



Summary of the Proposed Maryland Workers Compensation Advisory 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 14, 2025, with the Maryland Insurance Administration for its review and approval.

The filing proposes a -12.3% decrease to the current loss costs for the voluntary market, effective January 1, 2026.

Maryland Overview

The proposed filing is based on premium and loss experience as of year-end 2024 from Policy Years 2022 and 2023 and shows improved experience relative to the data underlying the filing effective January 1, 2025. Maryland's lost-time claims relative to premium decreased in the latest year, continuing the long-term decline in lost-time claim frequency. This was accompanied by a decrease to the average cost per lost-time claim for indemnity and an increase for medical. The combined impact of the changes in frequency and severity resulted in an overall proposed decrease to the voluntary indication based on the two year experience period.

Consistent with the previous three loss cost filings, the experience of the state fund, Chesapeake Employers' Insurance Company (Chesapeake), is included in this year's proposed loss cost filing for Maryland³.

Multistate Overview


The Calendar Year 2024 combined ratio for workers compensation was under 100% (the break-even point) at 86%, a measure of underwriting profitability for the overall system. The net written premium in the voluntary market decreased slightly, and the residual market premium in states 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.

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

³ On April 14, 2015, the Maryland Legislature enacted Senate Bill 465 which facilitated the full affiliation of Chesapeake Employers' Insurance Company with NCCI.



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.

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.