Summary of the Proposed Illinois Workers Compensation Advisory Rate, Loss Cost and Assigned Risk Rate Filings Effective January 1, 2027

The National Council on Compensation Insurance (NCCI)[1] is pleased to provide this summary of the proposed workers compensation insurance advisory rate, loss cost[2] and assigned risk rate[3] filings, which were submitted to the Illinois Department of Insurance for its review and approval under separate cover on July 30, 2026.

The filings propose a +0.3% advisory rate level increase and a –0.5% loss cost level decrease for the voluntary market and a +3.1% increase to the assigned risk market rates, effective January 1, 2027.

Illinois Overview

The current proposed filing is based on premium and loss experience for Policy Years 2023 and 2024, evaluated as of year-end 2025. The experience shows improvement compared to the data underlying the January 1, 2026 filing. The improved experience is partially offset by higher estimates (development) of the total cost of claims, which are intended to reflect future payments that have not yet been made.

In Illinois, losses over premiums (loss ratios) are trending downward due primarily to decreasing claim frequency observed over the past decade. Illinois experience further shows that medical costs have decreased slightly faster than indemnity costs. While the average indemnity cost per claim in Illinois has remained relatively flat since Policy Year 2014, the average medical cost per claim has decreased relative to wage growth. Given the strong wage growth observed in Illinois in recent years, we expect medical costs in Illinois to continue rising more slowly than wages. The proposed filing also reflects the estimated impacts of the Illinois medical fee change effective January 1, 2026. Together, these components result in a proposed change to the voluntary loss cost level decrease of –0.5%.

The advisory rate filing includes a small increase in production and loss-based expenses, resulting in a proposed advisory rate level increase of +0.3%. The assigned risk rate filing includes an increase to the uncollectible premium provision resulting in a proposed assigned risk rate level increase of +3.1%.

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.

[1] NCCI is a licensed rating organization authorized to make recommended advisory rate, loss cost, and assigned risk rate filings on behalf of workers compensation insurance companies in Illinois. 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.

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.