

2021 Workers' Compensation Insurance Market Outlook

The workers' compensation insurance market has remained mostly stable, performing as an outlier relative to other lines of insurance by producing profitable underwriting results. According to the National Council on Compensation Insurance (NCCI), the private carrier combined ratio for workers' compensation in 2020 is estimated to be 86%, compared to an 85% ratio for 2019. Yet, some emerging trends have the potential to cause an uptick in workplace accidents and claims. For 2021, we predict that workers' compensation rates will remain stable, with moderate rate increases becoming the norm.

Trends to Watch

- **COVID-19 presumptions**—Several states have enacted legislation regarding COVID-19 presumptions (the conditions in which an employee's injury or illness is presumed to have happened on the job and should be compensated), increasing the likelihood of pandemic-related claims. Specifically, some states have updated their statutes to include presumptive liability, which provides workers' compensation benefits to a larger spectrum of employees—namely, essential workers who contract COVID-19. Although such laws are rebuttable, overcoming presumptions is a difficult feat, seeing as the burden of proof in these cases is often being pushed to the employer rather than the employee.
- **Mega claims**—A mega claim is an exceptionally large claim—totaling \$3 million or more in incurred losses—that typically stems from an employee getting seriously injured on the job. These claims can result in hefty costs, lost time and reputational damage for affected organizations. According to data from the NCCI, these claims have reached a 12-year high—increasing in both frequency and severity.
- **Comorbidities**—Comorbid conditions are typically long-term health complications that have the potential to increase the severity of other injuries or illnesses that the affected individual may experience, making it more difficult to fully recover. According to a study conducted by the NCCI, workers' compensation claims involving comorbidities have nearly tripled since 2000.
- **Qualified worker shortages**—Labor shortages have forced many employers to hire inexperienced workers. However, doing so increases the risk of accidents occurring. This is because inexperienced workers often lack years of safety training and may be more willing to take unnecessary risks.
- **An aging workforce**—According to the U.S. Bureau of Labor Statistics, the share of workers over the age of 55 is expected to increase to nearly 25% by 2024. This is concerning, as the cost of workers' compensation claims often increases as employees age. After all, because health typically diminishes with age, even minor injuries can be more severe for older workers—taking them longer to recover.

2021 Price Prediction

Overall:
Flat to +5%

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.
- Develop an effective return-to-work program that properly supports employees in the process of healing from a work-related illness or injury and resuming job duties following their recovery.