

COVID-19 and the Reshaping of the Workers' Comp Industry

Workers' compensation insurance, more commonly known as "workers' comp", is a primary benefit for many American workers. In the wake of the COVID-19 pandemic, this financial relief insurance has been called upon time and again for workers affected by the virus. The business sector has seen profound changes in recent months; COVID-19 and workers' comp and the relationship between the two is poised for dramatic reshaping. Much of the initial response was due to fear of the unknown, but even this is driving change within the workers' comp space.

Survey Reveals COVID-19 and Workers' Comp Shifts

In late June 2020, Health Strategy Associates completed its second survey on the relationship between COVID-19 and workers' comp insurance. The survey, entitled "The Impact of COVID-19 and Employment Changes on Workers' Compensation: A Follow-Up Survey of Payers and Service Providers," illustrated sweeping changes within the sector. Among the results were:

- COVID-19 related claims were relatively inexpensive; about 96% of all reported workers' comp claims were estimated to cost \$3,500 or less.
- New injury claims dropped by a range of 25–50% between the months of March and May 2020.
- Total claims are expected to decrease by about 20% for 2020.
- Survey respondents indicated that less than 4% of COVID-19 claims accounted for most of the coronavirus-related costs.

In simple terms, much of the early concern regarding claims based on COVID-19 infections turned out to be not as impactful as feared. Rather, the changes in the workers' comp landscape come from economic downturns, mass unemployment, and restrictive quarantine/stay-at-home orders. Payers are anticipating reductions in premium payments, driven in part by severe declines in payroll and outright closure of businesses.

Presumptive Benefits: A Minimal Effect

Another early concern for insurance firms and payers was the looming specter of presumption, or state laws that presume an illness or injury was work-related, making the affected employee eligible for workers' comp benefits. Numerous states passed legislation pertaining to coverage of COVID-19 related workers' comp claims, fearing that employees would become exposed to the virus on the job and be unable to receive financial compensation for medical expenses and lost wages. Not all employees were covered under presumption laws; typically, only first responders and front-line healthcare workers were protected by the new legislation.

Workers' comp industry analysts note that presumption laws are not likely to have a major effect on insurance costs going forward. In the Health Strategy Associates survey, many of the reported claims examined were filed after a worker tested positive for the coronavirus, but remained asymptomatic. Only a small percentage of infected workers' claims resulted in high expenses; the average cost per claim was close to \$8,000.

Looking to the Future of COVID-19 and Workers' Comp

Owing to the above factors like high unemployment rates and business shuttering, insurers and insurance industry analysts suggest premiums will continue to drop well into 2021. Payers are alarmed, seeing fewer dollars now and expecting slower economic recoveries than originally predicted. Ultimately, the workers' comp industry may have to tighten; among the possible effects of reduced premiums are:

- Reductions in insurance workforces, including adjusters and claims processing professionals.
- Closure of insurance firms or dramatic cuts in services.
- Industry-wide scrambling to find alternative revenue-generating options.

Summary

COVID-19's effects have touched every part of the U.S. economy. As the pandemic continues its stranglehold, businesses across sectors have had to innovate. The workers' compensation industry is no exception. Changes in

the way claims are handled are only part of the picture; insurers may have to seek new ways of making ends meet and to adapt to changing conditions in order to continue business operations.

Sources

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