

**Addendum to Explanatory Memorandum
Contractors Bonding and Insurance Company (NAIC 37206)
COVID-19 Premium Refunds, Credits, and Reduction Report
January, February, and March 2021**

Explanatory Memorandum – Section I

- 2a. *Please provide your explanation describing the types or risk exposures that are not subject to refund.*

Contractors Bonding and Insurance Company's (CBIC) review determined that no refunds are necessary in certain lines of business or types of policies. In these lines of business and types of policies, CBIC has determined that the measure of risk is not substantially overstated and has, in fact, increased for certain lines.

- **Businessowners:** Rating factors for determination of premium include zip codes, business class, and property value limits. This product line does not consider factors that could have been affected by COVID-19. The risks insured by this product line are not "storefronts" where customers visit the premises.
- **Surety Bonds:** Most of the surety bonds provide financial assurance for specific performance functions. This financial assurance has not changed and in many cases has resulted in a substantial increase in exposures. Further, Surety bonds contain indemnification provisions. If a principal is unable to provide the reimbursement or collateral required under the indemnification agreement because of COVID-19 restrictions or effects, this will increase RLI's/CBIC's exposures under the bond.

Explanatory Memorandum – Section II

- 2b: *If your company writes in one of the lines specified in Bulletin 2020-3 and has issued refunds for your policyholders please explain all actions taken to date to refund premium in response to or consistent with this Bulletin.*

See answers to #4 and #5 for actions taken.

- 4, 5: *How did your company accomplish its refund to policyholders? Explain which of the following method(s) your company used to compute the premium refund. If the response differs by program within line of insurance, provide additional explanation for the remaining programs.*

Given the diverse nature of the businesses CBIC writes, a one-size fits all solution was not deemed appropriate or fair to apply to our books of business. After a review of all lines of business, including the lines of insurance identified in Bulletin 2020-3, CBIC determined that certain lines of businesses may have overstated exposures because of the COVID-19 pandemic, while other lines either had not changed, or the exposure may have increased. Thus, CBIC decided to apply either a resurvey approach or a uniform premium reduction, depending on the product.

Resurvey:

The product lines for which we resurveyed policyholders include General Liability and Package Liability. These product lines are appropriate for resurvey because the rating factors that typically relate to these products could have been affected by the COVID-19 pandemic. CBIC sent notices

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to those potentially affected policyholders to begin reassessing the classification and exposure bases of affected risks on a case-by-case basis, by asking for information on payroll and gross receipts depending on the product. In conjunction with the above, CBIC also notified all potentially producers, of our plan. Upon receipt of the resurvey information from each affected policyholder, CBIC assessed the information to determine if a premium refund should be issued, and in what amount, according to the rating guidelines for that product line. It should be noted that certain resurveyed policies contained a minimum premium requirement. If the resurvey resulted in a premium lower than the minimum premium amount, the minimum premium was applied and any premium refund was adjusted accordingly. CBIC also believes that this resurvey approach does not require a revised filing with California as it is a reassessment of risks and exposure bases for any overstated risks.

Uniform:

Separately, CBIC also previously applied a uniform premium reduction to certain Commercial Auto Liability policies contained as part of our package policies. While this portion of the package policy is based on factors not affected by the COVID-19 pandemic, CBIC does feel that there was a reduction in liability. As such, CBIC provided a uniform 15% premium reduction for premiums applicable to June, July, and August 2020. In addition, in the first quarter of 2021, an error was discovered that not all eligible insureds had received the applicable refunds for June, July, and August 2020. Accordingly, CBIC processed those refunds in March 2021, which will be reflected in the Supplemental Report filed by CBIC.

Premium reductions were issued in the form of a premium refund check or credit to the producer's statement to be returned to the policyholder by the producer.

Reporting Requirements:

CBIC has been and will continue to comply with California's reporting requirements.