

Travelers Explanatory Memorandum

Response to California Department of Insurance Bulletin 2021-03

Dated April 30, 2021

On behalf of Travelers Property Casualty Insurance Company and Travelers Commercial Insurance Company, Travelers submits this Explanatory Memorandum in response to the inquiry below contained within the Department's COVID-19 Premium Refund Reporting Application.

[I] If your company writes in any lines of insurance specified in Bulletin 2020-3 and has determined no refunds are necessary, please explain and provide any relevant documents.

Responses for question #: 2a.

The following is a summary of actions we have taken to assist customers and agents in response to COVID-19 in the state of California:

- Stay-At-Home Premium Credit Program: Provided eligible customers 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 extended a premium credit equal to 10% of the policy's earned premium for the months of July through December 2020. The details of the program were communicated to customers contemporaneously with the issuance of premium credits.
- Annual Mileage: Travelers continues to provide customers the ability to adjust their rated mileage. Documentation of mileage changes, required in accordance with our normal practices, can be waived and accepted verbally.
- Billing Relief Plan: Cancellation and nonrenewal of coverage due to nonpayment were suspended, and no interest, late fees or penalties were charged from March 27, 2020 – June 15, 2020. All customers who were unable to make payments during billing relief were proactively given 12 months to repay the missed premium payments. As of March 2021, past due California Private Passenger premium remaining in billing relief is in excess of \$2M and the overall combined past due billing relief for all California personal insurance customers is in excess of \$6M.
- Coverage to Accommodate Changes in Exposures: Providing auto coverages for customers whose job responsibilities include using personal vehicles to make food, grocery, pharmacy and medical supply deliveries.
- Agency Compensation: The credits remitted to customers under the Stay-At-Home Credit Program were not subtracted from the premium used to calculate base commission for all Travelers agents. Additionally, in order to help our agent partners through COVID-19, Travelers accelerated supplemental commission payments to eligible agents and brokers. In April 2020, Travelers accelerated more than \$100M in payments enterprise wide.

In addition to the actions outlined above, below are further considerations of premium relief that apply to individual customer's situations and remove the need to continue broad based, extraordinary premium relief measures such as the Stay-at-Home Premium Credit Program:

- Overall changes in consumer driving patterns and behavior due to COVID-19 are being captured within the Travelers Vehicle Mileage program both at new business and at renewal. For new business within the Travelers Vehicle Mileage program, Travelers has already reflected average annual mileage decreases in excess of 13% since March 2020. This rated mileage decrease is already estimated to have produced average premium decreases for Certified Mileage customers in excess of 3% holding all else equal. This impact is expected to increase as customers continue to report lower historic annual mileage.
 - This historical magnitude broadly aligns with internal observations and external Department of Transportation traffic volume reporting in recent quarters. California vehicle miles were reported to be ~12-15% lower year over year for the months of December 2020 and January 2021.
 - As of February 2021, California vehicle miles reported had recovered to only ~7% lower year over year. As traffic volumes and insured miles driven begin to recover, this reduces the need for extraordinary premium relief and will ultimately be reflected in rated mileage over the following year.
https://www.fhwa.dot.gov/policyinformation/travel_monitoring/21febvtv/page6.cfm
- Travelers is also experiencing a material change in Vehicle Use classification on new business as a result of COVID-19, with more customers selecting "Pleasure Use" instead of "Commuter". From March to December 2020, the percentage of monthly new business vehicles classified as "Pleasure Use" increased from approximately 61% to 74%. This results in an additional premium benefit to those customers as "Pleasure Use" vehicles are written at discounts ranging from 3-5%, depending on the writing company, compared to commuter vehicles.
- In addition to waiving normal documentation of mileage changes, mileage is automatically refreshed at specific renewals depending on the mileage program selected by the insured. Numerous Travelers renewal customers have also taken advantage of annual mileage and vehicle use to more appropriately adjust their individual premiums on a smaller scale. Within the policy package, we provide the customer with the mileage figure used to rate each vehicle on the policy. We also remind them multiple times throughout the policy package to contact their Travelers representative immediately if any information is incorrect or has changed.
- In addition to the above actions and premium relief considerations, we must also consider severity increases observed across the industry partially offsetting favorable year-over-year frequency. This increase in severity is expected given the riskier driving behavior observed and reported across the industry. As one such example, see below for an early report from the National Highway Traffic Safety Administration. Observed risky behavior that led to increased fatality rates in 2nd quarter of 2020 continued into the 3rd quarter of 2020. With reduced levels of congestion, drivers are

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traveling at higher average speeds and engaging in other riskier behavior that result in higher severity for both automobile and medical coverages.

https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/documents/traffic_safety_during_covid19_01062021_0.pdf

In further response to Bulletin 2021-03, please be advised of the following:

- Travelers Commercial Insurance Company and Travelers Property Casualty Insurance Company each book a portion of its homeowners' insurance premium under Line 16 (Workers' Compensation) because it is attributable to a mandatory workers' compensation endorsement coverage that is required by §11590 of the California Insurance Code. Travelers Property Casualty Insurance Company has determined that no refunds are necessary because workers' compensation coverage is not a line of coverage where California policyholders have been adversely impacted because the measures of risk have not been substantially overstated.
- Since it has been raised in previous submissions, we would like to call attention to the fact that with respect to both underwriting companies, there is statutory reporting under Line 17 (Other Liability). Travelers does not believe reports on these premiums are required based on the scope of the Bulletins and has not reported on these premiums to date. The Bulletins specifically require reporting on "Commercial liability insurance" and do not mention personal liability insurance. Further, neither of the items below are in a line of coverage where California policyholders have been adversely impacted because the measures of risk have not been substantially overstated. More specifically:
 - Travelers Property Casualty Insurance Company books the premium attributable to the liability peril of its Homesaver policies to Line 17 (Other Liability).
 - Travelers Commercial Insurance Company books the premium attributable to its PLUS endorsement to Line 17 (Other Liability). The PLUS endorsement can be added to a homeowners policy to provide umbrella coverage.