

2023 Workers' Compensation Insurance Midyear Market Outlook

Data from the National Council on Compensation Insurance (NCCI) shows that the workers' compensation insurance market has performed as an outlier in the casualty space by producing positive underwriting results for nearly a decade, with the combined ratio remaining under 100 every year since 2014. This past year was no different; the combined ratio for 2022 was 84, representing ongoing segment profitability and an improvement from the prior year's ratio (87). In light of such optimal market conditions, the first quarter of 2023 saw rates fall by between 1% and 5% across nearly three-quarters of the country (36 states), according to industry research. Insurance experts anticipate that rates could keep dropping throughout the year, with some policyholders expected to experience double-digit decreases. Nonetheless, some market developments could pose concerns. Namely, the NCCI reported that medical and indemnity claim severity rose by 5% and 6%, respectively, in the last year. With this in mind, finding solutions to minimize large-scale workplace accidents and injuries, as well as associated workers' compensation expenses, continues to be a top market priority.

Developments and Trends to Watch

- **Artificial intelligence (AI) offerings**—AI technology consists of machines, computer systems and other devices capable of simulating human intelligence processes. This technology has emerged as a valuable workers' compensation tool in recent years. Specifically, businesses can leverage this technology to enhance various components of their occupational safety and health programs, including hazard recognition, employee training, equipment maintenance, incident detection and reporting, and OSHA compliance. Additionally, AI technology can help businesses improve several aspects of their claims management protocols by establishing personalized treatment plans and rehabilitation recommendations for injured employees; monitoring and supporting these employees amid their recovery journeys; reviewing and categorizing claims data to identify potential patterns or anomalies; and offering suggestions to prevent similar claims in the future.
- **Mental health concerns**—The Centers for Disease Control and Prevention reported that mental illness impacts almost 20% of U.S. adults every year. To help address this increasingly prevalent issue, many states have enacted legislation to provide employees with workers' compensation coverage for various mental health conditions (e.g., anxiety, depression and post-traumatic stress disorder). However, most of these laws require employees to prove that their conditions arose in the course and scope of employment before receiving coverage, which can be challenging. A growing number of states may adopt laws to expand workers' compensation coverage eligibility for mental health conditions in the future. Amid these legislative changes, some businesses have taken steps to better support their employees' well-being and help limit workers' compensation claims related to mental illness.
- **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, industry research found that remote employees with poorly designed workstations—primarily, 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 reduce possible remote work injuries.

Tips for Insurance Buyers

- Implement occupational safety and health programs to address common risks, especially when using a loss-sensitive workers' compensation program.
- Consider implementing various digital solutions, such as AI technology, to help prevent and treat employee injuries as part of your workers' compensation program.
- Establish workplace initiatives aimed at promoting mental health and improving the well-being of your staff.

