

Ohio Indemnity Company

Response to COVID-19

Customer Relief / Policyholder Accommodations

Unlike automobile insurance and some other lines of insurance, the loss experience for coverages written by Ohio Indemnity are not directly related to mileage driven, nor are our premiums based on mileage driven or other factors affected by COVID-19 and its related quarantines. Specifically, we write collateral protection insurance (both blanket VSI and force-placed CPI) that protects a lender's interest in collaterals used to secure loans, and Guaranteed Asset Protection (GAP). In the event of a claim, collateral protection insurance pays the lesser of the cost to repair the vehicle, the ACV, or the outstanding loan balance. GAP coverage pays the difference between the ACV and the outstanding loan balance in the event of a total loss of the collateral.

Although the risk of physical damage to vehicles may be lower with less mileage driven, these types of insurance are equally (or more) affected by the outstanding loan balance, which is affected by the borrower's ability to make their payments and the lender's repossession rates. The premiums are based on the amount financed, the length of the loan term, the interest rate, etc. These factors do not change if the borrower drives less miles. Additionally, many of our insured lenders have offered deferred payment options (also called skip-a-pay options) to their borrowers during this time, thereby increasing the loan terms and outstanding loan balance, and thus increasing the coverage risk for which no additional premium is collected. In actuarial terms, lower mileage driven may lower the frequency of claims, but the increase in loan terms and outstanding loan balances will increase the severity of claims. Because of these offsetting factors, we do not believe there will be a significant impact on our overall loss experience. If anything, we believe we will likely experience an overall increase in our loss experience given the expected decline in used car values and increased repossession rates due to the current economic uncertainty. Also, since our rates are not based on mileage driven, we do not collect such data and would not be able to quantify the impact on frequency, if any. Nor could we quantify the impact on severity since we do not know how many borrowers, if any, will utilize deferred payments coverage.

Although we do not believe a premium credit or refund is appropriate for these programs, we have made accommodations to allow coverage for additional deferred payments in our claim settlement process and allow extended loss reporting times, as requested by our insureds. These changes enable them to accommodate the flexibility needs of their borrowers during this time. We are also allowing additional time for claim correspondence, documentation, repairs, and utilizing digital tools to minimize in-person contact wherever possible.

Finally, we are also accommodating the needs of our insureds with respect to renewals and cancellations. Many of our lender-related coverages are written for a period that corresponds to the finance term and thus do not have renewals or cancellation due to nonpayment. The CPI coverage is written for an annual term, but it is not automatically renewed because it is force-placed by the lender only if the borrower fails to provide proof of other insurance, so there is no required due date or any late fees.