

Re: Safeco Coronavirus (COVID-19) Premium Relief Action – Private Passenger Auto

For Report of Reporting Period: January, February, & March 2021

In response to Bulletin 2021-03, Safeco is providing the following information regarding refund activity for its Private Passenger Auto line of business:

Aggregate premium refunds and adjustments – initial 15% for March and April 2020	\$13,408,647
Aggregate premium refunds and adjustments – additional 5% for May thru December 2020	\$15,266,570

*NAIC Company Codes 24740, 24724, and 37214 Combined

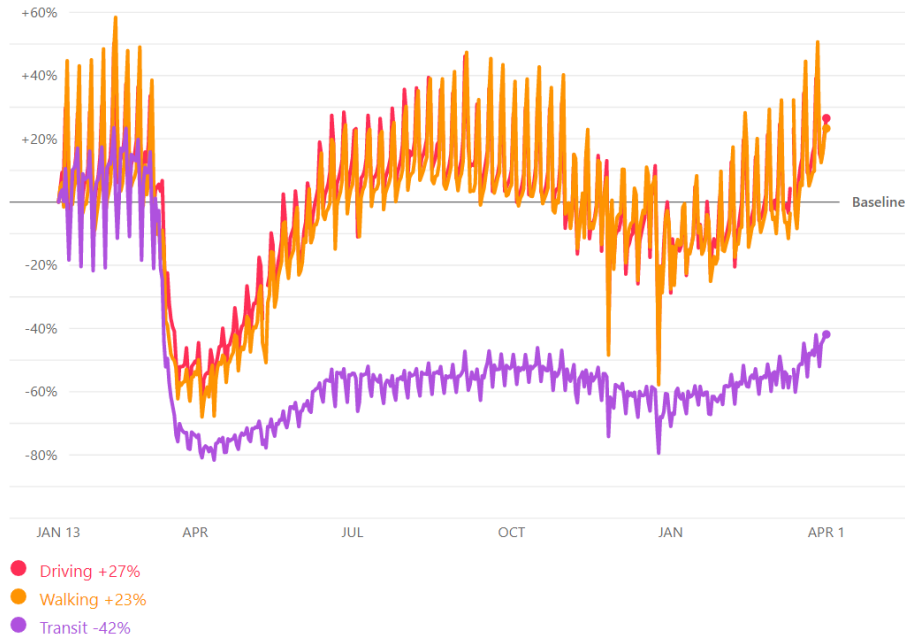
Refunds:

Safeco previously proactively issued refunds to its Private Passenger Auto customers for 15% for two months of annual auto premium for all private passenger auto policies with liability coverage, in-force as of April 7, 2020. These refunds occurred automatically, and customers did not need to call to receive the refund. In our refund communication to our customers, we provided the amount of the refund and advised of the basis for the refund as listed above. The refund communication also includes an invitation for customers to contact Safeco if they have any questions or want to make any updates to their policy information, including mileage estimates. Additionally, the Safeco Covid-19 specific website address is provided in the refund communication and includes a link for customers to contact us to review coverage, deductible, and other policy changes, including options to update mileage.

For Supplemental Report of Reporting Period: March through December 2020, Safeco will return an additional 5% premium from May 2020 through December 2020 for those same customers who are in-force at year-end 2020. Based on our recent evaluation, no further refunds are planned for reporting period: January, February, & March 2021.

Considerations that we contemplated for no additional premium relief from January through March 2021 are as follows:

1. **Social Distancing Impact to Vehicle Miles Travelled:** Given the urgent need for more responsive data, we considered the data available from Apple Mobility. Please see the graph below, for California-specific data for very recent driving behavior. The graph below is provided by Apple (<https://www.apple.com/covid19/mobility>), representing navigation requests for California.



As can be seen above, California driving behavior was most significantly impacted in March/April 2020. Subsequently, driving began to bounce back, with data suggesting a current increase of 27% relative to January 13th, 2020 (the starting point of available mobility data).

We do not necessarily believe the increase in app use is indicative of mileage already having bounced back 27% above pre-pandemic levels. This data does not include the length of trips, and the emergence of app requests isn't necessarily reflective of all trips taken. However, we do believe that this is strong evidence of an upward trend in driving.

2. Other Impacts to Vehicle Miles Travelled:

In March and April 2020, emergency orders to stay home combined with social distancing had a majority of the impact on vehicle miles travelled ("VMT"). However, going forward, we believe that other impacts have the potential to be more meaningful. These impacts include the following:

- **Vaccine Production.** Should vaccines be mass produced mileage would return to (or potentially pass) pre-pandemic levels, and more normal VMT trends would resume.
- **Less Comfort with Air Travel.** Discomfort with air travel will likely persist until a vaccine is mass produced and high percentage of U.S. population fully vaccinated against Coronavirus. Previous trips by air travel will be replaced by trips in vehicles.
- **Less Comfort with Public Transportation.** Comfort with public transportation is clearly down as shown above, (<https://www.apple.com/covid19/mobility>) representing California data. We believe this reduction in public transportation will likely persist.
- **Increased Demand for Activity.** After a period of inactivity, it is likely that the country will experience a surge of activity as restrictions are lifted.

3. **According to APCIA**, the 2020 increase in road fatalities and average severity suggest that despite improved automobile technologies and auto safety laws, driver behavior is deteriorating at a rapid pace. The difference in claim settlement times may be even higher than normal for 2020, given that courts are delayed in some jurisdictions as a result of the pandemic.

Changes in severity are less clear but are likely to partially offset favorable frequency impacts. With fewer cars on the road, there have been reports of faster driving speeds and an increase in fatalities. According to the Los Angeles Times, tickets for speeding in excess of 100 mph surged 87% (<https://www.latimes.com/california/story/2020-04-22/tickets-for-drivers-speeding-more-than-100-mph-surges-87-amid-california-shutdown-chp-says>). As medical and emergency services are more limited than in recent history, resulting injuries may be more difficult and costly to treat. There may also be changes in the costs of vehicle repair, with both parts and labor inaccessibility.

4. **Bad debt and premium leakage:**

Additionally, Safeco is observing recent trends in CA premium and expenses changes that should be considered when determining the COVID-19 impacts.

We've observed an increase in endorsement behavior with customers lowering mileage. CA customer-initiated endorsement activities related to reductions in mileage resulted in an additional premium decrease of up to -1.5%.

Safeco also provided a grace period that extended to July 14, 2020 for customers to pay insurance premiums so that insurance policies are not cancelled for nonpayment of premium. During this time, Safeco waived any late payment fees. These late payments were not reported to credit-rating agencies or be considered in any future premium calculation. As a result of these actions, we observed that our CA premiums collected were -6.6% lower than premiums billed for the time period of 3/22/2020 – 5/31/2020. For the same time period last year, our CA data shows that premiums collected were several points *higher* than premiums due, given that some customers choose to pay their premiums in full, thus demonstrating premiums collected are ~8% lower than expected based on premiums billed.

We believe our proactive refund of 15% for two months of annual premium and additional refund of 5% for May through December 2020, which equates to a ~6% refund over a twelve-month period, is reasonable given the information we know so far.

Summary:

Initial refunds totaling approximately \$13.4 million were provided to our Safeco California Private Passenger Auto customers and approximately an additional \$15.3 million will be issued, for a total of \$28.7M in refunds for the months of March 2020 through December 2020. No additional premium relief was provided to policyholders from January through March 2021. We have additional considerations around associated premium and expense changes and are observing that recent CA driving activity is

rebounding towards pre-COVID-19 levels. Safeco has initiated a number of efforts to help our CA insureds during these unprecedented times, including pausing cancellations, waiving late fees, extending billing options, extending coverage to delivery services and proactively providing customers opportunities on ways to make exposure changes such as reducing mileage based on their experience. In future rate filings, COVID-19 related impacts will be carefully considered. We feel the combination of refunds provided and the additional options made available to customers will continue to provide relief customer by customer where appropriate.