2011 was a difficult year for insurance companies all across the board. Much of their stress came from the more than $50 billion in property related claims due to storms and bad weather events all across the country. But workers compensation claims are only very slightly affected by weather, yet the year end numbers for the workers compensation industry indicate that things are not all rosy with this type of insurance either. And bad experience for the insurance industry will almost always result in higher rates for business owners in the near future. In this article I will highlight some of the bad news statistics that point to higher workers compensation insurance rates for business owners in the coming year, and then I will give you some insider tips on how you can avoid being stuck with these higher rates.

First let's take a look at some of the numbers. In 2011, the nationwide lost-time claims frequency posted a 3 percent increase. This may not sound like much, but consider that this is the first time since 1997 that this measure increased from the previous year. Is this a one-time blip or a bell weather signal for changes ahead in workers compensation lost time claims? I think it may be the latter.

Added to this problem of increased claims frequency is the unsettling result that net written premium for the insurance companies declined by 1.3% in 2011. Now it doesn't take a rocket scientist to realize that if claims are going up and premiums are going down, then something has to give. That something will be the rates that you pay for your work comp insurance policy. Insurance companies like to measure the money that they take in (premiums you pay) against the money that they pay out for claims. They call this measure a loss ratio. If this loss ratio rises above 100%, then the insurance companies are losing money. In 2011 the loss ratio for workers compensation insurance in the U.S. increased to an astonishing 118.1%. This is the highest level since the year 2000 when it was 121%.

So what is the problem? Well there are a few and none of them seem to show any signs of letting up in the near future, which is why I am predicting higher workers compensation rates across the board. First of all is the rising costs of medicine which now accounts for 60% of the workers compensation total claim payout. Medical inflation is running at 6% currently, far above that for most other items that you buy. Poor economic conditions are also a factor as there is a greater tendency for fraud in bad economic environments. In addition, the work force is getting older and more obese each year and these factors are also putting a strain on the claims costs both medical and time out of work.

So what must you do to keep your business from being swept up in the work comp rate increases that are bound to happen in 2012? Well I think the first thing you should do is take a good look at your work comp policy and your work comp carrier. There is a growing market segment of work comp only companies out there today. These companies realize that to make money in this business and to keep rates low for their customers, they need to be much more proactive in the prevention of claims as well as the recovery process. These companies will have loss control programs that can help you prevent claims from happening in the first place. They also tend to have nurses and claims case workers on staff to double check all medical bills for errors and fraud and to help your injured worker heal and get back to work as quickly as possible.

We have several of these specialty work comp companies in our stable of fine insurance companies with whom we do business. If you have questions about your work comp insurance, or if you would like a quote to see just how much you can save on your workers compensation insurance, please give us a call, toll free, at 877-687-7557. We look forward to hearing from you soon.