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ALERT

Workers' Compensation

COVID-19 Emergency Rating Changes on Tap

EMERGENCY RULES are being developed to guide workers' compensation classification and claims for coronavirus-affected employers and their workers in California.

The Workers' Compensation Insurance Rating Bureau is pursuing the temporary rules to ensure fairness for employers, so that their workers' comp rates and experience modifiers (X-Mods) are not adversely affected by COVID-19-related issues.

The Rating Bureau's Classification and Rating Committee, whose members include the top actuaries for a number of workers' comp insurers in the state, on April 14 approved three changes to the state rating plan, according to David Bellusci, senior vice president, chief operation officer and chief actuary for the Bureau:

1. COVID-19-related claims

COVID-19-related claims filed by workers will be excluded from an employer's experience rating and will not affect their X-Mod. The most obvious industries where claims will be filed are hospitals and emergency services, but grocery store workers, warehouse personnel and delivery drivers, among others, could make claims as well.

Since the occurrence of COVID-19 workers' compensation claims is unlikely to be a strong predictor of future claim costs incurred by an employer, their inclusion in an experience modification calculation would not meet the intended goal of experience rating, according to the Rating Bureau.

2. Non-working, paid staff

Salaries paid to workers who are at home not working yet still collecting a paycheck, will be excluded for workers' comp premium calculations.

The reasoning here is that they are not working and are technically on leave. This should alleviate the premium burden on employers who have opted for these types of arrangements.

3. Classification changes

As a result of the California stay-at-home order, many employers have altered employees' duties so they can be accomplished from home.

Under the proposed rule, anyone doing the same job at home and performing mostly desk work can be assigned Classification 8810, Clerical Office Employees, if their job duties, during California's stay-at-home order, meet the definition of a Clerical Office Employee.

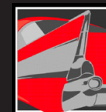
For example, an architect who is still working but at home, would have a lower risk than during normal times when they may also be out in the field to check on projects.

What's next

The Rating Bureau's Governing Committee will vote on the rules changes at their meeting on April 17, after which the proposed rules would be sent to the state insurance commissioner for final approval and implementation.

All of the changes would apply while California's stay-at-home order is in place and up to 30 days thereafter.

If you have any questions about your premiums and claims, feel free to call us. ❖



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Insurers Ordered to Refund Some Premiums

CALIFORNIA'S INSURANCE commissioner has ordered insurers to refund some premium payments to policyholders for a number of commercial lines, as well as personal auto insurance policies, due to the reduced risk of claims in light of the COVID-19 outbreak and shelter-at-home orders.

Commissioner Ricardo Lara issued the notice, which requires insurers to “make an initial premium refund for the months of March and April” to affected California policyholders as quickly as practicable, and no later than within 120 days.

Lara’s notice covers premiums paid for at least the months of March and April – including the month of May if “shelter-in-place” restrictions continue – in the following lines of insurance:

- Commercial automobile,
- Workers’ compensation,
- Commercial multi-peril,
- Commercial liability,
- Medical malpractice,
- Private passenger automobile, and
- Any other insurance line where the risk of loss has fallen substantially as a result of the COVID-19 pandemic.

The order was made to reflect the reduced risks across the board. For example, with fewer people driving, the risk of accidents has fallen dramatically and, with fewer people working, the risk of workplace injuries has also plummeted.

The order gives insurance carriers flexibility in how to handle the refunds, including providing a premium credit, reduction, return of

premium or other appropriate premium adjustment within 60 days of the notice, which was issued April 13.

In making the announcement, Lara cited a study by UC Davis which found that reduced driving had resulted in fewer accidents, injuries and fatalities on the roads.

Declining payroll and receipts due to closure orders have also dramatically reduced the risk of a liability loss for businesses.

The order comes on the heels of a handful of insurance companies that have voluntarily offered premium refunds or discounts to policyholders because the risk of claims has fallen due to the pandemic and shelter-at-home orders.

For example, Chubb announced that small policyholders whose policies will renew between April 1 and Aug. 1, will see a 25% reduction in the sales and payroll exposures used to calculate their premium, as well as a 15% reduction in premiums for commercial auto policies.

Additionally, several auto insurance companies have recently announced voluntary premium refunds to drivers.

Meanwhile, State Compensation Insurance Fund (State Fund) announced in late March that it had placed a moratorium on policy cancellations and late payment penalties. It will also extend credit to any business negatively impacted by COVID-19 events and offer businesses the ability to adjust their payroll reporting.

The takeaway

Lara said this was just the first announcement on the issue. The Department of Insurance may issue further notices if the stay-at-home order continues beyond May. ❖



Minimize Office Hazards, Minimize Claims

WHEN MOST people think about job safety and hazards in the workplace, they think about construction and manufacturing work environments.

Office hazards are either forgotten or ignored because the general assumption is that they are minor when compared to those in more labor-intensive work environments. But, office work environments often have some of the same hazards as other workspaces.

Office personnel are exposed to a number of dangers, including:

- Chemicals
- Lifting hazards
- Ergonomic issues
- Slip and trip hazards

Office work environments are also required to comply with some of the same OSHA regulations as other workspaces, and that includes training your staff in injury prevention and having the safety program in writing in the form of an injury and illness prevention plan.

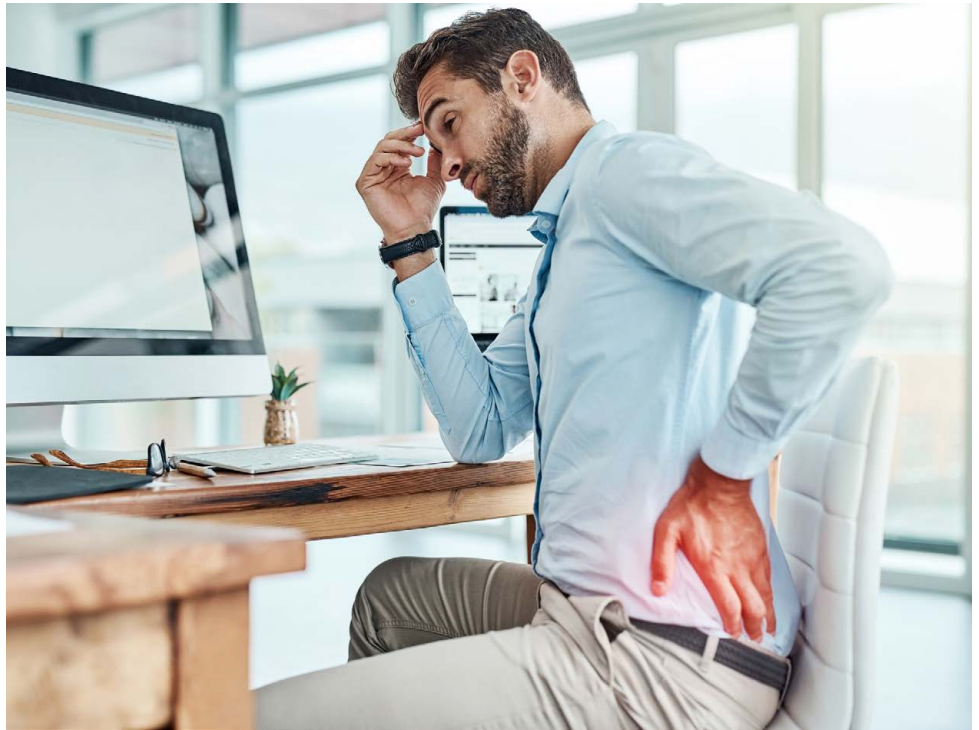
Below are a number of safety issues that you and your employees should be aware of:

Fire prevention – All employees should know where fire extinguishers closest to their workstation are located. They should only be used by staff who have been trained.

Store combustible materials in their proper locations away from ignition sources, such as hot equipment, electrical equipment and smoking areas.

Damaged electrical cords with kinks, pinches and torn insulation are fire hazards. Space heaters have always been a concern when used in the office. They are often located under desks and could be kicked over, igniting rugs, papers or files stored nearby.

Chemicals – Most offices do not have many chemicals. Copy machine and printer toner, liquid correction fluid and cleaning chemicals are some of the most common chemicals found in an office environment.



You and your staff should know the chemicals in your environment, and also know where the Material Safety Data Sheets are located – and how to use them.

Medical emergencies – Medical emergencies can occur in the office just like anywhere else. Make sure first aid kits are available with adequate supplies to treat injured employees.

Review your Emergency Action Plan in case of an earthquake, fire or explosion.

Getting a handle on safety

OSHA's General Duty Clause specifically states: "Each employer shall furnish to each of its employees, employment and a place of employment which is free from recognized hazards that are causing or are likely to cause death or serious physical harm to their employees."

Currently, there is no federal regulation that requires you to have a written office safety policy. But you may want to consider creating one that states company guidelines for office safety. If you don't think there are many safety issues in an office setting, see the box below for inclusion in your safety plan. ❖

OFFICE SAFETY ISSUES

- Ergonomic issues
- Housekeeping and/or office cleanliness
- Security issues
- Dress code when going from office areas to production areas
- First aid
- Earthquake and fire safety
- Use of space heaters and small appliances in the office area.

Outbreak Spurs Warnings of Large Rate Hikes for 2021



Rate fallout

Probably the largest factor affecting rates for 2021 is whether the pandemic spills over into 2021 or it is brought under control.

Insurers are prohibited from raising rates astronomically, however, just to make up for excessive costs this year if they do not expect the same in 2021, unless their solvency is threatened.

But if they eat too much into their reserves because of COVID-19, they may have a legal obligation to increase rates so they can build those reserves back up for the next emergency.

Insurers moving to hike rates substantially may also see pushback from state regulators, who may argue the hikes are not justified by expected costs next year. That's because rates must be based on expected costs.

But if the outbreak is ongoing, expect rates to climb with amounts varying depending on if a treatment or vaccine is developed, as well as any government assistance that may be coming.

Possible assistance

Congress is working on legislation that would offer reinsurance for health insurers that could provide financial support for group health plans, employees enrolled in those plans, as well as consumers who buy their insurance on exchanges.

Health insurance plans are also lobbying Congress to introduce legislation that would help stabilize the market going into 2021. This could include compensation to keep premiums from spiraling, providing support coverage for employees who lose their jobs and allowing them to enroll in the individual market during a special enrollment period.

In their most recent stimulus proposal, House Democrats included a program that would help health insurers cover extreme losses to avoid massive premium hikes.

The takeaway

For now, there is nothing you can do about your health insurance, and there are no moves you can really make at this time. It's still unclear what kind of assistance the insurance industry will receive and how long the outbreak will last. ❖

ONE OF the consequences of the coronavirus outbreak will likely be higher insurance rates coming into 2021, experts are warning.

Covered California, the state-run Affordable Care Act health insurance exchange, warned in late March that the spiraling costs of COVID-19 testing and treatment could result in massive premium increases of between 4% and 40% for public health care exchange policies as well as group health plan policies for the 2021 policy year, if there is no government intervention.

Many factors will come into play, such as costs of treatment, whether the financial stability of insurers is imperiled and if Congress steps up with new legislation to help the insurance industry cope with the surge in unexpected costs this year.

Expected costs

Covered California predicted that coronavirus treatment, testing and care costs for employer-sponsored health plans nationwide would be between \$34 billion and \$251 billion.

Estimated costs for COVID-19 treatment vary greatly depending on the severity of the case. Some people have life-threatening symptoms requiring hospitalization and ventilators to survive, others may require hospitalization and oxygen, while many people may have mild or no symptoms and can be treated on an outpatient basis and quarantined at home.

COVID-19 HOSPITALIZATION COSTS*

- \$20,292 for patients with major complications or comorbidity issues (such as diabetes, heart disease or cancer).
- \$13,767 for patients with complications or comorbidity.
- \$9,763 for patients with no complications.

Source: Kaiser Family Foundation

*Averages for employer-sponsored health plans

Many health insurers have agreed to eliminate copays and deductibles for COVID-19 screening and lab tests, but have not yet made the move to do the same for treatment or hospital stays.