

Summary of the Proposed Montana Workers Compensation Loss Cost Filing Effective July 1, 2025

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 January 29, 2025, with the Montana Commissioner of Securities & Insurance, Office of the Montana State Auditor for its review and approval.

The filing recommends a +0.5% loss cost increase in the voluntary market effective July 1, 2025.

Montana Overview

The proposed loss cost change in this filing is based on premium and loss experience for the latest four Policy Years 2019, 2020, 2021, and 2022, with data valued as of December 31, 2023. The overall loss experience and the medical loss ratio trends have remained steady; however, the loss payout patterns and the indemnity loss ratio trends have increased. These component changes contribute to the proposed overall slight loss cost level increase.

NCCI observes significant average wage inflation in Montana for the past few years, which has exerted an overall downward impact on loss ratios. Other impacts such as delays in medical treatment and anticipated longer claim durations are expected to exert upward pressure on Montana workers compensation system costs for the prospective filing effective period.

Countrywide Overview


The workers compensation (WC) system remains healthy. The Calendar Year 2023 combined ratio for workers compensation was 86%, a sign of underwriting profitability, where the net written premium increased by 1%.

Frequency has continued its long-term decline and on a countrywide basis, while claim severity changes were considered moderate for 2023. The continued focus on worker safety and technological advancements are regarded as contributing to fewer workplace injuries over time. The latest medical severity change aligns with projected medical inflation, while indemnity severity tracked with changes in average weekly wages.

Payroll increased by 6% between 2022 and 2023, driven by increases in both employment and wages. Conversely, WC system costs have increased at a slower pace than wages during the same period. The great reshuffle of jobs has also slowed significantly as employee turnover settles near pre-pandemic levels and we see signs of the labor market normalizing rather than deteriorating.

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



Economic inflation as measured with the popular Consumer Price Index has been elevated over the past few years. However, this economic inflation has not generally translated to higher WC medical and indemnity benefit costs:

- Medical inflation has been more stable in the aggregate with the WC Weighted Medical Price Index showing an average increase of 2.6% for the past 3 years. Medical fee schedules have helped moderate price increases in workers compensation in states that have medical fee schedules.
- Indemnity severity has largely been tracking wage inflation in recent years—a pattern which is not unusual considering indemnity costs are essentially wage replacement benefits for injured workers.

Conclusion

The workers compensation system continues to be healthy. While consumer inflation has been elevated, the inflation for workers compensation medical costs remained stable. The increases observed in indemnity severity are largely driven by increased wages, which have risen significantly in recent years. Workers Compensation premiums are based on payroll, which is an inflation-sensitive exposure base. The combination of continued frequency declines and moderate benefit costs at or below the level of wage growth, have continued to put downward pressure on overall WC system costs relative to collected premiums.