

2024 Workers' Compensation Insurance

Market Outlook

Profitable underwriting results have generated favorable conditions across the workers' compensation insurance segment for nearly a decade. According to the National Council on Compensation Insurance (NCCI), the segment produced a combined ratio of 87 in 2022, demonstrating continued profitability. These conditions pressed on in 2023, but industry experts reported that reserve redundancies stemming from reduced presumptive liability issues since the beginning of the COVID-19 pandemic and increased market competition could drive down profits in 2024. Fortunately, these experts also confirmed that it would take a drastic shift in segment losses to actually push the ratio over 100, thus limiting potential impacts for policyholders. As a result, most insureds can expect another year of flat premiums or modest rate reductions, while those with elevated risks may encounter increased pricing.

Developments and Trends to Watch

- **Experience modification factor changes**—An experience modification factor is determined using a formula set by the NCCI or state-specific rating bureaus, depending on an employer's jurisdiction. Based on this formula, either a credit or debit is applied to the employer's workers' compensation premium. Considering the impact of this figure, it's important for businesses to note that the NCCI—which governs the workers' compensation system in 36 states—is making alterations to specific elements of its experience modification factor formula for 2024. The formula itself will remain unaltered; however, there will be adjustments in how certain components of the formula are derived to more accurately account for cost variations among states.
- **Artificial intelligence (AI) solutions**—AI technology has the potential to change many aspects of the workplace, especially as it pertains to preventing and managing occupational injuries and related workers' compensation claims. Such technology can provide fast diagnoses when workers get injured on the job and generate customized treatment plans. Further, AI tools can be paired with wearable devices to monitor injured employees and adjust treatment plans as needed based on workers' recovery progress. What's more, AI solutions can promote cost-effective claims management by leveraging predictive analytics to determine causes of workplace incidents, suggest methods for preventing future incidents, recommend top-performing health care providers, and identify possible treatment anomalies and cost drivers.
- **Employee mental health challenges**—According to the National Safety Council, instances of mental health distress have been linked to a greater risk of workplace incidents, injuries and associated workers' compensation claims. As such, it's critical for businesses to incorporate mental health initiatives into their employee well-being efforts. In addition, businesses should keep in mind that many states have or are in the process of enacting legislation that would expand workers' compensation coverage to include job-related mental health conditions. In other words, workers may be able to receive benefits for mental health concerns occurring in the scope of employment and stemming directly from their job responsibilities.
- **Inflation issues**—The workers' compensation segment has been affected by two types of inflation over the last few years: medical inflation and wage inflation. Medical inflation refers to rising costs for medical resources. The National Library of Medicine asserts that these costs comprise the largest share of workers' compensation expenses. According to the NCCI, medical costs in the workers' compensation segment more than doubled the 10-year average in 2022, presenting ongoing medical inflation concerns and increasing the likelihood of higher workers' compensation costs. Additionally, many businesses have increased their workers' pay to boost attraction efforts, causing wage inflation. Because payroll is leveraged as an exposure base to calculate workers' compensation premiums, wage inflation could prompt increased rates.

Tips for Insurance Buyers

- Implement workplace policies to address key safety risks. Conduct routine safety training for all workers.
- Consider implementing AI technology and other digital solutions in your workers' compensation program.
- Review the NCCI's upcoming changes to certain components of its experience modification factor formula.
- Make it a priority to incorporate mental health resources into workplace well-being offerings.
- Have clear processes established for handling workers' compensation claims as efficiently as possible.



This document is not intended to be exhaustive, nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice.