COLORADO
Department of
Regulatory Agencies
Division of Insurance

Michael Conway
Commissioner of Insurance

BEFORE THE DIVISION OF INSURANCE
STATE OF COLORADO

ORDER NO. O-26-010

ORDER OF APPROVAL OF THE NATIONAL COUNCIL ON COMPENSATION INSURANCE REQUEST FOR AN AVERAGE CHANGE IN WORKERS' COMPENSATION LOSS COSTS AND RATING VALUES.

Commissioner Michael Conway hereby makes the following findings and enters this Order approving the National Council on Compensation Insurance's Request for an Average Change in Workers' Compensation Loss Costs and Rating Values.

1) Findings

On July 30, 2025, the National Council on Compensation Insurance ("NCCI") submitted an Advisory Workers' Compensation Loss Costs and Rating Values Filing ("Filing") to the Colorado Division of Insurance ("Division"). This Filing was submitted pursuant to section 10-4-405, C.R.S., and was placed before the Commissioner of Insurance for review.

In accordance with section 10-4-406(3.5), C.R.S., the Commissioner determined it was reasonably necessary for the Filing to be reviewed by an independent actuary. The Davies Group ("Davies"), an independent actuarial consulting firm, reviewed the Filing to determine the reasonableness of the proposed loss costs and rating values.

The Filing and Davies' review of the Filing were placed on file for public inspection on September 16, 2025. In accordance with 10-4-406(2), C.R.S., a public hearing was scheduled for the purpose of gathering additional information and receiving public comments on the proposed loss costs and rating values.

The public hearing was held on October 15, 2025. Presentations were made by NCCI and Davies, and public testimony was received. Public comments related to the Filing were requested to be submitted to the Division by October 20, 2025. The information filed by NCCI, the review of the NCCI Filing by Davies, NCCI and Davies' presentations at the hearing, along with the public testimony and written comments submitted after the hearing, have been considered by the Commissioner as part of this Order.

2) Summary of the Testimony

a. National Council on Compensation Insurance, Inc.

The actuary for NCCI submitted NCCI's request for an average loss cost change of -6.9% in workers' compensation loss costs and rating values.

The average loss cost level changes by key component are as follows:

Key Components	Percentage Change
Impact of change in experience	-6.2%
Impact of change in development	-0.6%
Impact of change in trend	-1.0%
Impact of change in benefits	+0.7%
Impact of change in All Other	+0.2%
Proposed Statewide Average Change to Loss Costs	-6.9%

The average changes to the five industry groups are as follows:

Industry	Percentage Change
Manufacturing	-6.1%
Contracting	-8.2%
Office and Clerical	-7.6%
Goods and Services	-6.2%
Miscellaneous	-6.2%[1]
Overall	-6.9%

The overall methodologies used to determine the proposed loss costs in the Filing are consistent with the past several NCCI filings; however, the NCCI has made changes to the excess loss pure premium factors, excess loss and allocated expense pure premium factors and state average cost per case values by hazard group, to reflect the updates filed in Item R-1424, the retrospective rating plan parameters, ELPPFS, ELAEPPFS and average cost per case values.

The Filing applies swing limits, which are upper and lower bounds for the loss costs, resulting in a limit on the amount of increase or decrease for a given individual classification. This limit is the average pure premium level change for the industry group to which the classification is assigned, plus or minus 15% (+/-15%). The proposed swing limits remained unchanged from the prior year.

The Filing included a decreased medical loss ratio trend of -6.5% and an indemnity loss ratio trend of -4.5%, which remained unchanged from the prior year.

The Filing's two most recent full policy years, 2022 and 2023, were used for the experience period, which was changed from using three policy years during the COVID-19 pandemic.

The COVID-19 pandemic was classified as a catastrophic event. The COVID-19 pandemic loss experience with dates between December 1, 2019 and June 30, 2023 was removed from the data underlying the Filing, consistent with the prior year. COVID-19 claims on or after July 1, 2023 will no longer be treated as catastrophic claims and will be included in the calculation of future loss costs.

Lost-time claims frequency has continued its overall decline following a year of increase and a flat year. The medical and indemnity average cost per claim continued to decline, however, after adjustment to a common wage level.

[1] The Commissioner notes that in the Filing, the percentage change was erroneously stated as "5.2%" when it should have read "6.2%." Upon conferring with the NCCI to confirm the accuracy of the numbers, the NCCI confirmed the correct percentage as 6.2%, which is so reflected in this Order. This isolated error was also reproduced in the Davies actuarial report, but the average overall change of 6.9% in both the Filing and the report were accurate.

The Filing proposed a Colorado benefit level increase due to the medical fee schedule changes estimated to increase medical costs 1.3%, resulting in a 0.7% impact overall. The Filing further proposed an increase in the loss adjustment expense provision from 23.7% to 24.0%.

The Filing has a proposed effective date of January 1, 2026.

b. Davies Group Actuarial Review

The Davies Group advised that NCCI's loss development and trend selections were reasonable. The Davies Group further advised that the decision to return to two experience years instead of the three experience years, going back to a previous practice prior to the COVID-19 pandemic, was sound. NCCI did not change the Catastrophe Other Than Terrorism provision, even with COVID-19 claims included in the provision. The Davies Group evaluated the treatment of COVID-19 claims and agreed with the proposed approach.

The Davies Group commented on the updated Retrospective Rating Plan Parameters, asserting that they were reasonable and consistent with previous parameters. The Davies Group reviewed the increase from two decimal places to three for loss costs and expected loss rates and concluded that it was a positive change and reasonable. The Davies Group affirmed the methodology used by NCCI to evaluate the estimated +2.3% impact on indemnity costs as a result of HB 24-1220. The Davies Group believed that the change of +0.7% in the medical benefit level appeared to be reasonable. The Davies Group stated that the proposed rating variables and loss costs were reasonable.

Finally, The Davies Group advised that NCCI does not make any adjustments for the residual market to reflect the higher loss experience from Pinnacol relative to the private market. This inclusion of Pinnacol experience results in a higher loss cost but is consistent with previous methodologies.

c. Public Comments

Sonja J. Guenther, on behalf of Colorado Workers' Compensation Coalition (WCC), testified that WCC identified 5 specific industry classifications that experienced loss cost increases uncharacteristic of the overall indicated change over the past 3-5 years. They include dairies, wholesale stores and three manufacturing industries with some experiencing as much as a 24% increase over that time. Ms. Guenther advised that she would provide detailed written comments outlining her concerns.

d. Written Post-Hearing Comments

i. Colorado Workers' Compensation Coalition

To supplement her verbal hearing testimony, Sonja Guenther of WCC provided comments to the Division following the October 15 public hearing. WCC raised concerns with loss costs over the last 3-5 years for classifications 2157 Bottling, 2070 Dairy, 2587 Towel/Toilet Supplier, 2799 Modular Home Mfg and 8018 Wholesale Stores. Each of the previous classifications exhibited increased lost costs over the past 3-5 years of 12%, 17%, 19%, 24% and 24%, respectively.

Source: Email from Sonja J. Guenther, Workers' Compensation Coalition, to Commissioner Conway (Oct. 15, 2025) (on file with Division).

ii. National Council on Compensation Insurance

NCCI advised the Division that it did not plan to provide a formal response to WCC's post-hearing comments.

Source: Email from Stephanie Paswaters, National Council Compensation Insurance, to Mitchell Bronson (Oct. 20, 2025) (on file with Division).

The public testimony and post-hearing comments were reviewed and considered. The public testimony and comments did not result in a change to the proposed NCCI loss costs and rating values in the Filing. The comments will continue to be considered when reviewing the next NCCI filing.

3) Orders

a. Medical Loss Trend

The Commissioner **APPROVES** the decrease in the medical loss trend from -6.0% to -6.5%.

b. Loss Adjustment Expense Provision

The Commissioner **APPROVES** the increase in the loss adjustment expense from 23.7% to 24.0%.

c. Expected Loss Rate and Loss Cost Precision

The Commissioner **APPROVES** the increase in the number of decimal places, used to set Expected Loss Rates and Loss Costs, from two places to three places.

d. Loss Cost Change

Careful consideration was given to the testimony and arguments presented at the October 15, 2025 public hearing, the loss costs and rating values Filing submitted by NCCI, the actuarial report submitted by Davies, and the public comments submitted as part of the hearing. The Commissioner **APPROVES** the NCCI's loss cost Filing with no further revisions.

The Filing is approved as filed, effective January 1, 2026. The final revised loss costs and rating values must be used by all insurers transacting workers' compensation business within the State of Colorado on the effective date of the Filing (January 1, 2026).

So ordered this 27th day of October, 2025.

COMMISSIONER OF INSURANCE

/s/Michael Conway
Michael Conway