AASCIFNEWS

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WHAT'S INSIDE

AASCIF

American Association of State Compensation Insurance Funds

PRESIDENT'S MESSAGE

Having attended the AASCIF Annual Conference in New Orleans I experienced the passion for keeping our policyholders' employees safe and helping the injured ones heal. While those two things are paramount to SFM's mission (and many if not all other members as well) there was a passion for so many other things that give each of us the ability to concentrate on our mission.

AASCIF has 11 standing committees each with a Chair, past chair, advisor, and executive monitor and 7 other members. These committees cover all aspects of what we as members do. The committees serve as an idea exchanger for experts from our members. They work to write articles on pertinent subject matter or to provide speakers for the Annual Conference. This all starts at the AASCIF All Committee Day and CEO meeting in San Antonio January 22 and 23, 2026.

In case you don't know much about the committees I am going to name them, the Chair, Advisor and Executive monitor for each. If you are interested in becoming a member or just finding out more about the committees, reach out to the chair.

Analytics: Chair Abby Halland MN, Advisor Phoebe Murphy TX, and Executive Chip Terhune OR.

Claims Management: Chair Nikki Lawhon LA, Advisor Jesse Smith OK, and Executive Holly O'Dell MT.

Communications: Chair Ryan Worthen KY, Advisor Liz Gallwitz CA, and Executive Kellie Mixon NM.

ERM: Chair Kenneth Radigan NY, Advisor Kelly Lutinski CO, and Executive Vern Steiner CA.

Finance & Investment: Chair Pam Trickett MD, Advisor Kent Schlosser MT, and Executive Terry Miller MN.

Human Resources: Chair Andrea Bailey CA, Katy Grachek KY, and Executive Kristin Wall LA.

Information Technology: Chair Chris Frassanito NM, Advisor James Bianco RI, and Executive Marty Welch HI.

Law: Chair Aaron Schmidt MN; Advisor Grant Butterfield CO and Executive Terry Leve CO.

National Issues: Chair Nick Mazanec MT, Advisor Lyndsey Meninger MD, and Executive Michael Bourque ME.

Policyholder Services: Chair Julia Gerrity ME, Advisor Kendra DePaul OH, and Executive Jeanette Ward TX.

Safety & Health: Chair Lea Duffin ID, Advisor Branson Jones MO, and Executive Janet MacEachern Ontario.

Take some time to read the articles they author in the AASCIF quarterly newsletter and join us all at the AASCIF Annual Conference in Albuquerque July 26-29, 2026.

FEATURES From AASCIF

BUILDING AN AI CENTER OF EXCELLENCE: A STRATEGIC IMPERATIVE FOR MODERN INSURANCE ORGANIZATIONS

By George Georgiadis, Chief Technology Officer & Vice President of Business Intelligence – Saskatchewan Workers' Compensation Board

Submitted by the AASCIF Analytics Committee

As artificial intelligence begins to infiltrate industries across the world, insurance organizations, including state funds, face a critical moment in their organizational history. The reality we are faced with is no longer if AI will transform core operational processes and practices, but rather how quickly and effectively organizations will leverage AI's true potential. Establishing an AI Center of Excellence (AI-CoE) provides a powerful, structured approach to enable responsible innovation, promote collaboration, and ensure that AI capabilities advance the organization's strategic goals.

This article explores a leadership-driven vision for treating Artificial Intelligence as a Center of Excellence within the organization, no matter what industry the organization belongs to. An AI-CoE that focuses on best practices, research, education, governance, and sustainable adoption.

1. Why Is An AI Center Of Excellence A Good Approach?

Insurance organizations manage complex workflows such as claims processing, policy administration, fraud detection, customer service, injury prevention, and many more. Each of these workflows progressively generates an enormous amount of data that AI tools can analyze and interpret with unprecedented speed and precision.

Yet the challenge is not simply acquiring AI tools, but rather it is to ensure that:

- An organization "selects" AI tools/partners that will survive the cutthroat environment that currently exists in this space

- "Selected tools" are adopted thoughtfully

- They produce consistent value

- They comply with legal, ethical, and privacy standards

- The organizational workforce is trained and confident in using them

- The organization builds long-term capability rather than short-term fixes

A well-designed AI-CoE can provide the structure needed to accomplish all of this. It acts as the organizational brain for AI strategy by offering leadership, direction, and expert support.

2. Why Is Executive Leadership Important?

Effective AI adoption begins with leadership. Executives and senior managers must:

- **Set a clear vision for how AI aligns with the organizational mission:** The AI objectives, roadmap, and initiatives should directly support the overall organizational strategy, goals, and objectives, such as and not limited to improving claims outcomes, enhancing workplace safety, boosting operational efficiency, or increasing policyholder satisfaction.

- **Define ethical principles and guardrails:** AI must be trustworthy and transparent. A leadership-endorsed governance framework ensures fairness, data privacy, and regulatory compliance.

- **Enable responsible innovation:** Leaders empower teams to experiment with AI while ensuring risks are managed through thoughtful oversight and evaluation. Thorough risk identifications and assessments that need detailed risk mitigation actions and plans need to be mandatory prerequisites to all approved AI use-cases, initiatives, and projects.

- **Promote a culture of learning:** When leadership leads the way by visibly using, discussing, and supporting AI tools, it signals to the rest of the organization that AI is not a threat but rather an opportunity for professional growth. Leadership involvement is imperative to the goals and objectives of the AI-CoE. It is a proven way to ensure that it is not seen as a technical or technology vertical, but a strategic "partner" for the organization's future.

3. Why Are Best Practices Important?

Ensuring consistency is one of the greatest benefits of a Center of Excellence. Without a standardized framework and approach, AI projects can easily become fragmented, redundant, or even risky. An AI-CoE defines best practices across several critical dimensions:

- *Proper governance and risk assessment:* of all AI-approved initiatives gives the organization the confidence that approved AI solutions are safe and trustworthy. Additional guidelines should address areas such as:
  - Data quality
  - Privacy and security
  - Bias mitigation
  - Model explainability
  - Regulatory requirements

- *Evaluation Standards:* Formal evaluation standards ensure organizational investments prioritize high-impact opportunities. If an organization has already established an EPMO, it can leverage similar intake and evaluation frameworks. An AI project intake and evaluation framework for evaluating potential ideas and initiatives should answer several core questions, such as:
  - What problem are we solving?
  - Is AI the right tool?
  - What data is required?
  - What value should we expect?

- *Design and deployment standards:* Reusable templates, coding standards, testing protocols, and documentation support consistent, maintainable AI development.

- *Vendor and tool selection:* The AI-CoE evaluates external solutions, preventing duplication and ensuring high-quality, approved technologies.

4. Why Is Focusing On Innovation Important?

An AI-CoE could play an essential role as the organization's research hub. It monitors emerging trends and evaluates which technologies offer meaningful value.

- *Exploring new industry-specific use cases:* For example:
  - Predictive analytics for claims severity
  - Natural language processing to summarize adjuster notes

  - AI-driven return-to-work recommendations
  - Automated safety insights from workplace data
- *Conducting pilot projects:* Small, controlled pilots allow teams to test feasibility before organization-wide investment.
- *Learning from the broader AI community:* The AI-CoE aims to stay current and competitive by tracking developments from:
  - AASCIF partners & peers
  - Government agencies
  - Research institutions
  - Technology vendors
  - Industry consortia
- *Measuring and communicating impact:* The AI-CoE reports results, lessons learned, and ROI to build confidence across all departments.

5. Why Is Focusing On Support & Training Important?

Technology alone does not create transformation. People, Process & Technology together do. The AI-CoE needs to act as a support center to ensure that staff are prepared and confident.

- *Training programs for all levels:*
  - Executives learn how to evaluate opportunities and risks
  - Managers learn how to lead AI-enabled teams
  - Frontline employees receive hands-on training with tools relevant to their roles
  - Technical staff receive guidance on advanced development and AI engineering
- *Continuous learning culture:* Workshops, tutorials, office hours, and internal documentation help employees stay current in a rapidly evolving field.
- *On-demand support:* The AI-CoE provides troubleshooting, consultation, and project guidance so teams never feel lost or unsupported.
- *Role-based enablement:* Whether someone is a claims adjuster, safety consultant, underwriter, nurse case manager, policy specialist, or communications professional, the AI-CoE tailors support to their unique needs and workflows.

To honor this obligation, it means that AI adoption is not confined to a technical team or AI specialists, but rather it becomes a shared capability across the entire organization.

6. Can An AI-CoE Accelerate Adoption?

A well-functioning AI-CoE helps the organization move from experimentation to scaled, enterprise-wide adoption by:

- *Creating reusable frameworks:* Templates, APIs, model libraries, and data standards speed up development.

- *Reducing duplication:* Business units can leverage existing work instead of reinventing solutions.

- *Streamlining approvals:* A clear governance path cuts down on delays and ensures safety.

- *Enabling cross-functional collaboration:* Data scientists, IT, legal, operations, claims, underwriting, and HR come together to solve problems from multiple perspectives.

- *Promoting transparency:* Regular information sharing and showcase events highlight progress and encourage continued adoption.

In short, the AI-CoE acts as a catalyst that accelerates innovation while maintaining oversight and consistency.

7. Why Is AI-CoE's Vision For The Future Important?

An AI-CoE should be structured in a way that resembles a different flavor of a project management office. It should be a division that establishes a long-term strategic vision to harness the power of AI. This center should ensure that:

- *AI innovation is part of the organizational DNA:* AI is used not only to automate tasks but to create new insights, improve decision-making, and enhance service delivery.

- *AI solutions are ethical, transparent, and human-centered:* Workers and customers benefit from tools designed to help and enable them, not replace them.

- *Collaboration thrives across departments:* Data and knowledge flow freely, enabling more holistic solutions to organizational challenges.

- *Every employee becomes "AI literate":* From executives to frontline staff, everyone understands how to use responsible AI tools confidently and effectively.

- The organization sets the standard for the industry: By investing in a robust, ethical, and strategic AI-CoE, the organization positions itself as a leader among state funds and within the broader insurance ecosystem.

Conclusion

As insurance organizations prepare for the future, it is important to decide the corporate approach to introducing and leveraging Artificial Intelligence as part of their organizational workflows. An AI Center of Excellence (AI-CoE) can provide the necessary structure to lead, to innovate, and to build long-term organizational capability while harnessing the power of AI.

By focusing on leadership, best practices, research, support, and training, an AI-CoE creates a unified vision that not only accelerates the adoption of AI technologies but also ensures the realization of sustainable and meaningful benefits.

All organizations owe it to their prospective stakeholders to find ways to embrace and leverage Artificial Intelligence tools and technologies today, to reshape their perspective landscape of tomorrow by leading with intention enabling responsible innovation, promoting collaboration, and ensuring AI capabilities advance the organization's strategic goals.

DIVERSITY ENABLES CAPITAL EFFICIENCY IN INSURANCE

By Ken Radigan

Diversity enables insurance companies to be capital efficient, which leads to higher returns. The more diversified your aggregate book of business, the more efficient your required insurance capital (or surplus) will be and the higher your returns on capital. Diversity in insurance is obtained by aggregating independent insurance exposures.

Please note that the converse of this is also true. If you are less diversified than your competitors, then your capital will be less efficient, and you will be operating at a competitive disadvantage. This is an important consideration for mono-line insurance companies that may be operating in a single state.

To fully understand this, you need to understand some underlying concepts that are analytical in nature. While I will try to illustrate these concepts in ways that are easily understood, I will sometimes need to refer to math or statistics to help illustrate the point. For those of you who may find this challenging, please do not be intimidated. I can assure you that you will be able to fully understand and appreciate the important concepts without having a degree in mathematics or statistics. Once you understand these concepts, it will forever deepen your understanding of the insurance business model.

This paper should not be read like a novel where you are a passive listener to a story. To read this paper and get all that you can out of it, you need to be an active participant. You may need to pause to think about things, or you may need to read certain sections over again to ensure that you fully understand the material that is being presented. However, if you can do this, I think you will find this to be enlightening.

To illustrate the core concept, I use a highly simplified loss model with binary outcomes and independent risks. While unrealistic in practice, it isolates the effect of diversification on capital requirements.

Let's start with an example. This example deals with probabilities of loss and the benefits associated with having independent exposures.

Let us assume that you are exposed to a $10,000 loss exposure and the probability of the loss occurring during the year is 1.0%. Another way of looking at this is that you can expect to have a loss once every 100 years.

What is the expected loss?

The expected loss can be defined as the potential loss amount times the probability of the loss occurring. Under this example, the expected loss would be $100. ($100 = $10,000 * .01)

Let us assume that an insurance company may be willing to assume this risk. For this to make sense from the insurance company's perspective, they would need to collect enough money in their premium to cover the expected loss, plus the expenses associated with putting the policy together, plus some profit margin. The expense load would reflect all the operational expenses that are incurred to run the insurance company. It would include items such as salaries, rent, marketing, administration, cost of capital, systems, taxes, fees, and supplies.

For this example, let us assume that the insurance company has a 20% expense margin and a 5.0% profit margin that they would like to be included in their premium. Under these assumptions, a breakdown of the required premium would be as follows:

Item	$ Amount	Percentage
Expected Loss	$100.0	75%
Expense Load	$26.6	20%
Profit Load	$6.6	5%
Premium	$133.2	100%

Under this example, the insurance company would want to charge a premium of $133.2 to assume this $10,000 exposure that has an annual expected loss of $100.

But why would someone be willing to pay $133.2 when the expected loss is only $100? People will be willing to pay a premium above the expected loss amount if they are risk-averse to the exposure.

If we wanted to make sure that the insurance company had sufficient funds available to pay for this loss event if it were to occur, how much money would we require to be set aside? Insurance companies are required to set aside loss reserves that cover their expected losses. Under this example, the company would be required to set aside a loss reserve of $100, which is the expected loss.

However, if the loss were to occur, it would be a $10,000 loss, so we would want to make sure that the insurance company had $10,000 set aside to pay for it.

$100 of the $10,000 payment can come from the insurance

companies' loss reserves, but where does the other $9,900 come from? It would need to come from the insurance companies' capital (surplus).

Now, let us assume that the insurance company was able to offer this coverage to 10 independent individuals (or companies). Everyone would be exposed to the $10,000 potential loss that would occur 1% of the time. The loss exposure to everyone is assumed to be independent, meaning that the loss event happening to one individual would have no bearing on the probability of the loss happening to the other individuals.

Under this scenario, what would be the expected loss?

We know that the expected loss for each person can be calculated as the potential loss amount times the probability of it occurring, or $100. ($100 = $10,000 * .01). If I have 10 independent individuals, the expected loss for the group would be $1,000. ($1,000 = $100 * 10).

What would the maximum loss for the insurance company be?

We know that the maximum loss for each person is $10,000. If I have 10 independent individuals, the total maximum loss for the insurance company would be $100,000. ($100,000 = $10,000 * 10).

What are the chances that the insurance company will suffer the maximum possible loss of $100,000?

This is where it starts to get interesting. Since the probability of an individual suffering a maximum loss is .01 (or 1 in 100 years), and assuming that the exposure for everyone is independent, then the probability of having two losses from two separate individuals would be .01*.01 = .0001

Or another way of looking at this is that we would expect this to happen one out of every 10,000 years.

Now what if we continued this process and insured 10 individuals? The probability of all 10 independent individuals suffering a loss at the same time would be:

.01*.01*.01*.01*.01*.01*.01*.01*.01*.01 = 0.00000000000000000001

Or another way of looking at this is that we would expect this to happen one out of every 100 quintillion years. (100 quintillion = 100,000,000,000,000,000,000) So, I went from having the probability of suffering a maximum loss for a single individual of 1 in 100 years to the probability of suffering a maximum loss for 10 independent individuals to 1 in 100

quintillion years. By adding only 9 independent additional individuals I was able to lower the probability of suffering the maximum loss significantly.

Now the question becomes if it is so unlikely for an insurance company to have every one of their policies suffer a total loss at the same time, should the insurance company be required to hold capital to ensure that every single policy could be paid if every policy had a total loss at the same time?

The short answer is no but let us think about this. With our example, having 10 independent insureds made the probability of suffering a total loss on every policy extremely unlikely. One out of every 100 quintillion years. What if we increased the number of independent insured to 100, 1,000 or 10,000? The probability of having a total loss on every policy would decrease to (.01)^100, (.01)^1,000, and (.01)^10,000 respectively. These are extremely small numbers representing extremely remote possibilities.

While insurance companies need to prove to regulators and rating agencies that they have sufficient capital to meet their obligations with an extremely high confidence level, that confidence level is not 100%. **Insurance companies do not hold capital that is equal to the aggregate policy limit of every policy that they offer.** Understandable this is not something that is well understood. Regulatory and rating capital is typically designed to absorb unexpected losses at a high confidence level, not to pre-fund worst -case theoretical losses.

Let us go back to our example. Assume that the regulatory authority wanted to make sure that the probability of an insurance company going insolvent was less than 0.1% or less than 1 in 1,000 years.

(Footnote 1: please note that this threshold is being used to illustrate an example, it is not an actual required threshold. The regulators and rating agencies use a multi-factor analysis in determining the financial strength of the insurance companies that they regulate or rate.)

The authorities want the insurance company to prove to them that they had sufficient capital at this 1 in 1,000-year confidence threshold. Now you may feel that this requirement is too lenient, or you may feel that it is too strict. This assumption can be adjusted so you can see how this would respond to different assumptions. For those of you who feel that the 1 in 1,000-year solvency threshold is too lenient I would like you to think about any other industry that would need to show that they have capital to meet this standard.

A summary of our assumptions is as follows:

Potential Loss Payment	10,000		
Probability of Loss	1.0%		
Expected Loss	100.00	75%	
Expense	26.67	20%	
Profit	6.67	5%	
Premium	133.33	100%	
Confidence Level	99.9000%	1 in 1,000 years	

The losses follow a binomial distribution. The probability of a loss is 1.0%. If a loss occurs it will be a $10,000 loss. There are no partial losses. The loss events are assumed to be independent of one another. The confidence level is set at 99.9% or 1 in 1,000 years.

(Footnote 2: These assumptions are used to help to illustrate a concept. Most exposures do not follow a purely binomial distribution where the potential outcomes are no loss or total loss. Most exposures have the possibility of partial losses as well. Likewise, the assumption of 100% independent is rarely valid. As an example, I may insure separate homes, but these homes may all be exposed to the same hurricane or impact to global warming even if they are miles apart.)

Based upon this information, the following chart can be produced:

Independent Exposures

The 1st column in this chart shows the total number of independent exposures. You can think of this as the total number of individuals insured. The 2nd column is the expected number of individuals that would suffer a loss with the probability of a loss being 1.0%. The 3rd column is the total expected loss in dollars. The 4th column shows the maximum possible loss based on the number insured, with each insured having the maximum $10,000 loss. The 5th column reflects the number of individuals that are expected to have a loss at the assigned confidence level. As an example, with 10 individuals insured I would expect the number of people that would suffer a loss would not exceed 2 with a 99.9% confidence. Column 6 shows the total losses for the people identified in column 5. Column 7 reflects the additional capital that would be needed to pay for the loss identified in column 6. Please note that the expected losses, which would be part of the insurance companies' reserve as well as the profit load have been subtracted from the total loss amount as these funds are already available to the company. Column 8 shows the capital need per exposure. Column 9 shows the estimated profit based solely on the profit load that was included in the premium calculation. Column 10 shows the return on the required capital. Column 11 shows the total premium collected and column 12 shows the expected loss ratio.

While I would be happy to share with you the math that was used to produce this exhibit, that is not important. What is important is that you examine the results and understand the following conclusions:

1) When you look at this as a business model it does not appear to be overly appealing at first. If the insurance company was able to write 10 individuals, they would need to obtain $18,933 of additional capital to satisfy the

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Number of Ind. Exp.	Expected # of Losses	Expected Loss	Max Loss	# of Losses @ Confidence Level	Loss @ CL	Capital @ CL	Capital per Exp	Total Est. Profit	Retrun on Capital	Total Premium	L/R
1	0.01	100	10,000	1	10,000	9,893	9,893.33	7	0.07%	133	75.00%
10	0.1	1,000	100,000	2	20,000	18,933	1,893.33	67	0.35%	1,333	75.00%
100	1	10,000	1,000,000	5	50,000	39,333	393.33	667	1.69%	13,333	75.00%
1,000	10	100,000	10,000,000	21	210,000	103,333	103.33	6,667	6.45%	133,333	75.00%
10,000	100	1,000,000	100,000,000	132	1,320,000	253,333	25.33	66,667	26.32%	1,333,333	75.00%
25,000	250	2,500,000	250,000,000	300	3,000,000	333,333	13.33	166,667	50.00%	3,333,333	75.00%
50,000	500	5,000,000	500,000,000	570	5,700,000	366,667	7.33	333,333	90.91%	6,666,667	75.00%
100,000	1,000	10,000,000	1,000,000,000	1,099	10,990,000	323,333	3.23	666,667	206.19%	13,333,333	75.00%
250,000	2,500	25,000,000	2,500,000,000	2,655	26,550,000	0	0.00	1,666,667	#DIV/0!	33,333,333	75.00%
500,000	5,000	50,000,000	5,000,000,000	5,219	52,190,000	0	0.00	3,333,333	#DIV/0!	66,666,667	75.00%
1,000,000	10,000	100,000,000	10,000,000,000	10,309	103,090,000	0	0.00	6,666,667	#DIV/0!	133,333,333	75.00%

regulatory requirement. With an expected profit of $67 this would reflect a 0.35% return on the capital which would not be overly appealing to the investor. However, if they were able to write 10,000 people things look much better. They would need to raise $253,333 in additional capital. They would anticipate a profit of 66,667 producing a return of capital of 26.32% which is good return on any investment. With just 25,000 individuals insured the insurance company could generate an expected return on capital of 50% which would be an excellent investment for most investors.

2) The Loss Ratio stays fixed. The loss ratio would not change based upon the number of individuals that the insurance company insures. The insurance company is not doing anything to change the underlying exposure. What changes is the capital requirement to satisfy a certain confidence level and therefore the return on capital as well.

3) While the required capital will increase as you write more insureds, the capital per unit of exposure decreases, even though they are maintaining the same level of confidence that they will not default.

4) At some point, the additional capital requirement as well as the capital per individual exposure will go to zero. You can see this happening with $250,000 individuals insured. The reason for this is that there is enough money in the profit load to collect all the money that would be needed to satisfy the regulatory requirement without the need to raise additional capital. (In practice, capital per unit asymptotically approaches a floor due to non-diversifiable risk.)

5) This exhibit highlights the capital advantages associated with insurance companies that can grow with independent exposures. **The bigger you are the more capital efficient you could be while maintaining the same confidence level of solvency.** An insurance company will be able to provide their capital investors with a higher return for their money if they can write more independent business. This highlights a very important point. **There is a financial incentive for an insurance company to be as large as possible writing independent loss exposures.** While there may be regulatory, social, business, and cultural reasons to place limits on how large an insurance company should be, we need to understand that this financial incentive to be as large as possible is real and it will motivate insurance companies.

6) What would happen if we did not have insurance and wanted to ensure that we had sufficient capital at the same confidence level? Everyone would have a full loss every 100 years. If they needed to retain capital to ensure that they would not go insolvent 99.9% of the time, they would need to hold $10,000 in capital if they were doing this on their own. You can take the difference between Column 4 and Column 7 to calculate how much capital society was able to free up by utilizing insurance. As an example, with 25,000 individuals they would have needed to have $250,000,000 of capital versus the insurance requirement of $333,333. This is a savings of $249,666,667. The tradeoff is that you are going from being 100% confident that funds will be available to understanding that you may have insufficient funds 1 out of every $1,000 years. **Insurance does not eliminate risk, but it can eliminate the need for excess capital to support that risk.**

7) The assumption that individuals are independent is an extremely important assumption. As shown below, if the individuals were all dependent, meaning if one of them had a loss they would all have a loss, then the results would look like this:

Dependent Exposures

(1) Number of Ind. Exp.	(2) Expected # of Losses	(3) Expected Loss	(4) Max Loss	(5) # of Losses @ Confidence Level	(6) Loss @ CL	(7) Capital @ CL	(8) Capital per Exp	(9) Total Est. Profit	(10) Retrun on Capital	(11) Total Premium	(12) L/R
1	0.01	100	10,000	1	10,000	9,893	9,893.33	7	0.07%	133	75.00%
10	0.1	1,000	100,000	10	100,000	98,933	9,893.33	67	0.07%	1,333	75.00%
100	1	10,000	1,000,000	100	1,000,000	989,333	9,893.33	667	0.07%	13,333	75.00%
1,000	10	100,000	10,000,000	1,000	10,000,000	9,893,333	9,893.33	6,667	0.07%	133,333	75.00%
10,000	100	1,000,000	100,000,000	10,000	100,000,000	98,933,333	9,893.33	66,667	0.07%	1,333,333	75.00%
25,000	250	2,500,000	250,000,000	25,000	250,000,000	247,333,333	9,893.33	166,667	0.07%	3,333,333	75.00%
50,000	500	5,000,000	500,000,000	50,000	500,000,000	494,666,667	9,893.33	333,333	0.07%	6,666,667	75.00%
100,000	1,000	10,000,000	1,000,000,000	100,000	1,000,000,000	989,333,333	9,893.33	666,667	0.07%	13,333,333	75.00%
250,000	2,500	25,000,000	2,500,000,000	250,000	2,500,000,000	2,473,333,333	9,893.33	1,666,667	0.07%	33,333,333	75.00%
500,000	5,000	50,000,000	5,000,000,000	500,000	5,000,000,000	4,946,666,667	9,893.33	3,333,333	0.07%	66,666,667	75.00%
1,000,000	10,000	100,000,000	10,000,000,000	1,000,000	10,000,000,000	9,893,333,333	9,893.33	6,666,667	0.07%	133,333,333	75.00%

You will notice that if the individuals are 100% dependent, then the insurance company will be unable to generate any capital savings by pooling these exposures. Any ability to have less marginal capital for each new insured only happens if they are independent.

So the conclusion of this paper is that:

Pooling independent loss exposures can reduce the marginal capital as well as the aggregate capital that would be needed to support that exposure at a certain level of confidence.

This is an extremely important concept to understand and, in my opinion, highlights the greatest value that the insurance industry provides for society. The capital that is "freed up" by pooling independent loss exposures is capital that could be used for other things. Instead of setting aside $100,000 in a liquid account to pay for housing expenses if my home was destroyed, I could pay an annual insurance premium and use the money to pay for my children's education, or to invest in the stock market, or to open a retirement account. Insurance is the business mechanism that enables society to manage their risk exposures in a capital efficient manner. By pooling the independent loss exposures together, the insurance industry is in a better position to understand the drivers of certain loss events when they actual happen. This information can be shared with the broader society to ensure that everyone is doing what they can to help to minimize risk exposure.

CAPITAL STRATEGIES AND LIABILITY SOLUTIONS FOR STATE COMPENSATION INSURANCE FUNDS

By Rachel Bardon, Chief Underwriting Officer, Compre Group and Zameer Mitha, Group Commercial Director, Compre Group

I. Introduction: The Strategic Pivot

State Compensation Insurance Funds (SCIFs) stand as the bedrock of the workers' compensation system. Mandated to provide a stable market for employers and assured benefits for injured workers, SCIFs have historically operated with a focus on stability, consistency, and public service. Operating alongside and often competing with the private market, they serve as the 'insurer of last resort' in name, but frequently the 'insurer of choice' in practice, stabilizing state economies during turbulent market cycles.

However, to maintain this competitive edge in 2026 requires more than just stability; it demands agility. The traditional SCIF model is built on accumulation: accumulating premiums, accumulating reserves, and, inevitably, accumulating long-tail liabilities. Claims from ten, twenty, or thirty years ago remain on the balance sheet, often viewed as a necessary, immovable burden of the business.

A quiet revolution has occurred in the broader insurance market. Leading commercial insurers, global reinsurers, and forward-thinking public entities have shifted their view of these 'legacy' liabilities. They are no longer seen merely as obligations to be serviced, but as financial assets to be optimized. The global 'run-off' market has evolved into a sophisticated capital management sector, with billions of dollars in liabilities transferred annually in the United States alone.

This article explores the modern capital strategies available to SCIFs. We will move beyond the traditional view of "run-off" as a distressed activity, something done only when a company is failing, and examine how tools like Loss Portfolio Transfers (LPTs), Adverse Development Covers (ADCs), and emerging mechanisms like Insurance Business Transfers (IBTs) can unlock trapped capital. For a State Fund, these tools offer a pathway to reduce volatility, optimize surplus, and empower the organization to focus resources on the challenges of the modern workforce rather than the legacies of the past.

II. The Compounding Challenge: Why Now?

Why should a State Fund executive consider a legacy transaction today? If the fund is solvent and stable, why disturb the status quo? The answer is that in an environment of escalating medical and social costs, complacency is not a strategy, it is a risk. The convergence of macroeconomic and social factors is making long-tail workers' compensation liabilities increasingly expensive and volatile to hold.

1. "Social Inflation" and Medical Severity Inflation

We are all familiar with standard medical inflation (CPI-M), which consistently outpaces general economic inflation. However, workers' compensation, specifically regarding older, complex claims faces a unique "severity inflation."

- **Life Expectancy and Acuity:** Advances in medical care mean that a worker permanently injured in 1995 is living significantly longer than actuarial tables predicted at the time of the accident. While this is a triumph of medicine, it represents a profound financial strain on reserves established decades ago. We are seeing quadriplegic and severe brain injury claimants living well into their 70s and 80s, requiring 24/7 attendant care that costs exponentially more today than projected in the 1990s.

- **Medical Technology:** The standard of care has evolved. Expensive therapies, advanced prosthetics, and mandated home modifications are becoming standard. A claim reserved for stable "maintenance" can suddenly escalate due to a new, costly medical necessity or a change in fee schedules.

- **The Legal Landscape:** "Social inflation", the rising costs of claims resulting from broadened compensability, higher permanent disability (PD) ratings, and erosion of exclusive remedy continues to challenge the certainty of prior-year reserves. Even in "no-fault" administrative systems, the periphery of the claim (bad faith allegations, constitutional challenges) is becoming more litigious, driving up settlement values.

2. The "Lazy Equity" Problem

Every dollar of reserve held for the 1990 accident year is backed by a calculated allocation of surplus capital. Rating agencies (like AM Best) and state regulators require funds to hold risk-based capital (RBC) against reserve risk.

For a SCIF, this creates a phenomenon of "lazy equity." It is capital that is working to support old decisions rather than funding future initiatives. In an era where State Funds are looking to invest in safety innovation, AI-driven underwriting,

or return dividends to policyholders, having millions of dollars tied up backing 30-year-old claims is an inefficient use of public or mutual resources.

3. The Talent and Technology Gap

There is a human capital crisis in claims handling. The generation of adjusters who expertly managed complex, legacy claims is retiring. These professionals possessed the institutional knowledge required to navigate the paper files and nuanced legal history of 1980s and 1990s claims.

Replacing them is difficult. Younger adjusters are trained on modern systems and current medical guidelines; asking them to decipher microfiche, paper files, and handwritten notes is inefficient and prone to error. Furthermore, maintaining the legacy IT systems required to house these old claims is a "technical debt" that costs SCIFs millions annually. Partnering with a legacy specialist often allows the Fund to migrate the administrative burden of these files. Even in states where the SCIF must retain statutory authority, the reinsurer can provide the specialized platform and resources to digitize and manage the run-off, ensuring better outcomes for the injured worker and lower technical costs for the Fund.

III. The Solution Suite: Beyond the LPT

While the Loss Portfolio Transfer (LPT) is the most common tool, the toolbox has expanded. SCIF executives must understand the nuance between economic finality (protecting the balance sheet) and legal finality (removing the liability entirely).

Solution Tool	The Mechanism	Claims Authority	Primary Benefit	Best Use Case
Loss Portfolio Transfer (LPT)	The SCIF outwardly reinsures 100% of the ultimate liability for a specific block (e.g., pre-2022) up to a limit	**Flexible.** Typically transfers to reinsurer. In restricted states, SCIF retains authority with reinsurer providing **"consultative oversight"**	**Economic Finality.** Reserves move to reinsurer's books (contra-liability), releasing capital immediately	When a SCIF wants to repurpose capital and reduce admin overhead but faces statutory restrictions on transferring policies
Adverse Development Cover (ADC)	An insurance policy sitting *above* current reserves. Reinsurers pay only if reserves deteriorate beyond a set point	**SCIF Retains Authority.** Claims team manages files as usual. Reinsurer has audit rights but does not direct settlement	**Volatility Protection.** A "sleep easy" cover that protects surplus from inflation spikes without disrupting operations	When a SCIF is comfortable with its claims handling, but fears "social inflation" or a specific legal ruling could blow up reserves
Insurance Business Transfer (IBT)	Transfer of a block of business to a new entity by **court order,** without requiring individual policyholder consent	**Transfers Completely.** The new entity becomes the legal insurer and assumes all handling duties	**Structural Simplicity.** Allows for permanent divestment of non-core lines	Simplifying corporate structure by exiting discontinued lines of business permanently
Novation	Complete legal replacement of the insurer requiring three-party consent (SCIF, Reinsurer, Policyholder)	**Transfers Completely.** The SCIF has no further role in the claims process	**Absolute Legal Finality.** Zero future liability for the Fund	Targeted cleanup of large commercial accounts or self-insured groups (SIGs) that have returned to the Fund

IV. The CFO's Lens: Structuring and Asset Management

One of the most common misconceptions among State Fund leadership is that a legacy transaction requires the Fund to liquidate assets and wire a massive check to a reinsurer. Given that SCIFs often have sophisticated investment teams and strict investment mandates, this can be a non-starter.

Fortunately, modern legacy deals are highly flexible regarding asset management.

The "Funds Withheld" Structure

In a "Funds Withheld" LPT, the SCIF retains the assets associated with the reserves.

1. **How it works:** Instead of paying the premium in cash, the SCIF sets up a segregated account (or trust) on its own balance sheet. The SCIF continues to manage the investments within agreed guidelines.

2. **The Flow:** As the reinsurer pays claims, they request reimbursement from this account.

3. **The Benefit:** The SCIF avoids realizing capital gains/losses from a forced liquidation of bonds. They maintain their assets under management (AUM), which often helps cover fixed investment expenses. The reinsurer benefits by having the credit risk collateralized.

Investment Arbitrage

A key economic driver of these deals is the "investment arbitrage." Reinsurers specializing in run-off often have different investment strategies or domiciles than a State Fund. They may be able to generate a higher yield on the float than the SCIF, which is often restricted to high-grade municipal or treasury bonds. The reinsurer shares this benefit with the SCIF in the form of a lower premium. Essentially, the SCIF is paying for the LPT using the future investment income of the reserves, rather than current surplus.

V. Emerging Liabilities: The "Unknown Unknowns"

Perhaps the most compelling argument for a legacy transaction in 2026 involves the risks we cannot yet quantify. State Funds are uniquely exposed to legislative changes that can retroactively impact liabilities. Because the premiums for these years were collected decades ago based on the statutes of that time, these retroactive shifts create an unfunded liability that directly erodes current surplus.

1. Presumption Laws

Across the US, states are expanding "presumption" laws for first responders (firefighters, police, EMTs). These laws presume that certain conditions, heart disease, PTSD, and various cancers are work-related. Critically, many of these laws are being applied retroactively or have long manifestation periods. A firefighter who retired in 2010 may develop cancer in 2026, and the claim could be pushed back to the policy years covered by the Fund. An LPT can transfer this "legislative risk" to a private market reinsurer.

2. PFAS and Environmental Factors

The next wave of latent liability involves "forever chemicals" (PFAS), particularly found in firefighting foams (AFFF) and industrial processes. As research links these substances to occupational diseases, workers' compensation carriers may face a wave of claims similar to Asbestos. By placing older years into an LPT, a SCIF can ring-fence its exposure to these emerging, systemic toxic torts.

VI. Market Evidence: Lessons Applicable to State Funds

While State Funds operate in a unique statutory environment, the economic mechanics used by commercial carriers are directly transferable. The key is to look at similar asset classes of risk.

1. The "Federal Acts" Carve-Out (USL&H / Jones Act)

Many State Funds have historical exposure to the Longshore and Harbor Workers' Compensation Act (USL&H). Unlike state-act claims, these federal claims are subject to different administrative courts, higher benefit schedules, and prolonged litigation timelines.

- *The Solution:* A State Fund can utilize an LPT to specifically "carve out" this federal block. By transferring just the USL&H liabilities to a specialist reinsurer, the Fund eliminates a disproportionate amount of administrative noise and volatility, allowing the claims team to focus entirely on the core state-act portfolio.

2. The "Employer's Liability" Solution (New York & Trade States)

In jurisdictions with heavy construction exposure (like New York), "Action Over" claims where an injured worker sues a third party who then sues the employer, create massive, long-tail litigation risk that behaves more like General Liability than standard Workers' Comp.

- The Solution: Commercial carriers frequently use ADCs to cap the risk of these specific "Part Two" liability lawsuits. A State Fund can similarly structure a cover that wraps around their construction book, protecting their surplus from uncapped civil judgments while they continue to manage the standard indemnity payments.

3. The Commercial "Loss Portfolio Transfer" Precedent

We have seen major private carriers transfer billions in workers' compensation reserves to the legacy market not because they were insolvent, but to recycle capital.

- *Example:* When large commercial carriers transfer a block of workers' comp to a legacy reinsurer, they are freeing up capital to write new business in a hard market.

- *Application for AASCIF:* For a State Fund, "recycling capital" might mean releasing surplus to fund a new policy administration system, lower rates for small business owners, or pay a dividend to the state, all without asking the legislature for funding.

VII. The Roadmap: Implementing a Capital Solution

For a State Fund CFO or Board considering this path, the process is rigorous but well-defined. It typically spans 6 to 9 months.

Phase 1: Portfolio Identification & Data Hygiene (Months 1-3)

You cannot sell what you cannot define. The first step is isolating the block of business. Is it all accident years pre-2022? Is it just the permanent total disability (PTD) cases?

- *Action:* Clean the data. Reinsurers must charge for the unknown. If your data clearly shows payment history, medical status, and claimant age, the price of the reinsurance will go down. Uncertainty breeds a "risk premium."

Phase 2: The Actuarial Study (Months 3-4)

Before going to market, the SCIF needs its own view of the "Ultimate Loss."

- *Action:* Commission a specific actuarial study for the carve-out portfolio. Do not rely on your general annual reserve report. You need a "buy-side" style view that anticipates what a reinsurer will look for. This study should focus on payout patterns, not just ultimate selection.

Phase 3: Structuring & The Market Tender (Months 4-6)

This is where you decide on the structure. Do you want an LPT (claims handling transfers) or an ADC (you keep claims handling)?

- *Action:* Engage a specialized reinsurance broker. They will issue a "Blind Teaser" to the market to gauge interest without revealing the Fund's identity initially. This protects the Fund's reputation while testing market interest.

Phase 4: Stakeholder Management (Crucial for SCIFs)

Unlike a private company, a SCIF answers to a Board appointed by the Governor, the State Legislature, and often Labor Unions.

- *The Narrative:* You must articulate that this is not "selling off" the injured workers. In fact, legacy reinsurers often provide better care management because they have specialized resources for complex, aging injuries. The narrative is about financial security, guaranteeing that funds are available for these claims forever, backed by a highly rated global reinsurer.

VIII. Addressing the Elephant in the Room: Claims Handling

For many State Funds, the idea of a third-party handling claims is the most sensitive aspect of a transaction. Unions and policyholder advocates often worry about a "denial culture" or a change in the compassionate approach mandated by the State Fund.

This fear is largely outdated. The modern legacy market is regulated, reputation-sensitive, and highly specialized.

1. Agreed Guidelines

In an LPT, the SCIF and the Reinsurer agree on "Claims Handling Guidelines" (CHGs) that become part of the legal contract. The Reinsurer cannot deviate from these without being in breach. These guidelines can specify settlement authority, litigation philosophy, and even the use of specific vendors.

2. Oversight Committees

Best practice deals include a Joint Claims Committee (JCC) where the SCIF CFO or Claims VP sits monthly or quarterly with the Reinsurer. This committee reviews large claims, discusses trends, and ensures the philosophy matches the State Fund's mission. The SCIF retains a "seat at the table" even after the risk is transferred.

3. The "Unallocated Loss Adjustment Expense" (ULAE) Win

By transferring the claims, the SCIF reduces its ULAE. The administrative cost of keeping the lights on for 5,000 inactive files, software licenses, mailroom costs, compliance reporting disappears. This reduction in overhead directly improves the Fund's expense ratio, making it more competitive in writing new business.

IX. Conclusion: From Passive to Active Capital Management

The era of "set it and forget it" for long-tail liabilities is over. The volatility of the modern world, driven by medical inflation, legal shifts, and emerging toxic torts makes holding decades of workers' compensation liabilities a risky proposition for any entity, including State Funds.

SCIFs are uniquely positioned to benefit from the legacy market. They are often over-capitalized relative to their premium volume but constrained by statutory limitations. By utilizing an LPT or ADC, a State Fund can achieve a dual mandate:

1. **Financial Fortitude:** Locking in costs and freeing up capital to support the current workforce or return dividends to the state economy.

2. **Operational Excellence:** Freeing their best claims talent to focus on the injured workers of today, rather than the paperwork of yesterday.

The tools are available. The market is liquid and eager to deploy capital into US workers' compensation. The precedents are set. It is now up to State Fund leadership to evaluate if their capital is working as hard as the workers they insure.

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CLOUD MIGRATION: WHAT'S WORKING, WHAT'S NOT, AND WHETHER STAYING ON-PREM PUTS YOU BEHIND

By Chris Frassanito – New Mexico Mutual, James Bianco – Beacon, Ruchir Jaipuriyar – MEMIC, Mike Oppedisano – SFMIC, Alan Ibach – North Dakota, Matt Smith – Texas Mutual.

For more than a decade, organizations have debated whether and when to move to the cloud. Early discussions focused narrowly on infrastructure cost and data center consolidation. By 2026, that framing is no longer sufficient. Cloud computing is no longer just an alternative hosting model—it has become a foundational enabler of innovation, artificial intelligence, operational resilience, and speed to market. For insurers and workers' compensation carriers in particular, the cloud increasingly defines how quickly organizations can adapt to regulatory changes, customer expectations, and competitive pressure.

Yet cloud adoption is not universal, nor is it without risk. Some organizations continue to operate primarily on-premises or in hybrid environments, often for valid technical, regulatory, or economic reasons. The question in 2026 is no longer whether the cloud is "safe" or "mature," but whether an organization's architecture enables the agility required to compete in an AI-driven, data-intensive industry.

The Advantages:

For most organizations, the cloud has evolved into a strategic operating platform rather than a simple alternative location for data storage. While scalability remains its most visible advantage, the deeper value lies in how that scalability fundamentally reshapes the way technology enables the business. Cloud resources can be provisioned in minutes instead of months, accelerating product launches and significantly improving an organization's ability to test, iterate, and deploy new capabilities. Teams can spin up development and test environments on demand, deploy or retire instances almost instantly, and prototype entirely new lines of business without the burden of long-term infrastructure investments.

This elasticity dramatically lowers the barrier to experimentation. In traditional on-premises environments, even modest innovation often requires capital approvals, procurement cycles, and detailed data center planning. In the cloud, many of these constraints disappear, allowing business and IT teams to explore new ideas with minimal upfront risk.

Unsuccessful experiments can be shut down quickly, while successful ones can scale just as fast, reinforcing a culture of learning, iteration, and speed rather than caution and delay.

Texas Mutual adopted a cloud-centric strategy to streamline operations and better align with its broader technology ecosystem. With many of its strategic vendors—including Okta, Guidewire, Snowflake, and MuleSoft—already operating on AWS, moving closer to those platforms provided clear long-term advantages. After beginning its AWS adoption in 2019, Texas Mutual has built a robust cloud footprint using native services such as Lambda, ECS/EKS, Redshift, DynamoDB, and S3 to support applications and address capabilities not fully covered by the Guidewire suite. More recently, Texas Mutual has leveraged AWS Bedrock to develop a secure, internal large language model, demonstrating tangible progress in applying generative AI across the organization. While the journey to full cloud adoption is still underway, plans are in place to fully exit Texas Mutual's on-premises data centers.

MEMIC has taken a more targeted approach, modernizing and migrating workloads where cloud adoption delivers clear and measurable business value and return on investment. In parallel, the organization is investing in the skills, governance, and cost-management disciplines required for sustainable cloud operations. MEMIC's long-term strategy remains Hybrid-IT—using cloud platforms where they accelerate outcomes, while retaining on-premises systems where regulatory, risk, or operational considerations dictate.

As part of this strategy, MEMIC recently deployed the cloud-based Safety Director application on Azure within its standardized Landing Zone framework. At the same time, the organization is modernizing its Policy and Billing centers through the Guidewire platform hosted on AWS. MEMIC has also advanced its analytics capabilities by moving from on-premises SQL Report Server to Power BI Service, enabling shared datasets, Fabric integration, and stronger collaboration across teams.

By 2026, the cloud has also become the primary gateway for enterprise-grade artificial intelligence and machine learning. Hyperscale providers now offer instant access to massive GPU capacity, specialized AI accelerators, and pre-built AI models that would be prohibitively expensive for most organizations to develop internally. These capabilities make it possible to train custom large language models, perform advanced predictive analytics, and operationalize AI at enterprise scale rather than limiting it to proofs of concept.

For many workers' compensation carriers, this shift is particularly significant. Early AI adoption in insurance

often took the form of isolated point solutions—chatbots for customer service, basic document classification tools, or narrowly scoped fraud detection models. While useful, these tools rarely share data or insights across the enterprise. Cloud-based platforms enable a more mature approach, supporting enterprise data models that unify claims, underwriting, billing, policy administration, and customer interactions. Instead of deploying AI in silos, organizations can apply consistent intelligence across the entire value chain.

Cloud platforms also dramatically accelerate development cycles. Cloud-enabled agility—supported by managed relational databases, serverless compute, event-streaming platforms, and automated DevOps toolchains—makes modern software delivery more scalable, flexible, and repeatable. Infrastructure no longer needs to be manually provisioned, patched, and configured for each new initiative. Instead, environments are defined as code, deployments are automated, and testing is integrated directly into delivery pipelines.

New Mexico Mutual experienced these advantages when it sought to consolidate its Contact Center databases. After assessing the scope and complexity of the initiative, the organization elected to leverage AWS cloud capabilities. By using Amazon Relational Database Services, the team was able to rapidly provision the database servers needed to support development, eliminating the need for up front hardware purchases, and licensing expenses. It also gave them the scalability they needed to support the large datasets that were needed for the project.

These capabilities have a measurable impact on delivery speed. Organizations routinely report reductions in deployment timelines from weeks to days, and in some cases from days to hours. Faster delivery is not merely a technical benefit; it directly affects business outcomes by allowing insurers to respond more quickly to regulatory changes, introduce new products faster, and improve digital experiences ahead of competitors.

The cloud's scalability has become even more critical as AI-driven data center growth strains global supply chains. Demand for specialized hardware has pushed on-premises server lead times toward 10–12 months, making capacity planning increasingly difficult. Cloud providers absorb this complexity, offering immediate access to compute, memory, and storage at scale. Just as importantly, they allow organizations to scale resources down when demand subsides, preventing capital expenditures, and aligning technology costs more closely with actual usage patterns.

Security and resilience are also central to the cloud value proposition. Modern cloud providers invest billions of dollars annually in cybersecurity, delivering levels of protection that few internal IT teams can realistically match. Real-time threat detection, automated patching, encryption by default, and multi-region redundancy are built into the platform rather than layered on as afterthoughts. Native services such as load balancers, DDoS mitigation, and geographically distributed failover significantly strengthen business continuity compared to traditional on-premises environments.

At the same time, the cloud's one-click backup and recovery capabilities, combined with the ability to store data across multiple regions, dramatically improve disaster recovery readiness. Recovery time objectives that once required secondary data centers and complex replication strategies can now be achieved with far less operational overhead. However, even with these advanced safeguards, human behavior remains one of the largest sources of security risk. Misconfigurations, overly permissive access controls, and weak identity governance continue to be leading causes of cloud security incidents. Cloud platforms reduce the attack surface, but they do not eliminate the need for strong governance, disciplined access management, and ongoing user education and training.

Cloud adoption also accelerates the modernization of legacy infrastructure and application architectures. Many organizations use migration as an opportunity to decouple tightly integrated systems and reduce long-standing technical debt. A common strategy involves removing embedded business logic from monolithic legacy applications and refactoring it into discrete services, then exposing those services through well-defined APIs. This API-first, event-driven approach allows systems of record to remain stable while enabling digital channels, analytics platforms, and partner integrations to evolve rapidly.

AI and Advanced Analytics at Scale

Enterprise insurance applications hold the official record systems and data that carriers rely on for claims, policies, billing, and compliance. These systems represent the richest and most trusted sources of data for AI and advanced analytics. While it is technically possible to build a complete AI stack in-house, doing so requires substantial investment in infrastructure, specialized talent, and ongoing operations. For most insurance companies, the more efficient path is to leverage the cloud in combination with application providers' built-in AI capabilities.

Cloud platforms enhance AI adoption by providing scalable, high-performance environments that can handle growing workloads, reduce latency, and modernize how data is accessed and processed. Cloud-based relational databases, data lakes, and event-streaming platforms make it possible to analyze both

historical and real-time data. Serverless compute and managed AI services allow teams to deploy models without managing underlying infrastructure. Modern DevOps pipelines ensure that AI solutions can be updated, retrained, and redeployed reliably.

Together, these capabilities allow insurers to move beyond narrow chatbot implementations toward enterprise-wide AI models that deliver deeper predictive insight and operational intelligence. Use cases expand from simple customer interactions to claims severity prediction, subrogation identification, fraud detection, medical cost forecasting, and proactive risk management. Importantly, these models improve over time as they ingest more data, reinforcing the value of centralized, cloud-based architectures.

Why Some Organizations Don't Move

Despite these advantages, valid reasons exist for maintaining on-premises or hybrid environments. Ultra-low latency requirements continue to constrain certain workloads. Systems that demand quick response times such as analytics, and reporting systems or tightly coupled transactional platforms—can be difficult to operate reliably in public cloud environments due to network transit latency. In these scenarios, keeping databases and application servers physically close remains essential for the customer experience.

Data sovereignty and regulatory compliance also shape deployment decisions. Insurance, finance, and healthcare organizations operate under complex regulatory frameworks that may require sensitive data to remain within specific geographic boundaries or under direct physical control. While cloud providers offer region-specific hosting and compliance certifications, some organizations remain cautious about fully relinquishing custody of regulated data. North Dakota Workforce Safety & Insurance (WSI), for example, is strongly guided by state regulations to host all applications within the North Dakota Information Technology Department's data center. This arrangement is unique in that WSI does not maintain any onsite hardware, yet it can still ensure that all data remains securely housed within the state of North Dakota.

Legacy compatibility is another persistent barrier. Heavily customized systems or older commercial off-the-shelf applications often lack the architecture needed to benefit from cloud-native features such as auto-scaling or stateless execution. Migrating these platforms can introduce risk without delivering immediate value unless paired with broader modernization efforts.

Cost predictability is another driver of resistance. For workloads with stable, well-understood demand, on-premises

infrastructure can remain more cost-effective over a five-year horizon—and can often be extended beyond the standard depreciation period—especially once cloud operating expenses such as data egress, expanding storage consumption, and recurring subscription fees are factored in.

SFM Mutual Insurance, for example, continues to operate fully on-premise while regularly reviewing and evaluating the costs and benefits of moving workloads to the cloud. The reality remains that the cloud does not eliminate cost; it reallocates it. Without strong financial governance and controls, those operating costs can escalate in unanticipated ways, making cost predictability a key consideration in infrastructure decisions

Organizational readiness further complicates migration. Training and upskilling staff to design, operate, and secure cloud environments requires sustained investment of time and money. Smaller organizations often rely heavily on external partners to bridge skill gaps. While effective in the short term, this reliance can slow internal capability development and limit long-term self-sufficiency. Additionally, coordinating large, integrated migration programs introduces significant demands on governance, project management, and cross-functional alignment with business units.

What Works and What Doesn't

Over time, organizations have learned which migration approaches pay off. Rebuilding applications to run natively in the cloud tends to deliver the strongest long-term value. Although it requires more upfront investment, refactoring allows teams to take full advantage of elasticity, automation, and managed cloud services, rather than simply moving existing limitations into a new environment.

Hybrid cloud models have emerged as the practical industry standard. Rather than pursuing an "all or nothing" strategy, organizations increasingly keep sensitive or latency-critical systems on-premises while using the cloud for analytics, innovation, and burst workloads. This approach balances risk, compliance, and agility.

By contrast, simplistic "lift and shift" migrations frequently underperform. Moving applications without architectural change often results in inflated costs, overprovisioned resources, and limited operational improvement. In many cases, the absence of a formal FinOps discipline is the root cause of migration regret.

DevOps practices are a critical enabler of success. Automation, infrastructure-as-code, and CI/CD pipelines allow teams to fully exploit cloud elasticity, while cloud platforms provide the programmable environments that make DevOps effective.

Together, they enable faster releases, consistent deployments, and improved security and resilience.

Are You Two Steps Behind?

Not moving to the cloud does not automatically cripple an insurer—but it increasingly limits competitiveness. The Cloud is no longer just infrastructure; it's becoming the foundation for AI-driven operations, personalized customer experiences, and real-time insurance models. While full cloud adoption is not universal for all Insurance carriers, hybrid cloud has clearly emerged as the dominant operating model within our industry.

The competitive risk is less about whether an organization is "on the cloud" and more about whether it has the architectural agility to innovate. Cloud platforms enable that agility by supporting rapid experimentation, modern integration patterns, and scalable data and AI capabilities. Organizations that remain entirely hardware-bound may remain stable in the short term, but they risk falling behind as competitors move faster, learn quicker, and adapt more effectively to an increasingly digital and data-driven insurance landscape.

BEWARE OF SWEEPING AI REGULATION

Attempts to regulate Artificial Intelligence (AI) have the potential to undermine longstanding, fundamental insurance principles. AI will, without doubt, necessitate new governance, regulatory, and risk management approaches as we try to delay its inevitable world-takeover. However, existing industry regulatory structures reflect important lessons learned over decades and already provide many of the answers we need. Regulators should look to these structures first to ensure that attempts to regulate emerging technology don't undermine important principles underpinning the industry.

In 2025 New Mexico legislators considered their own version of the Artificial Intelligence Act passed by Colorado. Framed primarily as a consumer protection initiative, the bill largely tracks the Colorado AI Act in prohibiting "Algorithmic Discrimination" across a broad range of industries and applications – including insurance. Unlike Colorado, New Mexico has not adopted any insurance-specific AI laws.

Of particular concern, the legislation defined "algorithmic discrimination" to include any condition in which the use of AI:

> "…*results* in an unlawful differential treatment or *impact that disfavors* a person on the basis of the person's actual or perceived age, color, disability, ethnicity, gender, gender identity, genetic information, proficiency in the English language, national origin, race, religion, reproductive health, veteran status or other status protected by [law]."[1]

This definition, in the context of the bill, would appear to set a completely different expectation for insurers depending on whether AI is employed at any stage of decision making—regardless of whether a human is responsible for the ultimate outcome. Though it ultimately failed to pass, the proposed legislation was poised to rewrite years of careful, deliberate, model laws and regulations around risk-based insurance and unfair discrimination in one fell swoop.

This kind of sweeping legislation is risky—and unnecessary. NAIC model laws have long prohibited unfair discrimination in insurance. They have adopted distinct ratings laws that contemplate the differences in evaluating risk between different lines. In general, unfair discrimination in insurance is when individuals or risks of the same class and of essentially the same hazard are treated differently. "Unfair discrimination exists if, after allowing for practical limitations, price differentials fail to reflect equitably the differences in expected losses and expenses."[2] Carriers are expressly prohibited from refusing to insure or limiting the amount of coverage "because of the sex, marital status, race, religion or national origin of the individual."[3]

In short, what the model rules seek to achieve is that decisions on coverage, classification, pricing and placement of risk must be informed by sound actuarial principles, rather than bias. The NAIC model laws *do not* create a disparate impact standard for determining whether a carrier has engaged in unfair discrimination. This is no accident.

Disparate impact is a legal standard which infers discrimination from "practices that have a 'disproportionately adverse effect on minorities' and are otherwise unjustified by a legitimate rationale."[4] It's application, as adopted by the Supreme Court, calls for a burden-shifting scheme. Where a plaintiff demonstrates that a certain practice results in a disproportionate impact on a protected group, the burden shifts to the defendant to prove that the challenged practice is necessary to achieve a legitimate, nondiscriminatory purpose. The plaintiff may still prevail if they can demonstrate another practice that would accomplish the same legitimate purpose while reducing the disparate impact.[5]

The Supreme Court has been clear that disparate impact cannot be a strict-liability standard. In other words, a plaintiff must show that a statistical discrepancy is caused by some practice of the defendant—bare statistical evidence is not enough.[6] Without a strong causality requirement, a defendant could be held liable for a disparity they did not create.[7] The Court also recognized that without certain safeguards, the application of disparate impact could become abusive, and "might displace valid governmental and private priorities."[8]

Within the context of insurance, that valid policy priority is risk or cost-based pricing. Cost-based pricing generally means that insurance premiums should reflect the anticipated costs and losses, informed by sound actuarial analysis. Where insurers are not permitted to consider rationally based, neutral risk indicators, they cannot appropriately price the risk. A disparate impact analysis would force insurers to consider outcomes based on demographics, rather than actuarial factors. Applying strict liability based on a disparate impact would require insurers to manipulate pricing so that it is ultimately identical for all groups, however defined.

Both the NAIC and NAMIC have taken the position that disparate impact standards are incompatible with insurance. NAIC has cautioned: "[a]n insurer that fails to use appropriate risk selection techniques will soon find itself in financial trouble, to the detriment of policyholders and claimants relying on insurance coverage."[9] If carriers cannot differentiate

and adequately classify or price risks, it will trigger adverse selection. Good risks will pay more than they should, and some will forgo or try to avoid coverage requirements. Those more likely to experience a loss will pay too little for the risk they represent. As rates rise in response, the problem is compounded.

Cost-based pricing is critical to a healthy insurance market where consumers may choose between competitive, financially sound carriers to place their business. While several states have adopted their own measures to exclude consideration of certain risk factors, industry has fought to prevent disparate impact standards and ensure cost-based pricing remains the prevailing approach.[10]

As AI regulation advances in piecemeal fashion, laws that have little to do with insurance, on their face, have the potential to turn the industry on its head. From banking to medicine, best practices have been—and continue to be—developed based on the experience, risks, and needs of the respective field. Risks created or amplified by AI should be addressed within those same rubrics, informed by relevant industry experience and tailored to the context, rather than sweeping mandates that target the technology itself.

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BUILDING THE WORKFORCE OF THE FUTURE: AASCIF STATE FUNDS SHARE WHAT WORKS

Across AASCIF member organizations, workforce conversations continue to rise to the top. Not only in Underwriting but in Premium Audit, Claims, Customer Experience, and operational roles across the industry. As state funds modernize systems, enhance customer engagement, and navigate shifting labor markets, our long term success will depend on how effectively we attract, develop, and retain top talent.

Chesapeake Employers Insurance, Sarah Parker, Director of Premium Audit

Recruiting for Premium Audit presents an opportunity to think creatively about where strong leadership talent can come from. Managers from large retail environments, such as Target, Walmart, and major grocery chains, bring a valuable blend of customer service expertise, experience handling difficult interactions, and a proven ability to meet performance metrics. Their daily responsibilities often include reviewing sales and payroll data, managing high-volume operations, and leading teams in fast-paced, goal-driven settings. These skills translate exceptionally well into Premium Audit, where communication, accuracy, and productivity are equally essential.

Premium Audit can also offer these candidates something they often lack in retail: a healthier work-life balance. The role provides a professional environment with fewer hours, competitive or improved compensation, weekends and holidays off, and greater control over their schedules. By tapping into this talent pool, the department can attract motivated leaders who are already accustomed to high expectations and operational complexity, while offering them a career path with long-term stability and improved quality of life.

Kentucky Employers' Mutual Insurance (KEMI), Melissa Worrell, Underwriting Supervisor

KEMI employs more than 200 individuals across full-time, part-time, and intern roles, all working together to support our mission to protect Kentucky businesses, care for injured workers, and promote workplace safety. Our team is made stronger by a variety of backgrounds and experiences, and we intentionally recruit individuals who are committed to service, collaboration, and long-term growth within the organization.

A key component of our recruitment strategy is our strong partnership with Risk Management and Insurance (RMI) college programs. We pride ourselves on building and maintaining meaningful relationships with these programs, which allow us to connect with future professionals early in their college careers. Through ongoing involvement, we are able to meet students and build relationships with them and better assess their interests and strengths over time. This approach helps us attract well-prepared candidates for formal internship and full-time positions and who already understand our culture and the work we do.

In addition to external recruitment, KEMI emphasizes internal development and succession planning. Employees participate in industry formal mentor programs, serve as leaders on RMI advisory boards, and represent KEMI at college career fairs alongside our HR team. We also focus on hiring and promoting internal candidates from areas such as Premium Audit, Customer Experience, and Claims, supported by structured training programs and HR data that guide workforce planning. By investing in both our people and our partnerships, we continue to build a sustainable talent pipeline that supports KEMI's future.

MEMIC, Julia Gerrity, Audit Operations Manager

At MEMIC, building a strong and sustainable workforce begins with intentional succession planning. We identify critical roles early, evaluate risk areas, and ensure continuity through documented processes (SOPs) and structured knowledge transfer such as job shadows. Leaders work closely with teams to map future needs, creating a clear picture of who is ready to advance and where targeted development is required. This proactive approach reduces operational vulnerability and helps us plan confidently for upcoming transitions.

Internal hiring remains one of MEMIC's greatest strengths. Employees who transition from other departments bring valuable system knowledge, policy familiarity, and understand MEMIC's values. This shortens the learning curve, improves performance consistency, and increases long-term retention. Clear career paths help employees see where their skills can take them, making internal mobility both achievable and encouraged.

To support external pipelines, MEMIC actively partners with the University of Southern Maine's Risk Management & Insurance (RMI) program. This collaboration strengthens industry awareness while connecting MEMIC to emerging talent in Maine and across the region.

Our approach to recruitment has also become more modern and data driven. We leverage workforce analytics and staffing models to understand workload patterns and predict hiring needs. By grounding decisions in data, we can align hiring and training resources more efficiently with operational goals.

Together, these initiatives form a workforce model grounded in readiness, development, and strategic planning. MEMIC's emphasis on succession, cross training, internal mobility, academic partnerships, and analytics based hiring keeps us future focused and aligned with our mission.

MEM, Chris Grassi, Sr. Premium Consultation Manager

MEM, like most other insurance carriers, faces the challenge of a talent shortage due to an aging workforce and a highly competitive market for attracting new talent. Addressing this challenge has been a priority across our organization and a topic of discussion at quarterly Leadership Summits.

One of the main recruitment strategies implemented by our HR Team is hiring based on skills and competencies that directly align with job descriptions and future workforce needs, rather than evaluating candidates primarily on past work experience. We utilize the Korn Ferry Leadership Architect competency framework to develop interview guides that focus on the specific competencies required for each job. This has enabled us to identify talent that may not have the traditional insurance experience required for a role but would be a strong fit based on their skills and competencies. Our HR Team has also implemented more in-depth assessments for candidates to identify motivators and derailers, which address long-term fit for a role and possible career paths within the organization.

In the premium audit department, we revised the structure and description of our roles to provide a more defined career path, supporting retention. This included rewriting our job descriptions to focus on both accountability and competencies for each auditor level. Auditors seeking to advance in their careers now have clear expectations of what is required to progress, and managers can develop specific plans with these employees. The goal is to increase retention through transparency and a clear development path for both existing and new employees.

We have been proactive in recruiting for new roles in the premium audit department over the past year, as we plan for pending retirements over the next few years. In line with our corporate strategy, we have focused on hiring candidates based on skills and competencies for the role, along with required experience. With a remote-first workforce, we have also expanded recruiting outside of our state to broaden the talent pool. In exchange, we thoughtfully manage the challenges associated with a geographically dispersed workforce, including onboarding, fostering in-person connections, and ensuring customer familiarity.

Montana State Fund (MSF), Will Anderson, AVP – Policy Services

At MSF, recruiting and retaining talent is about building a highly engaged workforce that reflects the organization's mission, guiding values and commitment to taking care of customers and each other. Our recruitment strategy is a blend of internal and external hiring with intentional internal succession planning, strong support for internal candidates and close partnership with Organizational Health to ensure the right people are in the right roles at the right time.

Operating in a small-market state like Montana presents unique workforce challenges, particularly in specialized fields such as claims, underwriting, premium audit, safety services and technology. The talent pool of experienced professionals living in Montana or willing to relocate can be limited. In response, our approach to these small-market challenges has become more intentional in recent years. We are dedicating increased focus, energy, and resources to building internal capability and expanding opportunities for internal mobility.

MSF encourages employees to explore lateral moves, developmental assignments, and cross-functional opportunities that expand skills while preserving institutional knowledge. Leaders are expected to understand the career aspirations of individuals on their teams and to actively support and encourage these moves – even when it means losing a strong performer to a different area in the organization. In 2025, 11% of our workforce moved into new roles, with 7% transitioning into positions outside of their job family. MSF and its customers are benefiting in the following ways:

- Faster, lower risk hiring
- Improved employee retention and engagement
  - o Voluntary employee turnover has dropped from 7% to 3.5% over the last three years
  - o Overall employee engagement percentile increased by 9% to 65% year over year (Gallup Q12 Survey)
- Greater organizational agility
- Deeper institutional knowledge
- Stronger leadership pipeline

By investing in intentional hiring and internal development, MSF is strengthening its workforce and preparing the next generation to serve Montana employers and injured workers.

SFM Mutual Insurance Co., Ashley Butcher, Team Business Leader – Small Accounts

One of the biggest concerns for every industry but seems to be a topic of late in the insurance industry is how do we recruit new talent and how do we retain the talent we have.

Recruiting is challenging and requires a significant investment of time and resources to successfully onboard a new hire. It is important to ensure you are finding a person who will fit well with the team, shares the same values as the company and overall believes in the companies mission and vision. One area that has been of importance to us in regard to the entry level positions is finding a good mix of individuals who we can help develop into different roles within SFM in the future. It is a way for us to grow as an organization but also gives us the opportunity to help individuals succeed in life. Entry level positions are great for finding new talent and getting someone onboard at your company, but if all you have is those who want to stay at that level/position then it could become a road block to your organization. Finding the right people fit for the job but also has the potential to move up and do more is something that should be considered when hiring. We want to help people succeed and by putting a focus on this, it allows us to succeed as a company and also helps those individuals succeed in their career.

Retaining talent is critical to a strong workplace because it preserves institutional knowledge, boosts morale and performance and reduces the high costs of constant turnover. One thing that SFM has done in the past and is bringing back again this year is our internal leadership development program. It is so important to identify those within your organization who are the up and coming leaders and provide them with the opportunities and tools to be ready when you need them. We started this in 2015 and have had two rounds of it (one in 2015 and one in 2019). We are bringing this back for 2026. The focus of this program is to build leadership skills for individual contributors interested in growth. I can say as I was apart of the 2019 program that this has worked well for us. Many of our leaders today were a part of the 2015 or the 2019 programs. It is a great opportunity for individuals to grow but also a great way for the organization to identify those next leaders across the company.

Getting new talent in the door is always important but keeping your current talent and developing them into the next generation of leaders is something every organization should be putting focus on to ensure continued stable growth.

Washington State Department of Labor & Industries (L&I) – Michelle O'Brien, Employer Services Program Manager

Employer Services is a program within the Insurance Services division of the Washington State Department of Labor & Industries. Currently, Employer Services has over 145 FTEs with a variety of promotional opportunities with the program. Over the last five years or more our program has implemented the following recruitment strategies to encourage qualified candidates to apply for upcoming vacant positions.

Career fairs: events where several programs within our agency share detailed information specific to positions within our program. The job seekers can explore different employment opportunities, network with hiring panels and learn more about different career opportunities. These events are very valuable to the hiring team as it allows them to provide outreach to potential candidates.

In-Training positions: we have created in-training positions which allows the employees to develop skills through hands-on work and structured learning, preparing them to take on more advanced responsibilities over time.

Partnering with Human Resources (HR): to create a hiring strategy that will encourage highly qualified candidates to apply for key positions by strategic recruiting efforts both internally and externally. This is done by partnering with HR to create interview questions that draw out the knowledge, skills and experience from candidates who have applied for vacancies within our program.

Succession planning: this is a long-term strategy where upper management creates opportunities for staff to shadow job, provide coverage while upper management is away and be involved in key responsibilities such as policy and budget discussions and decisions which helps develop internal talent to fill key leadership or critical positions, ensuring continuity and organizational stability.

These strategies have been proven to be very successful over the years. As we continue our hiring efforts, we are continuously looking for new hiring strategies to encourage the most qualified candidates to apply for our vacant positions.

The common thread across these efforts is clear: invest in people, design transparent career paths, and ground decisions in data, then reinforce it with partnerships that expand access

to opportunity. Our mission to protect employers and care for injured workers depends on teams that are prepared for what comes next. By sharing practices, recruiting for skills and potential, promoting internal mobility, and offering work life balance with professional growth, we can build a workforce that is ready for the future across Premium Audit and beyond. The call to action is simple and urgent: keep collaborating, keep measuring what matters, and keep elevating the human experience at work. That is how state funds sustain excellence and how our workforce will thrive in the years ahead.

2025 SFM FOUNDATION RECAP

The SFM Foundation had another successful year of helping students in 2025.

Founded in 2008, the nonprofit helps families affected by workplace injuries by providing scholarships to children of workers disabled or killed in work-related accidents. The SFM Foundation is an affiliate of Kids' Chance of America in Iowa and Minnesota.

SFM's summer golf tournaments generated approximately $150,000, and the Iowa bowling event and Minnesota fall social raised about $26,500 in total. Also, an SFM information services equipment auction generated another $8,000 for the foundation.

"We have seen a steady increase in the number of scholarship applications each year, and these events are vital to our mission of helping young people," said Deb Zorn, the foundation's Scholarship Director.

Linda Williams, President of the SFM Foundation, said the organization is grateful for the ongoing support of agent partners, clients and others in the community. That generosity has led the foundation to reach new heights of giving, she said.

Other highlights from 2025 include:

- Nearly $600,000 in new scholarships, a record since the group was founded

- Awarding the highest number of scholarships awarded in the foundation's history, 19

- The Iowa governor proclaiming Oct. 13-17 as Kids' Chance Week (the SFM Foundation is an affiliate of Kids' Chance of America in Iowa and Minnesota)

- Reaching Gold Level status from Kids' Chance of America, recognizing top-tier excellence in nonprofit operations

"These students and families are enduring major challenges," said Andy Gebhard, Chair of the SFM Foundation Board of Directors. "We're proud of our mission and thankful for the ongoing support from everyone involved – sponsors, agents and volunteers. Helping these students reach their goals takes all of us working together."

2026 Events

Looking ahead to this year's events, the SFM Foundation will again host golf fundraisers in Iowa and Minnesota.

The Iowa event is set for Monday, May 18, at Tournament Club of Iowa in Polk City. This is a new location for the fundraiser.

Minnesota's golf fundraiser will be held Monday, June 8, at Prestwick Golf Club in Woodbury.

Lastly, fall events will return in Minnesota and Iowa. Stay tuned for details.

About the SFM Foundation

The SFM Foundation was created in 2008 by SFM Companies. The nonprofit is dedicated to easing the burdens on families affected by workplace accidents. Scholarships are awarded regardless of which workers' compensation insurer was involved in the claim. Since its inception, the foundation has awarded 266 scholarships totaling $4.7 million. For more information, visit sfmfoundation.com .

AROUND AASCIF

MINNESOTA

School Employees: Facilitate, Don't Participate

A recent decision from the Minnesota Supreme Court demonstrates the potential workers' compensation impact of school employees participating in sports and other games.

The state's high court ruled in October 2025 that a middle school math teacher who tore her ACL while playing basketball with students during an after-school practice was entitled to workers' compensation benefits.

Minnesota workers' compensation law says injuries that occur during "voluntary recreational programs" can be excluded from compensability, and the district argued her injury did not happen "in the course of employment." But the court found that she tore her ACL within the scope of her job, and the recreational program exclusion did not apply.

Justices reasoned that the law excludes injuries from employer-sponsored recreational programs only if the program benefits employees (e.g., wellness programs). Here, they ruled, the teacher participated for the students' benefit, not her own.

It's a good reminder for school districts that playtime with the kids could be a compensable work comp risk.

"If I were a school or district, I would tell staff to refrain from engaging in physical activities before, during, or after the school day unless they are strictly supervising or being present to support the students," said Mark Arrington, VP of Regional Business.

Facilitate, Don't Participate

Employers may not be aware that their employees are at risk of injury when they participate in activities, coach, or supervise others.

Sports, for example, often involve adult instructors who played the sport when they were younger, but now they are not in the same physical condition as the players on the field, and many times they are not wearing the same protective equipment, such as pads and helmets. These factors raise their risk of serious injury even though they have deep experience in how to play the game.

Here's a handy acrostic to help remember the important points of the "Facilitate, Don't Participate" concept:

- **F**ocus on teaching techniques, not participation
- **A**void activities that come with risk to teachers, paras, and/or coaches
- **C**omply with your organizational policy on safe participation in student activity
- **I**nspire colleagues to coach and teach safely
- **L**ead student athletes appropriately in activities
- **I**njury while coaching/teaching is not an expectation of the job
- **T**rain teachers, paras, and/or coaches on what is acceptable and not acceptable for them to do
- **A**n appropriate level of coaching includes facilitation of learning techniques without full-speed demonstration
- **T**eaching correct technique in controlled environments is key to avoiding injuries
- **E**ngaging in play or coaching beyond instruction can and does lead to serious injuries

For more details, check out our Facilitate, Don't Participate CompTalk, which includes a sample policy for such activities.

NEW MEXICO

New Mexico Mutual Announces 2025 Safety Star Award Winners

New Mexico Mutual held its 6th annual Safety Star Award nominations at the end of 2025. To be nominated for a Safety Star Award, the business must be a voluntary, in-force policyholder with five continuous years of coverage with New Mexico Mutual, have strong safety and health programs, and be willing to be inspected by our risk and safety department to work on correcting hazards or deficiencies identified.

We conducted year-end reviews of all nominees' safety programs and performance records. These evaluations revealed outstanding efforts by our winners who prevent accidents at their workplace. This year, two policyholders were awarded: Territorial Scaffold, Inc. and New Mexico Lottery. Territorial Scaffold, Inc. had its 4th consecutive win in a row, and this is the first award for the New Mexico Lottery. Congratulations to these outstanding policyholders!

New Mexico Mutual Creates Customer Journey Maps

In 2025, our organization undertook a comprehensive Customer Journey Mapping (CJM) initiative focused on understanding the end-to-end experience of policyholders across key operational areas: Audit, Claims, Provider Relations, and the Customer Engagement Department (Billing). This effort proved foundational in elevating how we identify pain points, prioritize enhancements, and shape our customer-centric strategy for the years ahead.

CJM's are essential because they extend this work beyond traditional internal assessments by shifting our perspective from an inside-out view to an outside-in understanding of how customers truly experience our services. They reveal emotional, procedural, and system-level friction points that are often invisible to individual departments, helping us see the full story across channels and handoffs. This holistic approach breaks down silos, highlights shared challenges, aligns teams around customer-centric goals, and ensures that every enhancement we pursue delivers meaningful value and supports a seamless, consistent experience across all interactions with New Mexico Mutual. In addition to the internal perspectives we gathered, we validated our findings by first engaging customers through surveys and in the future we will add focus groups to ensure the journey maps capture real voices, real experiences, and genuine needs.

We benefited from our partnership with Gartner, which provided frameworks, guidance, and best practices throughout the process.

By the end of Q4, four key initiatives were identified as priorities for 2026, accompanied by the creation of a Customer Experience Committee to strengthen customer-centric practices across the organization. Advisory members were selected to evaluate customer experience holistically and recommend improvements through technology, process optimization, and service enhancements.

After the initial build, we plan to continuously refine the CJM as we uncover new insights, introduce new capabilities, and learn about emerging needs.

Building on this foundation, we will extend our journey mapping work beyond policyholders. Our next efforts will focus on Agents, Claimants, and Providers to deepen our understanding of how each of these customer groups interacts with New Mexico Mutual's systems, processes, and communication channels. By continuing to apply an outside-in perspective, we will uncover unique pain points, cross-department dependencies, and opportunities for improvement tailored to each customer group. This expanded approach ensures we consistently deliver meaningful, customer-focused enhancements across all touchpoints and continue strengthening the overall experience for everyone we serve.

NEW YORK

NYSIF Lowers Standard Disability Benefits Premium Rate in 2026

Disability Benefit Rate Will Decrease by 28% to One of the Lowest Available in New York State

NYSIF, the state's nonprofit and largest workers' compensation insurance carrier, announced today that it is lowering its Disability Benefits (DB) premium rate. Beginning January 1, 2026, the NYSIF DB standard premium rate will be lowered from a maximum of $24.75 to $17.68 per person, annually—a 28% decrease. The new NYSIF DB standard premium rate will be one of the lowest available in New York State.

"Managing a business involves significant pressures," said NYSIF Executive Director and CEO Gaurav Vasisht. "Our lower Disability Benefit premium rates for 2026 demonstrate NYSIF's dedication to easing the financial burden for employers across New York State. Simultaneously, we are ensuring comprehensive coverage, safeguarding an employer's most valuable asset—their workforce—whenever the need emerges so their employees can get back to work at full strength, and do what they do best."

Disability Benefits provide partial income replacement to employees who are unable to work due to an illness or injury that occurred away from work and for disabilities related to pregnancy.

Since 1950, NYSIF has provided New York State employers with low-cost Disability Benefits insurance. Offering among the lowest, competitive insurance rates for Disability Benefits in New York, NYSIF has become the carrier of choice for employers across the state. Today, nearly 60,000 employers insure more than 820,000 employees with NYSIF Disability Benefits insurance.

The Business Council of New York State President and CEO Heather Mulligan said, "Lower rates help keep essential benefits affordable for workers while easing cost pressures on employers across the state. We commend the New York State Insurance Fund for its continued focus on managing costs responsibly and delivering value to the businesses that rely on its products."

"We're proud to be able to offer these new rates, which are among the lowest in New York State, to our policyholders," said Kristin Markwica, Director, Disability Benefits and Paid Family Leave at NYSIF. "In 2026, when a business renews or writes a new Disability Benefits policy with NYSIF, policyholders will receive a great rate to help them and their employees save money on their Disability Benefits insurance. They will also have access to the other benefits a DB policy from NYSIF provides."

NYSIF offers equal Disability Benefits rates to all a business's employees regardless of gender. This is rare in the insurance industry, as most carriers price disability coverage for women at a higher rate than men, sometimes more than double. Under the new rates, NYSIF's $60.00 minimum policy will still apply, and its gender-neutral rates will remain intact.

NYSIF also offers an enriched benefits option. Under New York State law, the maximum benefit a worker can receive in 2026 is $170 a week for 26 weeks. NYSIF's Enriched Disability Benefits insurance enables employers to provide benefits to employees at up to five times the statutory maximum weekly benefit rate—as much as $850 per week.

NYSIF also offers competitively priced workers' compensation insurance, as well as workplace safety training for supervisors and employees along, with safety resources, all provided by its team of dedicated professionals committed to delivering the highest-quality customer service.

About NYSIF

NYSIF is the largest workers' compensation insurer in New York State and among the ten largest nationwide. NYSIF covers 2 million workers and insures 200,000 employers in New York State. NYSIF's mission is to guarantee the availability of workers' compensation, disability insurance, and paid family leave at the lowest possible cost to New York employers while maintaining a solvent fund. Since its inception over 110 years ago, NYSIF has fulfilled this mission by competing with other insurance carriers to ensure a fair marketplace while serving as a guaranteed source of coverage for employers that cannot secure coverage elsewhere. NYSIF strives to achieve the best health outcomes for injured workers and be an industry leader in price, quality, and service for New York employers. For more information, visit nysif.com.

OREGON

SAIF's new VP of HR and Chief DEI Officer

SAIF has welcomed two new members to the executive leadership team.

Eve Logsdon is SAIF's new vice president of human resources. Eve has more than two decades of experience in human resources and employment law. She started her career as an attorney, with leadership roles in employee relations and human resources at Legacy Health, eventually becoming the vice president of human resources. Most recently, she served as chief people and culture officer at PeaceHealth, overseeing all aspects of human resources.

"Throughout the process, Eve's depth of leadership experience, passion for building belonging, and her strong communication skills and commitment to SAIF's mission and core values set her apart from a group of outstanding candidates," said Shannon Rickard, SAIF's chief business officer.

Mike Watters is SAIF's new chief diversity, equity, and inclusion officer. Mike joined SAIF in 2012 and has held several positions since, including C&D director and customer experience (CX) director for policyholders. Throughout their time at SAIF, they have been dedicated to advancing DEI and accessibility through our communication and CX strategies.

"Mike has an intimate knowledge of SAIF, strategic expertise, and a stellar track record of launching and sustaining programs in our company," said Chip Terhune, president and CEO of SAIF. "Mike is a trusted and exceptional leader who will approach this work with humility, creativity, and enthusiasm."

Helping Workers Through Their Claim Journey

SAIF has created three videos in both English and Spanish that walk injured workers through the claim process, from the moment they get injured to when their claim is closed. The videos covered what to do if you're injured at work, how claims decisions are made, and the end of the claim.

12 Months of Seasonal Safety

SAIF kicked off 12 months of seasonal safety tips in January. Whether people need topics for their safety committee meetings or they just want to step up their workplace safety game, we've got a year's worth of topics for them.

From driving in wet winter weather to avoiding the summer heat, the newsletter tips cover how to keep workplaces safe in every season.

The news and tips email is just the tip of the iceberg. SAIF's safety and health website has a library of free resources, videos, webinars, posters, and other training materials available to the public.

Curious what next month's topic will be? Visit 12 months of safety on saif.com.

RHODE ISLAND

Finding Hope. Building Community.

Across the workers' compensation system, people come first. At Beacon Mutual Insurance Company, that belief is reflected not only in how we serve policyholders but also in how employees support one another and give back to the community.

This year, one Beacon colleague turned personal hardship into meaningful action, demonstrating how individual experiences, combined with a supportive workplace, can create real impact.

When One Life Changes, Many Lives Can Too

After a challenging health journey in 2024, Christina Benson, a Beacon employee for 25 years, returned to work committed to supporting others with similar experiences.

That commitment led her back to Blood Cancer United (BCU), a nonprofit that supported her during a critical period. When BCU invited her to join the Executive Committee for its 2025 Light the Night Walk, Christina accepted with a clear goal: to transform her experience into hope for others.

"I wanted to turn what I went through into something that could help someone else," she shared with the organization.

A Workplace That Shows Up

With encouragement from colleagues and leadership, Christina invited her workplace community to support the cause. Employees came together for an on-site fundraising event that included a car wash, raffle, and an opportunity to hear directly from Christina and representatives from BCU.

The response reflected the strength of collective support. Employees volunteered their time, donated generously, and showed up for one another in meaningful ways. The organization also provided financial support to help amplify the effort.

Christina later organized a second community fundraiser at the Galilee Beach Club, securing raffle prizes and food sponsors to ensure all proceeds went directly to BCU. Together, the two events raised more than **$22,500** to support individuals and families affected by blood cancer.

Part of a Broader Commitment

Employee-led initiatives like Christina's are supported by a broader culture of community involvement. At Beacon Mutual, employees participate annually in a company-wide Week of Service, volunteer with local nonprofits, and are encouraged to give back through a charitable matching program.

Seasonal giving initiatives and grassroots employee efforts complement one another, reinforcing the idea that meaningful impact often starts with individual action—supported by organizational values.

Why Stories Like This Matter

For members of AASCIF, stories like this serve as a reminder that while our organizations differ in size and geography, shared values—care, service, and community—connect us all. When employees are empowered to bring their whole selves to work, the impact extends far beyond the workplace.

Beacon Mutual, headquartered in Rhode Island, proudly supports businesses across RI, MA, and CT. As a member of the AASCIF community, we're committed to showcasing how state funds strengthen workplaces and enrich the communities they serve.

WASHINGTON

Staff input leads to streamlined hiring processes at the Washington State Department of Labor & Industries division

AWashington State Department of Labor & Industries' (L&I) Insurance Services division is taking steps to enhance its hiring process and get key staff placed in crucial roles.

Division leaders hope efforts to streamline and make the hiring process more efficient will lead to faster hiring for critical positions, such as those responsible for resolving claims.

These efforts included closely analyzing the hiring process to identify "pain points" and find ways to address them.

The Insurance Services division kicked off the project to improve the hiring process last year, based on the results of the annual L&I Employee Engagement Survey. The survey results, subsequent focus groups, and staff and leadership discussions, pointed to improving the hiring process as one of the division's top three priorities.

A project team was created, which partnered with recruiters in L&I's Office of Human Resources, to ensure efforts were aligned with agency policies and processes.

At the beginning of the project, key hiring partners were identified in each program within the division to map their current hiring process and identify opportunities for improvement from their perspective.

Once every program's current process was mapped, a cohesive "future-state of the hiring process" was created, and analyzed to identify hiring gaps occurred. The project team created resources to address the gaps.

Some of the documents created include:

- "Recruitment Roles and Responsibilities," which clearly outlines who does what during a recruitment.

- "Hiring Process," is a step-by-step process with details including the responsible role and links to documents needed.

- "Interview Best Practices," which offers guidance on how to set up interviews, selecting panelists, and what questions to ask, etc.

- A hiring process FAQ to address the most common questions among division staff who do hiring.

As the project closed in December 2025, division staff were introduced to the new resources.

"Although completing a project and celebrating is exciting, the work isn't over," said Insurance Services Division Chief Administrative Officer Audrey Dorsey.

She said the hiring staff are excited about the new resources. One program reported it was already using the documents in a current recruitment and found them very helpful. She said the division plans to continue getting feedback from staff on a regular basis.

"Here at L&I, we always strive for continuous improvement," Audrey said.