

## Summary of the Proposed Maine Workers Compensation Loss Cost Filing Effective April 1, 2024

The National Council on Compensation Insurance (NCCI)<sup>1</sup> is pleased to provide this summary of the accompanying proposed workers compensation insurance loss cost<sup>2</sup> filing that was filed under separate cover on January 10, 2024, with the Maine Bureau of Insurance for its review and approval.

The filing recommends a –19.0% loss cost decrease in the voluntary market, effective April 1, 2024. Due to the catastrophic nature of the COVID-19 pandemic, all reported COVID-19 claims were excluded from ratemaking in this filing.

### Maine Overview

The proposed filing is based on premium and loss experience for Policy Years 2019, 2020, and 2021, evaluated as of year-end 2022. The data in these years indicates an improvement in experience relative to the data underlying the filing effective April 1, 2023. The proposed loss cost decrease is primarily driven by changes to the average cost per lost time claim and a proposed decrease to the indemnity and medical loss ratio trend projections. Payroll growth in Maine, a function of employment and wages, has continued to accelerate putting downward pressure on workers compensation loss costs. Notably, recent wage increases have significantly outpaced the rate of medical inflation within the system, contributing to improvement in loss ratio experience in recent policy years.

While there continues to be some variability in the year-to-year changes in costs per lost-time claim for both indemnity and medical, the long-term pattern of decline in both the indemnity and medical loss ratios is expected to continue. The proposed loss cost level change also includes an increase to the loss adjustment expense component, in addition to an increase to benefits due to an update to the medical fee schedule.


### 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.

---

<sup>1</sup> NCCI is a licensed advisory organization authorized to make recommended loss cost filings on behalf of workers compensation insurance companies in Maine. NCCI's filings are objectively prepared, utilizing widely accepted actuarial ratemaking methodologies.

<sup>2</sup> "Loss cost" refers to the portion of workers compensation rates filed that 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.



On a countrywide 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.

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 Maine. 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.