

# CLM Study

## Covid-19 Short Term Impact on Claim Frequency

*A high-level survey of claim executives about  
changes in claim frequency related to Covid-19.*

June 2020



Performed by Suite 200 Solutions

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## Introduction

### About this CLM Study

The CLM (Claims and Litigation Management Alliance) is the industry's largest professional trade association for claims and litigation professionals. With more than 45,000 members, the CLM promotes and furthers the highest professional standards across both industries.

In recent months the CLM has fielded questions from claim executives who are curious if their recent claim volume experiences are similar to their colleagues'. The CLM therefore commissioned Suite 200 Solutions to conduct a very short survey about claim volume changes in the past two months.

### About the Participants

A total of 73 claim executives participated in this survey. Because of the sensitive nature of the information requested, all responses were anonymous.

Participants were given the option to rank the “size” of their organization by indicating their AM Best Financial Size Category. This categorization system measures Policyholder Surplus (PHS). Participants were not required to indicate their category.

The following table indicates the relative size of each responding organization.

AM Best Financial Category	Policy Holder Surplus (in millions)	Percent of Respondents
IV	5-10	1.4 %
V	10-25	4.2 %
VI	25-50	4.2 %
VII	50-100	5.6 %
VIII	100-250	16.7 %
IX	250-500	4.2 %
XI	700-1,000	8.3 %
XII	1,000 – 1,250	2.8 %
XIII	1,250 – 1,500	4.2 %
XV	2,000 and greater	18.1 %
N/A	We are not rated by AM Best	18.1 %
DK	Declined to answer	12.5 %

### Survey Definitions

The intent of the survey was to allow claim executives to indicate, very broadly, whether claim frequency has risen or fallen in the time frames related to the onset of Covid-19 and the societal changes that have taken place as a result.

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Very broadly stated, this covers the time frame from early to mid-March through the time of survey completion. The majority of surveys were completed between May 26 and June 3, 2020.

Please note that we do not use the term “claim frequency” in the technical sense of claims per exposure unit, but rather in the common usage sense of “number of claims reported” or “claim volume.”

### Survey Questions

One survey question asked respondents to indicate whether claim volume had increased, decreased, or stayed the same for them in the “past two months.” This was done with a set list of lines of business. The specific question read as follows:

**“For each line of business listed, please indicate whether claim volume has increased, decreased, or stayed level over the past two months (since the onset of the COVID-19 pandemic). If you don't write business in a specific line of business listed, please indicate N/A.”**

A second question asked them to indicate a percentage amount associated with their previous answer. The specific question read as follows:

***“Please indicate, based on your answer above, the estimated percentage increase or decrease associated with your answer above. If your answer for a category above was “stayed the same,” you can leave blank or put a zero. If you're not sure of a precise breakdown in changed frequency, (for example, between auto physical damage and auto liability) just provide your best sense, based on your own circumstances.”***

A third question allowed participants to share their any additional thoughts in written form. Those responses are summarized below.

### High-Level Summary

Our objective with this Study is to give claim executives a sense for what their peers are experiencing across the claims industry. We hope this brief but interesting Survey accomplishes that goal.

- By a significant margin, executives reported decreases in Personal Lines Auto (96% of executives), Personal Lines Auto Liability (97% of executives), Commercial Vehicle (83% of executives), Commercial Vehicle Liability (86% of executives), and Workers Compensation (68% of executives).
- Decreases were also the trend (but by a slimmer margin), in Personal Lines Property (39% of executives), Personal Lines Property Liability (50% of executives), and Commercial Property Liability (59% of executives).
- Commercial Specialty Liability was the only line of business in which most executives (66%) reported no change in volume. Still, an additional 26% of executives reported a decrease.

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- Only one line of business, Commercial Property, was identified by the majority of survey participants (66%) as experiencing an increase in volume. We are unsure whether this increase is Covid-related or related to CAT factors (see discussion below).
- The extent of volume decreases ranged from 23% to 38%, depending on line of business discussed (see below for detail).

We noted a number of predictions as to the near-term future impact of the pandemic. Several executives predict a 10-20% annual decline through the end of the year. Others predict getting back to within 10% of normal by the end of August. Yet another has seen a return to almost normal levels in May. Many agree that the uncertain nature of current circumstances make this a difficult projection.

## Detailed Findings

The specific findings of the survey are presented by Line of Business. We indicate in each line of business the percentage of respondent organizations that write that specific line.

**The specific changes reported in each line of business are from ONLY those respondents who indicate that they DO manage claims in that line of business.**

### Personal Lines – Auto Damage

Personal Lines – Auto Damage	Change
Has Increased	4 %
Has Decreased	96 %
Has Stayed the Same	0 %
Average Decrease	33 %
Median Decrease	30 %
Average Increase	Not provided
Median Increase	Not provided
Don't Write this Business (responses not included in figures above)	61 %

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Personal Lines – Auto Liability

Personal Lines – Auto Liability	Change
Has Increased	0 %
Has Decreased	97 %
Has Stayed the Same	3 %
Average Decrease	30 %
Median Decrease	30 %
Average Increase	N/A
Median Increase	N/A
Don't Write this Business (responses not included in figures above)	58 %

Personal Lines – Property

Personal Lines – Property	Change
Has Increased	30 %
Has Decreased	39 %
Has Stayed the Same	30 %
Average Decrease	24 %
Median Decrease	25 %
Average Increase	22 %
Median Increase	20 %
Don't Write this Business (responses not included in figures above)	52 %

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**Personal Lines – Property Liability**

Personal Lines – Property Liability	Change
Has Increased	3 %
Has Decreased	50 %
Has Stayed the Same	47 %
Average Decrease	30 %
Median Decrease	26 %
Average Increase	Not provided
Median Increase	Not provided
Don't Write this Business (responses not included in figures above)	57 %

**Commercial Vehicle**

Commercial Vehicle	Change
Has Increased	0 %
Has Decreased	83 %
Has Stayed the Same	17%
Average Decrease	27 %
Median Decrease	26 %
Average Increase	N/A
Median Increase	N/A
Don't Write this Business (responses not included in figures above)	40%

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**Commercial Vehicle Liability**

Commercial Vehicle Liability	Change
Has Increased	0 %
Has Decreased	86 %
Has Stayed the Same	14 %
Average Decrease	31 %
Median Decrease	29 %
Average Increase	N/A
Median Increase	N/A
Don't Write this Business (responses not included in figures above)	39 %

**Commercial Property**

Commercial Property	Change
Has Increased	66 %
Has Decreased	16 %
Has Stayed the Same	18 %
Average Decrease	38 %
Median Decrease	33 %
Average Increase	94 %
Median Increase	38 %
Don't Write this Business (responses not included in figures above)	33%

We note this to be the only line of business with more executives reporting an increase in volume. We frankly don't know the cause for this (Covid vs. CAT). We did not that several respondents made a point of excluding CAT numbers from their responses (see below). We also note the high disparity between the average and median amount of increases. Approximately five organizations drove this disparity, one reporting an increase of 500%, and several above 100%.



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### Commercial Property Liability

This includes CGL, Premises, Products, and other property-related liability lines.

Commercial Property Liability	Change
Has Increased	11 %
Has Decreased	59 %
Has Stayed the Same	30 %
Average Decrease	26 %
Median Decrease	25 %
Average Increase	51 %
Median Increase	30 %
Don't Write this Business (responses not included in figures above)	33 %

### Commercial Specialty Liability

This includes E&O, D&O, Professional Liability, Environmental, Employment, and other specialty lines.

Commercial Specialty Liability	Change
Has Increased	8 %
Has Decreased	26 %
Has Stayed the Same	66 %
Average Decrease	16 %
Median Decrease	17 %
Average Increase	16 %
Median Increase	14 %
Don't Write this Business (responses not included in figures above)	46 %

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## Workers Compensation

Workers Compensation	Change
Has Increased	5 %
Has Decreased	68 %
Has Stayed the Same	27 %
Average Decrease	28 %
Median Decrease	25 %
Average Increase	16 %
Median Increase	16 %
Don't Write this Business (responses not included in figures above)	46 %

## Additional Comments

Respondents were optionally given the opportunity to add comments for industry review on the subject of how they believe Covid-19 is going to affect claim volume over the next six months. Those answers are summarized below.

The specific question read as follows:

**“Are there any comments you'd like to add for industry review on the subject of how you believe COVID-19 is going to affect claims volume over the next six months? If so, please feel free to share your thoughts here.”**

Additional Comments	
<p><b>Increase in commercial property claims for business interruption - decrease everywhere else. Workers Comp is down 40% if you remove the COVID-19 claims being reported out of California.</b></p>	<p><b>Overall claim volume is down, except in the healthcare industry. COVID WC claims are increasing daily. These claims for the most part have short tails of a few weeks to 30 days. Liability claims from retail to hospitality are down and staying steady with the decrease.</b></p>
<p><b>Our 30-day moving average claim receipt volume is starting to trend upward again after hitting a bottom in mid-May.</b></p>	<p><b>We are steadily increasing volume as time goes on. There is more activity on the road. We could be within 10% of preCOVID-19 volume by August.</b></p>
<p><b>Volume Info excludes CAT Losses</b></p>	<p><b>Property is X-CAT.</b></p>

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Although new claims were down in March and April (representing a 25% drop in each month respectively) we've already seen a restoration to near normal for May.	We write one line of business (WC) in one state. Depending upon how "Shelter @ Home" restrictions are lifted, I believe we will continue to see a similar reduction as businesses come back up to speed. Many of our small businesses will be severely impacted (closed) indefinitely.
50% reduction is loss volume during pandemic	We believe we will see a 20% decrease over 2019
There are a number of variables around reopening our economy in various regions related to this global pandemic, so it will be challenging to make projections, even when making a few reasonable assumptions.	I believe auto claims will resume normal volume and I do not expect a significant reduction in frequency of claims, based on the lines of business we primarily write.
We have not had any issues inspecting first party claims that has no representation. The claims volume decrease we believe is associated with represented claims and expect to see late reported claims rise as soon as the state is fully open for business.	We anticipate an increase in claims for the following lines: Insurance Agent E&O, Lawyers E&O, Medical Malpractice, Environmental
Like many I'm sure, we're thinking there may be some personal lines policyholders with minor losses who are waiting to report their claims until they feel safer to do so. This could pose problems addressing coverage and number of losses for carrier and insured if hurricanes and other disasters strike and old non-reported damage is involved.	We are currently experiencing a trending down of newly reported COVID 19 claims in Commercial Property and Personal Lines Property. We anticipate this trend to continue.
I suspect most auto lines will remain lower than the prior year, increasing to maybe 10% less than the prior year. Property's increase was mostly driven by COVID-19 claims, so that will probably level out by July.	For our narrow line of E&O business, we believe that claims will increase, if not in the next 6 months, over the next 2-3 years, which has been our experience with past economic downturns.
Workers Comp claims from Healthcare Workers saw an immediate increase in reports, directly related to COVID-19 confirmed illness. The claimants had to prove that the illness was contracted at work, and no claims were accepted if the claim could not be proven. The State in which we write did not make it mandatory to accept COVID illnesses for WC. Currently, hospitals are writing off unpaid medicals and continuing to pay a salary to their employees that contracted COVID-19 and this has resulted in a drop in new WC reports. We are in a unique situation as we offer WC coverage specifically to Health Care workers. The pattern we saw is not necessarily pertinent to the industry at large. We provide Professional Liability coverage for Medical Professionals and Entities (Hospitals, Nursing Homes, and Rehab Centers etc.). Most states have enacted Emergency Orders granting legal immunity to those providing care under the extraordinary circumstances of a global	

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<b>pandemic. We expect that ultimately that immunity will be tested, but for the next 6 months, we do not expect there will be claims for medical malpractice.</b>	
<b>We are a run-off company with mostly only legacy liabilities on policies written and earned far before covid-19. We are seeing a slowdown in the courts throughout the country which are slowing starting to come back on line.</b>	<b>Expect to see liability and specialty volume continue to drop before increasing to historic levels.</b>
<b>The only line of business where there was a substantial increase was Business Interruption claims.</b>	<b>Property was driven by weather outside of BI claims impacting Property Liability to approximately 100%</b>
<b>My answer is limited to Commercial Specialty Liability, which is only area where I see claims.</b>	

## **Further Questions**

A copy of this report can be obtained, without charge, by writing to [info@suite200solutions.com](mailto:info@suite200solutions.com).

Questions about this Study may be directed to:

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### **About The CLM**

The CLM, a member of The Institutes, is dedicated to meeting the professional development needs of the claims and litigation management industries. Founded in 2007, CLM maintains a membership of more than 45,000 industry professionals who benefit from the CLM's networking events, continuing education programs, and a wide variety of industry resources. More information can be found at [www.theclm.org](http://www.theclm.org).

### **About Suite 200 Solutions**

Suite 200 Solutions (formerly CLM Advisors) offers advisory services to the property and casualty claims and litigation management industries. We provide generalized consulting, market intelligence, and talent acquisition services to claims organizations, law firms, and the service and technology providers that serve both of those constituencies. Through its Transaction Advisory Group, the Company also provides critical support to investors, buyers, and sellers in this industry segment. More information can be found at [www.suite200solutions.com](http://www.suite200solutions.com)