



Summary of the Proposed Oklahoma Workers Compensation Voluntary Loss Cost and Assigned Risk Rate Filing Effective June 1, 2024

The National Council on Compensation Insurance (NCCI)¹ is pleased to provide this summary of the accompanying proposed workers compensation insurance voluntary loss cost² and assigned risk rate³ filing that was filed under separate cover on November 8, 2023, with the Department of Insurance for its review and approval.

The filing recommends a -14.7% loss cost decrease in the voluntary market and for the assigned risk market, applying an assigned risk loss cost multiplier of 1.77 to the proposed voluntary market loss costs, effective June 1, 2024. Due to the catastrophic nature of the COVID-19 pandemic, all reported COVID-19 claims were excluded from ratemaking in this filing.

Oklahoma Overview

The proposed filing is based on premium and loss experience as of year-end 2022 for Policy Years 2020 and 2021 and shows improved experience relative to the data underlying the prior filing. NCCI increased the number of years used for the experience period to three in last year's voluntary loss cost filing given uncertainty in whether the material improvement observed in Policy Year 2020 would persist. This year, the experience observed in Policy Year 2021 is similar to that of Policy Year 2020. As a result, NCCI reverted to the historical Oklahoma experience period length of two years in this filing. Oklahoma's ratio of lost-time claims relative to premium has exhibited a declining pattern over recent history, and the average indemnity and medical costs per case—after adjusting to a common wage level—are projected to decrease.

The effective date of this filing was shifted to June 1, 2024, to coincide with the implementation of the Oklahoma residual market. NCCI is proposing assigned risk rates and rating values for the first time in the State with this filing. Note that the State has indicated its intention to return to a January 1 effective date for all subsequent voluntary loss cost and assigned risk rate filings.


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 countrywide declines in total claims. Payroll, as the exposure base, is

¹ NCCI is a licensed advisory organization authorized to make recommended voluntary loss cost and assigned risk rate filings on behalf of workers compensation insurance companies in Oklahoma. 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.

³ The assigned risk rate is filed for use on policies written through the Assigned Risk Plan, a program established by state insurance regulatory authorities that sets the rules and procedures for providing insurance coverage to parties that are unable to obtain coverage in the voluntary market. For the assigned risk market, NCCI files a full rate that includes the Servicing Carriers' expenses.



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.

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 Oklahoma. 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.