

2020-2021 Rate Filing Season What You Need to Know



What are NCCI's plans for submitting loss cost/rate filings during the upcoming rate filing season?

NCCI will begin submitting annual jurisdiction-specific loss cost/rate experience filings in July 2020. The proposed effective dates of these filings will generally be the same as in the past, ranging from late 2020 to the middle of 2021. Additionally, no adjustments to filing timelines are anticipated. Generally, NCCI will submit loss cost/rate filings to state insurance departments for regulatory review and approval in accordance with past years' jurisdiction-specific filing submission timelines.

Will the impact of the COVID-19 pandemic on workers compensation (WC) costs be reflected in the loss cost/rate filings?

This year's loss cost/rate filings will be based on pre-COVID-19 premium and loss data and will not include an explicit adjustment for the impact of the COVID-19 pandemic. It is important to remember that ratemaking is prospective in nature. This means that it reflects anticipated losses and payroll during the period when the proposed loss costs/rates would be in effect, i.e., during 2021 and 2022. At present, the uncertainty surrounding the course of the COVID-19 pandemic and unavailability of quantitative COVID-19-related ratemaking data prevents determining a credible estimate of anticipated future losses and makes forecasting COVID-19 claims in the effective period uncertain.

In addition, potential impacts of the COVID-19 pandemic will not be explicitly reflected in filed trend factors, as the combined impact and direction of all direct and indirect COVID-19-related forces is unknown. It is reasonable to believe the pandemic will give rise to component changes that may, to some extent, have offsetting impacts on system costs. For example:

- There could be an increase in the number of compensable WC claims arising in occupations with greater potential exposure to the pandemic
- There could be a decrease in WC claims due to the increased number of employees who are teleworking

Short- and long-term pandemic-related impacts may also differ. For example:

- In the short term, during the COVID-19 pandemic, there may be a reduction in the number of physical therapy sessions attended by injured employees and/or a deferral in the number of WC-related surgeries that are not deemed immediately critical
- Over the longer term, an increase in these types of services may be expected, as the current burden on medical-related personnel and facilities is lessened

- In economic downturns, workers may forego filing claims for certain injuries to maintain active employment as the economy navigates uncertain times—leading to temporary downward pressure on claim frequency

Despite the COVID-19 related uncertainty, NCCI believes the filed changes are actuarially appropriate adjustments to the current benchmark level loss costs/rates. Although considered—since the combined impact and direction of all direct and indirect COVID-19-related forces is unknown—no explicit adjustment for the pandemic has been made in this year’s analysis at an overall or individual classification level. During this time of uncertainty, carriers may consider performing their own evaluations of the individual risks they write and the impact that COVID-19 may have on those risks. Carriers may also consider using their own pricing programs to make applicable adjustments to determine final rates.

What is NCCI doing to address the exposure of the WC system to future pandemics?

Evaluation of Pandemic Catastrophe Provision

COVID-19 is the latest in a series of infectious diseases that have emerged over the last 20 years. Since 2003, the world has seen the emergence of the SARS, H1N1, Ebola, and Zika viruses. During this time, infectious disease experts have discussed the possibility of a pandemic. However, up until now, a pandemic had not been considered a likely WC catastrophe. The traditional methods for evaluating and estimating risk are not suitable to assess possible pandemic exposures. Similar to terrorism, the most appropriate way to reflect the cost impact of a pandemic in WC ratemaking could be to introduce a catastrophe load specific to this peril, created from studying the experience and simulating possible future events. For this reason, NCCI is in the process of engaging an external modeling firm to assist in a study of whether indicated pandemic catastrophe provisions would be appropriate in future rate filings

Data Review and Analyses

NCCI has begun researching and gathering information to preliminarily gauge the pandemic’s direct and indirect impacts on claim frequency, severity, and durations. More in-depth analyses related to COVID-19’s impact on frequency and severity will be conducted over time as additional aggregate data becomes available. It is anticipated that assessing the impact of the pandemic on claim durations will likely take longer, as claim-specific data would be required.

NCCI has also started accumulating pre-COVID-19-level benchmarks that will help facilitate pre- to post-COVID-19 comparisons in the future. For example, detailed medical reports along with associated metrics are being developed to analyze both the direct impacts (e.g., claim costs) and indirect impacts (e.g., whether the slowdown of medical treatments has returned to normal) of the COVID-19 pandemic.

How will NCCI respond to state legislative and regulatory actions that address compensability for COVID-19 exposure and contraction?

Some states have implemented legislation or rules to modify the determination of compensability related to workers exposed to and contracting COVID-19, i.e., a presumption that the exposure for certain workers arises out of the course and scope of employment. At this time, NCCI does not plan on submitting law-only filings, as a precise estimate of the potential impact to a state’s WC system resulting from such a measure is indeterminate for the following reasons:

- **Projection of Key Assumptions:** As the COVID-19 pandemic is still in its early stages, projections of key assumptions for current and future time periods (e.g., infection/report/fatal rates) are wide ranging or not available. The ultimate number of positive cases for COVID-19 in the United States will depend heavily on such factors as a state's demographics, process for reopening businesses, enforcement of social distancing, and the development of effective treatments and vaccines.
- **Compensability of Claims (prior to new presumption):** The percentage of COVID-19 claims that will ultimately be deemed compensable under the current law is unknown at this time. This is a critical first step in developing a cost impact for a change in the WC statutes. **Note:** this percentage will likely vary considerably across (and possibly within) state and occupational classifications.
- **Compensability of Claims (under new presumption):** The percentage of claims that would ultimately be deemed compensable under a new presumption law/action is also unknown at this time. Unless an irrebuttable presumption is implemented, the determination of such an estimate would depend on how the facts of each case relate to the implemented change.
- **Temporary Nature of New Presumptions:** The implementation of a compensability change may be retroactive or applicable only to accidents/illnesses occurring on or after some future date. In addition, the related legislation and orders usually include a sunset provision making them temporary in nature. Projections for key assumptions related to COVID-19 are not available for specific time periods. Also, interim law-only filings are prospective in nature.
- **Impact on State Workforces:** COVID-19 has resulted in a significant disruption to state workforces; the effects of such are also indeterminate at this time but may be significant and offsetting.

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