

COVID-19 Rate Filing Requirements

The COVID-19 pandemic has caused an unprecedented challenge for the California insurance market. As a result of the shelter-in-place orders issued across the state during 2020, the pandemic has severely curtailed activities of policyholders in both personal and commercial lines as described in the Commissioner's Bulletin 2020-3ⁱ. This resulted in the misclassification and overstatement of projected loss exposures particularly in lines where premiums are based partly on measures of risk such as number of miles driven, revenue, and payrolls which all dropped significantly because of COVID-19. To assist the Department in its review of any new or pending rate filings in the lines impacted by COVID-19 and identified in the Commissioner's Bulletin 2020-3, insurers must submit data that reflect their loss experience beginning with Governor Newsom's March 19, 2020 COVID-19 shelter-in-place order through current (the "COVID-19 Period").

It is expected that the data underlying rate filings for COVID-19 impacted lines will be distorted due to COVID-19, and adjustments to the insurers 2020 and 2021 data will be required. Insurers should file any appropriate variancesⁱⁱ available under California Code of Regulations § 2644.27 in order to make the appropriate adjustments to their data. For example:

1. Insurers could apply for variance 7C to adjust their loss development data or loss development factors due to changes to insurer's reserving or claims closing practices following the onset of COVID-19.
2. Insurers could apply for variance 8A in order to adjust their trend data for changes in the mix of business, for example, a shift toward lower annual mileage under Private Passenger Auto following the onset of COVID-19.

Insurers may also apply for other variances available under California Code of Regulations § 2644.27 not discussed above, provided adequate justification is given. Variances resulting from the impact of COVID-19 should be filed separately from any other variance requests.

For the reasons discussed above, the Department is requesting specific information in order to aid with its review of rate filings for COVID-19 impacted lines of business. Every insurer with a new or pending rate filing for a COVID-19 impacted line, as identified in Department Bulletin 2020-3, must submit the following documents in addition to those required as part of a normal rate filing submission:

- Supplemental COVID-19 Exposure and Premium Template
- Supplemental Quarterly Development Template
Note: This template was previously considered an optional exhibit for all lines, but is now required for COVID-19 impacted lines.
- Standard Exhibits Template – for the no variance scenario, required per the Prior Approval Rate Filing Instructions.
- Standard Exhibits Template – for each variance submitted, per the Prior Approval Rate Filing Instructions.
- Exhibit 13 – Variance Request, per the Prior Approval Rate Filing Instructions, if applicable.
- Any other supplemental exhibit the insurer needs to explain its own adjustments, in detail, to the rate template or supporting exhibits.

- Response to COVID-19 Rate Filing Questionnaire.

ⁱ Private passenger automobile insurance, Commercial automobile insurance, Workers' compensation insurance, Commercial multiple peril insurance, Commercial liability insurance, Medical malpractice insurance and any other line of coverage where the measures of risk have become substantially overstated as a result of the pandemic.

ⁱⁱ For more information on the filing requirements for variances, insurers should refer to the Prior Approval Rate Filing Instructions. Per 10 CCR 2644.27(c), "Public notice of all variance requests shall be provided as set forth in California Insurance Code Sections 1861.05(c) and 1861.06." If filed after initial submission of the application, a variance request will trigger a reset of the public notice period.