Summary of the Proposed New Mexico 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 advisory loss cost filing that was filed under separate cover on August 28, 2025, with the New Mexico Office of Superintendent of Insurance for its review and approval.

The filing proposes a –15.6% decrease to the current loss costs for the voluntary market effective January 1, 2026.

New Mexico Overview

The proposed filing is based on premium and loss experience data as of year-end 2024 from Policy Years 2021, 2022, and 2023 and shows improvement relative to the data underlying the filing effective January 1, 2025. The experience in New Mexico in the most recent policy year, Policy Year 2023, is generally in line with that of both Policy Years 2021 and 2022, which supports a significant decrease to the current loss cost level.

Payroll is the primary exposure base used to calculate workers compensation premiums. As payroll grows, it drives premiums upward while putting downward pressure on the cost of losses per $100 of payroll. In New Mexico's workers compensation system, there has been stronger-than-usual payroll growth following COVID-19, accelerating by about 25% from 2021 to 2024, with additional growth expected in 2025 and 2026. Payroll growth reflects both rising employment and higher wages. While employment levels in New Mexico have risen, claim counts have continued to decline. At the same time, wages (which influence premium levels) have been increasing at a faster pace than total benefits paid, supported in part by relatively moderate medical inflation.

Together, these frequency and severity patterns suggest continued favorable workers compensation experience. After adjusting to a common wage level, the frequency of lost-time claims shows a long-term decline. The long-term average indemnity cost per lost-time claim has flattened or slightly decreased from the prior approved filing, while the average medical cost per lost-time claim exhibits a consistent downward trend.

Multistate Overview

The Calendar Year 2024 combined ratio for workers compensation was under 100% 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

[1] NCCI is a licensed advisory organization authorized to make recommended loss cost filings on behalf of workers compensation insurance companies in New Mexico. NCCI's filings are objectively prepared, utilizing widely accepted actuarial ratemaking methodologies.

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.

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 around 40% of all workers compensation medical services, although the cost of these services only increased by about 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 and Expected Loss Rates

In this year's filing, NCCI proposes the application of an additional digit 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.