

MUNICIPAL INSIGHTS

A Moreton & Company Public Entities Newsletter

How Inflation Impacts Workers' Compensation Insurance

Inflation is a growing concern for individuals and industries across the country, and the commercial insurance market is no exception. Similar to other goods and services, inflation can also elevate the cost of 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.

Some factors currently impacting workers' compensation insurance costs include:

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).

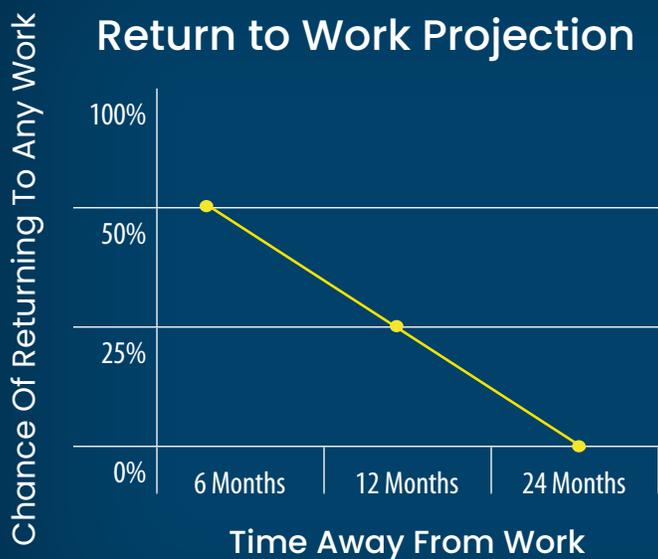
Healthcare Technology Advancements

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

Wage Growth Concerns

To increase employee retention, many employers have increased wages. Since payroll contributes to workers' compensation premium calculations, wage inflation may prompt increased rates.

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



Source: Washington State Department of Labor & Industries, 2015

Prompt Reporting of Claims

Rapid Reporting Can Reduce Claim Costs

Loss Dollars¹

51%

Rate of Litigation²

28%

¹ Based on comparisons of claims reported within one week of the injury vs. claims reported four to five weeks later. Reductions shown are averages.

² Based on comparison of claims reported within 10 days vs. claims reported after 30 days. Reductions shown are averages.

Source: Business Insurance, 2015.

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

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.

Ensure Accurate Payroll Projections

Errors in payroll projections can present serious consequences, such as inadequate rates and 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 onsite 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.

For more risk management guidance, contact a member of Moreton & Company's Public Entity Team.

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