State of the Line:
Workers Compensation

The U.S. workers' compensation insurance industry experienced its third best underwriting performance in the past 20 years in 2024 with a net combined ratio (NCR) of 87.8. It was the 10th consecutive year of generating a net underwriting profit following an eight-year period of posting an NCR over 100. In comparison, workers' comp has outperformed the combined property/casualty (P/C) insurance industry in NCR each year since 2015.

Insurers' underwriting profitability is measured by a combined ratio, which is calculated by dividing the sum of claim-related losses and expenses by premium. A combined ratio under 100 indicates an underwriting profit. A ratio above 100 indicates an underwriting loss. NCR and net written premium growth rates for workers' comp are analyzed, forecasted and then reported in quarterly Triple-I [members-only webinars](). Figure 1 includes the Triple-I 2025 NCR forecast as of January 2026 for workers' comp and the P/C industry.

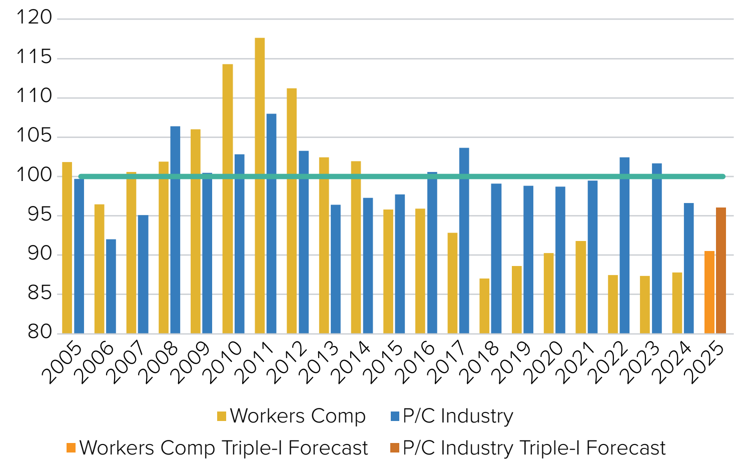
Premium

The net written premium growth rate for the P/C industry has exceeded that of workers' comp each year since 2015 with the exception of 2022. Figure 2 includes the Triple-I 2025 net written premium growth rate forecast as of January 2026 for workers' comp and the P/C industry.

Workers' comp premiums declined drastically in 2020 due to reduced employment across the U.S. during the onset of the COVID-19 pandemic. The 2020 annual change in total non-farm payroll of -5.8% was the only negative change since 2010, as seen in Figure 3.

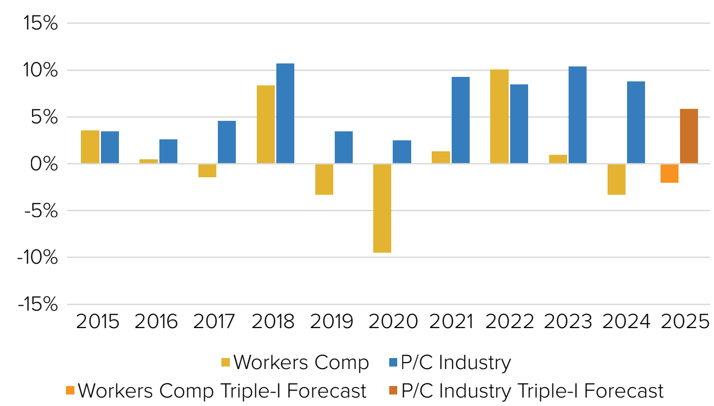
The annual percent increases in total non-farm payroll in 2021, 2022, 2023 and 2024 of 2.9, 4.3, 2.2 and 2.3, respectively, are the highest year-over-year (YoY) increases for more than the past 20 years as the U.S. workforce recovers from 2020.

Figure 1: Net Combined Ratio, 2005-2025



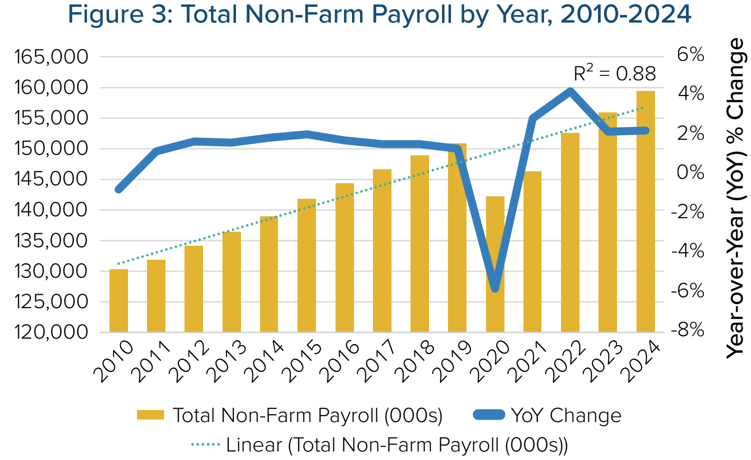
Source: S&P Global Market Intelligence, as of January 2026

Figure 2: Net Written Premium Growth Rate, 2015-2025



Source: S&P Global Market Intelligence, as of January 2026

Figure 3: Total Non-Farm Payroll by Year, 2010-2024

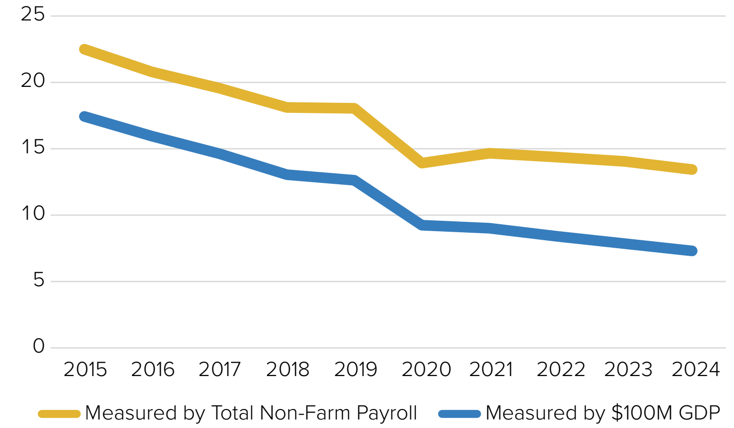


Source: Federal Reserve Economic Data, as of January 2026

Frequency

Using total non-farm payroll as the basis for workers' comp claim exposure and reported claims at 12 months by year, workers' comp frequency declined steadily from 2015 to 2024 at an annual compound rate of -5.6%. Using nominal gross domestic product (GDP) which has no inflation adjustment as the basis of claim exposure, workers' comp frequency follows a similar pattern year YoY during the same period. In comparison, the frequency of reported claims per $100 million GDP is decreasing at a larger annual compound rate of -9.2%, as shown in Figure 4.

Figure 4: Frequency of Reported Claims at 12 Months, 2015-2024

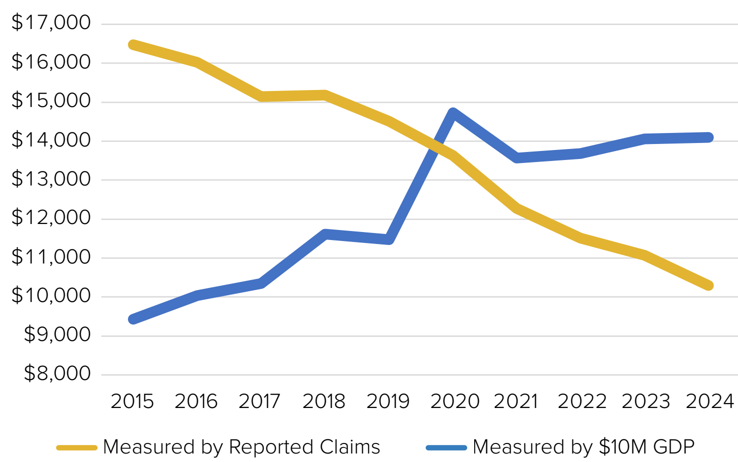


Source: S&P Global Market Intelligence, Federal Reserve Economic Data, as of January 2026

Severity

Using net ultimate loss and defense and cost containment (DCC) at 12 months divided by the number of reported claims at 12 months, severity increased at an annual compound rate of 4.6% from 2015 to 2024. However, using nominal GDP as the basis of severity rather than reported claims, severity decreased at an opposite rate of -5.1% as seen in Figure 5. This is indicative of a severity pattern influenced more by increasing inflation than underlying historical cost trends.

Figure 5: Severity of Net Ultimate Loss & DCC, 2015-2024

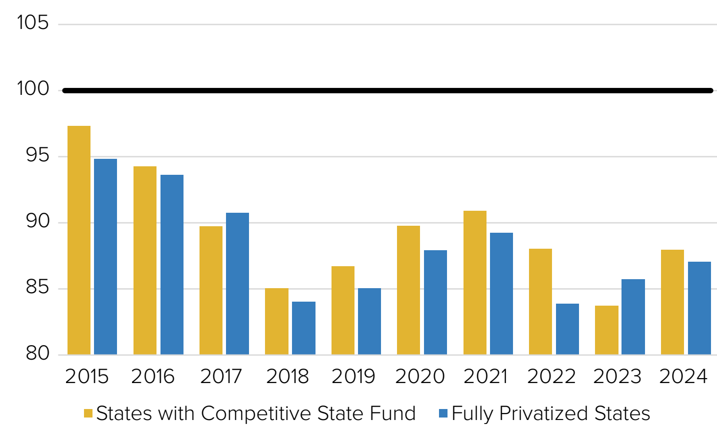


Source: S&P Global Market Intelligence, Federal Reserve Economic Data, as of January 2026

Market Competition

As noted in Triple-I's [Small Business Owners' Guide to Insurance], workers' comp insurance is different in every state. Countrywide, only four states – Ohio, North Dakota, Washington, and Wyoming – require employers to purchase workers' comp insurance exclusively through a state-run fund. The remaining states either maintain a competitive state fund or are fully privatized. Effective January 2025, the Missouri workers' comp state fund was privatized, resulting in only 18 states countrywide with a competitive workers' comp state fund. The total direct written premium of these 18 competitive state funds as a percent of national workers' comp direct written premium dropped from 14.9% in 2015 to 12.9% in 2024. During this period, the direct combined ratio for fully privatized states outperformed states with a competitive state fund each year except for 2017 and 2023, as seen in Figure 6.

Figure 6: Direct Combined Ratio, 2015-2024



Source: S&P Global Market Intelligence, as of January 2026

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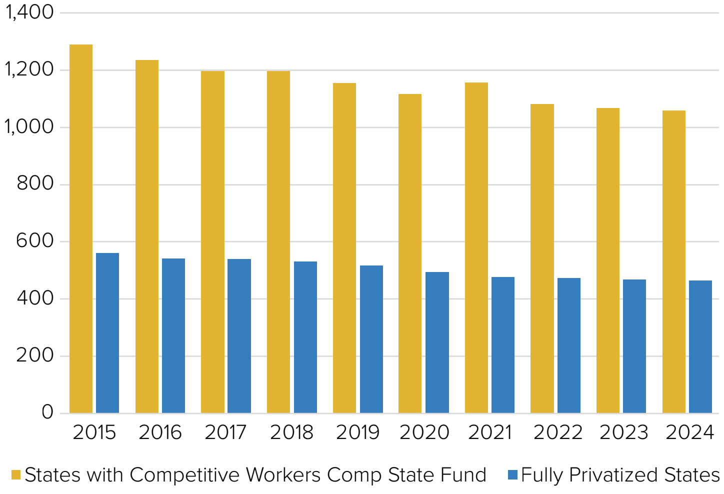
As net underwriting profitability persists in workers' comp and net written premium growth rates remain lower than P/C industry rates as a whole, competition in workers' comp has increased, as measured by the Herfindahl-Hirschman Index (HHI). The HHI can range from a high of 10,000 in a market with only one firm to a low approaching zero when a large number of firms have equally low market share. The U.S. Department of Justice considers markets with an HHI below 1,000 to be unconcentrated, those with an HHI between 1,000 and 1,800 to be moderately concentrated, and those with an HHI above 1,800 to be highly concentrated. Over the most recent 10 years, HHI has steadily decreased -18.4% at an annual compound rate of -2.2%. The annual trends for states with a competitive workers' comp state fund are similar to fully privatized states, though their HHI remains more than twice that of all other states each year, as seen in Figure 7.

Figure 7: Herfindahl-Hirschman Index, 2015-2024



Source: S&P Global Market Intelligence, as of January 2026