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BULLETIN

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A new report by the National Association of Insurance Commissioners (NAIC) shows California workers' compensation insurers' return on net worth increased from 10.6% in 2022 to 14.5% in 2023, the sharpest year-to-year increase since 2018, so for the first time in three years California workers' compensation insurers' return on net worth moved slightly ahead of the return for workers' compensation insurers nationwide.

The NAIC, which represents insurance commissioners from all 50 states, the District of Columbia, and five U.S. territories, compiles data from insurers' annual statements and publishes it in an annual "Report on Profitability by Line and by State." Last week, NAIC issued its report with calendar year 2023 results, including complete, direct income statement and surplus information for every line of insurance, both nationwide and for every state, as well as data on all elements of underwriting results, including investment income, pretax gains or losses, federal income taxes, after-tax gains or losses, surplus, and after-tax returns on surplus. Because the NAIC report is the only source of complete, direct income statement data for all lines of insurance for every state, and is produced by an objective source, the report is a useful tool for tracking the performance and profitability of different lines of insurance over time. To smooth out fluctuations in calendar year financial results and provide a longer-term view of how insurers are faring, the NAIC also calculates historical averages for the most recent 10-year period, which is especially prudent in a long-tailed line of insurance such as workers' compensation, where losses accrue across many years.

The average rates of return on net worth for California workers' compensation insurers over the past decade are noted in the table below, along with comparative data showing the returns for workers' compensation insurers nationwide; property and casualty lines nationwide; all lines of insurance in California and nationwide; and Fortune Magazine's All-Industry average for Industrial and Service sectors.

NAIC 2014-2023 Profitability Report (comparisons of Avg. Rates of Return on Net Worth)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	14-23 Avg
Calif WC	5.8%	7.9%	8.7%	9.9%	14.3%	13.7%	10.9%	9.7%	10.6%	14.5%	10.6%
US WC	7.5%	8.4%	8.2%	9.5%	13.0%	12.2%	9.6%	10.1%	11.7%	14.3%	10.5%
NAIC P&C	6.6%	6.6%	4.8%	3.2%	7.3%	7.2%	6.4%	6.1%	4.7%	7.3%	6.0%
Calif All Lines	7.5%	6.1%	5.2%	-1.9%	-0.2%	10.9%	9.0%	8.7%	6.6%	6.4%	5.8%
US All Lines	8.4%	7.9%	5.8%	3.9%	7.3%	8.6%	6.8%	6.5%	4.8%	7.9%	6.8%
Fortune All Ind	14.3%	12.7%	13.1%	13.9%	15.4%	15.3%	10.3%	20.0%	17.1%	17.4%	14.9%

Source: National Association of Insurance Commissioners Report on Profitability by Line By State, April 2025

Stockholder-owned companies aim for a 15% return on net worth, but that rate is rarely achieved, and a 12% return is considered a more realistic goal. As an industry, California workers' compensation insurers did not meet that goal from 2014 through 2017 (when their industrywide return averaged between 5.8% and 9.9%) and in the pandemic years of 2020 through 2022 (when their average return ranged between 9.7% and 10.6%), but with the addition of the 14.5% return in 2023 they have now exceeded the 12% return in three of the last 10 years (2018, 2019, and 2023). The return on net worth in 2023 also marked the high point for the decade and pushed the 10-year average for 2014 through 2023 to 10.6% -- about on par with the 10.5% return noted for workers' compensation insurers nationwide over the past decade.

The breakdown of the 2023 average rates of return on net worth for the 55 jurisdictions included in the NAIC report shows California workers' compensation insurers' return ranked 29th out of the 50 states, the District of Columbia, and the 4 U.S. territories. At the same time, NAIC comparative data show California workers' compensation insurers' 14.5% average return on net worth in 2023 was far better than the 2023 returns for all lines of insurance in California (6.4%) and the U.S. (7.9%), as well as the returns for property and casualty insurers (7.3%), though it lagged the 17.4% recorded by Fortune's Industrial and Service sectors.

The 10-year data show that in addition to slightly exceeding the average 10.5% return for workers' compensation insurers nationwide, California workers' compensation insurers' 10.6% average return over the past decade exceeded the 10-year returns of 5.8% for all lines of insurance in California; 6.8% for all lines of insurance nationwide; and 6.0% for property & casualty lines nationwide; but fell short of the 14.9% return for Fortune Magazine's All-Industry average for Industrial & Service Sectors.

NAIC has posted the April 22 news release announcing its 2023 Profitability Report on its website (click here). The news release includes a link to the full 563-page report, which can be downloaded for free. A summary of disclaimers developed by the NAIC Profitability Working Group of the Statistical Task Force noting caveats and limitations on the uses of the data is included at the beginning of the report.

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