How does inflation affect workers’ compensation?

U.S. inflation hit a 40-year high in 2022. Because workers’ compensation claims take a long time to settle, they are particularly vulnerable if this trend continues. To help insurers prepare, Milliman analyzed what would happen to a hypothetical lost-time claim that pays out $50,000 for surgery in the first year and $5,000 annually for follow-up medical services in years two through 10.

With prolonged high inflation, the overall claim cost is higher...

Due to compounding, the total cost of this claim could range from $95,000 to $137,000, depending on inflation levels.

... More claims reach the excess carrier ...

The excess insurer pays more, pays sooner, and may be forced to raise rates.

... And ultimate losses could soar by 20%

The higher the retention, the greater the impact from inflation.

For more information, visit: www.milliman.com/WCinflationimpact