Summary of the Proposed Maryland Workers Compensation Advisory 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 Maryland Insurance Administration for its review and approval under separate cover on August 13, 2026.

The filing proposes a –5.4% decrease to the current loss costs for the voluntary market, effective January 1, 2027.

Maryland 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 proposed loss cost decrease is primarily driven by improved experience relative to the experience underlying the 1-1-26 filing. Maryland's lost-time claim frequency decreased in the latest policy year, continuing its long-term decline. This trend was accompanied by a small increase in the average indemnity cost per lost-time claim and a moderate decrease in the average medical cost per lost-time claim. Together, changes to frequency and severity helped drive the improved experience.

When combining the changes in frequency and severity, the indemnity and medical costs declined in the most recent policy year. That decline is expected to continue in the filing year. Accordingly, this filing does not propose any changes to the indemnity and medical trend projections, which estimate how these costs are expected to change over time.

The proposed loss cost change includes a +0.3% increase due to the impact of a recent update to Maryland's medical fee schedules.

Countrywide Overview

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, while limited overall, was largely driven by the health care sector.

[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, 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.

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, falling 2% from 2024 to 2025, and 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 from higher medical and indemnity claim severity. Payroll growth and a combined ratio below 100% further support 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.