Summary of the Proposed Arizona Workers Compensation Voluntary 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 voluntary and assigned risk rate[2] filing, which was submitted to the Arizona Department of Insurance and Financial Institutions for its review and approval under separate cover on July 28, 2026.

The filing proposes a –0.2% decrease to the current rates for the voluntary market and assigned risk market, effective January 1, 2027.

Arizona Overview

The current proposed filing is based on experience from Policy Years 2023 and 2024, evaluated as of year-end 2025. Both years show improved experience compared to the experience used in the January 1, 2026 rate filing. The medical development factors, which measure the expected growth in medical losses as claims mature, show notable increases in the most recent valuations, partially offsetting the improvement in overall experience.

In Arizona, the lost-time claim frequency declined in the latest year, continuing a long-term downward trend. Although the number of lost-time claims continues to decline, the pace of decline has moderated in recent years. While indemnity severity has increased, medical severity for lost-time claims has exhibited overall modest fluctuations in the most recent few years.

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.

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

[2] 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 reflects the Servicing Carriers' expenses.

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.