

Workers' Compensation: State of the Market, Claims and emerging use of Artificial Intelligence

Presented By:
Brown & Brown Casualty Team

Brown & Brown Insurance Services, Inc.



Presentation Agenda



1

Current State of the Market

2

Claim Issues and Trends

3

Emerging Use of Artificial Intelligence

4

Q&A

Panelists



Aaron Stone

Brown & Brown, Moderator



Kim Bokovoy

Brown & Brown, Panelist



Shannon Gilbert

Brown & Brown, Panelist



Lynette Smith

Sedgwick, Panelist



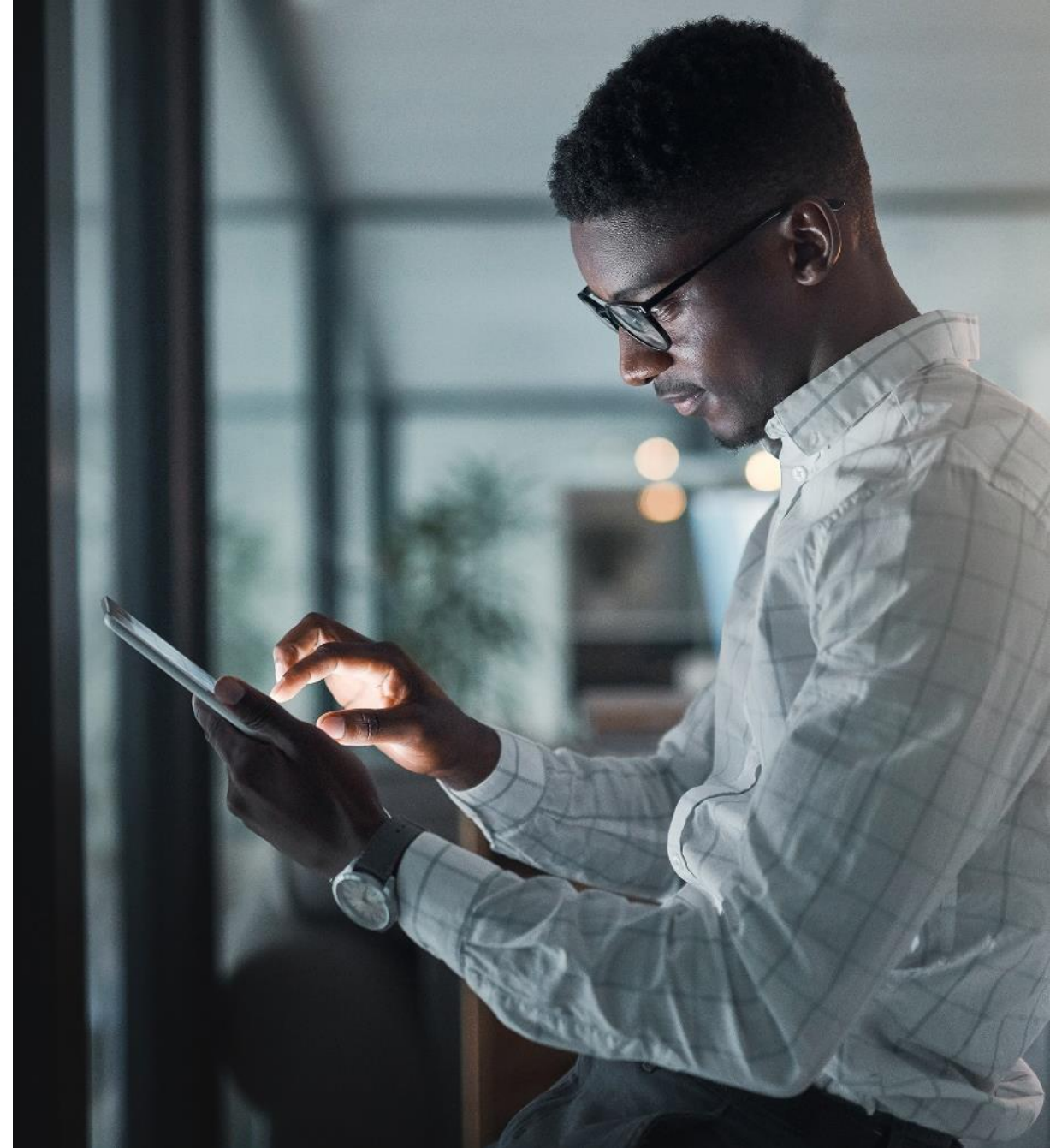
01

State of the Market

State of the Market

WORKERS' COMPENSATION

- Overall, average loss rates have decreased on a year over year basis.
- WC rates remain low, and it remains a profitable line for insurers. As a result, many markets will write stand-alone WC coverage since it is a profitable line of coverage.
- However, most carriers still want to “bundle” the WC with Commercial Auto and/or GL to help offset higher Auto/GL premiums and to help with the loss ratio on the account.
- Even though many employers' payroll have increased due to having to pay higher wages, the overall exposure has not changed. Due to this, brokers are asking carriers to rate more creatively such as based on hours worked.



State of the Market- Issues to Watch

Wage Inflation

- Increased wages lead to higher indemnity payments

Medical Inflation

- Overall medical services more expensive
- Higher medication costs
- Types of conditions being treated

Alternate Collateral Solutions

- Surety backed letter of credit

Changes to Workplace

- Remote work and hybrid schedule arrangements result in lower claim frequency

Changes to Workforce

- Increased rate of job turnover resulting in higher claim frequency

State of the Market- New Developments



Legal/Regulatory Changes

- With more states legalizing the use of cannabis, employers are having to revise their drug testing policies. AK, AZ, CA, CO, CT, DC, DE, IL, ME, MD, MA, MI, MN, MO, MT, NV, NJ, NM, NY, OH, OR, RI, VT, VA & WA have all legalized recreational usage. Unless an employer is otherwise required to drug test by state or federal law, an employer can no longer require cannabis drug testing. Examples of jobs that can still test are jobs that are Safety-sensitive positions and Peace officers/ firefighters (not all inclusive). Employers should consult with their legal counsel to make sure they are legally compliant.
- Six states have passed excessive heat work breaks/ “occupational heat standards”: CA, CO, MN, NV, OR and WA. Employers need to be aware of these law changes.
- NY latest state to have their own Experience Mod – left NCCI in October 2022. Other states with their own Exp Mod rating are CA, DE, MI, NJ & PA.



External Impacts

- During COVID, indemnity claims increased by 32% (per MN Dept of Labor & Industry). With the continued labor shortage, claim adjustors are also an industry experiencing a shortage of employees. The coupled effect of not enough adjustors along with increase in claims may at times impact in responding to claims in a timely manner which could also affect costs.

02

Claims Issues and Trends

Claim Issues and Trends



Service and Claims Adjusting Challenges

- Staffing (Carriers v. TPA)
 - » Recruiting
 - » Retaining
- Technical Knowledge
- Responsiveness
 - » Increased claim inventories
 - » Administrative burdens

Loss Trends

- Higher rates of pay resulting in higher indemnity payments
- Aging workforce impacting claims
 - » 21% of lost time injuries and 31% of costs come from workers aged 55 and older.
- Increased cost of healthcare
- Defense/Litigation expenses
- Challenges to Exclusivity
- Expansion of Presumptions
- Mental health claims

Claim Issues and Trends



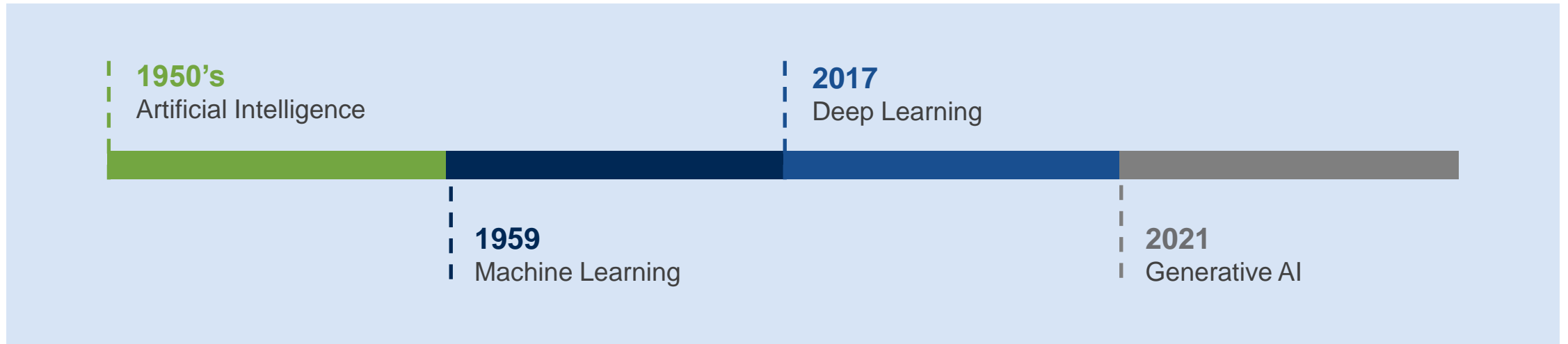
Role of WC Claims Consultant

- Additional follow up and escalation
- Facilitating communication and action
- Clarification of SHI, Best practices, and expectations
- Review of action plans and strategy
- Workflow management – where are we experiencing bottlenecks
- Organizing reviews and keeping them on track
- Completing audits to determine problem areas and providing suggestions to those areas

03

Emerging Use of Artificial Intelligence

Generative AI: The Evolution



What is it?

Generative AI is a type of artificial intelligence that uses unsupervised learning algorithms to create new digital content. These algorithms are also known as Large Language Models (LLMs).

How do they work?

“LLMs work by reviewing enormous volumes of text, identifying the ways that words relate to one another, and building a model that allows them to reproduce similar text.” - DataIKU

Types of Generative AI



TEXT

- OpenAI's ChatGPT (Microsoft)
- Meta's LLAMA
- Google's PaLM
- Google's LaMDA
- Hugging Face Bloom



IMAGE

- OpenAI's Dall-E 2
- Muse
- Midjourney
- Simplified



CODE

- OpenAI's ChatGPT
- GitHub's Copilot / Codex
- Tabnine

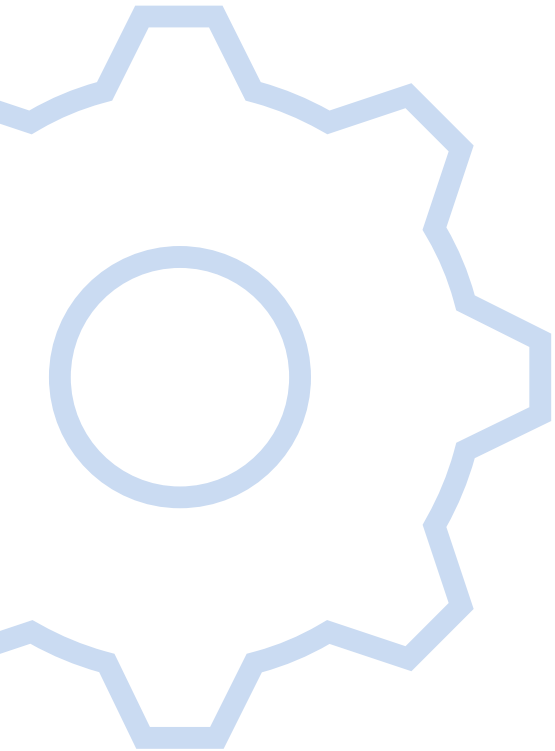


AUDIO/ VISUAL

- Jukebox
- Meta's AudioCraft
- Google's MusicLM

Use of Artificial Intelligence

CLAIMS AND RISK MANAGEMENT



Transforming customer service

- Automating initial contact
- Reduces adjusters' routine tasks

Transforming care/claim guidance through data

- Uses Modern AI, Machine Learning, and Natural Language Processing to rapidly review unstructured data
- Identifies subtle patterns

Transforming the claim lifecycle

- Sidekick Integration of Gen AI
- 98% accuracy in effectively summarizing documents

04

Questions & Answers





Find your solution at **BBrown.com**

Any solicitation or invitation to discuss insurance sales or servicing is being provided at the request of Hays Companies, Inc, an owned subsidiary of Brown & Brown, Inc. Hays Companies, Inc. only provides insurance related solicitations or services to insureds or insured risks in jurisdictions where it and its individual insurance professionals are properly licensed.