Summary of the Proposed Kentucky 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 Kentucky Department of Insurance for its review and approval under separate cover on September 9, 2026.

The filing proposes an overall 0.0% change to the current loss costs for the voluntary market, effective January 1, 2027.

Kentucky Overview

The proposed filing is based on payroll and loss experience from Policy Years 2022, 2023 and 2024, evaluated as of year-end 2025. The use of a three-year experience period differs from the most recent filing in Kentucky, effective January 1, 2026, which utilized a two-year experience period (Policy Years 2022 and 2023). Policy Year 2024 produced a higher loss ratio than observed in the prior two policy years. It is not yet clear whether the loss ratio increase in Policy Year 2024 can be attributed to year-over-year volatility or the start of a longer-term trend in Kentucky. Including three years in the experience period promotes balance and responsiveness to the most recent policy year results and supports no proposed change to the overall voluntary indication.

Policy Year 2024 also experienced an increase in lost-time claim frequency, which is a change from Kentucky's long-term historical pattern of declining claim frequency. However, indemnity claim severity remained relatively stable during the three-year experience period, while medical severity decreased.

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

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

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.