

Pandemic, Premiums, and Profit: Is it the Sky That's Falling...or the Floor?

COVID19's impact on workers' compensation

Presented by

Joe Paduda

Mark Priven, FCAS, MAAA



August 20, 2020

What Everyone **IS** Talking About: COVID Claims!!

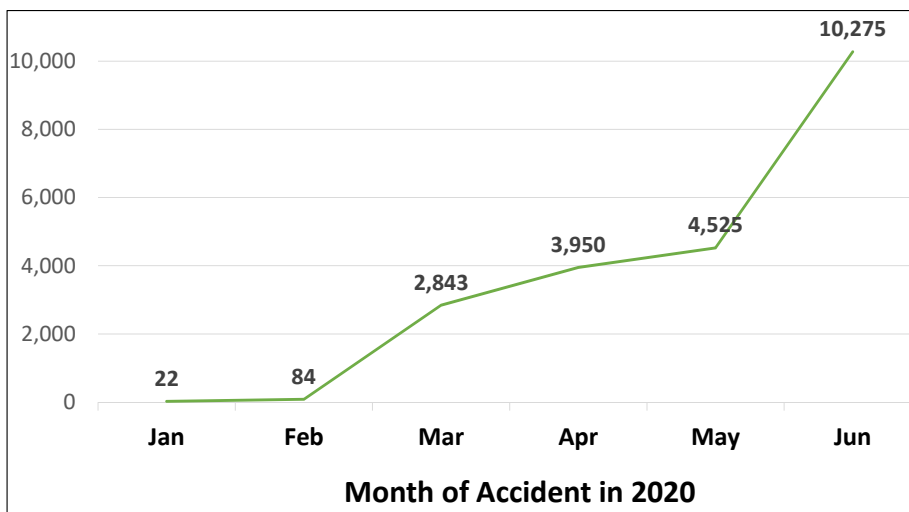


Sky Is Falling TV



3

Reported Claims: COVID* State of California



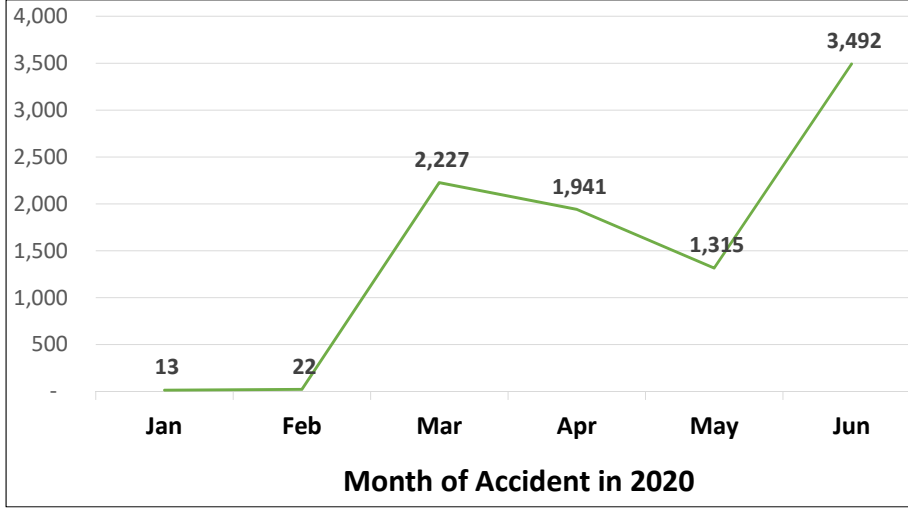
Health Strategy Associates

Bickmore
Actuarial

* California DIR Division of Workers' Compensation as of 8/6/20

4

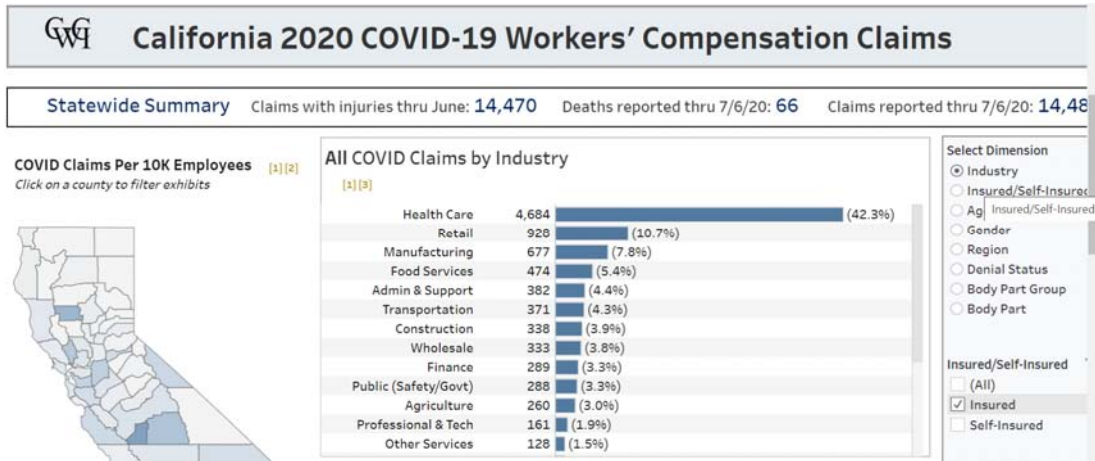
Reported Claims: COVID* State of Florida



* Florida DWC "2020 COVID-19 Report" 7/31/20

5

Results Vary by Industry! CA Reported COVID Claims by Industry



California Workers' Compensation Institute (CWCI): Interactive tool www.cwci.org

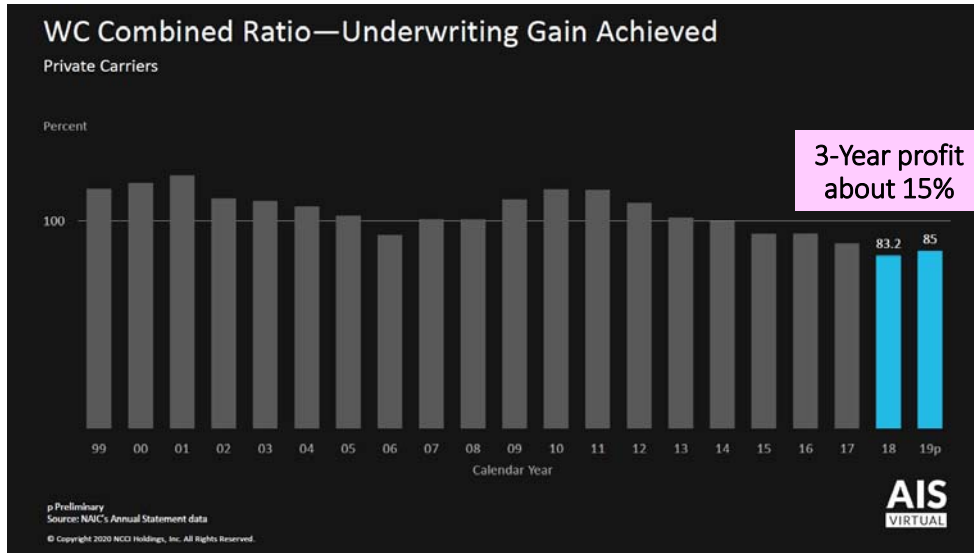
6

ISSUE #1

Starting Point: Insurance Profit



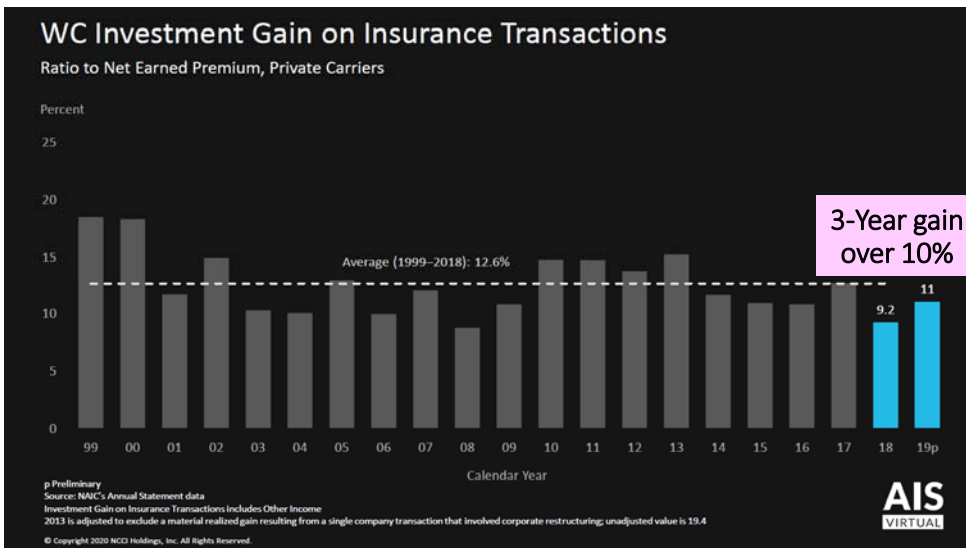
WC Insurance Has Been Profitable....



NCCI State of the Line, AIS Virtual 2020 (pink box added by presenters)

9

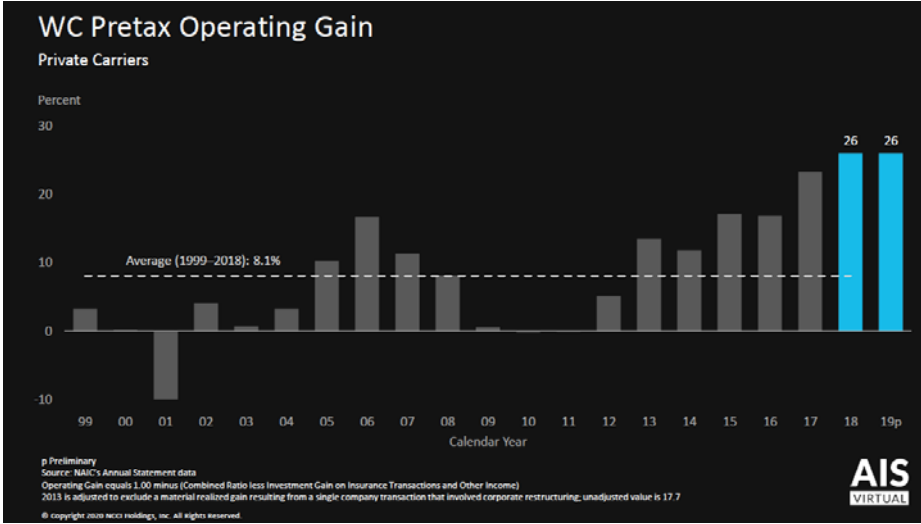
... then add in investment income



NCCI State of the Line, AIS Virtual 2020 (pink box added by presenters)

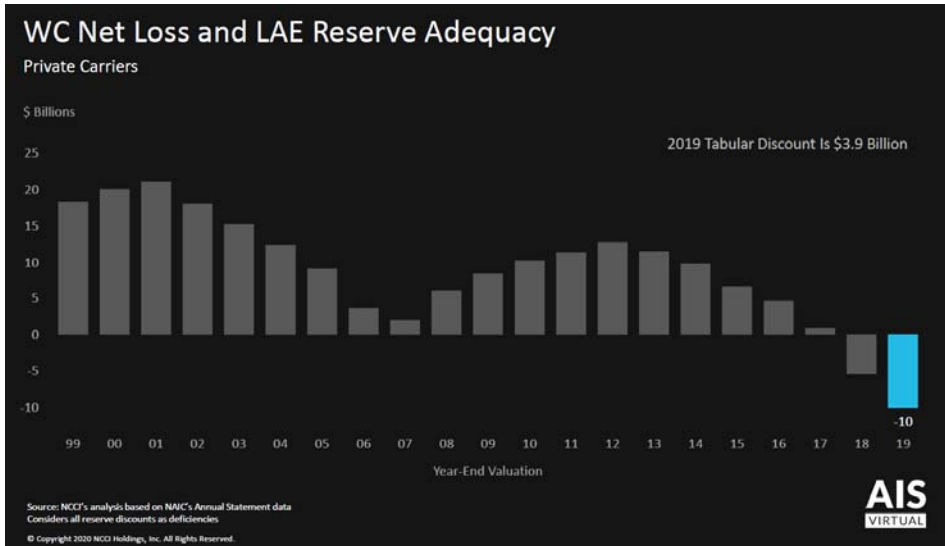
10

Profits, profits, everywhere...



11

Will this end soon?



Negative number is good for the insurance industry

NCCI State of the Line, AIS Virtual 2020

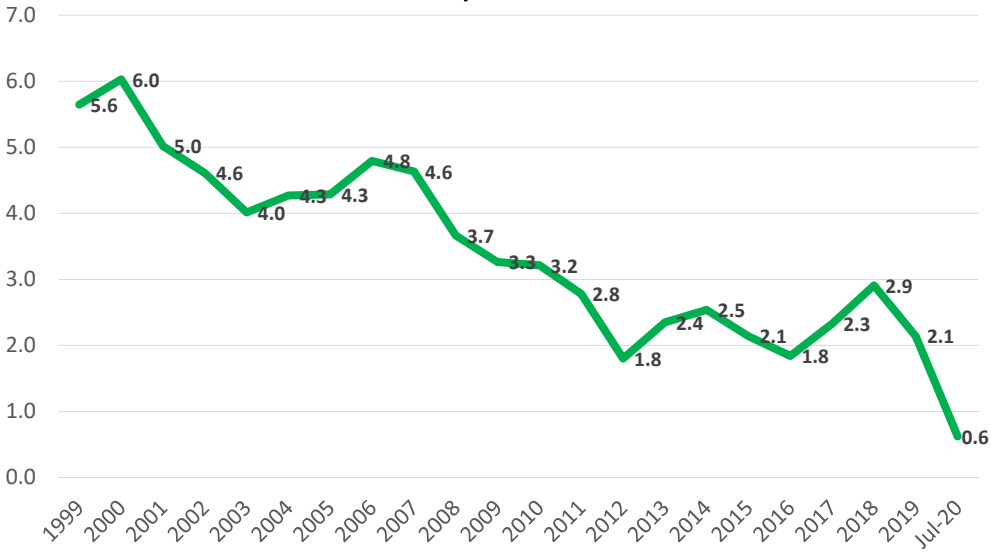
12

ISSUE #2

Interest Rates & Investment Income

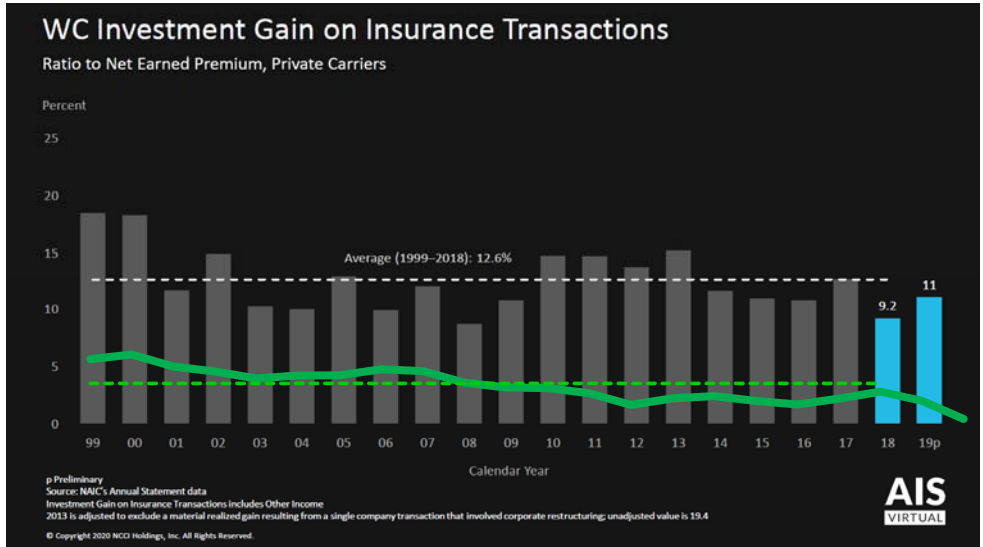


Interest Rates Really Have Fallen



10-Year U.S. Treasury Constant Maturity: FRED

Interest Rates & Insurance Investment Income

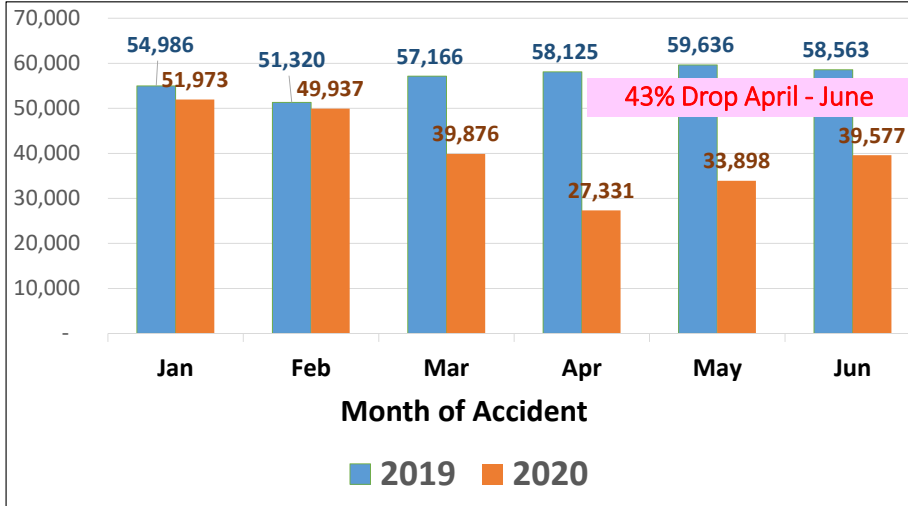


10-Year U.S. Treasury Constant Maturity (FRED); NCCI State of the Line, AIS Virtual 2020

ISSUE #3 Drop in non-COVID Claims



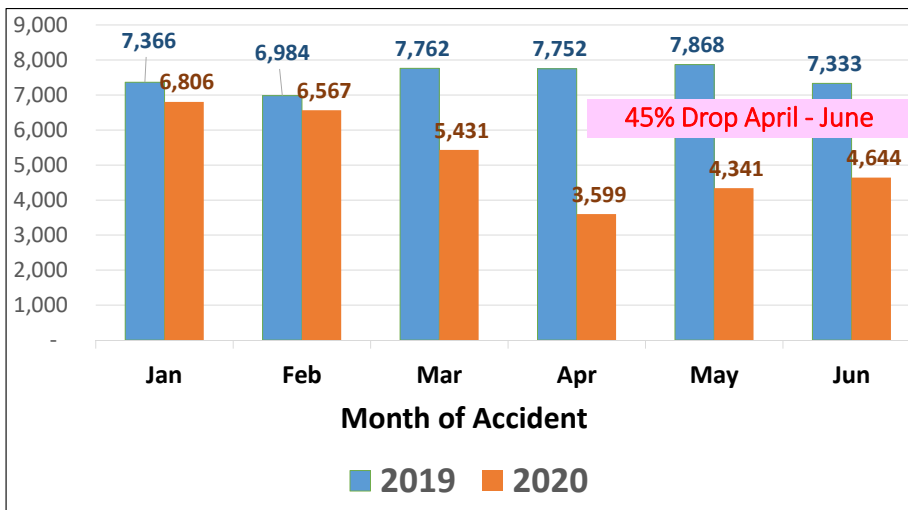
Reported Claims: Excluding COVID State of California



California DIR Division of Workers' Compensation as of 8/6/20


17

Reported Claims: Excluding COVID State of Florida




Florida DWC "2020 COVID-19 Report" 7/31/20

18



Health Strategy Associates



The Impact of COVID-19 and Employment Changes on Workers' Compensation
 A Follow-up Survey of 35 Payers and Service Providers
 June 24, 2020

Joseph Paduda
 Principal
 Health Strategy Associates, LLC
 203.314.2632
 jpaduda@healthstrategyassoc.com


©2020 HSA. All rights reserved. Confidential and proprietary. Distribution with express written permission only.

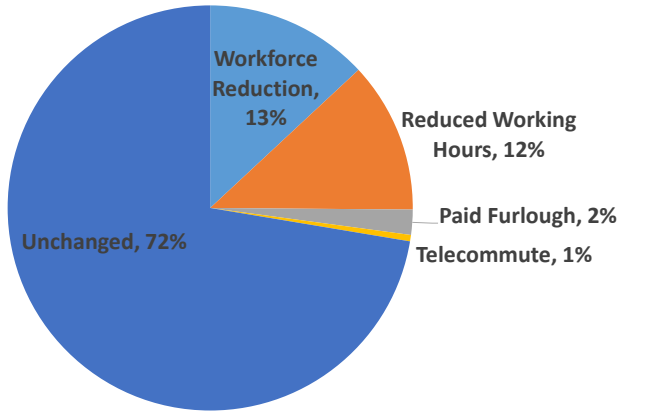
PAYERS EXPECTED TOTAL CLAIMS TO DECREASE ABOUT

20%

FOR THE ENTIRE YEAR

Potential Exposure Impact: California

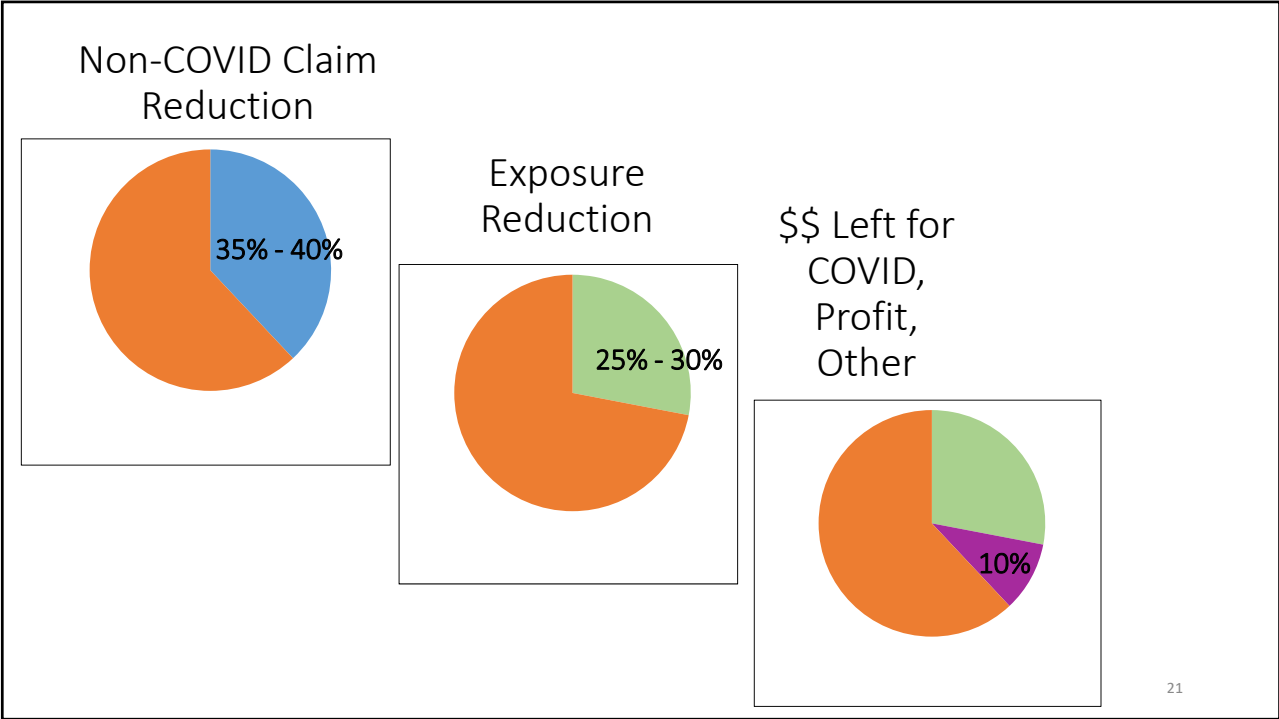




| Impact Category | Percentage |
|-----------------------|------------|
| Unchanged | 72% |
| Workforce Reduction | 13% |
| Reduced Working Hours | 12% |
| Paid Furlough | 2% |
| Telecommute | 1% |

Preliminary Estimate: WCIRB May – July (Actuarial Committee 8/4/20, Slide 37)

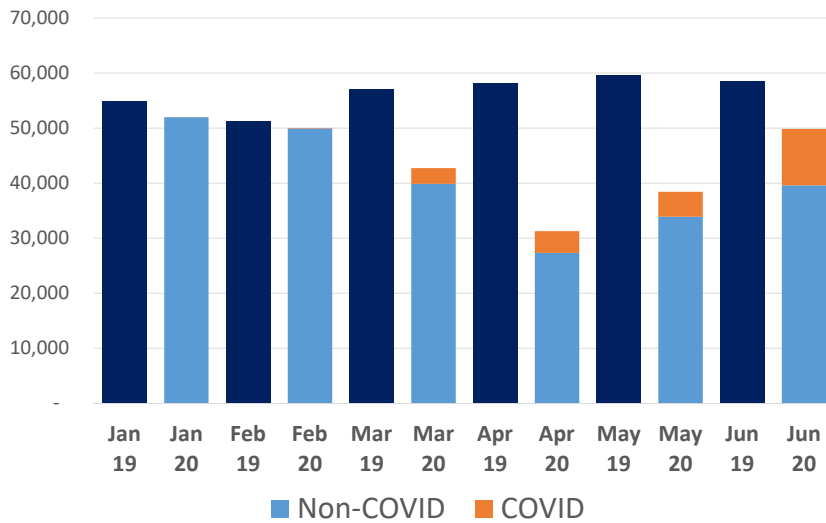
20



ISSUE #4 COVID Claims



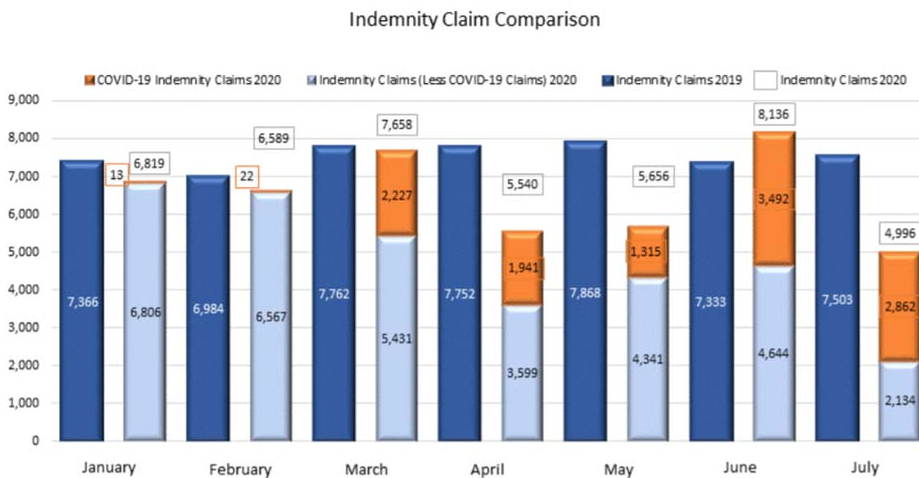
All Claims: State of California



California DIR Division of Workers' Compensation as of 8/6/20

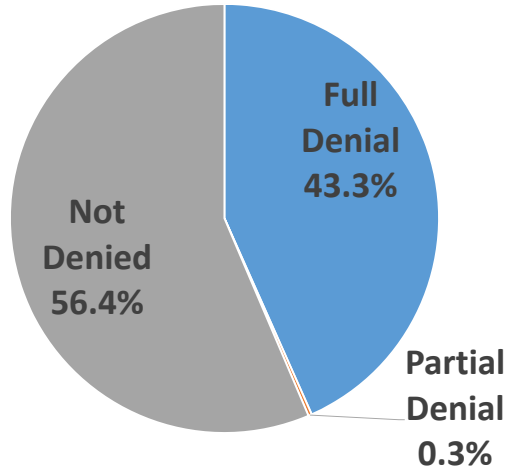
Indemnity Claims: State of Florida

Number of COVID-19 Claims by DOA Compared as a Subset of All Claims



Florida DWC "2020 COVID-19 Report" 7/31/20

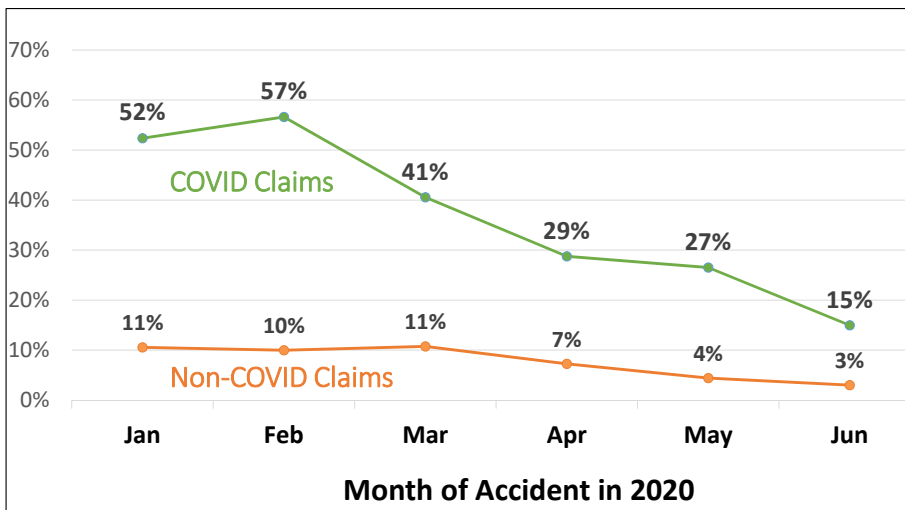
% of COVID Claims Denied State of Florida



Florida DWC "2020 COVID-19 Report" 7/31/20

25

% of Claims Denied State of California



* California DIR Division of Workers' Compensation as of 8/6/20

26

COVID Hospitalization Charges & Costs All Payers

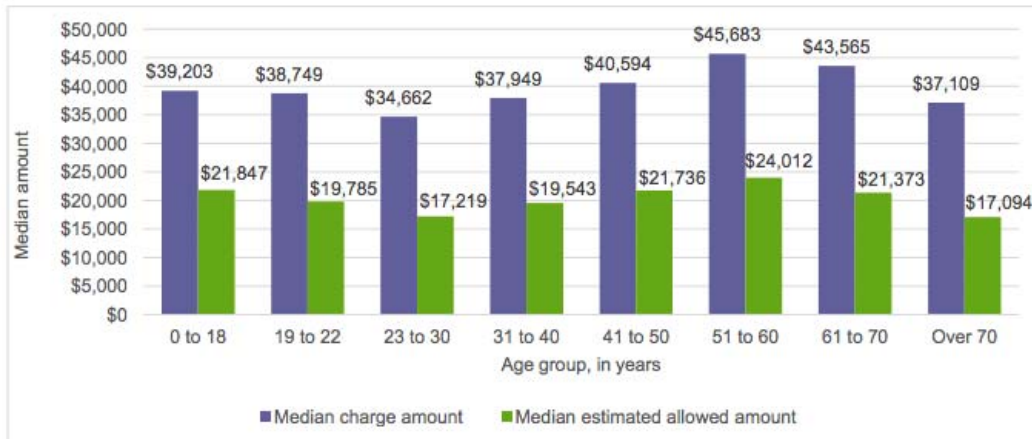


Figure 11. Median COVID-19 hospitalization charge amounts and estimated allowed amounts by age, nationally, January-May 2020

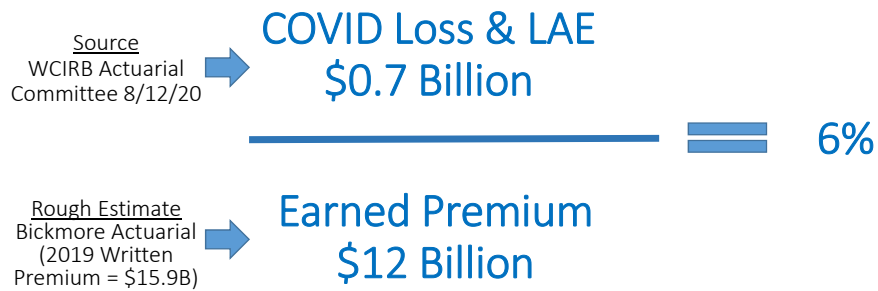
27

Survey says...

- TPA: 3.8% of claims = “vast majority of expenses”
- Insurer: Average cost per claim - \$7,800
- Insurer: 96% of claims cost <\$3,500; 4% “are expensive”

28

Cost of COVID Claims: 2020 State of California



 Health Strategy
Associates

Bickmore
Actuarial

29

Recap

Insurance Industry
Underwriting Profit
(Past 3 Years)  15%

Insurance Industry
Investment Income
(Past 2 Years)  10%

Cost of COVID (CA)
Rough Estimate  6%

 Health Strategy
Associates

Bickmore
Actuarial

30

Lots of Unknowns!!

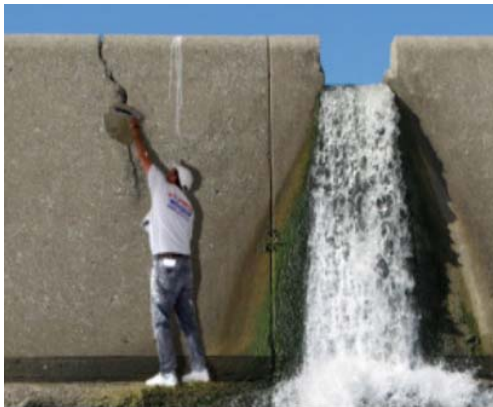
Long Term Health Impact of COVID
 Cumulative Injury Claims
 MSA's
 Waves of COVID
 Medical Treatment Advances
 Impact of Delayed Medical Care
 Employment Changes
 Legislation & Court Cases
 Group Health Providers



Bickmore
Actuarial

31

What Everyone **Should** **ALSO** Be Talking About



Bickmore
Actuarial

The impact of
exposure, claims and
premium reductions
on the insurance
industry!!

33

Where is
(and where isn't)
the Data??

34



35

Questions??

Joe Paduda
(203) 314 – 2632

jpaduda@healthstrategyassoc.com

Mark Priven, FCAS, MAAA
(916) 244 – 1161

mpriven@bickmoreactuarial.net

 Health Strategy
Associates

 **Bickmore**
Actuarial