

NCOIL

Overview of Louisiana WC and LWCC

Kristin Wall, President & CEO, LWCC



Evolution of WC and LWCC



Many State Funds Were Created When WC Became Compulsory

Typical goals of state funds include:

- support competitive local economy
- foster safer workplace
- provide fair access to insurance
- operate on a self-sufficient basis
- relentless focus on the injured worker

Common features of state funds include:

- self-supporting
- pay dividends or safety refunds
- frequently organized as mutual insurance companies
- subject to regulatory requirements
- service residual and competitive markets

Additional State Funds Created in Response to WC Crisis

Instability Crisis

- High rate of medical inflation; cost shifting from general health care to WC
- Lingering effects of benefit increases from the 1970s
- Increased utilization, fraud
- Expansion of benefits through judicial interpretation of statute
- Lack of well-leveraged providers

SF States

- Unlike the assigned risk pool states, the voluntary market was relatively stable in states with state funds

Rate changes didn't keep up with cost increases

- Regulators often cut back proposed rate increases
- Rates increased at 10-15% per year
- Coverage was unaffordable
- Growth of self-insured market
- Economy suffered



“If you’ve seen one state fund, you’ve seen one state fund”

John Leonard

Prior President and CEO, MEMIC



State Funds Have a Variety of Characteristics

Legislative
Design

Insurer of Last
Resort

Some write
other lines and
in other states

Tax treatment
varies

Subsidiaries,
Other Cos,
Services

Many originally
licensed to
write in home
state only

Board
Composition

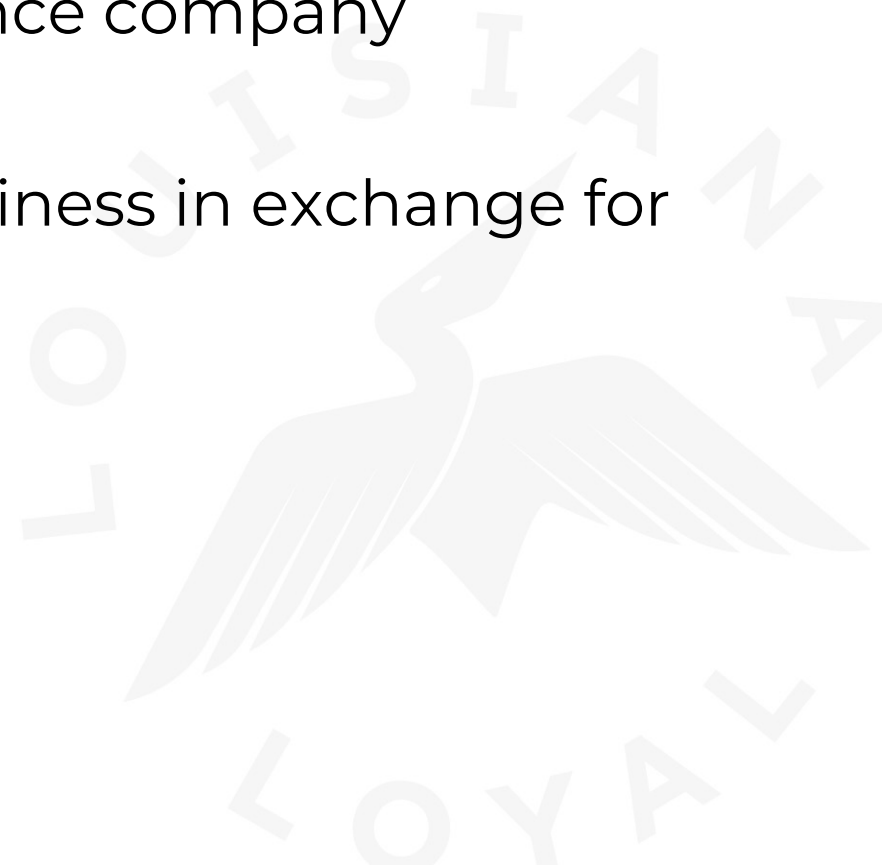
A few are
monopolistic

Louisiana in 1991

- Rates had increased over 260%
- Employers were leaving Louisiana
- 90% of insured Louisiana employers were in the assigned risk pool
- Most insurers left to avoid being assessed by the pool

Creation of LWCC

- LWCC was created by special legislation in 1991 to provide WC to Louisiana employers
- Began issuing policies in October 1992
- Private, domestic, non-profit mutual insurance company
- Not a state agency
- Only tradeoff with legislature: Quote all business in exchange for freedom of rate



A NEW ERA FOR **LWCC**[®]

1991

Survive

1991-1999

Strive

2000-2011

Thrive

2012-2019

2020

Pride

2020-NOW



- **Workers' Compensation Specialist**, entering 30 years of operations
- Private mutual insurance company
 - recognized as a Wards 50 company 17 years and consistently since 2015 (out of ~3,000 P&C carriers)
 - AM Best Financial Strength Rating of "A"
 - Competitive and residual market, State and Federal risk throughout Louisiana
- Corrected a market collapse
 - No competitors to highly competitive
 - Multi year skyrocketing rates to lowering rates by over 60%
- What seemed impossible was possible with teamwork, hard work, new design of workers comp laws, approaches, values, technology, and removal of unhelpful regulations
- Full complement of internal expertise, including: Underwriting, Claims, Financial, IT, Cyber, ERM, Communications, Customer Experience, Investment, and Actuarial & Informatics

A Model WC Provider and a Champion of Louisiana



State's largest carrier

Remains Louisiana's largest workers' comp insurance carrier, insuring 20,000 policyholders



Dedicated to Louisiana

Serves only businesses and organizations of Louisiana



61.3% rate decrease

Lowered policyholder rates by 61.3% since inception



\$1.028B in dividends

Paid \$1.028 billion in dividends to policyholders over 17 years, fueling economic growth in Louisiana



\$2.6B to injured workers

Paid \$2.6 billion in injured worker benefits, allowing workers to get back to work



Investing in Louisiana

Invested \$518 million in mortgage securities to support the LA housing market



34k

LWCC has overseen

the treatment and return to work of 34,000 injured workers in the last 10 years



186k

LWCC has serviced

186,000 work-related injuries since 1992

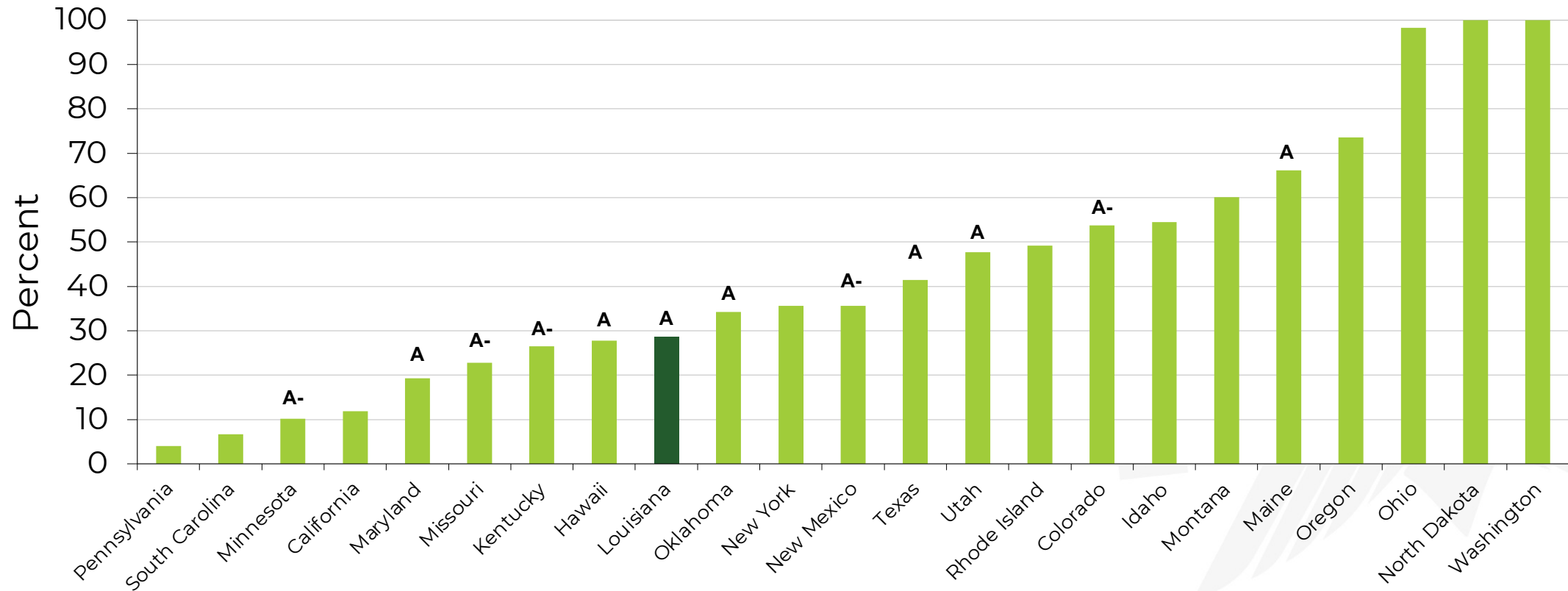
Healthy Louisiana Market

Company Name	2021			2020			2019		
	Rank	Market Share	Direct Written Premium (000's)	Rank	Market Share	Direct Written Premium (000's)	Rank	Market Share	Direct Written Premium (000's)
→ Louisiana Workers' Comp Corp.	1	28.5%	229,758	1	26.5%	206,163	1	25.8%	213,703
LUBA Workers' Comp	2	8.2%	66,243	2	8.2%	63,489	2	8.0%	65,882
Zurich	3	6.2%	49,664	3	6.2%	47,840	3	6.2%	50,973
Great American Insurance	4	4.8%	38,423	5	4.8%	36,912	4	5.7%	46,926
Travelers	5	4.2%	33,609	4	5.5%	42,678	5	5.6%	46,657
Chubb	6	4.1%	32,885	6	4.2%	32,476	6	4.3%	35,458
AIG	7	3.4%	27,079	7	3.7%	28,864	7	3.8%	31,379
AmTrust Financial	8	3.1%	24,592	12	2.5%	19,347	10	2.6%	21,956
The Hartford	9	3.0%	23,907	10	2.6%	20,570	12	2.4%	19,696
Chou Associates Management Inc	10	2.7%	21,680	11	2.6%	19,865	11	2.6%	21,356
AMERISAFE	11	2.7%	21,610	8	2.9%	22,204	9	3.0%	24,647
Liberty Mutual	12	2.5%	19,685	9	2.8%	22,130	8	3.3%	27,486
AF Group	13	2.1%	17,133	13	2.4%	18,483	13	2.3%	18,939
Old Republic Insurance	14	2.0%	15,808	14	2.1%	16,544	14	2.3%	18,834
STARR Cos.	15	1.8%	14,725	15	2.1%	16,070	15	2.1%	17,679
Berkshire Hathaway Inc.	16	1.8%	14,699	18	1.3%	10,105	19	1.5%	12,455
Retailers Casualty Ins Co.	17	1.7%	13,922	16	1.8%	14,057	16	1.9%	15,332
CNA	18	1.6%	12,994	17	1.7%	13,077	18	1.5%	12,585
Trean Insurance Group	19	1.6%	12,633	23	0.8%	6,467	43	0.2%	1,388
W. R. Berkley Corp.	20	1.5%	11,646	21	1.1%	8,584	20	1.4%	11,655
Top 20		87.3%	702,695		85.7%	665,925		86.3%	714,986
All Other Companies		12.7%	102,278		14.3%	110,730		13.7%	113,628
Total Louisiana			804,973			776,655			828,614

- Commercially Available Market
- LWCC Continues to be the Market Leader
- Not increasing market share at the expense of results

State Fund Market Share 2021

AM Best Rating Shown for Rated Funds





OUR **PURPOSE**

Helping Louisiana thrive

OUR **VISION**

To be a catalyst to elevate
Louisiana's position in America

OUR **MISSION**

Bettering Louisiana one business
and one worker at a time

LWCC®

LOUISIANA

LOYAL

noun • loo.ee.zee.a.nuh • loy.uhl



1. A movement to celebrate and elevate Louisiana
2. LWCC's mantra and tagline

Louisiana Loyal in Action at LWCC

This movement guides us in the pursuit of our purpose, vision, and mission and comes to fruition in two ways.



1. OUR CORE BUSINESS



2. INNOVATIVE INITIATIVES



Destination Statement (2023 –2027)

- *LWCC is a Champion of Louisiana and a model mutual insurance company. We are dedicated to excellence in execution from underwriting to compassionate care of injured workers, and lead as a purpose-driven company that cultivates pride of association amongst all stakeholders. We are **proud to partner** with our agents to deliver outstanding service, **hyper-personalized experiences**, and unique benefits to our policyholders and their workers.*
- *Through **Louisiana Loyal**, a movement we launched and continue to lead to celebrate and elevate Louisiana, we take authentic actions to drive transformational change in our home state. We strive to be a **catalyst** inspiring and supporting other businesses to utilize their resources, talents, and core business functions to make Louisiana a **better place to work and live**.*
- *As a result of our efforts, Louisiana citizens' lives will be improved, the **state economy will be elevated**, our state payroll share will return to **10%**, and our state market share will return to **32%** by 2027, while maintaining profitability.*



2023 Strategy Map

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STEWARDSHIP

- S1.** Achieve the Underwriting Plan
- S2.** Achieve the Desired Investment Results
- S3.** Achieve Capital Management Strategy
- S4.** Celebrate and Elevate Louisiana

EXTERNAL STAKEHOLDERS

- E1.** Customers: Provide agents with a best-in-class customer experience and partner with them to serve their customers at the highest level.
- E2.** Members: Provide policyholders with unique membership benefits: dividends, fair price, proactive safety advice, expert claims handling, and resources tailored to their needs
- E3.** Injured Workers: Provide the highest standard of care to injured workers and help them return to a meaningful life
- E4.** Citizens: Increase economic prosperity for Louisiana by being a catalyst in the areas of entrepreneurship, innovation, and economic growth and competitiveness

INTERNAL BUSINESS PROCESS

- P1.** Fuel growth, retention, and ease of doing business with a voice of customer model that responds to our agent partners and guides a successful transition to a mutually beneficial digital presence
- P2.** Ensure disciplined actuarial, underwriting and safety management functions, leveraging advanced data science techniques and data-based decisions
- P3.** Hit Financial and Operational Targets
- P4.** Implement sound business practices and a strategic investment strategy that maximizes returns for present and future policyholders
- P5.** Implement an injured worker centric model that is empathetic, hyper-personalized, transparent, timely, and trusted
- P6.** Launch, support, and invest in programs and innovative initiatives that celebrate and elevate Louisiana
- P7.** Apply Effective Control and Risk Mitigation Systems
- P8.** Recognized by AM Best as having effective approaches to managing distinct areas of Risk, ESG, and Innovation in the ratings process

TALENT, TIME & TECHNOLOGY (ENABLERS)

- T1.** Attract, retain and develop purpose-driven, principles-led, and performance-oriented people
- T2.** Develop a work environment that promotes innovative thinking and collaboration, leverages technology, maximizes employee productivity and potential, prioritizes health and wellness, aligns resources to support an unparalleled experience for all stakeholders,
- T3.** Build an inclusive culture that fulfills and inspires commitment to each other's success and connects us to our community
- T4.** Form meaningful partnerships with purpose-driven individuals and organizations to elevate Louisiana's position in America

NCOIL

WC Presumptions in Louisiana

*Angela McGhee, MAAA, FCAS
SVP Underwriting & Chief Actuary, LWCC*

LWCC[®]
LOUISIANA LOYAL

Workers' Compensation

What does it cover?

Workers' Compensation is designed to provide benefits to workers who are injured on-the-job and includes:

- **Traumatic Injury**
 - Physical injury that is the result of an on-the-job accident
- **Occupational Disease**
 - Disease due to causes and conditions characteristic and peculiar to the worker's trade, process or employment
 - The disease must result from the conditions and causes present in the employment and not from other causes to which the injured worker and everyone else might have been exposed

How are presumptions different from WC?

Occupational Disease

- Burden of proof is on the **employee** to **prove** claim
- Disability required
- Applicable to all employees
- Due to causes and conditions characteristic of and peculiar to a particular trade or occupation

Presumption

- Burden of proof is on the **employer** to **deny** claim
- Disability may not be required
- Applicable to employees in a specific occupation
- No direct cause required – causation is presumed

Presumptions

1

Workers' Comp is based on causation: proving that an injury or disease was caused by an exposure in the workplace. As a result, there are very few presumptions in place

2

Presumptions contradict the basis of Workers' Comp and shift benefits that would have otherwise been covered under General Healthcare, where medical treatment costs are significantly lower

3

Workers' Comp rates are required to be actuarially sound. Rates are based on expected costs to care for injured workers and vary by occupation

4

New presumptions increase expected costs, and result in higher rates charged to the policyholders whose employees will potentially benefit from them

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Types of Presumptions

- Usually applicable to first responders, particularly firefighters but can apply to other occupations
- Cover a variety of diseases
 - Cancer
 - Heart and vascular conditions
 - Lung and respiratory conditions
 - Blood and infectious diseases
 - PTSD
 - Hearing loss
 - COVID-19



Louisiana Firefighter Presumptions

1914

1914

Cancer claims that are caused by and characteristic of employment are covered under the occupational disease statute

1968

La. R.S. 33:2581 heart/lung presumption

1995

La. R.S. 33:2011 presumption for certain types of disabling cancer, up to 5 years post-service

2004

Additional cancers added to presumption

2006

Provided medical benefits for hearing loss claims

Today

2017

“Disabling” requirement eliminated; more cancers added including prostate; additional language added to cover any cancer

2019

PTSD benefits added

2020

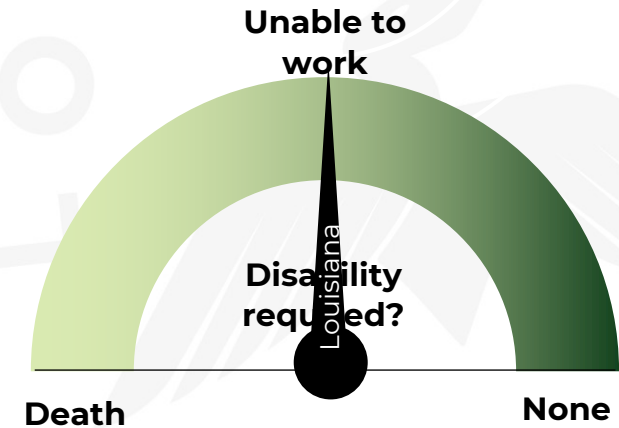
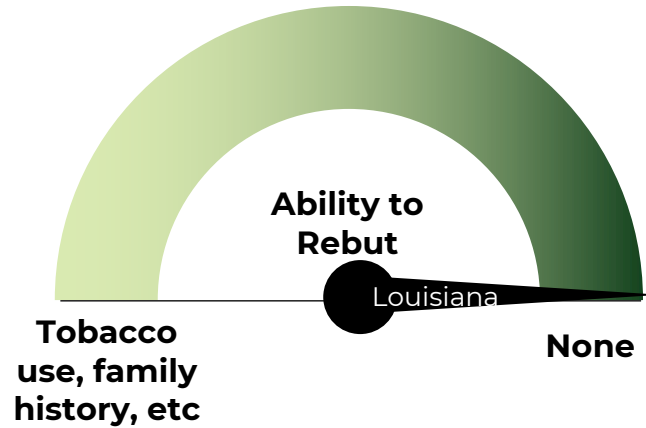
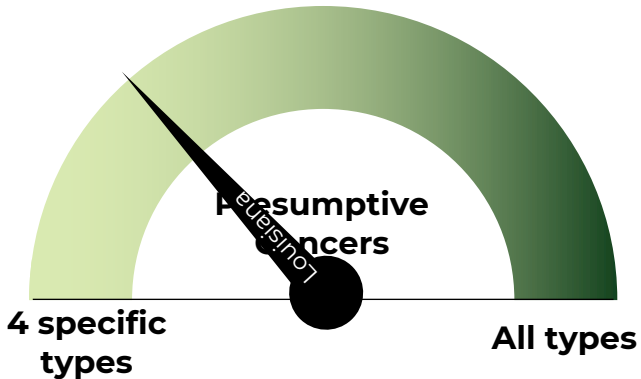
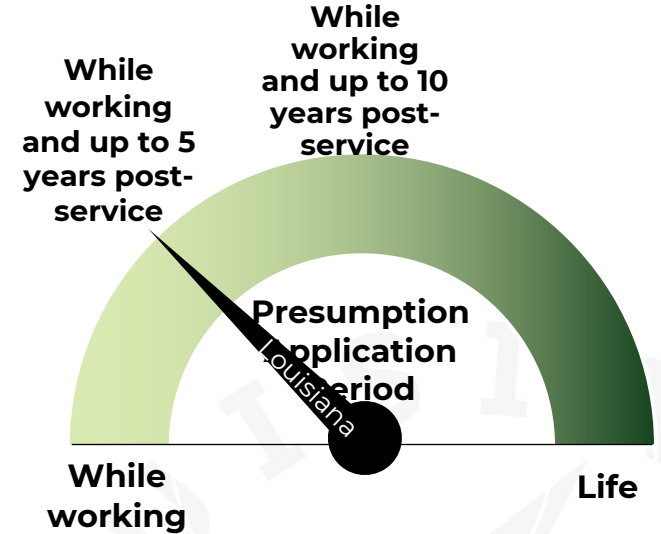
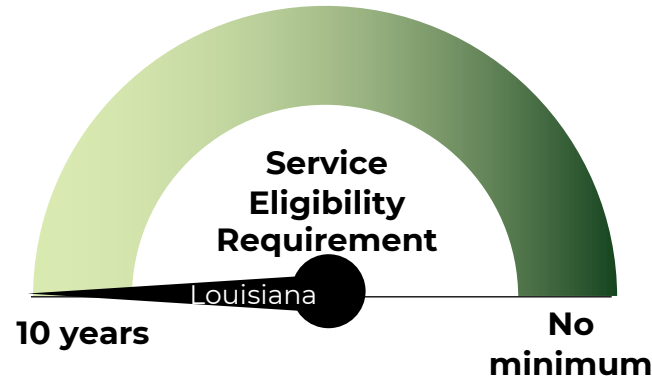
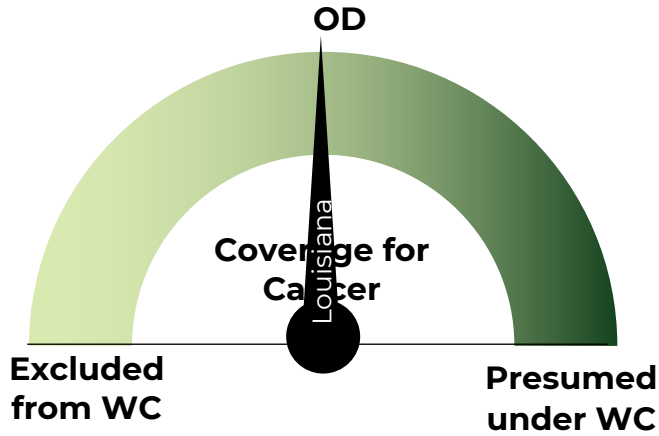
Added indemnity benefits for hearing loss claims

2022

HB 854 – cancer presumption increases to 10 years post-service beginning with retirements in 2023
Associated medical costs subject to alternate fee schedule

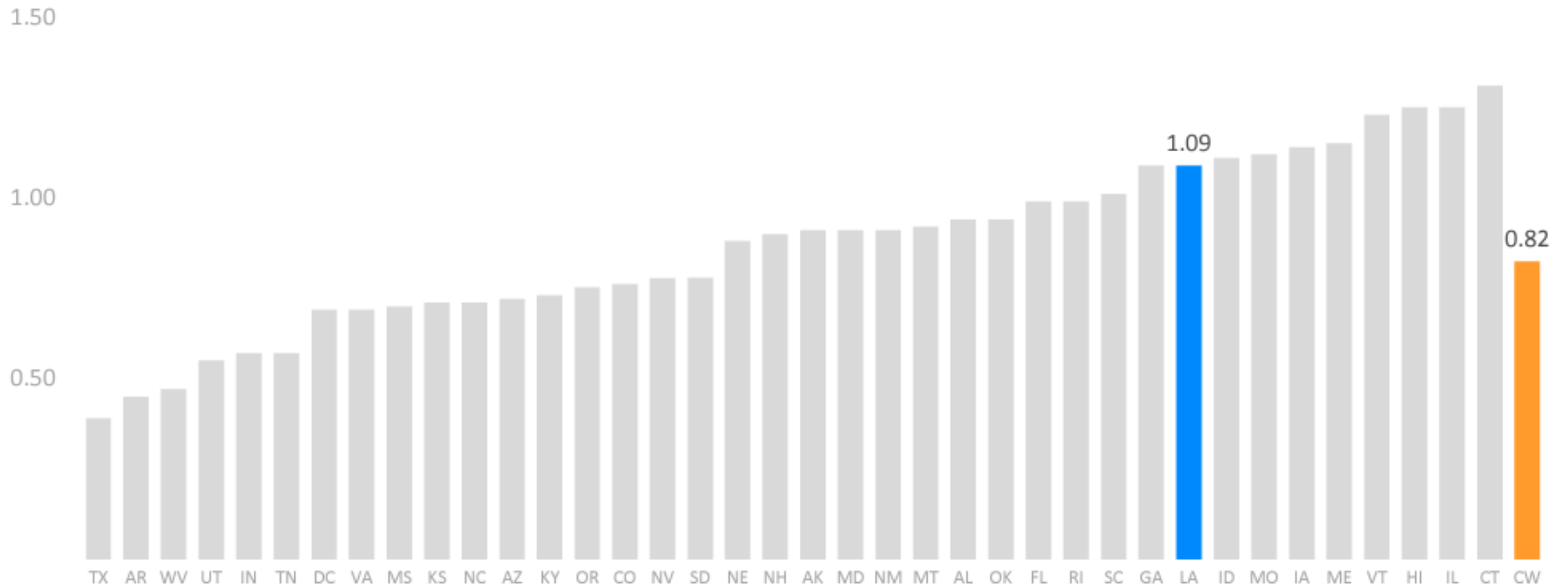
Firefighter Cancer Presumption Characteristics

Evolution of Benefits from **Less** to **More Generous**



Average Voluntary Pure Loss Costs

Using Louisiana Payroll Distribution





Thank You!

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