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COVID-19 Responses and Actuarial Implications: Workers' Compensation

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November 8, 2021

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Agenda

- ▶ COVID-19 State & Bureau Responses and Findings
 - ▶ NCCI jurisdictions
 - ▶ CA
 - ▶ NY
- ▶ Actuarial Implications & Future Considerations

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But first.... With whom do I have the pleasure of speaking?

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State Response

BULLETINS, ORDERS AND NOTICES, OH MY!



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CA and NY Response to COVID-19 in 2020


California (CDI)

- ▶ 60 day grace period to pay premium and can't cancel or non-renew
- ▶ No unfair settlement practices
- ▶ May not dissuade Policyholders from filing Business Interruption claim; must investigate and acknowledge immediately
- ▶ Personal Auto Policyholders doing delivery for essential purposes who don't have Comm. Auto, requests insurers to not deny claims
- ▶ Remote audits/inspections in lieu of in-person
- ▶ **Mandated Premium refunds/credits**

New York (DFS)

- ▶ Prohibits cancelling, non-renewing or conditionally renewing the policies of qualifying (proof of hardship) policyholders (personal or small business) for a sixty (60) day moratorium period; extended the time period and expired 7/6/2020
- ▶ No late fees or reporting to a credit agency

Source: <http://www.insurance.ca.gov/0220/Insurers/0300/Insurers/0200/bulletins/index.cfm/>
<http://www.wcb.ny.gov/content/mali/SubjectNos/subjectNos.jsp>




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CA Current Response for Rate Filings

- ▶ Insurers must submit data that reflects their loss experience beginning 3/19/2020
- ▶ File variances to make appropriate data adjustments due to data distortions caused by COVID-19
- ▶ **Additional Exhibits/Requirements:**
 - ▶ Supplemental COVID-19 Exposure and Premium Template
 - ▶ Supplemental Quarterly Development
 - ▶ Standard Exhibits Template - for the no variance scenario
 - ▶ Standard Exhibits Template - for each variance submitted
 - ▶ Exhibit 13 - Variance Request, if applicable
 - ▶ Any other supplemental exhibit the insurer needs to explain its own adjustments, in detail, to the rate template or supporting exhibits.
 - ▶ Responses to COVID-19 Rate Filing Questionnaire.

Source: <http://www.insurance.ca.gov/0220/Insurers/0800/rate-filings/0200/prior-applications/industry-rate-filing-requirements-guidance-06-03-2021.pdf>



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NCCI: Codes, Codes, All Types of Codes!

- ▶ Premium Statistical Codes
 - ▶ Code 0012 - employees paid and not working
 - ▶ Reminder of existing Class Codes 8810 (Clerical Office Employees NOC) and 8871 (Clerical Telecommuter Employees); no class code for "COVID-19 Cleaning", so use most similar class code available
- ▶ Loss Statistical Codes
 - ▶ Cat Code: 12 (COVID-19)
 - ▶ Nature of Injury: 83 (COVID-19), 38 (adverse reaction to vaccine)
 - ▶ Cause of Injury: 82 (vaccine); already have 83 for pandemic

Source: <https://www.ncci.com/Articles/Pages/Insights-Coronavirus-FAQs.aspx>

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NCCI's 38 Jurisdictions^a: AY 2020 COVID-19 Data: Summary of Data

- ▶ Case Incurred COVID-19 Losses: \$260M^b
- ▶ Claims: 45,000
- ▶ Avg Cost per Claim: \$6,000
- ▶ Employees: 56M
- ▶ Frequency: 8/10,000 = 0.0008^c

a The 38 jurisdictions where NCCI provides ratemaking services are Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, and West Virginia.

b NCCI estimates a total over \$500M for the duration of COVID-19.

c Usual frequency (non-COVID-19 times) including med-only claims is 250/10,000 = 0.0250 (30x higher)

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Source: <https://www.ncci.com/Articles/Pages/Insights-COVID-19.aspx>

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Based on the NCCI AY 2020 COVID-19 Study

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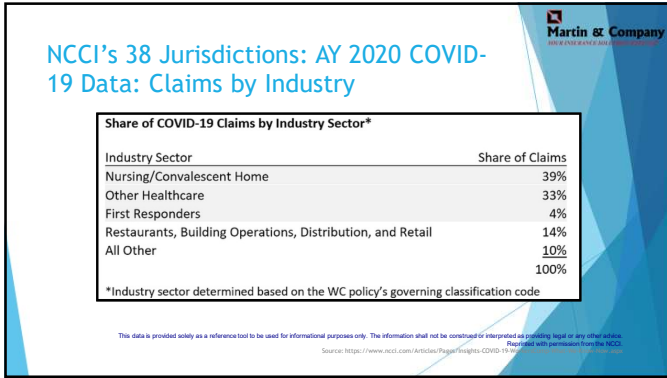
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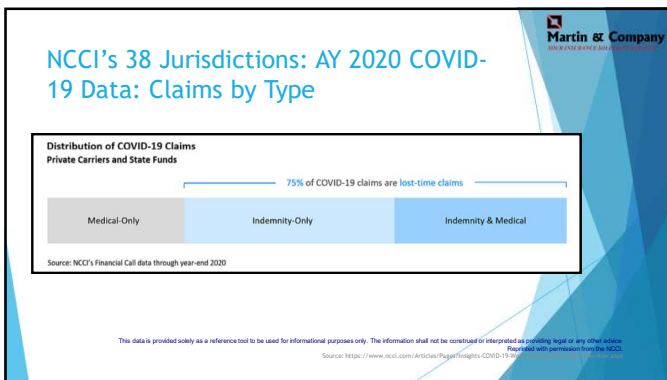
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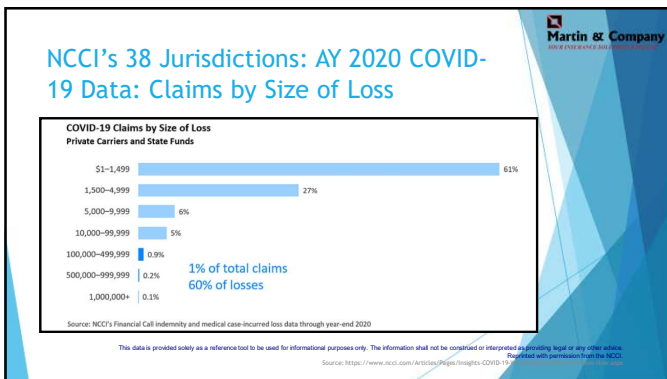
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NCCI's 38 Jurisdictions: AY 2020 COVID-19 Data: Claims by Size of Loss

Claim Category	Estimated Claim Distribution*	Selected Ultimate Nonfatal Severity (\$)
Nonquarantine Claims		
- Mild	39%	2,300
- Moderate	6%	69,000
- Severe	1%	236,000
Quarantine Claims**	54%	-
Total	100%	-

*Based on claims with nonzero case-incurred losses
 **Defined as those with medical case-incurred losses of \$120 or less

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NCCI's Current Response - Loss Costs and Rates

- ▶ COVID-19 data removed because frequency and severity of these claims is not expected to be predictive of loss experience in future effective periods
- ▶ Plan to introduce or propose changes to the Catastrophe Load provision
- ▶ Determined current practices appropriate and will evaluate each state
- ▶ Experience Rating - treat like Terrorism and Earthquakes which is to exclude Cat Code 12 from E-rating and from Merit Rating Plans; will eventually set an end date to this
- ▶ Furloughed Employees - exclude from premium and Experience Rating calculations

Source: <https://www.ncci.com/Articles/Pages/Insights-Coronavirus-FAQs.aspx>

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NCCI WC Approved Changes in Premium as of 4/30/2021

WC Approved Changes in Bureau Premium Level
 Weighted by Effective Date—NCCI States

Graph reflects a point in time and subsequent approvals are not reflected.

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Trivia Time!
The most recent NCCI filings resulted in decreases for all **but six** NCCI jurisdictions.

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NYCIRB (New York) Filing Response

10/1/20 LC Filing	10/1/21 LC Filing
Includes data from PYs 2017 and 2018, data as of 12/31/19	Includes data from PYs 2018 and 2019, data as of 12/31/20
-1.0% Proposed = Approved	-6.4% Proposed = Approved
Does not contain any adjustments related to the pandemic; NYCIRB will monitor	Includes losses resulting from the COVID19 pandemic, and used Rating Board's standard ratemaking methodology. The terrorism and catastrophe loss cost provisions have also been updated with this revision. However, no explicit load for the risk of pandemics is included.
Rating Board has not added a provision to account for these losses or assumptions reflecting potential changes in the economy because (a) the ultimate duration and impact of the pandemic are still very much unknown, and (b) whether the pandemic will have an offsetting impact on other ratemaking measures (e.g., frequency) is also presently unknown.	For PY 2019, the anticipated premium audit adjustments were reviewed due to the economic impact from the COVID-19 pandemic, and a premium development factor of 1.0 was utilized. (Originally 1.012)

Source: <https://www.nycirb.com/press-releases/2020/10/1/20-ny-cirb-lc-filing-response>

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WCIRB (California) Filing Response

1/1/2021 Effective	9/1/2021 Effective
Includes data AY 2019 Eval as of 3/31/2020 and 6/30/2020	Includes data AY 2020 Eval as of 12/31/20
Indicated +2.6% / Approved -4.6%	Indicated +2.7% / Approved -3.4%
If excluded COVID-19 experience, -1.3%	(a) excluded all claims directly arising from a COVID-19 diagnosis (b) refined projection methodologies to adjust for distortions caused by the pandemic and (c) largely relied upon prepandemic experience to project cost levels for the period the proposed advisory pure premium rates will apply
	Herd Immunity Summer, 2021 - not recommending a provision be included to reflect the estimated costs of COVID-19 claims to be incurred on 9/1/2021 and later policies.

Source: https://www.wcirb.com/sites/default/files/documents/january_2021_pure_premium_rates_-_wcirb_10_1_2021.pdf
https://www.wcirb.com/sites/default/files/documents/2020-21_wcirb_9_1_2021_pure_premium_rates_-_wcirb_10_1_2021.pdf
https://www.wcirb.com/sites/default/files/documents/2020-21_wcirb_9_1_2021_pure_premium_rates_-_wcirb_10_1_2021.pdf

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WCIRB - 1/1/21 Additive COVID-19 Adjustment (not approved) of 10% or Higher





Class Description	Approved 1/1/2021 PP Rate	1/1/2021 CDI Decision COVID-19 Additive Adjustment to PP Rate	COVID-19 Caused Increase
(1) ELECTRONIC PRE-PRESS (2) GRAPHIC DESIGN	0.20	0.05	25%
(1) COMPUTER PROGRAMMING OR SOFTWARE DEVELOPMENT (2) INTERNET OR WEB-BASED APPLICATION DEVELOPMENT OR OPERATION	0.04	0.01	25%
REAL ESTATE AGENCIES	0.09	0.02	22%
COMPUTER MEMORY DISK MFG.	0.29	0.05	17%
CHURCHES, TEMPLES, MOSQUES AND SYNAGOGUES	0.32	0.05	16%
INSTITUTIONAL EMPLOYEES - hospitals, skilled nursing facilities, residential care facilities for adults	1.32	0.20	15%
HOSPITALS	1.32	0.20	15%
BOY AND GIRL SCOUT COUNCILS	0.33	0.05	15%
PHYSICIANS' PRACTICES AND OUTPATIENT CLINICS	0.70	0.10	14%
DENTISTS AND DENTAL SURGEONS	0.72	0.10	14%
AUTOMOBILE OR TRUCK DEALERS	0.81	0.10	12%
Integrated Circuit and Semiconductor Wafer Mfg.	0.41	0.05	12%
MORTGAGE BANKERS	0.17	0.02	12%
(1) SANDWICH SHOPS - not restaurants - N.O.C. (2) BEVERAGE PREPARATION SHOPS - not bars or taverns	1.28	0.15	12%
(3) ICE CREAM OR FROZEN YOGURT SHOPS	1.76	0.20	11%
HOME INFUSION THERAPISTS	0.99	0.10	10%
OIL OR GAS PIPELINE OPERATION	0.20	0.02	10%
MORTGAGE BANKERS	0.21	0.02	10%
CLERICAL OFFICE EMPLOYEES - N.O.C.	0.21	0.02	10%
CLERICAL TELECOMPUTER EMPLOYEES - N.O.C.	0.21	0.02	10%

Source: <https://www.wcirb.com/content/january-1-2021-regulatory-and-pure-premium-rate-filing>

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Poll Time!





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Actuarial Considerations



Premium/Exposure	Loss	Other/Misc
Trend	Trend	Indications - yearly weights
Development	Development	Projection Period
	Excess/Cat Load	Stability/Responsiveness

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Presumption: Three State Illustrations

State	Presumption	COVID-19 Claims 12/20	% Denied
Texas	No presumption of eligibility exists	32,000	45%
California	Broad Presumption Law for certain occupations	93,470	26%
Florida	State Employees who are front line workers given a presumption of eligibility	29,400	22%
	Private sector Employees		56%

Source: 2/13/21 <https://www.wjz.com/articles/hly-sa-mary-covid-19-workers-compensation-requirements>

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Activity

Q: What was the biggest business challenge for **Commercial Auto** due to COVID-19?

1. Driver Shortage
2. Litigation Funding and Social Inflation
3. Worsening Severity
4. Increased Digital Investment
5. Workforce Transformation
6. Market Expansion/Contraction
7. On Demand Economy

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Activity
Q: What was the biggest business challenge for **Personal Auto** due to COVID-19?

1. Extreme Price Competition
2. Historic Drop in Mileage
3. Worsening Severity
4. Increased Digital Investment
5. Workforce Transformation
6. Market Expansion/Contraction
7. Struggling Consumers

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Activity
Q: What changes/challenges due to COVID-10 are here to stay for **Commercial Auto**?

1. Driver Shortage
2. Litigation Funding and Social Inflation
3. Worsening Severity
4. Increased Digital Investment
5. Workforce Transformation
6. Market Expansion/Contraction
7. On Demand Economy
8. Extreme Price Competition

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Activity
Q: What changes/challenges due to COVID-19 are here to stay for **Personal Auto**?

1. Extreme Price Competition
2. Historic Drop in Mileage
3. Worsening Severity
4. Increased Digital Investment
5. Workforce Transformation
6. Market Expansion/Contraction
7. Struggling Consumers
8. On Demand Economy

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