



**RICARDO LARA**  
CALIFORNIA INSURANCE COMMISSIONER

September 29, 2022

Company Name:  
NAIC Number:

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

Dear XXXX:

Consumer protection is the top priority for California Insurance Commissioner Ricardo Lara. In April 2020, shortly after the unprecedented California-wide stay-at-home order resulting from the COVID-19 pandemic, Commissioner 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> Again, in March of 2021, Commissioner Lara ordered all property and 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>

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, Commissioner Lara continues to emphasize that “[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>

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 statewide and local public health “stay-at-home” orders. As a result, many insurers overcharged consumers for their private passenger automobile (PPA) coverage beginning in March 2020 through at least March 2021. In October 2021, Commissioner Lara directed three auto insurance companies to reimburse California drivers the excess premiums they were charged from the start of the pandemic, or face legal action; those companies responded by providing data on the premium refunds that they provided to policyholders and their claims experience during the pandemic period, which the Department is currently analyzing.

The Department continues to extend its analysis to other insurance companies in order to benefit consumers who were overcharged. The Department’s review and analysis indicate that the PPA policyholders insured by your company (the “Company”)<sup>5</sup> or by the companies within your insurer group<sup>6</sup> (the “Companies”) may be owed additional PPA premium refunds or credits. On behalf of California

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<sup>1</sup> Bulletin 2020-3 ([Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic \(ca.gov\)](#)).

<sup>2</sup> Bulletin 2020-4 ([Bulletin 2020-4 Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic \(ca.gov\)](#)); Bulletin 2020-8 ([Bulletin 2020-8 Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic, Amended 12 3 2020 \(ca.gov\)](#)).

<sup>3</sup> Bulletin 2021-03 ([Bulletin 2021-03 - Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic \(ca.gov\)](#)) (“Bulletin 2021-03”).

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

<sup>5</sup> For those PPA insurers that either do not belong to an insurer group, or are the only insurer within an insurer group writing PPA.

<sup>6</sup> For insurer groups which contain multiple insurers that write PPA.

September 29, 2022

consumers, the Department of Insurance seeks premium refunds in the full amount of what policyholders are owed. Accordingly, in order to determine whether a full examination or other administrative action is necessary, please provide the following information in writing for each company in your insurer group, and for each program (e.g., regular, motorcycle) for which a separate and unique rating plan exists, as soon as possible, but in no event later than 30 days from the date of this letter. Note that this information will be considered in the context of the Department's review of any pending or future PPA rate filing submitted by PPA insurers. Submit all responses to [RSBCovid19PR@insurance.ca.gov](mailto:RSBCovid19PR@insurance.ca.gov). **This information must be provided separately for each company and PPA program for which a separate and unique rating plan exists regardless of any prior submission provided to the Department in regards to this subject.**

1. The amount of additional PPA premium refunds/credits the Company provided to its California PPA policyholders for the time period of March 2020 through at least March 2021;
2. A description of the methodology used to determine which policyholders were provided additional refunds/credits, how much each received, and when they received it;
3. Appropriate data and documentation, per the attached Appendix, 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 from 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 and Deputy Commissioner

## APPENDIX

In further response to information category #3 above, the Company should provide, per the attached PPA Refund Information workbook, all of the following information for each company and PPA program for which a separate and unique rating plan exists:

- A. Quarterly incurred loss & DCCE development triangles by coverage through accident quarter March 2022, evaluated as of March 2022.
- B. In-force exposure distribution and the associated rating relativities by Annual Mileage rating band for each of the five quarters ending from 2020Q1 through 2021Q1. If the Company uses multiple mileage groups (i.e., estimated, verified, etc.), provide the information for each mileage group. Provide the Annual Mileage bands in increments of 500 miles through 25,000 miles; and increments of 1000 miles thereafter, up to 50,000+. Further detailed instructions are provided in the PPA Refund Information workbook.
- C. 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 13 quarters ending from 2019Q1 through 2022Q1.