

# Market Outlook

Data from the National Council on Compensation Insurance (NCCI) shows that the workers' compensation segment has been profitable for eight consecutive years, with the combined ratio falling under 100 every year since 2014. However, the ratio bottomed out at 79 in 2016 and has been slowly increasing ever since. Despite this, industry experts predict that the market's past profitability will still allow for some stability in 2023. Therefore, most policyholders can anticipate minor rate increases, while insureds with higher experience modification factors will likely encounter greater rate jumps.

## Developments and Trends to Watch

- **Employee well-being concerns**—Although employee well-being is typically considered an HR-related matter, it's also an enterprise risk that directly correlates with key business objectives, including workplace safety. In fact, according to the latest industry data, businesses with effective programs focused on promoting employee well-being—particularly mental health—experience an average of 30% fewer workers' compensation claims. This demonstrates that it has become increasingly critical for businesses to adopt supportive workplace cultures and incorporate mental health initiatives in their employee well-being efforts.
- **Remote work and musculoskeletal disorders**—Since the COVID-19 pandemic first emerged in 2020, many businesses have permanently transitioned to remote or hybrid operations, allowing their employees to work from home in some capacity. Yet, recent industry research found that remote employees with poorly designed workstations—namely, those lacking effective ergonomic measures—are more likely to experience musculoskeletal disorders such as carpal tunnel syndrome, back pain, neck and shoulder sprains, headaches and digital eyestrain, all of which could lead to workers' compensation claims. As such, a growing number of businesses have started implementing measures to minimize possible remote work injuries.
- **Inflation issues**—This past year has been met with growing inflation concerns, impacting industries across the board. The commercial insurance market is no exception to these concerns. In the scope of workers' compensation, this segment has been primarily affected by medical inflation (rising prices for health care necessities) and wage inflation (workers' increasing pay), which could prompt increased rates going forward.
- **Labor shortages**—Businesses of all sizes and sectors have been facing labor shortages for several years. In response, some businesses have begun hiring a larger number of workers who are inexperienced or new to their particular fields. This shift is evidenced by recent NCCI data, which found that the proportion of short-tenured employees—those who have been with their respective employers for 12 months or less—increased across multiple sectors over the past year. Yet, short-tenured employees are more likely to get injured on the job, carrying additional workers' compensation risks.
- **Telemedicine**—Telemedicine, which allows employees to receive medical services virtually after they've been injured on the job, has continued to rise in popularity over the years. Telemedicine offers many benefits, including simplified access to medical specialists, reduced treatment delays and, in many cases, lowered workers' compensation costs. According to the Workers' Compensation Research Institute, 28 states either added or expanded telemedicine offerings for treating occupational injuries amid the pandemic.

## Tips for Insurance Buyers

- Implement safety and health programs to address common risks, especially when using a loss-sensitive workers' compensation program.
- Conduct routine safety training for employees of all ages and experience levels.
- Consider implementing various digital solutions, such as telemedicine, to help prevent and treat injuries within your workers' compensation program.
- Establish workplace wellness initiatives aimed at promoting mental health and improving the overall well-being of your staff.

