Summary of the Proposed New Hampshire Workers Compensation Loss Cost Filing Effective January 1, 2025

The National Council on Compensation Insurance (NCCI)[1] is pleased to provide this summary of the accompanying proposed workers compensation insurance loss cost[2] filing that was filed under separate cover on July 31, 2024, with the New Hampshire Insurance Department for its review and approval.

The filing recommends a –5.6% loss cost decrease in the voluntary market effective January 1, 2025.

New Hampshire Overview

The current filing is based on premium and loss experience as of year-end 2023 from Policy Years 2020, 2021, and 2022 and shows improved experienced relative to the data underlying the filing effective January 1, 2024. Experience observed in all three years is similarly favorable. New Hampshire's lost-time claim frequency continues its long-term decline. Indemnity and medical severity both increased slightly after steep declines during the COVID-19 pandemic. Despite the slight increase in severity, loss ratios continue to decrease. The proposed loss cost level change also includes an update to the loss-based expense component. The assigned risk rates, which will also be proposed effective January 1, 2025, will be filed after the servicing carrier contract to be effective January 1, 2025 is finalized.

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.

Economic inflation as measured with the 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:

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

- 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 adopted them.

- 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.