

**Explanatory Memorandum**  
**(Supplement to COVID-19 Premium Refunds, Credits, and Reductions Report – June-August 2020)**

**Date:** September 30, 2020

**To:** Ladies & Gentlemen of the Rate Specialist Bureau

**From:** CopperPoint Insurance Group (NAIC No. 4485) on behalf of Pacific Compensation Insurance Company (NAIC No. 11555), Alaska National Insurance Company (NAIC No. 38733) and MountainPoint Insurance Company (NAIC No. 42242)

**Re:** **CopperPoint Insurance Group Companies' Report Regarding Bulletin 2020-8**

The CopperPoint Insurance Group submits this Explanatory Memorandum and supplement to its COVID-19 Premium Refunds, Credits, and Reductions Report for the reporting period of June through August 2020 ("COVID-19 Report") summarizing its actions as are relevant to Commissioner Lara's directives addressing COVID-19 in light of Bulletin 2020-8.

CopperPoint Insurance Group (NAIC No. 4485) is a family of insurance companies that includes CopperPoint Insurance Company ("CopperPoint") (NAIC No. 14216), an Arizona-domiciled insurance company, Pacific Compensation Insurance Company ("PacificComp") (NAIC No. 11555), a California-domiciled, monoline workers' compensation insurance company, and Alaska National Insurance Company ("Alaska National") (NAIC No. 38733), an Alaska-domiciled and California admitted, multiline commercial insurance company. CopperPoint directly or indirectly owns and controls 100% of both PacificComp and Alaska National, through which it operates in California (individually and collectively referred to as the "CopperPoint Group" or the "Group"). This report provides California-specific information relating to such entities.

Additionally, CopperPoint also owns/controls 100% of MountainPoint Insurance Company ("MountainPoint") (NAIC No. 42242), an Arizona-domiciled and California admitted insurance company. A separate report is being submitted on behalf of MountainPoint confirming that it currently writes no lines of insurance.

The Group's book of business is entirely commercial, consisting of approximately 90% workers' compensation insurance and the remaining approximate 10% consists of a mix of commercial general liability, commercial auto, business interruption, employment practices liability and related types of coverages. However, particular to California, PacificComp only writes workers' compensation and Alaska National only writes workers' compensation and some commercial auto coverage.

In preparing the Group's first report/worksheet responsive to Bulletins 2020-3/2020-4, the Group: (i) interpreted the request as applicable to California-domiciled accounts and not California exposures domiciled in other states and (ii) construed refund of premium to mean reduction in premium for purposes of workers' compensation reporting, consistent with the Commissioner's stated flexibility to permit insurers to adapt the orders to the particular form(s) of insurance to which they apply.

In preparing this second report/worksheet, the Group continues to interpret the request consistent with (i), above, i.e., as applicable to California-domiciled accounts and not California exposures domiciled in other states. However, subsequent to filing the Group's first report/worksheet, the Group determined

the way it previously construed a refund of premium in (ii), above, – while arguably consistent with the Commissioner’s intended flexibility and adaptability – would be inconsistent with quarterly statutory statement reporting based upon NAIC guidance contained in *INT 20-08: COVID-19 Premium Refunds, Limited-Time Exception, Rate Reductions and Policyholder Dividends*. This is because reductions in payroll resulting in premium refunds or reductions (including deposit changes, EAP adjustments, reduced installments, etc.) would fall under existing policy terms/mechanisms such as payroll reporting, revised payroll estimates, interim audits, exposure related endorsements, etc.

While the Group’s prior, workers’ compensation reporting likely remains suitable in light of the Commissioner’s direction to be flexible and adaptable, in this report/worksheet, the Group construes a refund of premium consistent with the Group’s statutory statement reporting, i.e., a refund of premium means a reduction in premium resulting from policy terms that were modified to respond to COVID-19 (i.e. after 3/13/2020) on either a voluntary or involuntary/directed basis.

Having conducted a review of the Group’s workers’ compensation premium reductions due to COVID-19 related exposure changes, it was determined that changes were based solely on existing policy terms (i.e., the rating structure includes payroll changes) as outlined in the NAIC’s *INT-20-08*. Therefore, for purposes of reporting this period, June through August 2020, there is zero refunded premium to report in the Group’s workers’ compensation lines.

Given the commercial nature of the Group’s business and the Bulletins’ direction to insurers to assess information to determine how policyholders have been impacted and to adjust premium accordingly, the Group – and in conjunction with its broker/agency partners – has taken and/or is taking the following actions in regard to its underwriting, marketing, billing and collections practices:

- The Group maintains a dedicated COVID-19 resource page (<https://www.copperpoint.com/COVID-19-resource-center>) that includes FAQs for policyholders and producers, along with CEO messages, blogs, and links to other resources. Information about customer relief programs is available on this resource page and is updated as information changes. Additionally, the Group engaged in a proactive email campaign, both through its distribution channel and to its policyholders directly, advising them that the Group has implemented temporary business procedures to assist policyholders during the COVID-19 crisis and encouraging them to visit the Group’s resource page.
- The Group encouraged its policyholders to communicate with their brokers and agents if they experienced a change in operations due to COVID-19, and actively worked with agents and brokers to process mid-term operational changes and to reclassify and/or reduce payroll accordingly, which take immediate effect.
  - Most policyholders aren’t required to wait until final audit to receive a return premium because any resulting credits are being spread over remaining scheduled invoices or refunded to the policyholder.
  - Most of the Group’s policyholders are on interim audit/monthly reporting systems and will continue to have their premiums adjusted in the ordinary course as usual.

- A minority of policyholders that aren't on interim audit/monthly reporting will have their mid-term endorsement requests to reduce payroll and/or receipts processed as quickly as possible.
- PacificComp applies any resulting credits across scheduled invoices or to future charges, e.g., final audit, if there are no scheduled invoices remaining.
- Alaska National applies any credit in full and adjusts the available refund based on the scheduled invoices remaining. As per normal business procedures, final premium will be determined at audit.
- The Group will report but not include payroll relating to idled employees in the calculation of premium consistent with the Insurance Commissioner's order, dated June 15, 2020, approving the WCIRB's special regulatory filing in response to COVID-19.
- On new and renewal business, the Group is working with policyholders to provide flexibility on deposit premiums, ranging from 1-10%.
- Regarding commercial auto policies, California-domiciled policyholders with owned autos scheduled and garaged in the state:
  - The Group is suspending or reducing coverage at the request of its policyholders for vehicles that are not in active service.
  - The Group continued to provide a 15% annual discount, which amounts to an approximate 1.25% credit/month as a percentage of the total annual premium, during the month of June 2020 but expired the discount as of July 2020 as the Group estimated that risk had returned to a relatively normal, pre-COVID-19 range.<sup>1</sup>
    - Upon a review of our in-force commercial auto policies in the State of California, it was determined that our policyholders would not have a significant reduction in usage but would have a reduced exposure to losses due to less congested roadways that we pegged at 15% annually based on our estimates of roadway conditions and discounted by our estimate that our premium reduction program would likely extend into a period where normal roadway congestion resumes, which was deemed to occur in July 2020.
    - The premium for June 2020, like the premium for the prior period of March through May 2020, was returned to each impacted policyholder in a single endorsement. All endorsements for all affected policies were processed and issued in September 2020. Agency represented policies had endorsements issued to agents in September 2020 for them to return to policyholders.

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<sup>1</sup> Alaska National's prior, filed worksheet references an average percentage of refund applied to each policyholder of 1.25% per month. This figure represents the per month refund as a percentage of the total annual premium.

- While premium payment obligations remain, the Group continues to provide various payment plan options to its policyholders and is permitting policyholders at their discretion to amend billing plans midterm.
- For the period March 20, 2020 until July 14, 2020, the Group suspended policy cancellations and non-renewals for nonpayment of premium – including deposits, surcharges and installments – on all policies, including failure to report.
  - The Group waived any late fees assessed on past due balances from March 20, 2020 until July 14, 2020.
  - Upon expiration of the suspension of cancellations and non-renewals, the Group has provided reasonable opportunities for policyholders to bring delinquent balances current before initiating cancellation or non-renewal.
- The Group will continue to assess the situation and work with its policyholders to address changes occasioned by COVID-19.