

## **Explanatory Memorandum: For Reporting Periods: January - March 2021**

### **Dental Professional Liability**

TDIC believes that the premium refunds issued for the months of April and May 2020 adequately cover the time-period during which TDIC experienced a reduction in risk for its dental professional liability policies. During April and May 2020, many dentists' practices were affected by state shelter-in-place or stay-at-home orders, such that many practices were only responding to emergencies. The refund provided by TDIC reflected an assumption of part-time practice for the two-month period. TDIC's part-time discount is typically applied over a five-year period, to reflect the exposure as it relates to the rating algorithm associated with dental professional liability policies. However, the premium refunds provided were for the full, mature, part-time discount, rather than having it spread over five years.

TDIC made a concerted effort to inform its policyholders that they could apply for part-time coverage if their practice remained part-time after May 2020. Those dentists whose practices continued to operate at a part-time volume had the opportunity to apply for TDIC's part-time discount. However, according to the American Dental Association, most dentists had returned to their practices by June 2020.

With all of this taken into close consideration, the Company concludes that the premium relief provided to the policyholders was sufficient to reflect the reduction in risk associated with the April and May 2020 shelter-in-place orders and no further blanket premium refund for the months thereafter is appropriate.

### **Workers' Compensation**

TDIC's workers' compensation policies are rated based on estimated payroll at the inception of the policy, which is adjusted with an audit at the conclusion of the policy term. Any reduction in exposure would be reflected in a reduction in payroll, which is adjusted for every single policy based on actual payroll at the time of audit. As a response to the shelter-in-place orders in April and May 2020, and to provide some relief to policyholders, TDIC estimated a 12% reduction in payroll for its policyholders with active policies in April and May 2020. This 12% reduction was based on the reduction in dental office staffing during the shelter-in-place period and resulted in a refund of estimated deposit premium collected from policyholders. At the end of each policy term, premium continued to be adjusted based on audited payroll, with the result being either a refund to policyholders or an amount due to TDIC. If dental office staffing continued to be reduced due to pandemic effects, audited payroll would result in refunds back to policyholders to reflect actual exposure. TDIC has analyzed audits performed in the

second half of 2020 and determined that most payroll audits resulted in increases to covered payroll, suggesting that the 12% reduction in payroll was a more than sufficient estimate of the reduction in exposure. No further adjustments to estimated payroll are considered necessary.

### **Commercial Multi-Peril**

TDIC's commercial multi-peril policies cover real property, contents, and loss of income in the case of physical damage to the property that prevents the dentists from operating their practice. TDIC assessed the risk associated with these properties and determined that there is no reduction in risk for covered properties due to the pandemic. The properties are still susceptible to fire, water damage, theft, or other damages. During the shelter in place period, many of the properties were not used at full capacity and the risk of undetected water leaks increased, as had the risk of theft or vandalism. After states lifted the stay at home or shelter in place orders, dentists returned to their offices. As such, TDIC has made no adjustment to premium on these policies.