

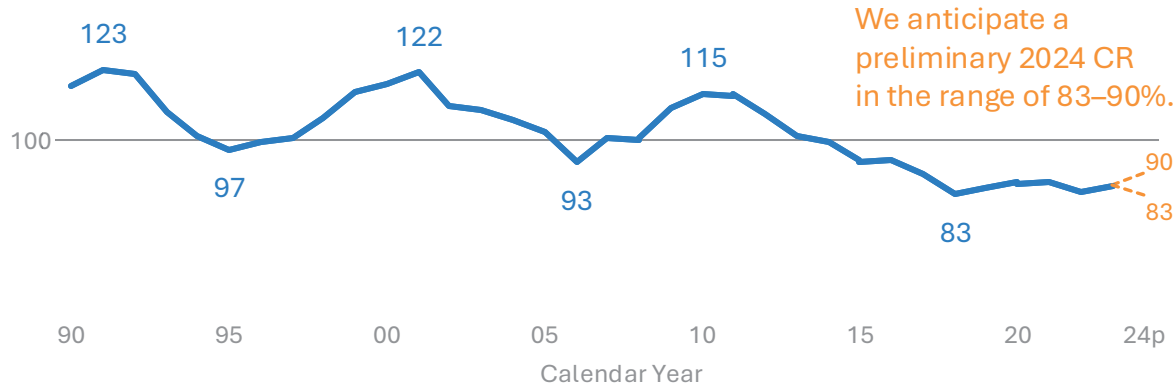


# Navigating the WC Cycle: Will There Be a Turn?

## Workers Compensation (WC) Net Combined Ratio (CR)

Private Carriers

Percent



p Preliminary.

**Workers compensation combined ratios have been low in recent years due to:**

- Continued long-term decline in frequency
- Moderate severity
- Growing wages

These favorable results for carriers drive loss costs down. When wage growth outpaces frequency and severity changes, loss costs will continue to decrease.

While we can't predict the future, we can say there doesn't appear to be any imminent reversal to the current trends.

**NCCI continues to closely monitor these trends for signs of change.**



### Forward Looking

NCCI incorporates forward-looking indicators into its ratemaking analysis. [Multiple inflationary measures](#), including NCCI's Workers Compensation Weighted Medical Price Index and [current labor market](#) and economic indicators, are considered when selecting trends by state.

NCCI's [2024 in Sight, 2023 in Review: The Latest Results for WC](#) reveals a first look at the combined ratio for Calendar Year 2024 yielding similar expectations to 2023 results.



### Potential Disruptors

Significant shocks to the economy have precipitated peaks in the cycle.

NCCI is prepared to react quickly to potential system disruptors.

Examples may include:

- Reversal of declining frequency trend
- Medical inflation accelerating
- Ineffective/obsolete WC fee schedules
- Expansion of benefits that bureaus cannot quickly and accurately price
- Unpredictable economic shock



### Evolution of WC System

The WC industry is better today at estimating future loss costs, which can lead to continued moderate combined ratios.

Two contributors to the more recent moderate [underwriting cycle](#) are:

- Technological advancements
- WC system maturity

Implementing medical fee schedules and the industry's investment in more timely and more detailed data, like the [Medical and Indemnity Data Calls](#), have helped to maintain a healthy system.