

Travelers Consolidated Report

Response to California Department of Insurance Bulletin 2020-8

Dated October 1, 2020

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. On behalf of all its licensed, admitted and surplus lines insurers transacting property casualty insurance in California¹, Travelers 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 560,000 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, 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

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

To ease the financial burden that many individuals and businesses are facing due to COVID-19, Travelers instituted a nationwide billing relief plan beginning on March 27 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 have been suspended, and no interest, late fees or penalties will be 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 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 Casualty 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 August 31, 2020, our data shows that premium billing relief has been extended to approximately 8,200 individuals and over 6,500 business policyholders and surety customers 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 contains the most up-to-date information on the steps we are taking, including the details of our billing relief plan.

In addition to our website, we are also leveraging our many 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

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

Stay-At-Home Premium Credit Program

Travelers implemented the Stay-At-Home Premium Credit Program, providing eligible customers a premium credit equal to 15% of the policy's earned premium for three months in recognition of the reduced miles customers are driving and the decreased frequency of automobile accidents.

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/>

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 between March 15, 2020 and August 31, 2020 for California policyholders across all commercial insurance business lines, as outlined below, through mid-term and renewal adjustments. Billing relief was extended through June 15, 2020 to an additional 6300 policies with over \$26 million of past due premium. In addition, Travelers has pushed back the effective dates of three pending rate filings 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 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. Commercial automobile rates are not excessive with a significant indicated rate need. These policies have not seen the same homogenous claim frequency decreases as private passenger automobile. Some businesses have not had a significant decrease in automobile usage while others have increased their use. For example, trucks are still on the road making deliveries to essential businesses such as grocery stores, and many restaurants and pharmacies are changing 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 has 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 are leveraging and expanding our “seasonal lay-up credit” in the following manner:

1. We are waiving any 60-day minimum requirement when a policyholder requests seasonal lay-up credit.
2. The credit is available for any vehicle type currently not in use.
3. We are waiving any requirement of maintaining full coverage for at least one vehicle.

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 estimations 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).

4. We will be fair and reasonable to 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 will reduce their liability and collision premium while the vehicle(s) are not in use. This relaxation will provide 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.

For our transportation book of business written through transportation General Agents, we are leveraging a "limited use" classification which reclassifies vehicle(s) and applies an approximate 60% credit on vehicles moved from "full use" to "limited use" during the period that the risk is impacted. We have also permitted our transportation General Agents to adjust premium through appropriate coverage or vehicle deletions.

Data for California Commercial Automobile Customers

For the time period of March 15, 2020 through August 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 673 California commercial automobile policyholders, totaling \$1,503,006.

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. Like 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 workers compensation policyholders, accounting for over \$39 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 4,821 CA policyholders impacted by COVID-19 giving them additional time to complete their premium audits without deeming them uncooperative. 636 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 August 31, 2020, we provided premium reductions to 2,768 California workers compensation policyholders, totaling \$29,107,254. Approximately 10,000 additional policyholders receive immediate payroll adjustment through real time payroll reporting, accounting for approximately \$39 million of premium. Between March 16, 2020 and August 31, 2020, we deferred, without penalty, 4,821 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 based 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 or 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 1,189 California commercial general liability customers totaling \$7,814,248 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 find 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 no currently 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 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 320 CMP customers with a total \$543,952 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

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

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.