STATE OF THE LINE REPORT

SUMMER 2023

WORKFORCE ABSENCE

Accommodations, disability and leave of absence trends and considerations

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Introduction

Sedgwick is known for taking a people first, tech forward, data driven approach to claims and productivity management. The extensive and diverse data we hold as the leading solutions provider in this space allows for sophisticated industry benchmarking and data analysis that can pinpoint trends, identify cost drivers and track performance metrics. How we use our robust bank of data to benefit our clients and partners is one of our many differentiators.

This report is one such value-added offering. It provides an overview of the current metrics used for our workforce absence claim programs and contextualizes the trends we see in our book of business within the broader story of the industry environment. While the report can offer useful information for your organization, it is not meant to be used as a side-by-side comparison with the data from your particular claims program. It also includes insights from Sedgwick's expert practice leads to offer perspectives on the previous quarter and an outlook on trends to watch for in the months ahead.

Thank you for your continued business partnership. We look forward to continuing to bring you additional data driven insights.

Sincerely,

K. Max Koonce
Chief claims officer, Sedgwick

Accommodations

David Setzkorn
SVP, disability and absence practice

The objective of this report is to provide a broad-based view of our current metrics for our accommodation program and an overview of the current environment surrounding accommodation and ADA claim administration.

Data parameters

Our compliance and data analytics teams collaborated to configure accommodation claim data into a Sedgwick "state of the line" report intended to compare and contrast our trends with other relevant industry trends.

Data is based on the calendar year (January through June) for each reporting period.

Summary/key observations

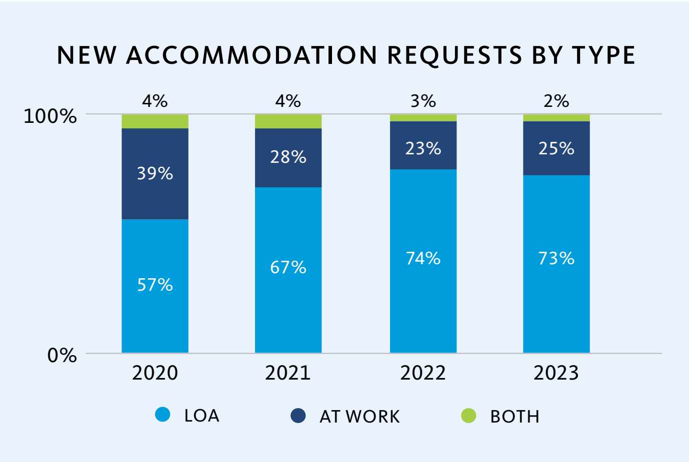
- During the first two years of the pandemic, many employees began working from home. Accommodation rates decreased in 2020 and remained low in 2021, as there was less of a need for at-work accommodations. In 2022, accommodation rates started to rise again, and that remained the case in 2023 year to date (YTD).
- 73% of accommodation requests are for leave only, compared to just 57% in 2020. This rate rose in 2021 and 2022, remaining steady in 2023 YTD.
- Related to at-work accommodations, work schedule modifications are trending down, and environmental modifications are trending up. This is related to the increase in work-from-home or hybrid work requests.
- Intermittent leave durations on accommodations continue a three-year trend of increases. Durations were 15.5 days in 2021 YTD, 16.3 days in 2022 YTD and 16.7 in 2023 YTD. Continuous leave of absence accommodation durations are going down — two days less than 2022 YTD.
- Employees within their first year of service are making up a larger portion of accommodation requests than in years past. In 2022, this jumped from 28% to 33% of all new requests and held steady at 33% in 2023 YTD. As changing companies becomes more common and the aftereffects of the great resignation, it is not surprising to see so many requests for employees as they start new jobs.
- Accommodations are granted at a remarkably high rate, over 90%; however, in 2022 we saw this rate drop by 4% and it did not bounce back in 2023. The granted rate only rose slightly, from 91.4% to 91.8%. At-work accommodations are granted at a higher rate than in prior years, but leaves are not.

New volumes

The accommodation incident rate is slightly down from 2022 YTD, though remains consistent year over year and higher than previous years. Volumes are slightly up due to the increase in the size of our book.

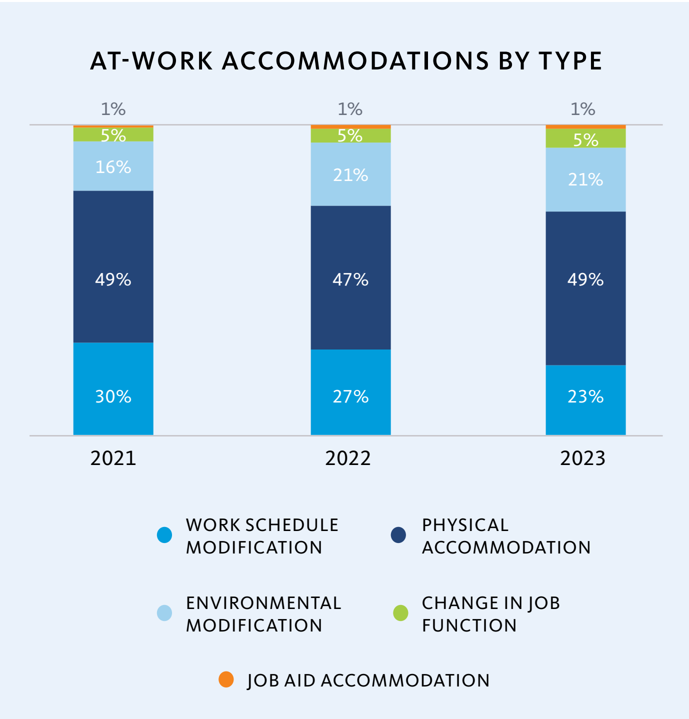
Requests by type

Over the past three years, we have seen a seismic shift in the types of accommodation requests. In 2020, 39% of accommodation requests were at-work accommodations and 57% were for a leave of absence. In 2021 and 2022, the leave of absence rate continued to rise to 74%. It did plateau a bit so far in 2023 but remains well above the 2020 rate.



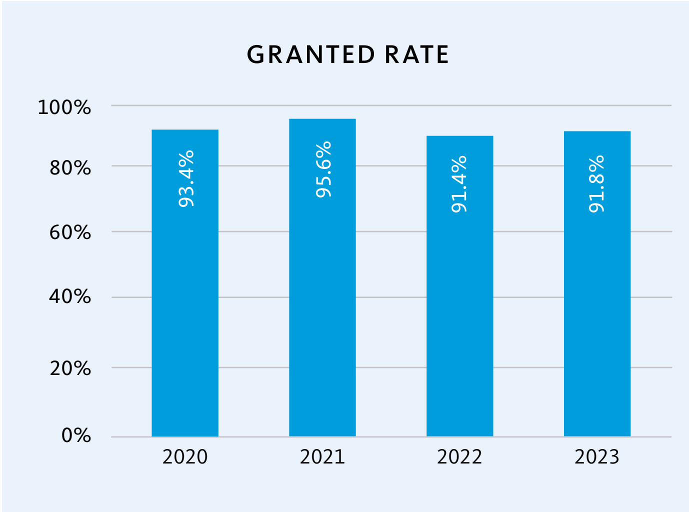
A greater work-from-home population required fewer at-work accommodations. As more companies return to the office, the at-work accommodations may continue to increase, though we also expect a substantial increase in accommodation requests related to not returning to the office full-time.

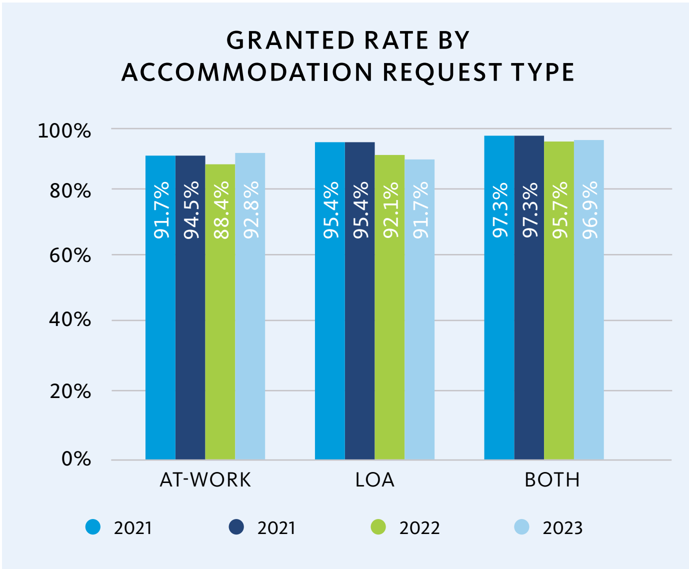
Looking specifically at the at-work accommodations, the two major shifts are a decrease in work schedule modifications and an increase in environmental modifications.



Granted rate

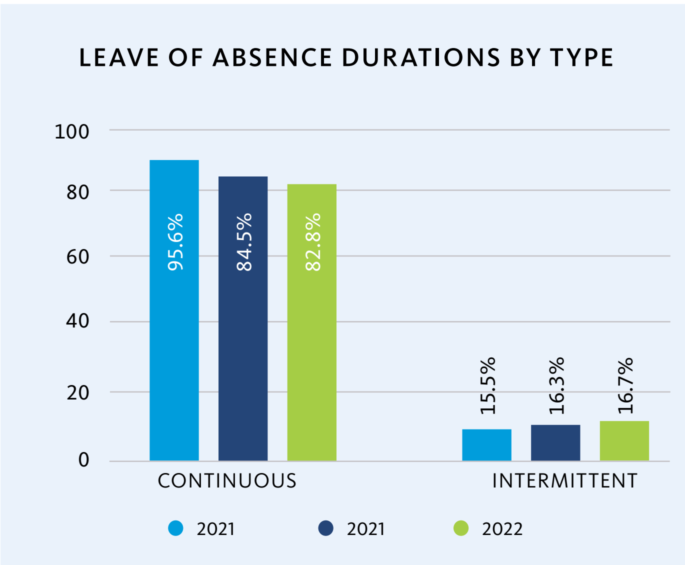
Accommodation requests continue to be granted at a high rate — over 90%. Despite the high rate, we continue to see a decline from peak rates during the pandemic. Both at-work and leave of absence requests were granted at a lower rate than in the past two years, however, leave of absence accommodations decreased the most. The decrease in overall granted rate is completely driven by leave of absence. At-work accommodations are granted at the highest rate of the past three years, but LOA accommodations are granted at the lowest.





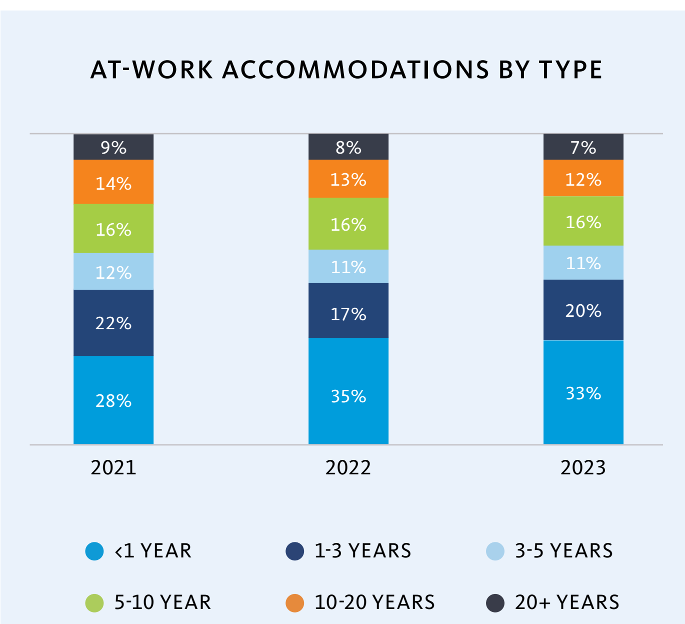
Durations

Leave accommodation durations are trending differently depending on case type. Durations for continuous leave as an accommodation are decreasing, which is different from stand-alone leave. However, intermittent leave durations are increasing at a similar rate to stand-alone leave. At-work durations can fluctuate greatly based on the nature and length of those requests. With the low volume, when we close an accommodation that has been approved for years it may increase durations.



Length of service

Employees with less than one year of service continue to dominate accommodation volumes. This rose in 2022 due to the number of employees changing jobs and remains over 30% today. Leave of absence requests for employees with less than one year of service are higher, at 39% 2023 YTD.



Future considerations

Working from home

Before the pandemic, the consensus in the courts was that it was at the discretion of the employer to decide if physical presence in the office was an essential function of most jobs and if remote work was not a reasonable accommodation. Now, the interactive dialog is paramount. After two years of teleworking, there will be questions about why employees with a disability cannot continue to do so as an accommodation. To justify hardship, an employer should be prepared to prove that although remote work was required during the shutdown, it was not effective (e.g., problems with technology, decreased productivity, lost sales, etc.).

The Equal Employment Opportunity Commission (EEOC) recently announced that it settled its first case related to an ADA accommodation tied to COVID-19 — and it involved work from home. Specifically, ISS Facility Services, Inc. (ISS), a workplace experience and facility management company, will pay $47,500 and provide other relief to settle a disability discrimination and retaliation lawsuit. The lawsuit alleged that an employee at ISS requested an accommodation to work remotely two days per week and be allowed frequent breaks while working on-site due to her pulmonary condition, which placed her at a greater risk of contracting COVID-19. Although ISS allowed other employees in her position to work from home, it denied her request and soon after terminated her employment. The agency's announcement doesn't detail whether ISS engaged in a robust interactive dialogue.

Litigations trends

2019 was the first time in the history of the ADA that disability charges were filed more frequently than any other type (e.g., race, color, religion, sex, national origin or age). Race had been the most common type of suit since statistics were kept. In 2021, that trend continued, and the gap between disability charges and other charges widened. The gap continues to widen.

This speaks to a couple of things:

- The requirement to interactively dialogue. The swift increase in claims has occurred in the 13 years since the ADA was amended in 2008, and it was in those amendments that Congress clarified that employers had to interactively dialogue with employees and find reasonable accommodations for them should they have an impairment.
- Employees becoming more familiar with their rights under the law.

Aided by claims related to COVID-19, it is expected that the trend will continue and the gap between disability litigation and everything else will remain steady or increase. While musculoskeletal, mental health and neurological disabilities are still the most cited impairments, it is thought that long COVID may become the most cited disability in three to four years.

Federal legislation

The Pregnant Workers Fairness Act (PWFA) went into effect on June 27, 2023. The law creates obligations for employers of 15 or more employees related to their pregnant employees who seek accommodations. One of the PWFA's primary provisions is the obligation for employers to interactively dialogue with pregnant employees who request accommodations (similar to the ADA's obligation).

Sedgwick has included PWFA language in many of our communications to help employers stay compliant with the new law. In addition, examiners have received training and tools to aid them in processing requests pursuant to the law.

In addition, the Providing Urgent Maternal Protections (PUMP) Act went into effect at the beginning of 2023. Under the PUMP Act, most nursing employees have the right to reasonable break time and a place, other than a bathroom, that is shielded from view and free from intrusion to express breast milk while at work. This right is available for up to one year after the child's birth. Note, lactation requirements do not flow from the ADA, but rather from the wage and hour division of the Department of Labor.

Supreme court case

In June 2023, the Supreme Court ruled that employers may no longer decline an employee's religious accommodation request by demonstrating a "more than de minimis" burden cost to the organization. The unanimous opinion in Groff v. Dejoy stated that, going forward, an employer must show that the requested religious accommodation poses a burden that is "substantial in the overall context of an employer's business." While it may be years before we have a better understanding of what this new standard looks like in practice, we do know that absence decision-makers should be aware of the new standard.

COVID-19 vaccine developments

Children as young as six months are now eligible for the COVID-19 vaccine. Boosters are available to a wider portion of the population and availability and accessibility of the vaccine are at their highest point. As COVID rates decreased and the labor market tightened, most companies began rolling back vaccine mandates. There has not been a significant volume of vaccine-related accommodations, and there is no expectation this will occur.

Accommodation acceptance

There has been an increase in company determinations to accommodate, which can be seen in the expanded processes some companies are implementing:

- Temporary accommodation process to see if the restrictions can be accommodated for 30 days while pending receipt of medical documentation.
- Requesting that a business justification form be completed by the managers with HR if the accommodation request is not approved.

Short- and long-term disability

David Setzkorn

SVP, disability and absence practice

The objective of this report is to provide a broad-based view of our current metrics for our disability programs and an overview of the current environment surrounding disability claim administration.

Data parameters

Our compliance and data analytics teams collaborated to configure JURIS® claims data into a Sedgwick "state of the line" report intended to compare and contrast our trends with other relevant industry studies.

Data is based on the calendar year, January through June for each reporting year.

Summary/key observations

- Short-term disability (STD) incident rates decreased during the first half of 2023, going from 13.5% during 2022 YTD to 10.8% 2023 YTD. This is exclusively due to the decrease in COVID volumes. Excluding COVID, STD incident rates are flat year over year.
- Infectious disease (COVID) dropped from the top diagnostic group of the past three years to No. 9, at only 3.3% of new claims. Mental/substance is now the No. 2 group behind pregnancy. Prior to the pandemic, musculoskeletal was always ranked higher than mental/substance.
- Despite this higher rank of mental/substance, the incident rate dropped to the same rate as in 2019. This was a trend for all the top four diagnostic groups, having lower incident rates than in 2019. Rates for anxiety — a subgroup of all mental health claims — have also started to decrease slightly, though they are still 3.6% higher than in 2019.
- Average duration on STD claims increased YTD due to the lack of COVID volumes, however, durations excluding COVID are down 1.7%. Of the top five diagnostic groups, musculoskeletal is the only group that shifted more than 1% with a 2.7% decrease.
- Overall claims denials are at a consistent rate compared to the prior year. However, there was a shift to slightly fewer initial denials and slightly more subsequent denials; more claimants are being initially approved. Claims are being denied more frequently than in prior years for medical not supporting disability.
- Long-term disability (LTD) claim volumes have been trending up over the past three years, at 6.1% and 2.3%, respectively. This can also be seen through our STD data in which claims closing due to benefit exhaustion are increasing while return to work rates decrease.

Short-term disability

New claim volumes

During the first half of 2022, new claim volume was 13.3% higher than during the first half of 2021. This was due to an unprecedented spike in COVID claims during January 2022. Claim volumes throughout the second half of 2022 remained low and this trend has continued into 2023. We are now seeing claim volumes similar to pre-pandemic levels.

To normalize the data, the focus is on the incident rate — 13.5% of eligible employees filed a claim in 2022 YTD compared to 10.8% in 2023 YTD.

Incident rates by year

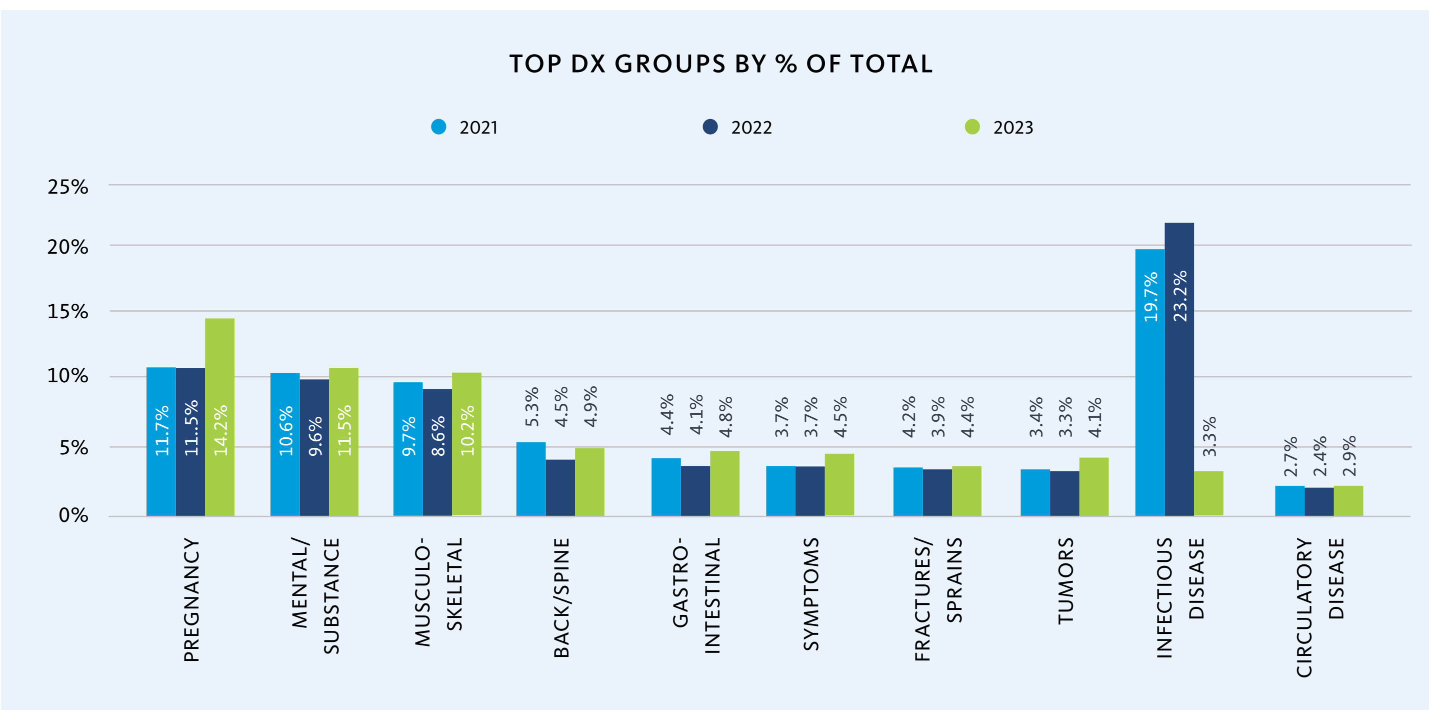
2021 incident rate	2022 incident rate	2023 incident rate	Prior year % change	Current year % change
13.2%	13.5%	10.8%	2.5%	-20.4%

With COVID removed, incident rates are stable, hovering between 10.5% and 10.7% the last three years. This is in line with 2019, where the incident rate was 10.8%.

Incident rates by year, excluding COVID

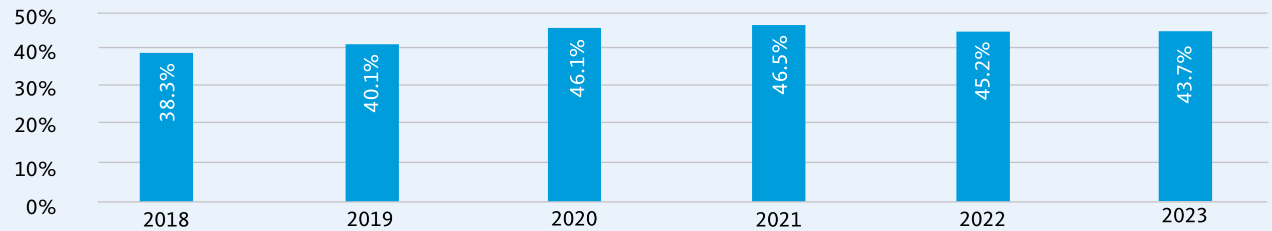
2021 incident rate	2022 incident rate	2023 incident rate	Prior year % change	Current year % change
10.7%	10.5%	10.5%	-1.3%	-0.1%

COVID volumes (infectious disease) have drastically decreased. Throughout the pandemic, COVID claims accounted for 20% or more of all new STD claims. This dropped to only 3.3% in 2023 YTD. While this is still significantly higher than 2019 (0.9%) pre-pandemic, it is a sign the pandemic is nearing an end. The increase in other groups is not necessarily due to more new claims but rather the decrease in COVID, causing other groups to make up a larger piece of the whole.



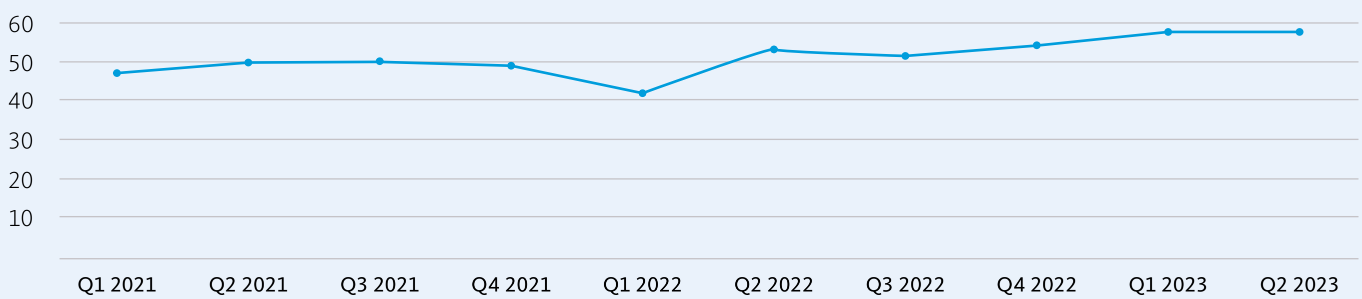
For mental health, early in the pandemic, anxiety rates rose significantly. This made sense as uncertainty regarding the pandemic was high, and employees were worried about their health and financial well-being. From 2019 to 2020, anxiety incident rates increased by 19.2% and remained high through 2021. In 2022, that rate began to decrease and has continued to drop in 2023. At 43.7%, anxiety still makes up a larger portion of all mental/substance claims than pre-pandemic but is down from the prior three years; the pre-pandemic rate was at or below 40%.

ANXIETY AS A % OF ALL MENTAL HEALTH



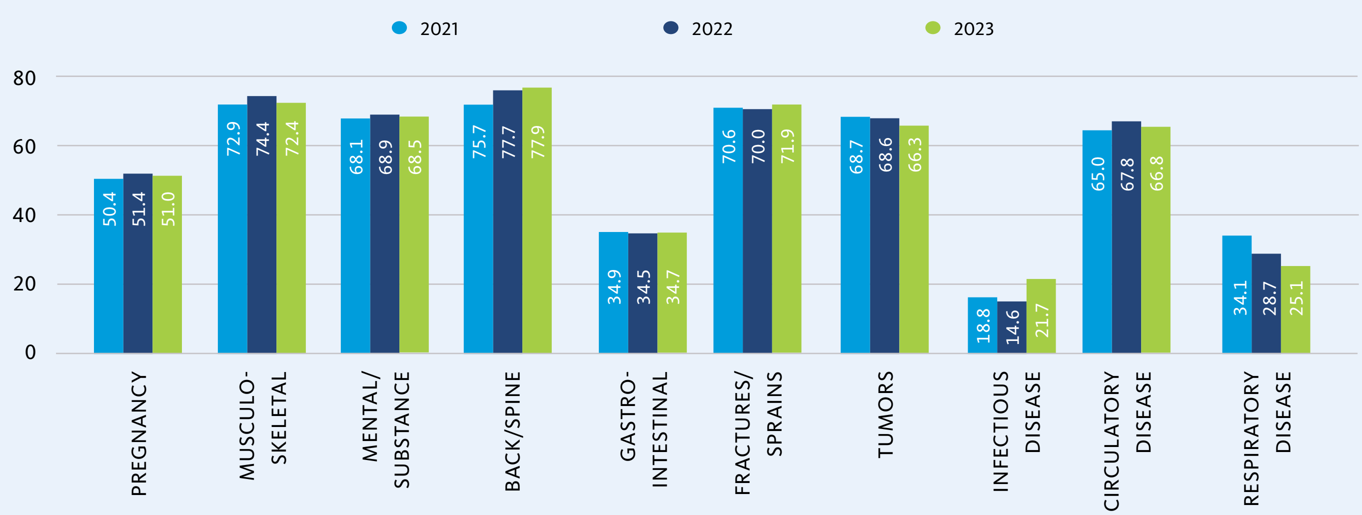
Overall STD durations are up 18.7% from 2022 YTD. This can largely be attributed to the decrease in COVID claims. COVID claims have significantly lower durations than non-COVID claims, at 21.7 days in 2023. In having fewer claims with a shorter duration, the overall average approved days goes up. This can be proven by looking at the Q1 2022 dip in duration, where we had a significant volume of COVID claims closing after the January spike in new claims. Looking at durations without COVID claims included, durations dropped one day, going from 58.7 days in 2022 YTD to 56.7 days in 2023 YTD.

AVG. DURATION OF APPROVED DAYS

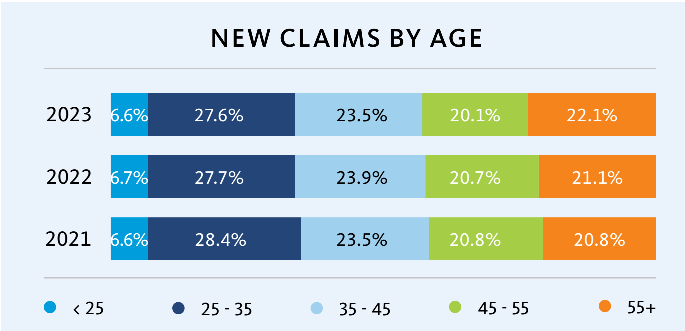


COVID durations have gone up from 2022 YTD, increasing by 48.6%. This could be because of more frequent, milder cases of COVID occurring in 2022 compared to less frequent but more severe cases in 2023. Musculoskeletal durations are down 2.7% from 2022 YTD, however, are in line with 2021 YTD durations. All other groups in the top five are within 1% of 2022 durations.

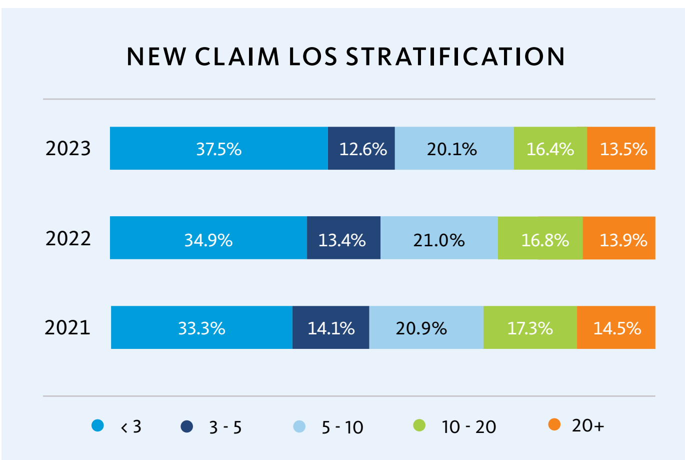
TOP DIAGNOSTIC GROUPS BY DURATION



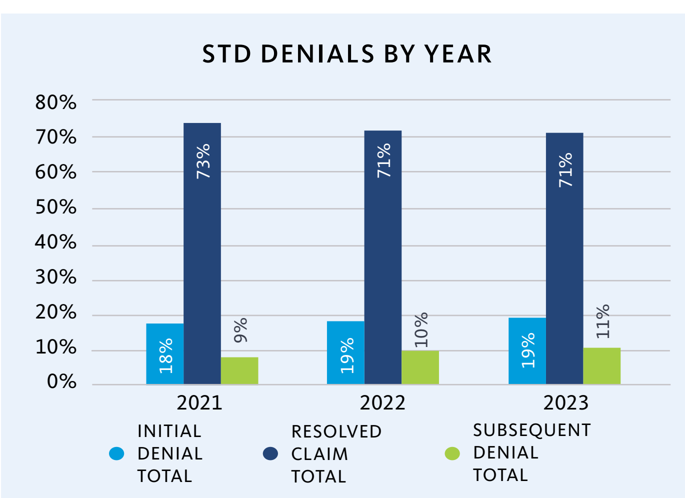
The age distribution of new STD claims reported has been relatively stable over the past three years. The largest deviation is employees over 55 are making up a larger chunk of overall new claims, while the 25-35 age bucket is decreasing.



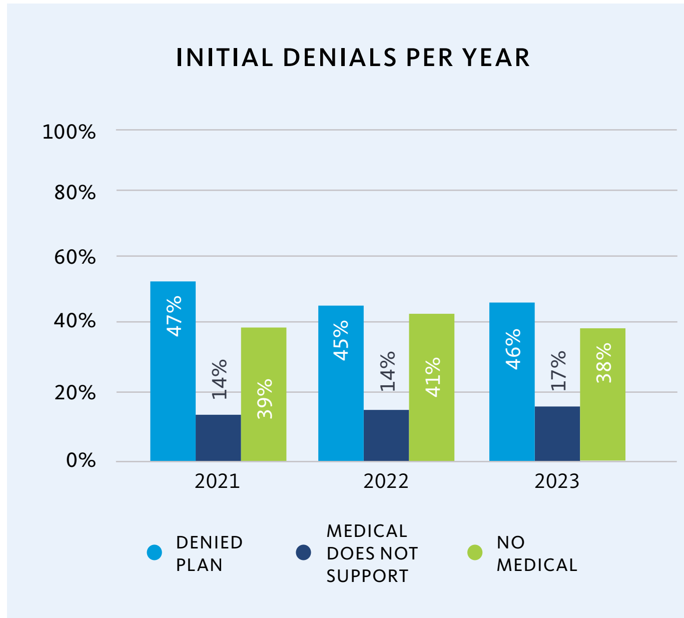
Employees with less than three years of service continue to drive the claims market. From 2017 to 2019, employees with less than three years of service accounted for 30% of new STD claims. This has been increasing throughout the pandemic, and in 2023, YTD hit an all-time high of 37.5%.



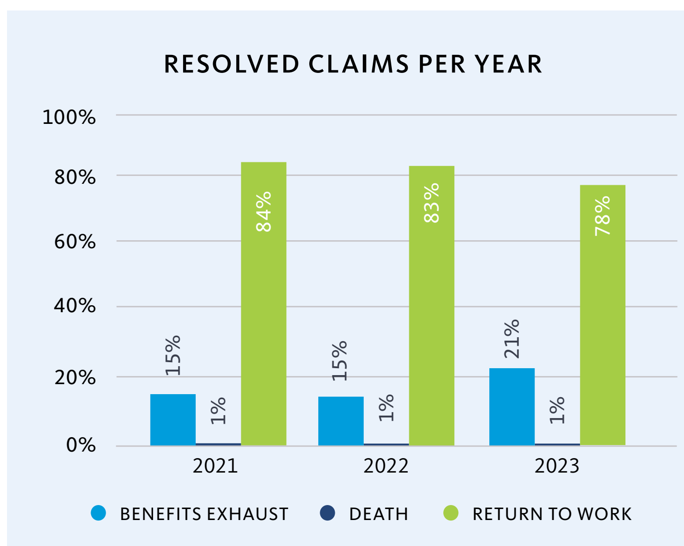
Initial denials are down slightly from 2022 YTD; however, subsequent denials are up. The total percentage of claims that end in a denial is the same as last year.



Denials due to no medical are down from 2022 YTD, where this number peaked at over 40%. Prior to the pandemic, STD denials due to no medical were closer to 27% of closed claims, so results are still significantly higher. Denials due to medical not supporting disability account for 17% of initial denials, closer to pre-pandemic levels of about 19%.

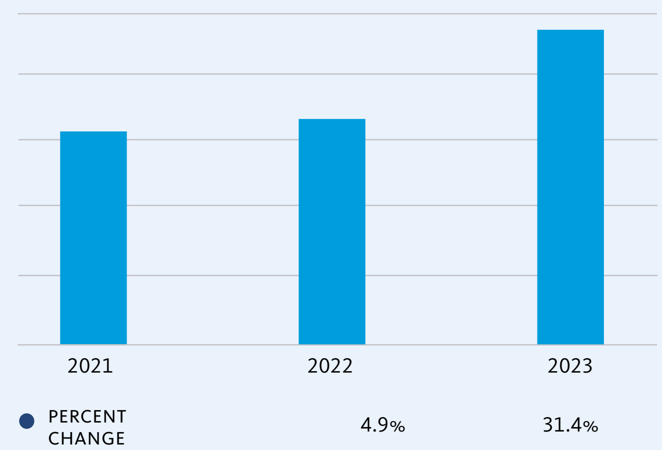


The rate of claims ending with a claimant returning to work is at an all-time low of 78%. This number has historically never dipped below 80% of resolved claims not ending in a denial.



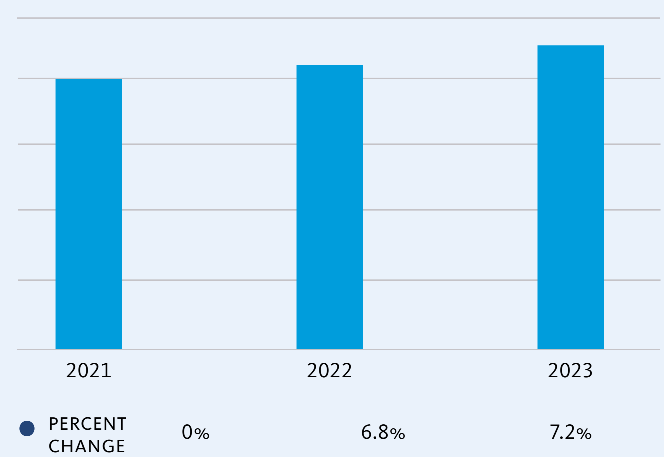
The average cost per claim increased significantly from 2022 YTD to 2023 YTD. There are multiple reasons for this: increasing salaries due to inflation; more robust benefits offered by employers to attract and retain talent; and claim mix, specifically the decrease in COVID claims. COVID claims, being shorter in nature, cost less than non-COVID claims.

STD AVG COST/CLOSED WITH % CHANGE



If we look at cost per claim without COVID included, we see a much lower, though still substantial, increase in cost per claim.

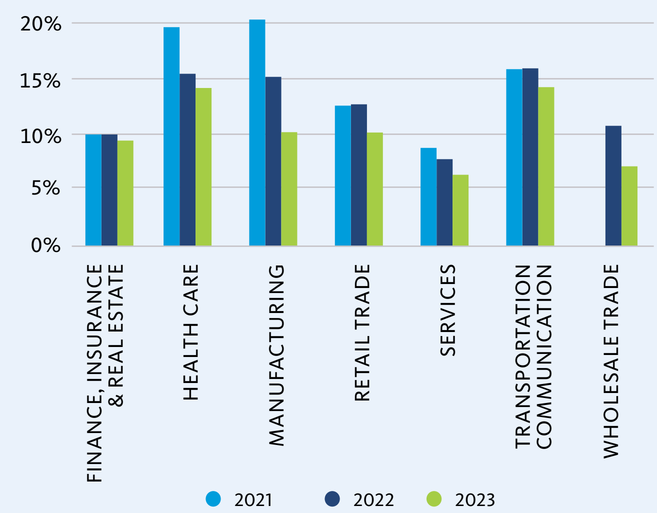
STD AVG COST/CLOSED WITH % CHANGE NON-COVID



Volume changes vary quite a bit by industry. Traditional office jobs are seeing volumes remain flat or increase slightly; this includes finance, insurance and services industries. Customer-facing or hands-on industries, such as healthcare, manufacturing and retail, all saw volumes decrease.

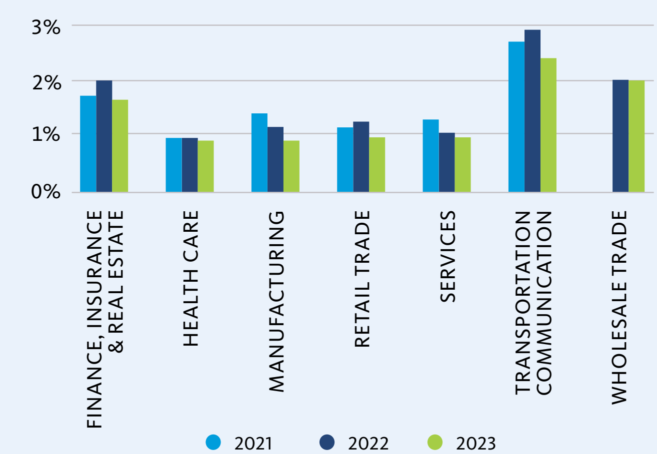
Looking at year-over-year incident rates by industry, every industry has a lower incident rate than 2022 YTD, and all but retail and transportation, communication and power have seen a three-year decline during the first half of each year.

STD INCIDENT RATES BY INDUSTRY PER YEAR



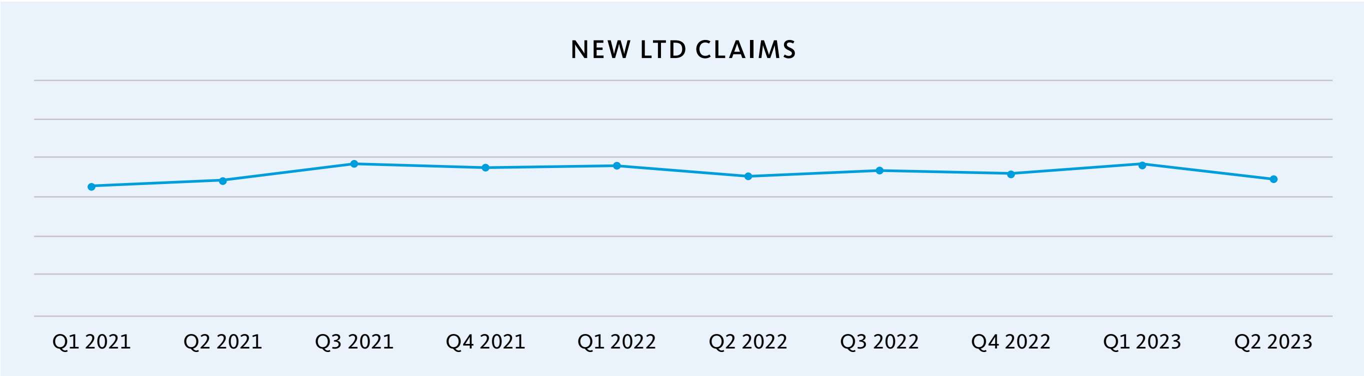
Mental health is the number two diagnostic driver, behind pregnancy claims. This is a change, as pre-pandemic, mental health claims had always been the No. 3 diagnostic group, after musculoskeletal. There are some positive trends, however, as the mental health incident rate has gone down in 2023 for all industries.

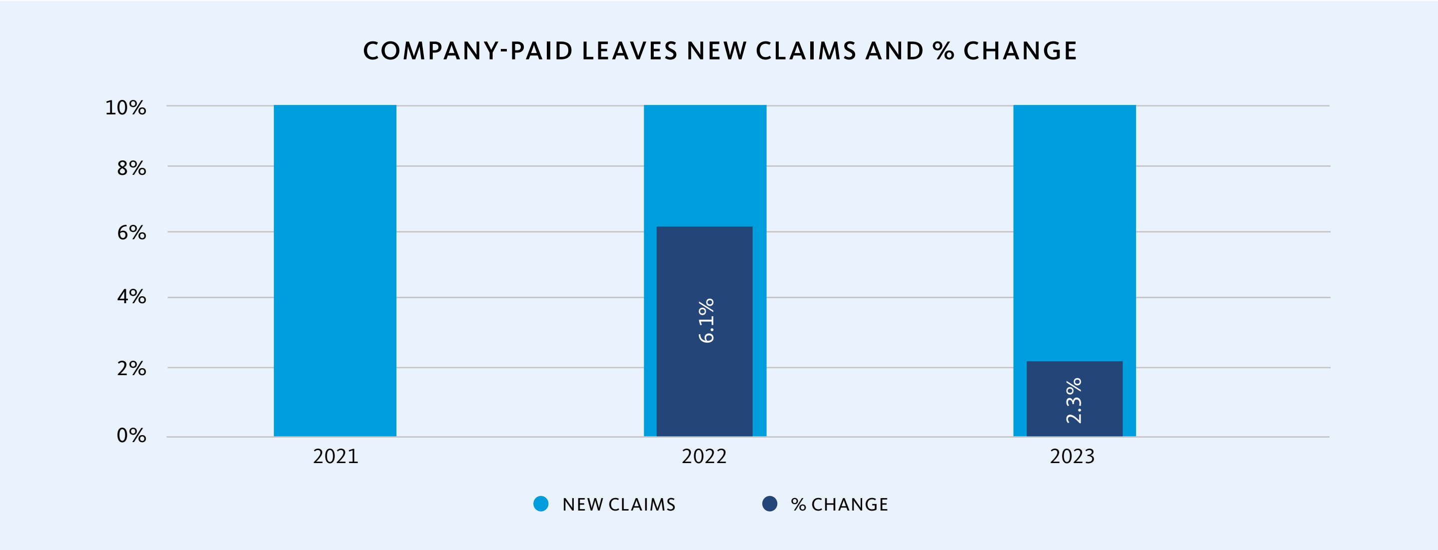
MENTAL HEALTH INCIDENT RATES BY INDUSTRY



Long-term disability

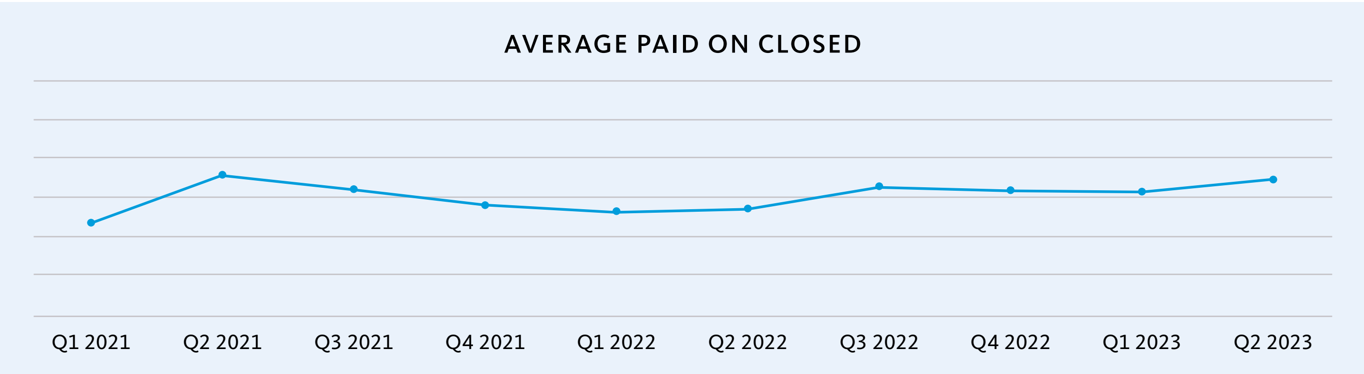
For the first time since Q3 2021, there was a slight jump in new LTD claims during Q1 2023. This aligns with STD results, with more claims ending due to benefits exhausted than prior years and a decrease in return-to-work rates.





Despite the increase in new LTD claims, the open status volumes are trending down. So far this year, 7.1% more LTD claims have been closed than the same period last year.

The average paid on closed LTD claims jumped up in Q2 2023, driving up the total YTD increase by 15.9%.



Future considerations

Mental health

According to the Psychiatric Times, the supply of mental health providers has been decreasing. An estimated deficit of 7,500 psychiatrists is projected for 2025. The AAMC reports this number could be as high as 31,000, since 150 million Americans live in areas short on mental health professionals. If employees struggle to find appropriate care or have long wait times to see a provider, this could lead to changes in approval/denial rates or an increase in mental health claim durations.

A consideration for employers is to increase their mental health benefits that provide employees support while keeping them at work. SHRM.org indicates that 61% of Gen Z and 48% of Millennials are likely or highly likely to leave their job for a company that offers significantly better mental health benefits. With these generations currently making up approximately 38% of the workforce and expected to grow to 58% by 2030, it is increasingly important for employers to continue to support employees' mental health needs. Additional SHRM research suggests employees are also interested in:

- Classes such as mindfulness or yoga (26%).
- EAPs (23%).
- Mental health apps (21%).
- Mental health support groups (16%).
- Mandatory mental health training for managers (16%).
- Mandatory mental health training for employees (16%).
- Workshops on mental health (15%).
- Educational resources on mental health (13%).

Another consideration is to review short-term disability plans, specifically any provisions for treating with a mental health professional. A study on Bank of America showed that by expanding the definition of an appropriate provider to include clinical psychologists and psychiatric nurse practitioners, the mental health denial rate decreased from 10.9% to 3.7%.

Long-haul COVID-19

Research suggests that between one month and one year after having COVID-19, one in five people ages 18 to 64 has at least one medical condition that might be due to COVID-19. Among people age 65 and older, one in four has at least one medical condition that might be due to COVID-19. The Centers for Disease Control and Prevention recently published that overall, one in 13 adults in the U.S. has "long COVID" symptoms.

The most commonly reported symptoms of long-haul COVID-19 include:

- Fatigue.
- Symptoms that worsen after physical or mental effort.
- Fever.
- Lung (respiratory) symptoms, including difficulty breathing or shortness of breath and cough.

Long-term COVID-19 is becoming an increasing cause of disability and accommodation requests.

Sedgwick began tracking when physicians certify a claim as long COVID-19 in October 2022. Less than one claimant per 100 employees has reported a long COVID-19 short-term disability (STD) claim, however, we are only capturing long COVID-19 when it reaches severity requiring absence from work and a physician identifies the claim as long COVID-19 on the medical paperwork.

Females are more likely to file a STD long COVID-19 claim, accounting for 59%. Long COVID-19 claims skew toward an older population. Twendy eight percent of long COVID claims are for claimants 55 or older, with the median age being 47.4 years. These are both higher than national averages; the US. Bureau of Labor Statistics reports the median age in the workforce at 42.3 years and 23% of workersbeing 55 or older.

Gender	Percent of claims
Female	59%
Male	41%
Median age	**47.4**

Age group	Percent of claims
< 25	2%
25 - 34	16%
35 - 44	27%
35 - 54	27%
55+	28%

Expansion of paid leave policies

Paid leave provides financial support (and sometimes job protection) when a new child or a personal or family care need requires an employee to take time away from work. Partially due to the after-effects of COVID-19, employers and politicians better understand how necessary it is to provide paid leave to workers in support of themselves and their families. Because of the failure to implement a federal paid leave option, and no likely passage of one with Congress' current makeup, states are continuing to establish and expand paid leave programs. Here is a list of recent implementations and expansions:

- Paid Leave Oregon — effective Sept. 3, 2023. Oregon Family Leave Act (OFLA) — Effective Sept. 3, 2023, OFLA is adding qualifying family members to match Paid Leave Oregon. In addition, effective July 1, 2024, the calculation method for OFLA will change to a rolling forward calculation and use the same definition of benefit year to match Paid Leave Oregon. These changes are being made to prevent the stacking of Paid Leave Oregon and OFLA.
- Colorado Family and Medical Leave Insurance Program (CO FAMLI) — Effective Jan. 1, 2024.
- Washington Paid Family and Medical Leave (WA PFML) — Effective Jan. 1, 2025, any interested party will have access to certain records and information related to an employee's paid family or medical leave claim, including the type of leave being taken, the duration of the leave, and whether the employee was approved for and paid benefits. This Washington amendment defines "interested party" as a current employer, a current employer's third-party administrator or an employee
- California Paid Family Leave (PFL) and State Disability Insurance SDI — For SDI and PFL claims beginning on or after Jan. 1, 2025, individuals who earn 70% or less of the state average quarterly wage will receive a benefit of up to 90% of AWW. Individuals who earn more than 70% of the state average quarterly wage will receive a benefit of up to 63% of AWW.
- Maryland enacted a Family and Medical Leave Insurance Program on April 9, 2022, effective Jan. 1, 2026.
- Delaware enacted the Delaware Healthy Families Act on May 10, 2022, effective Jan. 1, 2026.
- Minnesota enacted a Paid Family and Medical Leave Act on May 25, 2023, effective Jan. 1, 2026.
- Maine enacted a Paid Family and Medical Leave Act on July 11, 2023, effective Jan. 1, 2026.

Recent state programs have implemented a two-part (and sometimes three-part) formula, providing a higher percentage of wage replacement to lower-wage workers. This was done in hopes of supporting people who are more financially insecure. This trend started with Washington, which provides low-wage earners 90% of their earnings, and Minnesota and Maryland whose 2026 benefit will pay 90% to low-wage earners. Below is a list of states that have the multi-part formula, and the percentage of wage replacement that they offer lower-wage earners.

- WA PFML — 90%
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Generally, the definition of family member has trended to be more inclusive; recently-enacted laws extend the definition of family member beyond parents, spouses and children to include grandparents, grandchildren, siblings, parents-in-law and domestic partners. More importantly and more generously, in six states, family also includes a person "to whom the worker is related to by blood or affinity." The "blood or affinity" family member definitions are applicable in Washington PFML, New Jersey FLI, Connecticut FMLA and Paid Leave, CFRA, Paid Leave Oregon and Colorado FAMLI. Interestingly, both Maryland and Delaware have chosen to not follow the trend of this expanded family member definition. Minnesota and Maine have decided to buck the trend and continue with the "blood or affinity" relationship as part of their PFML programs.

Upcoming implementations and likely new states

In 2023, two states will be implementing plans simultaneously. Specifically, Oregon Paid Leave benefits begin Sept. 3, 2023, and Colorado FAMLI benefits begin Jan. 1, 2024. After that, we have our first quadruple implementation: Delaware, Maine, Maryland and Minnesota will all roll out on Jan. 1, 2026.

These states will not be the last. Based on the current makeup of the legislatures and governorships, it is likely programs will pass in Vermont, Michigan and New Mexico. Many other states have proposed legislation this year and, while not successful in this congressional term, will likely try again as they have for the past few years.

Unpaid and paid leave of absence

David Setzkorn

SVP, disability and absence practice

The objective of this report is to provide a broad-based view of our current metrics for our leave of absence programs and an overview of the current environment surrounding leave case administration.

Data parameters

- Our compliance and data analytics teams collaborated to configure TAMS data into a Sedgwick “state of the line” report intended to compare and contrast our trends with other relevant industry trends.
- Data is based on the calendar year (January through June) for each reporting period.
- Unpaid leave data considers stand-alone cases only, meaning there is no concurrent disability claim. This is to avoid double counting cases that are simply running in the background of a disability claim, while disability is the primary claim. Data on unpaid leave running concurrently with disability would mirror the disability report.

Summary/key observations

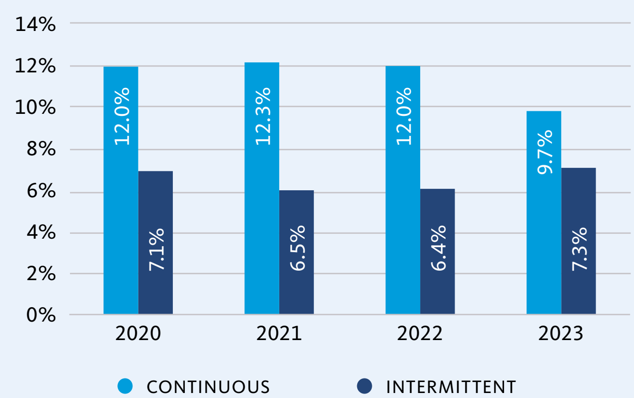
- Unpaid stand-alone leave volumes reached an all-time high in January 2022 due to an unprecedented spike resulting from high COVID volumes. Volumes and incident rates quickly fell throughout the rest of 2022, and this trend continued into 2023. Incident rates overall were down 19% for continuous leaves from 2022 YTD to 2023 YTD.
- Intermittent leave rates are increasing to higher than pre-pandemic levels. In 2018 and 2019, the intermittent incident rate was 7%; 2023 YTD intermittent incident rate is 7.3%.
- Leave denial rate is stable year over year, hovering just below 40%. Denial reasons are trending toward more no-medical and fewer eligibility denials. Within eligibility denials, however, the gap between hours not worked and length of employment remains smaller than ever.
- Length of approved leave (LOAL) on continuous and intermittent leaves is up 21% for continuous leaves and 7.1% for intermittent.
- Paid leave volumes were stable year over year, with company paid leave volumes decreasing slightly and statutory volumes increasing — changes of -4.2% and 15.4% respectively.
- Durations on company-paid leaves have been trending upward each of the past three years. This is primarily due to employers increasing the length of paid leave offered to their employees.

Unpaid leave

Unlike the prior two years, we did not see as significant of a claim volume increase in Q1 2023 as in the past. This is primarily due to the decrease in COVID volumes, which only accounted for 1% of new leaves in 2023 YTD.

Unpaid leave incident rates spiked in 2020 at the onset of the pandemic. 2023 YTD has seen a drastic decrease in continuous leave incident rates as COVID volumes declined. This is still higher than pre-pandemic, as continuous leave incident rates ranged from 7.5% to 8.5%. Non-COVID incident rates for continuous leave are down slightly from the prior two years, from 9.7% to 9.5%.

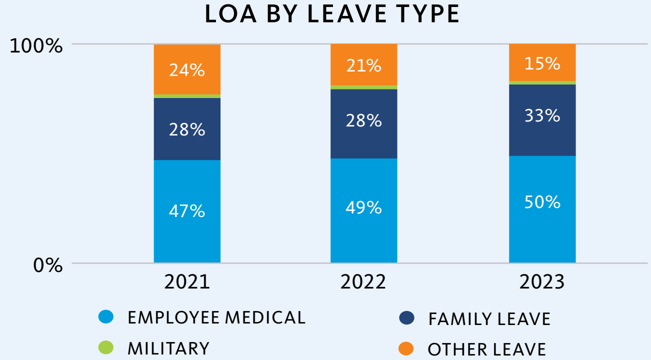
LOA INCIDENT RATE



Intermittent leave has been down throughout the pandemic, however this year, the rates approached and surpassed pre-pandemic rates. In 2018 and 2019, the intermittent incident rate was 7%, and 2023 YTD is at 7.3%.

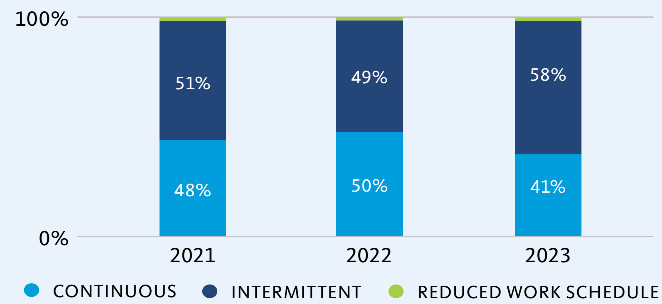
The distribution of employee medical leave cases is virtually unchanged from prior years. There is a shift toward more family leaves and fewer personal leaves. Family leave is down from pre-pandemic rates, with this percentage shifting toward personal leaves. This can be attributed to employers providing and states mandating paid family leaves, thus reducing stand-alone unpaid family leaves, as well as employers adding additional unpaid leave benefits such as bereavement.

LOA BY LEAVE TYPE

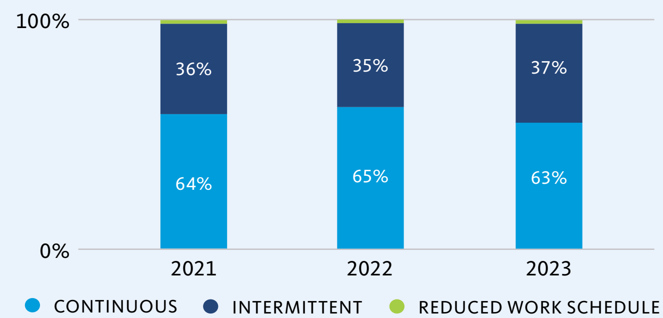


This shift to more intermittent leaves and fewer continuous is noticeable in both employee medical and family leaves, however much more significant for employee medical.

EMPLOYEE MEDICAL BY CASE TYPE

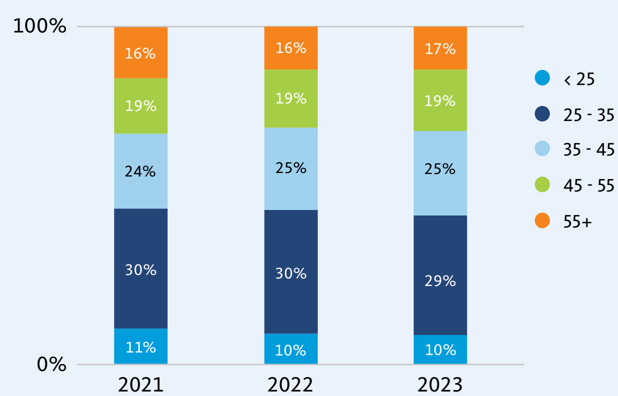


FAMILY LEAVE BY CASE TYPE

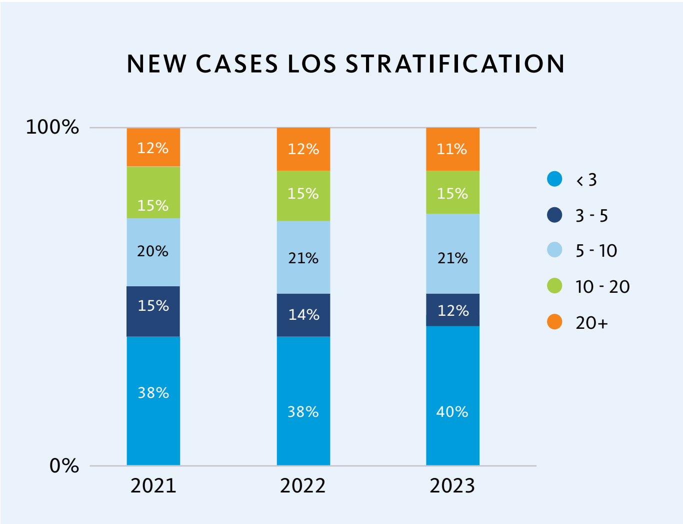


The average age of claimants filing stand-alone leave has remained relatively constant over the past three years.

NEW CASES AGE STRATIFICATION



There is a slight shift in new claims toward claimants with fewer than three years of service, however, it is much less pronounced than on disability. This group does still make up most leave cases, double over the next group.



The approval rate for stand-alone leaves has remained relatively flat each of the past three years. For non-COVID leaves, this rate is over 60% for the first time since 2020.

INITIAL DETERMINATION ON CLOSED CASES

	2021	2022	2023
Approved	61.42%	60.36%	61.44%
Denied	38.58%	39.64%	38.56%

Overall, the most common reason for an initial leave denial is missing or incomplete certification. This is the same trend seen in disability; as claimants struggle with access to care or learning how to use telemedicine, the chance of missing or incomplete certification increases.

	2021	2022	2023
Certification denied	2.7%	2.8%	3.4%
Denied due to eligibility	42.5%	39.3%	37.3%
Exhausted leave	2.3%	1.9%	1.9%
Missing or incomplete certification	52.1%	55.7%	57.3%
Other	0.3%	0.2%	0.1%

	2021	2022	2023
Certification denied	2.6%	2.7%	3.2%
Certification not received	50.3%	53.5%	54.6%
Concurrent denied	0.1%	0.1%	0.1%
Employment length not met	10.9%	14.6%	13.2%
Exhausted leave benefits	2.3%	1.9%	1.9%
Hours worked not met	23.3%	16.9%	15.5%
Incomplete certification	1.8%	2.3%	2.6%
Per employer	0.3%	0.2%	0.1%
Per policy	8.2%	7.9%	8.7%

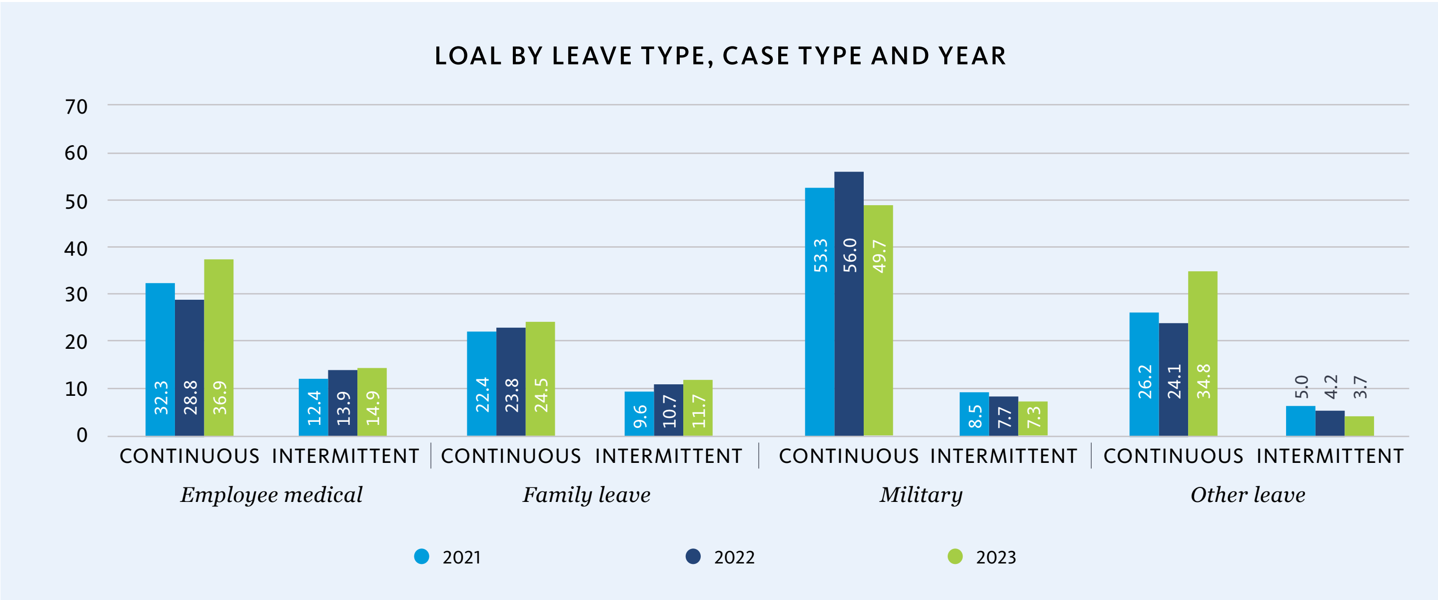
Looking deeper into eligibility denials, the trend that started in 2022 continues into 2023. Denials due to length of employment are still up from 2021 and prior years, though lower than 2022. Denials due to hours worked continue to decrease, while denials related to employer policy continue to rise, making up for the drop in hours worked not met.

	2021	2022	2023
Employment length not met	25.7%	37.1%	35.3%
Hours worked not met	54.9%	42.9%	41.5%
Per policy	19.4%	20%	23.2%

Length of approved leave (LOAL) on continuous leaves has increased by 21% from 2022 YTD to 2023 YTD. Excluding COVID leaves, however, this increase is only 1.6%.

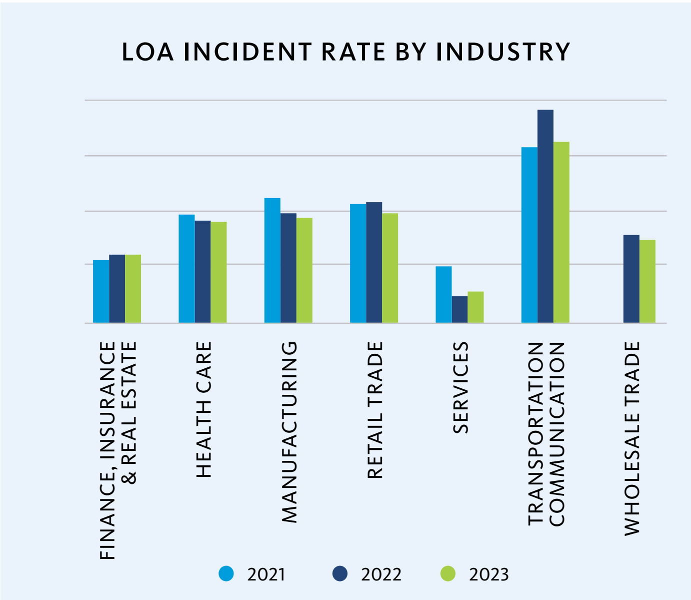
In our non-COVID book, the duration of employee medical and family leaves continue to trend up each of the past three years, with both almost two days higher than durations in 2021 YTD.

On the intermittent side, this increase is even more significant. Overall intermittent length of approved leave increased from 12.5 days to 13.4 days (7.1%). Both employee medical and family leaves increased by over two days since 2021 YTD, the same number of days increase as continuous. However, with a longer duration to begin with this is a much larger percentage gain (5.1% and 8.8%, respectively).

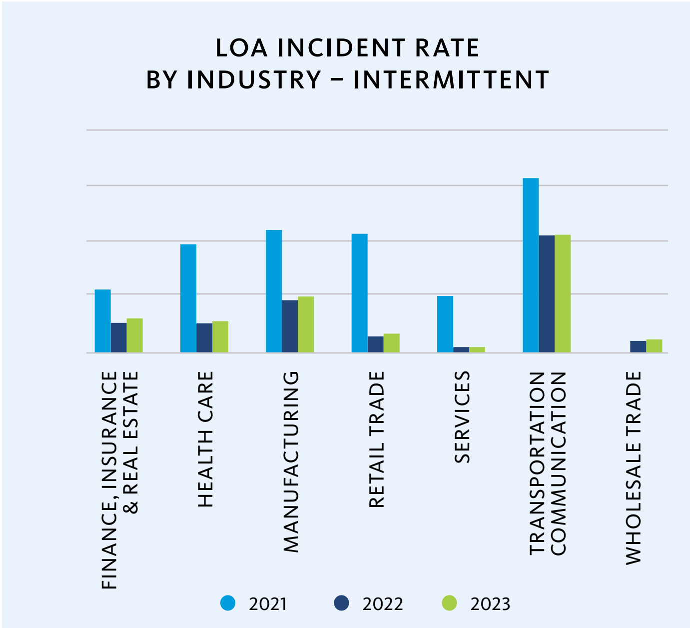


Similar to disability, volume changes vary dramatically by industry. Traditional office jobs are seeing volumes remain flat or increase, including finance, insurance and services industries. Customer-facing or hands-on industries, such as healthcare, manufacturing and retail, all saw volumes decrease.

In terms of incident rate, all industries are down, except finance/insurance and services. Even those two industries are flat year over year with no increase in rates.



Incident rate specific to intermittent leaves tells us a different story, where it has risen for all industries except transportation, communication, and power, which has always had a significantly higher intermittent incident rate than other industries.



Paid leave

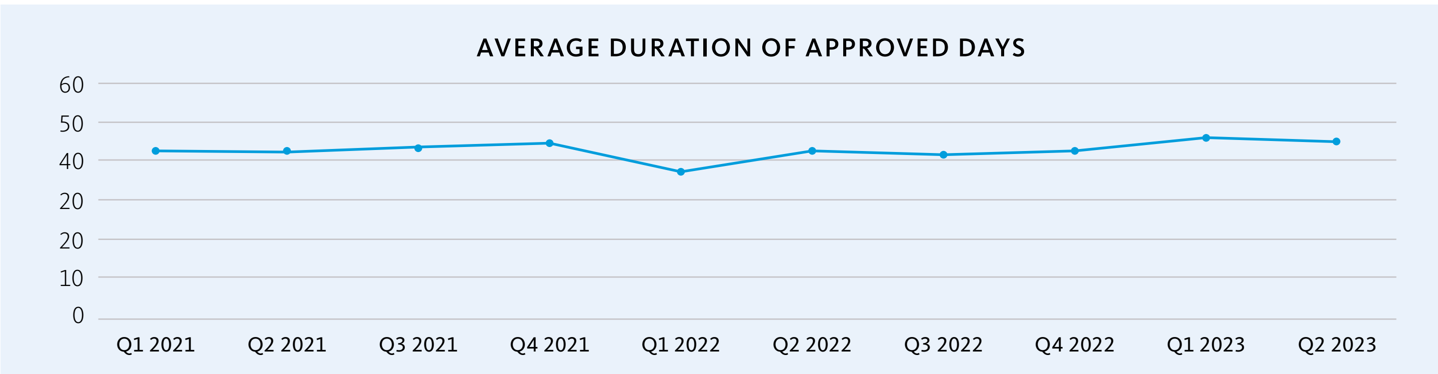
The overall paid leave book managed by Sedgwick flattened out in 2023, after increasing for several years in a row. This is due to a slight decrease in company paid leaves, despite the continuing rise in statutory leaves.

As with volumes, the incident rate in 2023 YTD decreased. Volumes are still significantly higher than in 2021, however, incident rates are even with 2021. Due to the low incident rates, we see exceptionally large percentage change shifts in incident rates.

2021 incident rate	2022 incident rate	2023 incident rate	Prior year % change	Current year % change
3.9%	4.7%	3.9%	20.2%	-16.1%

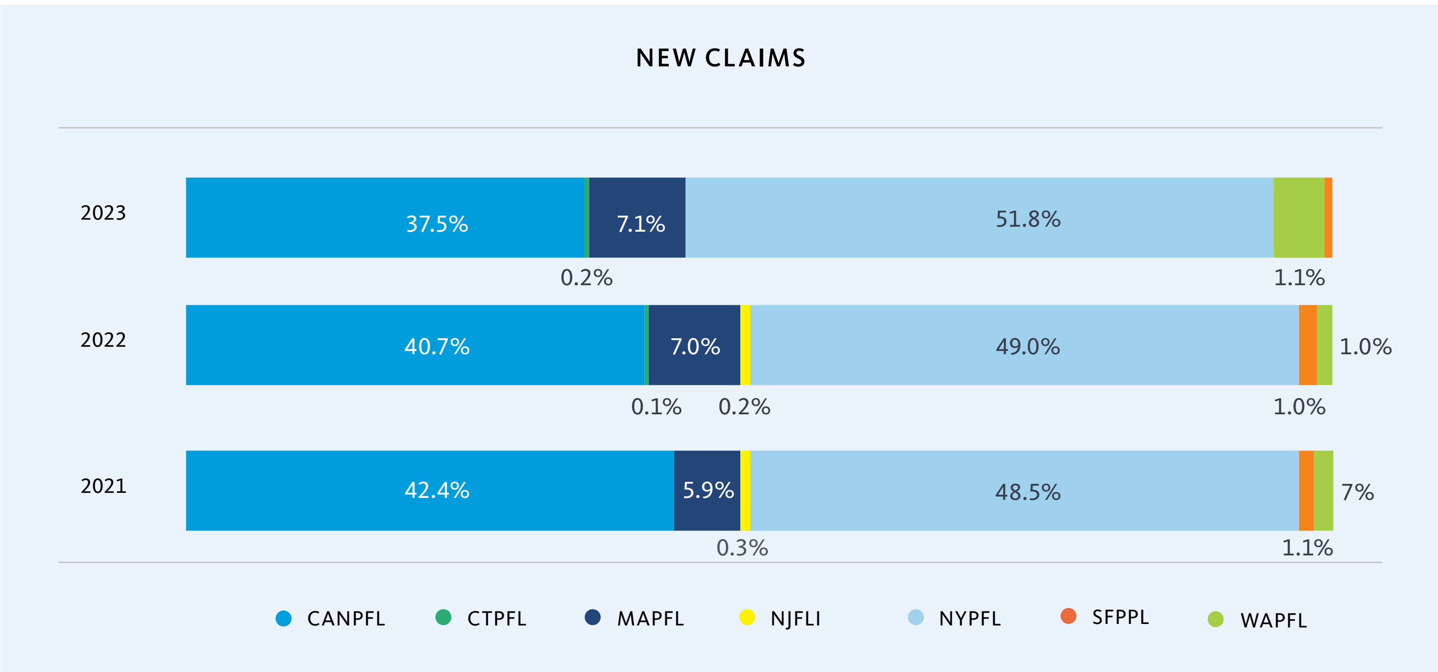
Company-paid leaves

Paid leave durations have been relatively flat throughout the last three years, except for Q1 2022. Company-paid leave durations are likely to rise slowly as employers offer more generous plans. Since 2020, the number of plans that offer four weeks of paid leave or less has decreased from 45% to 24%.

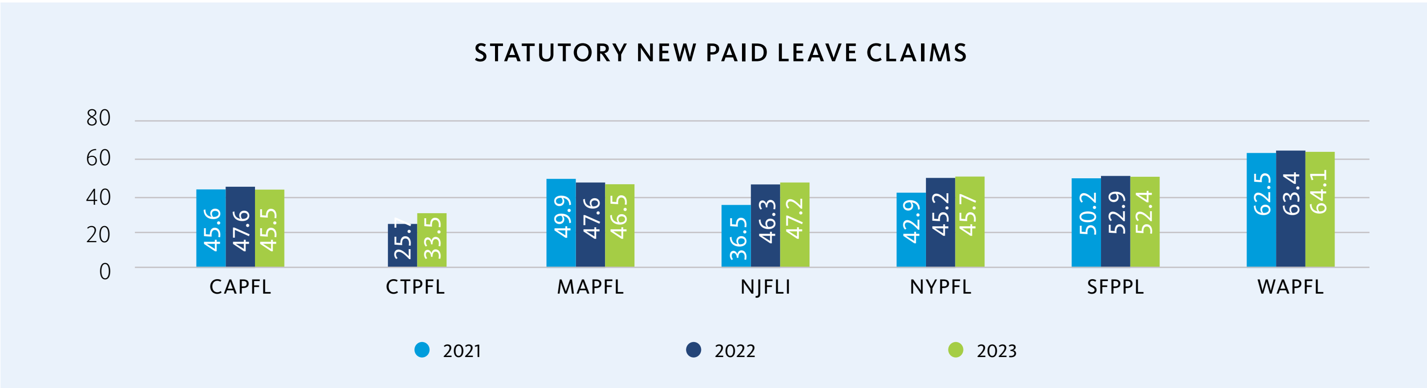


Statutory paid leaves

There have been no new statutory paid leave benefits implemented yet in 2023, though Oregon and Colorado are coming up in the next six months. There has been an overall increase of 15.4% in new statutory paid leave claims. This can be attributed to the expansion of benefits in select states.



Durations on statutory leaves are slightly down, however, it is more meaningful to look at the individual state level. California PFL durations are down almost two days, driving our overall book, and Massachusetts PFL durations are down one day. New York, New Jersey and Washington paid leave all had increases in durations.



Future considerations

Expansion of paid leave policies

Paid leave provides financial support (and sometimes job protection) when a new child or a personal or family care need requires an employee to take time away from work. Partially due to the after-effects of COVID-19, employers and politicians better understand how necessary it is to provide paid leave to workers in support of themselves and their families. Because of the failure to implement a federal paid leave option, and no likely passage of one with Congress' current makeup, states are continuing to establish and expand paid leave programs. Here is a list of recent implementations and expansions:

- Paid Leave Oregon — effective Sept.3, 2023.
- Oregon Family Leave Act (OFLA) — effective Sept.3, 2023, OFLA is adding qualifying family members to match Paid Leave Oregon. In addition, effective July 1, 2024, the calculation method for OFLA will change to a rolling forward calculation and use the same definition of benefit year to match Paid Leave Oregon. These changes are being made to prevent the stacking of Paid Leave Oregon and OFLA.
- Colorado Family and Medical Leave Insurance Program (CO FAMLI) – effective Jan. 1, 2024.
- Washington Paid Family and Medical Leave (WA PFML) — effective Jan. 1, 2025, any interested party will have access to certain records and information related to an employee's paid family or medical leave claim, including the type of leave being taken, the duration of the leave, and whether the employee was approved for and paid benefits. This Washington amendment defines "interested party" as a current employer, a current employer's third-party administrator or an employee.
- California Paid Family Leave (PFL) and State Disability Insurance SDI — for SDI and PFL claims beginning on or after Jan. 1, 2025, individuals who earn 70% or less of the state average quarterly wage will receive a benefit of up to 90% of AWW. Individuals who earn more than 70% of the state average quarterly wage will receive a benefit of up to 63% of AWW.
- Maryland enacted a Family and Medical Leave Insurance Program on April 9, 2022, effective Jan. 1, 2026.
- Delaware enacted the Delaware Healthy Families Act on May 10, 2022, effective Jan. 1, 2026.
- Minnesota enacted a Paid Family and Medical Leave Act on May 25, 2023, effective Jan. 1, 2026.
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Bereavement

In the last year, bereavement was expanded as an additional leave reason under CFRA and WA PFML. The Illinois Child Bereavement Act was expanded on Jan. 1, 2023, to include more family members and leave reasons; in doing so, Illinois updated the name of the leave to Illinois Family Bereavement Act. Currently, only one state (Massachusetts) has a proposed update to their existing law to expand their leave rights to include bereavement. New York and California have proposed legislation to allow time to recover after a stillbirth. Sedgwick has seen an increase in bereavement leaves as part of our book of business over the past three years. Our non-FMLA or military leaves bucket included only 2.4% bereavement leaves in 2020, that number has increased to 10.8% during the first half of 2023.

Bone marrow and organ donation leaves

While bone marrow and organ donation are not widely-used leaves because of the nature of the leave, public policy dictates leave should be available to those who wish to pursue such an endeavor. Virginia added a new organ donation and bone marrow leave effective July 1, 2023. New York has added clarification to their disability regulations that injury and sickness also mean incapacitation as a result of being an organ donor in a transplant operation. Those regulations are effective Jan. 1, 2024.

Safe leaves

Both Oregon and Colorado have included in their upcoming leave laws a provision that allows employees to take time off from work to address the immediate safety needs and impact of domestic violence and/or sexual assault. In addition, Minnesota's Paid Family and Medical Leave program, which will provide benefits starting Jan. 1, 2026, will also include this leave reason. While not all paid family leaves have this provision, we anticipate that it will be more commonly discussed as a leave reason in the future as states consider rolling out leave laws just as Minnesota has chosen to do.

Caregiver leave

Studies show that one-third of the workforce are caregivers. Consider the "sandwich generation" concept, which is defined as adults who are caring for their children and aging parents simultaneously. As generations and the demographics of the U.S. workforce continue to change, so does an employee's expectation of their employer's role in providing leave and support.

Sabbatical leave

Once thought to be the province solely of educational institutions, sabbatical leave is becoming more common, especially as organizations deal with the "great resignation" following the pandemic. A sabbatical is an extended break from work that may be paid or unpaid and typically lasts anywhere from one month to one year. They provide time to rest, travel and learn new things. We expect that more employers may add this benefit.

Parental leave

The number of employers offering paid parental benefits has ebbed and flowed over the last few years. The pandemic year of 2020 saw an apex; in that year, 53% of employers that responded to a SHRM survey offered paid maternity leave, and 44% provided paid paternity leave. Those numbers dropped precipitously in 2021 and 2022; only 35% and 27% of employers offered those benefits, respectively, during that time.

2023 has seen a little bounce back, with 40% of employers offering paid maternity leave and 32% offering paid paternity leave. We anticipate that those numbers will continue to inch up.

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