

Economic Forces Shaping Workers Compensation Reserving

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Economic Forces Shaping Workers Compensation Reserving

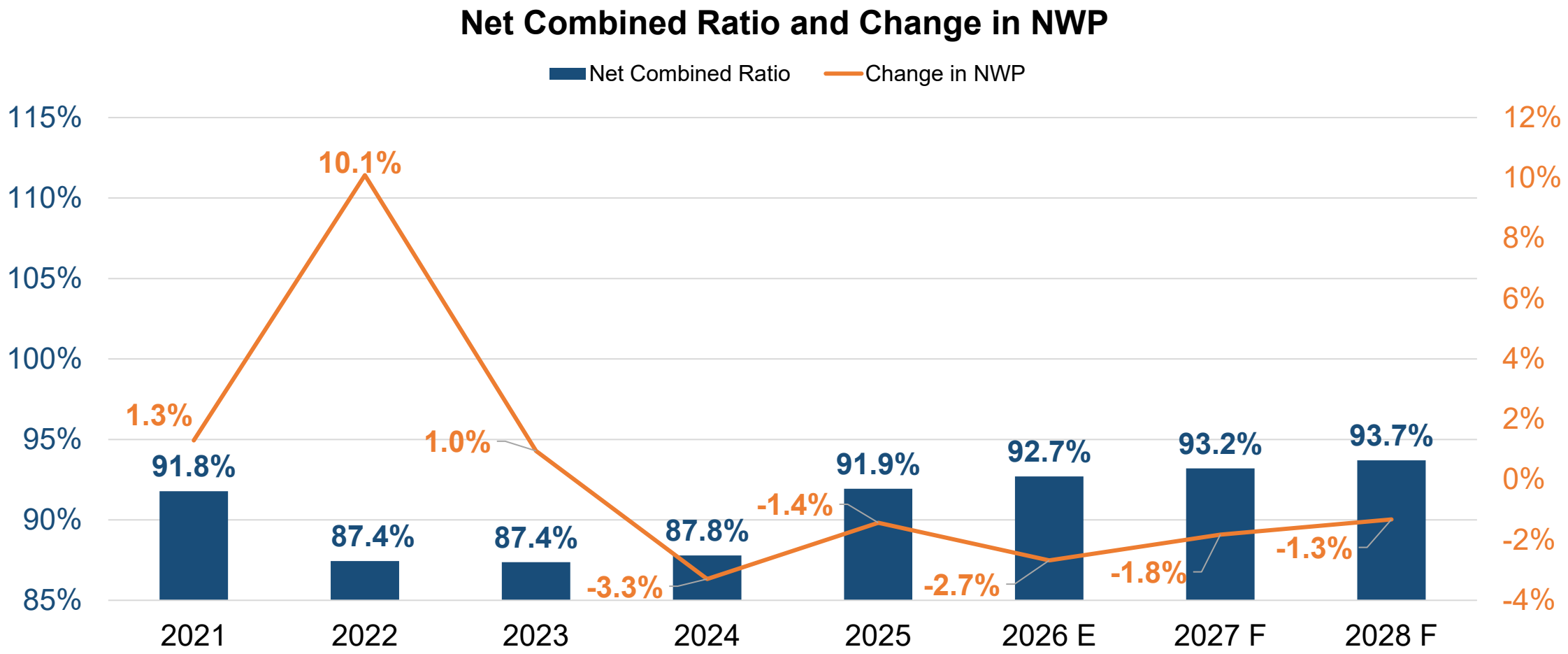
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Workers Compensation Underwriting Projections

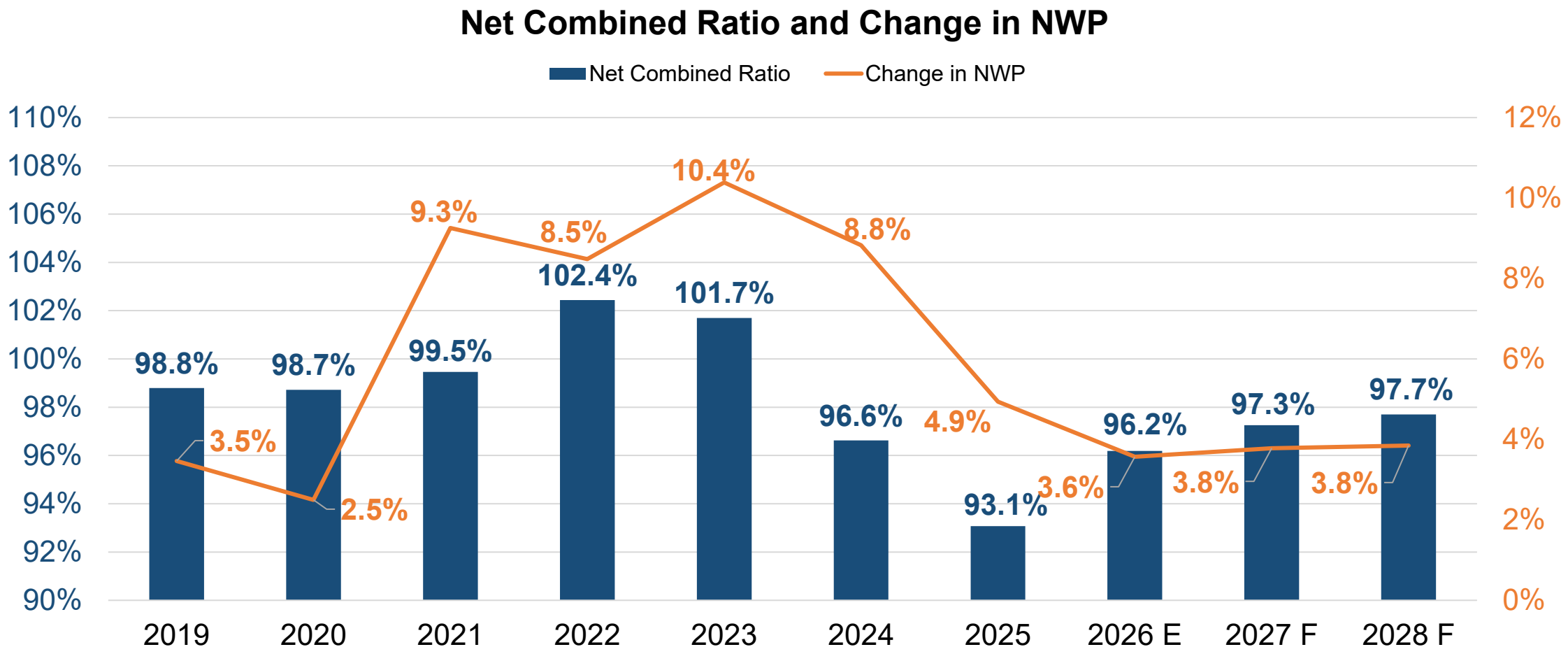
Combined ratio steadily worsens toward 93.7% by 2028 as premium growth turns negative, pressuring margins.



Sources: Triple-I, Milliman, and NAIC Statutory Financial Data through S&P Global Market Intelligence (as of 6/2026)

P&C Industry Underwriting Outlook

Compared to the rest of P/C industry, workers compensation's combined ratio stays consistently better.



Sources: Triple-I, Milliman, and NAIC Statutory Financial Data through S&P Global Market Intelligence (as of 6/2026)

Section 1:

Nationwide Workers Compensation Economic Trends

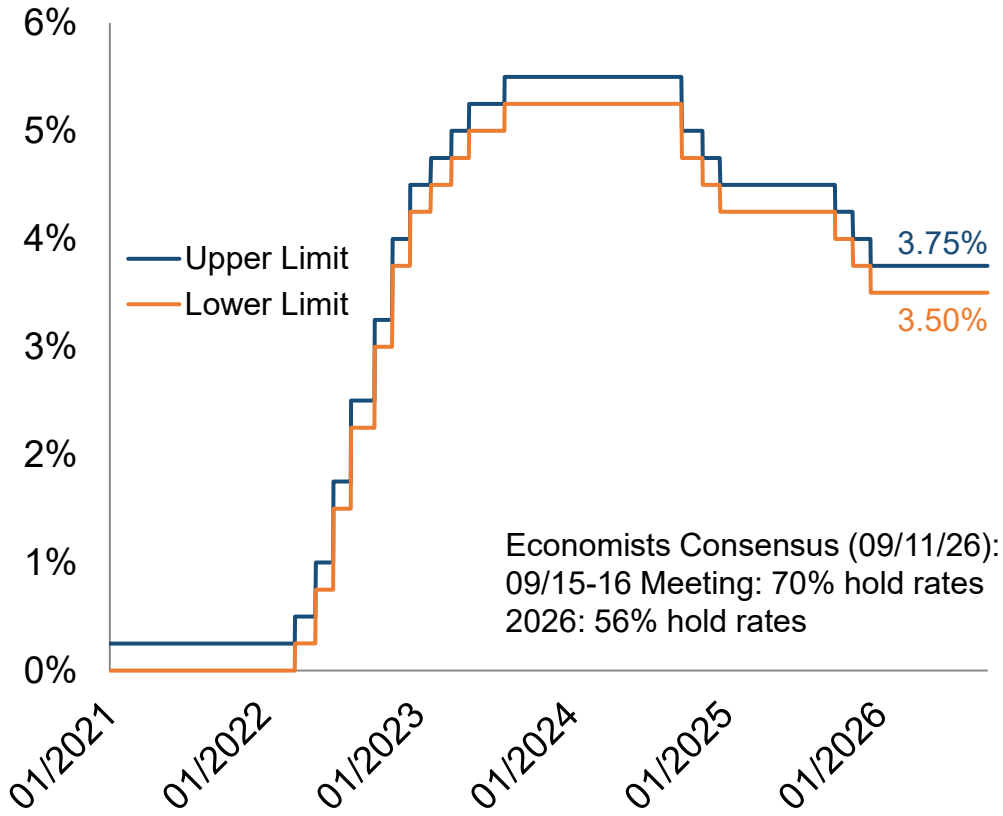
Monetary Policy Expectations
U.S. Payroll and Unemployment Rate
Total Payrolls by State
Unemployment Rate by State
U.S. Hourly Earnings and Hour Worked
Inflation for Key Medical Components

Monetary Policy Expectations

Increasing odds of Fed raising rates could significantly depress underlying growth for homeowners and personal auto insurance.

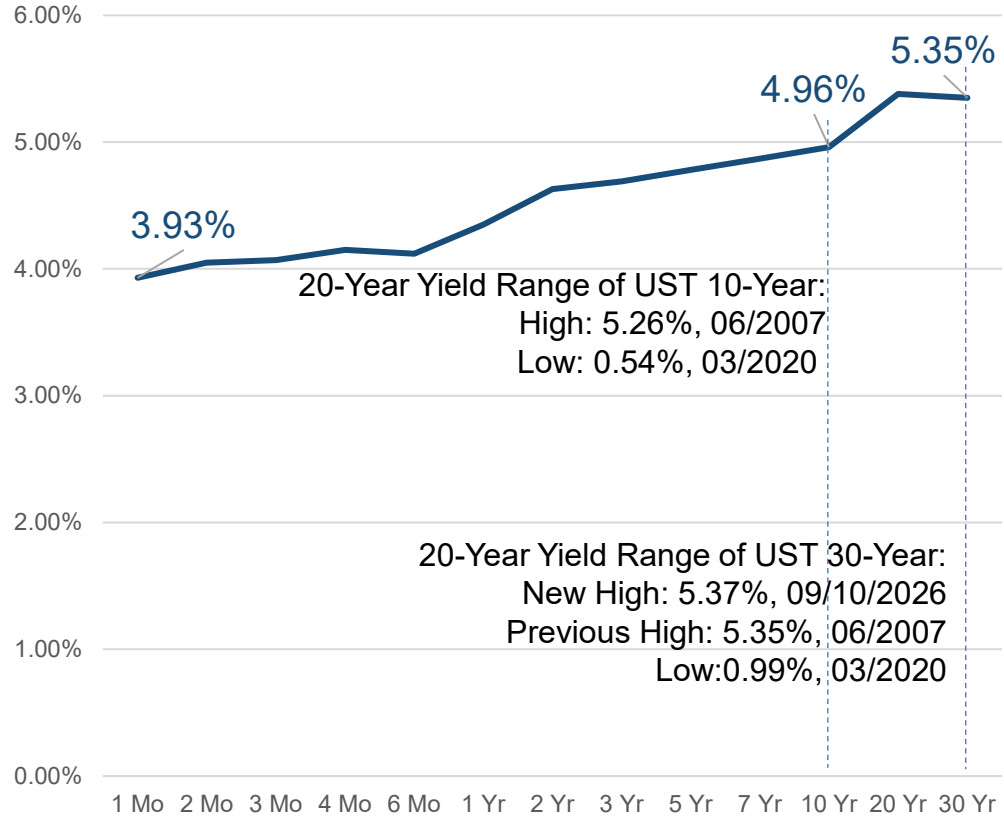
Monetary Policy Expectations

(01/2022-09/2026, Percent per Year)



UST Yield Curve as of 09/11/2026

(1 Mo to 30 Yr Maturity, Percent Per Year)



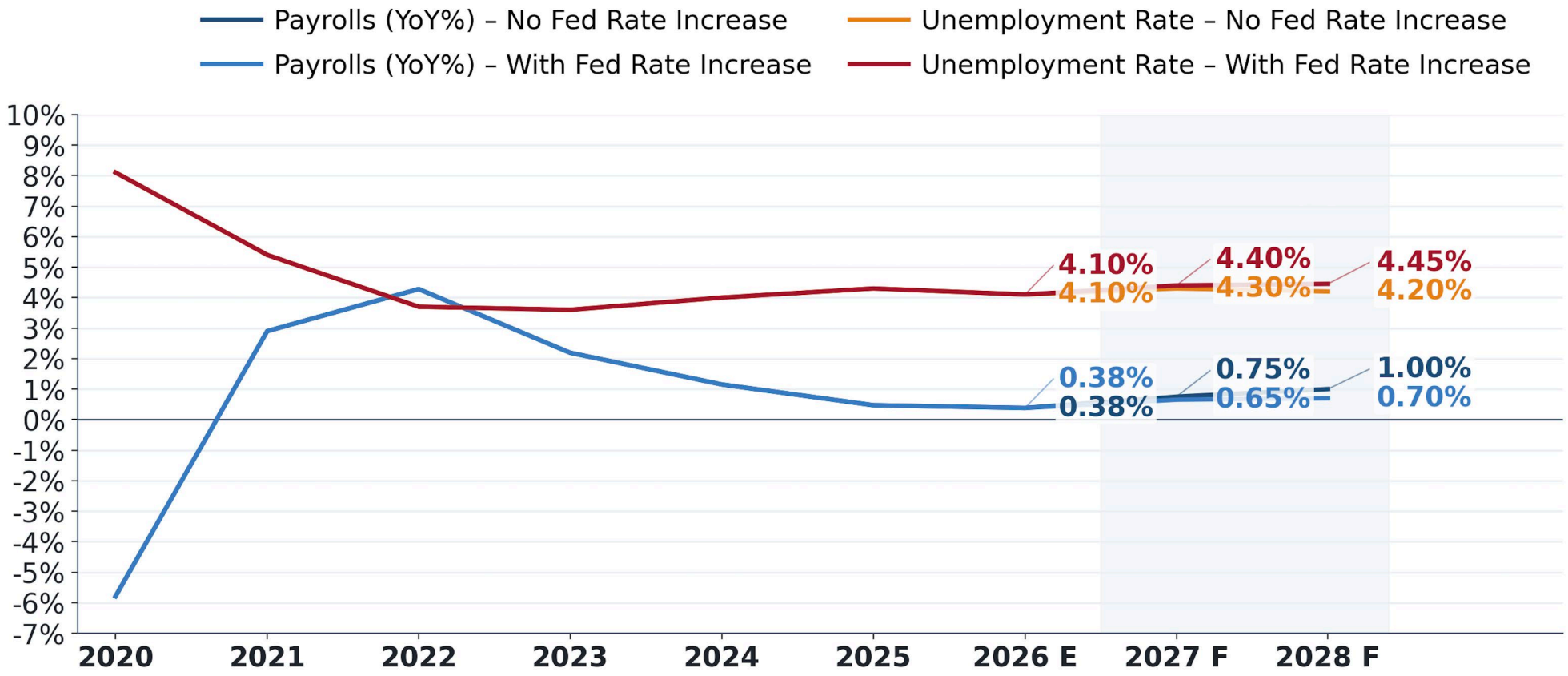
Sources: Analysis: Triple-I. Consensus: Reuters. Data: U.S. Treasury, Federal Reserve through FRED (as of 09/11/2026).

U.S. Payroll and Unemployment Rate

Payroll growth has slowed sharply from its 2022 peak while unemployment has drifted up from 2023's low, with a Fed rate increase modestly slowing payroll growth and raising the unemployment path by 2028f.

U.S. Total Payrolls and Unemployment Rate Scenarios

(2020-2028; payrolls in YoY%, unemployment in %; 2026 estimate, 2027-2028 scenario forecasts)



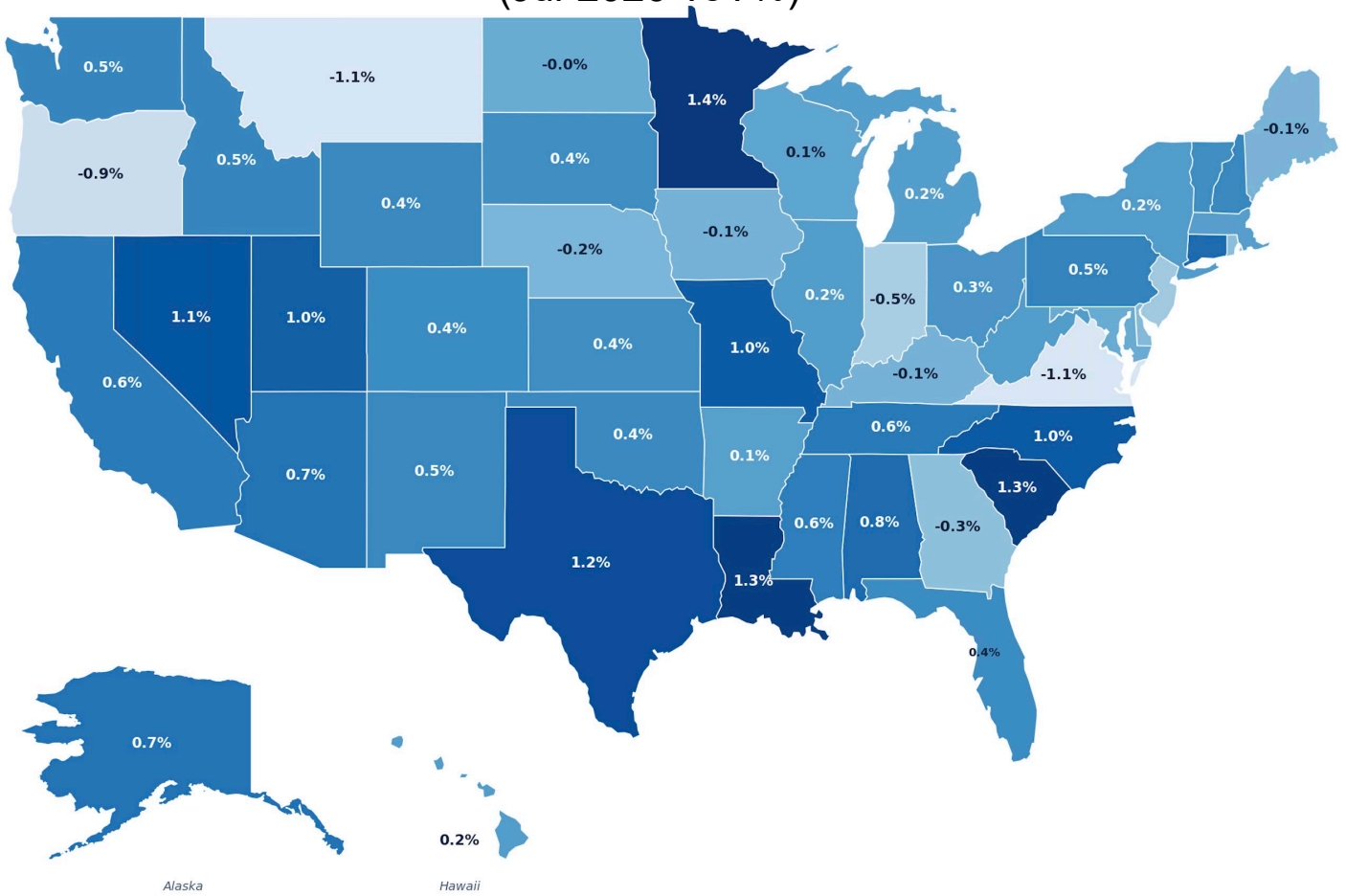
Sources: Analysis and Forecast: Triple-I; Data: FRED, BLS (as of 09/13/2026).

Total Payroll by State

U.S. nonfarm payrolls edged up 0.2% YoY; Minnesota led gains, DC saw the sharpest decline.

State Total Nonfarm Payroll

(Jul-2026 YoY%)



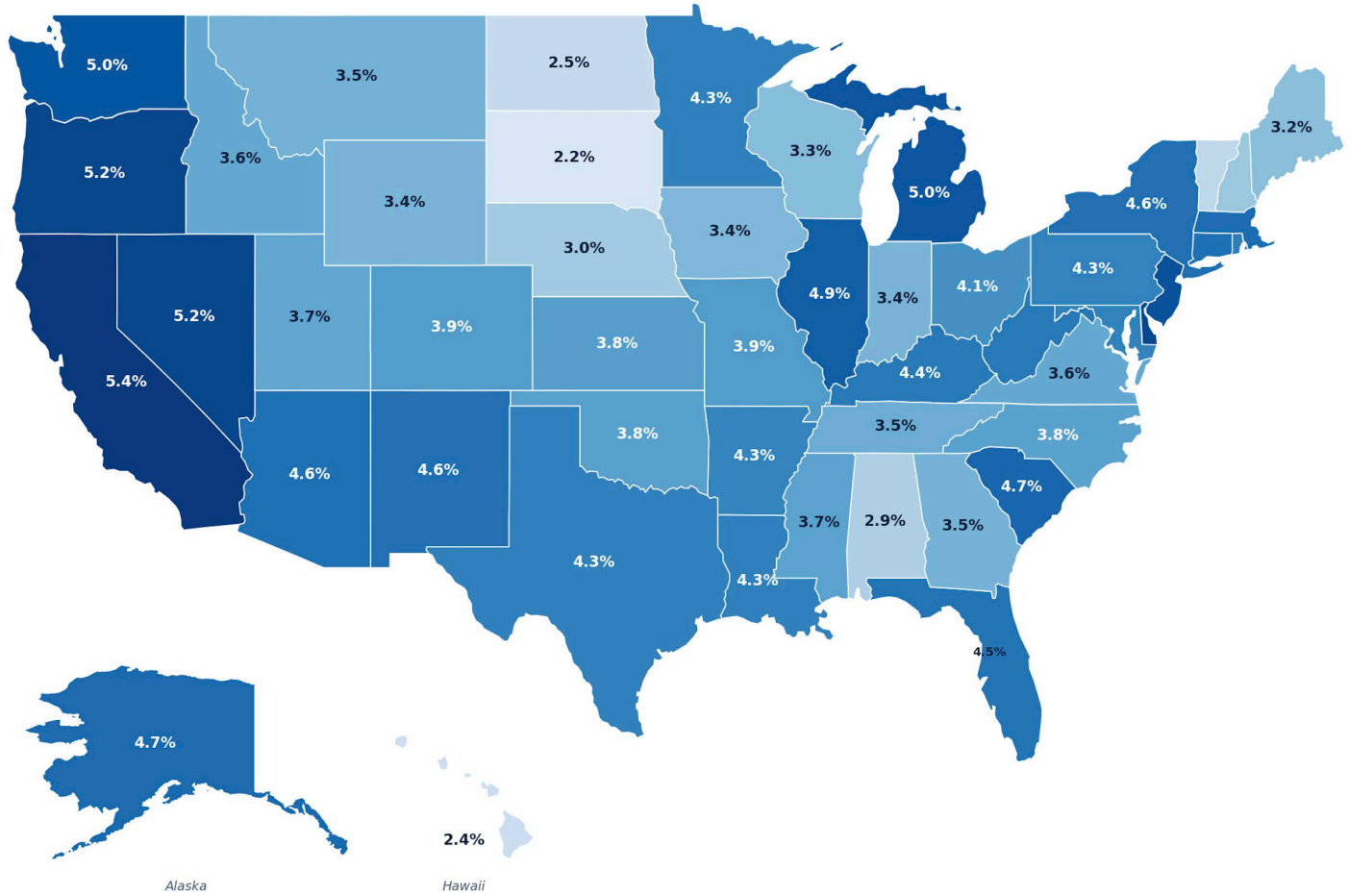
Other States	
CT	0.8%
DC	-4.2% (N/A on map)
DE	-0.2%
MA	0.2%
MD	-0.0%
NH	0.5%
NJ	-0.4%
RI	-0.3%
VT	0.4%
WV	0.2%

Sources: FRED; BLS State and Area Employment. (as of 09/13/2026).

Unemployment Rate by State

U.S. average is 4.1%; unemployment ranges from 2.2% in Nebraska to 6.4% in DC.

Unemployment Rate
(Jul-2026 YoY%)



Other States	
CT	4.6%
DC	6.4% (N/A on map)
DE	5.2%
MA	4.6%
MD	4.3%
NH	3.1%
NJ	5.0%
RI	4.4%
VT	2.6%
WV	4.4%

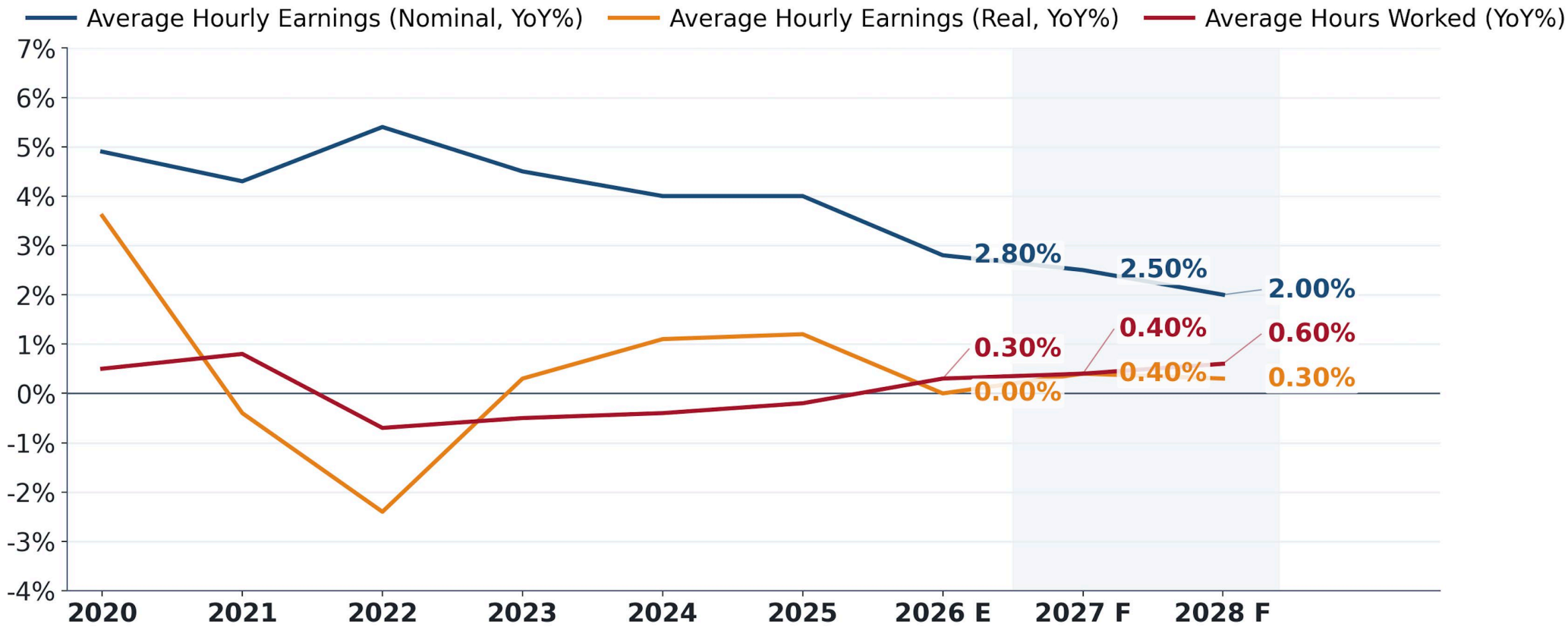
Sources: FRED; BLS State and Area Employment. (as of 09/13/2026).

U.S. Hourly Earnings and Hours Worked

Nominal wage growth cooling toward 2%, real wages now positive, hours worked stabilizing through 2028F.

U.S. Average Hourly Earnings and Hours Worked

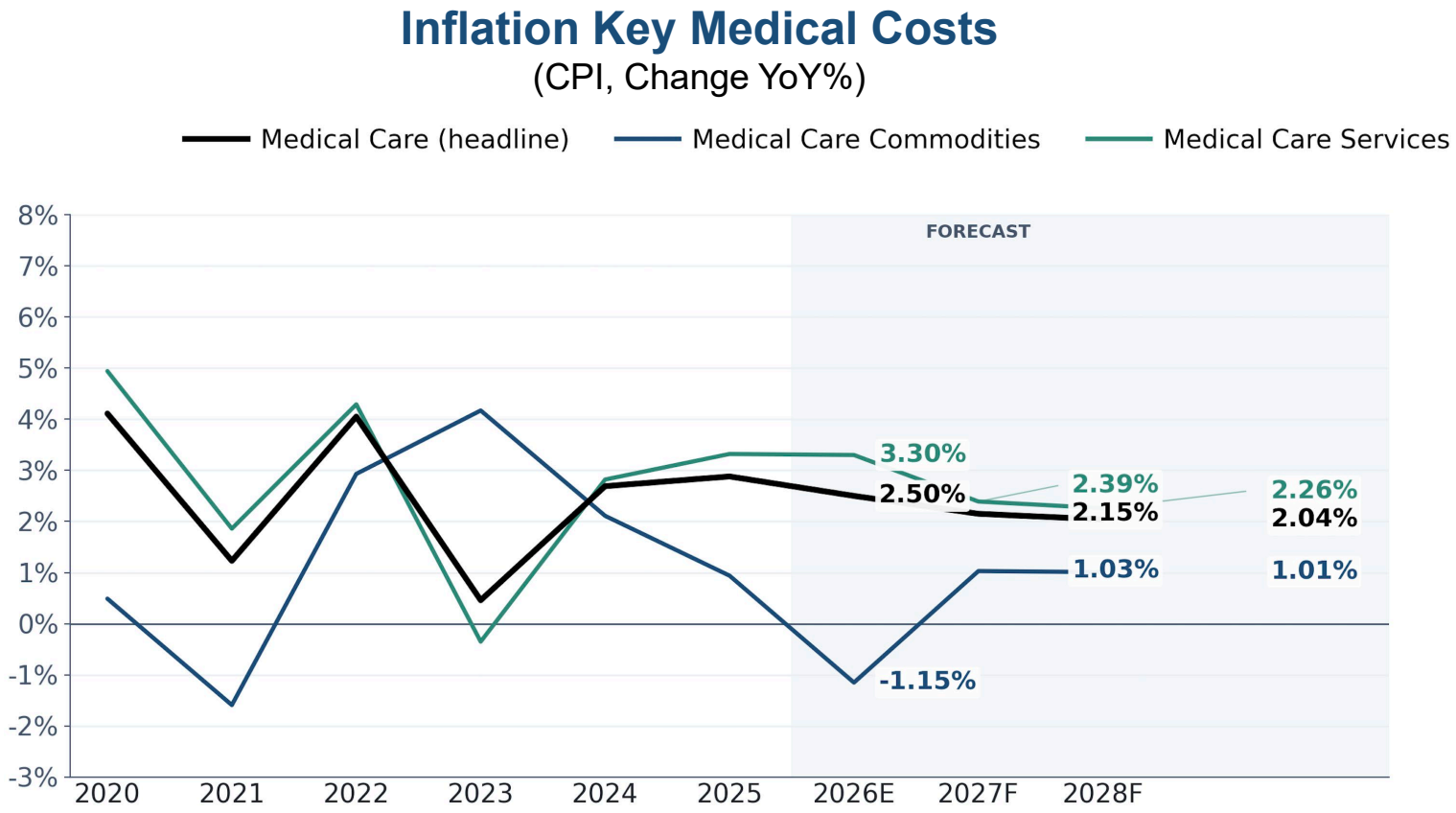
(2020-2028; YoY%; 2026 current-year estimate, 2027-2028 linear-trend forecast)



Sources: Analysis and Forecast: Triple-I; Data: FRED, BLS (as of 09/13/2026).

Inflation for Key Medical Components

Headline cools toward 2%, but hospital services (5-6%) far outpace it while drugs and equipment deflate.

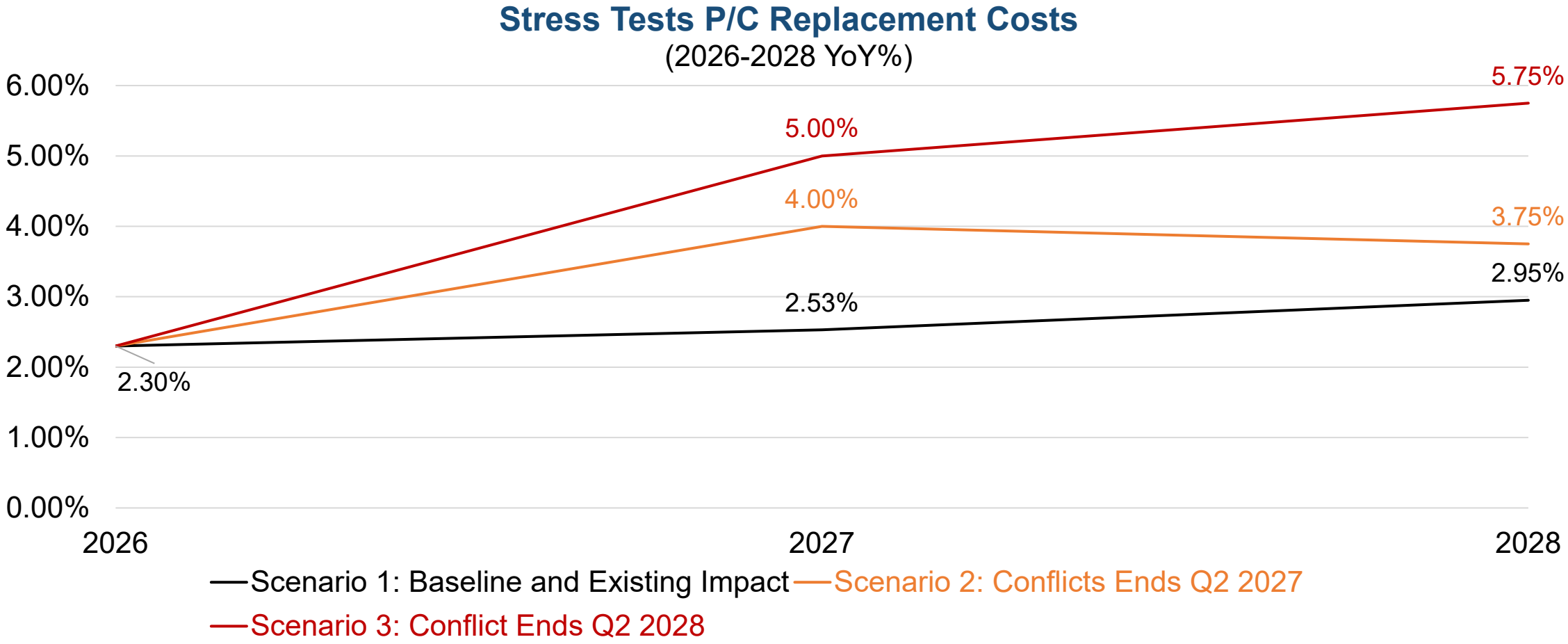


Expanded Components List	2026 (YoY%)
Professional Services	3.75%
Services by Other Medical Professionals	4.46%
Hospital and Related Services	6.07%
Physicians' Services	2.0%
Hospital Services	5.2%
Health Insurance	-8.5%
Prescription Drugs	-2.9%
Medical Equipment and Supplies	-2.3%

Sources: Analysis and Forecast: Triple-I; Data: FRED, BLS (as of 09/13/2026).

Stress-Tests: P/C Replacement Costs Iran Conflict

The stress tests' upper limit discounts the highest annual and monthly year-over-year CPI and PPI components during the COVID pandemic.



Source: Insurance Information Institute (As of 07/2026).

Section 2:
Key Industry-Specific Workers Compensation Economic Trends

Hourly Earnings by Key Industry
and
Total Payrolls by Key Industry

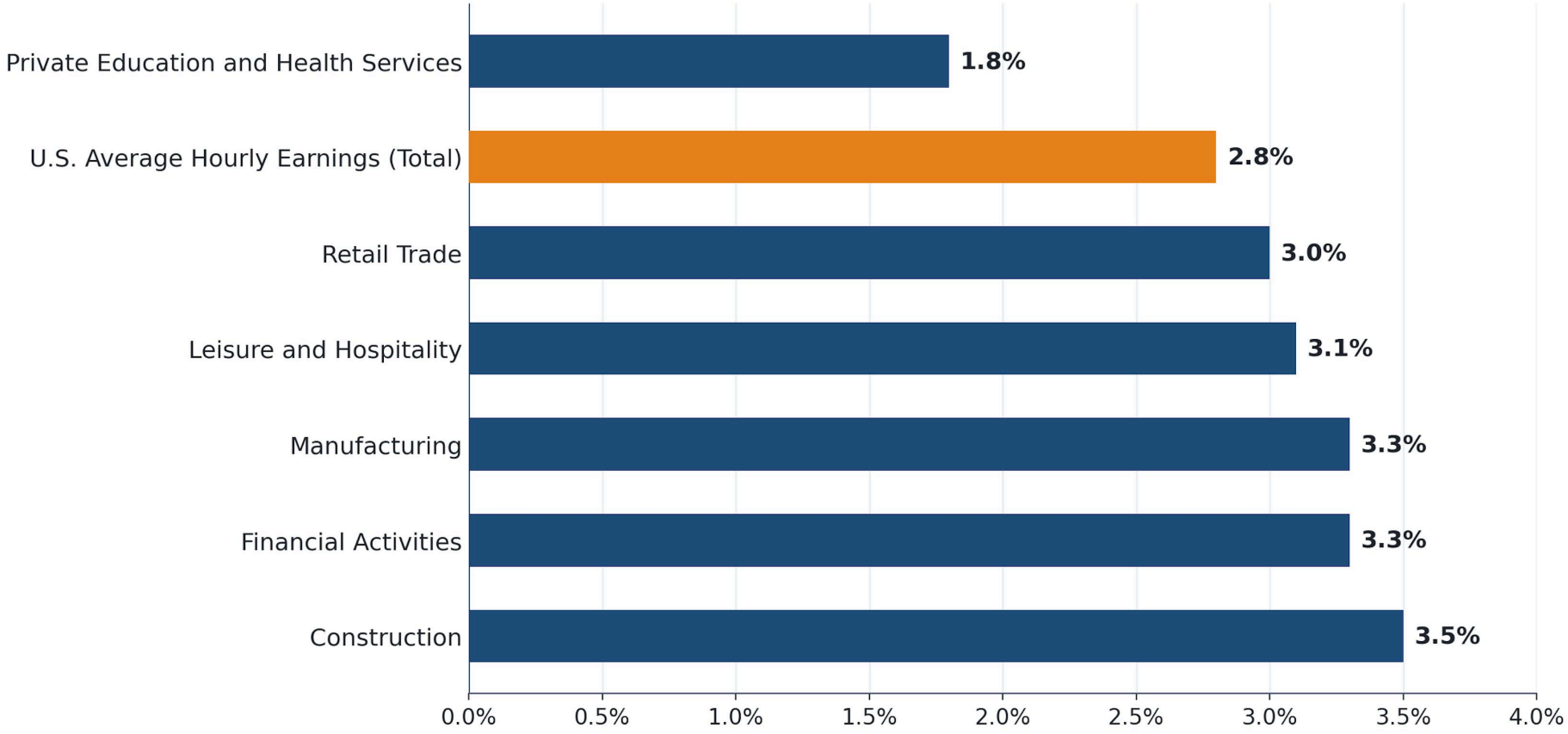
Covered Industries:
Private Education and Health
Financial Activities
Manufacturing
Construction
Leisure and Hospitality
Retail

Hourly Earnings by Key Industry

Nominal wage growth in 2026 ranges from 1.8% in Private Education and Health Services to 3.5% in Construction, with five of the six sectors still running above the 2.8% U.S. average.

Average Hourly Earnings by Key Industry Sector

(2026 YoY%)



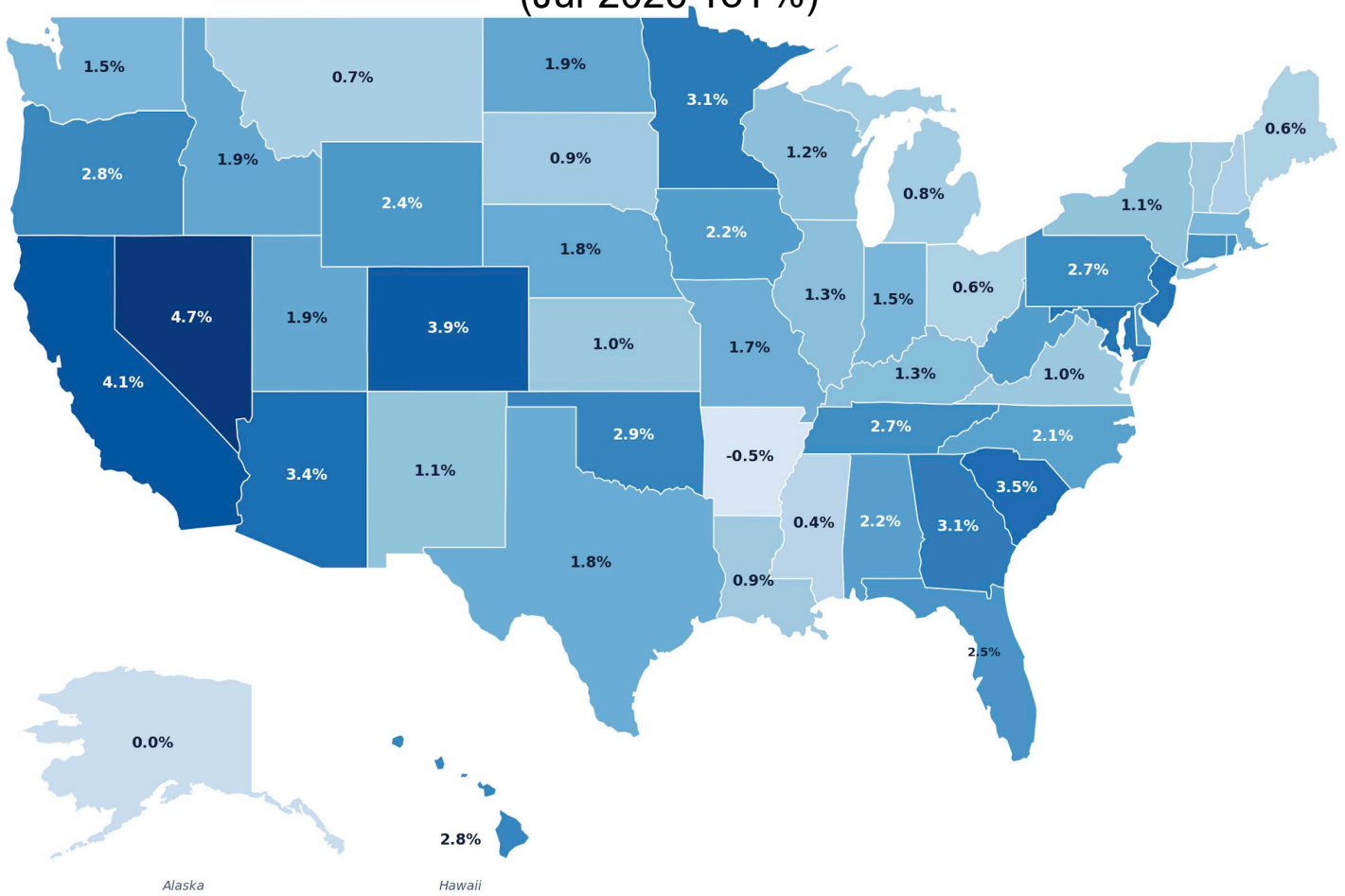
Sources: FRED; BLS State and Area Employment. (as of 09/13/2026

Private Education & Health Services Employment by State

National employment grew a modest 1.9% YoY; Nevada, California, Colorado lead gains, Arkansas alone declined.

Private Education and Health Services Employment

(Jul-2026 YoY%)



Other States	
CT	2.5%
DC	-1.2%
DE	2.3%
MA	1.5%
MD	3.3%
NH	0.6%
NJ	3.3%
RI	2.6%
VT	0.9%
WV	2.2%

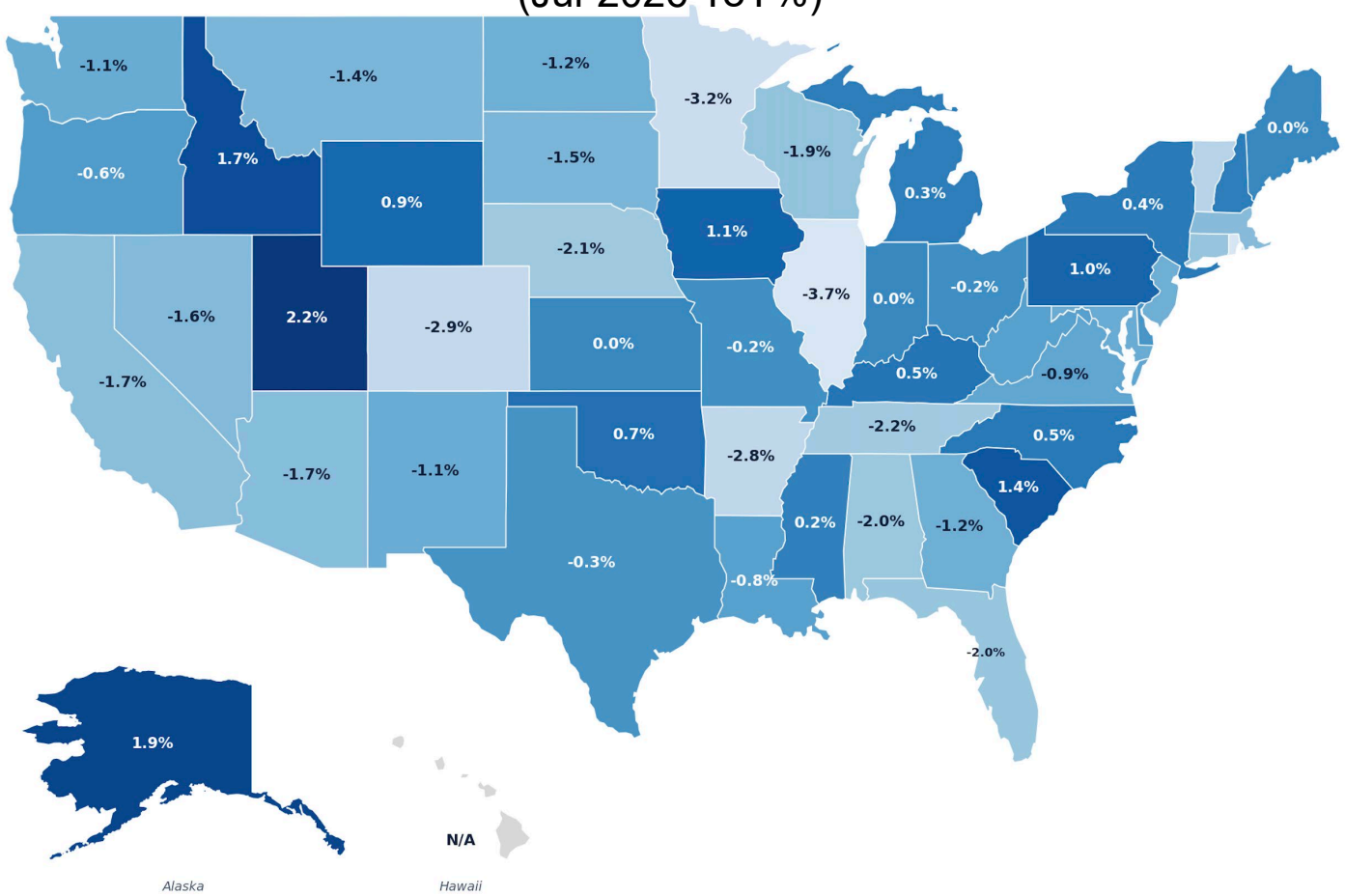
Sources: Analysis: Triple-I. FRED; BLS State and Area Employment. (as of 09/13/2026

Financial Activities Employment by State

National financial activities employment fell 1.2% YoY; Rhode Island led declines, Utah and Idaho gained.

Financial Activities Employment

(Jul-2026 YoY%)



Other States	
CT	-2.0%
DC	N/A (no data)
DE	-0.4%
MA	-1.7%
MD	-1.1%
NH	0.3%
NJ	-1.2%
RI	-3.7%
VT	-2.6%
WV	-0.8%

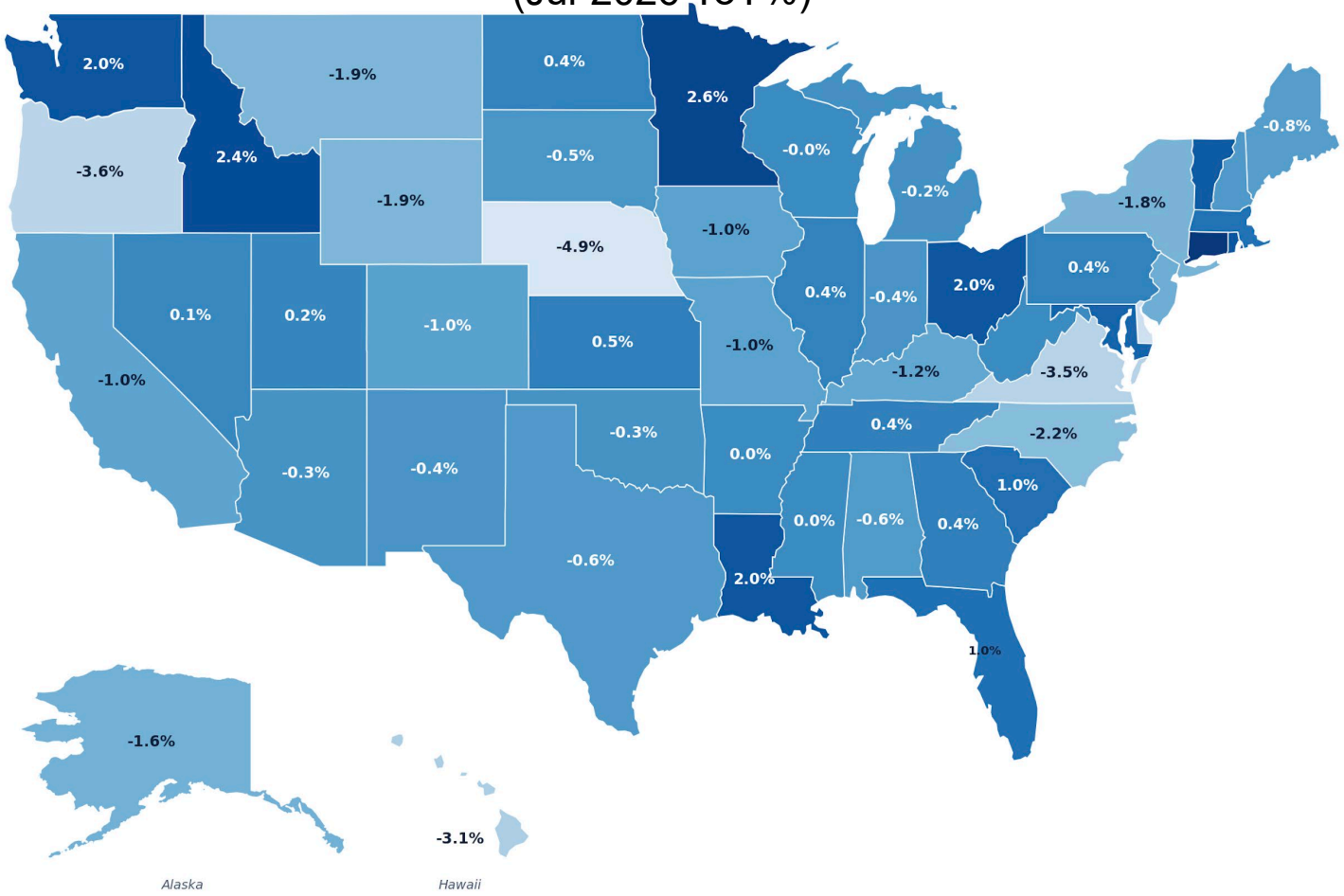
Sources: Analysis: Triple-I. FRED; BLS State and Area Employment. (as of 09/13/2026).

Manufacturing Employment by State

National manufacturing employment held flat at -0.0% YoY; Connecticut led gains, Nebraska saw steepest decline.

Manufacturing Employment

(Jul-2026 YoY%)



Other States	
CT	3.1%
DC	N/A (no data)
DE	-4.4%
MA	1.0%
MD	1.5%
NH	-0.6%
NJ	-1.5%
RI	2.0%
VT	1.8%
WV	0.0%

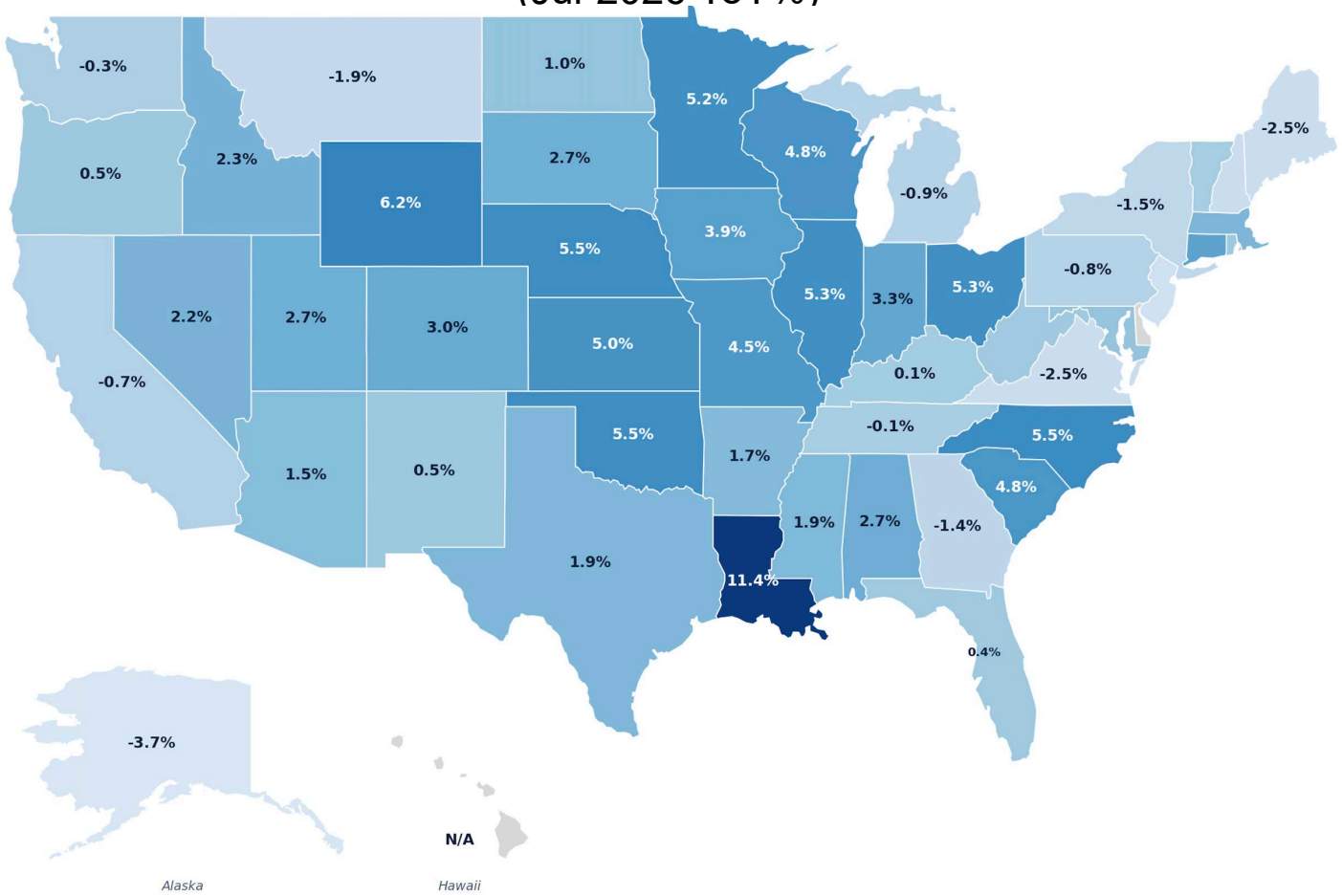
Sources: Analysis: Triple-I. FRED; BLS State and Area Employment. (as of 09/13/2026).

Construction Employment by State

National construction employment rose 0.9% YoY, led by Louisiana, Wyoming; Alaska and Maine fell most.

Construction Employment

(Jul-2026 YoY%)



Other States	
CT	3.6%
DC	N/A (no data)
DE	N/A (no data)
MA	2.0%
MD	0.9%
NH	-2.5%
NJ	-2.9%
RI	0.4%
VT	0.0%
WV	0.3%

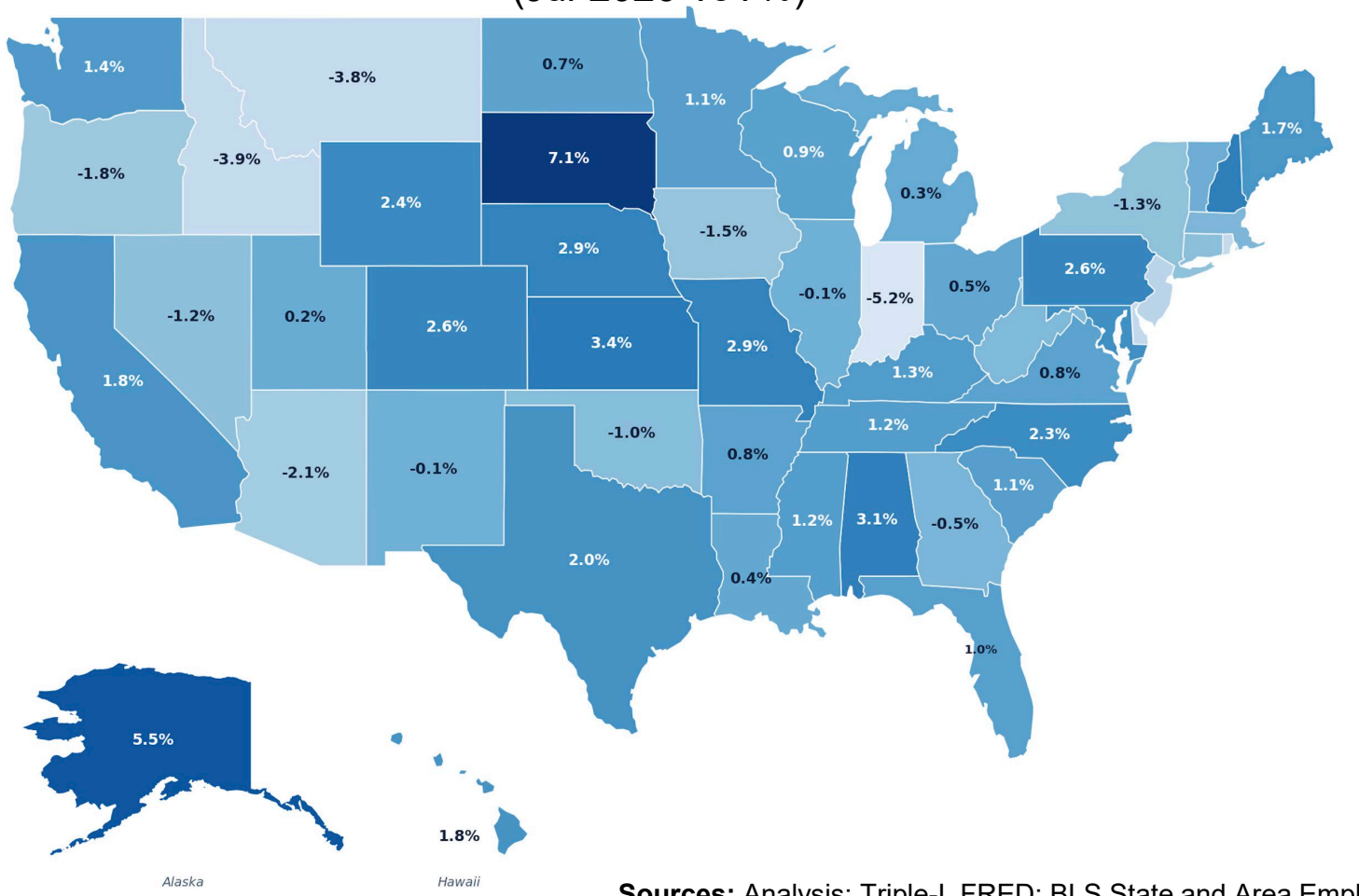
Sources: Analysis: Triple-I. FRED; BLS State and Area Employment. (as of 09/13/2026

Leisure and Hospitality Employment by State

National leisure and hospitality employment rose 0.5% YoY; South Dakota led gains, Indiana fell most.

Leisure and Hospitality Employment

(Jul-2026 YoY%)



Other States	
CT	-1.1%
DC	2.0%
DE	-3.6%
MA	-0.6%
MD	2.1%
NH	3.1%
NJ	-3.1%
RI	-3.7%
VT	0.0%
WV	-0.7%

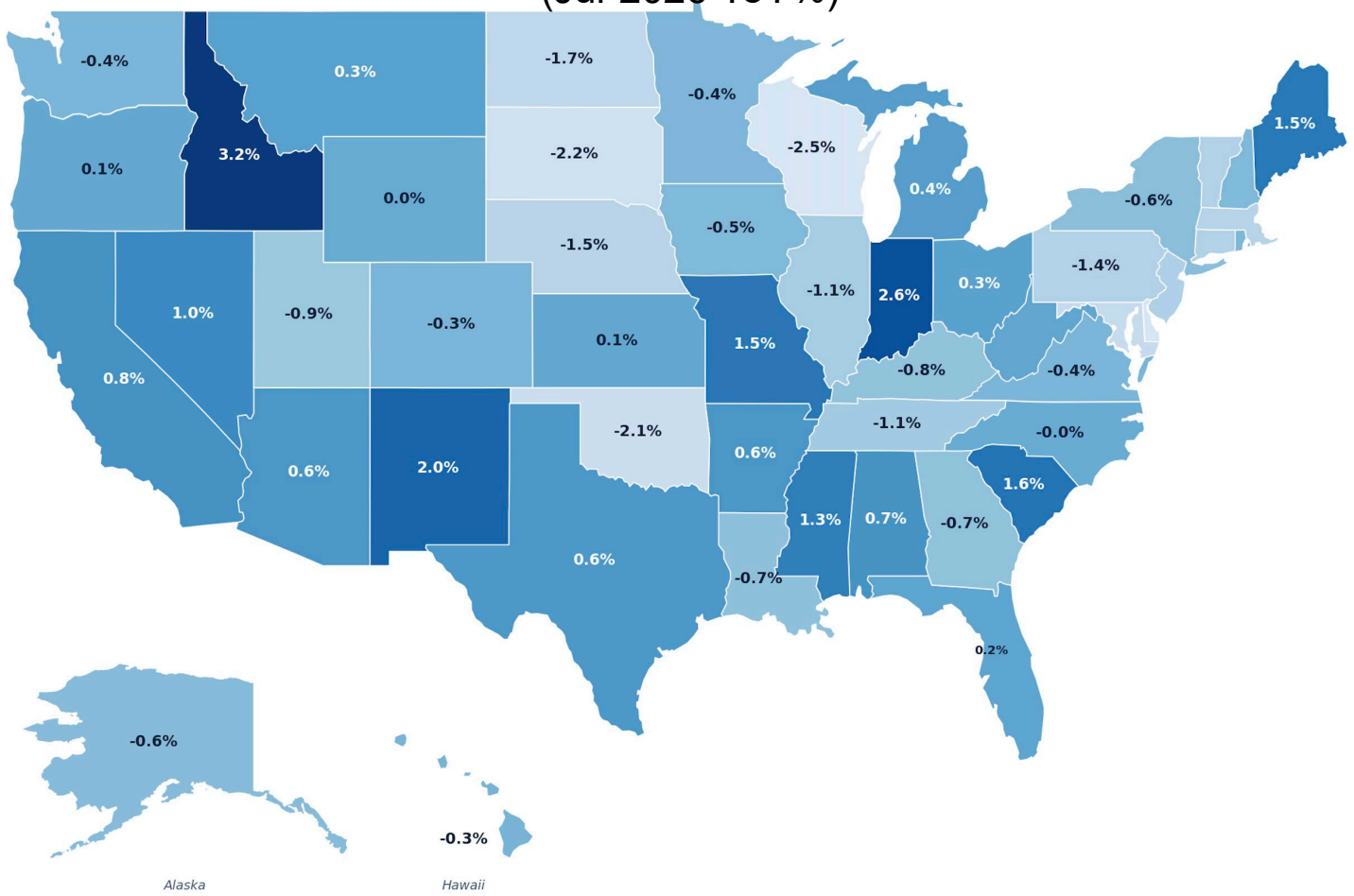
Sources: Analysis: Triple-I. FRED; BLS State and Area Employment. (as of 09/13/2026).

Retail Employment by State

National retail employment rose 0.4% YoY despite declines in most states; Idaho led all gains.

Retail Trade Employment

(Jul-2026 YoY%)



Other States	
CT	-1.4%
DC	+1.0%
DE	-2.6%
MA	-1.5%
MD	-2.0%
NH	-0.4%
NJ	-1.4%
RI	-0.4%
VT	-1.4%
WV	+0.1%

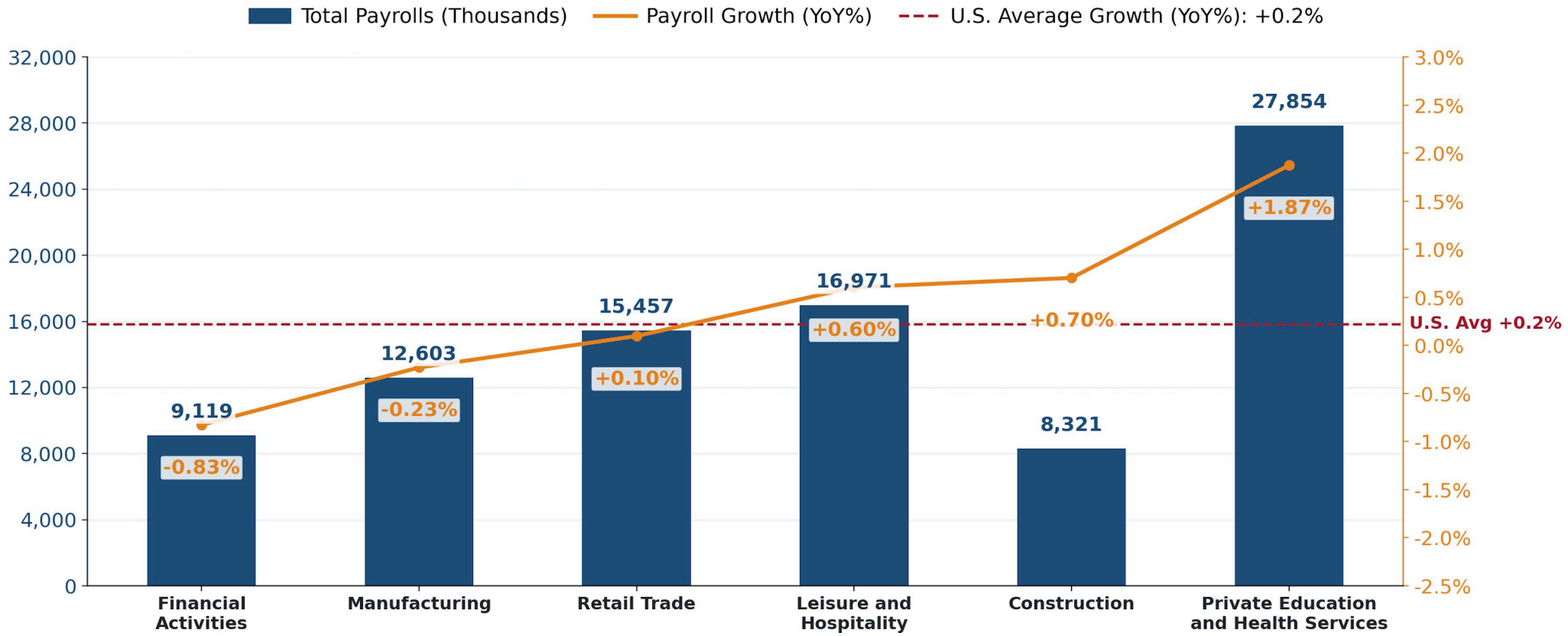
Sources: Analysis: Triple-I. FRED; BLS State and Area Employment. (as of 09/13/2026).

Total Payrolls by Key Industry

Private Education and Health Services leads in size and growth; Financial Activities, Manufacturing are shrinking.

Total Payroll and Payroll Growth

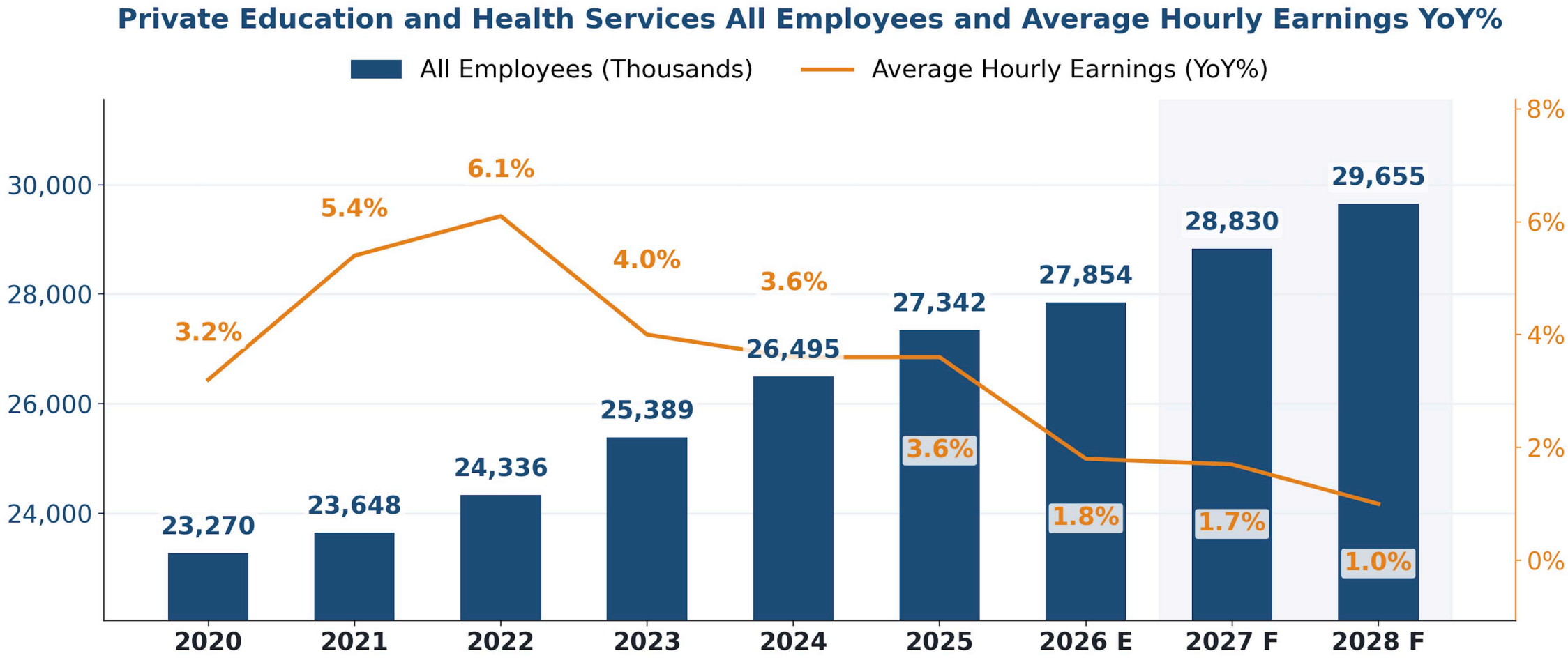
(In Thousands 2026; Change YoY% 2025-2026)



Sources: Analysis: Triple-I. FRED; BLS State and Area Employment. (as of 09/13/2026

Employment and Wages: Private Education and Health Services

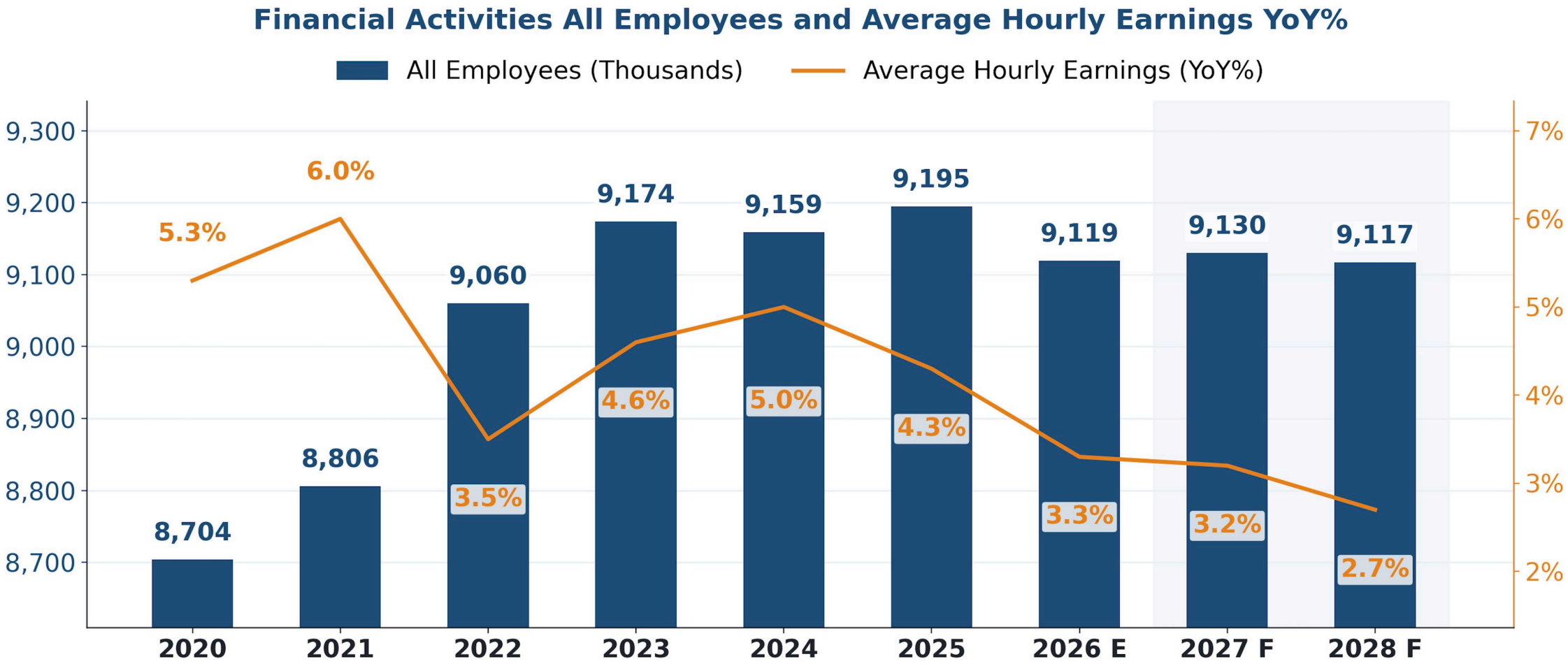
Employment growth remains the strongest of the six sectors as wage growth slows.



Sources: Analysis and Forecast: Triple-I; Data: FRED, BLS (as of 09/13/2026).

Employment and Wages: Financial Activities

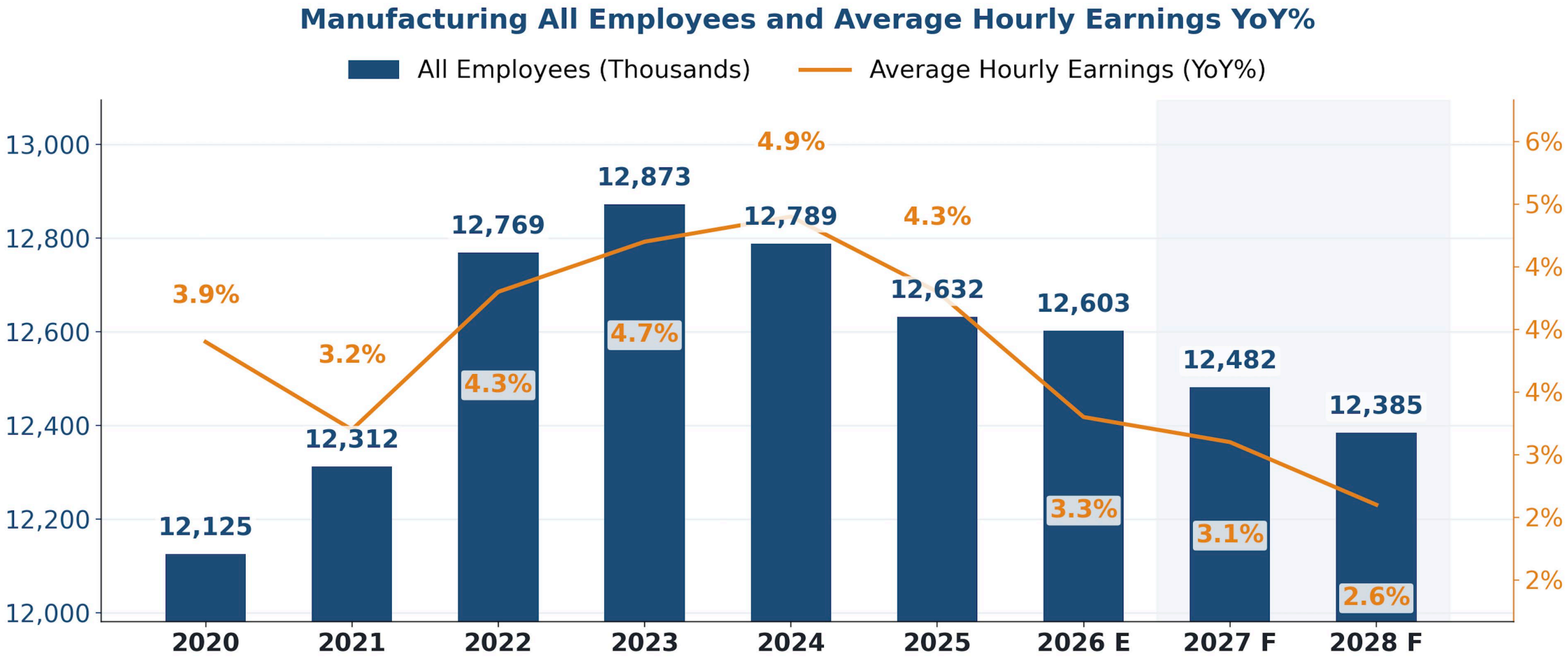
Employment holds near 9.1-9.2M as wage growth steadily normalizes.



Sources: Analysis and Forecast: Triple-I; Data: FRED, BLS (as of 09/13/2026).

Employment and Wages: Manufacturing

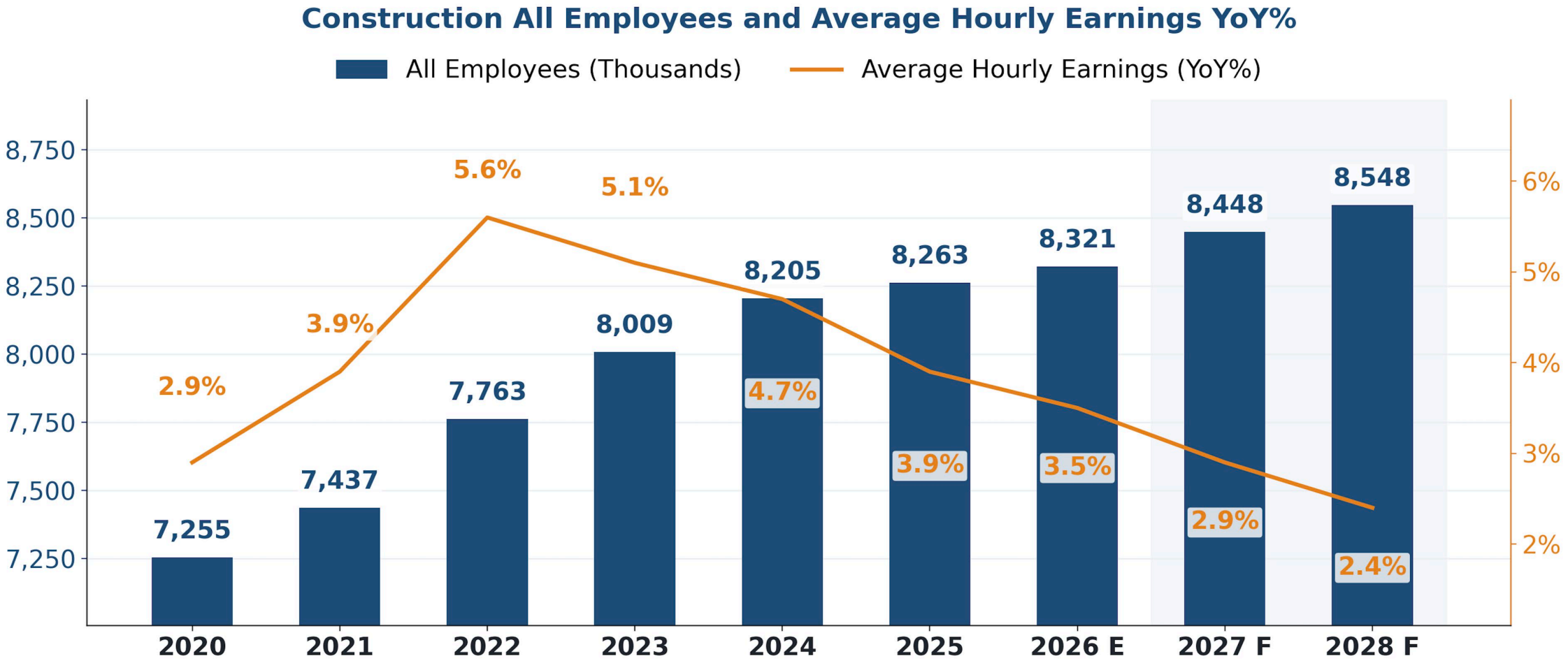
Employment has drifted lower since 2023 as wage growth decelerates.



Sources: Analysis and Forecast: Triple-I; Data: FRED, BLS (as of 09/13/2026).

Employment and Wages: Construction Trends

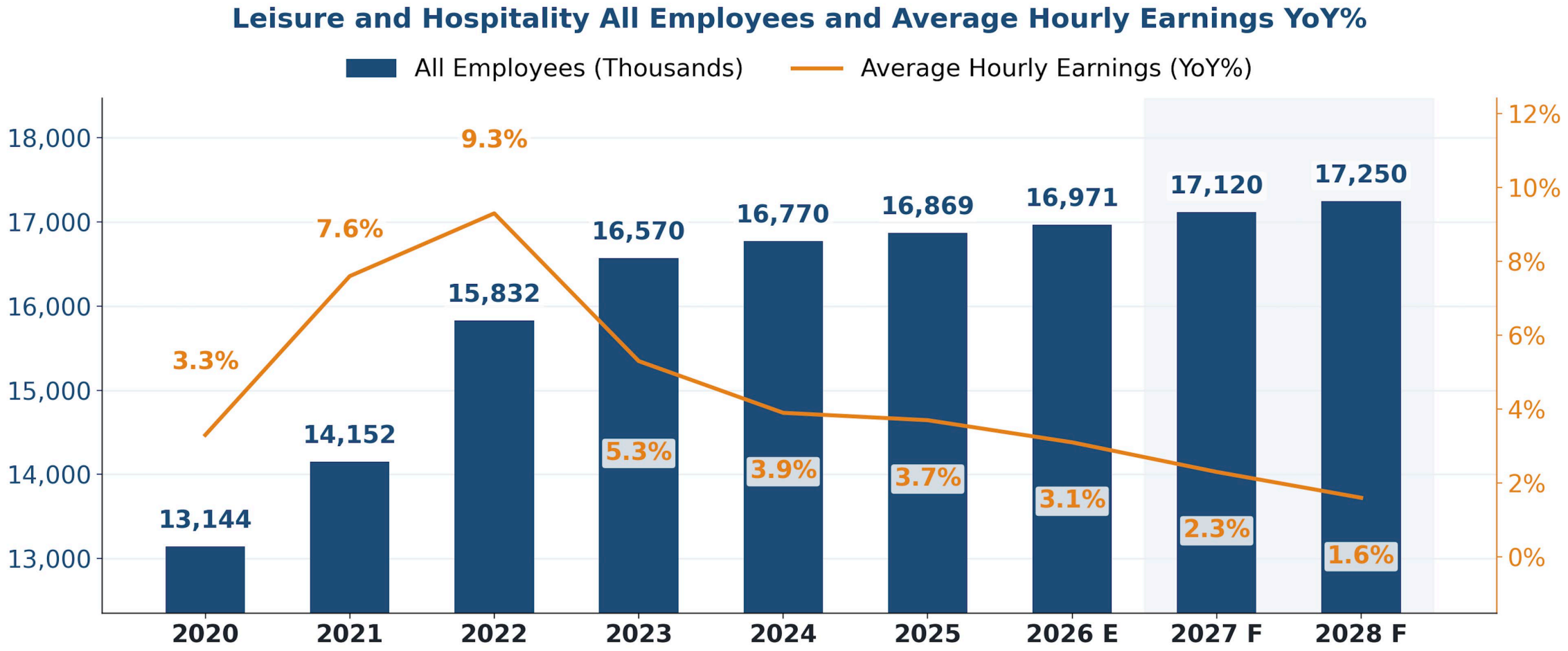
Expect employment to keep expanding through 2028f while wage growth continued to cool.



Sources: Analysis and Forecast: Triple-I; Data: FRED, BLS (as of 09/13/2026).

Employment and Wages: Leisure and Hospitality

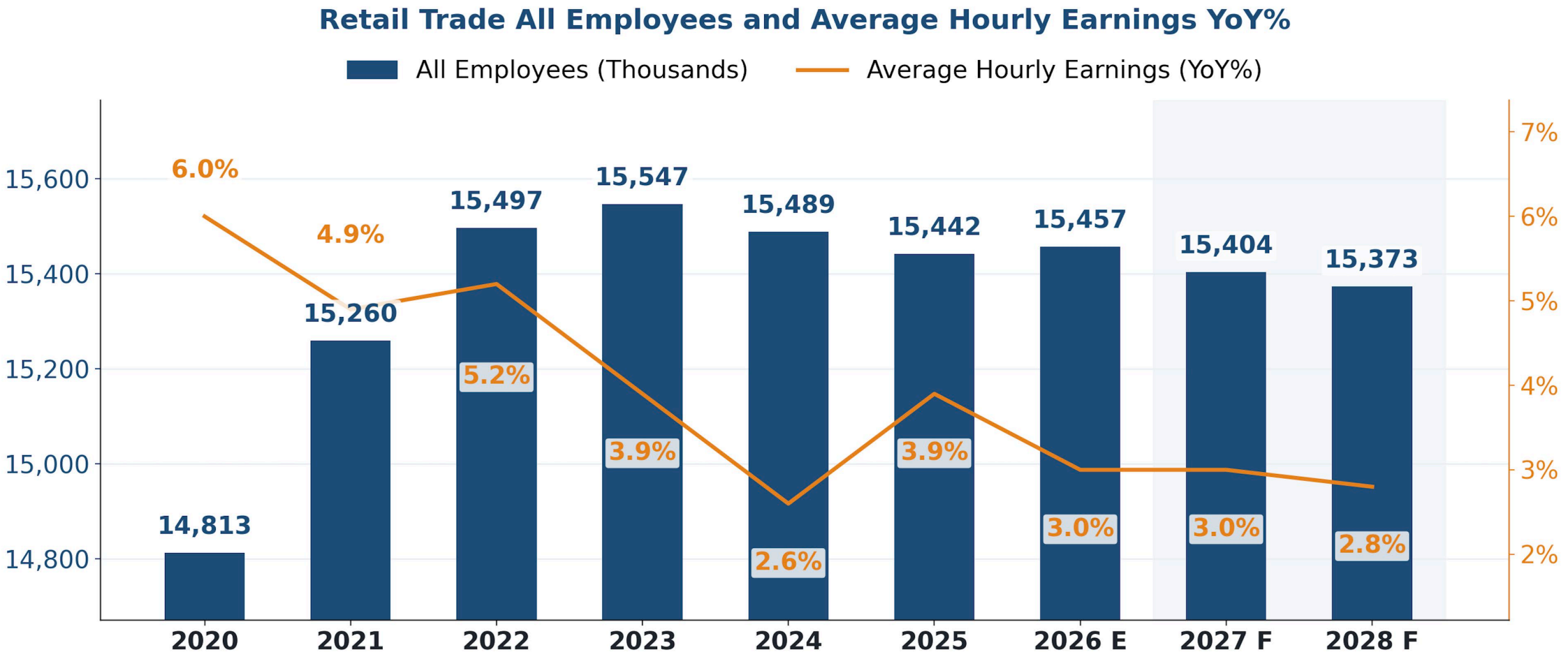
Employment growth has flattened as post-reopening wage gains fade.



Sources: Analysis and Forecast: Triple-I; Data: FRED, BLS (as of 09/13/2026).

Employment and Wages: Retail

Employment plateaus post-pandemic while wage growth stays choppy.

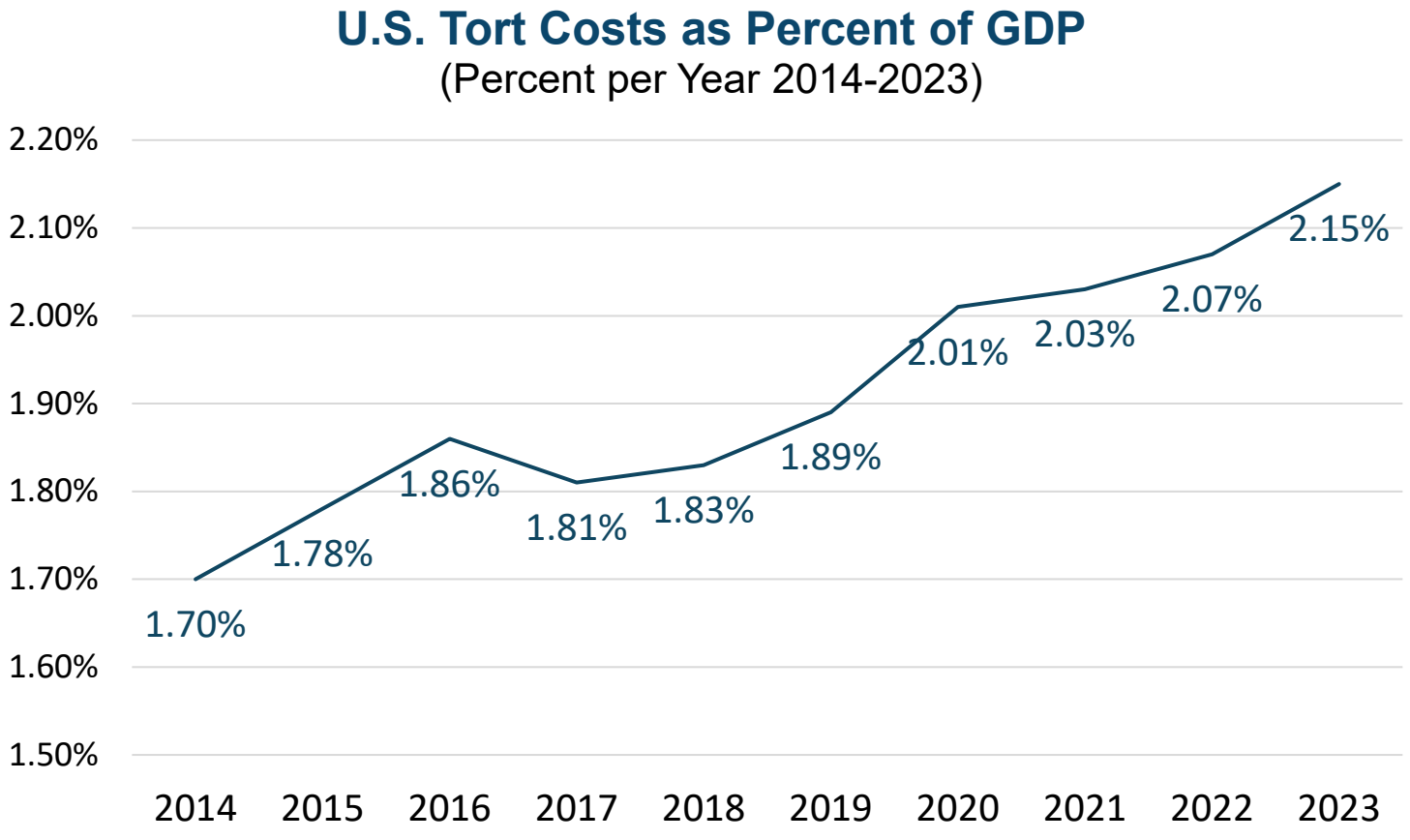


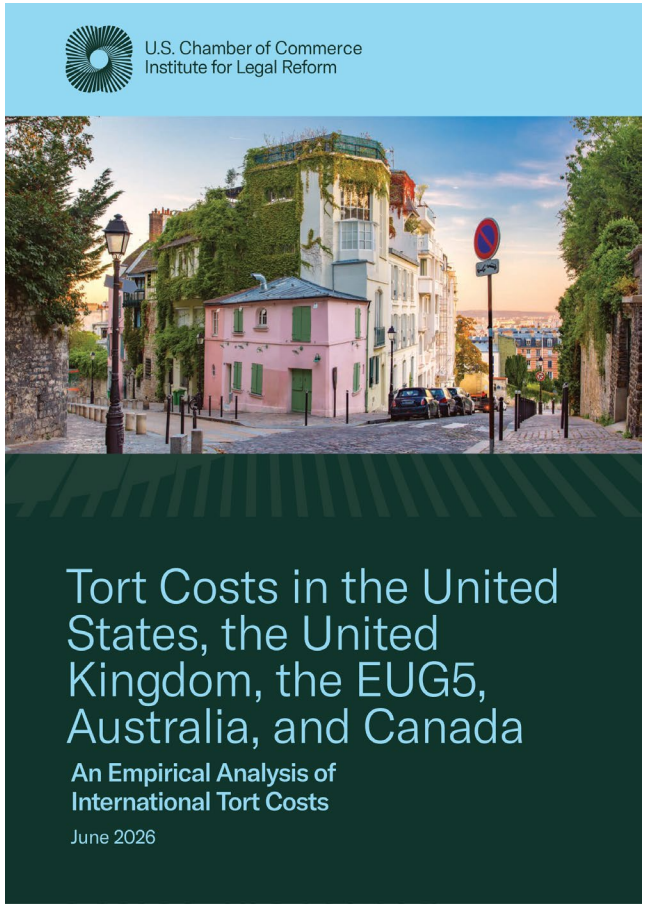
Sources: Analysis and Forecast: Triple-I; Data: FRED, BLS (as of 09/13/2026).

Section 3: Legal System Abuse: New Research Overview

Legal System Abuse: Tort Costs as Share of U.S. GDP

Tort costs in this study refers include compensation paid to injured parties as well as the costs involved in administering and defending claims and are estimated based on insurance data and estimated self-insured costs.

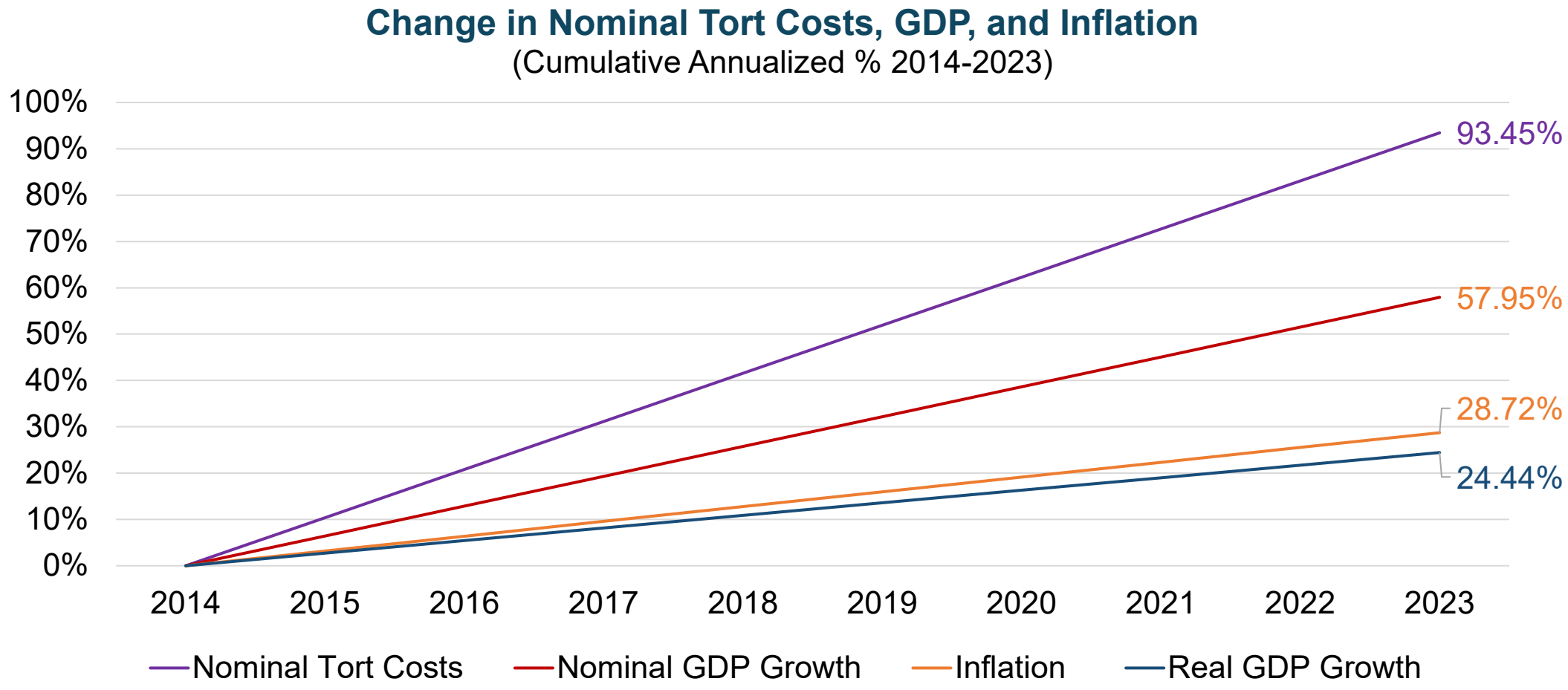




Sources: Institute for Legal Reform and Insurance Information Institute (2026).

Legal System Costs Outrun Inflation and GDP

The spread between the pace of increase in tort costs over the pace of increases in GDP and inflation is where legal system abuse rests.

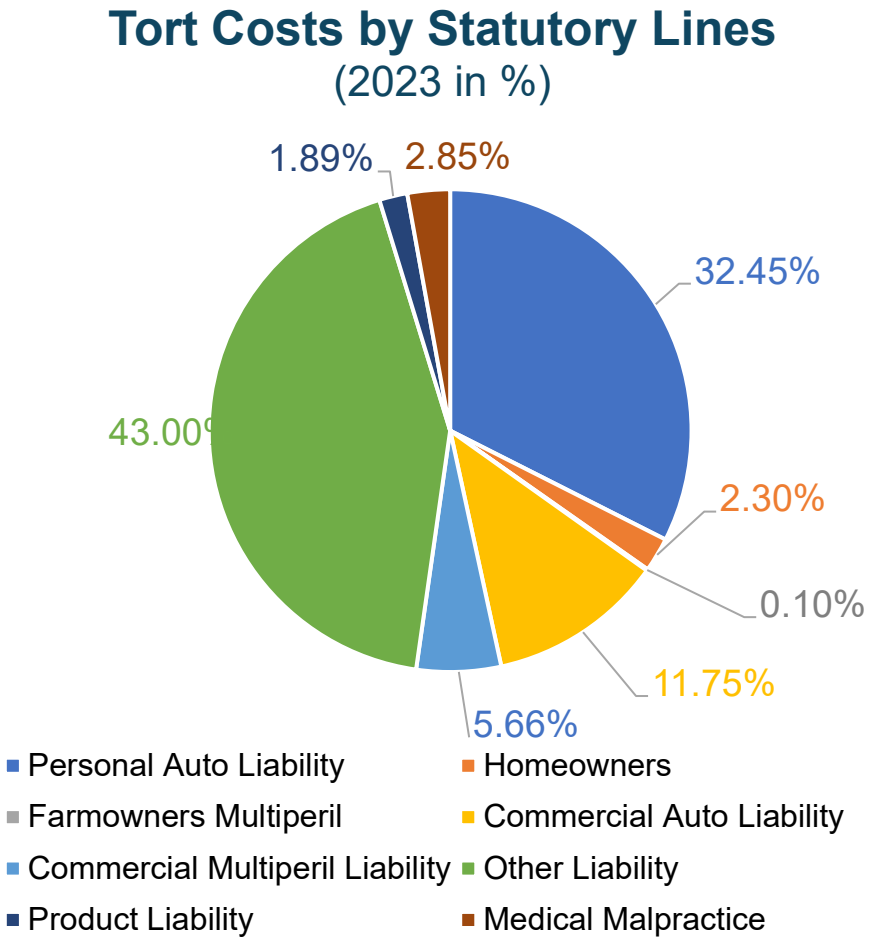


Sources: Institute for Legal Reform and Insurance Information Institute (2026).

Tort Costs Deeper Dive

The total tort costs burden in 2023 was $579.73 billion.

Tort Costs by Lines and Types (2023 $B)	Insured	Self/ Uninsured	TOTAL
Personal Auto Liability	$184.44	$3.69	$188.13
Homeowners	$13.05	$0.26	$13.31
Farmowners Multiperil	$0.56	$0.01	$0.57
Personal Lines:	**$198.05**	**$3.96**	**$202.01**
Commercial Auto Liability	$53.24	$14.89	$68.13
Commercial Multiperil Liability	$22.88	$9.93	$32.81
Other Liability	$124.65	$124.65	$249.31
Product Liability	$5.47	$5.47	$10.93
Medical Malpractice	$12.19	$4.35	$16.54
Commercial Lines:	**$218.43**	**$159.29**	**$377.72**
TOTAL:	**$416.48**	**$163.25**	**$579.73**



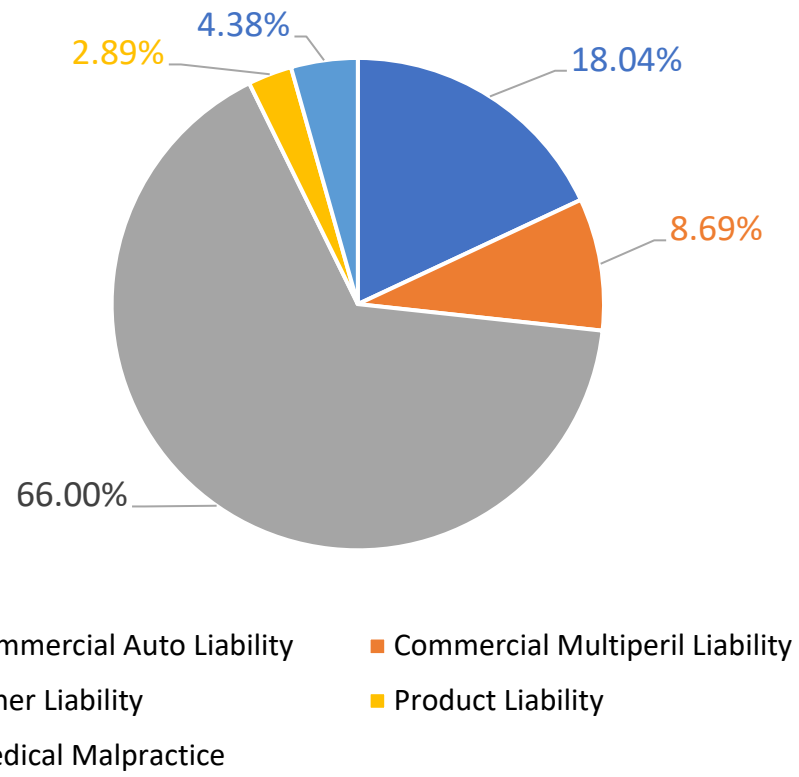
Sources: Institute for Legal Reform and Insurance Information Institute (2026).

Commercial and Personal Lines Tort Costs

Total tort costs associated with commercial lines were $377.72 billion and with personal lines $202.01 billion.

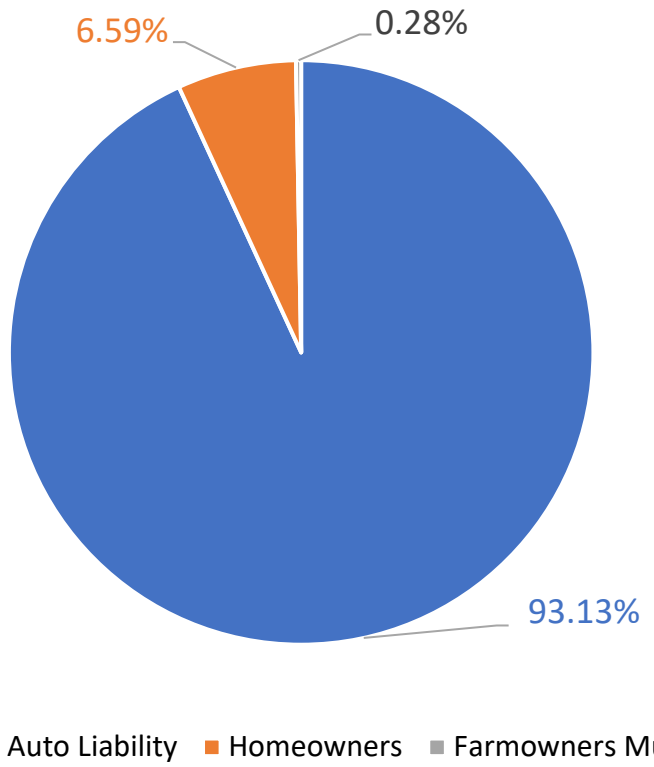
Commercial Tort Costs by Line

(Percent of Total Insured & Self/Uninsured Tort Costs 2023)



Personal Tort Costs by Line

(Percent of Insured & Self/Uninsured Tort Costs 2023)

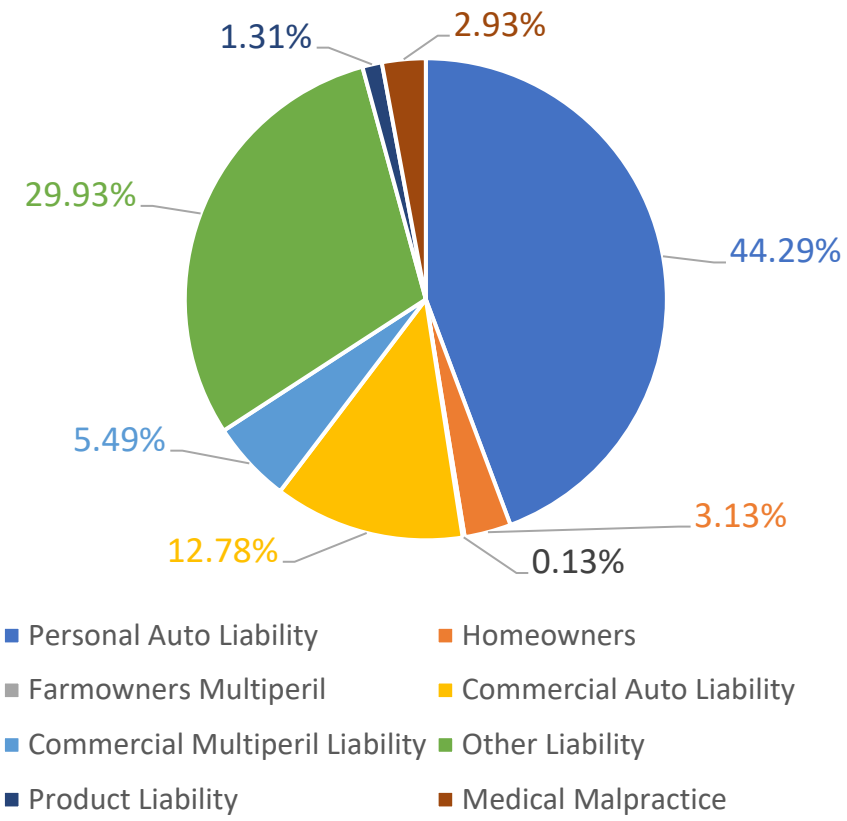


Sources: Institute for Legal Reform and Insurance Information Institute (2026).

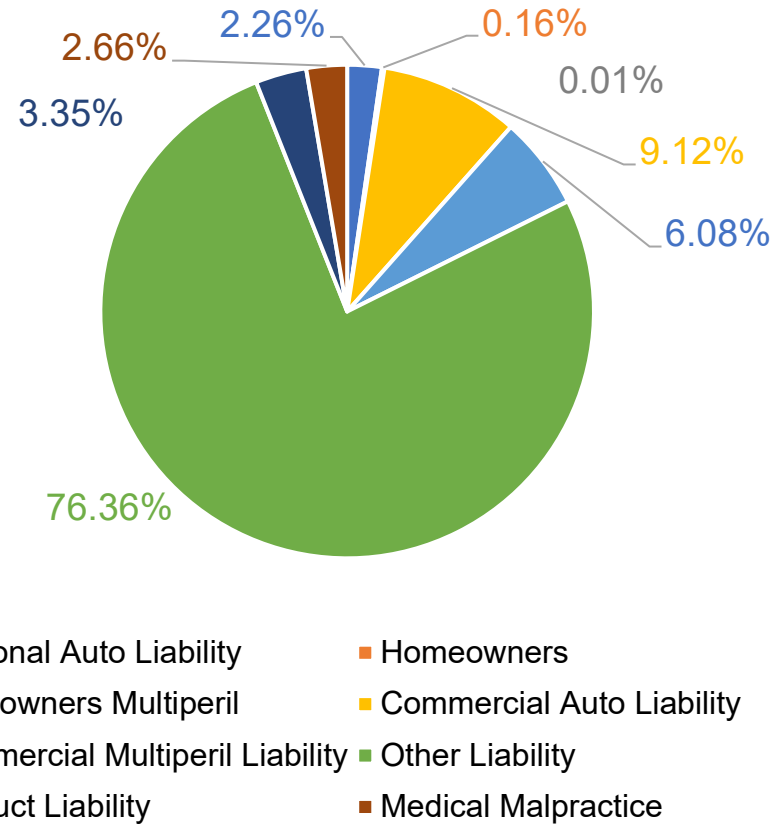
Insured and Self/Uninsured Tort Costs

P/C insured tort costs represented $416.48 billion and self/uninsured tort costs $163.25 billion.

Insured Tort Costs by Line
(Percent of Insured Tort Costs 2023)



Self/Uninsured Tort Costs by Line
(Percent of Self/Uninsured Tort Costs 2023)



Sources: Institute for Legal Reform and Insurance Information Institute (2026).



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Dr. Léonard, PhD, CBE, is Chief Economist and Data Scientist at the Insurance Information Institute. In addition, Dr. Léonard is adjunct faculty in the Department of Economics at New York University. He is Board member of the Insurance Research Council.

Dr. Léonard brings more than twenty years of insurance experience providing economic, forward-looking data analytics, and cat modeling to quantify the risk exposures of Property Casualty and specialty lines. He held senior and leadership positions in the industry such as Chief Economist and Data Scientist at Alliant; Chief Economist at Jardine Lloyd Thompson; and Chief Economist for Trade Credit and Political Risk at Aon. Immediately prior to the Triple-I, he was the Founder and CEO of MaKro LLC.

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