

Safeway Explanation Premium Relief 2020

Response to Question 2a

Further premium relief for Safeway policyholders beyond July of 2020 was not provided, and found not necessary. However, Safeway received approval of a 9.6% overall rate decrease for its policyholders on January 13, 2021. Filing # 20-4158.

Safeway provided premium relief for the months of March, April, May, June, and July of 2020. The \$965,681 returned premium was a significant amount of premium for an insurance operation of Safeway's size. Additionally, during the early months of the pandemic and to date, Safeway and its producers processed hundreds of policy endorsements for mileage and vehicle use, thereby lowering premiums for policyholders beyond the returned premiums. The insurance company did what it could to balance the needs of its California policyholders with the existential needs of Safeway in California. While other insurance companies have seen high profit levels, this has not been the case for Safeway's California operation. The negative effects of the COVID-19 pandemic have put the company in the difficult position of fulfilling policyholder expectations with regard to reduced premiums and of remaining financially healthy.

The months of June through November saw a significant bounce back in driving activity, increases in claims frequency as well as increases in claims severity. Since the original California Shelter at Home Order in March of 2020, Safeway also experienced a substantial and critical decrease in its ability to write new business policies. At the same time, retention of existing policies (essential to Safeway's long-term sustainability) declined. Safeway's policies-in-force- dropped 9.3% in 2020, and continues to decline to date. Earned premium dropped 14% over the same period. With the drop in business, the retention of Safeway's California employees has been threatened.

The premium relief that was provided from March through July, during a time when the book of business was declining, has had a negative impact on the company's ability to continue to provide a high-quality insurance product to the non-standard insurance market in California. Safeway's California operation has not been able to turn a profit in California in the last five years, and this trend continued in 2020. Returning more premium in 2020 without the ability to acquire more new business would have put the company in a compromised position, delaying any return to profitability.

In an effort to return to long-term sustainability in the State of California and to provide policyholders with premium relief, Safeway filed for a rate change in November of 2020 that was approved on January 13, 2021. This change represents an overall rate decrease of 9.6% for Safeway policyholders, and gives the company a pathway to rebuild its policies-in-force to a level which will allow for a return to profitability in 2022. This decrease also benefits Safeway's policyholders by putting more money in their pockets in 2021 as the California economy begins to open again.

Safeway is dedicated to providing a quality product and quality service to the California non-standard market. While respectful of the authority of the CA Department of Insurance, Safeway found itself unable to grant its policyholders premium credits for August through December of 2020. The approved rate decrease accomplishes the objective of providing further premium relief for Safeway policyholders without harming Safeway's immediate and long-term future in the state.