

Amended Response to California Department of Insurance Bulletins 2020-3 and 2020-4

Dated June 18, 2020

Introduction

The California Department of Insurance requires insurers to report on their actions to reduce premium in response to or consistent with Bulletins No. 2020-3 and 2020-4. On behalf of all its licensed, admitted and surplus lines insurers transacting property casualty insurance in California¹, Travelers submits this report. More specific information regarding Fidelity and Guaranty Insurance Company (NAIC 35386), including relevant references to this report, can be found in the corresponding workbook for this entity.

Travelers has a long history of serving the insurance needs of individuals and businesses in California, with over 560,000 personal insurance policies in force and over 170,000 business policies in force.

We continue to carefully analyze our business to understand how COVID-19 and the resulting economic slowdown are impacting each of our lines, identify those customers or segments of the market that are adversely impacted and thoughtfully implement an action plan to assist them.

Travelers has taken several proactive steps to help ease the financial burden for individuals and businesses during these challenging times. These actions, supporting data and other relevant exhibits are contained in the following pages.

Actions Taken for All Customers – Billing Relief

Online resources can be found [here](#).

To ease the financial burden that many individuals and businesses are facing due to COVID-19, Travelers instituted a nationwide billing relief plan beginning on March 27 and initially ending on May 15, 2020. The nationwide billing relief plan was extended through June 15, 2020. Under the billing relief plan, cancellation and nonrenewal of coverage due to nonpayment have been suspended, and no interest, late

¹ Travelers is providing responses on behalf of the following companies, all of which write business in the State of California and currently have some positive premium: Farmington Casualty Company (NAIC 41483), Fidelity and Guaranty Insurance Company (NAIC 35386), Northfield Insurance Company (NAIC 27987), Northland Insurance Company (NAIC 24015), St Paul Fire & Marine Insurance Company (NAIC 24767), St Paul Mercury Insurance Company (NAIC 24791), St Paul Surplus Lines Insurance Company (NAIC 30481), Standard Fire Insurance Company (NAIC 19070), Travelers Casualty & Surety Company (NAIC 19038), Travelers Casualty & Surety Company Of America (NAIC 31194), Travelers Casualty Insurance Company Of America (NAIC 19046), Travelers Commercial Insurance Company (NAIC 36137), Travelers Excess & Surplus Lines Company (NAIC 29696), The Travelers Indemnity Company Of Connecticut (NAIC 25682), Travelers Property Casualty Company Of America (NAIC 25674), Travelers Property Casualty Insurance Company (NAIC 36161) and United States Fidelity & Guaranty Company (NAIC 25887).

fees or penalties will be charged. When this billing relief plan ends, we will continue to work with customers on an individual basis if needed.

To date, our data shows that premium billing relief has been extended to approximately 4300 individuals and 6300 business policyholders and surety customers for over \$26 million of past due premium through May 31, 2020.

Proactive Customer and Stakeholder Communication

To help inform customers, agents and other stakeholders of our efforts, we established a dedicated [COVID-19 resource page](#) on Travelers.com which contains the most up-to-date information on the steps we are taking, including the details of its billing relief plan.

In addition to our website, we are also leveraging our many channels, including:

- Traditional media, through press releases and media engagement.
- Social media, through our accounts on Twitter, LinkedIn, Facebook and Instagram.
- MyTravelers, our dedicated customer portal.
- For Agents, our dedicated agent and broker portal.
- Paper and electronic billing communications.

Actions Taken for Private Passenger Automobile Customers

Online resources can be found [here](#).

Stay-At-Home Premium Credit Program

Travelers implemented the Stay-At-Home Premium Credit Program, providing eligible customers a premium credit equal to 15% of the policy's earned premium for the months of April, May and June.

The Stay-At-Home Premium Credit Program recognizes the reduced miles customers are driving and the decreased frequency of automobile accidents. There are several publicly available data sources in addition to competitor disclosures that indicate miles driven has decreased approximately 30% to 40% since the national emergency was declared. See one such reference below.

- <https://www.arity.com/move/americas-personal-travel-behavior-changed-covid-19/>

In addition to reduced frequency, we are also considering other factors that will likely have offsetting impacts on ultimate costs. The following considerations highlight expected influences on severity and overall expenses:

- Potentially higher severity resulting from drivers traveling at higher average speeds with reduced levels of congestion.
https://roadeology.ucdavis.edu/files/content/projects/COVID_CHIPs_Impacts.pdf
- Potentially higher severity from stressed healthcare systems, impacted court systems and parts and labor lags.
- Expectation of increased frequency as we continue to provide auto coverage for customers whose job responsibilities now include using their personal vehicles to make food, grocery, pharmacy and medical supply deliveries.
- Margin pressure from fixed operating expenses, lower investment returns, bad debt and lower overall business volumes.

Mileage Adjustments

In addition to implementing the Stay-At-Home Premium Credit, we continue to provide customers the ability to adjust their mileage in accordance with our normal practices.

Actions Taken for Business Insurance Customers²

Based on current projections, Travelers rates are not excessive. In addition, Travelers projected loss exposures are not overstated and exposures are not misclassified in the reported lines. As described below, even with assumptions of a four-month impact to loss costs, actuarial calculations still show an indicated rate need in general liability, commercial multi-peril and commercial automobile lines of business. Nonetheless, where there has been a reduced exposure base, Travelers is reassessing the classification and exposure bases of affected risks on a case-by-case basis for current and upcoming policy periods in accordance with existing rating plans³. Travelers has provided over \$16 million of premium relief between March 15, 2020 and May 31, 2020 for California policyholders across all commercial insurance business lines, as outlined below, through mid-term and renewal adjustments. Billing relief has been extended through June 15, 2020 to an additional 6300 policies with over \$26 million of past due premium, and this amount is expected to grow over time. In addition, Travelers has pushed back the effective dates of three pending rate filings to January 1, 2021: MasterPac Express (CDI Number 20-9540(+11.8%) resulting in approximately \$1.9 million in deferred premium, MasterPac (CDI Number 20-528; 20-582-A) (+5.8%) resulting in approximately \$1.7 million in deferred premium and Commercial Auto (CDI Numbers 19-4010; 19-4010-A)(+17.5%) resulting in approximately \$9.9 million in deferred premium. The actions Travelers has taken to date for its business insurance customers for the reported business lines are outlined below.

Actions Taken for Commercial Automobile Customers

Travelers is providing premium relief to individual policyholders by reclassifying the exposures of affected risks to comport with current exposure or reducing the exposure base to reflect actual or anticipated exposure on a case-by-case basis for current and upcoming policy periods in accordance with existing rating plans. Commercial automobile rates are not excessive with a significant indicated rate need. These policies have not seen the same homogenous claim frequency decreases as private passenger automobile. Some businesses have not had a significant decrease in automobile usage while others have increased their use. For example, trucks are still on the road making deliveries to essential businesses such as grocery stores, and many restaurants and pharmacies are changing their business model to provide food or medical delivery services. Other policyholders may be driving less as employees change to a work from home environment. As a result, Travelers has adopted an individualized approach for commercial automobile customers, proactively communicating with their agents and brokers through our

² This report addresses only those customers with guaranteed cost policies. All loss sensitive policyholders will benefit as a matter of course during the regular billing and valuation processes as a result of lower claim frequency and lower exposures at audit.

³ Some lines have not seen a reduced risk of loss as will be further described in this report (see, *e.g.*, Actions Taken for Commercial Liability Customers).

various channels to offer premium credits (often referred to as 'lay-up' credits) for policyholders whose vehicles have been taken off the road. Details of this credit are described below.

Beginning mid-March and continuing through at least June 30, 2020, we are leveraging and expanding our "seasonal lay-up credit" in the following manner:

1. We are waiving any 60-day minimum requirement when a policyholder requests seasonal lay-up credit.
2. The credit is available for any vehicle type currently not in use.
3. We are waiving any requirement of maintaining full coverage for at least one vehicle.
4. We will be fair and reasonable to insureds seeking to utilize the rule for an unlimited number of days within the policy period.

For policyholders suspending some or all their operations, this credit will reduce their liability and collision premium while the vehicle(s) are not in use. This relaxation will provide insureds a credit of at least 15% of the vehicle's premium on an annualized basis (not for a monthly, pro-rated amount) on each requested vehicle for the period established by the insured.

For our transportation book of business written through transportation General Agents, we are leveraging a "limited use" classification which reclassifies vehicle(s) and applies an approximate 60% credit on vehicles moved from "full use" to "limited use" during the period that the risk is impacted. We have also permitted our transportation General Agents to adjust premium through appropriate coverage or vehicle deletions.

Data for California Commercial Automobile Customers

For the time period of March 15, 2020 through May31, 2020, in addition to postponing the effective date of our rate increase (+17.5%) to January 1, 2021, we have reduced premium or provided premium credits to 513 California commercial automobile policyholders, totaling \$933,825.

Actions Taken for Workers Compensation Customers

Online resources can be found [here](#).

Travelers is providing premium relief to individual policyholders by reclassifying the exposures of affected risks to comport with current exposure or reducing the exposure base to reflect actual or anticipated exposure on a case-by-case basis for current and upcoming policy periods in accordance with existing rating plans. Like our commercial automobile customers, workers compensation customers are experiencing the current crisis differently. Some customers have maintained operations with increased risk for compensable injuries while others have curtailed operations and furloughed employees. In addition to monitoring the impact of Executive Order N-62-20, we are also closely watching pending workers compensation presumption legislation that, if passed, could dramatically increase both the frequency and severity of workers compensation claims. Travelers continues to work with business customers and their agents and brokers to adjust exposures for workers compensation policyholders to reflect their changing situations, through the following actions:

- Reducing payroll as companies lay employees off due to reduced business activity.
- Preparing for the Introduction of "furloughed employees" classification upon approval.

- Changing employee classifications to reflect different exposures during a specified time period (e.g., waitstaff become delivery drivers or outside sales people become inside sales staff).

In addition, Travelers has over 10,000 workers compensation policyholders, accounting for over \$39 million of premium, who are enrolled in real-time payroll reporting and as a result, are already receiving immediate adjustments on a case-by-case basis.

Travelers also deferred premium audits for approximately 2900 policyholders impacted by COVID-19 giving them additional time to complete their premium audits without deeming them uncooperative. We are conducting all other premium audits virtually, leveraging our secure portal or speaking with an auditor over the phone, for greater customer convenience.

Data for California Workers Compensation Customers

To date, we have provided premium reductions to 1,656 California workers compensation policyholders, totaling \$12,490,932. Approximately 10,000 additional policyholders receive immediate payroll adjustment through real time payroll reporting, accounting for approximately \$39 million of premium. Between March 16, 2020 and May 31, 2020, we have deferred, without penalty, approximately 2,900 premium audits. Any additional reductions not otherwise quantified to date will be realized for insureds through the premium audit process.

Actions Taken for Commercial Liability Customers

Travelers is providing premium relief to individual policyholders by reclassifying the exposures of affected risks to comport with current exposure or reducing the exposure base to reflect actual or anticipated exposure on a case-by-case basis for current and upcoming policy periods in accordance with existing rating plans for the portion of its commercial liability book that may have experienced a reduced risk of loss. For others, there have not been reductions in risk or projected loss exposures. Impacts to commercial liability customers differ greatly based on size and type of business.

Approximately 80% of our general liability book of business has an adjustable exposure base relating to either payroll or sales, with the remainder rated based on fixed exposure bases such as square footage. For those revenue or payroll-based insureds who have been adversely impacted, we have provided immediate relief by reducing the applicable exposure base for commercial liability customers through midterm adjustments and we will continue to work with our business customers and their agents and brokers for the foreseeable future. We will return additional premium to those customers who have seen reductions in revenues or payroll that resulted in an overestimation of premium at issuance during the premium audit process. Our management and professional liability business is written on a claims-made basis and there have not been reductions in risk or projected loss exposures as a result of the COVID-19 pandemic. We will continue to monitor and analyze our business to understand the impact of COVID-19 on these lines and adjust our approach if necessary.

Data for California Commercial General Liability Customers

To date, we have adjusted exposures downward for 558 California commercial general liability customers totaling \$2,992,291 in premium adjustments. As reflected above, we will return additional premium to those customers who have seen reductions in revenues or payroll that resulted in an overestimation of premium at issuance during the premium audit process.

Actions Taken for Commercial Multi-Peril Customers

Travelers continues to monitor and analyze the impacts of COVID-19 on our commercial multi-peril (CMP) customers and has determined that we have a rate need for CMP policies regardless of the COVID-19 impacts. For a large portion of our CMP customers, the risk of loss has not reduced (habitational risks such as apartments and condominiums, for example). For the portion of CMP customers who may have seen a reduced risk of loss (retail or office buildings), our rates for CMP policies are not excessive, especially given the combined property and liability coverage afforded by the CMP product.

There has been no decrease in the property exposure element to the CMP product; rather, there is the possibility of a significant increase in property exposure given (1) vacancy of properties caused by stay-at-home orders could see higher (and possibly prolonged) vacancy-related losses such as vandalism and lack of maintenance and (2) numerous attempts (both legislative and through litigation) to find business interruption coverage in spite of the clear wording of the Travelers policies.

The majority of Travelers' CMP product is composite rated and based on the property limit. For these policies, there is no currently filed rate classification or appropriate reduction of exposure base that can be provided for the general liability portion of the policy that would allow for reduction of premium through changes in business exposure. The remaining CMP policies are split rated with an appropriately adjustable exposure base.

Regardless, and where available, Travelers is providing premium relief to individual policyholders by reclassifying the exposures of affected risks to comport with current exposure or reducing the exposure base to reflect actual or anticipated exposure on a case-by-case basis for current and upcoming policy periods in accordance with existing rating plans. We have provided 209 CMP customers with a total \$203,858 of mid-term or renewal premium reductions as a result of exposure changes. Additionally, we have postponed the requested effective date for two pending rate increases for our CMP products.

As outlined above, we do not believe the current CMP rates are excessive due to existing rate need even with an assumption of decreased losses. We have also made vacancy provisions changes available for all property insurance customers (including CMP policyholders) whereby Travelers will not count the days that a building is vacant solely because of a governmental order due to COVID-19. This accommodation remained in effect through June 15, 2020.

Additional Actions Taken to Support Our Communities

Online resources can be found [here](#).

Travelers takes its role as a significant employer and corporate citizen seriously. Our ability to help those in need, through charitable donations, employment stability and community outreach is more important now than ever before. Below is a summary of our community efforts, which benefit all the communities we serve, including California.

- Pledged \$5 million to COVID-19 relief efforts to assist families and communities across North America, the United Kingdom and the Republic of Ireland.

- \$3.5 million to charities that are providing essential services to address urgent, unmet needs, including emergency assistance for hourly workers, food and shelter for vulnerable populations, stability to small businesses and resources to mitigate disruptions in education.
- \$1 million to pay the wages and health benefits for eligible third-party contract employees who provide services at the company's offices, ensuring that these individuals, who would have otherwise been laid off, remain employed.
- \$500,000 to a special matching program for employees who wish to contribute to causes related to COVID-19. Under the program, the company will match – on a 2-for-1 basis – employee contributions to designated organizations.