



A FAIRFAX Company

VIA EMAIL [RSBCovid19PR@insurance.ca.gov](mailto:RSBCovid19PR@insurance.ca.gov)

April 22, 2021

Insurance Commissioner Ricardo Lara  
California Department of Insurance  
Rate Specialist Bureau  
300 South Spring Street, 11th Floor  
Los Angeles, CA 90013

RE: COVID-19 Premium Relief Report for January – March 2021  
Supplemental Report for March – December 2020  
Zenith Insurance Company (NAIC #13269)  
ZNAT Insurance Company (NAIC #30120)

Dear Commissioner Lara:

Zenith Insurance Company (“ZIC”) and ZNAT Insurance Company (“ZNAT” and together with ZIC, collectively “Zenith”) submit the following information in response to Insurance Commissioner Ricardo Lara’s Bulletins issued on April 13, 2020 (“Bulletin No. 2020-3”), June 25, 2020 (“Bulletin No. 2020-8”), December 3, 2020 (“Amended Bulletin No. 2020-8”) and March 11, 2021 (“Bulletin No. 2021-03”).

Bulletin No. 2020-3 ordered certain insurers to provide premium relief to policyholders who may be overpaying premium due to reduced exposures caused by Governor Gavin Newsom’s shelter-in-place order, and to provide a written report within 60 days describing “all actions taken and contemplated future actions” that were consistent with the Bulletin. Zenith complied with the requirements of Bulletin No. 2020-3 on June 9, 2020.

Bulletin No. 2020-8 extended the directives and reporting requirements of Bulletin No. 2020-3 to include premium relief for the month of June and any subsequent months as conditions warrant. Amended Bulletin No. 2020-8 provided that premium relief provided for the months of September, October, November and December should be submitted no later than February 1, 2021. Zenith complied with Bulletin No. 2020-08, as amended, on January 11, 2021.

Bulletin No. 2021-03 reminded insurers of the continuing obligation to submit reports on a quarterly basis within 30 days following the end of each quarter. In addition, Bulletin 2021-03 requested insurers re-review their premium relief actions from March through December 2020 and return additional premium for policyholders that have been overcharged, particularly in the area of personal auto insurance. Accordingly, this report explains the various ways we have provided, and continue to provide, premium relief to our customers during this pandemic.

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## **About Us**

ZIC, and its wholly-owned subsidiary ZNAT, are California-domiciled insurers. Both companies have been serving the insurance needs of California businesses for decades. ZIC and ZNAT both write workers' compensation and employer's liability insurance, our primary line of business in California. In addition to workers' compensation and employer's liability insurance, ZIC also writes the following lines of insurance for risks in the farm and agriculture industries: commercial auto, commercial general liability, commercial multi-peril and commercial property.

## **About Our Customers**

In California, ZIC primarily insures larger individually underwritten customers. ZNAT primarily insures small business customers as part of a safety group program or our general small business template-rating plan. While our workers' compensation insurance policyholders operate in different industries, we are a prominent insurer of agricultural risks in California. In addition, when it comes to commercial property and casualty insurance, all of our customers are in the agricultural industry.

The agricultural industry in California is robust. California leads the nation in agricultural production with the state's top 20 crop and livestock commodities accounting for \$42.6 billion in value.<sup>1</sup> Because of California's important role in feeding the nation, farm and agricultural risks continued to operate during the pandemic. California Governor Newsom's March 19, 2020 Executive Order No. 33-20 for residents to stay at home during the COVID-19 pandemic exempted food and agriculture workers, as they are members of the federal essential critical infrastructure workforce.<sup>2</sup>

## **Support for All Zenith Customers**

Since state governors began to issue shut-down orders over a year ago, Zenith has provided uninterrupted, exceptional care of our policyholders, their business, and their employees.

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<sup>1</sup> California Department of Food and Agriculture (2020). *California Agricultural Statistics Review 2019-2020*, [https://www.cdfa.ca.gov/statistics/pdfs/2020\\_Ag\\_Stats\\_Review.pdf](https://www.cdfa.ca.gov/statistics/pdfs/2020_Ag_Stats_Review.pdf)

<sup>2</sup> California Exec. Order No. 33-20 (March 19, 2020) <https://covid19.ca.gov/img/Executive-Order-N-33-20.pdf>

## *Premium Deferral and Suspension of Cancellations*

Beginning March 18, 2020, we agreed to defer premium, provide additional time to pay and suspend issuing notices of cancellation for policyholders nationwide experiencing financial hardship due to COVID disruption. As of early October 2020, we resumed normal billing, collections and cancellation activity for our customers in all states. However, Zenith will, in the ordinary course of business, provide various accommodations such as premium payment plans to policyholders who can demonstrate ongoing financial hardship due to COVID impact.

## *Dedicated COVID-19 Resource Page and Proactive Communications*

We established a dedicated COVID-19 resource page<sup>3</sup> on [www.thezenith.com](http://www.thezenith.com), which includes information on the various ways we provide assistance to our customers. The website explains how to request cancellation relief, policy adjustments and changes in billing arrangements.

Through our COVID-19 resource page, we also provide our customers with access to Zenith resources to help understand and manage emerging COVID-19 employee health and safety issues. These resources include safety and health best practices guides specific to Agriculture and other industries and a sample COVID-19 Infection Prevention Program.

We also have provided our policyholders, agents and brokers with various communications to keep them informed of our activities.

## **Workers' Compensation and Employers Liability Insurance**

Our workers' compensation policyholders operate in different industries and communities causing the impact to payrolls to vary significantly by individual insured. Some policyholders had to shut down their businesses while others such as our agricultural customers continued to operate uninterrupted throughout the pandemic. This variation required us to address the needs of our customers on a case-by-case basis.

As we have previously reported, Zenith has deployed a multifaceted approach to providing premium relief on a case-by-case basis for its workers' compensation policyholders.

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<sup>3</sup> <https://thezenith.com/zenith/zeniths-covid-19-response>

The types of accommodations that are provided include:

- Reclassifying exposures to clerical for employees working from home;
- Excluding pay to furloughed employees;
- Mid-term payroll and premium adjustments;
- Dedicated online portal for small business policyholders to submit revised payroll;
- Changes in billing plan type from fixed installment to voluntary payroll reporting; and
- Virtual Premium Audits, extension of audit deadlines and extending delays for noncompliance.

During the months of January through March of 2021, we continued to provide these accommodations to our customers. However, as the data in the attached workbook indicates, policyholder requests have declined. This is presumably due to the fact that exposures, payroll and premium have been adjusted as policies were renewed. In addition, over half of our total premium is derived from policies that utilize voluntary payroll reporting. Under this billing plan policyholders report their actual payrolls for the month and premium is billed accordingly. As a result, individual customer payroll and premium impacts from COVID-19 are automatically reflected in their monthly billed premiums. With respect to past premium relief efforts from March – December 2020 for our workers' compensation policyholders, we believe that our actions were beneficial to our customers, all premium paid reflected actual risks covered without any overcharge and, therefore, no supplemental relief is needed.

## **Commercial Auto Insurance**

ZIC writes commercial auto insurance in California for risks in the farm and agribusiness industry. Many of our farm and agribusiness industry customers continued to operate during the pandemic as essential businesses. To respond to the unique needs of our agribusiness customers, our commercial auto product provides a rating structure for commercial vehicles used in agribusiness as well our customer's private passenger vehicles.

A standard feature of commercial auto policies is the ability to request a lay-up credit to address down time for commercial vehicles not in use. Upon request, coverage for commercial vehicles not in use can be suspended resulting in a lay-up premium credit. We have proactively communicated to our policyholders that they should contact their agents to assess if any policy adjustments should be requested. During the months of January through March of 2021, we did not receive any requests for lay-up credits.

Our private passenger rating is not based on mileage but rather on where the vehicle is garaged and how it is used. Although our rating structure does not provide for adjustment based on miles driven, we did provide in 2020, as a courtesy to our customers, a one-time premium discount of 15%. The discount was applied towards the premium generated by the private passenger vehicles during the period March 19, 2020 to May 31, 2020. We have not continued the premium discount because our exposures are not overstated based on our rating structure and our agribusiness customers have continued to operate during the pandemic.

With respect to past premium relief efforts from March – December 2020 for our commercial auto policyholders, we believe that our actions were beneficial to our customers, all premium paid reflected actual risks covered without any overcharge and, therefore, no supplemental relief is needed.

### **Commercial General Liability**

ZIC writes commercial general liability insurance in California for risks in the farm and agribusiness industry. These policies are rated based on annual receipts and are subject to audit after policy expiration. A policyholder may request, at any time, an adjustment in the basis for rating due to a decline in revenue. We have proactively communicated to our policyholders that they should contact their agents to assess if any policy adjustments should be requested. During January through March of 2021, we did not receive any requests to adjust estimated annual receipts.

With respect to past premium relief efforts from March – December 2020 for our commercial liability policyholders, we believe that our actions were beneficial to our customers, all premium paid reflected actual risks covered without any overcharge and, therefore, no supplemental relief is needed.

### **Commercial Multi-Peril**

ZIC writes commercial multi-peril insurance in California for risks in the farm and agribusiness industry. As previously stated, farms and agriculture risks have continued to operate since they are exempt from the shelter-in-place order. In addition, this type of insurance is rated based upon acreage and other factors which would not have been affected by COVID-disruption. For the foregoing reasons, ZIC determined that no premium relief was needed for its commercial multi-peril policyholders.

# TheZenith<sup>®</sup>

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In summary, Zenith is committed to assisting our policyholders who are doing their part to help stop the spread of COVID-19 by staying at home. We hope that this report helps explain the premium relief efforts we have provided. Should you have any questions or need additional information, please feel free to contact me at (917) 327-5728 or [chelin@thezenith.com](mailto:chelin@thezenith.com).

Sincerely,



Chad Helin  
Executive Vice President and General Counsel  
Zenith Insurance Company