



An NCCI Approach to Calculating CLAIM FREQUENCY

Measuring Claim Frequency

Claim frequency is a measurement of the number of claims relative to a given exposure base. Changes in frequency indicate whether the number of claims is increasing or decreasing relative to the selected exposure base.

Calculating Claim Frequency

NCCI is making it easier than ever to calculate frequency numbers using NCCI's methodologies. Stakeholders can compare their results directly with NCCI's industry averages. While there are [many ways to calculate frequency](#), no single approach is universally correct.

Carriers can reach out to their [Affiliate Services Executive](#) for assistance.

Using NCCI's Claim Frequency Calculations

- Begin with data as reported to NCCI on Financial Call #5 (Columns 1 and 4):
 - Data for 2018–2022 is as of 12/31/2022
 - Data for 2022*–2023* is preliminary, at a first report
- Lost-time claim counts are developed by applying claim development factors (Column 2), which are based on the latest approved rate/loss cost filing selections:
 - Data for 2018–2022 is developed to ultimate
 - Data for 2022*–2023* is not developed
- Wage adjustment factors (Column 5) bring historical premiums to the current wage level. Adjustments are based on changes in average weekly wage values from the US Bureau of Labor Statistics' Quarterly Census of Employment and Wages
- Premium is further adjusted using on-level factors (Column 6), which include adjustments to bring premium to the current rate/loss cost level, reflect pandemic-related changes in audit activity, and remove profit loads and expense-related premium

$\text{Frequency} = \text{Developed Claims} / \text{On-leveled, Wage-Adjusted Premium} \times \1M

Calendar-Accident Year	Incurred Lost-time Claims (1)	Claim Development Factor** (2)	Developed Claims (3)=(1)x(2)	DSR*** Level Standard Earned Premium (4)	Wage Adjustment Factor** (5)	On-level Factor** (6)	Wage-Adjusted and On-leveled Premium (7)=(4)x(5)x(6)	Frequency per \$1M On-leveled, Wage-Adjusted Premium (8)=(3)/(7)x\$1M	Change in Frequency (9)=change in (8) from prior year
2018	243K	1.000	243K	\$ 22.1B	1.236	0.455	\$ 12.5B	19.50	–
2019	241K	1.001	241K	\$ 20.5B	1.197	0.523	\$ 12.8B	18.82	–3.5%
2020	209K	1.002	209K	\$ 18.8B	1.131	0.572	\$ 12.2B	17.18	–8.7%
2021	226K	1.012	228K	\$ 18.5B	1.063	0.628	\$ 12.4B	18.45	+7.4%
2022	203K	1.118	227K	\$ 19.9B	1.000	0.650	\$ 12.9B	17.56	–4.8%
2022*	203K	N/A	N/A	\$ 19.8B	1.045	0.651	\$ 13.4B	15.1	--
2023*	198K	N/A	N/A	\$ 20.1B	1.000	0.708	\$ 14.3B	13.9	–8%

Source: NCCI's Financial Call data; excludes high-deductible policies and COVID-19 claims. See: [Frequency and Severity Results by State](#) for additional details.

***Designated Statistical Reporting (DSR) level premium does not include carrier deviations—it's the premium that would result if business were written at NCCI loss costs or rates instead of company rates.

**Adjustments are applied at the individual state level. The factors shown above for illustrative purposes are based on an industrywide state mix and, therefore, may not be appropriate if applied to a different mix of states.