

January 20, 2026

To: Excess Workers' Compensation Program Members

From: Gina Dean, CEO

Re: EWC Program Stakeholder Communication

Workers' Compensation has been a relatively stable line of coverage in recent years. Accident frequency has been steady; however, severity continues to increase and there are some disturbing industry trends to keep an eye on.

Trends impacting workers' compensation¹ to keep an eye on include:

Workforce Dynamics

- **Aging Workforce:** The workforce is aging, with a significant increase in employees over 65. While older workers tend to have fewer accidents, their injuries are often more severe, require longer recovery times, and have higher associated costs due to pre-existing (comorbid) conditions.
- **Labor Shortages & Inexperience:** Widespread labor shortages have resulted in faster onboarding, less supervision, more overtime, and a higher number of short-tenured employees. Inexperienced workers have a higher frequency of injuries, making robust safety training and retention strategies critical.
- **Mental Health:** Employee mental well-being is a growing concern and is considered the "next frontier" for workers' compensation. The expanding legal landscape for mental health claims, often linked to workplace violence or trauma, presents new complexities for employers and insurers.

Cost & Claim Drivers

- **Catastrophic/Mega Claims:** Though rare, the frequency and cost of "mega claims" (e.g., claims over \$10 million) are rising to unprecedented levels. This is attributed to medical advances that improve survival and life expectancy for severely injured workers, but also involve expensive, state-of-the-art care not covered by standard fee schedules.
- **Inflation:** Both medical and wage inflation are impacting costs. Wage inflation increases the payroll exposure base for premiums, while medical inflation drives up the cost of treatments and pharmaceuticals.
- **Comorbidities:** Claims involving pre-existing health conditions (e.g., obesity, diabetes, depression) are nearly double the cost of claims without them. These conditions can complicate recovery and prolong claim duration.

¹www.safetynational.com

- **Eroding Exclusive Remedy & Presumptions:** There is an increasing trend of employees pursuing civil litigation in workers' compensation matters, potentially eroding the traditional "exclusive remedy" system. Additionally, state legislatures are expanding presumptions for certain conditions (like PTSD for first responders), making them automatically compensable under workers' comp.

Technology & Innovation

- **Telemedicine:** Accelerated by the pandemic, telemedicine has become a key component of care, facilitating virtual consultations and remote monitoring, which can improve access to care, especially in underserved areas.
- **Wearable Technology & AI:** Businesses are increasingly using technology to prevent injuries and manage claims. Wearable safety technology (smart vests, sensors) can monitor posture and detect hazards, while AI and predictive analytics are used to improve claim triage, routing, and early intervention.
- **Pharmacy Trends:** There has been a significant decline in opioid use in workers' compensation, with dermatologicals and specific high-cost specialty drugs now being the primary cost drivers in pharmacy trends.

Outlook

California's projected workers' compensation combined ratio for 2024 is 127%, the highest in over 20-years. Essentially, for every dollar the insurance carriers have collected, they have paid out \$1.27 in claims and administrative costs. This has resulted in upward pressure on rates for public entities. The California Insurance Commissioner recently approved an 8.7% increase in the Average Advisory Pure Premium Rate and the expectation is that this will trickle upward to the excess workers' compensation market.

While PRISM has a significant pooling layer with its own trends, we utilize reinsurers to provide coverage for catastrophic claims. The factors noted above, along with projections and risk modeling results for catastrophic claims, have resulted in single digit rate increases by reinsurers for the past few years. PRISM's Underwriting Committee continues to work with staff, Alliant and reinsurers to find creative ways to stabilize costs going forward, but it is likely that there will be at least some increase in premiums due to the cost inflation and severity factors noted above.

What advantages does PRISM have over a stand-alone open market placement?

PRISM's EWC Program's size is an advantage. The size of the EWC Program creates stability and offers economies of scale that could not be realized without being in a large pool. Because of this, we have been able to secure unique reinsurance agreements largely due to the Program's premium volume and diversification of risk.

The EWC Program offers self-insured retentions well below the market minimum attachments. The market's minimum attachment for entities with law enforcement and/or firefighter exposure is generally \$1M and for all others is \$500k. Of the Program's 180 members, 75% have a self-insured retention of \$500k or less.

Pools have an advantage in challenging markets. If we have learned from history, we know that JPAs (self-insured pools) have benefited members in turbulent markets. All members benefit from our flexibility, economies of scale, our leverage in the insurance markets, and our sharing of best practices to help manage risk. Pooling also provides stability for the members when one might experience adverse loss development when compared to an individual self-insured bearing the costs alone. This can also be beneficial with your organization's budget year-over-year with more consistent funding expectations, versus having to fund unexpected loss developments.

What you can do to manage your risk

One of the most impactful ways to control costs is to close your claims via Compromise and Release (C&R). PRISM's Data Scientist conducted a study on claims closed via C&R versus via Stipulated Awards. Findings indicated a 30%-60% lower loss ratio for members with a high C&R culture compared to those who do not. We've heard members say they don't settle by C&R if the injured worker is still employed by the entity because they might file a new claim. We found no evidence of that sort of trend. In fact, the only trend we could point to is that not utilizing a C&R ultimately costs more money. Read PRISM's [Wavelength](#) for more details on the study.

Another way to mitigate your risk is to prevent the injury from happening in the first place. PRISM Risk Control wants you to know that you are not alone while managing the multitude of risks facing your agency. Our team of specialists is here to help, whether by providing direct consultation or connecting you with one of our trusted partners. There are over 40 master service agreements for members to take advantage of, so see our [Quick Start Guide](#) for reference. Regardless of the topic, we encourage you to reach out to the Risk Control team for assistance with your organization's risk management challenges.

Following are a few services and resources specific to your workers' compensation risk that we think you should take advantage of:

- Returning employees to work early in the life of a claim can be one of the most effective cost-control techniques available, while also improving employee morale and aiding in the employee's ultimate recovery from their injury. PRISM has partnered with [Norm Peterson and Associates](#) to offer a discounted rate on return to work services.
- The [Workplace Violence Prevention](#) guide describes methods public agency employers can adopt to both prevent and protect employees from workplace violence, as well as protect the members of the public they interact with.
- [Safety Talks: A Tailgate/Toolbox Resource](#) is a selection of safety meeting topics which may be used to plan safety meetings. The guide includes over 200 topics to choose from such as: safe driving, portable ladders, working safely, hazard communication, and emergency preparedness.

- PRISM has partnered with [Company Nurse](#), a first call, first reporting system that provides both a medical needs triage at the time of injury and a means of completing the first report documents for the member. As a result, more injuries are designated as first-aid, while others are immediately directed to the appropriate level of medical care.

PRISM and Alliant Staff are here to help you with any questions or concerns you may have. Please don't hesitate to reach out to us for assistance.

Sincerely,

A handwritten signature in black ink that reads "Gina Dean". The signature is written in a cursive, flowing style.

Gina Dean

