How Beacon Mutual Keeps Claims Costs Down

In a world grappling with rising inflation rates, Beacon Mutual has emerged as a beacon of hope for Rhode Island businesses and workers alike. Despite the ever-increasing costs of living, the company has managed to keep claim costs down, leading to reduced expenses for its clients. Over the past 12 months, Beacon's proactive measures have yielded impressive results, showcasing their commitment to cost control and financial stability. In this blog post, we will delve into how Beacon has achieved this feat, specifically by reducing disability duration and highlighting the advantages of their approach in the face of inflation.

Reducing disability duration:

One of the key factors contributing to Beacon's success in controlling costs and minimizing claim expenses is their focus on reducing disability duration. Working together, their Claims and Safety teams have developed a novel, collaborative approach to streamline the return-to-work process, shortening the time employees spend away from work due to a disabling injury. Beacon's successful return-to-work program has reduced their average disability duration by 15 days over the past year!

This proactive approach has not only benefited the affected individuals by facilitating their faster return to work but has also contributed to overall cost reduction for Beacon's customers.

A downward trend amid inflation:

The ability to reduce disability duration in a time of economic challenge is a significant benefit for Beacon policyholders. Returning employees to work as quickly as possible helps customers navigate a tough labor market and keep their businesses staffed. As the costs of labor, goods, and services continue to rise, it becomes increasingly challenging to keep claim costs down. However, Beacon has demonstrated their dedication to managing claim expenses effectively, adding value for their customers.

Controlling costs:

In an era where everything seems to be more expensive, Beacon has proven to be a reliable partner in controlling costs for businesses. By actively managing claim expenses and reducing disability duration, the company ensures that businesses can navigate the challenges posed by inflation without bearing excessive financial burdens. This commitment to cost control allows Beacon to keep insurance rates down, providing stability and financial relief to their clients.

Dividends as an added advantage:

Another benefit of Beacon's ability to reduce claim costs is their capacity to provide dividends to policyholders. By maintaining a healthy financial position, Beacon can distribute dividends to those who have demonstrated responsible safety and risk management practices.

In 2023, Beacon distributed a 7 percent dividend to approximately 97% of its policyholders, a total of 11,000 Rhode Island businesses, based on their loss history.

These dividends serve as an additional incentive for businesses to partner with Beacon, reinforcing the company's commitment to shared success and rewarding its customers for their efforts in minimizing workplace injuries and claims.

Beacon's dedication to supporting their clients' success:

Beacon's achievement in reducing claim costs despite inflation is a testament to their commitment to cost control and customer satisfaction. By effectively managing disability duration, the company has kept claim expenses down and provided businesses with much-needed relief in an era of rising costs. The ability to maintain stable insurance rates and offer dividends showcases Beacon's financial strength and dedication to supporting their clients' success. In a world where controlling costs is more crucial than ever, Beacon stands out as a reliable and invaluable partner for businesses seeking comprehensive workers' compensation coverage.

SASKATCHEWAN

Saskatchewan WCB Announces 2024 Preliminary Average Premium Rate

AThe Saskatchewan Workers' Compensation Board (WCB) has announced the 2024 preliminary average employer premium rate to remain unchanged from the 2023 rate at $1.28 per hundred dollars of payroll. The announcement was made at the WCB's annual preliminary rate information meeting with Saskatchewan employers, workers and stakeholders.

"The WCB aims to uphold a balance between stable rates and a fully funded compensation system," said the WCB's chair Gord Dobrowolsky. "Claim costs and payroll are the two key drivers of the 2024 average preliminary premium rate. We are forecasting total costs will continue to increase next year, however they are expected to be offset by rising employer payroll. As a result, we are proposing the 2024 average preliminary premium rate to remain at $1.28."

The WCB has a legal obligation to be fully funded. In addition to the premium rate information presented, the WCB shared details of a comprehensive review of the funding policy, which has been superseded by the sufficiency policy. The name change reflects the focus on ensuring the WCB holds sufficient funds to meet long-term obligations to injured workers and employers, targeting a range between 100 and 140 per cent. Employers will not notice much of a change under the sufficiency policy because the new target range is intended to maintain stable premium rates under the new accounting standards.

With the 2024 rate proposal:

- The overall 2024 proposed average employer rate will remain at $1.28 per hundred dollars of payroll.
- Industry premium rates for approximately 35 per cent of Saskatchewan's employers covered by the WCB will increase next year.
- Industry premium rates for approximately 65 per cent of Saskatchewan's employers covered by the WCB will see a decrease or no change for 2024.

"While we are not proposing a change to the 2024 average preliminary premium rate, we are expecting long-term upward pressure on premium rates," said the WCB's CEO Phillip Germain. "Reducing the number of serious injuries and fatalities across the province will help to minimize the impact of factors pushing premium rates upward."

Employers can influence their individual premium rate through effective injury prevention and return-to-work programs. The degree to which employers in an industry work to eliminate workplace injuries also affects industry premium rates. Employers who have a fully functioning safety program and a solid return-to-work program can help prevent and manage work-related injuries.

In 2022, 90 per cent of employers in the province achieved zero injuries and zero fatalities. However, on an annual basis, serious injuries account for approximately 10 to 13 per cent of total claims and more than 80 per cent of costs in the system.

In March of this year, WorkSafe Saskatchewan, the partnership between the WCB and the Ministry of Labour Relations and Workplace Safety, launched a new strategy that focuses on two key streams of work that will be undertaken to reduce injuries and fatalities – a regulatory and enforcement stream, and a prevention and learning stream. Building on the success of the initial strategy launched in 2019, the strategy lays out a direction for working together with stakeholders to address high-risk industries and occupations that are resulting in workplace fatalities and injuries.

"The WCB will continue to work to prevent work disability through active employer and worker contact, and collaborative plans with employers, workers and health-care providers," said Germain. "Through this approach, we can work together to reduce the number of serious injuries that significantly impact peoples' lives."

WorkSafe Saskatchewan launches awareness campaigns

To help reduce the number of serious injuries and fatalities in Saskatchewan, WorkSafe Saskatchewan has launched several awareness campaigns this fall targeting the leading causes of these injuries.

Motor vehicle collisions

Motor vehicle collisions continues to be the leading causes of serious injuries in Saskatchewan. In 2022, one of the top five occupations with injuries in Saskatchewan was commercial truck drivers. Truck drivers were second in the province, behind only health-care workers.

The first phase of this campaign launched in fall 2023 is intended to raise awareness on the leading causes of truck driver workplace incidents. This includes:

- Building and enhancing existing partnerships with the transportation and warehousing industry in the province.
- Providing and developing applicable resources the industry and its drivers can rely on.
- Influencing sector training, guidelines and a provincial culture of safety.
- Influencing the attitudes of truckers and other drivers.

Resources are available on the WorkSafe Saskatchewan website at worksafesask.ca/prevention/motor-vehicle-collisions.

Slips, trips and falls

From 2010 to 2022, falls were the third highest number of serious injury permanent functional impairment claims. From 2019 to 2022, falls from the same level were the second leading cause of serious injuries.

WorkSafe Saskatchewan seeks to raise awareness on the main causes of slips, trips and falls and to prevent falls in the workplace. Slips, trips and falls are defined by a variety of incidents such as slipping, tripping, twisting, loss of balance, falling out of a stationary vehicle, falling from a ladder and more.

Tools for workers and employers are available on the WorkSafe Saskatchewan website at worksafesask.ca/prevention/slips-trips-falls.

Asbestos awareness

While the number of asbestos-related deaths in Saskatchewan have decreased, exposure to asbestos remains the leading cause of work-related deaths in Saskatchewan.

From 2010 to 2022, approximately 41 per cent of fatalities in all industries in the province were from occupational diseases, with 28 per cent of those from asbestos exposure.

To increase awareness of the dangers of asbestos exposure and its long-term effects, WorkSafe Saskatchewan is continuing its asbestos awareness campaign to educate contractors, construction workers and tradespeople on these risks. Part of the education includes the correct preventative measures to reduce exposure and prevent asbestos-related disease and death.

Learn more and view available resources on the WorkSafe Saskatchewan website at worksafesask.ca/asbestos.

WASHINGTON

Washington State Begins Project Focusing on PTSD Treatment

Washington's Department of Labor & Industries (L&I) is working to improve mental health treatment by expanding opportunities for workers diagnosed with Post-Traumatic Stress Disorder (PTSD). The project's main goals are to give workers more options for treatment and enabling timely access to appropriate treatment for PTSD.

"We realize that we haven't had the outcomes with presumptive PTSD claims for first responders as we see with other claims, so we're striving for better outcomes for these workers," said Mike Ratko, L&I's assistant director for Insurance Services. "It's better for these workers and helps us achieve our goal of steady and predictable rates from year to year. To that end, we are placing a special emphasis on PTSD claims to ensure they are being managed effectively and appropriately."

Ratko is also expanding L&I's organizational structure and ensuring that mental health treatment has a voice at the table. The agency is recruiting to fill newly created position, Associate Medical Director for Psychology. This person will contribute their expertise and help L&I meet the mental health needs of affected workers.

L&I will review PTSD claims to identify opportunities for process improvement and evaluate the effectiveness of treatment. Staff will develop clinical guidance for providers treating workers with PTSD, and will make new PTSD educational materials available to workers, providers, and employers.

L&I also changed its provider rules so that master's-level therapists have the option to be providers for L&I and treat behavioral health. L&I staff will reach out to psychiatrists and psychologists who can help treat workers with PTSD.

"I believe putting this much emphasis on mental health treatment for injured workers makes Washington a leading state in the country. We believe it's our obligation to do so — to treat all aspects of a work injury," Ratko said.