

What's News In Insurance

Study: Workers' Comp Losses Growing Despite Claims Frequency Fall

Strong pricing and benefits from state workers' compensation law reforms have masked an increase in workers' compensation accident-year losses that could curtail the recovery now that the market is softening, according to a new study by Conning Research and Consulting.

Insurers that address the root causes of severity growth can protect their profitability, the authors maintain.

"The workers' compensation line of insurance has seen a steady decrease in frequency over the past 10 years, but total incurred losses are climbing and continue to be driven by severity," said Mark Jablonowski, an analyst at Conning. "While a focus on severity factors such as the cost of medical services, utilization rates, back-to-work, state-specific strategies, and claims management can help to control the overall severity of loss, the 'missing link' may be attention to injury prevention."

"Our chief concern is the increase in loss severity in the face of a softening market. This study analyzes the components of severity growth, and finds the largest driver of severity remains medical costs, which in workers' compensation are growing at more than twice the rate of the medical consumer price index. But there are also more fundamental drivers of severity inherent in the root causes of claims," said Stephan Christiansen, director of research at Conning. "By addressing these components of severity, insurers can target their efforts toward improving overall cost trends in workers' compensation. This can help them avoid the potential soft market price squeeze that can rapidly reverse recent gains, and allow insurers to maintain profitability."

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