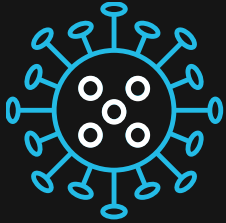




# State of the Line Report

**Jeff Eddinger, FCAS, MAAA**  
Senior Division Executive  
NCCI

# COVID-19 and Workers Compensation



## COVID-19 Resource Center

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Frequently Asked Questions  
Real-time COVID-19 legislative activity  
*Quarterly Economics Briefing series*



## COVID-19 and Workers Compensation: Modeling Potential Impacts

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White paper that evaluates potential WC system impacts from COVID-19  
Hypothetical Scenarios Tool

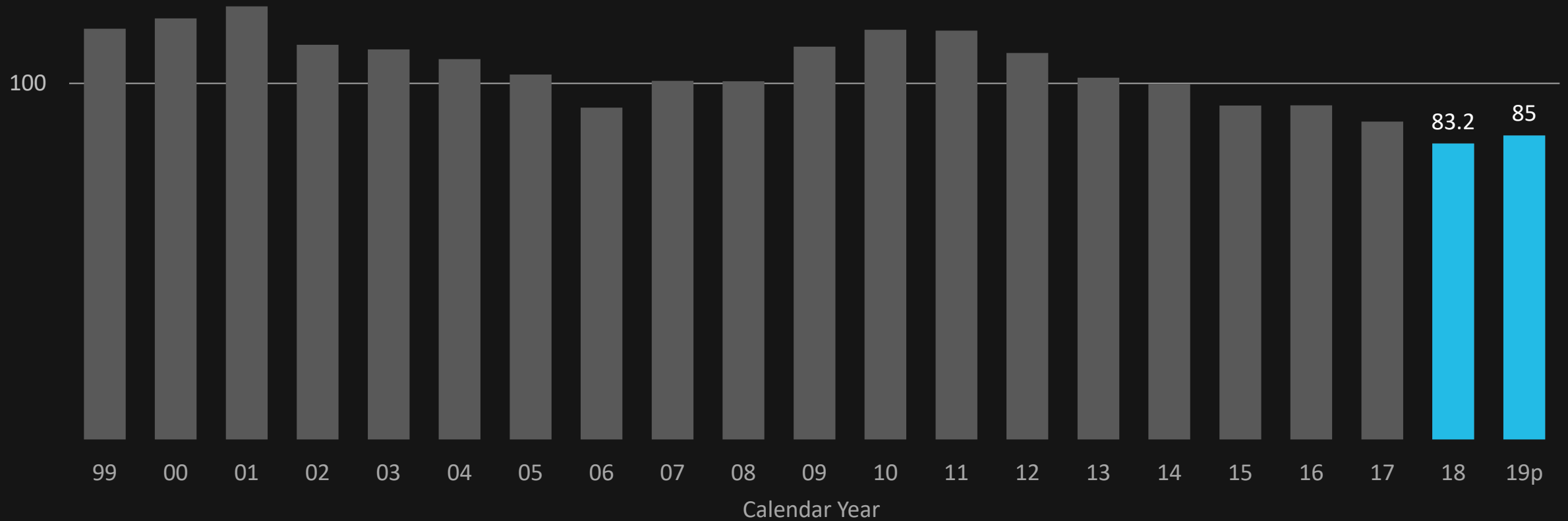


# Workers Compensation (WC) Results

# WC Combined Ratio—Underwriting Gain Achieved

Private Carriers

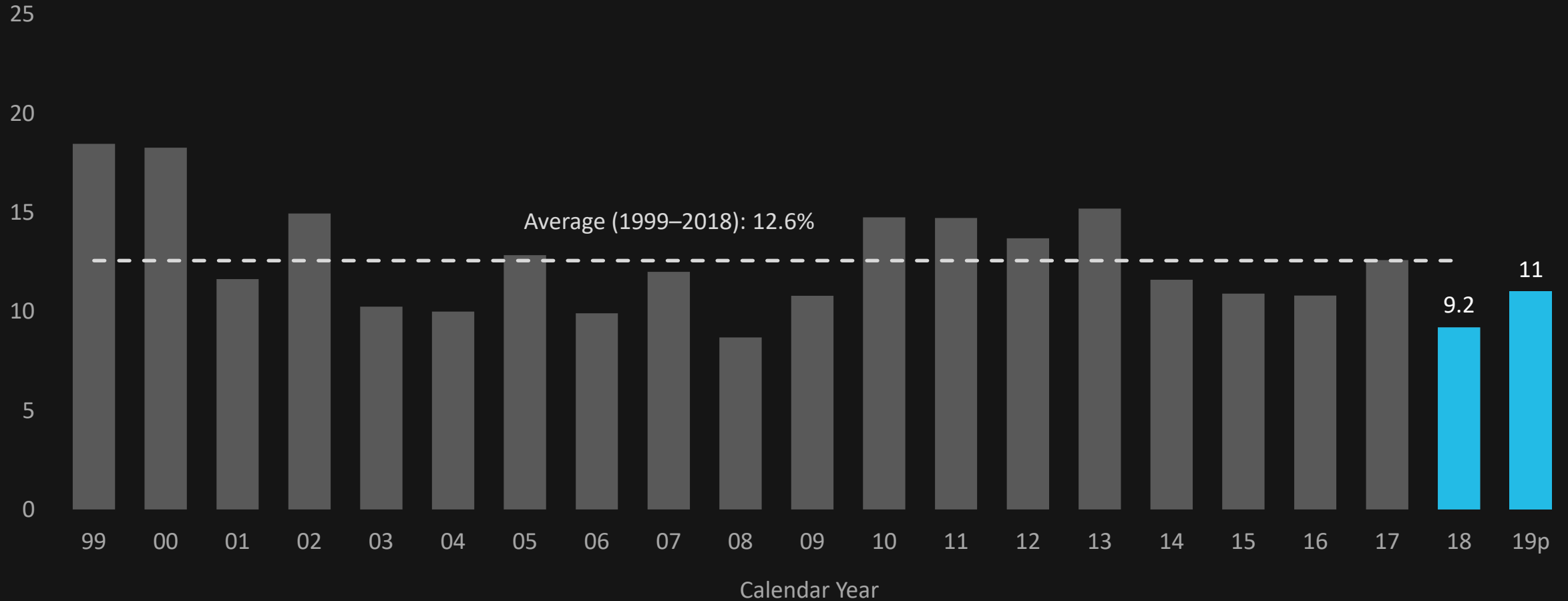
Percent



# WC Investment Gain on Insurance Transactions

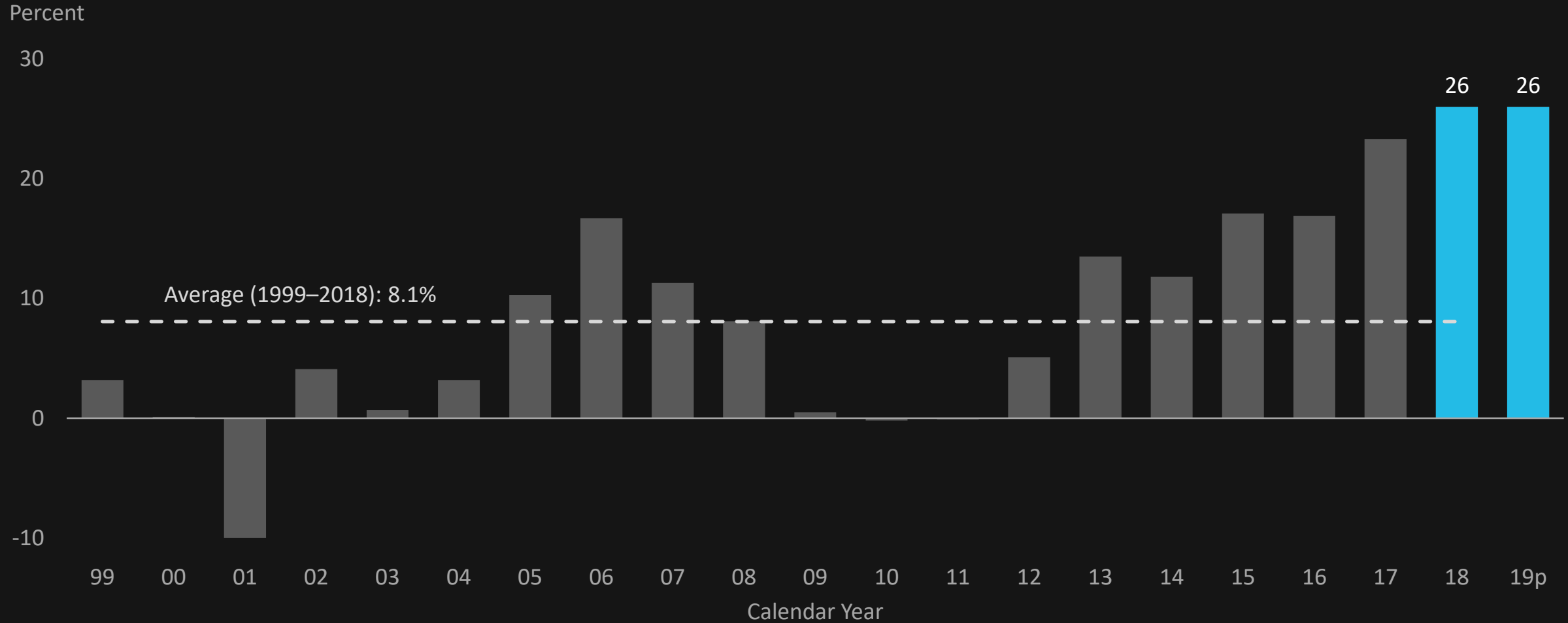
Ratio to Net Earned Premium, Private Carriers

Percent



# WC Pretax Operating Gain

Private Carriers



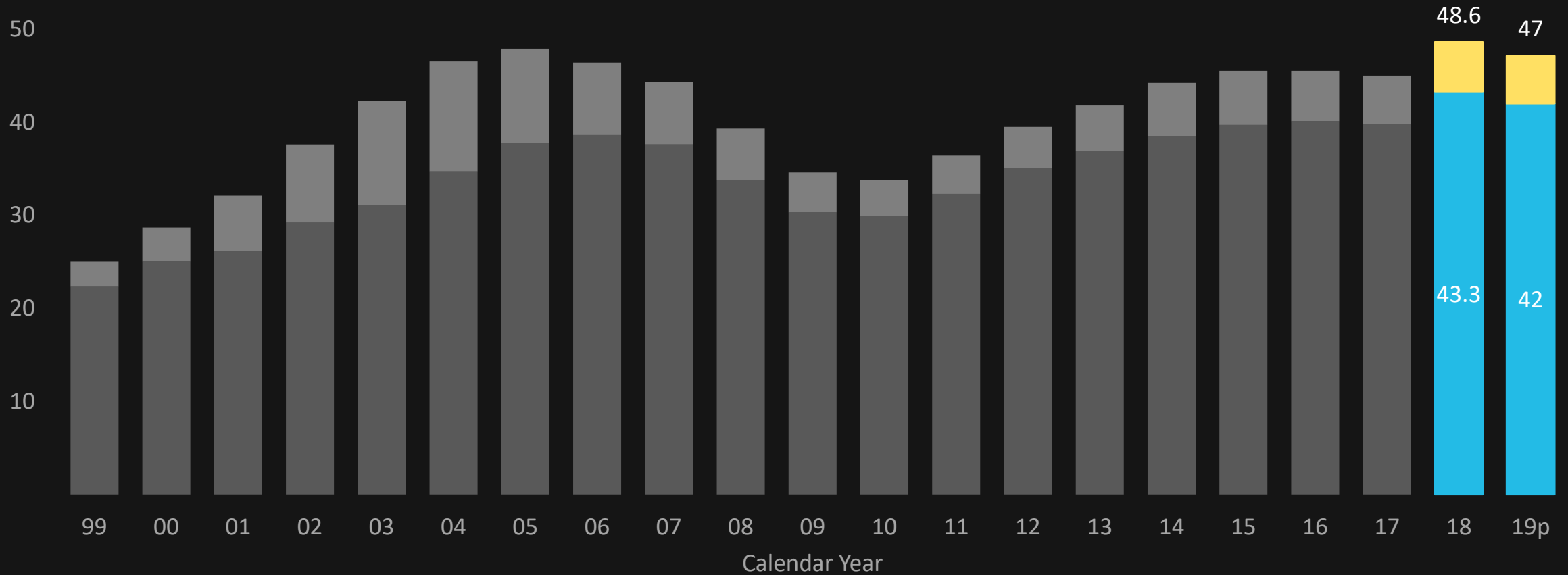


# Workers Compensation Premium

# WC Net Written Premium

Private Carriers and State Funds

\$ Billions

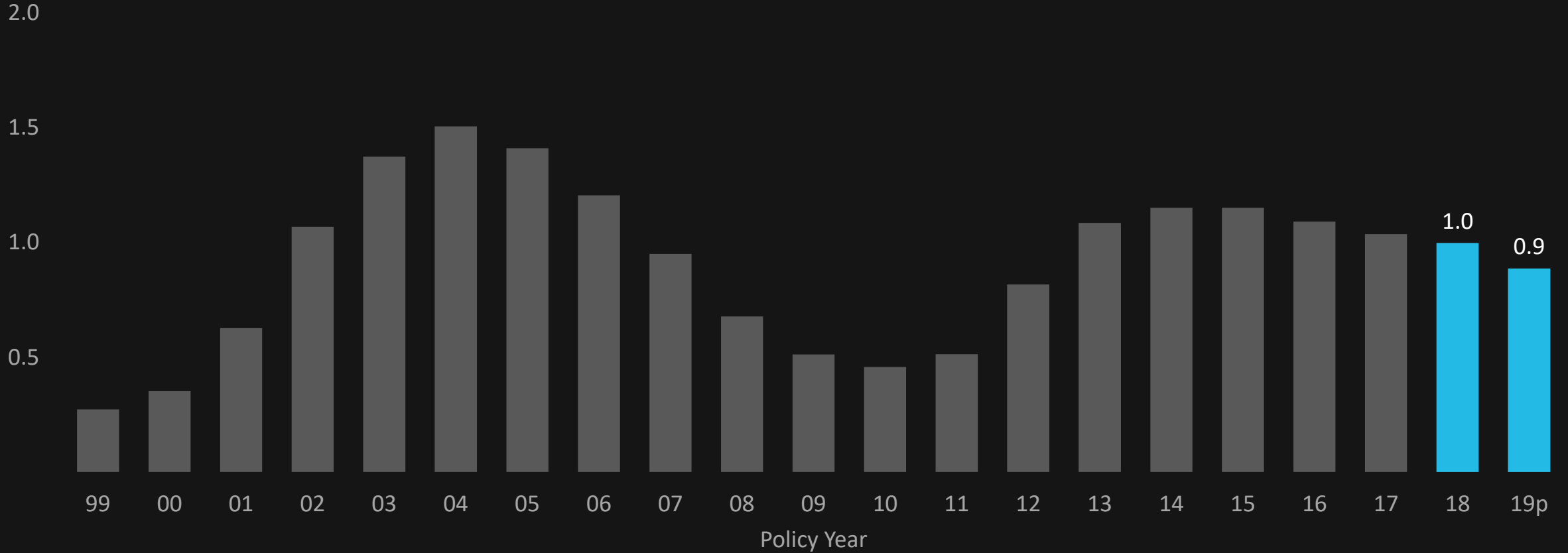




# WC Residual Market Premium

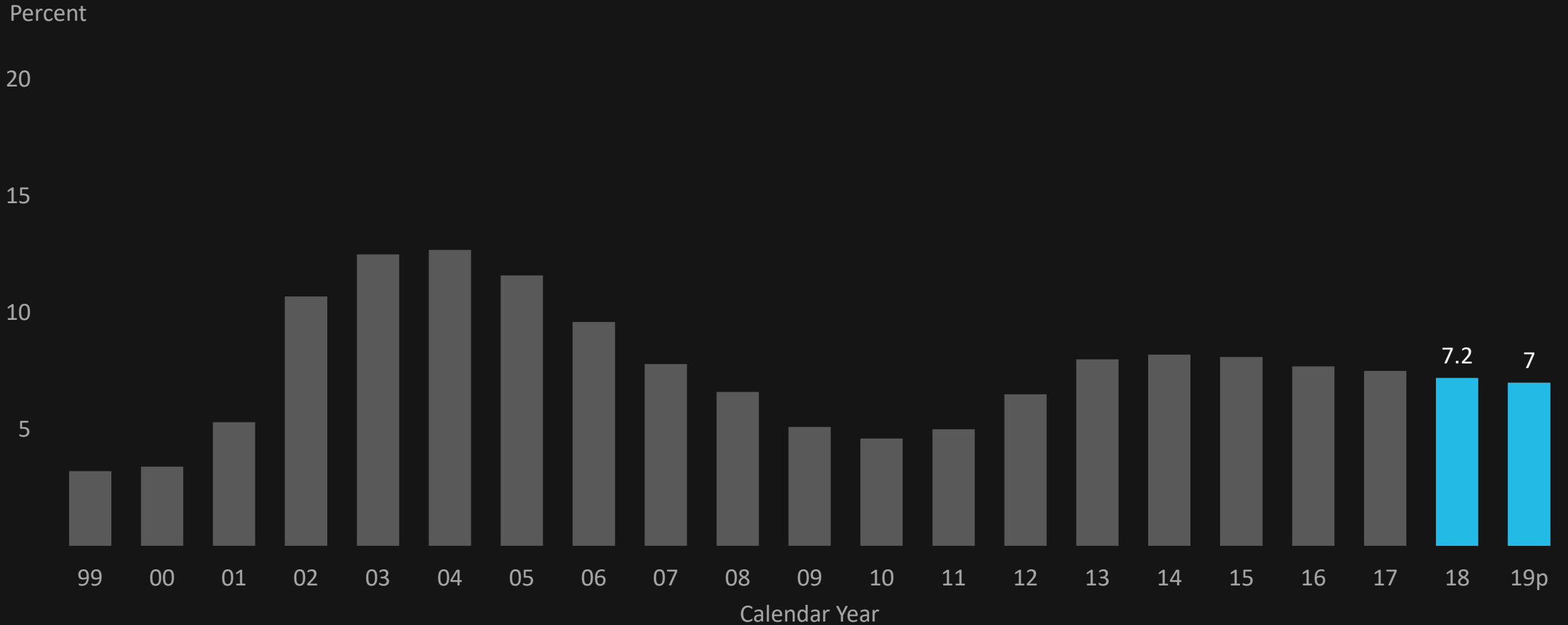
## NCCI-Serviced WC Residual Market Pools

\$ Billions



# WC Residual Market Share

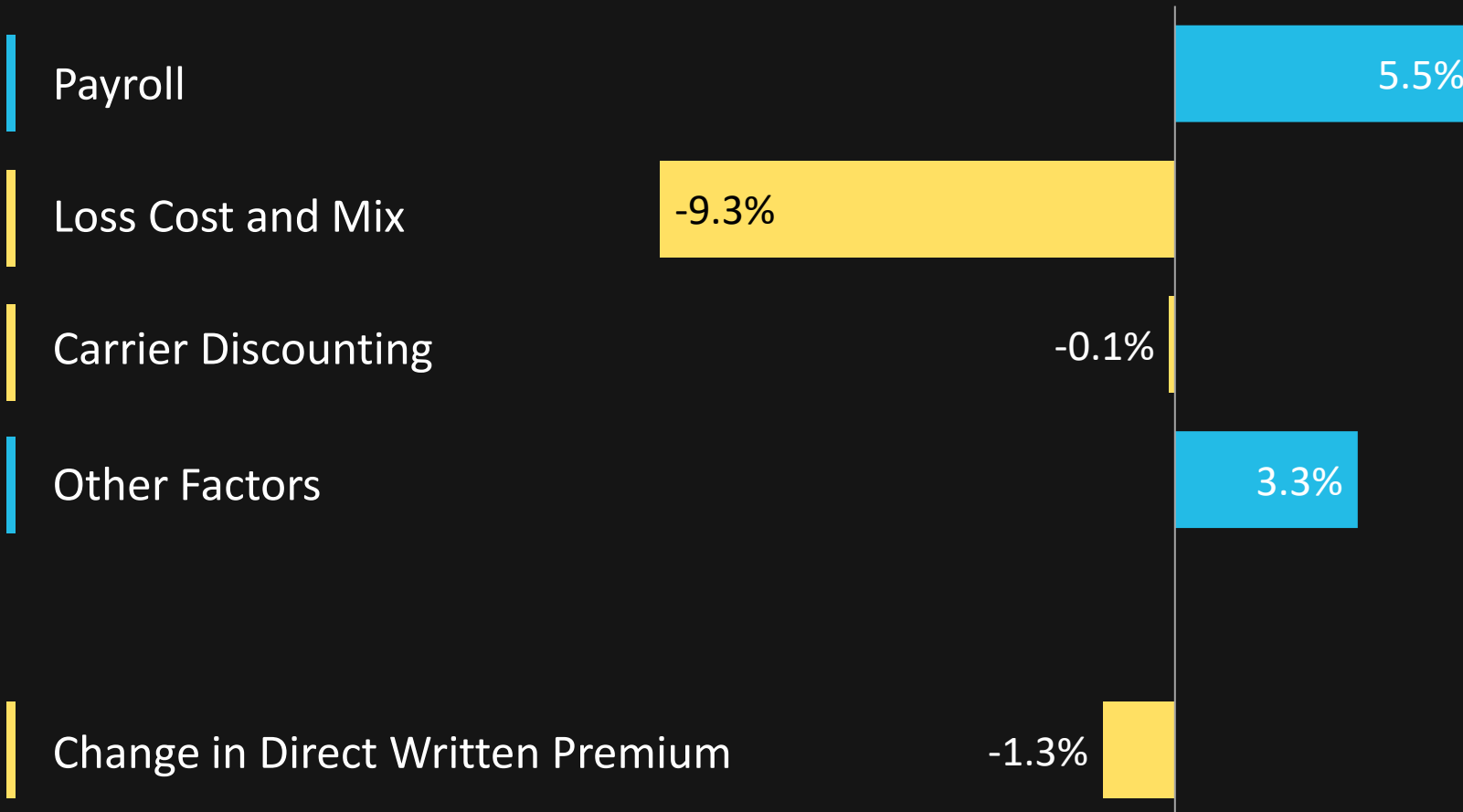
## NCCI-Serviced WC Residual Market Pools



# WC Direct Written Premium Change by Component

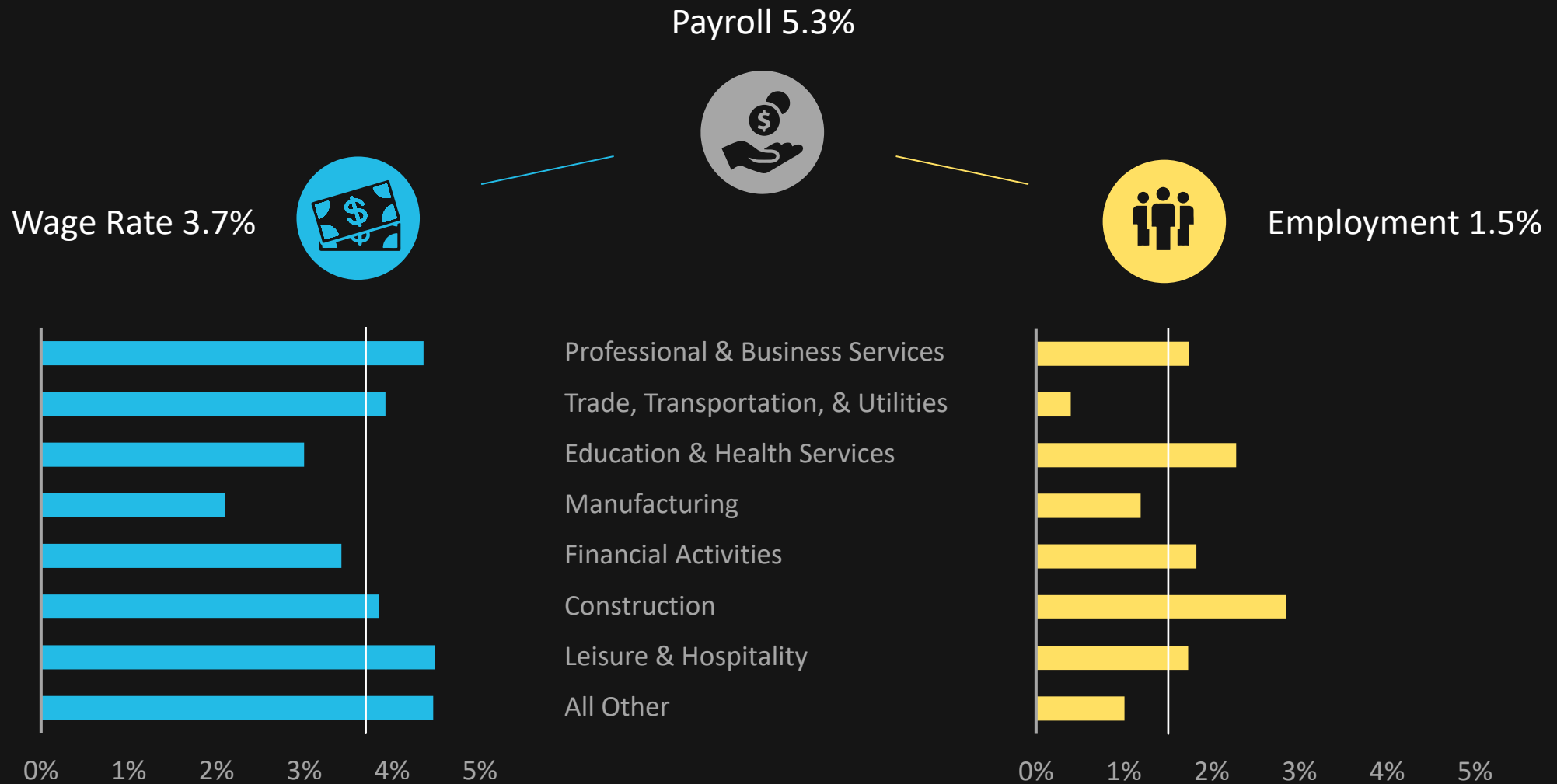
Private Carriers—NCCI States

2018 vs. 2019



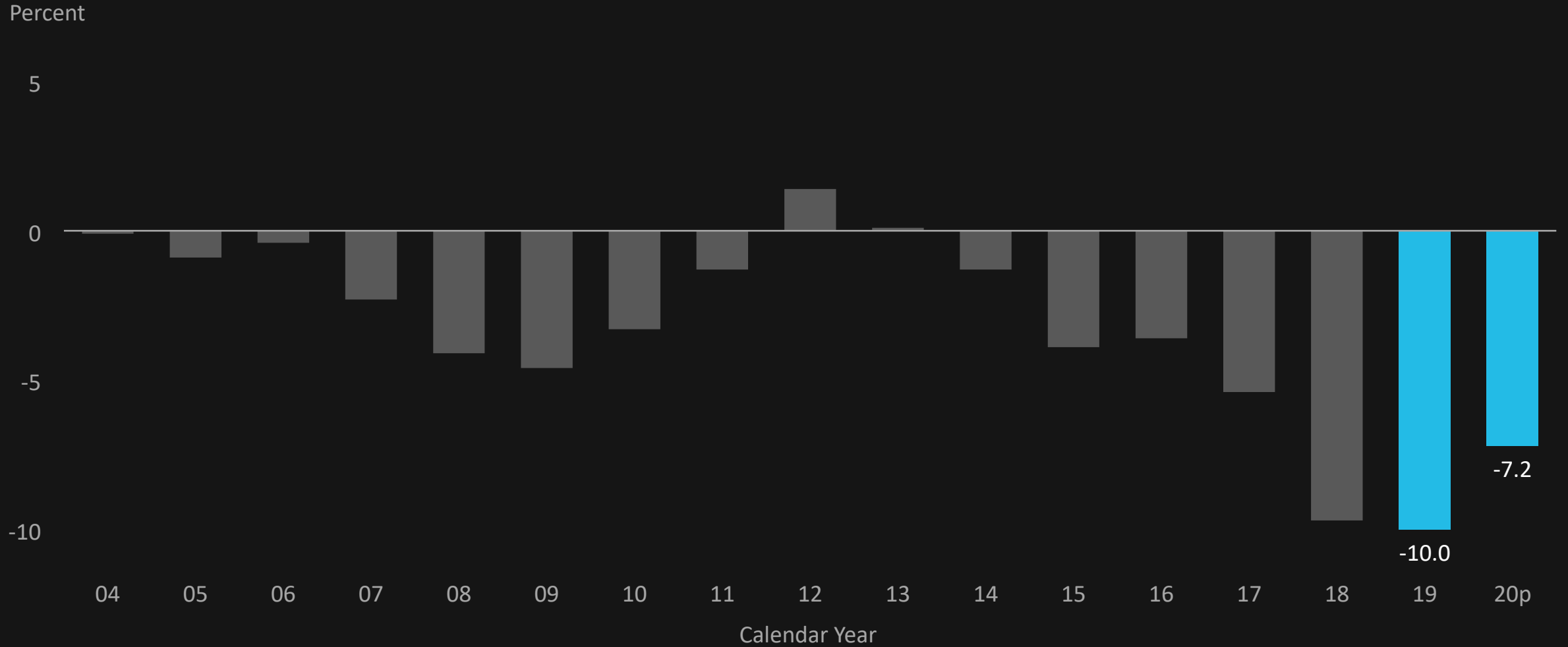
# Changes in Payroll by Component

Forecast Change 2018–2019



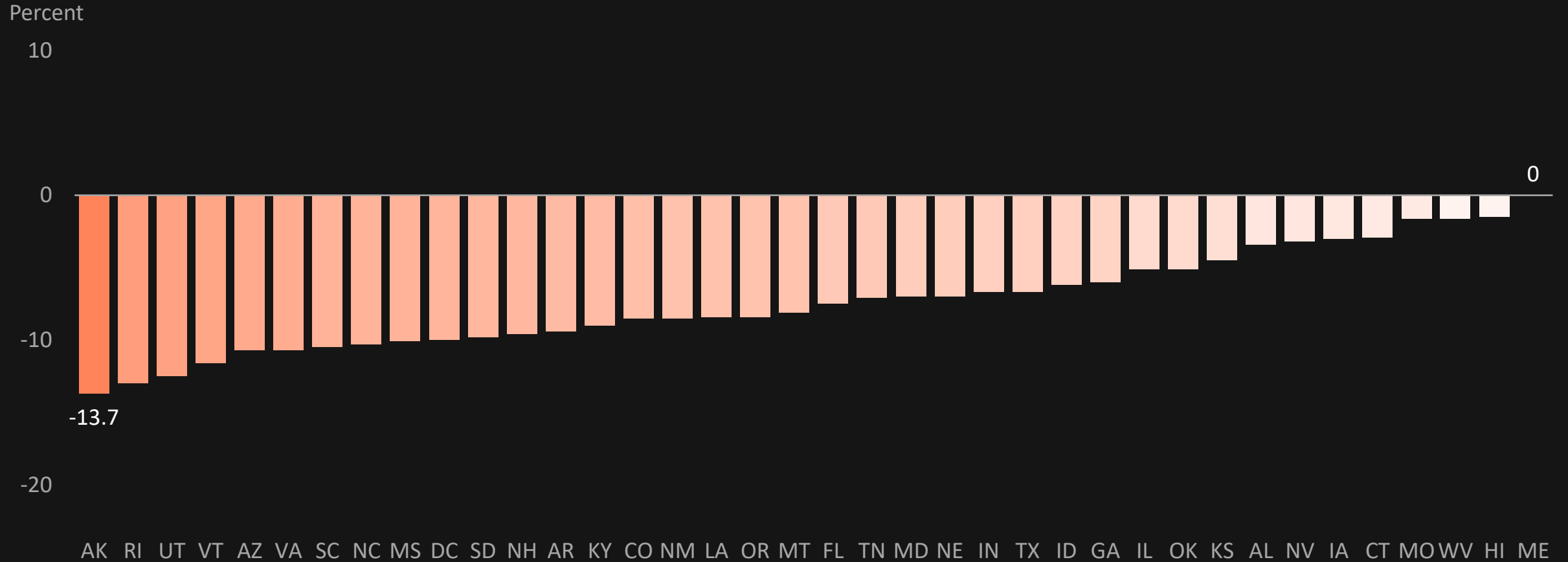
# WC Approved Changes in Bureau Premium Level

Weighted by Effective Date—NCCI States



# Changes in Bureau Premium Level (2019 Filing Season)

Voluntary Market, Excludes Law-Only Filings

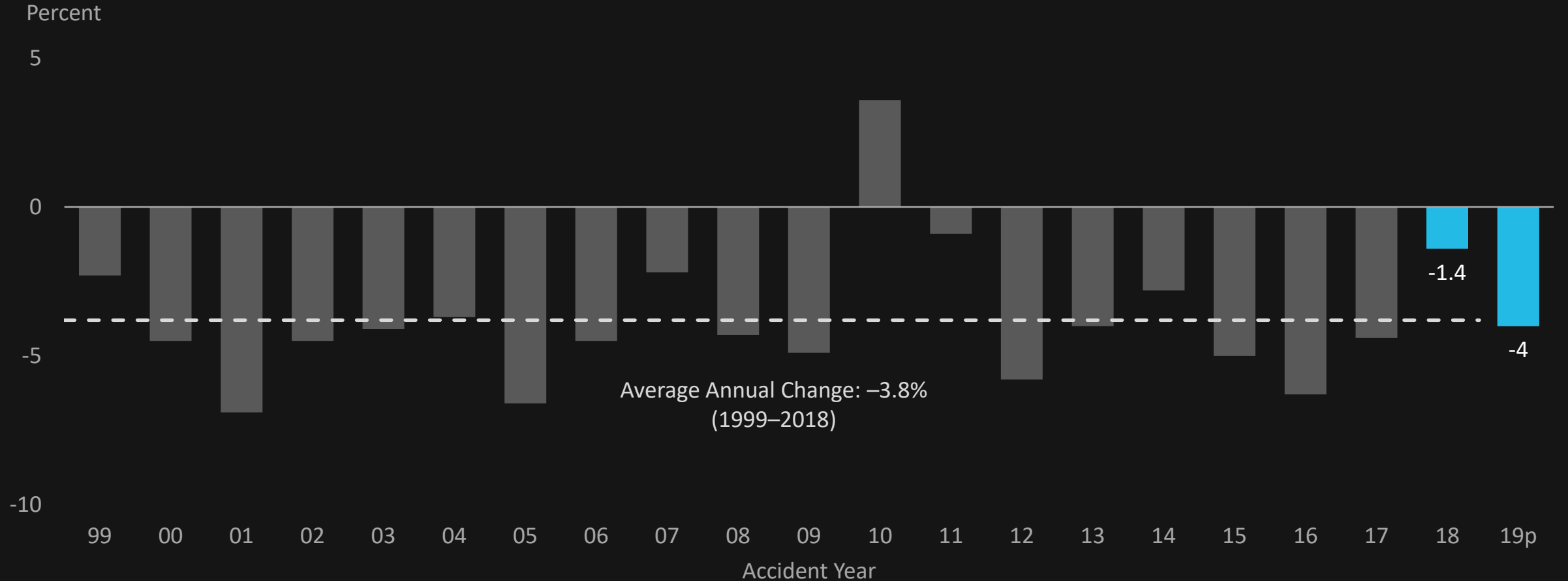




# Workers Compensation Loss Drivers

# WC Lost-Time Claim Frequency

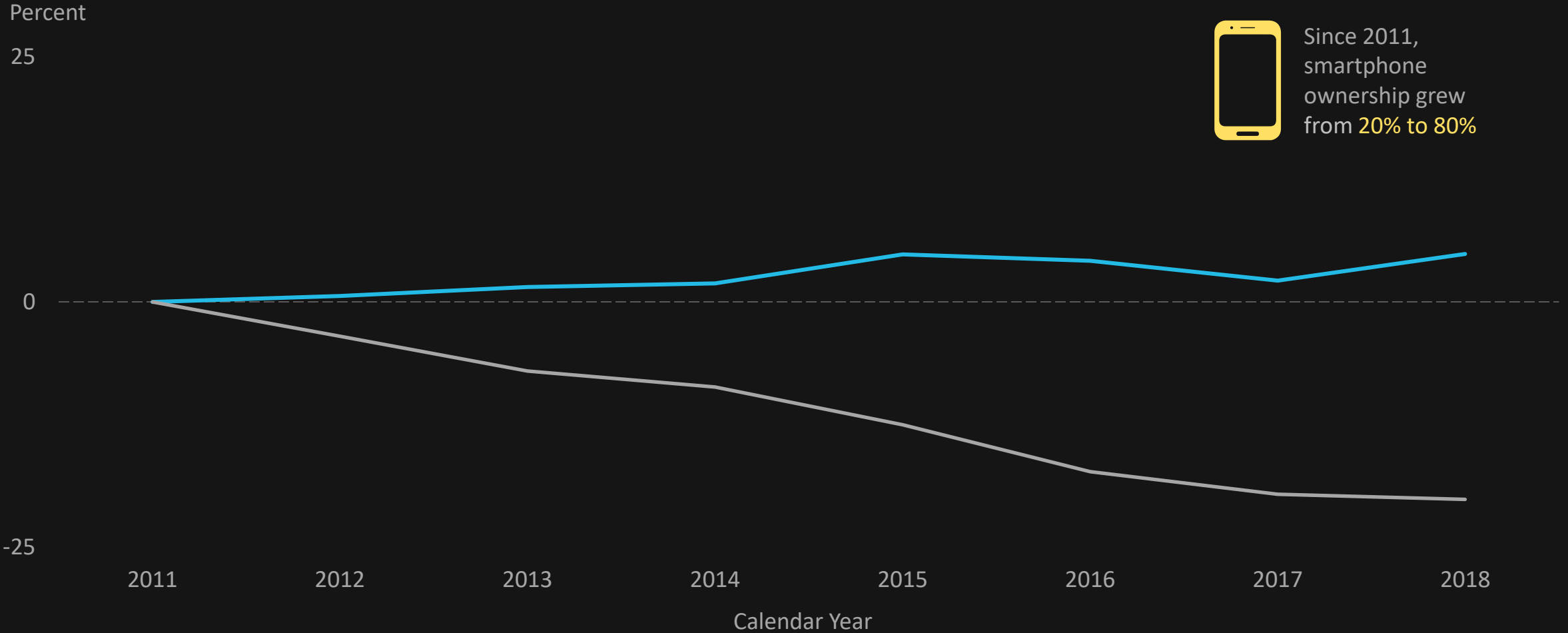
Change in Claims per \$1M Pure Premium, Private Carriers and State Funds—NCCI States





# Cumulative Change in Claim Frequency

Motor Vehicle Accidents vs All Claims



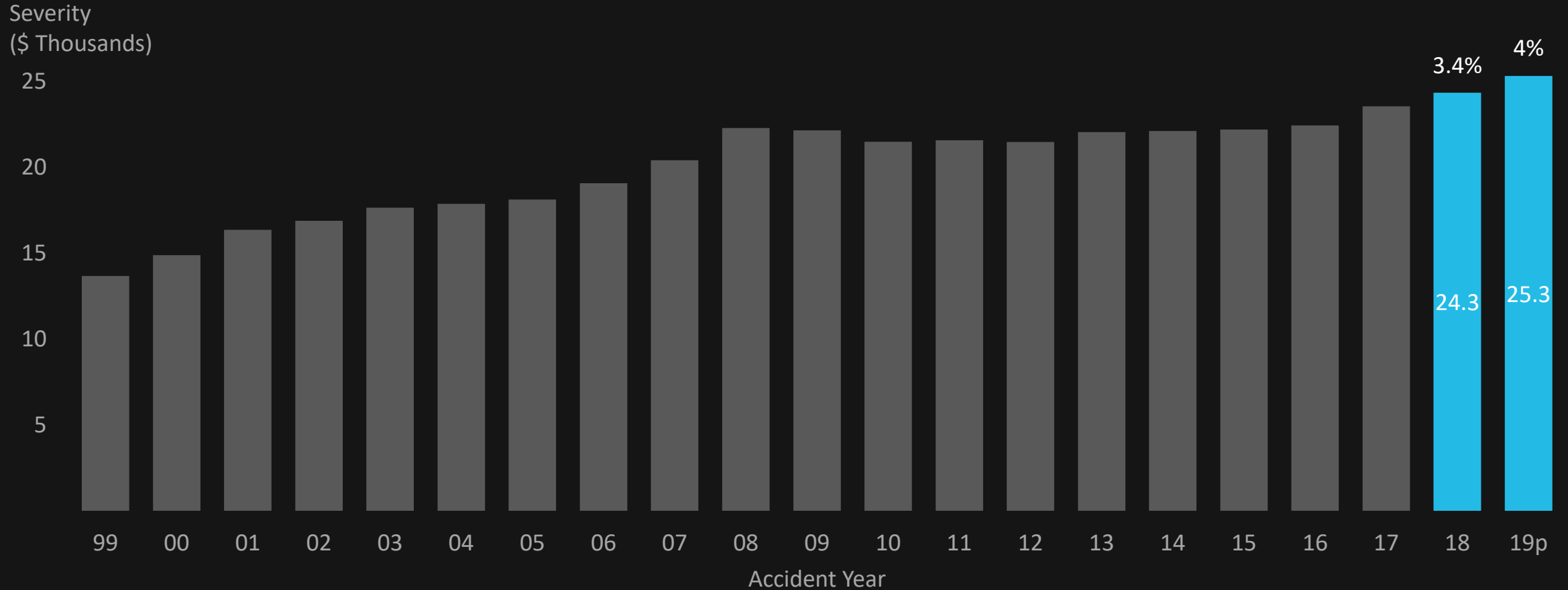
Since 2011, smartphone ownership grew from 20% to 80%

Sources: Frequency: NCCI's *Statistical Plan* data, undeveloped lost-time claims at 1st report per \$1M earned premium at current wage and NCCI pure loss cost level, includes large deductible policies; Includes all states where NCCI provides ratemaking services  
Smartphone ownership: Pew Research Center and comScore



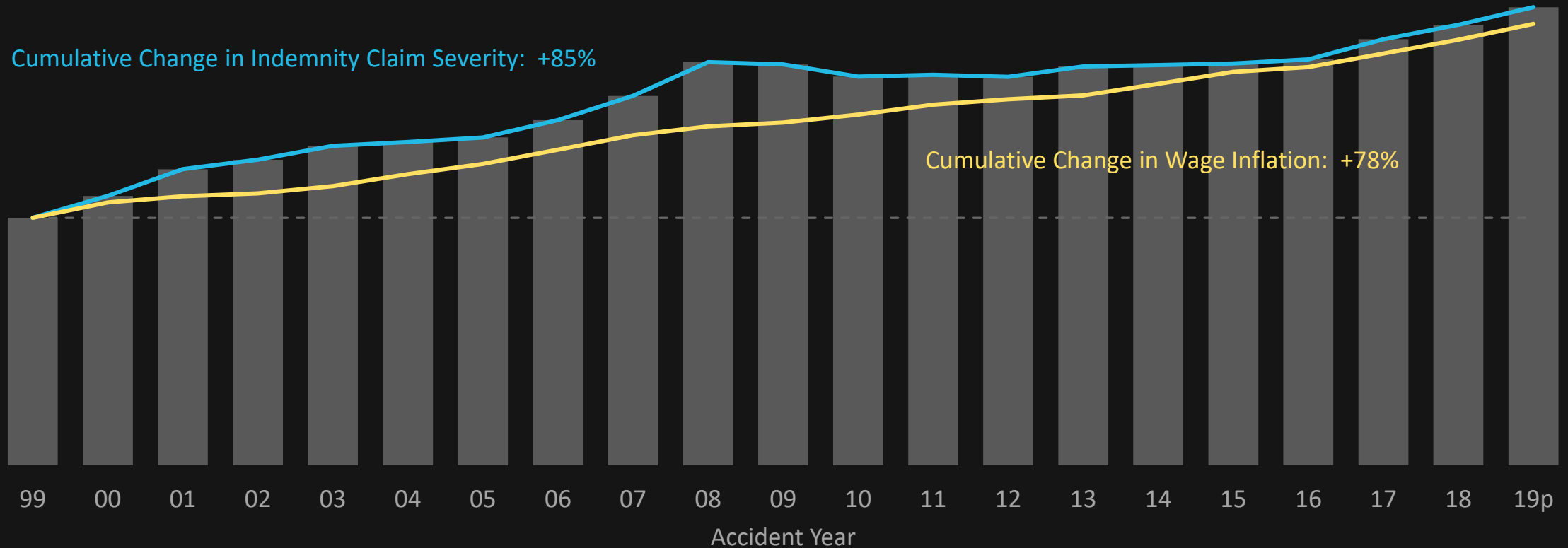
# WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States



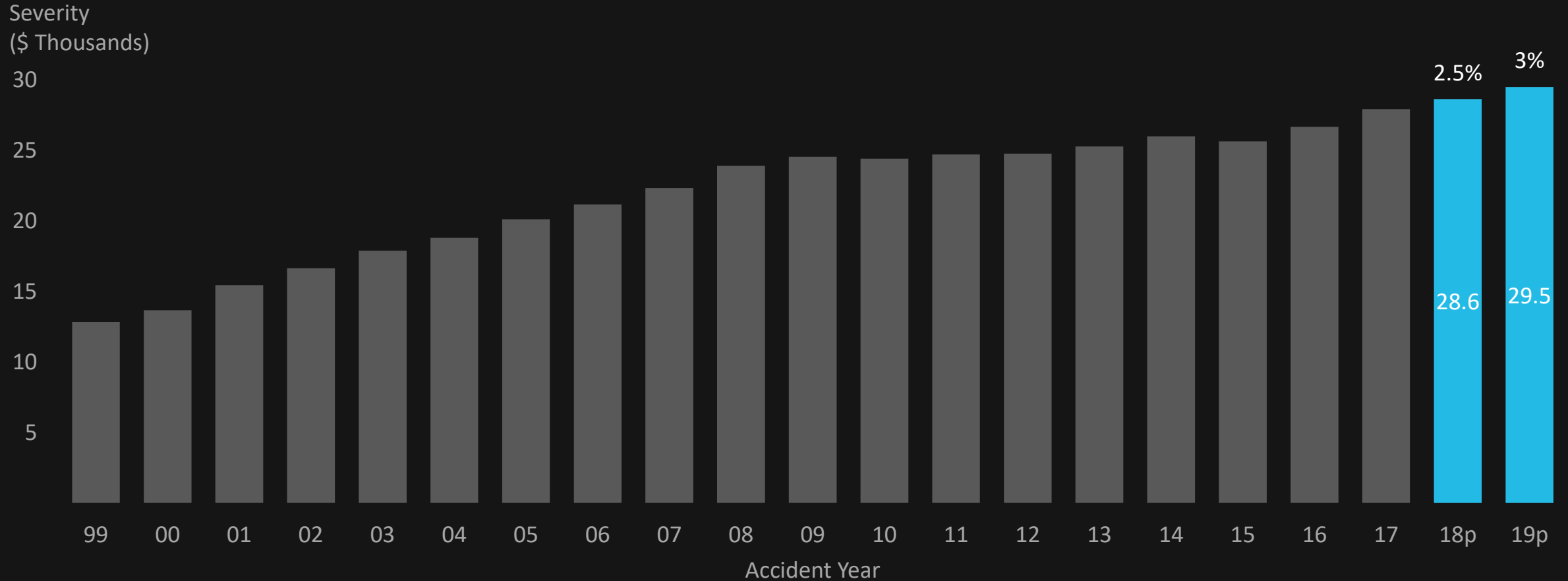
# WC Average Indemnity Claim Severity

Private Carriers and State Funds—NCCI States



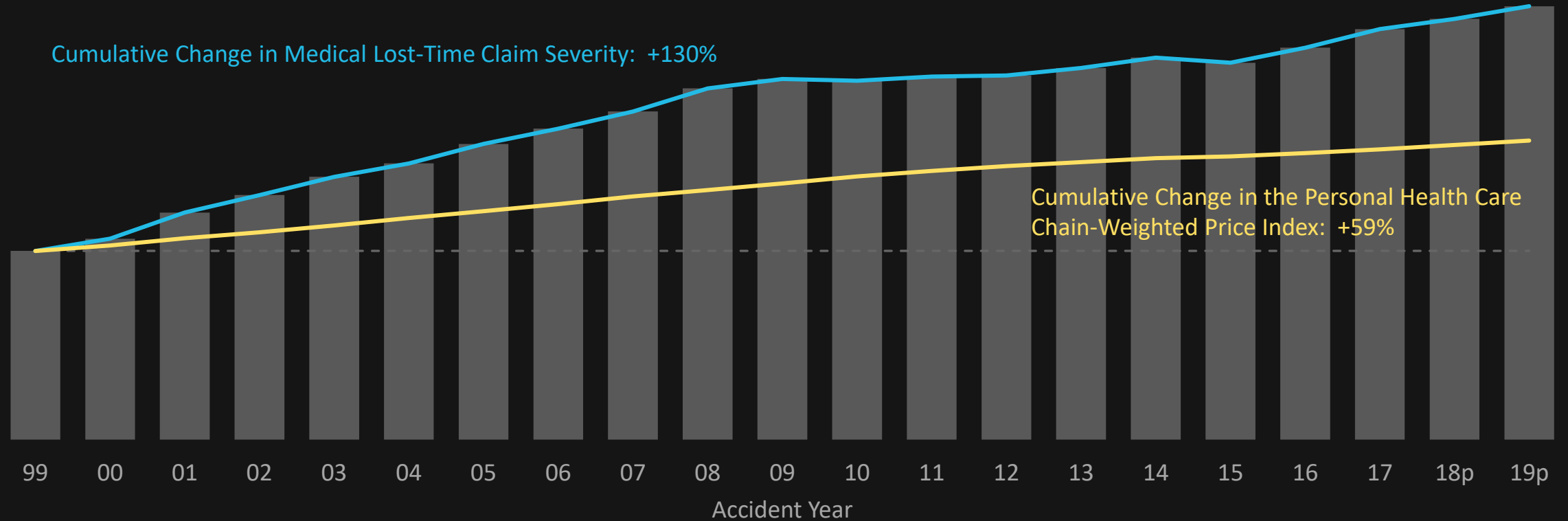
# WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States



# WC Average Medical Lost-Time Claim Severity

Private Carriers and State Funds—NCCI States





# Uncertainty Ahead

# COVID-19 and Employment

## Leisure, Hospitality, and Travel



Many **shut down** by government mandate or saw **traffic drop to near zero**

## Durable and Discretionary Goods

**Cancelled or deferred orders** impact a wide range of products



## Professional Services

**Telecommuting** helps to maintain current employment with a reduced risk of COVID 19 exposure



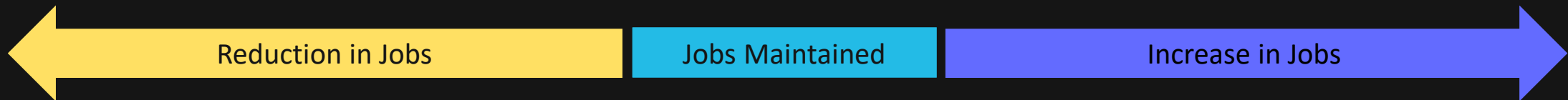
## Health Care for Urgent Needs



**Demand surge** for urgent medical service and supplies

## Groceries and Direct Delivery

**Demand and online sales** skyrocketed, resulting in temporary new hires



# COVID-19 and Premium

## Exposure Decline

Recent changes in **unemployment** and **fewer hours** worked have **reduced payroll**



**Small businesses** may be especially impacted



## Audit vs Mid-Term Adjustments



**Mid-term endorsement** activity capturing changes in exposure is likely to **impact premium short-term**

Otherwise, **negative audits** after policy expiration are **expected**



## Timing Flexibility

Some carriers have **suspended the cancellation of policies** and **penalties** for late premium payments





# COVID-19 and Claim Frequency

## Claim Reporting

Possible **deferral of claim reporting** may result in **reduced** injury frequency



## Changes in Exposure

**Increased telecommuting** reduces driving and may result in **fewer** motor vehicle accidents



## Occupational Disease

Recent legislation clarifies coverage for **first responders** and **healthcare workers**



## Elevated Unemployment

In addition to those who have lost their jobs, **employed individuals** may be **reluctant to file** claims



However, **remote working environments** may increase **ergonomic injuries**



## Compensability Expansion

Potential for employees in other **“essential”** occupations



# COVID-19 and Claim Severity

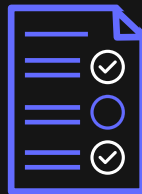


## Telehealth

Increased use may reduce severities

## Return to Work

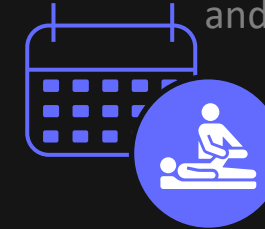
May take longer due to deferred treatment and some jobs will remain furloughed



Return to work and light-duty programs may be used less often while WC benefits continue

## Medical Care

Deferral of hospital treatments and physical therapy may increase claim duration



## Claims Handling

Potential for reduced efficiencies and impacts to claim adjustment costs



# Workers Compensation Summary

## Year–End Observations

- **Favorable** combined ratios continue
- Average loss costs and rates **declined** for the seventh consecutive year
- Frequency **declined**, consistent with the long–term average
- Indemnity and medical severity moderately **increased**

## Uncertainty Ahead

- Overall employment is **down** significantly with **mixed impacts** by **industry**
- Premium is expected to **decline** with **reduced employment and hours**
- Broad compensability actions could have **severe impacts**
- Several factors may exert **upward or downward** pressure on frequency and severity



Thank You

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Questions?