

**Premium Refunds, Credits and Reductions in Response to COVID-19 Pandemic**  
**Explanatory Memorandum**  
**Esurance Property and Casualty Insurance Company (0008-30210)**

On behalf of Esurance Property and Casualty Insurance Company (EPC), please accept our report for premium refunds or credits for private passenger automobile insurance for the months of January, February and March of 2021.

Esurance has provided the premium relief mandated by Bulletin 2020-03 and Bulletin 2020-04 by the 8/11/2020 deadline. California customers received an estimated total of \$13.3 million of premium refunds or credits for March, April and May 2020, based on 15% of the monthly premium for private passenger auto policies in force as of the end of each month. These payments or credits were made in April, May and June 2020 respectively. The report, memorandum and justification pursuant to Bulletin 2020-03 and Bulletin 2020-04 were submitted to the Rate Specialist Bureau on June 12, 2020.

Esurance also provided the premium relief mandated by Bulletin 2020-08 for June through August 2020. California customers received an estimated total of \$6.2 million of premium refunds or credits for June, July and August, based on 7% of the monthly premium for private passenger auto and motorcycle policies in force as of the end of each month. These payments or credits were made in October. The report, memorandum and justification pursuant to Bulletin 2020-08 were submitted to the Rate Specialist Bureau on October 1, 2020.

Esurance also provided the premium relief mandated by Bulletin 2020-08 for September through December 2020. California customers received an estimated total of \$5.6 million of premium refunds or credits for September, October, November and December, based on 5% of the monthly premium for private passenger auto and motorcycle policies in force as of the end of each month. These payments or credits were made in February 2021. The report, memorandum and justification pursuant to Bulletin 2020-08 were submitted to the Rate Specialist Bureau on February 1, 2021.

In reviewing the data and following factors from January, February and March 2021 to comply with Bulletin 2021-03, Esurance has determined that no premium relief is warranted. Esurance continues to monitor the pandemic impact on these factors and corresponding income results.

- Shelter-in-place drove a significant reduction in driving and corresponding frequency of accidents. While these metrics have begun to return to prior levels, January February and March results continue to show decreases over prior year and compared to early 2020.
- We continue to observe an increased claim severity over the prior year.
- Prior to March 2020, we observed an increased loss ratio in the California EPC Auto program driven by elevated loss costs.
- We see decreases in premium trends from annual mileage reduction from the onset of the pandemic. Customers continue to reduce their annual mileage to reflect their change in driving behavior.
- Other accommodations that provide relief to policyholders but are not included in the projected income impacts: waiving of late fees from 03/16/2020 to 07/20/2020, and extending the coverage to delivery of goods and services while a statewide Emergency Order is in effect related to the COVID-19 pandemic.

- In 2019, a +6.9% rate increase was filed to address the elevated loss costs in the California EPC Auto program mentioned above. In May 2020, the rate increase was withdrawn so customers would not see premiums increase during a period of reduced driving.

Reviewing all the data, we believe that the 0% premium relief over these 3 months is supported by these various factors. Please refer to Exhibit 1 for the premium relief support based on Esurance California data.

Data has also been reviewed again for March through December 2020 to determine if Esurance can provide additional premium relief support for the prior periods. In reviewing the data, Esurance has determined that no additional premium relief is warranted.

- Shelter-in-place drove a significant reduction in driving and corresponding frequency of accidents. While these metrics have begun to return to prior levels, March through December 2020 results continue to show decreases over prior year and compared to early 2020.
- We continue to observe an increased claim severity over the prior year.
- The temporary moratorium on all cancellations for non-payment of premium (from 03/16/2020 to 07/20/2020) and the 60-day payment grace period offer for impacted customers through a special payment plan are resulting in higher bad debt projections.
- Prior to March 2020, we observed an increased loss ratio in the California EPC Auto program driven by elevated loss costs.
- We see decreases in premium trends from annual mileage reduction from the onset of the pandemic. Customers continue to reduce their annual mileage to reflect their change in driving behavior.
- Other accommodations that provide relief to policyholders but are not included in the projected income impacts: waiving of late fees from 03/16/2020 to 07/20/2020, and extending the coverage to delivery of goods and services while a statewide Emergency Order is in effect related to the COVID-19 pandemic.
- In 2019, a +6.9% rate increase was filed to address the elevated loss costs in the California EPC Auto program mentioned above. In May 2020, the rate increase was withdrawn so customers would not see premiums increase during a period of reduced driving.

Reviewing all the data, we believe that the 0% additional premium relief over the prior months is supported by these various factors. Please refer to Exhibit 2 for the premium relief support based on Esurance California data.