Summary of the Proposed Hawaii Workers Compensation Loss Cost 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] filing, which was submitted to the Hawaii Insurance Division for its review and approval under separate cover on August 27, 2026.

The filing proposes a –2.5% decrease to the current loss costs for the voluntary market effective January 1, 2027.

Hawaii Overview

The current proposed filing for Hawaii is based on premium and loss experience for Policy Years 2022, 2023 and 2024, evaluated as of December 31, 2025. NCCI continues to rely on a three-year experience period to balance stability and responsiveness. The loss ratio for Policy Year 2023 is the highest among the three years, driven partly by large loss activity.

Hawaii claim frequency continues a long-term decline, averaging -1.5% per year, which has driven the decreases in loss costs in recent years. The medical and indemnity average costs per claim have generally increased more quickly than wages as observed over many policy years. The filed trend projections, which estimate how claims change over time, reflect that medical and indemnity average costs per claim are expected to continue outpacing wage growth, but to a slightly lesser extent compared to the previous filing effective January 1, 2026. The projected benefit costs in the current proposed filing are expected to decrease slightly between the experience period and the filing effective period, as frequency declines are expected to more than offset the projected increases in the average cost per claim.

The proposed loss adjustment expense provision is increasing by +0.1% from the currently approved provision. This provision includes Adjusting and Other Expenses (AOE). NCCI is proposing the use of both paid and incurred data, including incurred but not yet reported (IBNR) amounts, valued as of December 31, 2025, to calculate the Hawaii-only carriers' AOE provision. This approach reflects improvements in the quality of incurred AOE data in the latest valuation. In recent filings, only paid data was used. The Hawaii-only carriers' AOE provision is then weighted with the countrywide AOE provision to determine the filed statewide AOE provision.

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.

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[1] NCCI is a licensed rating organization authorized to make recommended loss cost filings on behalf of workers compensation insurance companies in Hawaii. 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.

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%. The smaller than typical employment growth was largely driven by the healthcare sector. A significant portion of payroll growth has come from higher wages, which were up 4.3% in 2025.

Claim frequency and severity reflect both a measure of the incidence of workplace injuries and the average cost of those injuries. 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 wage levels. This decline is more moderate than both the long-term average and the experience in recent years.

Lost-time medical claim severity in 2025 grew more slowly than wages. 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 grew more slowly than wages compared to 2024, although the change in the average indemnity claim severity is largely impacted by wage growth. Total claim severity grew 1% slower than wages.

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.