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# COVID-19's Crucial Lessons for Workers' Comp

A Look Back on a Commercial Insurance Executive's Diary

NCOIL Spring Meeting - Harrah's Las Vegas

March 4, 2022

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# Stronger Together

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## Matt Zender

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Workers' Compensation  
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## About Our Speaker

Matt Zender is Senior Vice President, Workers' Compensation Strategy at AmTrust Financial Services, Inc., with more than 25 years in workers' compensation insurance. AmTrust, a leader in insurance solutions for small commercial business and specialty risk, seeks to deliver superior services at a rate that's both fair and affordable.

We work closely with our appointed agents and the small and mid-sized businesses they serve to design the specific packages they need to comply and succeed.



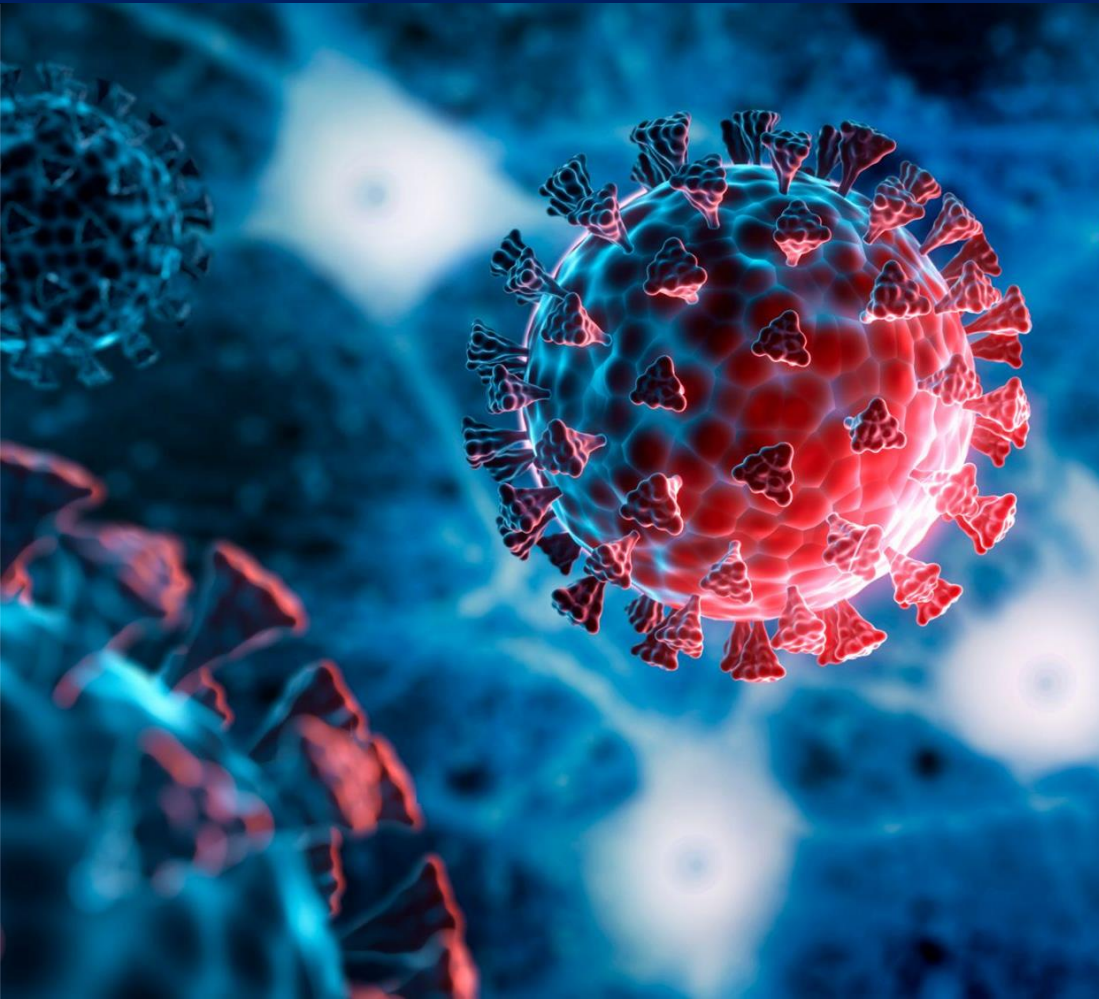
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## Section 1

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# The New “Normal”

# What Have We Learned?



Based on research in this area, the following presentation will provide **data-supported findings** on the following:

1

Understanding the economic impact of the pandemic on industry segments and how state responses affected business owners

2

A look at compliance efforts and the challenges that they posed

3

Dive into the nature and number of COVID-19-related claims and how the insurance industry responded

4

Look at the reopening efforts and what challenges those pose for the business owner and the insurance community

March 2020



# Transitioning Seamlessly to a Work from Home Environment

## Addressing the Needs of our Insured

- Creating resources to address financial concerns such as payment terms, deferral, and endorsement of payroll
- Leveraging existing resources to build bandwidth and meet demand

## Working as Closely as Possible with our Agents and Helping them as they Transition to a New Work Dynamic

- Agents will have to fight to attain new business in an environment who is focused elsewhere

## Tracking State-by-State Regulatory Changes

- Setting up a framework to allow complete distribution of information and to meet the changing requests and requirements of different states
- Training of staff

## Stress Modeling

- Creating a system to enable us to estimate and track changes in our book (cash, premium, etc.) by state and by industry segment to anticipate impact

April 2020

# How Will Businesses be Affected?



## Who Will Emerge? Who Will Change Operations?

- Are we comfortable with the exposure impact of either?
- What industry segments require underwriting changes?

## Impact of Revenue on Insureds' View Towards Safety

- Will the dollars that they need to spend to maintain safe work environments from a COVID-19 perspective displace those dollars and effort they would have expended to work safely in non-COVID-19-related manners?

## Shift in Mix Due to WFH and Furloughed Employees

- States and bureaus have created guidance for employees who are now working from home to (generally) get the clerical rate now
- They also created a furloughed employee rate of \$0 for employees who are getting paid but not working
- How does this shift mix affect us?

## Tools and Analytics to Support and Thrive in this Period of Disruption

May 2020



# Businesses Start to Look Towards Reopening

## As Businesses Start to Look Towards Reopening, Will They be Able to Find Employees?

- Will there be resistance from those employees who have figured out how the federal and state unemployment programs have given many of them a raise to stay home?
- Will the new employees have an impact on claim frequency as we usually see with new employees?

## Impact of PPP/SBA

- How many businesses are planning to close but are remaining open due to grants?
- There is clearly a reduced incentive to act upon closing their operation with the support of the federal grant

## Compensability Presumptions

- State expansion of historical views towards virus-related claims will have a large impact on profitability of the line
- How do we view these orders in states like California, New Jersey, and Kentucky, and how do we reconcile the industry-wide estimates against our book?

## Employers Liability/Part B

- Is exclusive remedy under attack?
- As businesses look to reopen (or are ordered to remain open) what are the businesses' exposure to tort action in the event their employees get affected?
- What is the standard of care?
- What is the role of the federal and state government in this?
- How can businesses open safely and make certain that they are not exposing themselves and their employees?

June 2020

# Behavioral & Economic Impact



## As State-Mandated Moratoriums on Cancellations are Lifted, How is the Book Being Affected?

- How many of our policyholders that had not paid their policy were doing so by design vs. doing so because they were intending to close their shop?
- We are closely monitoring the ratio of cancellations and reinstatements

## Business Reopening Part II

- As businesses reopen, many have used the time off to contemplate their business model
- Have they emerged amorphous and without clear direction, or simply different?
- As we evaluate those differences, how comfortable are we with the change in their exposure to risk?

## Behavioral/Economic Impact

- Consumers are clearly influencing the marketplace, and their level of concern is driving many industries and varying by geography
- More affluent neighborhoods and “in-person contact” businesses are both seeing a significantly negative impact
- This is reflected both in terms of consumer spending and in job displacement
- How will this affect business failure?





Third Quarter 2020

## Re-Closing

### Moratoriums Pt II

- States are lifting the moratorium and easing carriers' ability to cancel in the event of non-payment
- What is the balance between expecting that an insured should pay and being compassionate towards their plight?
- We are seeing instances where one could argue there's entitlement or at least an attempt to push the edges of the window on the envelope

### Drawing from the Well

- As the pandemic stretches into its fifth month, and there is no immediate end in sight, we tend to narrow our contact list, going back to those whom we are most familiar with
- It can be challenging to stretch those contacts, so it is important to utilize resources that are available and to push folks to challenge themselves to avoid going to the same well over and over

Fourth Quarter 2020

## Spike

### **As States See Surges in Areas and Start to Mandate Closures, How Many Businesses can Withstand this Second Wave?**

- How many are negatively influenced by the additional burden placed on them during the first reopening and using this to shape their opinion on the likelihood of a sustainable position going forward?

### **Stimulus, What Stimulus?**

- As the prospects for government stimulus dwindle, are there businesses that will wilt under the pressure?
- Will the lack of personal stimulus finally crack the veneer of small businesses?
- To date, the closure data looks generally promising
- Is this based on reality or hope?





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## Section 2

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# 2021

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# What Just Happened?

## Premium Movements

- As affected policies start to come up for final payroll audit, inclusive of periods that were influenced by COVID-19, how can we make the transactions as simple as possible for the insureds?
- Will that effort result in adverse selections or data manipulation, and how can we control against that?

## Handling COVID-19 Claims?

- The flow of COVID-19 claims has started to come in
- How are the traditional investigate tools holding up, even in light of a COVID-19 presumption?
- Is operating within the guidance of the Centers for Disease Control and Prevention (CDC) enough to deny a claim, or are these a cost of doing workers' compensation in 2020?

## Loss Data is Starting to Trickle In

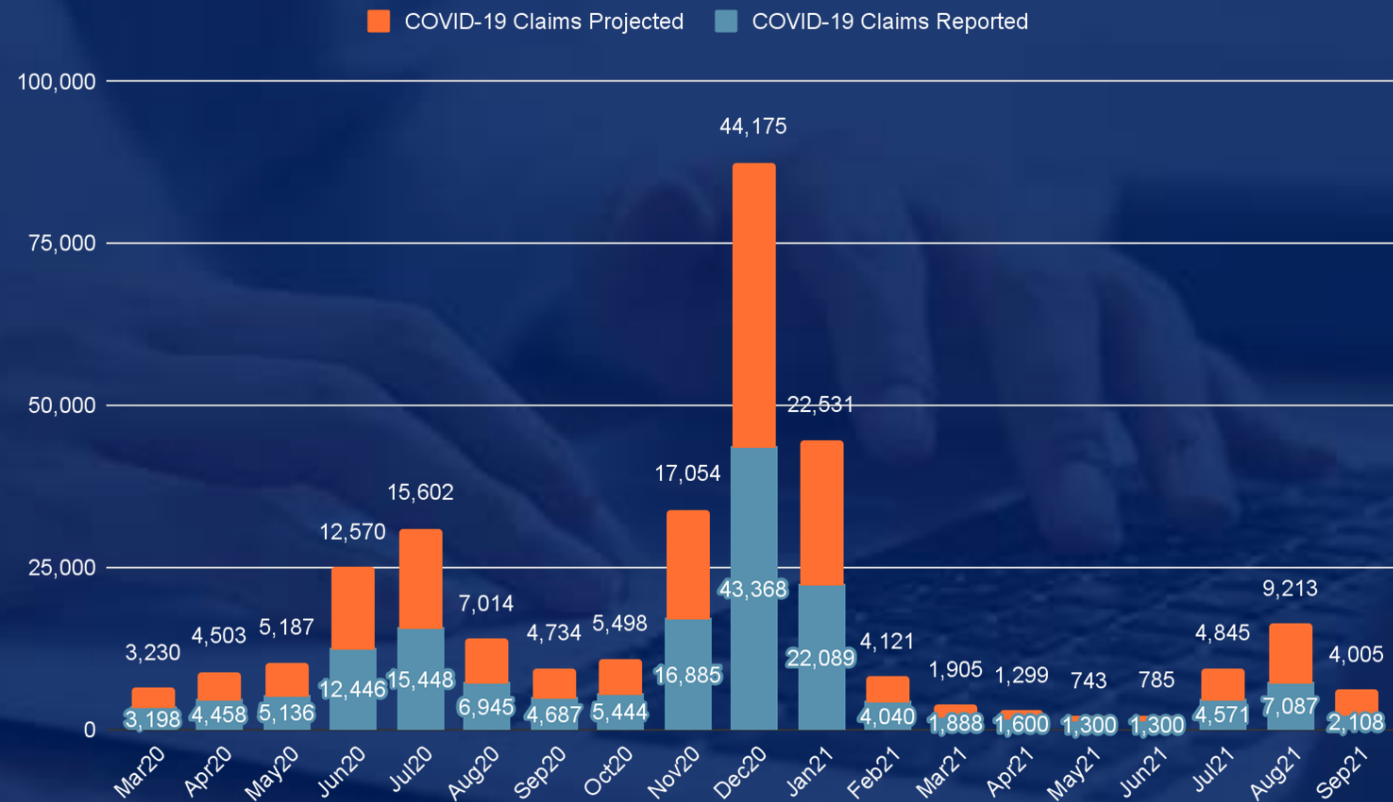
- Clearly, the holiday season saw an influx in claims
- Ultimately, we will learn that there were 45,000 COVID-19 claims in 2020, with a cost of \$260 Million

# COVID-19 Claims (CA Only)

## COVID-19 Claims by Month of Injury

Reported (162,528) and  
Projected (169,016)

March 2020 - September 2021





Second Quarter 2021



# Covid-19 Fatigue: Where Did All the Employees Go?

## Thought Leadership

- Especially in light of the uncertainty, relevant thought leadership is as important as it has ever been

## Shortages of Employees Across Many Industries Starts to Have a Material Impact on Business Owner's Operations

- Wage growth is clear, but confusing, as it reflects a large amount of shift mix
- We learn that 80% of the lost jobs were among low-wage workers, and those are slower to return on average

## As Employees, Insureds, and Agents Continue Managing the Pandemic, How Do We Keep Energy Levels Up?

- This is especially challenging given the continuing uncertainty and the inability to answer questions definitively

Third Quarter 2021

## Free to Be... You and Me



### **The Picture Starts to Come Into Focus as the Industry Results Move from Projections to Actual**

- Chicken Little starts to calm down as NCCI reports a combined ratio of 85% for 2020, marking the 6th straight year of workers' compensation underwriting gains

### **Premiums Declined 10% in 2020, but the Strong Combined Ratio Reserve Redundancy Grew to \$14 Billion**

### **As Employees, Insureds and Agents Continue Managing the Pandemic, How Do We Keep Energy Levels Up?**

- CPI shows a 5.4% YoY price growth in both June and July - two and a half times the annualized increase for the five years prior to the pandemic
- Normally this is driven by services, as good prices did not grow at all in the five years prior to the pandemic
- During the pandemic, energy and goods had the fastest rate of price growth

Into the Future

# Is the Finish Line in Sight, or Are We Still Standing on the Starting Line?

## Facilitating Ease of Use Through Technology

- Many of the action items taken will stick
- Which of those items can we draw from and enhance, and what opportunities exist?
- For example, we have been forced to move much of loss control into a virtual world
- Will technology allow us to derive what's helpful from the inspection (identifying opportunities to assist our policyholders) while replacing what is tedious or dangerous (timely in-person visits)?

## The Claims That We have Seen Have Generally Been Either Relatively Minor or Quite Severe, with an Average Severity of \$6,000

- Does a middle ground emerge from the long-hauler claims where permanent disability can be pinpointed, and what is the expected impact of the same?

## Science Tells Us That This is Not an Isolated Event

- What can we as an industry do to be better prepared for the next one?
- What is our role and are pandemics and airborne diseases now a generally accepted cost of the industry?



# Thank You

For additional information on AmTrust Financial or our products and services please visit [www.amtrustfinancial.com](http://www.amtrustfinancial.com)

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