

EXECUTIVE SUMMARY

The Claims & Risk Management Working Group met July 18-19, 2016, and used the time to explore the more interpersonal lines and aspects of insurance dealing with health and livelihood – workers’ compensation and disability. Following introductions, Jeff Eddinger from the National Council on Compensation Insurance (NCCI) spoke about NCCI’s State of the Line report on workers’ comp and about historical and developing trends in the workers’ comp market. Next, Jennifer Peck from Aon Risk Solutions spoke about carrier claims program performance as measured by Aon’s Carrier Claims Performance Perception Survey and what elements are vital—and detrimental—to the claims experience. Finally, Mingee Kim from HUB International presented current trends in the disability marketplace and strategies to manage and reduce absenteeism. Kim then led the group through a breakout case study. [Click here for a PDF of the group’s PowerPoint presentations.](#)

PARTICIPANTS

Aon Risk Solutions	Hays Companies
AP Intego	HUB International
Assurance Agency, Ltd.	Lawley Services Inc.
BB&T Insurance Services	Murray Securus
Dealey, Renton & Associates	Propel Insurance
Gencorp/Hilb Group	

ICE BREAKER

Participants were asked to play a game of MadLibs with a brokerage mission statement. When they filled in the mission statement for their own firms, participants described their firms as:

Dynamic	Empowered	Collaborative	Ethical
Supportive	Entrepreneurial	Challenging	Diverse
Consultative	Innovative	Productive	Creative

WORKERS' COMP STATE OF THE LINE REPORT

Presenter: Jeff Eddinger, Senior Division Executive for Regulatory Business Management, National Council on Compensation Insurance (NCCI)

[Click here for a PDF of Eddinger's PowerPoint presentation](#)

Eddinger spoke about the state of the workers' compensation industry with highlights from NCCI's annual State of the Line report. NCCI collects data from insurers, calculates loss cost and rate filings for some states, analyzes court cases and proposed legislation, and produces Experience Ratings (MODs). NCCI is currently researching how aging, obesity and other factors impact the workforce. Highlights from the State of the Line report included:

- NCCI has decreased loss cost by 4 percent
- Underwriting gains are lower this cycle because insurers have low investment gains
- During the last 20 years, claims frequency has decreased 20 percent
- For every \$1 that goes to an injured worker, 25 cents is used to manage that case
- Medical costs are growing as a percent of the total claim
- In 1981 medical costs accounted for 47 percent of the total claim. By 2015, medical had increased to 58 percent of the claim
- The largest share of growing medical costs is prescription drugs, which currently make up 17 percent of the total medical component

Clarissa Preston is NCCI's dedicated broker/producer contact. Working Group members are encouraged to reach out to her with any questions about NCCI and workers compensation:

Clarissa A. Preston, CIC
Agent Relations Executive
National Council on Compensation Insurance
561.945.4517
Clarissa_Preston@ncci.com

CLAIMS: DELIVERING ON THE PROMISE

Presenter: Jennifer Peck, Director of Global Claims, Aon Risk Solutions

[Click here for a PDF of Jennifer's PowerPoint presentation](#)

Peck spoke about Aon's Global Insight Center and its Carrier Claims Performance Perception Survey.

Clients prioritize claims performance over other measures of carrier satisfaction such as premium costs and financial stability. The claims journey is equally important to perception of carrier performance as the actual outcome of the claim. Clients want their claim decision quickly, even if it's a denial. Dragging out a claim for years, even if the final outcome is full payment, is viewed negatively. Adherence to the company's stated claims commitment and collaboration in claims escalation are highly correlated with a positive perception carrier performance. In a soft market, being able to compete on claims performance is a much higher priority for carriers. Good claims performance and service improves retention.

Carriers are performing highest in cyber, marine and energy claims. Carriers are making significant investments in cyber, but there have not been a lot of claims on those coverages yet. Marine and energy

are top performers as well, because they tend to be highly relationship-driven. Workers' Compensation is also performing well because of loss prevention and return to work programs. Carriers are performing poorly on financial lines (especially E&O) because it can be a very litigious process to settle those claims and many go to court. Professional Indemnity is the worst perceived line for claims satisfaction.

LOOKING TO THE FUTURE: ABSENCE MANAGEMENT SOLUTIONS

Presenter: Mingee Kim, Assistant Vice President, HUB International

[Click here for a PDF of Mingee's PowerPoint presentation](#)

Mingee Kim reviewed current market trends in health-related expenses and absenteeism, and best practices for reducing absenteeism, lost productivity and cost.

A holistic approach to employee health that involves the employee, employer and insurer reduces absence and improves productivity. Employees' chronic health issues should not be addressed in silos and employers hold the key to a successful program. Health policies reduce both direct and indirect costs as workers are healthier and therefore miss fewer days and are more productive at work. Employers spend approximately \$13,000 per employee per year on total direct and indirect health-related costs, while the total cost of absence can cost up to 36 percent of payroll. While disability plans cover direct costs, the indirect costs of employee absences—adding to others' workload, disruption of other workers, increased stress, reduced morale, reduced quality of work output (presenteeism), additional mandatory overtime, etc.—can easily double that of direct costs.

Employers should coordinate Family Medical Leave Act (FMLA) programs with workers' compensation and disability programs. The programs live in different departments and areas of the business—HR, Benefits, Legal, Supervisor/Manager, Vendors—but they are all integral to a successful return-to-work program and should coordinate. Many employers need to get up to speed on FMLA in general (i.e., what their responsibilities are under the law and what data they should be collecting across programs in order to be compliant).

The process of combatting absenteeism starts with hiring the right employees and providing them with thorough, ongoing training. Employers should have comprehensive safety programs that stress safety both at work and at home. Employers should also establish comprehensive return-to-work programs that provide pathways for transitioning back to work and a system for identifying alternative work options for all employees whether they are out on workers' compensation or disability. The disparate treatment of workers' compensation and disability cases may make some employees jaded because they see they are being treated differently from their co-workers. An important aspect of return-to-work programs is communicating with the employee to keep them engaged and connected to the team while away. If they feel isolated and/or forgotten, it can impact their morale and engagement once returning.

After the presentation, the audience broke out into small groups for a case study where they developed a return-to-work program for an injured employee, and then discussed their decided course of action with the larger group.

NEXT MEETING

The next Claims & Risk Management Working Group meeting will take place October 25-26 at The Council's offices in Washington, DC.

QUESTIONS?

Contact Amy Forester Roberti at amy.roberti@ciab.com.