PRIMA 2014
WEBINAR SERIES

Workers' Compensation Hurdles and How to Combat 'Em

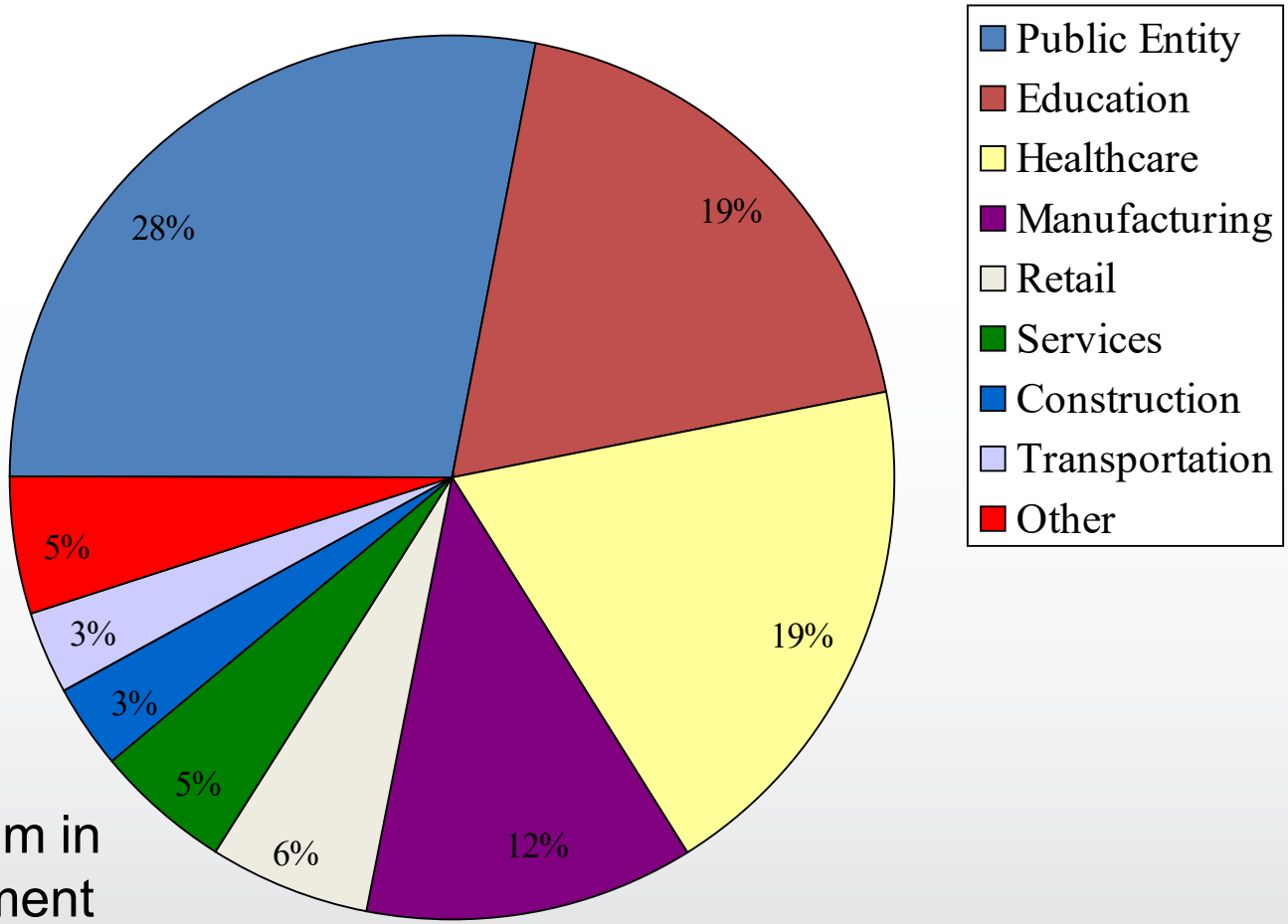
David Randall: Public Entity Underwriting Manager, Safety National

Mark Walls: VP Communications & Strategic Analysis, Safety National

Agenda

- Background on Safety National.
- Analyze the current state of the WC market.
- Discuss the major factors that will likely impact the WC market going forward.
- Identify ways that public entities may address these factors to ensure continued success.

Safety National and Municipal/County Government



47% of premium in Local Government and Schools

2011

Safety National and Pooling Groups

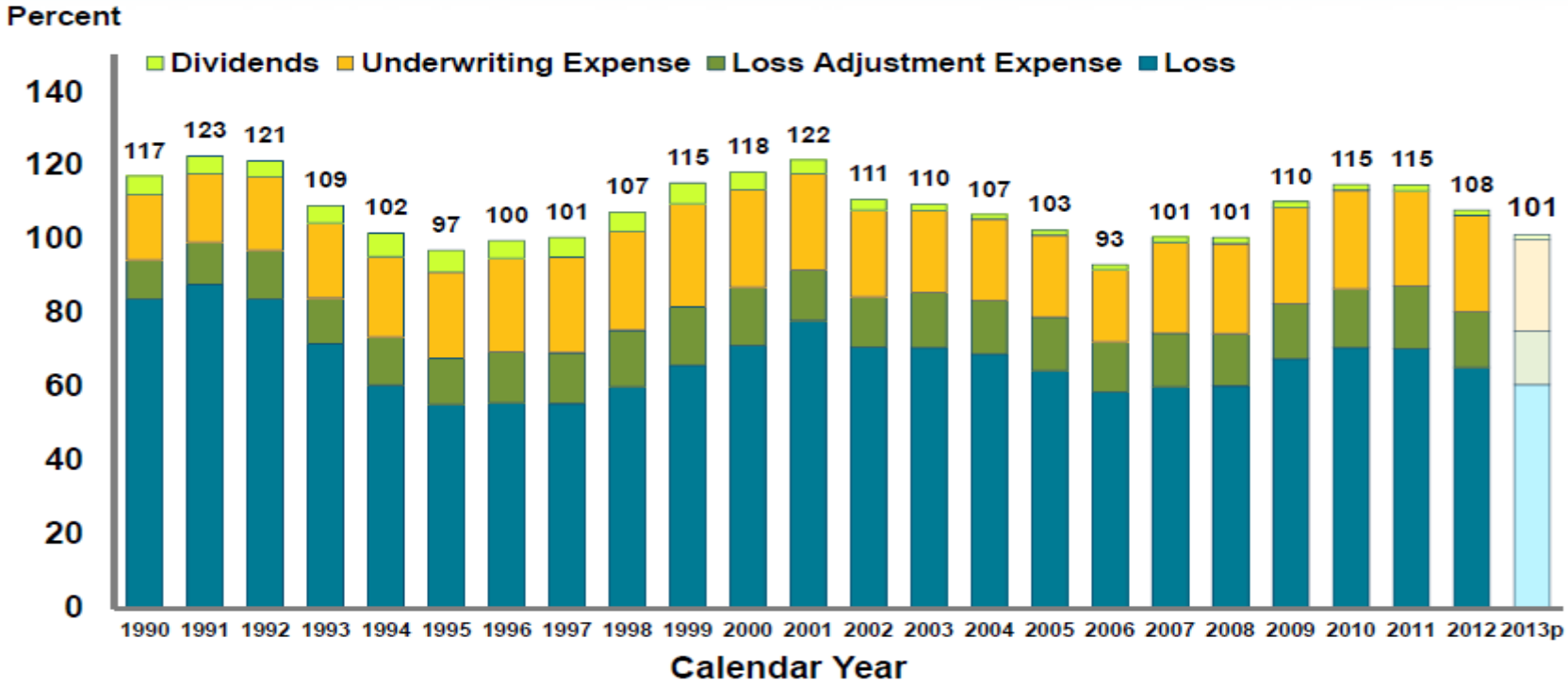


Safety National provides Excess Workers' Compensation Coverage to over 2/3 of Workers' Compensation Self-Insurance Groups

State of the Workers' Comp Industry

Workers Compensation Combined Ratio Improved Again

Private Carriers



p Preliminary

Sources: 1990–2012, Annual Statement data; 2013p, NCCI

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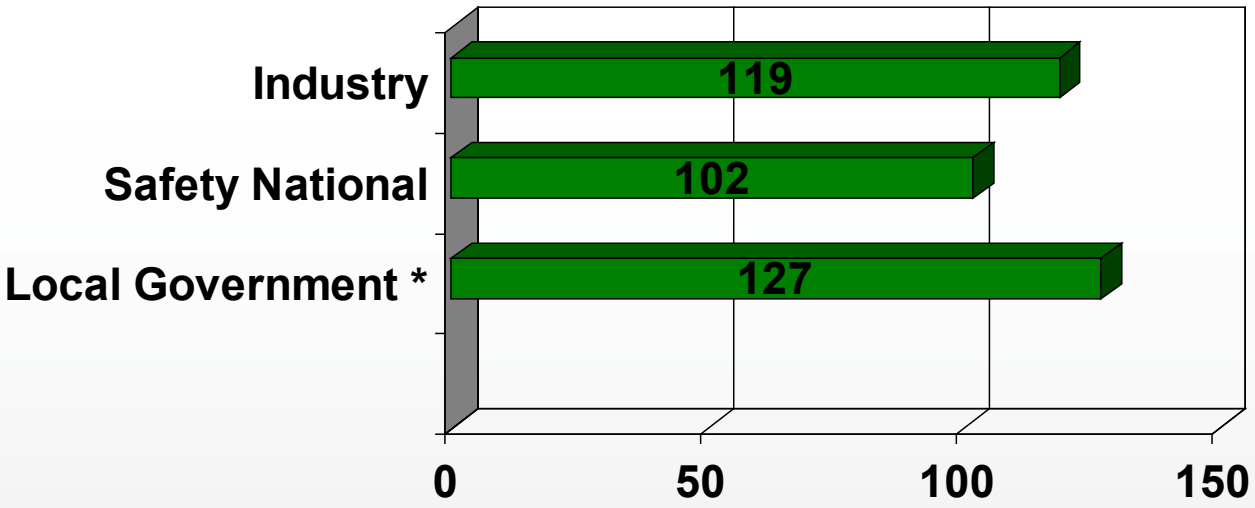
AIS 2014

Balanced

- NCCI described workers' compensation industry as "balanced".
- Several years of increasing premiums have improved loss ratios.
- Investment returns remain limited, emphasis on underwriting.
- Still one of the least profitable P&C lines for carriers.

What is Happening in the Public Sector?

Combined Ratios 2011



** Safety National's Experience*

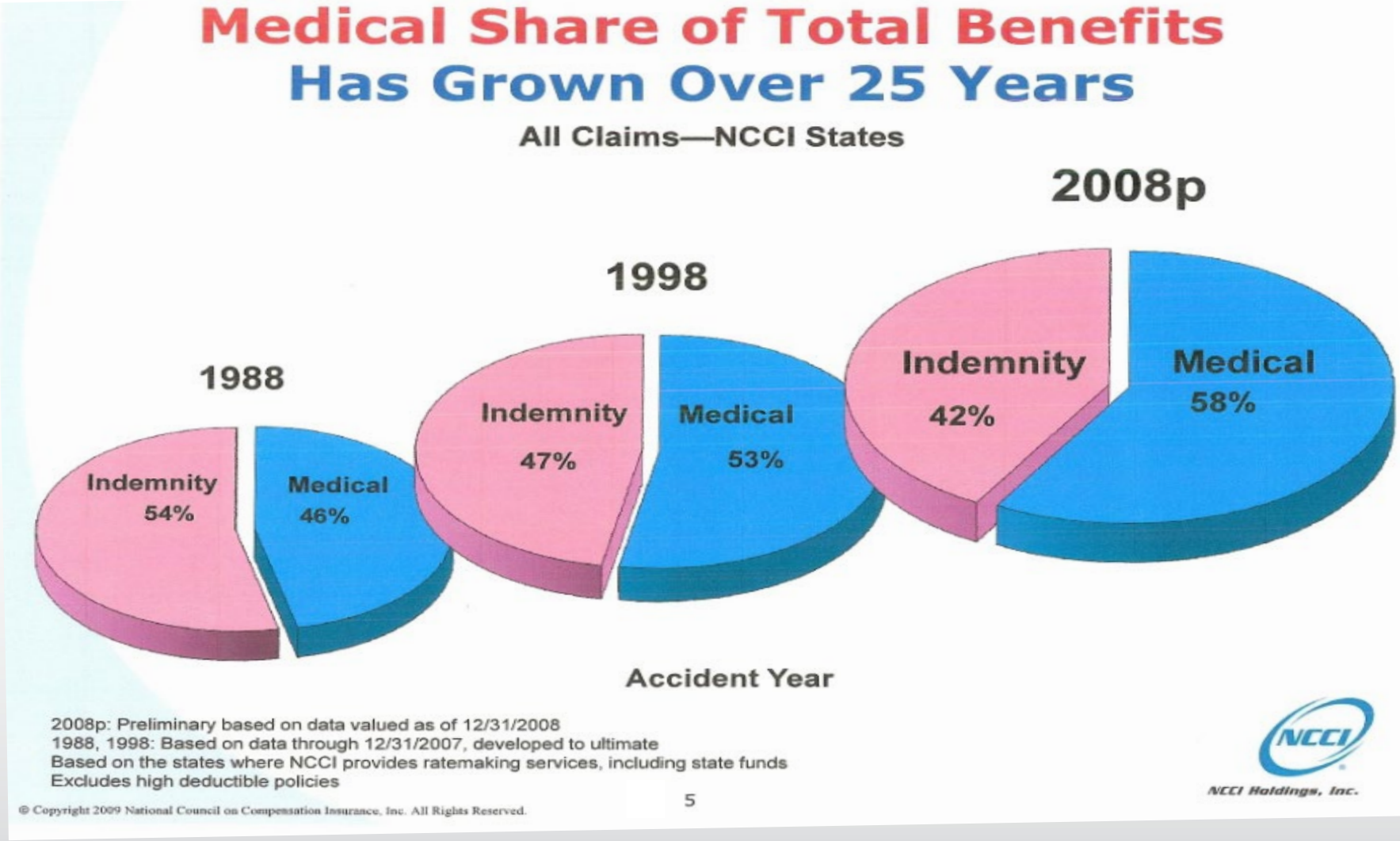
What is Happening in the Public Sector?

Local Government Large Loss Drivers.

- Motor vehicle accidents (including struck-by accidents):
    - Account for 30% of incurred costs for large claims.
    - Account for over half of all claims over $1 million.
    - Police officers are involved in 60% of these claims.
- Acts of Crime:
    - Only 9% of claims but 28% of costs.
- Slip, Trip and Fall:
    - 10% of claim costs.

Safety National's average cost of claim is 133% higher for local government claims than for our overall book.

Cost Driver: Rising Medical Costs



Cost Driver: Presumption Laws

Heart, Lung, and Cancer Presumption

- Overall, 43 states have some sort of presumption law for public safety personnel.
- Currently, 26 states include cancer in their presumption law.
- Many of these laws were enacted in the last 5-10 years so impact is not yet known.
- Major Concerns.
  - 1 in 2 people will develop cancer in their lifetime.
  - Heart disease is leading cause of death in United States.
  - Total cost to municipality also includes disability .ensions, healthcare continuations, extended leaves, etc.

Cost Driver: Federal Legislation

- Impact of Affordable Care Act (ACA).
- Pending Expiration of TRIA.
- Medicare Set-Asides.

Solutions: Return-to-Work Program

- Longer disability = higher costs.
- RTW program starts before injury occurs.
- Challenges for Public Entities.

Solutions: Medical Management Best Practices

- Use a PBM to ensure appropriate pharmacy usage.
- Utilization review has a role, but don’t let it become a cost driver.
- Nurse case management.
- Telephonic nurse triage.

Solutions: Improved Medical Networks

- Focus has to be quality of care and outcomes.
- Fee for service discounts alone do not reduce costs.
- Need to change industry focus.

Solutions: Better Claims Administration

- Case loads matter.
- Communication between adjusters and loss control.
- Settlement.
- Set expectations.
- Look at the files.

Solutions: Don’t Forget the Person

- Increased focus on psycho-social issues.
- Recent studies on issues injured workers’ are concerned about.
- Communication is key.

Solutions: What Should You Be Doing?

- Best way to control costs is to not have claims to begin with.
- Continued Commitment to Risk Management and Safety Programs.
- Preventive Maintenance is key - and that includes people!

Solutions: What should you be Doing?

- Take advantage of all the resources available to You.
- Communication is paramount.
  - Legislators
  - Senior Leaders
  - Everyone else!
- Get/ Stay Involved!

Questions?

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