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# Top trends, opportunities and challenges for PEOs in 2024

February 2, 2024

welcome to brighter



# Agenda

1

## Managing Employee Risks

- Healthcare
- Leave and PTO
- 401K

2

## Managing Operational Risks

- EPLI
- Worker's Compensation
- Operations & Administration

3

Q & A



# Presenters



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# Healthcare

Jamie Battles



# Macro trends shaping employer-sponsored health benefit programs

With cost growth at its highest level in years, employers are focusing on cost management – but don't want to lose ground in ongoing efforts to ensure benefits support the full range of employee needs and preferences.

## Upturn in healthcare cost growth

- Provider contracts renewing at inflation driven price increases
- Market consolidation
- Drug cost like GLP-1s and other specialty medications
- PEOs will need to maintain UW rigor as small employers look for cost savings

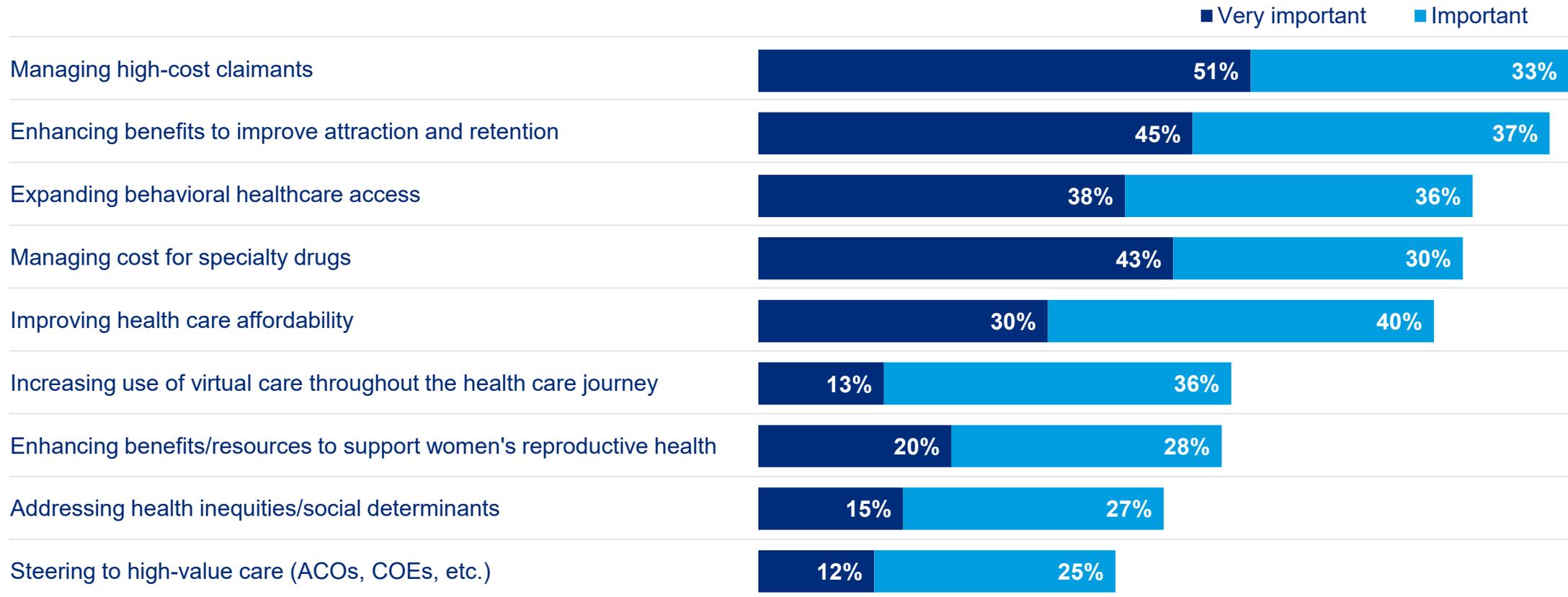
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## The Great Resignation may be over, but...

- Labor shortages persist. Employers still challenged to fill positions.
- Employees are inclined to stay in their current jobs but retention is still important.
- To be an employer of choice, health benefits must offer something of value to everyone – and align with the way employees live and work today.

# In setting priorities, employers seek to balance cost management with offerings that employees will value

## Most important strategies for the next 3-5 years



Employers with 500 or more employees

# Time Off Transformation

Simon Camaj



# Transforming Time-Off

## Enhancing benefits

Building flexible time-off programs help combat the war on talent

### What makes employees stay?

**#5**

Vacation/time off shifted from **#20** in reasons employees stay to **#5** since 2020, with it being **#2** among Baby Boomers<sup>1</sup>



### Changing Landscape



**13 states** and DC have passed Paid Family and Medical Leave (PFML) laws



**19 states** are considering adding some form of PFML



**Counties and localities** are considering adding some form of leave

# Employer pressures have never been greater

## Aligning Paid Time programs for today's dynamic landscape



### Attract and retain talent

Focus on the employee-first mindset to effectively combat the war on talent

Competitive, flexible time off programs that meet employees where they are



### Accelerate digital delivery

Leverage technology and approaches that empower an exceptional experience

Streamline the experience with tools that empower employees and reduce vendor service gaps



### Simplify the employee experience

Deliver an integrated, seamless employee experience, helping employees make informed decisions

Evaluate state leave laws, coordinate with existing benefits and ensure compliance



### Drive resilience amid inflation

Highlight solutions best positioned to support employees today and in the future

Optimize plan designs to help employers control costs and employees mitigate financial risk

**401 K**

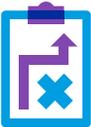
Preston Traverse



# Defined Contribution Trends



Competition- PEP



Fees



Participant Experience



Competitive Investment Options



Secure 2.0



Fiduciary Considerations

2024 will bring an increased focus on value. For PEO's to deliver a competitive retirement offering, they will need to focus on these trends.

# Employment Practices Liability Insurance

Robyn Stevens and Angela Zisa



# EPL Overview & Key Trends



## What is EPL coverage?

- Employment Practices Liability (EPL) coverage protects employers against lawsuits alleging employment practices wrongful acts filed by current employees, former employees, and applicants, including:
  - Discrimination
  - Sexual harassment
  - Wrongful termination
  - Breach of employment contract
- Covers defense costs, settlements, and judgments
- Generally seen as high frequency/low severity



## Hot Topics & Emerging Trends

- COVID-19
- #MeToo
- Pay Equity/Transparency (change in minimum wage)
- Social unrest
- Discrimination evolution
- Biometric privacy laws
- ADA claims and website accessibility
- Marijuana in the workplace
- Social inflation
- Use of artificial intelligence (AI)
- Employee monitoring
- Political affiliation discrimination
- Recent DOL rule to restructure the way independent contractors are classified
- NLRB final joint-employer rule



## PEO Considerations

- **Capacity:** stable, however, carriers are reluctant to increase capacity on PEOs with poor loss performance
- **Coverage:** tends to be manuscripted due to the nuanced business practices at each PEO
- **Claims:** PEO claims are led by discrimination, wrongful termination and retaliation. In line with the broader EPL market, claims continue to come in at a steady pace, driving carriers to increase retentions
- **Costs:** carriers view PEOs as a loss rated business. Since claims take several years to develop costs are often predicated on the portfolio's past loss performance while also taking into consideration the projected cost of future losses
- Particularly hard-hit industries include: health care, manufacturing, retail, professional services, education, and hospitality

# PEO Considerations



## Co-Employment Model

- PEO becomes the employer of record for certain employer responsibilities, such as payroll processing, benefits administration, and compliance management.
- Client company retains control over its day-to-day business operations and the management of its workforce.



## PEO Responsibility

- PEOs assume a shared responsibility and leverage their legal and regulatory expertise to help client companies adjust to evolving employment laws.
- Newly published NLRB joint employer standard (filed on 10/27/23; makes it more difficult for PEOs to deny “joint-employer” status.



## Effective Program Management

- Work with a broker that has PEO specific industry knowledge to help differentiate your business in the marketplace.
- Closely monitor claims activity to evaluate your PEO’s specific trends.
- Work with client companies to implement best practices for mitigating employment practices claims.

# Workers Compensation Insurance

William O'Toole



# Workers' Compensation – Insurance Market Trends and Impact

## Pricing →

Remained stable to competitive for WC

## Capacity →

Insurers continue seeking new WC business opportunities for most industry segments

### Loss Sensitive Rate Trends

	Avg Q4 '22	Avg Q1 '23	Avg Q2 '23	Avg Q3 '23	Current Average Trend
Workers' Comp	-5.4%	+1.8%	-4.6%	+2.1%	▲

### Guaranteed Cost Rate Trends

	Avg Q4 '22	Avg Q1 '23	Avg Q2 '23	Avg Q3 '23	Current Average Trend
Workers Comp	-5.2%	-1.3%	-4.4%	+0.2%	▲

# TCOR Reduction Strategy

## Culture of Safety, Loss Prevention & Claims Management



# Operations + Administration for PEOs

Todd Davis

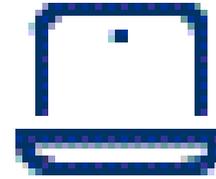


# PEO Operations and Administration

Data Driven Decision Making



Technology Integration and Employee Experience



Compliance and Regulatory Expertise



Broadened Service Offerings to Accommodate New Business Models



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# Q & A

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