



**RICARDO LARA**  
CALIFORNIA INSURANCE COMMISSIONER

October 5, 2021

**VIA ELECTRONIC MAIL**

**Mercury Insurance Company**

Joseph B. Miller, General Counsel

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Justin Yoshizawa, Director-Product Management State

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SUBJECT: Additional Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic

Dear Mr. Miller and Mr. Yoshizawa:

In March 2020, shortly after the unprecedented California-wide stay-at-home order resulting from the COVID-19 pandemic, California Insurance Commissioner Ricardo Lara ordered all property and casualty insurers doing business in California in lines of insurance impacted by the pandemic to make appropriate premium refunds to consumers.<sup>1</sup> As the pandemic continued, Commissioner Lara extended his refund order through June 2020 and beyond “as conditions warrant.”<sup>2</sup> Most recently, Commissioner Lara ordered all property & casualty insurers doing business in California to continue to provide appropriate premium refunds or credits in response to consumers’ changed behaviors as a result of the COVID-19 pandemic.<sup>3</sup>

Many Californians’ private passenger vehicles became misclassified or incorrectly rated and the projected loss costs became overstated as a result of policyholders driving significantly less to comply with the various state and local public health “stay-at-home” orders. As a result, many

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<sup>1</sup> Bulletin 2020-3 ([http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin\\_2020-3\\_re\\_covid-19\\_premium\\_reductions-2.pdf](http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin_2020-3_re_covid-19_premium_reductions-2.pdf)).

<sup>2</sup> Bulletin 2020-4 (<http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin-2020-4-Premium-Refunds-Credits-and-Reductions-in-Response-to-COVID-19-Pandemic.pdf>); Bulletin 2020-8 ([http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin-2020-8-Premium-Refunds-Credits-and-Reductions-in-Response-to-COVID-19-Pandemic-Amended-12\\_3\\_2020-2.pdf](http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin-2020-8-Premium-Refunds-Credits-and-Reductions-in-Response-to-COVID-19-Pandemic-Amended-12_3_2020-2.pdf)).

<sup>3</sup> Bulletin 2021-03 (<http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin-2021-03-Premium-Refunds-Credits-and-Reductions-in-Response-to-COVID-19-Pandemic.pdf>) (“Bulletin 2021-03”).

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insurers overcharged consumers for their private passenger automobile (PPA) coverage beginning in March 2020 through at least March 2021.

To date, in response to the Commissioner's orders, PPA insurance companies have returned, in the aggregate, a total of more than \$2.4 billion in premiums to Californians. But based on the Department's analysis and calculations, "[i]nsurance companies must do more to return overstated private passenger automobile premiums, and continue to do so as long as the pandemic results in reduced risk of loss."<sup>4</sup>

The Department's review and analysis indicate that the PPA policyholders of **Mercury Insurance Company** (the "Company") should have received substantial additional PPA premium refunds or credits.

Accordingly, in order to determine whether a full examination or other administrative action is necessary, please provide the following information in writing as soon as possible, but in no event later than 30 days from the date of this letter. This request is made pursuant to California Insurance Code sections 730 and 734.

1. The amount of additional PPA premium refunds/credits the Company intends to provide to its California PPA policyholders for the time period of March 2020 through at least March 2021;
2. A description of the methodology to be used to determine which policyholders will be provided additional refunds/credits, how much each will receive, and when they will receive it;
3. Appropriate data and documentation, per the attached Appendix A, to assist the Department in determining any additional amount of PPA premium refunds or credits to be provided; and
4. A description of all actions, if any, the Company took in response to the pandemic to determine policyholders' annual miles driven from March 2020 through at least March 2021.

The Department expects the Company to provide a complete response within 30 days of the date of this letter and will not grant any extensions of time to respond.

If you have any questions or require any additional information, please contact the undersigned directly.

Sincerely,



Kenneth B. Schnoll  
General Counsel & Deputy Commissioner

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<sup>4</sup> Bulletin 2021-03.

## APPENDIX A

In further response to information category #3 above, the Company should provide all of the following information:

- A. A standard Rate Template, fully populated by coverage.
  - i. Use ONE fiscal accident year of data ending 1st quarter 2021 (April 1, 2020 through March 31, 2021), regardless of the credibility of the coverage
  - ii. Enter the credibility for each coverage, per 10 CCR §2644.23
  - iii. Enter 1.00 for all premium and loss & DCCE trend factors
  - iv. Enter 0% for all premium and loss & DCCE annual trends
  - v. Provide Loss and DCCE evaluated as of June 30, 2021
  - vi. Loss development factors determined from the supplemental quarterly data template (see below)
  
- B. Supplemental quarterly data template as of June 2021, which includes by coverage, development triangles for incurred loss and DCCE, paid loss and DCCE on both closed and open claims, paid loss and DCCE on closed claims only, reported counts, claim counts with payment (open and closed claims), closed without payment counts, closed with payment counts, per the attached Appendix B.
  
- C. In-force exposure distribution by Annual Mileage rating category for each of the six quarters ending from 2020Q1 through 2021Q2.
  
- D. In-force exposure distribution by Usage rating category, if included in the insurer's rating plan, for each of the six quarters ending from 2020Q1 through 2021Q2.
  
- E. Earned exposures, refund amounts due to COVID-19 (including refunded premium amounts booked as expenses), and direct earned premiums before the refund amount due to COVID-19, for each of the six quarters ending from 2020Q1 through 2021Q2.