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## **EXPERIENCE**

**Andy's area of expertise is property and casualty insurance, including loss reserving and ratemaking. Andy has extensive experience in the analysis of medical professional liability for hospitals, health systems and physician groups. He also has extensive experience in commercial lines, including workers' compensation, professional liability, general liability, auto liability, and extended warranties (service contracts).**

**Andy's clients include Fortune 500 corporations, healthcare institutions, privately held companies, public entities and commercial insurers, and risk retention groups.**

# Impact of COVID-19 on Workers' Compensation

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# Agenda

Early Expectations

Current WC Market

Looking to the Future

# Early 2020 Expectations for Workers' Compensation

- Large increase in claim frequency
- Uptick in catastrophic claims (deaths, long-term hospitalizations)
- Extremely high early loss predictions
  - The WCIRB estimated \$2.2B to \$33.6B with a midpoint of 11.2B – April 2020
  - The NCCI estimated \$2.7B to \$81.5B – April 2020
- Delays in treatment on existing claims
- Delays in settlement approvals and hearings due to courts and labor departments being closed

# Early COVID-19 WC Coverage

- Should COVID-19 be classified as a work-related illness?
- Should there be laws in place to handle COVID-19 claims?
  - Creation of presumption laws

# State by State Laws

- Presumption laws created in over 30 states
  - Establish the presumption that the contraction of or exposure to COVID-19 arises out of and in the course and scope of employment and is a compensable injury or illness
  - Specifics of the laws vary by state
  - Certain presumption laws applied to specific categories of workers such as healthcare workers, first responders, etc.
- Proposed laws in Missouri – Bills were not accepted
  - HB 1246—Establishes workers compensation presumption for infectious diseases for certain employees
  - SB 339—Establishes workers compensation presumption for infectious and other diseases for certain first responders
- Occupation disease rules in place in Missouri – Both relate to first responders
  - Emergency Rule 8 CSR 50-5.007 – Adopted on 1/15/21
  - Rule 8 CSR 50-5.007 – Adopted on 6/15/21

# Overview of the Actual Impact

- Overall, losses were not as bad as expected for the WC market; however many renewals still saw a slight increase(5-10%) from COVID expectations
- Did not see the large increase in frequency(for most industries) or an uptick in high severity cases
- Healthcare was hit the hardest
  - A significant percentage of the total death claims for WC were from the healthcare industry
  - One TPA's data includes approximately 10% of healthcare for their book of business but healthcare had about 50% of their COVID-19 claim counts
  - Variation by hospital, region, risk management initiatives, and state by state laws
- Many industries saw decreases in non-COVID WC losses
- Shift in risk profiles

# Impact on Non-COVID Claims

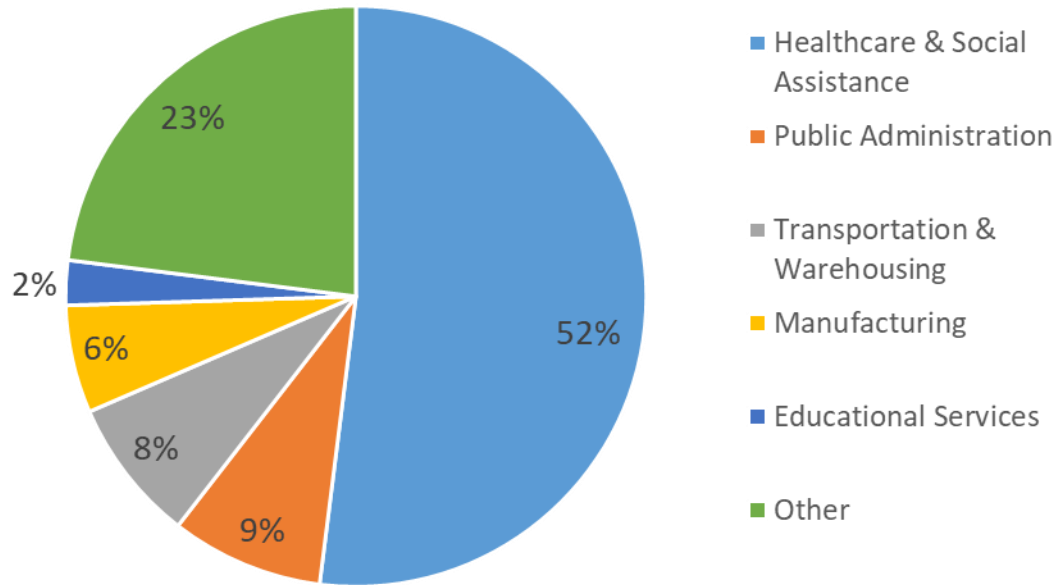
- Significant decrease in frequency of Non-COVID in early 2020
- Delay in medical treatment for workers?
  - No statistically significant difference in timing to treatment between Q2 2019 and Q2 2020 according to the Workers Compensation Research Institute (based on data from 27 states)
  - The WCIRB reports workers did experience delays in medical treatment in the early weeks of the pandemic for California
    - There can be significant increases in medical costs and lost-time costs when treatment is delayed
- Shift in types of claims to more lost-time claims

Sources: Workers Compensation Research Institute and the WCIRB

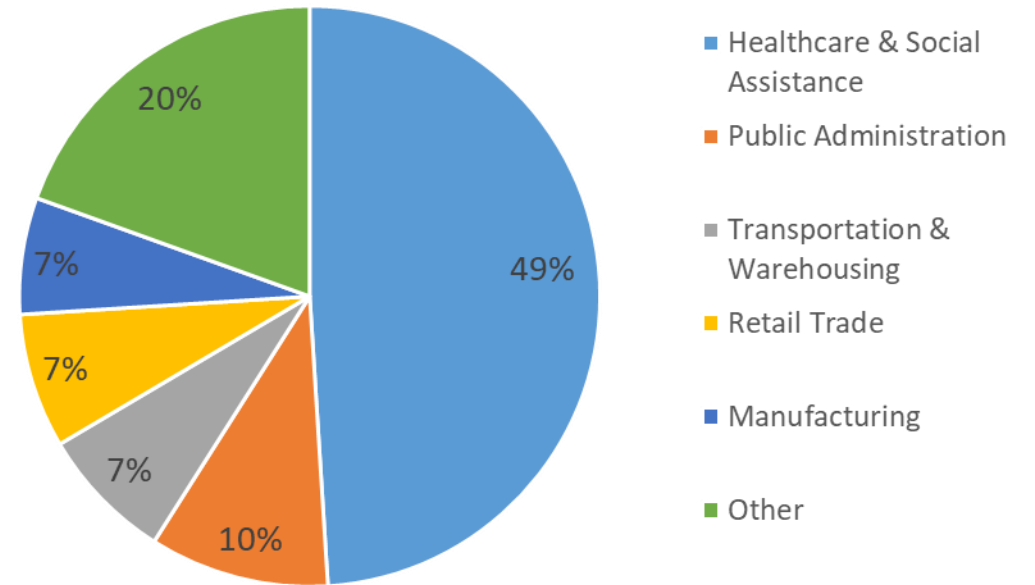


# Claims by Industry

2020 COVID-19 Claims by Industry



2021 COVID-19 Claims by Industry



Source: Mitchell's Workers' Comp Data Reports. 2020 report issued March 9, 2021 and 2021 report issued August 9, 2021

# Types of Cases

- No symptoms
- Some symptoms but recovered at home
- Hospitalization
- Hospitalization and intensive care
- Fatalities
- PTSD/psychological claims

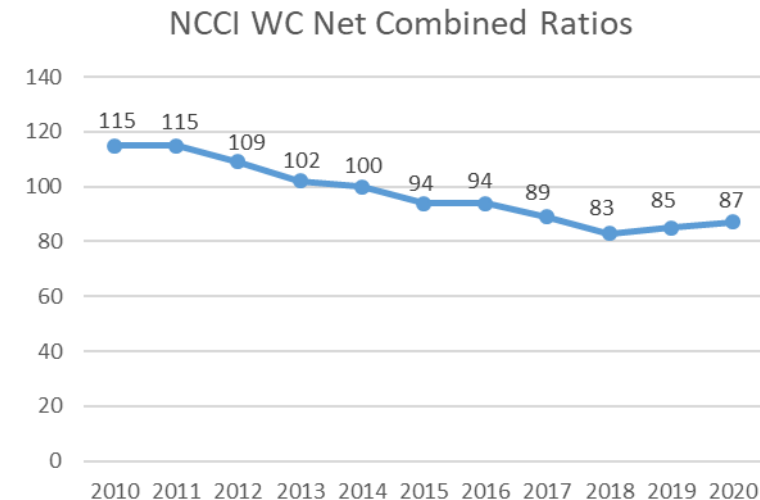
# NCCI COVID-19 Industry Data

- COVID-19 Loss Information as of December 31, 2020\*
  - 45,000 claims with \$260M in losses in AY 2020
  - 75% of claims are lost time claims
  - Average severity of \$6,000
  - Approximately 60% of WC COVID-19 claims are less than \$1,500
  - Approximately 95% of WC COVID-19 claims are less than \$10,000
  - 1% of COVID-19 claims represent 60% of total COVID-19 losses
  - Countrywide 7.4% of total claim counts are for COVID-19
    - MO was slightly higher than 7.4% for AY 2020

\*Source: 2021 NCCI State of the Line

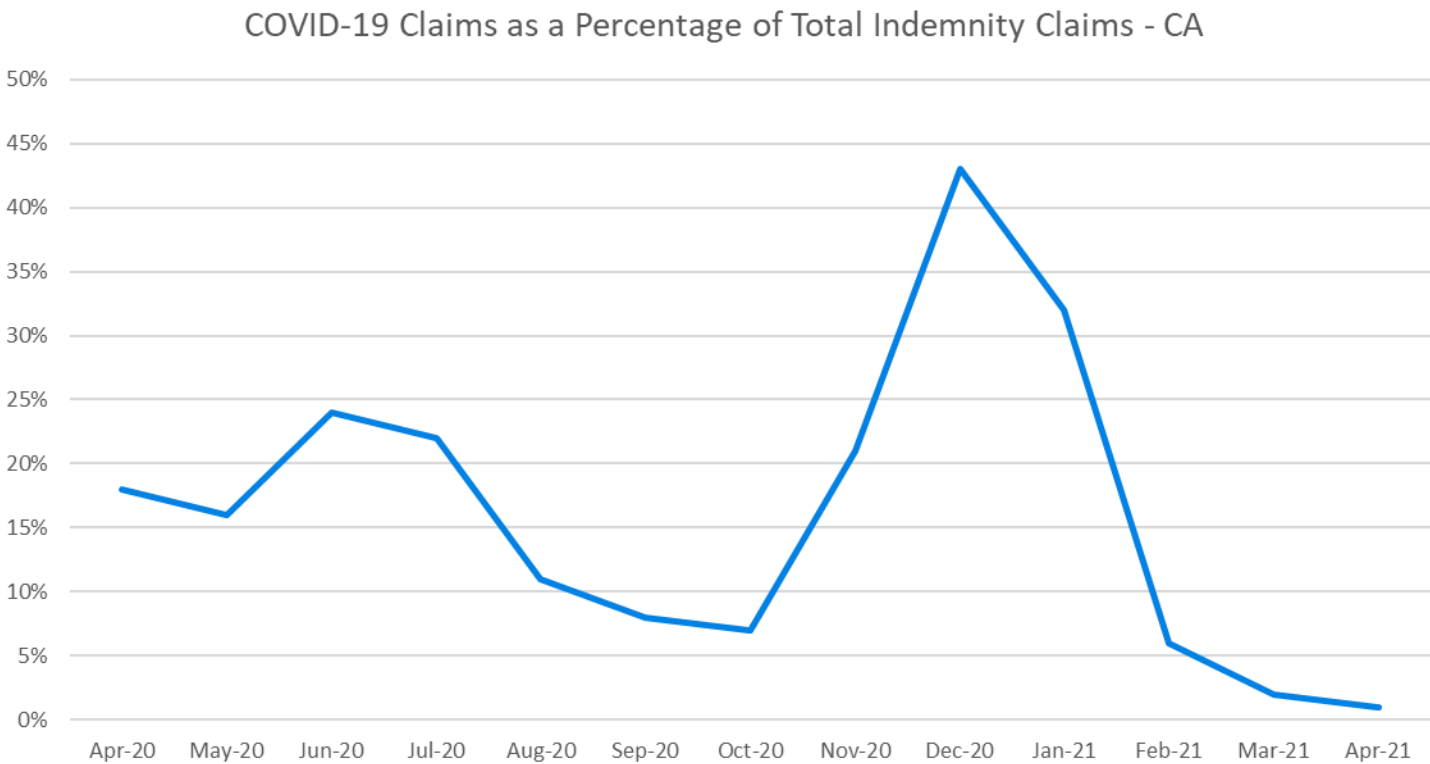
# NCCI Industry Data

- Total industry data excluding COVID-19 claims as of December 31, 2020
  - Lost-time claim frequency for 2020 is down 7% from 2019
  - 2020 medical severity is expected to change from -2% to +2% from 2019
  - 2020 average indemnity severity is up 3% from 2019
- WC total industry results
  - Fourth consecutive year with combined ratio<90%
  - Seventh consecutive year of U/W gains
  - Expecting a 10% decrease in NWP from 2019 to 2020



\*Source: 2021 NCCI State of the Line

# CA COVID-19 Workers' Compensation Claims Compared to Total Workers' Compensation Claims



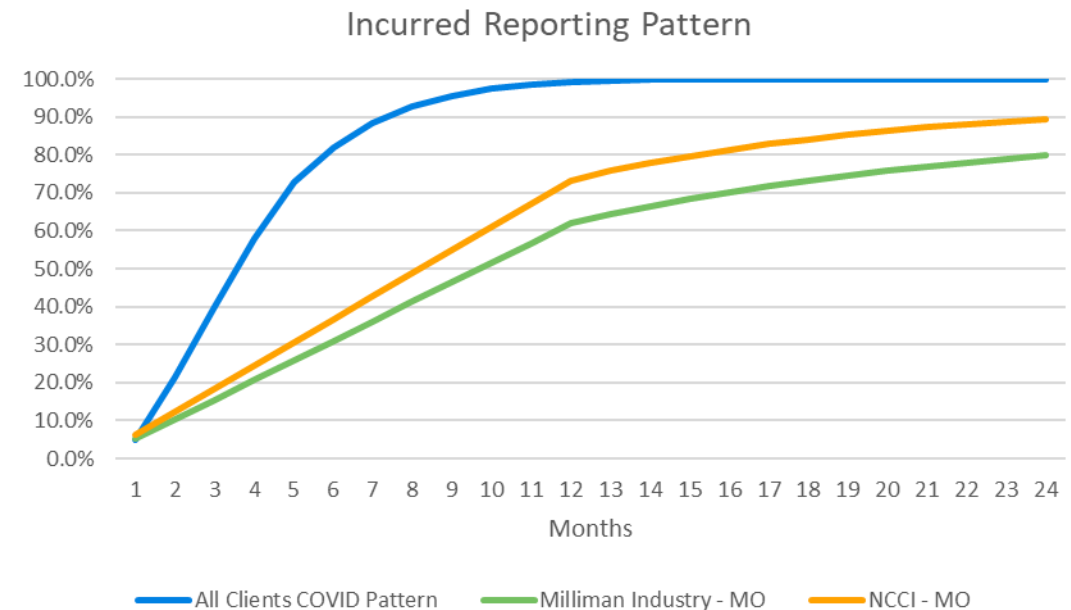
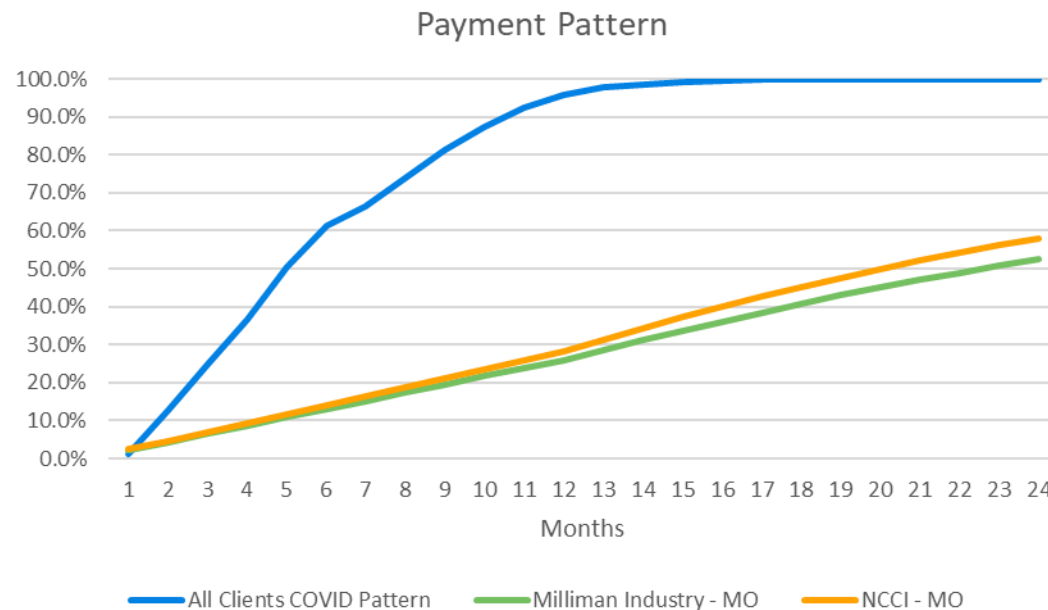
## Rate of CA COVID-19 WC Claims per Reported COVID-19 Infection

Up to 6/30/20	11.1%
7/1/20-11/30/20	5.0%
12/1/20-2/28/21	3.0%
3/1/21-5/31/21	1.7%

Source: WCIRB 2021 State of the System

# COVID Reporting and Payment patterns

- WC COVID patterns are much faster than overall WC industry patterns
- Long term COVID effects are unknown and if there will be any long term development



# Lasting Impacts?

- Certain jobs can be done remotely
- Some treatments and doctors visits can be done remotely, potentially reducing costs
- Shift in distribution of types of claims
- Courts have been able to operate remotely

# Potential for Future Claims

- Will the delta variant or other variants have a significant impact on the frequency or severity of claims?
- Will vaccines be required by employers?
  - Many employers are already requiring the vaccine to continue to work or for the ability to return to the office
  - Will there be claims from requiring the COVID-19 vaccine?
  - Will there be claims for not requiring the COVID-19 vaccine?
    - There are court cases in both Illinois and Iowa where the estates of deceased employees are suing the employer for failing to provide a safe working environment and protection from COVID-19. All cases are currently pending.
- Presumption laws are being extended and new ones proposed
  - Will this have an impact on future COVID claims or claims related to other illnesses?
- Claims can arise from exposure during treatment at a medical facility
  - Exposure to COVID during a medical treatment for a work related injury is a compensable injury – Talavera v. Bob's Super Saver, Inc. – Kansas





# Thank you

**Andy Hoffman**

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