Summary of the Proposed New Mexico 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 advisory loss cost[2] filing, which was submitted to the New Mexico Office of Superintendent of Insurance for its review and approval under separate cover on August 27, 2026.

The filing proposes a –0.5% decrease to the current loss costs for the voluntary market effective January 1, 2027.

New Mexico Overview

This proposed filing is based on premium and loss experience from Policy Years 2022, 2023, and 2024, evaluated as of year-end 2025.

Following a period of significant payroll growth and a decline in the number of workers compensation claims after the COVID-19 pandemic, some upward pressure on claim costs has emerged in data reported to NCCI, partially offsetting improved loss experience. Increased large loss activity, driven by the construction and oil and gas industries, and higher average claim costs overall have contributed to higher system costs in the most recent Policy Year 2024.

Other factors also affect the overall indication, including projections of future claim costs in this year's filing. Ultimate loss projections estimate the final cost of claims that have already occurred but are not yet closed. The most recent data indicates that these projected claim costs have increased, putting upward pressure on the proposed loss costs.

Loss trend projections estimate how claim costs are expected to change in the future and are used to adjust the selected experience period to the prospective 2027 cost level. These projections reflect expected changes in claim benefit costs relative to changes in the payroll exposure base. In New Mexico, claim frequency continues to show a long-term decline, while indemnity (wage-replacement) costs per claim have remained relatively flat and generally move with wages over time. As a result, NCCI made no changes to the projection of future indemnity costs from the previous filing effective January 1, 2026. Medical costs per claim have increased in recent years; therefore, NCCI increased its projection of future medical costs from the previous filing. Overall, the changes to the trend patterns put upward pressure on loss costs.

The proposed filing also reflects the estimated impact of updates to the New Mexico medical fee schedule effective January 1, 2026.

Together, the upward pressures from ultimate loss estimates, trend projections, and benefit changes are more than offset by using the most recent premium and loss experience. As a result, NCCI recommends a –0.5% decrease in the New Mexico loss cost level, effective January 1, 2027.

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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 Mexico. 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.

Countrywide Overview for NCCI States

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%. The smaller than typical employment growth was largely driven by the healthcare sector. A significant portion of payroll growth has come from higher wages, which were up 4.3% in 2025.

Claim frequency and severity reflect both a measure of the incidence of workplace injuries and the average cost of those injuries. Lost-time claim frequency (claims with days away from work) continues its long-term decline across all NCCI states, decreasing by 2% from 2024 to 2025, after accounting for changes in wage levels. This decline is more moderate than both the long-term average and the experience in recent years.

Lost-time medical claim severity in 2025 grew more slowly than wages. 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 grew more slowly than wages compared to 2024, although the changes in average indemnity benefit costs are largely impacted by wage growth. Total claim severity grew 1% slower than wages.

Conclusion

Overall, the workers compensation system remained healthy in 2025. Long-term declines in lost-time claim frequency continued to help offset upward pressure on system costs from higher medical and indemnity claim severity. Payroll growth and a combined ratio below 100% are further indicators of 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.