

Travelers Consolidated Report

Response to California Department of Insurance Bulletin 2020-8, as amended

Dated February 1, 2021

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, 2020-4, and 2020-8 as amended. On behalf of all its domestic licensed, admitted and surplus lines insurance companies transacting property casualty insurance in the state of California¹, Travelers (or the “Company”) submits this report. More specific information regarding each individual underwriting company can be found in the corresponding workbook for the Company.

Travelers has a long history of serving the insurance needs of individuals and businesses in California, with over 547,000 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 of business, 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

To ease the financial burden that many individuals and businesses faced due to COVID-19, Travelers instituted a nationwide billing relief plan beginning on March 27, 2020 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 were suspended, and no interest, late fees or penalties were charged. When this billing relief plan ended, we continued to work with customers on an individual basis if needed.

¹ Travelers is providing responses on behalf of the following insurance 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 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).

Through December 31, 2020, our data shows that premium billing relief has been extended to over 10,000 individuals and over 6,500 business policyholders and surety customers in California for over \$42.4 million of past due premium.

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 contained information on the steps we took to help our customers, including the details of our billing relief plan.

In addition to our website, we also leveraged our many communication 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

Stay-At-Home Premium Credit Program

Travelers implemented the Stay-At-Home Premium Credit Program, providing eligible customers with premium relief in recognition of the reduced miles customers are driving and the decreased frequency of automobile accidents.

Initially, we provided a premium credit equal to 15% of the policy's earned premium for the months of April, May and June 2020.

In January 2021, we provided a premium credit equal to 10% of the policy's earned premium for the months of July through December 2020.

Data to Support Stay-At-Home Premium Credit Program

At the time we made the decision to implement the Stay-At-Home Premium Credit Program, there were several publicly available data sources in addition to competitor disclosures that indicated that miles driven had decreased approximately 30% to 50% since the national emergency was declared. See one such reference below.

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

The continuation of the premium credit is in response to the current environment in California.

Additional Coverage to Accommodate Changes in Exposures

We are also providing auto coverages for customers whose job responsibilities include using their personal vehicles to make food, grocery, pharmacy and medical supply deliveries.

Mileage Adjustments

In addition to implementing the Stay-At-Home Premium Credit, we continue to provide customers the ability to adjust their mileage. Proof of mileage changes, required in accordance with our normal practices, can be waived and accepted verbally. We continue to assess additional actions directed towards mileage.

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. 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 nearly \$39 million of premium relief beginning March 15, 2020 for California policyholders across all commercial insurance business lines, as outlined below, through mid-term and renewal adjustments. In addition, Travelers pushed back the effective dates of three rate filings that were pending during the pandemic 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 continues to provide 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 and instead have a significant indicated rate need. These policies have not seen the same homogenous claim frequency decreases as private passenger automobile. During the pandemic, some businesses did not have a significant decrease in automobile usage while others increased their use. For example, trucks remained on the road making deliveries to essential businesses such as grocery stores, and many restaurants and pharmacies changed 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 adopted an individualized approach for commercial automobile customers, proactively communicating with their agents and brokers through our 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 December 31, 2020, we leveraged and expanded our "seasonal lay-up credit" in the following manner:

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. The customer count and premium relief numbers are our best estimates of impacted customers and relief provided.

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).

1. We waived any 60-day minimum requirement when a policyholder requested seasonal lay-up credit.
2. The credit was available for any vehicle type currently not in use.
3. We waived any requirement of maintaining full coverage for at least one vehicle.
4. We maintained fair and reasonable criteria for 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 reduced their liability and collision premium while the vehicle(s) were not in use. This relaxation provided 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.

Data for California Commercial Automobile Customers

For the time period of March 15, 2020 through December 31, 2020, in addition to postponing the effective date of our rate increase (+17.5%) to January 1, 2021, we reduced premium or provided premium credits to 712 California commercial automobile policyholders, totaling \$1,636,386.

Actions Taken for Workers Compensation Customers

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

Travelers provided 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. Similar to 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 continue to watch pending workers compensation presumption legislation that, if passed, could 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.
- Introduction of an employee classification for "furloughed employees".
- Changing employee classifications to reflect different exposures during a specified time period (e.g., waitstaff become delivery drivers or outside salespeople become inside sales staff).

In addition, Travelers has over 10,000 California workers compensation policyholders, accounting for over \$33 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 4,815 California policyholders impacted by COVID-19 giving them additional time to complete their premium audits without deeming them uncooperative. Twenty-five deferred audits remain as of the date of this report. We conducted 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

Through December 31, 2020, we provided premium reductions to 3,958 California workers compensation policyholders, totaling \$49,990,968. Approximately 10,000 additional policyholders receive immediate payroll adjustment through real time payroll reporting, accounting for approximately \$33 million of premium. Between March 16, 2020 and December 31, 2020, we deferred, without penalty, 4,851 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 provided 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 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 at the request of their agents or brokers, 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 based on loss activity and 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 1,934 California commercial general liability customers totaling \$12,276,270 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) the 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 impose 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 currently no 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 a 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 485 California CMP customers with a total \$737,149 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

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.