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May 4, 2020

VIA E-MAIL

Rate Specialist Bureau
California Department of Insurance
RSBCovid19PR@insurance.ca.gov

RE: Clear Spring Property and Casualty Company

To Whom It May Concern:

Clear Spring Property and Casualty Company (“Clear Spring”) is in receipt of Commissioner Lara’s order dated April 13, 2020 concerning premium refunds for drivers and businesses affected by the COVID-19 emergency (“the Order”). We have reviewed Commissioner Lara’s Order and as an insurer of workers compensation policies within the State of California we have drafted a response and proposed plan to comply with the Order.

Most of Clear Spring’s California workers compensation policies are written on a monthly payroll reporting payment plan. This type of payment plan attempts to match the premium and taxes paid (“Payments”) by the insured each month to their actual exposures (payroll by classification). Insureds are responsible for reporting their actual payrolls by classification for the prior month to us on a monthly basis, whereby their Payments are calculated based on that reported payroll. Fluctuation in actual payroll results in fluctuation in monthly Payments. As the Payments are a reflection of actual exposure for those insureds, we believe that no adjustment is necessary to comply with the Order. All policies will be subject to a post-expiration premium audit consistent with rules outlined by the Workers Compensation Insurance Rating Bureau (WCIRB) Uniform Statistical Reporting Plan – 1995 (USRP).

Clear Spring does have insureds that pay on a fixed installment schedule. These payments are set based on estimated payrolls by classification and do not typically reflect the same fluctuation month to month seen on monthly payroll reporting plans. Generally, it is possible for an insured to under or over-pay during their policy term based on the original payroll estimated by classification. Given the nature of the economic slowdown in the State of California, it is possible that a higher percentage of these policyholders will accrue actual payrolls less than original estimates. It is our understanding that it is this group of insureds that must be addressed to comply with the Order. As such, we propose the following plan for these insureds:

1. We will draft a letter to each insured outlining our intent to perform a midterm audit of their actual exposures by classification. As part of this we will request from our insureds:
 - a. An updated estimated of the payrolls by classification for their policy term; and
 - b. Copies of their most recent DE-9 and/or financial statements to help substantiate their new payroll estimates by classification.

2. We will process the new estimated payroll by classification to determine what their new annual policy cost would be and compare that figure to the original estimated policy cost.
3. If we determine that the insured has paid (or will pay) too much premium and tax based on the revised payroll estimates we will draft a letter to the insured specifying the revised estimated policy cost along with an offer to:
 - a. Refund the money immediately;
 - b. Hold the money until after policy expiration; or
 - c. Adjust future payments such that the total of all Payments reflects the revised estimated payroll by classification.
4. We will advise all insureds of our right and intent to perform additional reviews of their financial records during or after their policy periods.

In all cases we will audit each policy post-expiration consistent with rules outlined by the Workers Compensation Insurance Rating Bureau (WCIRB) Uniform Statistical Reporting Plan – 1995 (USRP).

It is our understanding that our proposed plan is consistent with the requirements outlined in the Order. However, if after your review you find it necessary for us to alter our plan in order to comply with the Order, please advise of your findings.

Please contact me if you have any other questions or require any further information.

Very truly yours,

/s/

Scott A. Hanfling