

GUEST COLUMN: How Did COVID-19 Claims Affect Workers' Compensation Rates?

By Ryan Moore, Account Executive, M3 Insurance – WHA's Premier Partner



COVID-19's entrance into the United States back in 2020 posed questions and concerns about disruption for many industries. In the insurance industry, carriers and agencies alike started to come together and discuss what potential impacts COVID-19 might have on clients and the overall marketplace, specifically on workers' compensation.

A lot of those discussions were around potential COVID-19 claim frequency and severity and the impact those claims would have for overall rate moving forward. The assumption was that we might see a larger spike in lost time claims vs. medical only claims given the ongoing unknown health-related issues employees were undergoing (i.e., Long COVID). A lack of pandemic-related data and ongoing debates about the true effectiveness of the vaccines being rolled out added to insurance professionals' concerns.

As time has passed, it seems as though we are truly through the bleak period that was 2020 – 2021. While the effects of COVID-19 still linger, we are finally able to see true data over multiple years that helps us understand the difference in our assumption vs the reality of the situation.

Study Shows COVID-19 Claims Were Not as Severe as Predicted

A study done by Accident Fund Group employee Dr. Hunt et al., 2023 looked at a total of 19,101 COVID-19 workers' compensation claims filed from January 1, 2020 to December 31, 2021 including a follow-up to May 31, 2022.

The general findings of that study turned out to be a lot less severe than originally presumed. Between Q1 2020 and Q4 2021, 45.7% of the 19,101 COVID-19 claims submitted to AF Group were medical only, with about 99.8% of those claims being closed out and less than \$70 paid.

30.4% of the 19,101 claims were indemnity only (lost time) with 95.8% closed and a total payout of \$5,579. In addition, the statistical analysis on lost time days showed an average of 77 total days in Q1 of 2020, with a large dip in downward trend for Q4 2021 of only 9.2 total days lost.

To summarize, the study showed a steady decrease in lost time days related to COVID-19 claims as we made our way through Q3 of 2021. Along with that decrease, the study noted that total paid between medical only and indemnity claims did not end up being as high as carriers originally assumed. Factors that have had a direct impact related to this study are:

- Improved immunity among employees due to certain vaccines and employees having contracted COVID-19 at least once
- Number of fully vaccinated population between ages 18-65 increased to 73% by Q3 of 2022
- Emergence of SARS-coV-2 viral mutations in US were less pathogenic later rather than earlier in the pandemic
- "Presumptive" COVID-19 legislation and/or executive orders

How Have COVID-19 Claims Affected Workers' Compensation Rates?

So, what does this all mean when it comes to workers' compensation rates moving forward? Originally, we assumed that all signs pointed to increased frequency and severity of claims related to COVID-19; especially when it comes to lost time claims. Add in that



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courts were backlogged with cases, which created a concern that COVID-19-related court cases would lag, in-turn creating delayed rulings and impacting rate for years to come. What we have found through this study and similar studies is that the claims that have come from COVID-19 have been generally less severe and thus, do not have a large impact on overall rate within the workers' compensation marketplace. In fact, in Wisconsin we have seen a steady decrease in rate throughout the last three years.

Key Takeaways

While we might feel "out of the woods" when it comes to COVID-19, utilizing studies such as the one mentioned in this article can be helpful in giving us a better understanding for the effect pandemics can have on specific market segments within the insurance industry. We can use the lagging indicators to produce leading indicators for better response and risk mitigation strategies.

Please reach out to [your M3 account team](#) for further discussion about workers' compensation rates and the effect of COVID-19 claims.

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