



Summary of the Proposed Hawaii Workers Compensation Loss Cost Filing Effective January 1, 2026

The National Council on Compensation Insurance (NCCI)¹ is pleased to provide this summary of the accompanying proposed workers compensation insurance loss cost² filing that was filed under separate cover on August 27, 2025, with the Hawaii Insurance Division for its review and approval.

The filing proposes a -4.4% decrease to the current loss costs in the voluntary market effective January 1, 2026.

Hawaii Overview

This filing is based on premium and loss experience evaluated as of year-end 2024 for Policy Years 2021, 2022, and 2023. A three-policy year experience period was selected to help balance stability and responsiveness. Claim frequency has gradually declined over several years. Although average claim costs are lower in the experience period used in this filing, they have fluctuated over many years. Loss ratio experience has improved overall compared to the previously approved 1/1/2025 filing, resulting in the proposed decrease in loss costs for the 2026 filing period.

Multistate Overview


The Calendar Year 2024 combined ratio for workers compensation was under 100% (the break-premium in the voluntary market decreased slightly, and the residual market premium in statesⁿ serviced by NCCI remained approximately the same as last year.

The number of claims occurring, as measured by frequency, and the cost of claims, as measured by severity, continue to be key metrics for the health of the workers compensation system. The frequency of workers compensation lost-time claims continues its long-term decline across all NCCI states. In fact, claim frequency declined at a faster pace in 2024 than the long-term average rate of decline, an indication of safer workplaces and fewer injured workers.

Claim severity increased for both the medical and wage replacement components in 2024. Medical cost increases were driven in part by some inflationary pressures. However, the primary driver of the increase in medical costs was the increased utilization of medical services by injured workers. Physician services account for more than 40% of all workers compensation medical services, although the cost of these services only increased by 1.5% over the past three years. The increase in indemnity benefits is primarily driven by an increase in wages.

¹ NCCI is a licensed rating organization authorized to make recommended loss cost/rate/assigned risk rate filings on behalf of workers compensation insurance companies in Hawaii. NCCI's filings are objectively prepared, utilizing 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.



Decimal Extension of Loss Costs, Rates, and Expected Loss Rates

In this year's filing, NCCI proposes the application of an additional digit to its published rating values to extend them from two to three decimal places. This change, known as "decimal extension," allows for more precise adjustments to loss costs and Expected Loss Rates (ELRs). Decimal extension will be particularly beneficial for classification codes with lower loss costs because it will minimize rounding limitations that are currently more likely to impact these class codes. Currently, the smallest change in one of these values has to be at least 0.01, but after decimal extension, changes can be as small as 0.001. The methodology for determining the filed loss costs and ELRs is unchanged. The proposed decimal extension is premium-neutral on both a statewide and industry group basis.

For more information on decimal extension, visit https://www.ncci.com/Articles/Pages/II_Decimal-Extension-Loss-Costs-Rates-Expected-Loss-Rates.aspx.

Conclusion

The workers compensation system remains healthy. For the last decade, the system has broadly benefited from a steady drop in claim frequency, rising wages, and moderate severity. The changing workforce and evolving economy also continue to impact workers compensation. Overall payroll growth persists, driven by an increase in employment and wage rates year over year. Preliminary data indicates a decrease in workers compensation net written premium in 2024, notwithstanding the growth in payroll. The combination of frequency declines and moderate benefit costs have contributed to reductions in overall workers compensation system costs.