



Summary of the Proposed Iowa Workers Compensation Voluntary Rate and Assigned Risk Rate Filing Effective January 1, 2024

The National Council on Compensation Insurance (NCCI)¹ is pleased to provide this summary of the accompanying proposed workers compensation insurance voluntary rate and assigned risk rate² filing that was filed under separate cover on August 23, 2023, with the Iowa Insurance Division for its review and approval.

The filing recommends a –12.0% rate decrease in the voluntary market and a –12.0% decrease in the assigned risk market, effective January 1, 2024. Due to the catastrophic nature of the COVID-19 pandemic, all reported COVID-19 claims were excluded from ratemaking in this filing.

Iowa Overview

The current filing is based on premium and loss experience as of year-end 2022 from Policy Years 2020 and 2021 and shows improvement relative to the data underlying the January 1, 2023 filing. The most recent experience observed in Policy Year 2021 shows improvement from prior policy years. The use of the two most recently available full policy years appropriately balances stability and responsiveness. This methodology is consistent with prior filings in Iowa. NCCI's selection of trend is based on observed longer-term patterns which exhibit more of a decreasing pattern than the prior filing. This filing also proposes a reduction in the Profit and Contingency provision—stemming from the recent shift in interest rates. There are no recommended changes to the assigned risk programs currently in effect and therefore the proposed change in rates for the assigned risk market is the same as that for the voluntary market (–12.0%).


Countrywide Overview

The performance of the workers compensation system remains healthy. Lost-time claims relative to premium have returned to their 20-year trend trajectory, declining 4% in the past year. Employment and wage growth marked a return to pre-pandemic levels. Recent wage increases are outpacing average claim costs along with continued nationwide declines in total claims. Payroll, as the exposure base, is inflation-sensitive, so as wages rise, premiums automatically increase along with the cost of associated workers compensation benefits. Consequently, wages, premiums, and indemnity benefits typically stay in balance.

On a nationwide basis, there was a notable rise in claim costs for 2022, with medical claim costs increasing about 5% and indemnity claim costs rising about 6% year over year. Over the pandemic period of 2019–2022, the average medical lost-time claim cost increased by about 3% and the average indemnity for lost-time claim costs increased by about 8%, reflecting average annual increases of 1% and just over 2%, respectively.

¹ NCCI is a licensed rating organization authorized to make recommended rate/assigned risk rate filings on behalf of workers compensation insurance companies in Iowa. NCCI's filings are objectively prepared, utilizing 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 to provide insurance coverage to parties unable to obtain coverage in the voluntary market. For the assigned risk market, NCCI files a full rate that reflects the servicing carriers' expenses.



Medical inflation is predicted to increase at a rate of about 3% per year compared with the long-term average of around 1.5%. Medical inflation continues to remain below the inflation rate of the Consumer Price Index.

COVID-19

Earlier this year, NCCI filed Item E-1410, which proposed changes to the treatment of COVID-19 claims in experience rating. This filing was approved in Iowa. NCCI will be treating the pandemic and its resulting data, between accident dates of December 1, 2019, and June 30, 2023, as a catastrophic event. The claims that occurred during this period are not expected to be a reliable predictor of future years; therefore, all reported COVID-19 claims were excluded from ratemaking in this filing. Beginning July 1, 2023, new COVID-19 claims with accident dates after July 1 will be included in experience rating and will be reflected in ratemaking in subsequent years; however, COVID-19 claims before that date will continue to be excluded from experience rating and ratemaking.

Conclusion

The workers compensation system continues to be healthy. Countrywide lost-time claims, relative to premium, declined 4% in the past year. Private carrier plus state fund net written premium increased about 10% to \$47.5 billion in 2022, just above the 2019 level. Private carriers posted a calendar year combined ratio of 84% (below 100% indicates underwriting profitability). This was the sixth consecutive year that the private workers compensation insurance market posted a combined ratio below 90% and the ninth consecutive year of underwriting profitability. Industry reserves are robust.