



April 30, 2021

The Honorable Ricardo Lara
Commissioner, California Department of Insurance
300 Capital Mall 17th Floor
Sacramento, CA 95814

Re: DRAFT RESPONSE to Bulletin No. 2021-3 (Premium Refunds, Credits and Reductions in Response to COVID-19 Pandemic)

Dear Commissioner Lara:

We are writing in response to your Department's request for information on policyholder relief measures associated with the ongoing COVID-19 pandemic and, in particular, your request that carriers "do more to return additional premium relief...commensurate with continuing reductions in the exposure to loss for particular lines of insurance." As described in more detail below, we conducted a thorough review of The Hartford's Personal and Commercial lines of business. That review confirmed that risk exposures are not substantially overstated due to the pandemic and that an across-the-board return of premium to policyholders is not warranted, and certainly not prudent, at this time. We absolutely share your deep concern about the effects the pandemic has had on policyholders, and we are committed to doing our part to help our policyholders wherever appropriate. We continue to actively assist those individual policyholders who are experiencing temporary increased or changed exposures or who are seeking billing and payment accommodations related to the pandemic.

Actions The Hartford has taken to date to provide support and relief to its policyholders

As outlined below, The Hartford has taken, and continues to take, myriad steps to address the needs of our personal and commercial customers. In June 2020, we provided all Personal Lines policyholders with a 15% refund of their April, May and June auto premiums, affecting over 124,000 California policyholders and refunding over \$8 million dollars.

The Hartford has also made over 300,000 exposure adjustments for Commercial Lines customers across the country who have faced reduced exposures. For California customers alone, this translates into about 53,000 exposure adjustments and over \$85 million in premium returned. We also continue to make adjustments where appropriate and upon request based on changes in payroll, sales and vehicles that are no longer in service regularly. We are working closely with our distribution partners to answer

questions of every kind, including where additional premium adjustments or other accommodations may be available and warranted for our policyholders.

Here are examples of specific actions we have undertaken to provide relief to our insureds, a number of which we continue to offer.

- Instituted company-wide moratorium on cancellation of policies for non-payment of premium through May 31, 2020, which includes a waiver of late fees that accrued during the moratorium, providing premium relief to over 241,000 policyholders across the country.
- Suspended all cancellations for underwriting reasons through June 30th in our Small Commercial business segment.
- Voluntarily rescinded non-renewals for Small Commercial policyholders whose policies were non-renewed prior to June 30, 2020 and had not secured replacement coverage.
- Elected not to enforce vacancy or abandonment provisions in commercial property policies when buildings are vacant for any reason during active shelter-in-place orders related to the pandemic.
- Waived the commercial use exclusion under personal auto policies in relation to temporary coverage for personal autos being used for delivery by restaurant workers, as well as provide "Non Owned Liability" coverage to restaurant owners to enable employees to use their personal vehicles for delivery during the pandemic.
- Provided flexibility and additional time for policyholders to provide information needed to process renewals, complete final audits, comply with non-compliance notices and pay final premium audit payments that are due.
- Provided leniency to policyholders related to inspections, repairs, written proof requirements, claim deadlines and processed endorsements.
- Provided billing and payment accommodations upon request, including transitioning policyholders to premium installment plans, deferred installment billing, and payment by credit card.

Evaluation of changes to measures of risk incident to the Pandemic

The Hartford has completed an internal review across our Personal and Commercial property and casualty lines of business, to determine whether rates are substantially overstated, excessive, or unfairly discriminatory when considering the pandemic. That review has confirmed that additional across-the-board premium relief to policyholders is not warranted at this time. The specific factors within each line of business that support this conclusion are described below:

Personal Lines. In an effort to provide immediate premium relief to our automobile policyholders, in June we implemented The Hartford's Personal Auto Payback Plan. This plan provided policyholders with a 15 percent refund of their April, May and June, 2020 personal automobile insurance premiums. This approach helped address the reduction in miles driven by personal lines policyholders, the measure of risk most directly affected by the pandemic. Most importantly, this helped to provide some immediate financial relief to our policyholders. Unlike our commercial auto policyholders, who were less impacted by shelter-in-place and stay-at-home orders, almost all of our personal auto policyholders were affected by those orders. Through the Personal Auto Payback Plan, The Hartford refunded \$8M to over 124,000 personal auto policyholders in California. Since March, 2020, we have partnered with customers to respond to changing lifestyles brought on by the pandemic. Consequently, we have refunded an additional \$2.3M of premium to customers, both during their policy term and at subsequent renewals.

Workers' compensation. Through our agent, broker and customer communications outlined above, we are providing and continue to provide premium relief to policyholders by right sizing applicable payrolls to current levels and reclassifying employees to appropriate class codes, when requested mid-term and for all policyholders at audit. The pandemic's effect on loss costs remains unclear. In addition to the steps we are taking with right sizing, there is additional risk in the line related to direct COVID losses, driven by the new rules related to presumptions and there is also the potential for claims related to PASC (Post-Acute Sequelae of SARS-COV-2). The current pandemic has increased the volatility in the workers compensation marketplace and we expect this volatility to continue for at least the next twelve to eighteen months.

Commercial Multi-Peril. As of year-end 2020, we have not seen any signs that Property exposure to loss decreased across-the-board during the pandemic. This is consistent with ISO Circular LI-CF-2020-048 which compared exposure to loss for businesses which were open (weekdays) to businesses which were closed (weekends and holidays) and found that Property exposure to loss did not decrease when properties were generally closed. This finding drove an expectation that shutdowns would not have a substantial short term impact on business owner property losses, and The Hartford's internal review through year-end 2020 confirmed that expectation. In addition, our Business Owners policy faces the same liability considerations described below.

Commercial Liability. Through our agent, broker and customer communications outlined above we have and continue to provide premium relief to policyholders by right sizing applicable exposures to current levels through mid-term endorsements and audits. In addition, the pandemic has created a host of new potential liability issues. As a result, potential General Liability claims could be quite significant. We continue to see variability of risk by industry; the construction industry is dealing with delays completing contracted work and businesses seeking to reopen are faced with a bevy of new state and federal safety guidance. In addition, we anticipate the slower pace in the judicial system to create greater uncertainty and additional upward pressure on ultimate liability claim values, which remain open for several years.

Commercial Automobile. With regard to our Commercial Auto line of business, while claim frequency is down, it is unclear whether overall loss costs have declined. As has been widely reported in the press, while there have been fewer vehicles on the nation's roads over the last year, driver behavior may be a contributing factor to higher severity of accidents despite the lower frequency of accidents. High speed accidents have tragically led to more severe accidents with industry reports citing more fatalities in 2020. In addition, we anticipate the slower pace in the judicial system to create greater uncertainty and additional upward pressure on ultimate auto liability claim values, which remain open for several years.

We are working with our agents and brokers to communicate with our customers that we will entertain and, where appropriate, provide premium adjustments on a case-by-case basis as circumstances warrant. Specifically, we have reminded our brokers and agents of the importance of understanding the unique needs of each policyholder in order to determine whether individual policies might require premium adjustments or some other form of accommodation. Through these communications and information on our customer facing website, we've endeavored to ensure that our policyholders are aware that The Hartford may be able to provide some relief now for policyholders who have experienced a reduction in exposure. Our commitment to closely collaborate with our agents and brokers to support our policyholders gives us the opportunity to act in a targeted and precise manner to provide premium or other appropriate relief to policyholders.

We continue to monitor developments closely and are posting regular updates and contact information, along with guidance related to the pandemic, on our external website (<https://www.thehartford.com/coronavirus>).

The State of California has long been one of The Hartford's most important markets. It is the largest market for all of our Personal Lines and Commercial segments. We remain strongly committed to the California marketplace and to serving our customers in the state by understanding their needs and developing solutions to help them meet those needs. Part of that ethic is borne out by the measures we've undertaken to assist our California policyholders during this crisis.

At The Hartford, we're committed to continuing to partner with our distribution partners and assisting our customers as they navigate through these challenging times. We will continue to assess the risk environment and will make appropriate adjustments or accommodations based on our ongoing evaluation of the data and the unique needs of our customers.

If you have any questions, please do not hesitate to contact Meggan Conner, Assistant Vice President, Government Affairs, at 860-547-2849 or Meggan.Conner@thehartford.com.



Sincerely,

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