Summary of the Proposed Alaska Workers Compensation Loss Cost and Assigned Risk Rate Filing Effective January 1, 2027

The National Council on Compensation Insurance (NCCI)[1] is pleased to provide this summary of the proposed workers compensation insurance loss cost[2]and assigned risk rate[3] filing, which was submitted to the Alaska Division of Insurance for its review and approval under separate cover on August 25, 2026.

The filing proposes a –7.3% decrease to the current loss costs for the voluntary market and a –6.7% decrease to the assigned risk market rates, effective January 1, 2027.

Alaska Overview

The current proposed filing is based on premium and loss experience for Policy Years 2020 through 2024, evaluated as of year-end 2025. This experience shows improvement compared to the data underlying the January 1, 2026 filing. The observed experience is the primary contributor to the proposed voluntary loss cost and assigned risk rate decreases.

In Alaska, loss ratios (losses divided by premiums) are trending downward due to declines in both claim frequency and claim severity over the past decade. Claim frequency continues its long-term decline in recent years, although at a more modest pace. The more modest declines observed in recent years can be attributed to higher wage inflation in Alaska beginning in Policy Year 2019. Claim severity, while declining, has exhibited differing trends in recent years between indemnity (wage replacement) and medical benefit costs. The average indemnity cost per claim increased significantly in Policy Year 2024. In contrast, the average medical cost per claim started to decline at an increasing rate beginning in Policy Year 2017 and again materially decreased in Policy Year 2024. Given that indemnity benefits are tied to a worker's wage whereas medical benefits are not, the divergence between indemnity and medical costs is not unexpected given the strong wage growth in Alaska in recent years.

The proposed filing also reflects the estimated impacts of the Alaska medical fee schedule change effective April 1, 2026. Together, these components result in a proposed voluntary loss cost level decrease of –7.3%.

The assigned risk rate filing includes a small increase in loss-based expenses, partially offset by a decrease in the profit and contingency provision. Together these result in a proposed assigned risk rate level decrease of –6.7%.

[1] NCCI is a licensed rating organization authorized to make recommended loss cost and assigned risk rate filings on behalf of workers compensation insurance companies in Alaska. NCCI's filings are objectively prepared, using widely accepted actuarial ratemaking methodologies.

[2] "Loss cost" refers to the portion of workers compensation rates that are filed by the rating organization and are allocated to pay losses but not carrier expenses. Some states include certain carrier expenses and assessments in the definition of "advisory loss costs." Carriers can use the approved loss costs as the basis for their rates, typically adjusting them for expenses with a loss cost multiplier.

[3] The assigned risk rate is filed for use on policies written through the Assigned Risk Plan, a program established by state insurance regulatory authorities that sets the rules and procedures for providing insurance coverage to parties that are unable to obtain coverage in the voluntary market. For the assigned risk market, NCCI files a full rate that includes the Servicing Carriers' expenses.

Countrywide Overview for NCCI States

The Calendar Year 2025 combined ratio (a measure of overall underwriting profitability) for workers compensation was 91%, a change from 86% for Calendar Year 2024. The change is primarily due to an increase in the loss and underwriting expense ratios.

In 2025, voluntary market net written premium decreased by 1.5% from 2024. Residual market premium in states where NCCI serves as Plan Administrator also continued to decline—a trend that has persisted since 2014.

Payroll, as the exposure base, is a key component of workers compensation premium. From 2024 to 2025, payroll increased 4.8%, while employment rose just 0.5%. A significant portion of payroll growth appears to have come from higher wages, which were up an average of 4.3% in 2025. Employment growth was largely driven by the health care sector.

Claim frequency and severity reflect both the incidence of workplace injuries and the cost of those injuries when they occur. Lost-time claim frequency (claims with days away from work) continues its long-term decline across all NCCI states, decreasing by 2% from 2024 to 2025, after accounting for changes in pay levels. This decline is more moderate than the long-term average and the experience in recent years.

Lost-time medical claim severity in 2025 grew by 4%. Increased utilization of medical services remains the primary driver, though results vary by state based on the mix of services used and applicable medical fee schedules. Lost-time indemnity claim severity in 2025 is also estimated to be 4% higher than in 2024 because indemnity benefits largely reflect wage growth.

Conclusion

Overall, the workers compensation system remained healthy in 2025. Long-term declines in lost-time claim frequency continued to help offset upward pressure on system costs from higher medical and indemnity claim severity. Payroll growth and a combined ratio below 100% are further indicators of the system's overall financial soundness. Collectively, these trends point to a well-functioning workers compensation system, recognizing that results can vary based on industry composition, carrier experience, and state-specific factors.