

Intelligence

working for you...



2008 Annual Report

intelligence \ in-tel-ə-jən(t)s \ n.: 1) the ability to learn or understand or to deal with new or trying situations: also the skilled use of reason 2) the ability to apply knowledge to manipulate one's environment or to think abstractly as measured by objective criteria 3) mental acuteness 4) the act of understanding

in the Areas and Services that Matter Most

- *Loss Control*
- *Claims Management*
- *Medical Cost Control*
- *Member Education*
- *Financial Results*

Trust Intelligence

On March 27, 2008, national managed care consultant Joe Paduda, Health Strategy Associates, wrote a blog entitled “Small is beautiful – in Workers’ Comp”. He was admittedly surprised to uncover “one of the best claims-managed care programs I’ve come across...at a relatively tiny insurance company. They have excellent relations with providers, tightly integrated medical management, claims and bill review, a keen grasp of cost drivers and highly effective specialty programs...Their results are impressive.” To our delight, Mr. Paduda had discovered the Trust.

National recognition is not easily obtained for a single state insurer like the Trust. After 27 consecutive years of developing strategies to identify and address emerging trends in Connecticut, often long before the multi-state and national carriers even become aware of such trends, the Trust has finally been identified as an insurer that does things not only differently, but also very effectively. Most consumers assume all insurers do things the same way therefore, the bottom line premium is all one needs to make a decision. But a savvy consultant, and an educated consumer knows that the true value of the insurer goes well beyond the premium; true value is found when the insurer's toolkit includes a unique bundle of services that reduces the policyholder's loss experience. That is real value and that is what effectively lowers premiums for the long term.

This year, we introduced “**Trust Intelligence**”, which for us is a compilation of our exceptional programs, vast experience, and market intellect for the healthcare industry. We firmly believe that our 27 plus years of proven expertise and consistency in the healthcare marketplace, along with our laser sharp focus on Connecticut, gives the Trust a decided advantage on understanding the risks and challenges in the healthcare industry. **Trust Intelligence** is the unique manner in which our claims are managed to conclusion, it is our smart technology allowing access to data and reports 24/7, it is our innovative loss control services targeted to meet the specific needs of the members and it is our superior results in providing quality care at reduced costs.

The pages that follow will clearly display the Trust’s unique understanding of the services its members provide along with the job hazards their employees face on a daily basis. From nursing homes and visiting nurse services to group homes and home health agencies, the exposures and job requirements vary greatly. We take great pride in our knowledge of the healthcare business and the multitude of specialized services we provide our members to not only help control costs, but to prevent claims from occurring in the first place.

While 2008 proved to be a rough road for many insurers, the Trust has emerged financially strong and well positioned for the future. Many times we’re asked, “How can the Trust continuously take a line of business that is historically unprofitable for other insurers and generate results so favorable that millions of dollars can be returned to its members - \$18,200,000 to date? The answer is really quite simple - **Trust Intelligence**. No other carrier in the state writes more healthcare employers than we do or has done it more consistently. No other carrier can identify a trend and respond to it more nimbly than the Trust. This is what we do. This is all we do and we choose to do it with the power of **Trust Intelligence** behind us.

Diane M. Ritucci
President and Chief Executive Officer

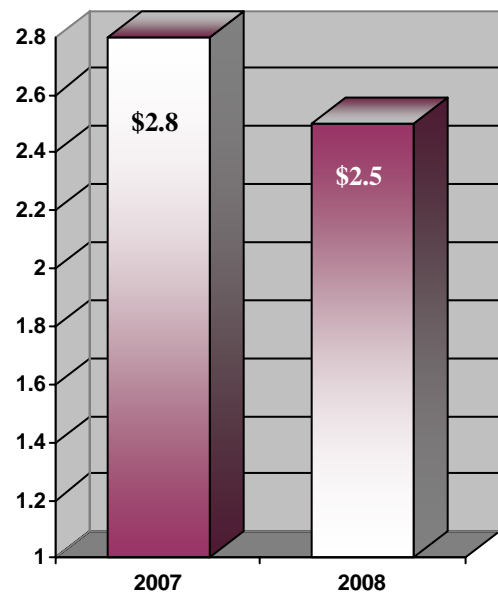
Intelligence in Loss Control

With over 1,000 loss control visits in 2008, several loss control initiatives were undertaken to ensure a healthy and safe workplace.

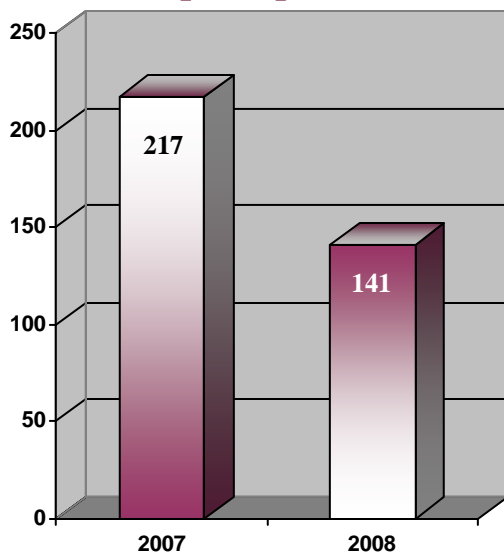
Reduction of Patient Handling Injuries

Patient Moving / Transferring / Repositioning continues to be the number one loss area for our members. Loss control staff spends numerous hours ensuring that we have the most up to date programs and information to share with our membership. Through our focused efforts, incurred losses due to patient handling were **reduced by 12% from 2007 to 2008**. Many of our members took advantage of our patient handling assessment tools, Safe Patient Handling Policy templates, and Safe Patient Handling algorithms for care plan assessments. These tools along with the Return on Investment analysis and discounting relationships with patient handling vendors, continued to support the effort in reducing this high cost area of loss, both in terms of frequency and severity.

**\$ Incurred from
Patient Handling Claims
(In \$Millions)**



**Total Claims from
Slips/Trips/Falls**



Reduction of Slip/Trip/Fall injuries

The second leading loss for our members is injuries caused by slips, trips or falls. Several initiatives were undertaken which yielded a **35% reduction in losses from 2007 to 2008**. The Trust provided members with discounted vendor relationships for slip resistant footwear, research and information on ice and snow non-bonding products, and discounts on training videos designed to educate staff to eliminate slips, trips and falls. In addition, sample dress code policies were developed with emphasis on proper footwear to reduce injuries.

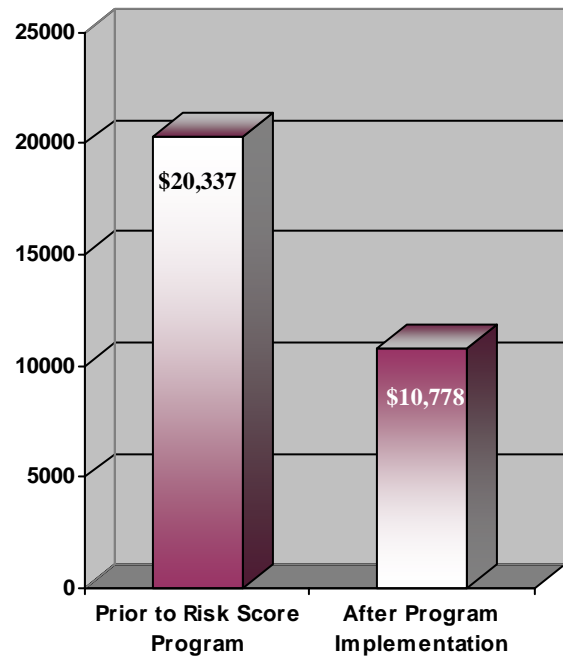
Intelligence in Claims Management

Truly effective claims management requires a continual commitment to build programs and strategies that effectively impact the most current trends. In 2008, we introduced two important endeavors to reduce the number of lost time days or disability duration.

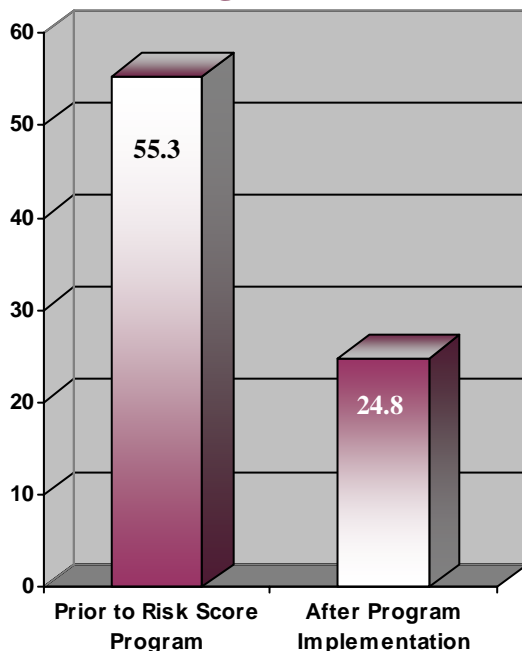
Early Identifiers of Potential High-Risk Claims

The Trust began an early identification program to determine claims that demonstrate risk factors that are more likely to have an adverse impact on disability duration. Our Lost Time Risk Profiling Program begins with a comprehensive question and answer process between the injured worker and the adjuster. Based on responses, a risk score is generated and those claims identified with a higher than normal risk score receive elevated attention in an attempt to eliminate the barriers that prevent early Return-to-Work (RTW). This program has resulted in a **45% reduction in average lost work days** and a **47% reduction in average claim costs** for high risk claims.

Average Cost of High Risk Claims Reduced by 47%



Average # of Lost Time Days for High Risk Claims



Setting Expectations

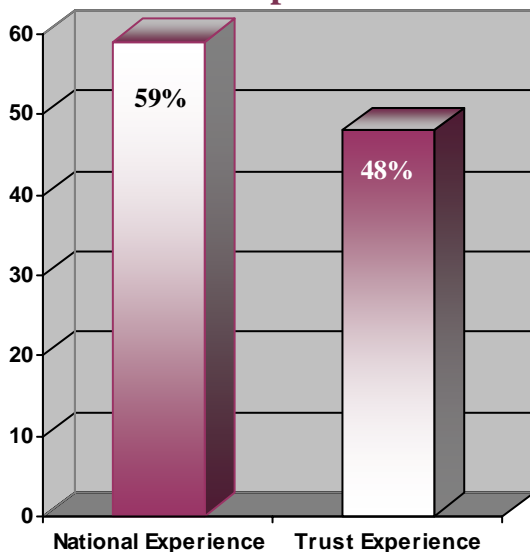
Using established Disability Duration Guidelines, the Trust actively communicates disability duration expectations with both the injured worker and the medical provider early in the claim process. This has resulted not only in improved communications and reduced disability, but also provides very reliable, independent information for medical providers to consider when evaluating and communicating their own RTW expectations to their patients. Not only has the Trust seen improved RTW rates on surgical cases, but we continue to receive positive feedback from providers on the usefulness of this information.

Intelligence **in Medical Cost Control**

According to the National Council on Insurance Compensation (NCCI), over the past eight years, workers' compensation medical costs have nearly doubled from about \$13.5 billion in 1999 to over \$25 billion in 2007. Nationally, medical costs now represent approximately 59% of the total claims costs, and some industry analysts predict that it may reach as high as 70% of the total claims costs over the next 5 years.

Despite this alarming trend, the Trust believes that the most effective strategy for controlling escalating medical costs on a long term basis is to get injured workers to the right medical providers in the first place. Building partnerships with providers who provide quality care and understand the value of early Return-to-Work has always been our goal.

**Percentage of Medical
Cost per Claim**



Monitoring Provider Performance through Metrics

While most provider networks measure success by calculating “savings” through fee schedule discounts regardless of outcome, the Trust goes far beyond discounts and monitors a number of performance factors, which are commonly referred to as “metrics” to determine if a provider is right for our network. Whether it is comparing return-to-work rates against nationally recognized, evidence-based lost time data, or determining if surgical requests meet peer review protocols, members can rest assured that the Trust is taking the network to a higher level to ensure superior medical treatment and excellence in controlling claim costs.

Strengthening Provider Relations

The Trust fully understands that it takes much more than a contract and a copy of the fee schedule between provider and payer to truly develop a partnership that benefits all stakeholders involved. That is exactly why we proactively reach out to our providers throughout the year and personally meet with them to discuss the variety of issues and complexities that often arise in handling workers' compensation cases. Whether it's a formal presentation to an orthopedic practice on the requirements and responsibilities of treating a workers' compensation injury, or bringing a new member and a first treatment center together for the first time to review reporting procedures and protocols, it's all about strengthening our provider network to achieve positive claim results.

Intelligence *in Member Education*

Educating members is the largest impact we can have in ultimately reducing losses and controlling claim costs. That is why each year, the Trust makes a significant commitment to keeping members educated on current trends, the latest in technology, unique solutions, and updated training materials.

Education Programs

The Trust is well known for its exceptional education programs and 2008 did not disappoint. Based upon member feedback, the Trust added four new courses to our educational lineup for a total of 21 seminars throughout the year held at our training facility in Wallingford. Attendance continues to increase each year as more members take advantage of these training opportunities to further strengthen their own internal policies and procedures.

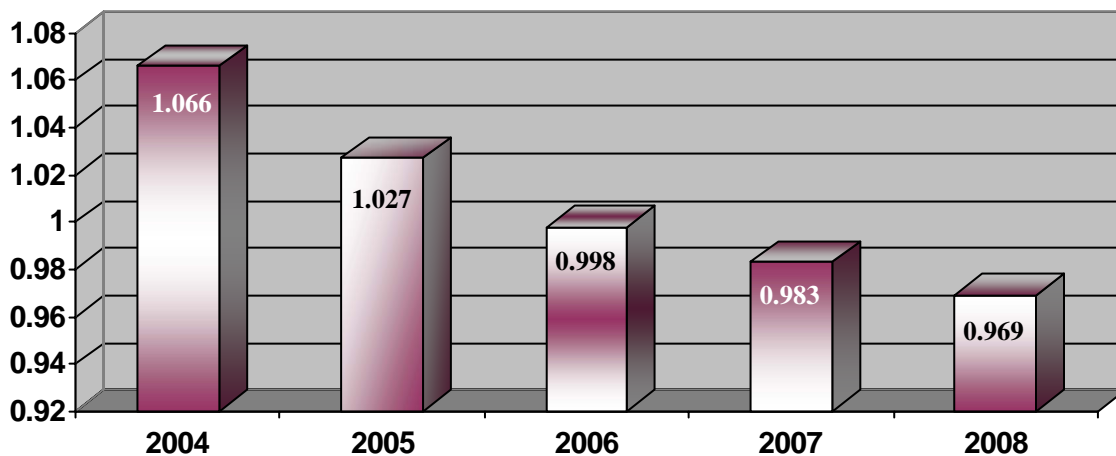
Trust University

Membership use of Trust University grew at a rapid rate and so did our course selection. In 2008 over 25% of Trust members and over 400 employees utilized one or more of the 29 free online training courses. Many of the courses are preapproved to meet mandatory training requirements for staff in various types of healthcare settings. There were four new courses added in 2008 including HIPAA Privacy for Providers, Winter Driving Safety, Forming Safety Committees, and Stopping Sexual Harassment.

Member Recognition

Four Trust members were recognized for exceptional performance in 2008. Community Mental Health Affiliates, Inc. and The ARC of Southington each received the **Award of Excellence**, which is given to members who have had a significant reduction in accident frequency in the past two years. Branford Hills Health Care Center and American Ambulance Service, Inc. were both presented with the **Great Idea Award** for implementing innovative programs to reduce injuries and promote a safe work culture.

Average Experience Modification Factor Continues to Decrease for Trust Members



Intelligence in Financial Results

Income Statement

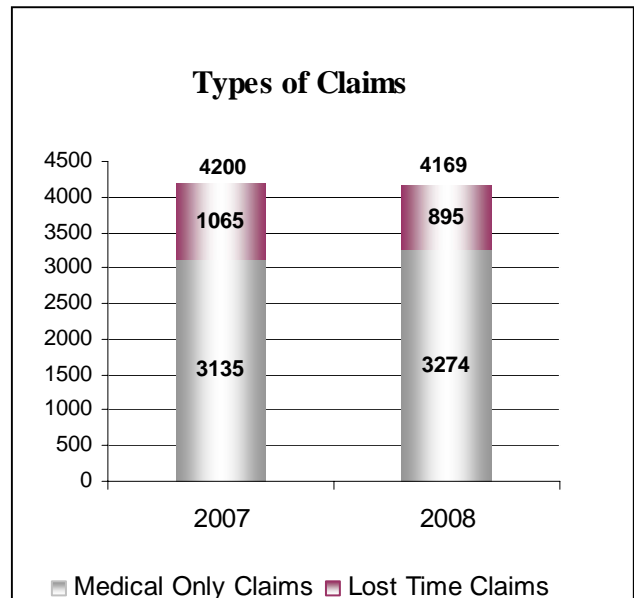
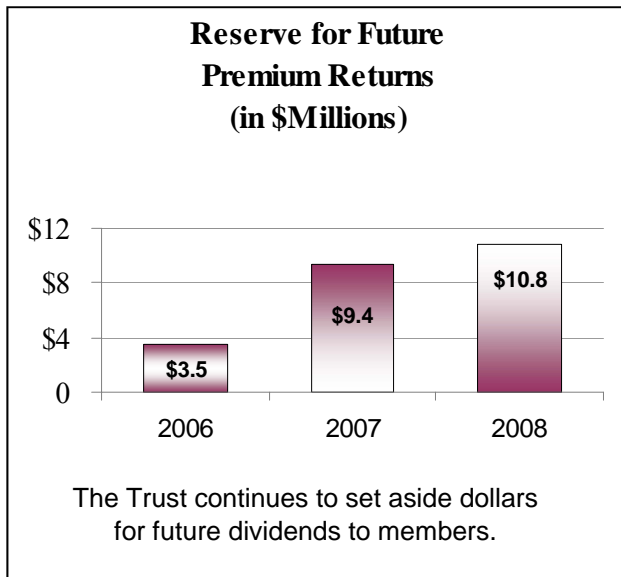
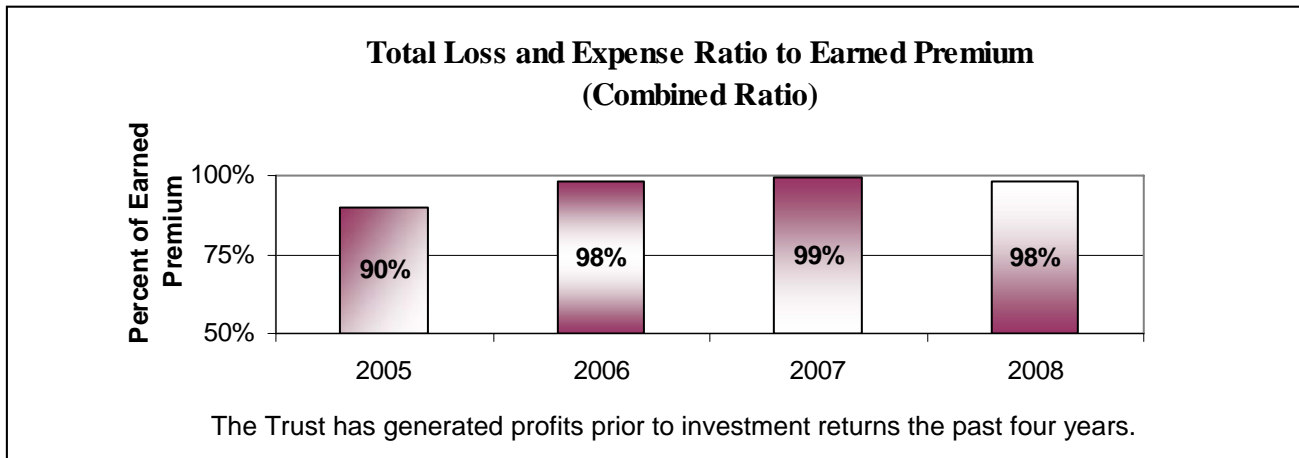
| | 2008 | 2007 |
|---|---------------|---------------|
| Earned Premium | \$ 35,674,118 | \$ 36,616,536 |
| Investment Income | 3,237,273 | 5,322,418 |
| Total Losses & Expenses | 34,919,112 | 36,419,130 |
| Loss & Loss Adjustment Expense | 24,982,412 | 26,746,680 |
| Second Injury Fund | 2,172,572 | 2,082,040 |
| General, Administrative, Commission & Salary Expense | 7,764,128 | 7,590,410 |
| Net Income after Federal Income Tax | 2,008,126 | 2,239,786 |

Balance Sheet

| | 2008 | 2007 |
|---|---------------|----------------|
| Total Assets | \$ 99,304,071 | \$ 106,126,238 |
| Cash and Investments | 73,042,021 | 82,091,311 |
| Total Liabilities | 97,638,650 | 99,458,331 |
| Unpaid Loss and Loss Adjustment Expenses | 66,815,472 | 64,555,819 |
| Reserve for Future Premium Returns | 10,794,907 | 9,377,828 |
| Fund Balance (Retained Earnings & Contributed Capital) | 1,665,421 | 6,667,907 |
| Fund Balance and Reserve for Future Premium Returns | 12,460,328 | 16,045,735 |

Audited Financial Statements are available to our members upon request

Operational Highlights



| | 2007 | 2008 |
|-------------------|------|------|
| Number of Members | 325 | 376 |
| Member Retention | 93% | 96% |

Even with an increase in membership, members were successful in reducing injuries, as fewer claims were reported in 2008 than in 2007. The large reduction in lost time claims is especially positive, as these claims are more expensive than medical only claims.

Board of Directors



Chairman
Keith E. Lavalette
Executive Director
 New Seasons, Inc.



Vice-Chairman
Joseph M. Milke
Executive VP & COO
 Klingberg Family
 Centers, Inc.



Treasurer
David H. Tompkins
VP of Behavioral Health Services
 The Children's Home of
 Cromwell, Inc.



Secretary
Diane M. Ritucci
President & CEO
 Workers' Compensation
 Trust



Robert C. Boardman
Retired President
 Capital Area
 Health Consortium



Brian A. Carney
Chief Financial Officer
 Danbury Visiting
 Nurse Association



William R. Horrigan
Partner & Vice President
 Managed Transportation
 Services, Inc.



Richard R. Paton
Retired Sr. VP
 Phoenix Insurance
President
 Coventry Consulting Group



Charles F. Shelton, Jr.
Executive VP & COO
 Branford Hills
 Health Care Center



Robert L. Stephens
Executive Director
 Kuhn Employment
 Opportunities, Inc.



Linda G. Worden
President
 Worden Eldercare
 Consulting, LLC

Tribute To A Great Friend and Colleague



Edward M. Kenney
 1929 - 2008

In 2008 the Trust mourned the passing of one of its senior board members, Edward M. Kenney. Ed was deeply involved with the Trust for 18 years during which he served as Chairman and headed various committees. He was a former President of both Manchester Memorial Hospital and Greenwich Hospital and he provided the Trust with a wealth of information, combined with a deep understanding of the healthcare industry. Ed was also a 20 year veteran of the US Army, retired with the rank of Lieutenant Colonel. He was a dedicated colleague, a devoted public servant and a great friend. Ed's final resting place will be in Arlington Cemetery with full military honors. He will be greatly missed.



866 North Main Street Extension
Wallingford, CT 06492
(203) 678-0100
www.wctrust.com

The Trust is the leading provider of workers' compensation insurance for Connecticut's healthcare employers.