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IN THIS ISSUE

- 01 **The rise of claim severity and complexity: examining trends and mitigation tactics**
- 12 **Bumps in the road: pain points and proven solutions for auto and motor claims**
- 22 **Targeting programs on another level: paths to improving workforce well-being and productivity**
- 33 **Expert view: A conversation with: Kimberly George, global head, innovation and product development, Sedgwick**
- 38 **Community spotlight**
- 44 **Edging up**
- 56 **Tech forward**

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The rise of claim severity and complexity: examining trends and mitigation tactics

CONTRIBUTORS:

JUAN CARLOS ARAIZA

Ph.D., PE, senior vice president, large and complex loss, EFI Global

CHRIS FRECHETTE

vice president, liability practice, Sedgwick

It seems like conversations around devastating weather events, rising inflation and lingering labor shortages and supply chain issues have become commonplace on the news, across boardrooms and even around dinner tables. That's because these trends continue to affect our lives, our businesses — and even our insurance.

The trend of rising claim complexity and severity has carried into 2023, and it doesn't appear to be slowing down anytime soon. In this article, we'll explore some of the notable factors driving this trend and the resulting implications for the property and liability claims sectors. We'll also share a few best practices to help insurers and other businesses better prepare for and mitigate these types of claims.

THE IMPACT OF CLIMATE CHANGE AND SEVERE WEATHER EVENTS

Around the world, we're seeing more extreme weather conditions — resulting in an unprecedented number of claims and a higher percentage of them involving significant complexity and severity. From the record-breaking cyclone in southeastern Africa, wildfires in Chile and Canada, and unbearable heatwaves across Asia, to powerful ice storms in the southern U.S. and the latest wildfires in Maui, today's extreme weather headlines are beginning to feel like the norm.

In fact, according to a [report](#) from insurance broker Aon, the first half of 2023 saw elevated disaster losses, with the fifth-highest economic impact on record and the highest since 2011. As of Aug. 8, the U.S. had seen 15 confirmed weather/climate disaster events in 2023 with losses exceeding \$1 billion each, according to the [NOAA National Centers for Environmental Information \(NCEI\)](#). The report also highlights the increased frequency of these types of events; the 1980–2022 annual average was 8.1 events (adjusted for the Consumer Price Index, or CPI), and the annual average between 2018 and 2022 was 18.0 events (CPI-adjusted).

And it only appears to be ramping up, as warming temperatures and rising sea levels are projected to bring more frequent and severe natural catastrophes in the coming decades — making living situations in many places increasingly difficult and more expensive to insure.



WHAT IT ALL MEANS FOR THE INSURANCE MARKET

The increase in frequency and severity of weather events is reshaping the property insurance market, impacting several areas across the U.S.:

- One insurer stopped issuing new policies in California.
- Another carrier reduced property insurance coverage to homes along the east coast at risk of flooding and those in western states at risk of burning.
- Close to a dozen insurance companies in Florida went bankrupt, while other insurers have restricted coverage due to increased hurricane losses and litigation costs in the state.
- Insurance companies are declining to write policies in hurricane-prone areas of Louisiana.

Internationally, the property market remains hard, and rates continue to rise as well. According to a report from [Yale Climate Connections](#), at least 29 billion-dollar weather disasters ravaged the world in 2022, including the European drought and heatwave, tropical cyclones such as Typhoon Nanmadol in the western Pacific, European windstorm Eunice and severe flooding like that witnessed in Pakistan and on [Australia's east coast](#).

Inflation
alone increased
U.S. property and
casualty insurance
loss costs over
historical
levels
by

**\$30
billion**

THE IMPACT OF COMPLEXITY IN CONSTRUCTION

Another factor contributing to increasing claim complexity and severity is the human drive to push the envelope by building bigger and better. Innovation and creativity in sophisticated building design, along with new technologies and materials, continue to push the boundaries of what's possible; they also lead to greater risk and potentially more complex claims against the manufacturers, professionals and construction companies behind the work when something goes wrong.

In an age when consumers seem to crave over-the-top luxury, novelty and destinations worthy of social media posts, design tends to stretch the bounds of aesthetic and technological precedents. Whether it's curved steel structures, complex features like retractable roofs or specialized technologies that create truly unique experiences, the more companies deviate from standard construction procedures, the greater the level of risk they assume.

THE IMPACT OF ECONOMIC CONDITIONS

We are all too familiar with rising costs due to inflation, and the insurance industry isn't immune to it, either. [McKinsey and Company](#) estimated that inflation alone increased U.S. property and casualty insurance loss costs over historical levels by \$30 billion in 2021.

When we look at property insurance specifically, the key factors contributing to higher repair and replacement costs include labor shortages in the construction market coupled with wage inflation, extremely high demand for projects across all tiers of the industry and the rising costs of materials. Plus, the increase in uncertainty and disruption to supply chains continues to restrict the market.

THE IMPACT OF LITIGATION

We must also recognize the effects of our highly litigious society. While litigation rates across Sedgwick's book of business remain relatively flat for new claims, an increasing number of auto and general liability claims are coming in with attorney representation earlier in the process — leaving less opportunity for resolution outside the courtroom. The impact of litigation on businesses is significant, with litigated claims accounting for as much as 50% or more of the total amount paid on all claims, depending on the line of insurance and individual mix of insured risks.



THE IMPACT OF SOCIAL INFLATION

The phenomenon of social inflation is best summed up as the explanation for how claims costs rise above pure economic inflation. In other words, the term captures the shifts in social expectations of increasingly higher claim payouts.

Why is this happening? We find juries continuing to dictate that “someone” must pay when a person is injured or a property sustains damage. And the “someone” is inevitably an entity perceived to have deep pockets. Social inflation is fueled by several factors, including:

- **Third-party litigation financing**, which brings outside interests into the courtroom. It can increase the duration of litigated matters and decrease the chance for plaintiff resolution in the hopes of securing an extreme verdict. Tens of billions of dollars continue to be invested into litigation funding globally, with the U.S. accounting for more than half.
- **Nuclear verdicts** show no sign of slowing down as juries award settlements that far surpass reasonable or expected amounts. In the U.S., these outrageous outcomes are most prevalent in product liability, auto liability and medical liability cases.
- **Class action lawsuit spending** has also increased for eight consecutive years and is expected to be one of the fastest-growing areas of legal spending in 2023, according to a [2023 Carlton Fields survey](#).

Ultimately, social inflation affects businesses through higher insurer claim payouts and loss ratios, as well as consumers through higher policyowner premiums.

PREPARING FOR AND MITIGATING CLAIMS: BEST PRACTICES

Have partnerships and plans in place

After the storm has hit is not the ideal time to start looking for loss adjusting and other disaster recovery support. Having the right partners in place before disaster strikes helps ensure policyholders, customers and other stakeholders receive priority care when it's needed most. Make sure your partners of choice have technical expertise *and* are service-minded, leading with empathy during times of crisis.

It's always best to have emergency plans and policies established in advance of a catastrophe. This helps to minimize business interruptions and expedite restoration and resolution. The most effective plans and policies include industry best practices for disasters like hurricanes and align with your insurance carrier's specific terms and conditions. Remember to keep your plans current and put them to the test through simulations and other practice exercises. Property and facilities managers should familiarize themselves with the plans and have a clear understanding of how to properly adhere to and execute them.

Companies should also regularly review their insurance policies to ensure they're up-to-date and reflect the current needs of the organization. We also encourage businesses to name a preferred repair solutions provider in their plans; doing so allows vendor partners to get engaged on claims as early as the first notice of loss and quickly begin remediation on water, fire and storm damage.

Employ sustainable construction practices

With devastating weather events occurring more frequently due to climate change, sustainable construction has emerged as a vital, proactive way to reduce the building industry's adverse impact on the environment. These practices include designing for sustainability and energy efficiency and selecting materials that are locally sourced, renewable and recyclable. There is also greater focus now on water conservation through water-efficient fixtures and the inclusion of rainwater harvesting techniques. And because construction generates enormous amounts of waste, more companies are adopting waste reduction and recycling practices to decrease their environmental impact.

For organizations looking to reduce their carbon footprint, we recommend they find a partner, such as our team at [EFI Global](#), who can evaluate their current construction practices and help them develop better strategies for optimizing sustainability.



Implement litigation avoidance strategies

Because litigation is one of the primary cost drivers in liability claims, we recommend that companies always lead with litigation avoidance. The first step is developing a risk management culture that sets the highest expectations for safe and responsible practices and processes throughout the organization.

An experienced partner can further support you with loss control consultation and assessments, deploying data and predictive analytics, and leveraging emerging technologies like telematics — all of which are useful in developing overall avoidance and mitigation plans. A cadence of regular reassessment of risks, adequacy of limits and retentions is also crucial to preparedness and understanding exposures.

We've also found corporate environmental, social and governance (ESG) and advocacy programs to be beneficial:

- ESG programs establish an organization's documentable commitment to the safe and responsible conduct of its operations. The goodwill they engender helps make companies less vulnerable to being portrayed as indifferent, profit-focused institutions.
- Advocacy programs can be effective in ensuring claims examiners are communicating regularly and with empathy to claimants, always pushing toward resolution or litigating as quickly as possible.

Manage legal spend and attorney oversight

If litigation can't be avoided, having the right partner with a strong management process for legal spending will help ensure attorneys are working on things critical for each individual case and billing according to agreed-upon standards and guidelines.

Attorney oversight is another critical best practice. Any organization going through litigation needs an effective attorney in their court. That's why Sedgwick developed and maintains a proprietary attorney scorecard, which looks at objective measurements of different law firms and attorneys to identify high performers and support the management of overall outcomes. Scorecards offer the ability to track to litigation goals and measure the results of mitigation and management efforts. This allows clients to see where and when litigation is happening — and where we are making an impact. It also strengthens law firm relationships, which improves return on investment.

LOOKING FORWARD

As we continue to face the growing challenge of managing larger and more complex claims, insurers and other businesses must keep a watchful eye on these trends and adapt their strategies accordingly. Establishing the right partnerships, having plans at the ready, and employing proactive mitigation and litigation practices are all vital to successfully navigating this evolving landscape and fulfilling our commitment to taking care of the people we serve.

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Bumps in the road: pain points and proven solutions for auto and motor claims

CONTRIBUTORS:

KYLE DUNLAP

AVP, client services, Sedgwick

MILLY KARLSEN

team leader, motor claims, Sedgwick

The global automotive claims landscape is currently facing a range of significant challenges — the impact of electric vehicles (EVs), talent shortages among commercial drivers and repair technicians, product recalls and in-market remediations, and increased litigation and legal system abuse, to name a few. The issues in the U.S. and Europe share many similarities, but there are some distinct differences between the two markets.

Here, we will explore some of today's critical pain points in auto and motor claims and what can be done to alleviate them. A look at key trends and solutions adopted by organizations successfully navigating the uncertain road ahead provides real-world insights and practical steps worth considering.

THE U.S. MARKET

Perhaps most significant in the U.S. is that the industry saw 10 straight years of underwriting losses prior to 2021. There was a reprieve during the pandemic, when the commercial auto combined loss ratio fell below 100%, but it was short-lived. Claim incidence and costs are rising once again.

There's a lot more the U.S. auto claims industry needs to tackle, including:

1. Nuclear (and now thermonuclear) verdicts. A few years ago, seemingly routine injury cases resulting in multimillion-dollar verdicts and settlements were exceptionally rare. Today, they've become all too common. We have entered not just the era of nuclear jury verdicts but the thermonuclear era. Although the trucking industry has long been a favorite target of the plaintiffs' bar, the landscape has changed significantly over the last 10 years. Personal injury firms are using a variety of novel and increasingly sophisticated tactics, transforming their pursuit of the trucking industry into a science. As a result, settlements and verdicts above \$1 million have shot up drastically, and those of \$10 million or more have become much more frequent. In 2021, a Florida jury awarded a landmark \$1 *billion* verdict against a trucking firm, signalling that the inflation of vehicle accident settlement amounts may be nearly limitless.

2. Social inflation and "but for" arguments. These sky-high settlements underscore how broad public sentiment against corporate entities is creating an environment in which the defense is at a distinct disadvantage. In this age of social inflation, some jurors are determined to take aim at what they see only as a faceless corporation with deep pockets. Attorneys are increasingly shifting focus away from the facts of the incident (for example, who ran the red light) to perceived negligence about equipment maintenance or hiring practices that become the basis of a "but for" argument of direct negligence against the motor carrier. Plaintiff's counsel will utilize whatever they can to reshape the narrative and put the motor carrier and its business practices on trial. These claims are also costly to defend — requiring extensive data, monitoring equipment, research and analysis to build a viable defense.





3. Experienced driver shortages. Between the continued growth of online shopping, increasing demand as supply chain problems settle, the retirement of many seasoned truckers, and fewer young people interested in life on the road, there is a tremendous need for experienced and qualified drivers. The industry is working to improve recruitment, but the efforts thus far still lag behind the level of demand. As a result, motor carriers are increasingly left with little choice other than to place marginally acceptable drivers behind the wheel. This predicament provides easy fodder for plaintiffs and significant challenges for the defense when these drivers are involved in accidents. More generous pay and benefit programs, incentives for safe driving and new technologies continue to improve drivers' performance, but this must remain an area of focus for the transportation industry.

4. Tort reform. The auto insurance industry has been pushing for tort reform for years. Multiple practices are being targeted, including third party litigation funding (TPLF). Among the troubling aspects of TPLF is that it encourages plaintiffs to file frivolous suits and leads to inflated medical costs, settlements and trial demands, while emboldening plaintiffs to seek medically unnecessary treatments and surgical procedures. One conservative estimate puts the price tag for TPLF at \$5 billion. Some states, including Arkansas, Maine, Nebraska and Oklahoma, are beginning to turn the tide against TPLF by focusing on issues of transparency and consumer protection. There's still much to be done, but reforms like these are showing promise.

5. Inflated medical costs. In many auto-related claims, the pricing of medical services is not reflective of reasonable and customary costs. Inflated medical costs often go along with TPLF. Another practice fueling higher prices is letters of protection, where a provider won't charge for medical services upfront but instead recoups their costs after a claim is settled. The courts are starting to take notice. A Florida judge recently ruled that a defendant would not be liable for the total of all medical bills and would be responsible only for the amount paid by Medicare. The amount billed by the plaintiff's provider was \$500,000 but was reduced to \$60,000.

THE MARKET IN EUROPE

The European motor claims market is also facing unprecedented pressures. Some are related to the two-sided coin that is the rising popularity of electric vehicles. On the positive side, Europe has done much better than the U.S. in building the infrastructure needed to support EV usage and promoting its environmentally-friendly benefits. Countries like Norway have offered attractive incentives and built numerous charging stations — even in rural areas — to make driving an EV a convenient, safe and attractive option. On the negative side, EVs are estimated to increase accident risks by 25%.

Several other factors affecting the motor claims arena in Europe include:

1. Rising repair rates. With the adoption of EVs comes new challenges associated with repairing them. In Norway, for example, almost 30% of all privately-owned vehicles are electric or chargeable hybrid, and nearly two of every three cars sold there now are electric. Much of Europe is seeing greater use of electrically-powered buses, vans and other commercial vehicles. Evolving vehicle technology, combined with supply chain issues and labor shortages, have driven up the cost of repairs. Norway saw its total number of reported car repairs increase by 6% from 2021 to 2022, but the cost of repairs during that time increased by 13%. The UK has experienced even higher prices. "Figures from the Office for National Statistics show the cost of running and maintaining personal transport, including cars, has increased by 15% compared with a year ago, above the overall inflation rate of 10.1%," *The Guardian* said in late 2022. Some UK consumers report repair costs have jumped by as much as 90%.

2. Increase in traffic and accidents. In the aftermath of COVID, Europeans are now driving longer distances. Several factors are fueling the growth. While Europe has enjoyed a robust public transportation offering for years, the pandemic significantly curbed its use as people grew accustomed to private automobile transportation. This past summer, many Europeans opted to drive rather than fly to their vacation destinations. The result of this increase in road travel is, inevitably, more accidents. Additionally, insurers are seeing more accident reports from policyholders from foreign countries, adding cost and regulatory complexity to many claims.

Some UK consumers report
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by as much as

90%



3. More small motor claims. Accident-related injury claims are down due to more robust vehicle safety features, but numbers are climbing higher on low-value motor claims. Many such claims are related to parking incidents and other minor accidents. One factor that may be contributing is modern vehicles' large dashboard display screens (especially in EVs) leading to more distracted driving. More experience in driving EVs and improvements in design features will hopefully help to turn the tide.

4. Sharing the road with other motorized vehicles. European countries are seeing an increase in other motorized vehicles, such as electric scooters, on their roadways. Rising figures for accidents and costs are following suit. Some countries, including Norway, Germany and France, are adapting. For example, as of Jan. 1, 2023, drivers of electric scooters in Norway must have liability insurance. The law applies to all privately owned vehicles, including those that can be shared via an app. The UK does not currently require such coverage.

5. Claims fraud. As expected during periods of economic pressure, there has been a surge in global insurance fraud over the past few years. Many areas are seeing more claims filed with reports of escalated and pre-existing damages. The "exploitation of actual loss" accounted for 27.2% of all motor vehicle fraud cases in Norway in 2020, with similar rates expected for 2023. Beyond concerns regarding individual claims are widespread increases in organized crime rings. The BBC reported that, over a two-year period, up to 170,000 claims were linked to suspected "crash for cash" networks.



GLOBAL TRENDS

While there are distinct regional differences, some factors are proving true around the world. For instance, like Europe, the U.S. and Asia have seen sharp increases in claims fraud and more accidents involving electric vehicles.

Additionally, automotive recalls remain an issue worldwide. In the U.S., the National Traffic Safety Administration issued 300 vehicle recalls for safety-related issues in 2022, with Europe reporting similar numbers. While recalls are down slightly in the first half of 2023, the number of impacted units in the U.S. rose 8% in the second quarter of the year. Regulators, legislators and consumers continue to focus on the recent increase in vehicle thefts and to what extent manufacturers are responsible for addressing shortcomings with anti-theft devices. (For more, see [sedgwick.com/brandprotection](https://www.sedgwick.com/brandprotection).)

The price of repairs for EVs — particularly those with under-mounted batteries — remains high. And while supply chain issues are improving, they continue to vex manufacturers, consumers and insurers. Carriers are concerned at the high cost of covering rental cars for damaged vehicles while waiting for EV parts and service.

ADDRESSING PAIN POINTS WITH PROVEN SOLUTIONS

The industry is facing a complicated range of issues, but tackling these global pain points is not only feasible — it's happening. Many service providers (including Sedgwick) are turning to automated solutions to handle small claims, like damage to glass or parking accidents. Further, our motor team in Norway is finding that streamlined and highly personalized services are helping to manage claim costs and minimize opportunities for fraud.

Other strategies are proving successful as well. These include embracing and leveraging claims technology, deploying rapid response teams, knowing the attorneys and jurisdictional particulars on litigated claims, and investing in investigations.

THE VALUE OF SPECIALIZATION AND EXPERIENCED PARTNERS

As highlighted in [edge 21](#), today's complex business challenges require specialized expertise and a network of partners with a breadth and depth of resources and experience. The auto/motor claims marketplace is no exception.

The industry is moving away from a multi-line adjustment model and demanding greater specialization in high-frequency and costly, complex claims. Industry experts believe this strategy is vital to effective auto and motor claims handling, as is specialization between first- and third-party exposures (for example, liability, physical damage and cargo).


Transportation companies, automotive manufacturers and insurance carriers will be well served to seek out partners with strong commercial auto and transportation practice groups, as well as a deep understanding of the essential challenges and issues facing the industry today. Depending on their needs, specializations like major case units, brand protection, multinational expertise and mono-line focus areas may also be essential.

The marketplace will likely continue to be volatile and uncertain, but understanding the issues and adopting proven strategies will help carriers, fleet managers and other organizations adapt and succeed — regardless of the road ahead.



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Targeting programs on another level: paths to improving workforce well-being and productivity

CONTRIBUTORS:

AUDREY BRYAN

operations director, workforce absence, Sedgwick

JOSEPHINE COPELAND

SVP, managed care product design and strategy, Sedgwick

PHIL DILGER

head of workers' compensation, Australia, Sedgwick

Unplanned employee absences — whether associated with on-the-job injuries, physical or mental health conditions, family care needs or other personal circumstances — are sharply on the rise. Hyper-targeted programs are emerging as an effective strategy to help employers improve employee outcomes, control costs, and promote workforce productivity and well-being. Here, we will highlight how current data on the workforce in two major countries demonstrates the need for targeted programs, as well as explore two conceptual models for targeting programs on another level.

ABSENTEEISM AND THE WORKFORCE

In the post-pandemic world, employees are absent from work much more frequently than in years past. The U.S. Bureau of Labor Statistics reported that nearly 4.2 million members of the American workforce (3.3% of full-time laborers) worked part-time in January 2022 due to illness, injury, medical appointments or other health issues. This total is just 0.1% lower than the highest-ever percentage, recorded in 1978. Similarly, a 2023 survey of the Australian workforce compiled by Direct Health Solutions (DHS), a Sedgwick business, revealed an unprecedented 23% increase in absenteeism — from a 2019 average of 11.2 days per employee per year to 13.8 days in 2022.

The rise in absenteeism is likely due to a combination of societal factors, such as:

- COVID-era quarantines normalizing staying home from work when sick.
- Decentralized employees, working remotely or on hybrid schedules, being harder to monitor and engage.
- Entitlement mentality.
- Increasing instances of debilitating stress and other mental health concerns.
- Insufficient caregivers for young children and elderly/infirm relatives.
- Inadequate support for employee health and wellness.
- The socioeconomic challenges many families face today.

On-the-job injuries, another driver of employee absence, are also on the rise. As outlined in our recent [casualty state of the line report](#), Sedgwick's U.S. book of business for 2022 reflected an overall increase of 6.4% in workers' compensation claims when compared with 2021. Some of these injuries can likely be attributed to shifts in the labor market. With millions of jobs remaining unfilled, many employees are covering heavier workloads to pick up the slack; this is often a recipe for higher claim rates. Further, millions of workers moved into new jobs, occupations and industries in the past few years, and those with less job tenure are at greater risk for getting injured at work.

The costs associated with absenteeism are significant. In 2020, the Integrated Benefits Institute (IBI) [found](#) that employee absences cost U.S. employers around \$575 billion, or \$3,900 per employee. The IBI study also found that, for every dollar U.S. employers spent on healthcare benefits, they spent an additional 61 cents on employee absence and reduced productivity. Our Australian workforce [study](#) identified the average annual direct cost of absence per employee to be AU\$4,025 (about US\$2,600), a notable increase over the 2021 figure of AU\$3,395 figure (about US\$2,200). Compounding the direct cost of employee absences is the indirect cost — the threat of service disruptions, damage to team morale and engagement, added stress for the colleagues covering for absent team members and so on.

TWO APPROACHES TO TARGETED PROGRAMS

Employers are understandably eager to reduce absenteeism, control costs, and boost productivity while providing employees with supportive benefits so they can focus on their personal well-being and the needs of their families. To that end, organizations are embracing targeted workforce programs that enhance the employee experience, contribute to a culture of caring, and promote talent attraction, retention and development. Many such programs fall into two general categories:

**EMPLOYEE
ABSENCES
COST U.S. EMPLOYERS
AROUND \$575
BILLION,**

OR





#1: Leading with empathy

When an employee takes an absence from work, chances are they're facing a difficult situation or a time of uncertainty. Employers today are designing programs that recognize the range of challenges employees are dealing with and offer a touchpoint of caring when it matters most.

Leading with empathy means focusing on the whole person — their diagnosis or disability type, medical history, background and individual situation — and, without prejudice, considering how each of these factors might affect the way they navigate systems and progress toward resuming full and productive living. This perspective not only improves outcomes, but also helps employees feel valued and respected at a time of vulnerability. When employer-provided programs are founded on principles of empathy, it shows employees that their loyalty is reciprocated and their work has purpose. It also reinforces the belief that returning to work is not just a destination but an integral part of the recovery process.

One popular strategy for building more tailoring and empathy into workforce programs is the development of employee personas. A persona is a semi-fictional profile representing one segment of an employee population based on a particular set of characteristics, attitudes or needs. Using workforce demographics, employers can create personas based on employee age and stage of life, tenure, educational background, income level, family status, location, life experience, wellness factors and other attributes. They can then build narratives around these personas and consider how various categories of employees groups might:

- Be affected by an injury, illness or disability.
- Engage with their benefits, the healthcare system and related technology platforms.
- Have capacity to understand and partake of third-party services and resources that can assist in recovery.

Employee personas can be a very useful tool for learning about the makeup of your workforce and what types of programs will best meet their specific needs.

Another valuable tactic that can reveal opportunities for greater sensitivity is mapping out and testing the employee journey through the claim process.

- What does their first exposure to the workers' compensation or absence management system look like?
- Can the packet of materials they receive be simplified so it's less overwhelming?
- How might technology be leveraged to give the employee greater access to their claim status or make it easier for them to communicate with their assigned specialist?
- If multiple benefits are used concurrently (like an absence under the Family and Medical Leave Act (FMLA) and the employer's short-term disability plan) or if there is a transition in benefit type (such as from short-term to long-term disability or from workers' compensation to disability accommodation), is there redundancy or confusion that can be eliminated from the process to make things more seamless and user-friendly?

It's worthwhile to evaluate the claim journey on a regular basis — keeping in mind the employee going through the experience is facing a challenging time and with an eye toward identifying opportunities to infuse greater empathy into the process.



#2: Leveraging data

A second approach to program targeting is using data on employees' on-the-job injuries and absence utilization to inform decisions on workforce well-being initiatives, benefits design, timely interventions and more. This data is an invaluable resource many employers have readily available to them but do not yet leverage to its full potential. Absence levels are on the rise, and employees' family health and wellness concerns are becoming more diversified and complex; it's therefore essential for today's employers to be proactive and innovative in how they use data to curate programs that meet the needs of their workforce and support well-being and productivity.

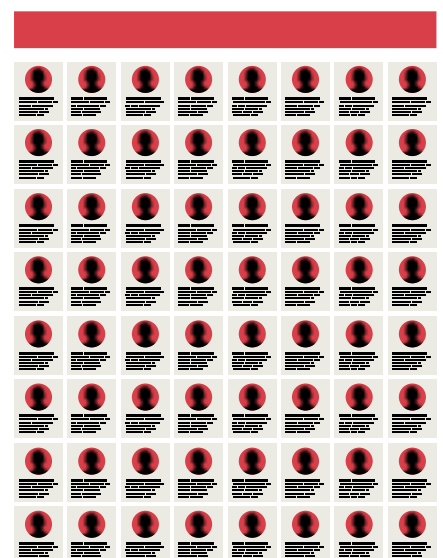
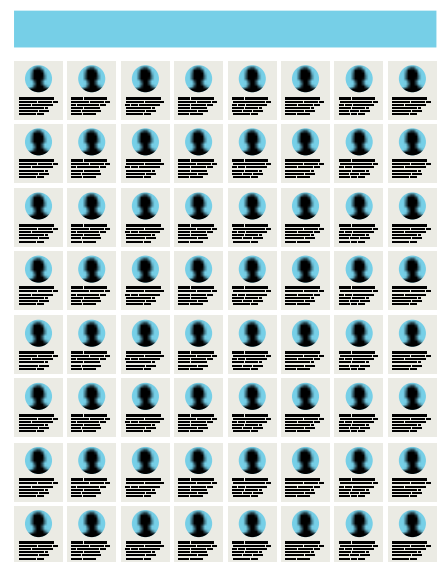
One common source of employee wellness data is biometric screenings. These clinical assessments, conducted by trained professionals at the worksite or a designated provider's office, are designed to identify and monitor certain conditions that can become more serious if left unchecked. Biometric screenings also help employees learn about and address their health risks and unhealthy behaviors. Data from these screenings provides employers with a baseline assessment of the overall health of their workforce.

According to a 2022 [KFF report](#), 24% of small organizations and 45% of large organizations offer biometric screenings to their employees. More than half of large employers with biometric screening programs use incentives or penalties to promote participation. Data collected through these screenings can help employers tailor their preventive programs and intervention offerings — such as smoking cessation, weight management and behavioral or lifestyle coaching — to their employee population.

Another rich source of information is the data associated with employee injury and benefits claims. In the workers' compensation arena, experienced claims examiners have developed sound professional judgment in identifying cases that might benefit from clinical intervention to facilitate recovery. Today's leading-edge technologies offer great promise for supplementing these efforts and may lead us to the next frontier in providing employees with the right care at the right time.

Our industry's data science experts are imagining the possibilities for integrating artificial intelligence (AI) with structured and unstructured claim data, along with certain social determinants of health, to identify claims that might warrant clinical intervention. A digital automation process would rapidly scan claim notes and documents and raise specific flags as soon as actionable data is detected. Triggers would promptly enlist a nurse, pharmacist, behavioral health specialist or other practitioner with relevant expertise — helping employers provide employees with the best possible care and journey to recovery. Innovations like these are on the horizon as we look for meaningful opportunities to use cutting-edge AI to tailor programs on another level.

Similarly, analyzing employee absence data points, such as condition trends, leave reasons and average absence length, can give employers a clearer understanding of their workforce's wellness needs. An instance of absence is an opportunity to gain insight into workforce dynamics and practices, so the organization can make informed decisions that prioritize employees' welfare.

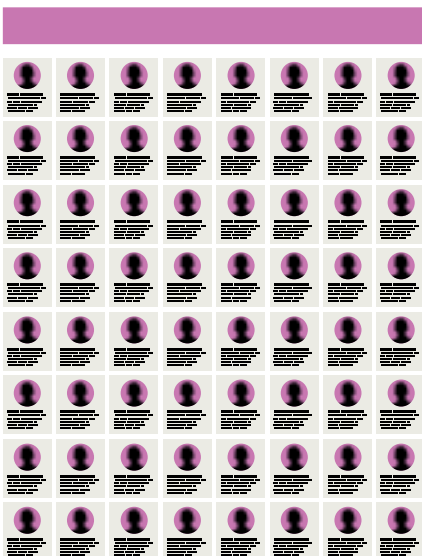




As an example, consider a high-cost condition like diabetes. In an effort to cut costs, an organization might seek to decrease coverage for prescription drugs under its medical plan or cancel a preventive health coaching program. Reviewing absence data for trending leave reasons and conditions would help the employer recognize the unintended consequences of such cuts. These could include increasing employees' out-of-pocket expenses and contributing to poor prescription adherence — ultimately resulting in more severe health problems, increased absenteeism and decreased productivity.



Mental health issues are another leading driver of absence and must be taken into account. Absence data can help employers identify the primary mental health needs of their workforce and guide the development of related benefits and well-being programs. Giving employees access to appropriate support is critical to reducing absenteeism, confronting mental health stigmas in the workplace, and improving overall wellness.



Holistic workers' compensation and absence management programs (like those offered by Sedgwick in the U.S., Australia and elsewhere around the world) enable employees to receive tailored guidance and support. They also help human resources, risk management and organizational leaders remain informed on broader considerations for the proactive management of workforce health and safety.

THE BEST OF BOTH WORLDS

Today's workers consider well-being a top employment factor. To remain competitive in a tight labor market and live up to the promise of caring for their workforce, it's critical that employers harness all available opportunities to support employee well-being and deliver tailored assistance when individual needs arise. As outlined above, two main models for tailoring employer-provided programs are leading with empathy and leveraging data. However, the true ideal is when both approaches are brought together to meaningfully improve employee outcomes.

As claims technology continues to evolve, opportunities abound to connect empathy with process so initiatives can be tailored to individual needs and systems can be more easily navigated. Ultimately, the goal is for employers to promote productivity and well-being, create personalized and efficient end-user experiences, and provide a higher level of care to their valued employees when it matters most.

RESOURCES

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<https://www.sedgwick.com/blog/2023/06/07/the-missing-link-using-absence-data-to-transform-employee-well-being>
- **Why integrating absence and disability management improves employee experience**, Absence Management Perspectives, a DMEC podcast, featuring Sara Elder, Sedgwick SVP of workforce absence, May 25, 2023.
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Expert view

*A conversation with: Kimberly George,
global head, innovation and product development, Sedgwick*

Of Sedgwick's 31,000 colleagues, it's fair to say few are as prolific as Kimberly George. She's everywhere! Before taking the helm as head of Sedgwick's global innovation and product development, she served as the organization's senior vice president of corporate development, as our senior healthcare advisor and in a multitude of workforce absence and managed care leadership roles. Prior to her tenure at Sedgwick, she began her career as a registered nurse in a neuro-trauma unit. All this to say: she's an expert. And she's not done yet.

edge:

Kimberly, if we were to talk about all the things you touch across the organization today — not to mention what you've contributed over the past 22 years — we'd have to write a 10-page article. If you had to boil your current role down to a single sentence, how would you describe it?

Kimberly:

I get to look at products and processes — maybe a new technology, partnership or acquisition — and guide the strategy that will ultimately improve Sedgwick's outcomes and performance for our clients and their customers. I'm a strategist and change agent by nature.

edge:

When it comes to looking at innovation as a professional discipline, both within Sedgwick and across our industry, what do you see?

Kimberly:

When we think about innovation, it's often about how we can take something we already do very well in one part of the world and introduce it into new geographies.

We're asking ourselves where we can expand the products and services that align with what we're doing today, but in new places.

One example is our decision to acquire [full ownership of Leif Hansen](#) last year, allowing us to enhance our workers' compensation services in Denmark and throughout the Nordic region. Similarly, we're expanding our international footprint with workforce absence and nurse triage solutions, such as our [Direct Health Solutions](#) (DHS) business in Australia.

It's also really exciting to see our investment in the Genesys omnichannel customer care system coming to life now — it will change our world and support multinational client programs. It's so much more than a phone system; when fully implemented, it will understand sentiment and measure how our service representatives are helping to build the resilience of the person they're speaking to. It will offer a real-time opportunity to give our colleagues what they need — a pat on the back, some time to decompress — to, plain and simple, do their jobs even better. (For more on Genesys, see [Tech forward](#) in this issue of *edge*.)

Whether it's workforce absence, workers' comp, property, liability — really, across our business — that's what it's about: how we can do things better. How we can deliver a top-notch global user experience with ever-greater efficiency. We're looking at how and where we can introduce light- or no-touch support, but also how we can continue to enhance our care team. It really is about taking care of people.

Nearly every company is talking about innovation right now, but so few have any real plan in place. We're planning, and we're executing. We're measuring and seeing things through, and I'm really excited to see things continue to come to fruition.



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edge:

How does Sedgwick's new client engagement platform, circles, encourage that kind of focus on the client and customer experience?

Kimberly:

We launched circles in July to give our clients — *all* our clients — a platform where they can safely listen, learn, and share in a collaborative environment of their peers. Where there have historically been opportunities for these types of conversations for select groups, circles offer all of us a chance to go deeper.

The concept is pretty simple: Circles provide forums for clients to share best practices with one another and jointly address current challenges. We're here to listen and facilitate conversations. Circles are exclusive to our clients, but we purposely did not delineate between lines of business. Instead, we're connecting clients based on their industry verticals and areas of interest, from aviation and retail to transportation, risk management and benefits.

edge:

How can clients get involved?

Kimberly:

They can sign up any time, for any circles that interest them. And it's relatively low-commitment; folks can come and go from any given circle as they see fit.

It's very "person" focused — there's a chat, you can see and interact with your fellow circle members, register for events, and access content and past session summaries. There's a broad range of information available.

What I really love is how many clients have signed up for multiple circles — they want to learn and hear about what's going on even outside of their specific area of expertise. They want their own personal wheelhouse to encompass more. A retailer may sign up for the healthcare circle, for example, if they offer health clinics.

We're aiming to do 30 sessions a year, depending on the demand. Plus, there are small-group collaborations — breakout groups where participants can get more specific with their discussions. My goal is to see circles become our clients' go-to spot for information and conversation.

edge:

When it comes to the trends that are fueling emerging solutions around the world, what's on your mind?

Kimberly:

On a recent (very long) flight home from Barcelona, I had time to think about more than just my immediate to-do list; I got to thinking about the nature of our business. Insurance is all about looking back — we have to know what happened. It's a data-driven, experience-driven industry. But more and more, that data is helping us to predict the future. It's exciting to see new disruptors coming into the market and really making their own way. They're broadening our ecosystem.

To be the best, you have to be willing to partner, even — or especially — in ways you might not have considered before. Even a company of Sedgwick's size needs to partner in order to keep up — and certainly to advance. And strategically, we're always working to figure out how we can help our clients advance right alongside us and how to be real advocates for constantly improving the customer experience.

That means thinking differently, and sometimes hiring differently. I'm working a lot with our colleague resources experts, diversity, equity and inclusion (DEI) and environmental, social and governance (ESG) team and our business groups to review some of our talent attraction and development practices and predictive tools. We're lucky to have the internal and leadership support to allow us to spend time thinking about tomorrow versus constantly playing catch-up.

A perfect example of this forward-thinking approach is the recent launch of our [climate resiliency solutions](#). Evolving regulations around the world are putting greater emphasis on corporate sustainability and ESG efforts. Weather-related catastrophes are sharply on the rise. We want Sedgwick to be the go-to source for mitigating environmental risk and navigating these trends. To that end, we developed a comprehensive suite of solutions to address three key phases: ready, resolve, and recover. Our experienced teams across the globe can provide customized services, technical assistance, and innovative support to help clients through every step of their claims journey.

edge:

How are you seeing things like AI and ChatGPT shift the conversation?

Kimberly:

People are worried about it. Will it help? What will it do to staffing levels and team dynamics? It's natural to question how it'll fit into the narrative.



Sign up for circles to stay on top of trends and forge new connections

Sedgwick clients are invited to join as many circles as they wish. Circles are organized by industry (such as aviation, financial services, healthcare, retail and transportation, etc.) and by area of interest (benefits, managed care, property, risk management, technology, etc.).

Clients interested in signing up for circles or our quarterly In the Know webinars should contact their designated Sedgwick client services director for details.

But really, the innovative technology helps us be more human. All the time we used to spend sifting through data and depending on manual entry, AI gives back to us. Where the administrative work took away our ability to empathize and really listen, AI takes some of that off our plates and allows us to focus on what we're best at: being human.

I got to speak at a recent conference about insurance as a career destination. At some point, our industry became a stopping point before moving on to something else. When you bring the real work we do to the forefront — taking care of people — and give people a collaborative, supportive environment, you have a tremendous opportunity to make a difference. This amazing industry needs us to be innovators, to bring in fresh new minds and to ensure that the talented people who are here today want to stay for tomorrow.

edge:

Apart from all the work you do for Sedgwick, you also serve as president of the [Alliance of Women in Workers' Compensation](#). What's that leadership role mean to you? What impact is it having?

Kimberly:

One of the most amazing opportunities my position at Sedgwick grants me is the ability to be a leader in the industry. The Alliance came together to support the next generation of women — which, to me, is hugely important because, although women make up the majority of the workforce in workers' compensation, the same is not true of leadership.

We've got nearly 7,000 members; to be able to provide support, professional development, industry education and networking to them is invaluable for our field. We've got local ambassadors around the U.S. who deliver content in person, virtually, however they can. We're on track to hold 150 events this year.

I just think it's so cool that Sedgwick not only participates, but that we actively seek out ways to help the industry. It's that kind of outward and forward-thinking focus that makes us so successful.

Community spotlight

Colleagues around the globe support worthy causes one step at a time

BY CHRISTINE MILLAR

*international head, colleague resources,
Sedgwick*

The proverbial journey of 1,000 miles begins with a single step. The same is true of a 5K walk or a 13-mile run. When covering those distances is part of a larger effort to support worthwhile charities, every stride is imbued with meaning. Sedgwick's athletic and community-minded colleagues around the world can appreciate that better than most.

For more than 50 years, Sedgwick has operated as a values-driven company. Giving back to the communities in which we operate is part of our DNA. In addition to the company's charitable partnerships and contributions to nonprofit organizations that align with our four giving pillars — education, well-being, social services and sustainability — we welcome opportunities to celebrate and amplify the amazing work our colleagues do to give back to their communities. (This is the premise behind our community champions program, which was recently featured in [edge 21](#) and on our [blog](#).)

One meaningful way many colleagues get involved is by joining charity-based fundraising walk/run events. This kind of participation reflects not only a commitment to health and wellness — physical, mental and otherwise — but also our colleagues' belief in Sedgwick's [core values](#), caring counts philosophy, giving pillars and [environmental, social and governance](#) (ESG) efforts.

Please join us in celebrating the personal journeys of four Sedgwick colleagues — based in different corners of the globe — to cross the finish line for their chosen causes to benefit of the greater good.

BÁRBARA VÁZQUEZ

claims handler, Madrid, Spain

Carrera de la Mujer race for women

On Mother's Day 2023, Vázquez joined the pink tide of more than 32,000 female runners participating in Carrera de la Mujer's Central Lechera Asturiana May 7 race for women in Madrid. This marked Vázquez's eighth consecutive year participating in the race.

The 7.2-km run raises awareness and funds for the fight against breast cancer, as well as supports education surrounding gender violence and social and educational inequities affecting women. It also promotes the regular practice of healthy lifestyle habits and women's inclusion in sports.

The annual run is held as a national circuit, with nine separate race events held in cities across Spain. It's the largest women's sporting event anywhere in Europe! All participants wear bibs sporting the number 016, which is the untraceable telephone hotline those affected by gender-based violence in Spain can use to seek support.

"It is a very emotional experience, as we run only with other women in pink T-shirts through the streets of Madrid," Vázquez said. "And we are all running for the same important causes."

Through her years of participation and community involvement, Vázquez believes she reflects Sedgwick's core values — especially inclusion, collaboration and growth. She has an affinity and dedication for the cause of breast cancer awareness, and she translates it into tangible action year after year.

"It means a lot to me because it represents a human project for researching this disease and making advancements in its treatment," she said. "These funds are very important for the researching of this illness. It will have a huge impact on the community."



LISA MULCAHY

colleague onboarding coordinator, Brisbane, Australia
Running for Premature Babies 5K walk

Mulcahy and several other Sedgwick colleagues participated in a 5K walk held at the June 4 Brisbane Marathon Festival. The event sought to raise money for the Running for Premature Babies Foundation (RFPB).

Years ago, Mulcahy read "Sophie's Boys," a book chronicling one woman's arduous journey giving birth to three premature sons. Each of the babies ultimately passed away in their mother's arms due to related complications. Sophie Smith, the book's author, went on to establish RFPB, a nonprofit dedicated to funding life-saving neonatal equipment and research surrounding the many mysteries of prematurity. RFPB has helped more than 9,000 premature babies in Australia since 2007.

Mulcahy was surprised how little she knew about premature babies before this; she read the entire book in tears. After finishing, she felt compelled to get involved.

Four years ago, Mulcahy was the sole Sedgwick colleague participating in the annual walk, but that has since changed. This year — Mulcahy's

fourth consecutive time participating — she walked with a fellow colleague who had given birth to her first daughter prematurely at 30 weeks. Together, the Sedgwick delegation raised AU\$2,200, exceeding their target by AU\$200.

"We now have multiple Sedgwick families that have experienced the surprise of a premature birth and have benefited from the lifesaving equipment purchased by RFPB," Mulcahy said.

Among other critical services, funds raised will support RFPB's NeoRESQ vehicle and neo-return service, a lifesaving program launched in 2020 to transfer babies to hospitals closer to home once they are well enough.

Mulcahy not only holds Sedgwick's core values close — she chooses to live by them. "It's important to show empathy by clearly caring for those around us in need," Mulcahy said. "And accountability, where we are conscious of assisting those in our community where we can."



JONATHAN MAST

director, digital strategy, Overland Park, Kansas, USA
Spencer & Sedgwick 5K Fun Run

On May 2, 2023, Mast participated in the 5K Fun Run — a Sedgwick-sponsored event held at the RIMS Riskworld conference in Atlanta, Georgia — to raise money for the Spencer Educational Foundation.

This marked Mast's eighth consecutive Fun Run, his first being the inaugural event in 2015. Each year, the run takes place in-person (as well as virtually in recent years)



during the RIMS annual risk management conference and exhibition, which includes more than 10,000 global attendees and 300 presenters.

Years ago, Mast worked with a former Sedgwick colleague to see the event to fruition. The two were passionate about running and would go for jogs together on their lunch break.

During that time, Mast's colleague — a healthy, fit and active man not yet 30 years old — experienced a stroke and other complications requiring heart surgery. Two years into his recovery, he expressed his readiness to run again and soon afterwards completed the Chicago marathon.

Fast forward several years: At a RIMS conference in Denver, the two exchanged ideas on ways to incorporate fitness into the event — resulting in an informal, impromptu 5K for attendees who sought to exercise. It evolved over time, until Sedgwick joined forces with the Spencer Educational Foundation as part of a larger partnership to support opportunities for the insurance and risk management leaders of tomorrow.

Now, eight years later, the annual Fun Run continues to grow. With 150 participants in 2023, the 5K raised nearly \$150,000 to fund scholarships for college students aiming to pursue careers in risk management-related fields.

"The aspect I like most about it is that this event truly does bring everyone together," Mast said. "That's what makes it special."

Following a 1999 cancer diagnosis and subsequent health battle, Mast began his running journey just before he turned 40, on his fifth anniversary of being cancer-free. His goal was to run a marathon. Twenty years later, Mast is known for his dedication to physical fitness. He has run four marathons, 15 ultra marathons, the crossing of the Grand Canyon, the Bigfoot 100K at Washington's Mount St. Helens and too many 5Ks to count.

"As part of our business, we promote the understanding that our physical health has a direct correlation to our mental health and well-being," he said. "Whether it's a Sedgwick colleague or a client, the more we can be healthy and move, the better off we are — all of us."

HANNAH PREEDY

home investigator, London, UK
Alzheimer's Society Trek26

On July 15, 2023, Preedy was part of a 13-mile trek in Cheltenham, England benefitting the Alzheimer's Society. The organization annually holds a series of 26- and 13-mile runs and walks across eight breathtaking UK locations to raise money for dementia research. Every step provides help and hope to those affected by this debilitating condition.

Alzheimer's is a progressive nerve disease that damages key parts of the brain and results in memory, language, thinking and reasoning problems. Dementia describes the range of symptoms that show the brain has Alzheimer's and other related diseases. They are often referred to as a "silent killer" due to few people realizing the scale of their reach.

Preedy has experienced this firsthand. She lost her father and grandmother to this cruel disease within a month of one another in 2012. Her mother, who had done a midnight charity walk up Snowdon Mountain in Wales years ago, asked if she would join her in participating in this year's Trek26.

"Taking part in Trek26 with my mom was a rewarding experience and one that I will never forget," Preedy said. "It was emotional knowing everyone was there for a reason, having likely lost someone or knowing someone with dementia."

So far, Trek26 has raised £95,000 for the Alzheimer's Society. Through their participation, Preedy and her mom walked 13 miles together and raised more than £1,200 for the cause. She feels fulfilled knowing the funds will positively impact local communities by assisting people experiencing dementia and those who care for them, in addition to funding vital research into this disease. Dementia has been Britain's leading cause of death for the last 10 years. The fundraising walks/runs, along with the Insurance United Against Dementia initiative (of which Sedgwick is a proud partner), support the Alzheimer's Society's vow to end the devastation caused by dementia.





We thank Jonathan Mast, Lisa Mulcahy, Hannah Preedy and Bárbara Vázquez for sharing their stories and for all they do in their communities to show how caring counts.

Edging up

*Short takes on industry trends, emerging issues
and service enhancements*

Managing employee absenteeism

BY **KAREN SAMUEL**

acting general manager, Direct Health Solutions, a Sedgwick business

In light of the recent pandemic and increased emphasis on employee well-being and mental health in the workplace, there has been a shift in the way companies manage employee absenteeism. With the rise in popularity of remote and hybrid work environments, telehealth services have emerged as a critical tool to support organizations in managing absence and improving the mental and physical well-being of all employees.

Prioritizing employee mental and physical well-being not only reduces an organization's overall absence rate — it also helps avoid the associated costs of absenteeism.

Why it matters

Managing employee absenteeism should be a priority for any company, as it plays a major role in maintaining a productive organization. Studies have shown the happier an employee is, the more likely they will be able to perform at their best both professionally and personally.

Workforce absenteeism costs businesses billions and, if left unchecked, can have adverse impacts across an enterprise. It can also signal wider problems, such as workplace health and safety, culture, or stress and mental health issues, to name a few.

When it comes to managing employee absenteeism, the centralization of absence-related data, effective monitoring and tracking of issues, and delivery of on-demand employee health support will provide human resource departments with more clarity and control over their workforce.

An employee absenteeism study

Direct Health Solutions (DHS), a Sedgwick business, is a leading specialist provider of employer-based telehealth solutions and absence and injury management programs in Australia. As one of the largest tele-triage organizations in the country, DHS averages more than 500,000 absence and injury calls per year and has a dedicated 24/7 telehealth center driving its absence management programs.

DHS undertakes an annual employee absence management and well-being survey to provide benchmark data and key trends for employers to use when managing employee absenteeism in Australia. In the 12th edition of this report, absenteeism levels were recorded from Jan. 1 to Dec. 31, 2022, using data provided by 132 companies across Australia that collectively employ over half a million employees. Respondents were asked to provide data based on all unplanned absenteeism, including personal leave, workers' compensation leave and unauthorized leave, both paid and unpaid.

According to the data collected from this survey, overall employee absenteeism increased by just over two and a half days (23%) from 2019 — employees took an average of 13.8 days' sick leave in 2022. Of the companies who took part in the survey, 58% believed their absenteeism increased over the 12-month period.

Most common reasons for absenteeism

According to the survey results, the three most common reasons for employee absence were carer's leave, coronavirus-related leave and non-genuine sick leave, or "chucking a sickie."

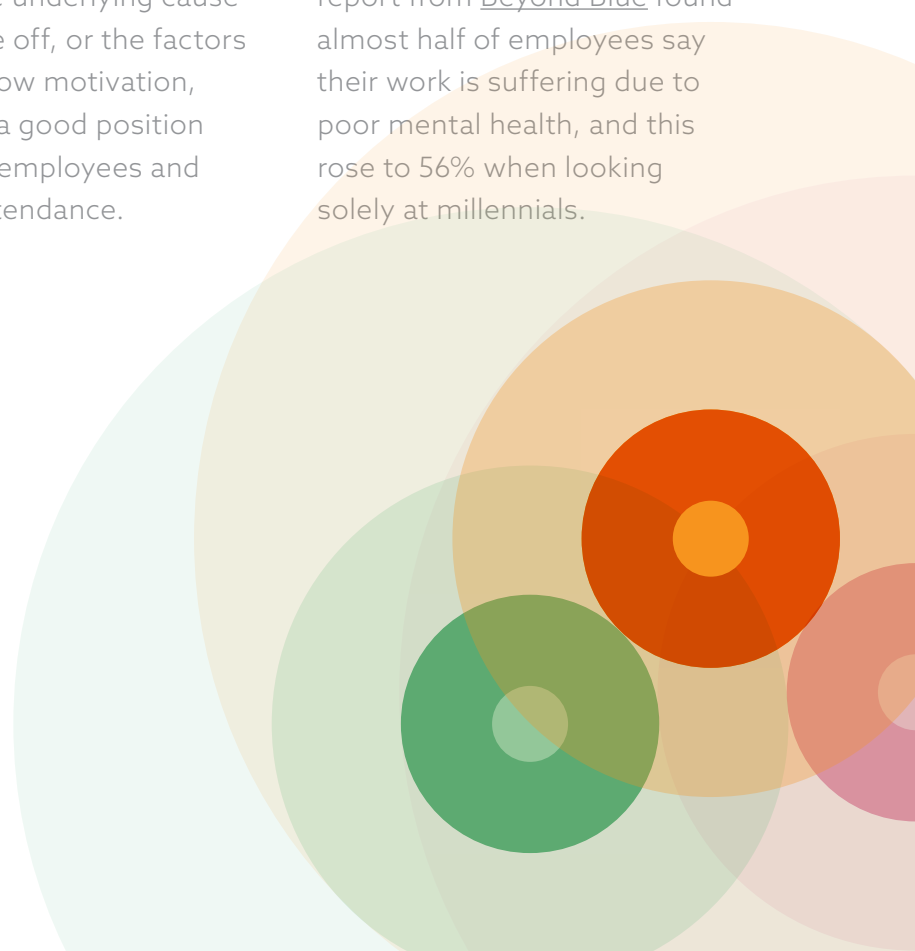
Given the period in which the survey was conducted, it is no surprise to see that COVID-19 had a significant impact on employee absence. COVID led to increased periods of leave throughout 2022, as Australians contracted the disease, and took time away from work either while they were sick or supporting family members. Some organizations had absence rates of 20% or higher during COVID's peak in January 2022. Overall, 80% of employers indicated that COVID-19 led to increased absences in 2022.

In addition, public health initiatives led to greater awareness of staying home when sick to stop the spread. This could lead to employees being more likely to take a day off for genuine short-term illnesses, such as colds, flu and infections.

The high number of COVID-related absences, combined with increased public health awareness, also drove an increase in the amount of carer's leave taken, an assumption being employees may have taken leave to care for a family member suffering from COVID-19 or schools and day-care centers insisting that sick kids remain home when unwell. This further drove an increase in carer's leave in 2022.

Non-genuine sick leave was reported by 43% of employers as having increased in 2022. True non-genuine leave is primarily driven by low motivation in the employee and may be increased by low resilience and poor coping and planning skills. If managers can find out the underlying cause for the time off, or the factors leading to low motivation, they are in a good position to support employees and improve attendance.

Mental health concerns are also driving an increase in personal leave. About 57% of employers reported that absences due to mental health issues have increased over the last 12 months, with the top three drivers being workload, non-work factors and personal illness. The [ADP People at Work survey](#) found one in five Australians (21%) have taken time off in the last 12 months due to poor mental health, and this number rose to 46% for those employees who considered their workplace mentally unhealthy. The most common causes of stress cited in that report were increased responsibility since the pandemic and longer working hours. The State of Workplace Mental Health in Australia report from [Beyond Blue](#) found almost half of employees say their work is suffering due to poor mental health, and this rose to 56% when looking solely at millennials.



The high number of employees taking sick leave is exactly why companies need to better manage their employee absenteeism and invest in employee well-being. With effective tools and management strategies in place, companies can better understand the reasons behind these absences and work with employees to reduce the number of days taken, while offering guidance to improve and support overall well-being.

Effects on productivity and profitability

Employee absenteeism is costly and becoming costlier, with the survey data revealing the average direct cost of absence per employee per annum increased from AU\$3,395 to AU\$4,025. The impacts of COVID-19 and increasing cost of living have put a strain on the mental health of many Australians. About 80% of companies in our survey said that COVID-19 restrictions led to increased absences.

The data revealed that absenteeism in contact centers remains higher than for other roles. Contact centers are often considered stressful, which can be attributed to environmental factors such as stressful phone calls, a high volume of phone calls and dealing with highly emotional and/or aggravated customers. These centers also often have higher staff turnover when compared with other work environments. As a result, employees may be more inclined to take time off work to help manage their stress levels, which may be why absence rates within call centers are higher. Call center employees may also have less flexibility in when, where and how they do their work. This restricts employees' ability to manage their personal and work life commitments.

For most businesses, unplanned absenteeism is costly. When an employee is repeatedly away for extended periods of time with no prior warning, their workload is shifted to their colleagues. Those employees are then at risk of becoming overworked, potentially disgruntled and stressed to a point they too need time off work. It can be quite costly, depending on the roles and responsibilities of the absent employees.

Effectively managing employee absenteeism

As outlined in [our 2023 report](#), the three most effective methods of managing absence are:

- Escalation to senior management
- Return to work interviews
- Formal trigger review points in place to review absences

These results highlight just how important it is for companies to effectively manage employee absenteeism — and the cost to them when it's not managed effectively. By prioritizing employee physical and mental health, along with well-being — especially considering the lingering effects and changes in mentality post-COVID — employers can create a workplace culture that values and supports employees.

For more on effective management of employee and well-being, download the full [2023 report](#).

Transforming energy approaches

BY **DAVID WARD**

head, power and energy division, UK, Sedgwick

Changes in the energy sector continue to bring new opportunities and risks. As we witness rising fuel costs around the world, a growing regulatory push and broader initiatives toward sustainable energy sources, there is a market need for skilled service providers to effectively address the industry's emerging claims challenges.

The power and energy claims landscape encompasses a complex infrastructure and diverse range of complicated equipment, expensive machinery, business interruption issues and extensive lead times for repairs and/or replacements. Losses can span everything from traditional power plants, infrastructure and oil and gas providers to renewables, such as wind, solar and geothermal power. Market specialties in high demand include loss adjusting and forensic investigation services to support claims related to:

- Oil and gas
- Power
- Renewables
 - Wind energy
 - Solar
 - Energy from waste
 - Hydropower
 - Tidal and wave energy
 - Biomass energy
 - Geothermal energy
 - Hydrogen energy
 - Small modular nuclear reactors
 - Battery energy storage systems
 - Carbon capture, usage and storage

Ultimately, players in the power and energy space need professional advice, recommendations and comprehensive solutions to address a wide range of complex claims and emerging risks. Many are choosing to partner with providers that can offer a combination of technical expertise, international experience and valuable local resources that are available 24/7.

Sedgwick recently launched a power and energy claims division in the UK to help manage claims and provide support for clients in this sector. We offer extensive industry knowledge and claim-related expertise, as well as a single point of contact to

ensure consistent service and standardized processes across borders. Our approach combines industry-leading loss adjusting and forensic accounting solutions and is complemented by the specialized services provided by our EFI Global division — including forensic engineering, environmental consulting, fire and explosion investigations, and construction and project management. To learn more about Sedgwick's comprehensive power and energy claims solutions, see our [brochure](#) and [press release](#).

Brand protection: key takeaways from our Product Recall and Risk Mitigation Summit in Denmark

BY **MARK BUCKINGHAM**

recall advisor, Sedgwick

As the regulatory landscape becomes more robust, global supply chains get more complex and customer expectations grow, companies

need to better manage risks before, during and after product crises to minimize their impact and protect ongoing value. At Sedgwick's Product Recall and Risk Mitigation Summit, held in Copenhagen in June, our brand protection experts helped companies understand the impact a product recall event can have on business interruption, loss of sales and reputational damage; the importance of being recall ready; and the typical product recall lifecycle. Here are a couple of key takeaways:

Be prepared

Without fail, companies with a tested product recall plan recover and restore full operation sooner than those without one. Have a crisis and recall plan in place that's tailored to your company's specific needs and regulatory requirements. Then, test your recall plan through proactive risk assessments and capability audits, mock recalls and other crisis drills or simulations. Effective mock recalls identify gaps, opportunities and potential missteps before a product recall, allowing you to effectively mitigate the regulatory, operational and reputational risks that follow.

Understand the product recall lifecycle

It's important to have a partnership in place with a brand protection expert before a recall ever happens. This will help you hit the ground running and allow you to leverage their expertise, which can save you millions in regulatory and litigation costs while protecting your brand and guiding you through the process. The full recall lifecycle includes:

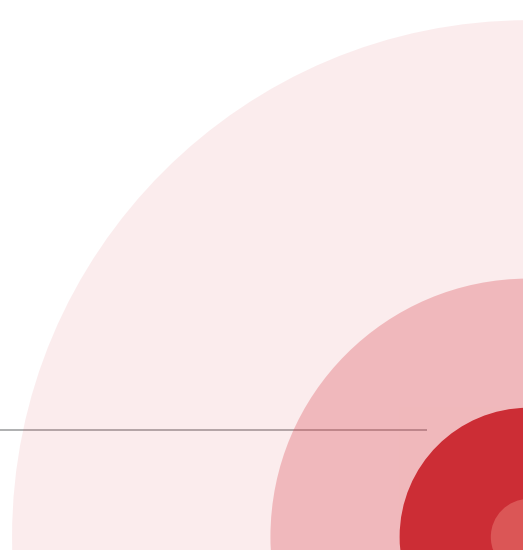
- **Multi-channel communication** to raise awareness and notify those potentially impacted
- **Response management** through email, phone and social media
- **Product validation** through unique identifiers and photo validation
- **Product returns and processing** via return hubs and disposing/recycling/repurposing returned products
- **Reimbursements** through replacements, digital vouchers and/or direct refunds

Get familiar with response rates and timelines

Several factors can impact the response to a recall, such as media coverage; the product's value, age and hazard; data availability for communicating the recall; and the remedy offered. Here are some average guidelines for recall duration:

- Consumer goods recall: 12-24+ months
- Food recall: 2 weeks to 3 months
- Medical device/pharmaceutical recall: 6-12 months
- Field safety action: 3-6 months

Brand and reputation are a company's most valuable assets. They're also among the most vulnerable. Sedgwick provides a wide range of brand protection solutions to assist clients with product recalls, remediation and customer retention. To learn more about these services, visit our [website](#).



Emerging solutions and service enhancements

Legal services practice opens in the UK

BY JOHN HINTON
AND PAUL SQUIRES

partners, legal services, UK, Sedgwick

Earlier this year, Sedgwick launched a legal service offering for businesses in the UK. The practice is focused on first-party property claims and recoveries, providing a step-change in the provision of claims services to national insurance and corporate markets.

Our comprehensive recovery solution offers quicker, more effective legal services than those of traditional law firms. By seamlessly integrating these services within the claims process, we're able to shorten claim lifecycles, drive stronger recoveries, and lower indemnity costs — helping clients to be better prepared and respond faster.

As leaders of Sedgwick's legal services team, we bring nearly 35 years of combined experience serving as litigators and trusted advisers to insurance sector clients. Our seasoned colleagues are actively involved throughout the claims process — from first notification of loss to trial. We can also offer expert legal opinions on policy coverage, drafting and disputes, and related regulatory and reputational issues.

Sedgwick provides the right resource for the task, offering greater insight on recovery matters. Also, clients deal only with one organisation and legal aspects of their claims are managed from the beginning, eliminating redundancy. In addition, our advanced technology capabilities allow us to offer real-time data reporting from a single claims system.

Our regulated law firm*, operating within the Sedgwick ecosystem, combines the best of claims management, legal expertise and digital capability to provide a high-quality, consistent and simple service for our clients.

To learn more about our UK legal services practice, see our [press release](#), [flyer](#) and [video](#).

**Sedgwick Legal Services Limited is a separate entity within Sedgwick, authorised and regulated by the UK Solicitors Regulation Authority (SRA).*

New class action administration solution reflects changing landscape in Australia

BY EMMA LEVETT

head of forensic accounting, Australia, Sedgwick

AND AMANDA HILLIER

partner, forensic accounting, Australia, Sedgwick

With class action litigation increasing in Australia, there is market demand for cost-effective, technology-driven administration options from outside the legal community to improve the user experience for class members and direct as much available settlement money as possible into their hands. We are pleased to be offering Sedgwick's flexible

technology, robust resources and specialist expertise to serve this need and efficiently handle the administration and distribution of class action settlements of any size.

We offer an end-to-end solution or can manage individual parts of the process — from registration and eligibility verification of group members, collection of claim records and documents, assessment of damages such as personal injury, property damage and economic losses, along with a payment platform for group members and third parties. Our solution can easily be applied and tailored to the differing streams offering fast-track and automated pathways to a more bespoke and hands-on approach.

Having been involved in high-profile class actions, supporting both plaintiff and defendant litigations, we have a thorough understanding of all elements of the process, as well as the stakeholder engagement required. Importantly, we appreciate the need for streamlining and have developed software to support the end-to-end administrative management of class actions. Our bespoke solution, driven by a skilled team and proven technology platforms, enables the efficient yet caring and respectful execution of a class action that results in the delivery of desired outcomes for all.

For details on our class action administration offerings in Australia, email us at classactions@au.sedgwick.com.

Sedgwick Government Solutions: now serving the U.S. federal sector

BY **BRAD KRAUSS**
managing director, business development

This summer, we introduced Sedgwick Government Solutions, a Sedgwick business that helps people, restores property, and empowers performance through claims and productivity management solutions tailored to the needs of U.S. federal employees and government agencies.

We already have a great reputation in the public entity sector, thanks to our more than 50 years of experience with state and local governments and our [2021 acquisition of Managed Care Advisors \(MCA\)](#), an award-winning federal government contracting firm. Through the combination of our specialty government expertise, broad array of leading capabilities and proven best practices across commercial industries and enterprises, Sedgwick Government Solutions delivers a truly unparalleled, value-added offering for the public sector.

Sedgwick Government Solutions brings together the people, processes, technology and experience to support a wide variety of programs and maximize outcomes. As experienced government contractors with recognized technical expertise, we've successfully integrated best-in-class standards for third party administration, workers' compensation claims and case management, national provider networks, property loss adjusting, claims management and specialty consulting services, software and contact center services into federal, state and local government environments. For more information, visit sedgwickgovernment.com.

Expanding our footprint and deepening our offering in France

BY **XAVIER GAZAY**
CEO, France and Europe, Sedgwick

We've continued to demonstrate our commitment to serving the needs of our clients in France through three years of consistent organic growth and two recent acquisitions that have strengthened our presence and market offering.

In May, we purchased the business and assets of [AGEX](#), an independent loss adjusting company based in Lyon. Joining forces has allowed us to offer expanded expertise and capabilities in property and commercial claims, as well as in the marine and transport sectors. We now have an office in Brignais, in the south of Lyon, to support clients in the area.

A month later, we purchased the business and assets of Commissariat d'Avaries de Paris (CAP), a leading French marine and transport adjusting company. Their specialization is in loss adjusting and claims management services that support the machinery and cargo aspects of marine and transport claims. Through this acquisition, we gained the expertise of highly qualified and renowned adjusters and a scalable platform for continued growth in France and other international markets.

With the skilled adjusters who joined us through these acquisitions, our French team now comprises nearly 950 colleagues across 35 offices. For more on our capabilities in France, visit sedgwick.com/fr or email us at communication@fr.sedgwick.com.

New servicing office opens in Mauritius

BY **KEN MACLEAN**

CEO, South Africa, Sedgwick

After years of developing longstanding ties and regional expertise, Sedgwick has launched a dedicated domestic operation in Mauritius.

Our new office brings to the island nation Sedgwick's best-in-class offerings in loss adjusting and catastrophe response, specialist assistance for business interruptions, forensic engineering and environmental and fire claims. Mauritius is a sophisticated insurance market, and this new operation allows Sedgwick to offer a wider range of services, including handling smaller losses and serving a broader client base. The expansion is a key step toward supporting the evolving needs of existing and future clients in various parts of South Africa and across the region.

The Mauritius office is led by branch manager Gary Tanner, who brings to the role exceptional knowledge of the market and its specific nuances. He has 16 years of in-country industry experience from his roles as chief operating officer, partner and lead adjuster for the nation's preeminent insurance and loss adjusting firms. He is well supported by Sedgwick's South Africa team, who have long served clients in Mauritius.

Enhancing our regional expertise with global resources allows us to provide Sedgwick's trademark level of customer service to clients across sub-Saharan Africa and around the world. To engage or learn more about the service offerings of our new Mauritius operation, please visit our [website](#).

Claims fraud solutions now reaching more international markets

BY
IAN CARMAN

*director, UK head of investigation services,
Sedgwick*

STEVE CRYSTAL

international head of claims fraud, Sedgwick

LINDA WISNESKI

*senior vice president, special investigations unit,
Sedgwick*

With insurance fraud growing in sophistication worldwide, it's more important than ever to stay one step ahead. Our expert team provides effective strategies for insurers, brokers and corporate clients that include detection, triage and containment services to help prevent and control fraud. Recently, we've grown this service to reach even more international markets, including:

- France
- Hong Kong
- Ireland
- Netherlands
- South Africa

Additionally, we're currently working with our colleagues in more countries — Belgium, Denmark, Finland, Malaysia, Norway, Portugal, Spain and Sweden — to further expand the service.

Through this expansion, we can support more companies with our claims fraud services, which aim to protect clients' brand reputations, retain their customers, and save them money. We achieve this by combining the power of data-driven insights to help us model and identify suspicious patterns, with the expertise of skilled claim handlers and investigators who interpret the data with knowledge of their local markets and cultures.

At Sedgwick, our counter-fraud approach is supported by a winning combination of people, technology and insight. To learn more about our services, please [contact us](#).

Professional liability expands expertise, positions for future opportunity

BY **KEVIN COSTELLO**

*senior vice president, professional liability,
Sedgwick*

In recent months, Sedgwick's specialty operations leadership has invested a great deal of time assessing the strategic development and long-term opportunities for professional

liability, with an eye toward enhancing our valued clients' experience and colleague contributions to the company's vision for this business segment.

I am proud to have joined Sedgwick this year and bring more than three decades of experience as an attorney, claims professional and consultant in specialized coverages and complex exposures across a wide variety of industry classes and risk structures. I look forward to bringing new perspectives to our healthcare, executive, management and products claims teams, who are focused on providing industry-leading service and outcomes for our clients.

Amid today's challenging market conditions and complex risk exposures, it's more important than ever to have an expert claims partner you can trust. [Click here](#) to learn more about Sedgwick's U.S. professional liability solutions, or contact us at kevin.costello@sedgwick.com to discuss how we can help you reduce claim frequency, indemnity and total loss costs.

Audiology program helps employers manage occupational hearing loss

BY **JAYSEN ELDRIDGE**

vice president, managed care ancillary operations, Sedgwick

Earlier this year, Sedgwick expanded its ancillary care network to include [audiology services](#). Our program ensures employees who sustain on-the-job hearing loss receive the appropriate hearing devices and related support as they adjust to wearing them — all while controlling costs for their employers. Our team connects injured employees with independent professionals to review their condition and ensure the device selected is the right one for their needs and can be procured at the best price.

Hearing aids are, on average, the second-most expensive pieces of durable medical equipment (DME), behind prosthetic devices. If unmonitored, they can significantly contribute to workers' compensation costs, despite hearing loss representing a small percentage of work-related injuries. Through our network, we provide access to more than 6,200 contracted providers across the U.S. to assist with audiology needs. Our bundling options include services and supplies, such as hearing aids, batteries, balance and tinnitus testing, cochlear implants and annual follow-up visits. Our providers also offer ear, nose and throat (ENT) evaluations, baseline and annual hearing tests, and peer reviews.

Our audiology providers are part of Sedgwick's extensive [ancillary care network](#), which connects injured employees to a wide array of products and services. Our in-house care coordinators assist with scheduling and provide oversight for all ancillary services, including dental, diagnostic imaging, DME, hearing aids, home health, language, modifications, orthotics and prosthetics, and transportation. To learn more about Sedgwick's ancillary care network and our full suite of managed care solutions for the U.S. workers' compensation market, see our [website](#).

Tech forward

Updates on the latest technology developments at Sedgwick and throughout the industry

BY:

LEAH COOPER

global chief digital officer, Sedgwick

SEAN SAFIEH

chief information officer, Americas, Sedgwick

At Sedgwick, we take a people first, tech forward and data driven approach to developing solutions that address a range of claims and productivity challenges. We regularly hear from clients and brokers that they want to know more about how we — Sedgwick and the industry as a whole — are using and adapting the latest technologies to enhance our offerings, improve the customer experience, and keep pace with the speed of change in business today. To that end, we're introducing the Tech Forward column to *edge* to shine a light on some of the latest developments in technology in the claims space.

GENERATIVE AI AND DISRUPTION IN THE CLAIMS INDUSTRY

It's hard to escape the buzz surrounding ChatGPT, an artificial intelligence (AI) tool that uses natural language processing to respond conversationally to human prompts for information and task requests. The chatbot and its underlying generative pre-trained transformer (GPT) language model are taking the world by storm. There is a lot of discussion across various industries — including claims and insurance — about how generative AI might transform the way people interact with technology and, when applied strategically, revolutionize work processes and address key business challenges.

Also making headlines are the potential dangers associated with using generative AI outside of secure environments. As outlined in an [article](#) by Eric Schmitt, Sedgwick's global chief information security officer, these risks can include:

- Leak, theft or misuse of data
- Lack of control over output content
- Non-compliance with laws and regulations

In claims, these risks cannot be taken lightly. Given the sensitive and personally identifiable nature of the information we touch every day, claims data must be handled in accordance with strict privacy protocols. (As such, claim details and other legally protected information should never be used in a publicly accessible GPT prompt; Sedgwick blocks these applications from our networks as an added security measure.) However, with a thorough understanding of the possible risks and robust controls that can be put in place to mitigate them, organizations wishing to pursue the benefits of generative AI can safely proceed in integrating such tools into their systems and processes.

At the most basic level, those benefits include greater efficiency. Generative AI can rapidly draw meaningful information from huge amounts of data and automate important but routine pieces of the claims process. More significantly, effectively embedding GPT into claim workflows can give busy examiners and adjusters the opportunity to focus on critical aspects of their jobs that only humans can perform: connecting with and caring for people. "Outsourcing" to technology some of the mundane and repetitive tasks associated with claims will enhance the work experience of our industry's talented professionals. With the labor market still

tight and today's workforce seeking engaging and challenging assignments and opportunities to grow and make a meaningful difference, investments in technologies like GPT have the potential to deliver significant and valuable dividends.

Following a deliberate assessment of the benefits and risks, earlier this year we announced the launch of [Sidekick](#) — an industry-first integration of generative AI using OpenAI's ChatGPT technology with Sedgwick's established claims management tools. Sidekick is designed to give our talented teams an advantage in their daily work, so they can quickly gain value from claim information, efficiently relay it to clients and other stakeholders, and dedicate more time and energy to the people whose care is entrusted to them.

As a first step, we've made Sidekick available to a limited group of colleagues from our U.S. workers' compensation claims team. Within our secure environment, they can use Sidekick to instantaneously produce automated summaries of scanned documents and add relevant highlights to the appropriate claim file. Sidekick offers new opportunities to uncover key data that can help colleagues complete tasks quickly and easily. The pilot has yielded very positive results, and we are working to fine-tune Sidekick to ensure we've accurately captured the thought process of our talented claims colleagues. At the same time, we're also evaluating how we can bring this use case to other teams and lines of business around the world, so it can help us make a meaningful impact on a wide range of claims.

This is our first application of generative AI in production, and we're in the process of evaluating the feasibility and return on investment (ROI) of about 20 other models proposed by our business experts. We anticipate that future iterations of Sidekick may be able to produce entire claim summaries, identify risk factors on individual claims and programs, conduct audit checks, explore emerging data trends, and more. We're still exploring Sidekick's true possibilities, but we have no intention of having this technology make claim decisions. We'll leave the critical judgment calls to the professional expertise of our talented colleagues.

Our underlying goal is to leverage the latest technology to help colleagues work more efficiently, so we can deliver better outcomes, faster resolutions and an improved colleague experience. That's the kind of disruption everyone can get behind.

To learn more about our Sidekick application, watch this [video](#).

TRANSFORMING CLAIM DATA INTO ACTION

The field of data science has changed rapidly in the last 5-10 years. In a short time, the industry's standard tools evolved from applications like Excel and Business Objects to far more sophisticated data visualization applications, such as Tableau and Power BI. The open source programming language Python has also created a world of opportunity for data scientists to glean more actionable insights from business data.

As is the case in many sectors, the claims industry is collecting more data than ever before. Each step in the claims process yields multiple data points that, with a large enough data set, can be anonymized, tracked, and analyzed to identify patterns and predict claim trajectories over time. Many employers, insurers and service providers are sitting on a gold mine of data, but few are leveraging these valuable resources to their full potential.

Sedgwick is leading the charge for the industry in adopting the latest data science tools, strategies and best practices. We now have a global team of more than 200 data experts, who are centralized into one department to foster greater collaboration, consistency and innovation. Thanks to the scale of our book of business, robust technology platforms and longstanding market presence, our systems house the world's largest repository of historical claims data. And, to ensure we can make the most of all that information, we've invested in a world-class technology stack and given our talented colleagues access to cutting-edge data science tools. These enhancements ultimately benefit our clients and the people we serve under their claims programs.

A great example of how we're transforming claims data into action is through our proprietary attorney scorecards. Using aggregated information from more than 500,000 closed, litigated workers' compensation, general liability and auto claims within our systems, we've produced algorithmic scorecards for nearly 15,000 attorneys and law firms across the U.S. The scorecards help our claims examiners and clients better understand attorney and law firm practices in various jurisdictions and their impact on litigated claim processes and costs. (For more on managing the costs associated with litigated claims, see our article on [rising claim severity](#) in this issue of *edge*.)

Another meaningful application of claims data is benchmarking. Many of our clients are eager to measure their results against prior program performance, industry peers or Sedgwick's overall book of business. Perhaps the greatest challenge when it comes to benchmarking is creating a true apples-to-apples comparison. Our modern data science tools, technology applications and advanced analytics enable us to do a much better job of establishing fair comparisons, so that benchmarking data translates into accurate and meaningful information. Due to popular demand, we're working to provide clients with greater self-service access to secure, real-time program data and user-friendly reports they can generate on their own.

Sedgwick's team of data science experts is here for you — watching trends, sharing ideas, offering support, bringing the best of our resources, and imagining what's next. With our leading-edge technology tools, broad base of talent, and rich data set, we're the industry's partner of choice to help clients adopt a data driven approach to program performance.

To learn more, check out the [latest blogs](#) on our data driven approach, and [read this article](#) from Risk & Insurance featuring Max Koonce, our chief claims officer.

ENHANCING SERVICE DELIVERY, COLLEAGUE EXPERIENCE THROUGH TECH INVESTMENT

We are continually looking to bring together empathetic talent, optimized processes and robust systems for the benefit of all stakeholders in the claims process. One area in which our technology team is now heavily engaged is upgrading how we communicate and connect with our clients' employees and customers around the world. To that end, Sedgwick has made a significant investment in Genesys Cloud CXTM, a leading cloud-based customer care solution that unifies customer and agent experiences across phone, email, chat, text and social channels.

A key benefit of standardizing our entire global claims and customer service colleague population onto the same telephony platform is that it will allow for more consistent monitoring of caller interactions, as well as help us better leverage our international footprint to serve pressing needs as they arise. Using Genesys will improve the ways our teams collaborate, share information, and support each other across borders. It's a highly flexible platform that can be integrated with other systems and secure data sources to simplify workflows and processes.

Once fully implemented, Genesys will allow us to deliver an enhanced customer experience in the moments that matter most. It will also help us improve our colleague experience. The modern, seamless and user-friendly platform supports work effectiveness and efficiency and should reduce colleagues' technology-related stress — promoting greater job satisfaction, retention and empathy in the process.

We are taking a phased approach to implementing Genesys across our global operations; the full rollout spans about three years, and we are now nearly halfway through that timeline. To date, we've migrated more than 6,000 Sedgwick colleagues onto Genesys and expect that number to reach nearly 10,000 by the end of 2023. Following initial user migrations, we aim to expand beyond the platform's core capabilities — bringing new and exciting features to our various operations teams based on business needs. Clients and colleagues will hear more about our global Genesys implementation in the months ahead, and we continue to explore how best to integrate the platform's wide-ranging capabilities into our service delivery.

Taking care of people is at the heart of everything we do at Sedgwick. Leveraging innovative technologies and processes, like those offered by Genesys, supports our commitment to improving our service and showing how much caring counts.

Clients interested in the industry's latest tech developments are encouraged to join our technology circle. Contact your designated Sedgwick client services director for details on how you can participate.



[sedgwick.com](https://www.sedgwick.com)

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