

# How Inflation Impacts Workers' Compensation Insurance



Inflation is a growing concern for individuals and industries across the country. The commercial insurance market is no exception to these concerns. Similar to other goods and services, inflation can also elevate the cost of insurance. Looking at workers' compensation insurance, inflation issues have become increasingly evident through various trends—including labor shifts, rising wages, higher medical expenses and rate adequacy challenges. With this in mind, it's important for businesses to better understand these trends and learn what they can do to mitigate inflation concerns within their workers' compensation programs.

## Here are some of the factors impacting workers' compensation insurance costs.

### Labor shifts.

Over the past year, many employees have changed jobs. Short-tenured employees have significantly higher rates of injury than longer-tenured employees, driving up coverage costs, according to the National Council on Compensation Insurance (NCCI).

### Health care technology advancements.

Technological advancements have increased treatment costs, contributing to overall claims severity.

### Wage growth concerns.

In efforts to increase employee retention, many employers have increased workers' pay. Since payroll calculates workers' compensation premiums, wage inflation may prompt increased rates.

### Rate adequacy challenges.

The remote work transition has helped to reduce workers' compensation claims. However, insurance experts are unsure how long these trends will last, making it difficult to accurately determine workers' compensation exposures and rate adequacy.

## To mitigate the rising cost of workers' compensation insurance, businesses should consider adopting the following practices.



### Ensure accurate payroll projections.

Errors in payroll projections can present serious consequences, such as inadequate rates, insufficient benefits or a lack of ample coverage following costly claims.

### Review fee schedules.

Pay close attention to applicable workers' compensation fee schedules, which can help employees receive medical attention for work-related injuries and illnesses without significantly increasing claim costs.

### Promote a safe work environment.

Utilize effective health and safety initiatives on-site and have a return-to-work program in place to help employees resume work after illnesses or injuries.

### Manage claims effectively.

Have clear processes for handling workers' compensation claims as diligently and efficiently as possible.

Contact us today for more guidance.

