



# Mitigating COVID-19 Workers Compensation costs: NCCI Workers' Compensation COVID-19 Modeling Tool

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To assist our clients in estimating potential COVID-19 Workers' Compensation (WC) losses for their respective businesses, USI has adapted the COVID-19 Hypothetical Scenarios Tool developed by the National Council on Compensation Insurance (NCCI). The NCCI tool<sup>1</sup> estimates WC COVID-19 losses for total workforce, first responders, and healthcare-related workers.

USI's model adds the following capabilities:

1. Estimate WC COVID-19 losses based on client's employee count
2. Incorporate client's specific deductible in WC COVID-19 loss calculation
3. Weighting across multiple states

In the model, the frequency and severity of COVID-19 Workers' Compensation losses are contingent upon the following user-defined variables:

## Frequency-Influenced Variables

- **Infection rate:** Percentage of workers who contract COVID-19 (Default is 10%)
- **Report rate:** Number of workers who develop symptoms (Default is 50%)
- **Compensability rate:** Percentage of symptomatic cases entitled to Workers' Compensation benefits (Default is 100%). This percentage will need to be adjusted based on the industry and applicable state statutes.

## Severity-Influenced Variables

- **Fatal rate:** Percentage of cases that result in death benefits (Default is 0.5%)
- **Hospitalization rate:** Percentage of cases that result in hospitalization (Default is 10%)
- **Critical Care rate:** Percentage of hospitalized cases that result in a ventilator or ICU (Default is 15%)

The NCCI scenario analysis and model found that total Workers' Compensation costs (by overall industry) increased by the following:

Category	Total	Compensability Rate	Infection Rate	Fatal Rate
First Responders	10%-170%	60%-100%	5%-50%	0.5%
First Responders and Healthcare Workers	33%-550%	60%-100%	5%-50%	0.5%
All Workers	8%-254%	20%-60%	5%-50%	0.5%

<sup>1</sup> <https://www.ncci.com/SecureDocuments/COVID-19-Scenarios.html>

## What Can USI Do to Help?

Whether COVID-19 claims are compensable and paid under a state's Workers' Compensation laws depends on the state and the facts surrounding the claim. The issue of compensability remains a fluid situation, with many states introducing and/or instituting new legislation to pay COVID-19 losses over the past few weeks. If determined to be compensable, a cluster of COVID-19-related claims could significantly impact an employer's Workers' Compensation pricing and losses.

USI can assist our clients in determining the potential cost and impact of COVID-19 Workers' Compensation losses, enabling them to make informed decisions related to loss forecasting, budgeting, collateral calculations, risk financing alternatives and program design, focusing on managing their cost of risk.

In addition, USI's claim advocates, risk control consultants and analytics team, can assist our clients in mitigating the potential impact of COVID-19 claims by deploying targeted and measurable pre & post loss risk management strategies.

Please reach out to your USI Team to conduct a COVID-19 interactive scenario analysis.

### Additional Resources

For additional resources, tools, information, and links, please visit our COVID-19 resource page at [www.usi.com/public-health-emergencies](http://www.usi.com/public-health-emergencies)



## Sample Output

**Client Name**

COVID-19 Hypothetical Scenarios Tool

Adjusted NCCI Model

Selected Workforce: **All Occupations**

Assumption	Scenario Assumption
(1) Infection Rate	10% <input type="text" value="10%"/> (default is 10%)
(2) Report Rate	50% <input type="text" value="50%"/> (default is 50%)
(3) Hospitalization Rate	10% <input type="text" value="10%"/> (default is 10%)
(4) Critical Care Rate	15% <input type="text" value="15%"/> (default is 15%)
(5) Fatal Rate	0.5% <input type="text" value="0.5%"/> (default is .5%)
(6) Compensability Rate	100% <input type="text" value="100%"/> (default is 100%)

### Client Specific Data

Row Description	Estimate
(A) Client Employee Count	1,000
(B) Deductible (use \$0 if GC)	\$100,000
(C) COVID-19 Frequency - Total	50 = (A) x (1) x (2)
(D) COVID-19 Frequency - Compensable Only	50 = (C) x (6)
(E) COVID-19 Severity (Limited to Ded)	\$5,086 =NCCI per Claim Estimate Weighted by Symptom Group
<b>(F) COVID-19 Expected Losses within Ded</b>	<b>\$254,307 = (D) x (E)</b>

  

Breakdown by Symptom Group	Total Claims	Compensable Claims	Per Claim Cost (Ltd to Ded)	Total Cost (Ltd to Ded)
Mild	45.0	45.0	\$1,688	75,960
Moderate	4.3	4.3	\$23,703	100,738
Severe	0.8	0.8	\$70,146	52,610
Fatal	0.3	0.3	\$100,000	25,000

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