Summary of the Proposed Tennessee Workers Compensation Loss Cost and Assigned Risk Rate Filings Effective March 1, 2027

The National Council on Compensation Insurance (NCCI)[1] is pleased to provide this summary of the proposed workers compensation insurance loss cost[2] and assigned risk rate[3] filings, which were submitted to the Tennessee Department of Commerce and Insurance for review and approval under separate cover on September 25, 2026.

The filings propose a –4.3% decrease to the current loss costs for the voluntary market and a –4.2% decrease to the assigned risk market rates, effective March 1, 2027.

Tennessee Overview

This proposed filing is based on premium and loss experience for Policy Years 2022, 2023, and 2024, evaluated as of December 31, 2025 and shows improved experience compared to the data used for the Tennessee filing effective March 1, 2026. A three-policy year experience period was selected for this filing instead of the previously utilized two-year experience period (Policy Years 2022 and 2023). Including three years in the experience period maintains balance and responsiveness, while reducing the influence of year-to-year fluctuations.

Continued declines in lost-time claim frequency relative to premium remain the key contributor to the indicated decrease. While claim severity has seen some upward movement in recent years, the impact of lower claim frequency has more than offset this upward pressure.

The proposed change in assigned risk rates includes a minimal adjustment to the assigned risk multiplier, resulting in the proposed –4.2% decrease.

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%. A significant portion of payroll growth appears to have come from higher wages, which were up an average of 4.3% in 2025. Employment growth was largely driven by the health care sector.

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[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, using 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 frequency and severity reflect both the incidence of workplace injuries and the cost of those injuries when they occur. 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 pay levels. This decline is more moderate than the long-term average and the experience in recent years.

Lost-time medical claim severity in 2025 grew by 4%. 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 is also estimated to be 4% higher than in 2024 because indemnity benefits largely reflect wage growth.

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.