



**RICARDO LARA**

CALIFORNIA INSURANCE COMMISSIONER

## NOTICE

**TO:** All Admitted and Non-Admitted Health and Specialized Health Insurance Companies, All Licensed Insurance Adjuster, Agents and Producers, as well as Other Licensees and Interested Parties

**FROM:** Insurance Commissioner Ricardo Lara

**DATE:** October 7, 2020

**RE:** Premium Refund to Reflect Cost Savings Associated with Underutilization of Health Services Due to COVID-19 Pandemic

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During the COVID-19 pandemic, specifically during the past seven months, beginning in March 2020 as the first state and local public health "stay at home" orders took effect, health insurance policyholders and certificate holders have refrained, and continue to refrain, from seeking care for ailments unrelated to COVID-19. In addition, some health facilities deferred certain types of procedures and non-emergency care in order to maximize capacity for the treatment of patients diagnosed with COVID-19 and to conserve personal protective equipment. As a result, health insurance and specialized health insurance companies experienced, and continue to experience, substantial net profits during calendar year 2020 due to the cost savings associated with the underutilization of health services by their policyholders.

Therefore, I request that all health insurance and specialized health insurance companies provide their policyholders with a partial premium refund no later than December 31, 2020. These refunds should be reflected in the November or December 2020 premium statements sent to policyholder or certificate holders, if refunds have not already been issued. This request applies to all health insurance as defined in Insurance Code section 106(b) and specialized health insurance as defined in section 106(c), and will provide much-needed financial relief to individual consumers, families, and small businesses during the COVID-19 pandemic.

Each insurance company subject to this Notice may exercise reasonable flexibility in determining how best to quickly and fairly accomplish and implement the refund of partial premium back to its policyholders and certificate holders. Insurance companies may comply with this premium refund request by providing a premium credit, reduction, return of premium, or other appropriate premium adjustment. Policies of specialized health insurance, such as dental insurance, that have a maximum annual benefit may instead accomplish the requested refund by increasing the covered person's 2021 maximum annual benefit by a percentage reflecting the period during which covered services were not available during 2020. For example, as dental practices were essentially closed for a calendar quarter of 2020, each insured's 2021 maximum benefit would be increased by at least 25 percent.

Every insurance company subject to this Notice should report to the California Department of Insurance, if they have not already done so, all actions taken and/or contemplated future actions in response to or consistent with this Notice within 45 days of the date of this Notice.

Please direct questions regarding this Notice to Bruce Hinze, Senior Health Policy Attorney, at [Bruce.Hinze@insurance.ca.gov](mailto:Bruce.Hinze@insurance.ca.gov).