



Summary of the Proposed Tennessee Workers Compensation Loss Cost and Assigned Risk Rate Filings Effective March 1, 2026

The National Council on Compensation Insurance (NCCI)¹ is pleased to provide this summary of the accompanying proposed workers compensation insurance loss cost² and assigned risk rate³ filings that were filed under separate cover on September 24, 2025, with the Tennessee Department of Commerce and Insurance for its review and approval.

The filing proposes a –2.0% decrease to the current loss costs for the voluntary market and a –1.1% decrease to the assigned risk market rates, effective March 1, 2026.

Tennessee Overview

The proposed filing is based on premium and loss experience for Policy Years 2022 and 2023 evaluated as of December 31, 2024. The financial data experience period evaluated as of December 31, 2024, shows continued improvement when compared to the data evaluated as of December 31, 2023. The primary driver of the proposed change is attributable to the improved experience. Tennessee's lost-time claims relative to premium decreased in the latest policy year. This continued frequency decline is the main driver of the negative loss ratio trends proposed in the filing.

The proposed assigned risk rates reflect a small increase in the assigned risk multiplier, resulting in a slightly less negative assigned risk rate level change than the filed voluntary loss cost level change.

Multistate Overview


The Calendar Year 2024 combined ratio for workers compensation was under 100% (the break-even point) 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 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.

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



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

In this year's filing, NCCI proposes the application of an additional digit to its published rating values to extend them from two to three decimal places. This change, known as "decimal extension," allows for more precise adjustments to loss costs, rates, and Expected Loss Rates (ELRs). Decimal extension will be particularly beneficial for classification codes with lower loss costs or rates 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, rates, 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.