Comments of the Consumer Federation of America to the
NAIC Property and Casualty (C) Committee
June 10 Conference Call
Regarding Auto Insurance Regulatory Issues During the COVID-19 Pandemic

CFA provides the following comments to the Property and Casualty Committee of the NAIC:

As the members of this committee are aware, CFA and the Center for Economic Justice have sent several letters to all state insurance commissioners on the dramatic impact of the COVID-19 crisis on driving in America and, therefore, on the fairness of auto insurance premiums during this time. Copies of these letters are attached to these comments.

Overnight, in mid-March, auto insurance rates became hugely excessive. Action was required to avoid a coronavirus windfall for auto insurers paid for by America's policyholders, millions of whom were laid off or otherwise adversely impacted by the pandemic. Action is still needed today.

The people needed the help of the state insurance commissioners in mid-March. While there was some important action related to health insurance and extensions of premium payment grace periods, Americans did not receive the protection from excessive auto rates that they needed.

We see three phases to this crisis as it relates to auto insurance.

Phase 1 of the crisis is marked by the height of the first wave of the pandemic, from mid-March to May 31. During this period national premium adjustments made sense since the collapse of driving was deep and nationwide. But this process needed guidance and oversight by insurance commissioners that was sorely lacking.

> On **March 18**, CFA and CEJ sent our first letter to all commissioners, the first line of which read, "We write to urge you to direct auto insurers in your state to provide premium offset payments to policyholders whose driving has been affected by COVID-19…"

On **March 30**, we again wrote to all Commissioners asking for action. We noted that state insurance departments had done nothing other than insurers being urged to offer relief by the insurance commissioners in Alaska, Maryland and Pennsylvania.

On **April 6**, we applauded insurers Allstate and American Family Insurance for being first, that day, to promise premium relief to policyholders. We again expressed concern that state insurance departments had not intervened to ensure fair relief.

On **April 13,** we issued our first report card on insurer responses and, again, called on state insurance departments to act and collect data to ensure that rates, even after the initial relief promises, are not excessive. That was also the day that California Insurance Commissioner Lara announced the first real action on the issue of pandemic-driven excessive premiums, by ordering refunds in auto and several other lines of coverage.

On **May 7**, we issued a detailed report on Phase 1 of the crisis pointing out that motor vehicle accident data indicated a minimum average 30% premium relief payment was needed for consumers between March 18, 2020 and the end of May, even after accounting for offsetting cost factors. Insurers' premium relief had not been sufficient, averaging about 15% or half of what was required. We again called on regulators to step up and meet their statutory responsibilities – ensuring insurance rates are not excessive and not unfairly discriminatory.

On **May 21**, we wrote to you again, pointing out that except for the commissioners in California and New Jersey (and, later, Michigan), no state regulators had ordered insurers to provide relief, let alone a minimum amount of relief, or ordered data sufficient to test the relief being offered for adequacy.

While we await findings from California, New Jersey, and Michigan about whether more Phase 1 refunds are due to drivers in those states, it looks evident that, generally, insurers offered relief of about half of the 30% that was needed during Phase 1. This two and a half months of inadequate relief directly reflects the lack of action at the state level.

We are now in **Phase 2** of the COVID-19 auto insurance crisis, as of June 1.

Individual state actions are urgently needed now. National relief is no longer appropriate, as changes to miles driven and risk exposure varies by state, and spikes in COVID-19 will appear at different times in different places. Government lockdowns and the rate of easing such controls also vary by state and even territorially within states. And the non-governmental decisions of

individuals and employers about whether or not to get back on the road also appears to significantly vary regionally.

Generally speaking, driving has rebounded from the height of the first wave of COVID-19. Still, it was down by 27% during the last week of May, indicating that an average premium reduction of about 15% is necessary in June. If we had not experienced the virtual stoppage of life as we know it in April and May, this reduction in driving would itself be historic. Remarkably, only five insurer groups of the almost 300 who report personal auto data to Bests are granting any relief past May 31 and only three are granting any relief during June. They are USAA (20% to all policyholders), Allstate (15% to all) and GEICO (15% to those customers whose renewal is between April and June). Two other insurers promise relief later this summer: State Farm's rate cut of 11% average nationally begins in August and September, and American Family will be providing 10% beginning in July.

Put differently, in June, 60% of the nation's policyholders will not get any relief and hundreds of insurers will undoubtedly collect excessive premiums. Rates were excessive during the first phase remain excessive today. State insurance departments must step up and follow the lead of California, Michigan and New Jersey to stop COVID windfall profits for insurers at the expense of your financially beleaguered citizens.

Lastly, we will eventually get to **Phase 3**, in which insurance rates will need to reflect a new post-pandemic normal. We don't know exactly what that will look like, but if you rely on traditional ratemaking based on historic losses without accounting for pandemic-related changes to auto insurance risk exposure, we are going to find ourselves with excessive rates going forward. While you should be working to ensure companies are giving back excess premiums in the short-term over the summer, you also need to be articulating a plan to ensure rates in the future account for the new normal that is likely to include less driving for an extended time to come.

In order to get each of these three phases right, one critical piece common to all three phases is the need for more data. We request that each state collect data from insurers sufficient to make sure that policyholders in your state were not, are not, and won't be paying excessive auto insurance rates during the pandemic and post-pandemic era. Among other benefits, such data collection can address key problems that have already burdened policyholders in your state:

1. Only two insurers lowered rates during the second half of March. Rates were excessive for all other insurers then, requiring your action to remedy.

2. In April and May, while most insurers lowered rates somewhat, research shows that rates were lowered only by about half of the indicated 30% reduction needed to make rates not excessive.
3. Several non-standard insurers, that often sell in communities of color, have provided no relief to their policyholders.
4. For June, only three insurers have taken any action to lower rates, leaving hundreds of insurers charging excessive rates as we speak and as the summer continues.

Thank you for considering these critical consumer protection issues.

Sincerely,

J. Robert Hunter, FCAS, MAAA
CFA Director of Insurance

Douglas Heller
CFA Insurance Expert

Consumer Federation of America

CENTER for ECONOMIC JUSTICE | FAIR ACCESS FAIR TREATMENT

March 18, 2020

Dear Commissioner:

We write to urge you to direct auto insurers in your state to provide premium offset payments to policyholders whose driving has been affected by COVID-19 – specifically, for those policyholders whose miles driven has declined and will continue to remain lower than anticipated at the time of policy rating for the foreseeable future. Without a return of premium to the millions of Americans who are sheltering in place or have otherwise significantly reduced their driving, consumers will be paying unreasonable and excessive premiums based on outdated estimates of miles driven. Premium offset payments are an efficient way to provide this appropriate relief while retaining insurers' ability to snap back to prior pricing when mileage returns to the levels on which current rates are based.

Directing auto insurers to provide such relief is reasonable and necessary and urgent action is needed. It is reasonable – and actuarially sound – to direct the proposed offset payments because miles driven is one of the primary determinants of claim frequency. In fact, in a 2016 paper with colleagues from South Korea and Taiwan, Dr. Jean Lemaire (Harry J. Loman Professor of Insurance and Actuarial Science at the Wharton School of the University of Pennsylvania) found that "by far, mileage is the most accurate variable that insurers could introduce."[i] Of course, it is also entirely intuitive to any motorist: if you drive fewer miles, you are less likely to be in a moving accident. Indeed, the vast reduction in drivers on the road and miles driven will have a dramatic impact on claim frequency. Imagine if the population density of New York City transformed into the population density of Idaho overnight. In terms of drivers on the road, that is exactly what is happening in many urban and suburban areas.

All insurers, directly or indirectly, use some measure of miles driven to determine rates, so the actions to contain COVID-19, which have radically reduced driving in America, will result in savings to the system that can be quantified and returned to American consumers.

For millions of Americans impacted by COVID-19 social distancing measures – who are no longer driving to work because they have been directed to work from home or their employer has closed down – the annual mileage on which their auto insurance premium is based has suddenly and dramatically become incorrect. If a policy was rated based on commuting to work, then anyone who is staying home and only driving to the market for supplies is paying a premium that is now excessive.

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To illustrate, assume a premium based on 1,000 mile/month (12,000 annual miles) and, due to social distancing, the mileage now decreases to 200 mile/month (2,400 annual miles). Assume that the premium, all other things constant, for a policy based on 12,000 miles annually is $1,500 and the premium for 2,400 miles annually is $900 – a difference of $600 annually. In this illustration, the insurer would make a premium payment offset of $50 per month so long as COVID-19 restrictions are in place and miles driven are reduced.

From a claims perspective, the impact is instantaneous. As videos of empty avenues in Manhattan and wide-open freeways in California make clear, the number of daily car accidents in America must have fallen precipitously over the last several days and will certainly continue to stay low for weeks and perhaps months to come. As the frequency of accidents dwindles, the savings to the insurance pool should be returned to the people who have paid for coverage based on an assumed risk level that has been made inaccurate as a result of COVID-19.

This premium relief will ensure that rates are not excessive. Failure of insurers to offset premiums will provide insurers with a windfall – premiums based on claim costs associated with a substantially overestimated amount of miles driven.

Unlike the typical variation from the estimate of mileage for any individual driver, which does not require a widescale response, this relief is necessary because the social distancing directives of local, state and federal governments have resulted in massive swaths of the population working at home instead of commuting to their offices, workers being laid off due to business closures, and people being quarantined. The auto insurance premium relief is particularly crucial for those who have lost their incomes due to businesses closing.

<u>Urgent action is needed to both provide critical relief to drivers impacted by COVID-19 social distancing measures and to avoid windfall profits for insurers due to excessive rates.</u>

We urge you to take the following actions:

1. Direct auto insurers in your state to contact their policyholders and offer premium relief to any policyholder who can demonstrate or attest that their miles driven has been impacted by COVID-19 safety measures.
2. Direct insurers that such premium relief is permitted by state law and is not a rebate.
3. Direct insurers to file with your department the notices they will send to policyholders and the process and timing they will use to provide relief.
4. Direct insurers to report on a monthly basis anonymized information on each request for relief received, including
    a. Date of request,
    b. ZIP Code of policyholder,
    c. Original annual premium of policy,
    d. Whether request was granted or rejected,
    e. If rejected the reason for rejection, and

f. If granted the amount of premium relief.

5. Encourage drivers to contact their auto insurers for relief as part of your Department's COVID-19 consumer outreach and education.

On behalf of hundreds of consumers organizations, we thank you for your consideration and request your response to this letter by March 23, 2020. We can be reached via email at CFA@ConsumerFed.org.

Sincerely,

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[i] Lemaire, J., Park, S.C. & Wang, K.C. 2016, "The Use of Annual Mileage as a Rating Variable," ASTIN Bulletin, vol. 46, no. 1, pp. 39-69. doi: 10.1017/asb.2015.25, retrieved, with distinct pagination, from http://www.actuaries.org/ASTIN/Colloquia/Hague/Papers/Lemaire.pdf

Consumer Federation of America

CENTER for ECONOMIC JUSTICE | FAIR ACCESS FAIR TREATMENT

March 30, 2020

Dear Commissioner,

We urge you to take action on key P&C insurance consumer protection issues arising from COVID-19 and federal and local government responses to the pandemic, particularly the excessive premiums being charged to individuals and businesses for lines of insurance that base rates on factors such as miles driven, payroll, and receipts.

Before getting into the details of why you need to act now to give insurance buyers options for temporary relief from illegally excessive premiums during the COVID-19 crisis, we want to thank those of you who have taken action to prohibit cancellation of policies and other steps to provide critical relief for many individuals and businesses (most of which are listed in a compendium of state responses compiled by Sidley Austin LLP, found at https://www.sidley.com/en/insights/newsupdates/2020/03/compendium-of-us-state-insurance-department-responses-to-the-covid19-pandemic).

As you know, millions of consumers and businesses are affected by this extraordinary outbreak – hundreds of thousands have been and will become infected, but hundreds of millions are dramatically affected by social distancing requirements of state and local governments. Millions of workers have been laid off and thousands of businesses have been forced to close. These workers and businesses will experience a variety of financial hardships through no fault of their own with enormous consequences for their insurance coverages.

While certain lines of insurance will see an increase in claims and claim costs, other lines will see radical decreases in claims and claims costs. With that in mind, we ask your further action on the following:

1. Premium Relief Resulting from Radical Changes in Exposure
2. Imposing a Moratorium on the use of Insurance Credit Scoring
3. Monitor Credit-Related Insurance Markets Closely

1. Premium Relief Resulting from Radical Change in Exposure

On March 18, 2020, we sent you a letter (attached) urging you to take action to provide temporary premium offset payments to policyholders whose exposure to loss has been greatly reduced by the COVID-19 crisis. We particularly pointed out that miles driven have declined sharply in most of the nation by "stay at home" orders and other actions to prevent spread of the

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novel coronavirus. Allowing current premiums to remain in place would produce huge windfall profits to insurers and further stress policyholders, millions of whom have been laid off or are getting reduced incomes. Simply put, without your action in lines where rates are based on exposures such as miles driven, payroll, and receipts, current premium charges are illegal during the duration of the COVD-19 crisis because they are significantly excessive.

Personal auto insurance is not the only type of insurance experiencing a dramatic reduction in exposure. Businesses whose premium is based on employee count or measures of serving the public such as receipts and who have been forced to close are also experiencing radical reductions in exposure – changing the exposure basis used when the policies were originally written.

The Alaska Division of Insurance has taken an action – through Bulletin B 20 10[1], which squarely addresses this issue. In its bulletin, the Director writes:

> Many property and casualty insurance policies calculate premiums based on exposure estimates made at the time the policy is issued. Examples of common exposure bases include miles driven, sales revenue, receipts, or payroll. Due to the far-reaching effects of the COVID-19 outbreak and local, state, and federal governments' responses, for many policyholders, initial estimates are expected to be much higher than the exposure actually realized. Recognizing there are other difficult-to-quantify effects of the COVID-19 outbreak that will affect exposure to loss in the near term, insurers are encouraged to allow policyholders to self-audit and self-report changes in their exposure or risk profile and adjust premiums accordingly

We urge you to use the Alaska action as a starting point, a model for action in your state. But, as our earlier letter points out, further action by insurance regulators is needed to address rates that have become excessive and unfairly discriminatory.

1. Direct insurers in your state to contact their policyholders and offer premium relief to any policyholder who can demonstrate or attest that their exposure basis has been impacted by COVID-19 safety measures.
2. Direct insurers that such premium relief is permitted by state law and is not a rebate.
3. Direct insurers to file with your department the notices they will send to policyholders and the process and timing they will use to provide relief.
4. Direct insurers to report on a monthly basis anonymized information on each request for relief received, including
    a. Date of request,
    b. ZIP Code of policyholder,
    c. Original annual premium of policy,
    d. Whether request was granted or rejected,

[1] Found at https://www.commerce.alaska.gov/web/Portals/11/Pub/INS_B20-10.pdf

e. If rejected the reason for rejection, and
f. If granted the amount of premium relief.

5. Encourage drivers to contact their auto insurers for relief as part of your Department's COVID-19 consumer outreach and education.

2. Impose a Moratorium on Insurance Credit Scoring

The continued use of credit scoring by insurers will penalize consumers who are the victims of COVID-19 and the massive economic and medical costs of the virus and government response. From an actuarial standpoint, the basis for the immediate moratorium is that insurance credit scoring has become a clearly unfairly discriminatory underwriting, tier placement, and rating factor. Whatever basis insurers may have used to justify their credit-based insurance scores in times past cannot hold when declining credit scores is symptomatic of policyholders' diminished exposure (not working and not driving, for example), exactly the opposite of what credit-based insurance models predict will happen.

While some states have provisions in their insurance credit scoring models for consumers to challenge their insurance credit scores due to life events, such a provision is not found in many state statutes. Nor should it be the burden of consumers to address this, given that most likely do not even know that their credit impacts their policy in any way.

Predictive models are developed based on historical data -- the data are mined to see what factors are most predictive of a particular outcome. If the training data are biased, incorrect, incomplete – or not representative of the future experience – the model will reflect and perpetuate the bias in the data. In the case of insurance credit scoring, historical data will not reflect the current and near future credit experience of many consumers who have been laid off, whose business has closed, who have essentially stopped driving, who have major medical bills due to COVID-19 and more.

In the case of insurance credit scoring, it is profoundly unfair to penalize drivers, homeowners, or renters with higher insurance premiums, because they were the victims of COVID-19 or are contending with the various government responses thereto. Further, there is no question that insurance credit scores will suffer. Rate filings we reviewed illustrate, among other things, that insurance credit scoring, at best, can segment historical experience, but cannot be relied upon as predictive of future experience, especially in a time such as this. The filings also show that consumers will suffer because of negative factors tied to economic conditions, generally, and COVID-19 impact, specifically, including, but not limited to:

- Months since recent delinquency – consumers without a paycheck or on unemployment or with high medical bills are far more likely to have a delinquency. Almost all bankruptcies are a result of medical debt (with the majority occurring for those with insurance, job loss, and divorce)

- Months since oldest trade opened – consumers without a paycheck or on unemployment are far more likely to turn to credit to pay bills.
- Utilization of open bank revolving trades
- Number of trades opened in last 6 months
- Number of open credit card trades verified in last 12 months with utilization > 75% – this one particularly punishes lower income consumers whose trade lines have modest limits.
- Months since most recent collections
- Number of trades 30 or more day past due in last 12 months
- Number of inquiries in last 24 and last 3 months
- Number of home equity trades

The moral unfairness of credit scoring is clear, but so is the actuarial unfairness. We know insurance claims for some lines of insurance, including personal auto, will be dropping overnight as people shelter in place, stop commuting to work, stop going to public social events. So, as insurance claims are dropping generally – and for people who have stopped driving, specifically – many of these same people will see their credit scores worsen because their lost income or costs incurred as result of COVID-19. Past history will not be a predictor of future performance when conditions change significantly, as they have.

We ask that you use your authority to direct insurers to stop using insurance scores based on credit through the end of the year and require insurers to use no worse than a neutral insurance score – meaning a score than doesn't penalize a consumer for credit experience, a score that would produce the same premium as if the insurer did not utilize credit for underwriting or rating. The moratorium should last until regulators have independently gathered sufficient data – not relying upon data cherry picked by insurers – to meaningfully assess the actuarial relationship between credit and risk of loss.

3. Closely Monitor Credit-Related Insurance Markets

There are a number of credit-related insurance products for which claims or exposures may increase, including credit involuntary unemployment, credit life insurance and force-placed insurance.

We bring this to your attention because these coverages have long been a source of consumer abuse. For example, we saw massive overcharges due to insurer kickbacks to lenders and servicers during the Great Recession. For another example, credit life and credit unemployment insurance are often sold by lenders who are affiliated (through captive reinsurance arrangements) with the insurers obligated to pay the claims. Consequently, we ask that you monitor these markets closely to ensure legitimate claims are paid and that price gouging does not occur. Just as states utilize special data calls in the aftermath of a hurricane or

flood to monitor claim settlement performance of insurers, we suggest similar monthly data calls of credit-related insurers to monitor the effects of a catastrophic event for these lines of business.

CFA and CEJ Are Ready to Help

Between our two organizations, we have decades of actuarial, economic and policy experience with all types of insurance and expertise in advanced analytics. Our organizations are also part of networks with hundreds of other consumer-oriented organizations, giving us the ability to tap our network to find the expertise you may need. If we can help, please let us know.

Sincerely,

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Consumer Federation of America

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May 7, 2020

Auto Insurance Premiums are Excessive in Your State

Dear Commissioner,

Consumer Federation of America and the Center for Economic Justice just released a major report detailing the current situation in auto insurance in America and the fact that, throughout every state in the country, consumers are still paying excessive premiums even after the recent voluntary relief granted by most auto insurance companies. The report is attached.

Our report demonstrates that motor vehicle accident data indicate that a minimum average 30% premium relief payment to policyholders to account for COVID-19 impacts is needed starting March 18, 2020 through May 2020, even after accounting for offsetting factors that raise insurer costs during this time. While many insurers should be applauded for their actions taken to date to help policyholders, most insurers' auto insurance premium relief has not been sufficient. Additionally, future driving – miles driven and vehicles on the road – will not snap back to pre-COVID-19 levels anytime soon, if ever. Gradual relaxing of shelter-in-place restrictions, slow economic recovery, and permanent changes in work-related travel demonstrate the need for on-going auto insurance premium relief and a different regulatory approach until a new normal develops.

While we recognize the extraordinary challenges and demands faced by state Departments during this unprecedented time, in most states not enough attention has been paid to the need for further immediate and ongoing auto insurance premium relief. Perhaps not surprisingly, most regulatory systems have proven to be unprepared for the effects of this unprecedented pandemic. Nevertheless, statutory responsibilities – ensuring insurance rates are not excessive and not unfairly discriminatory and protecting consumers – requires your action to ensure fair treatment of consumers and prevention of windfall profits for insurers.

Below are several actions that your department can and should take to ensure that auto insurance premiums are not excessive or unfair today and throughout the COVID-19 pandemic:

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1. *Review the paybacks and credits insurers have implemented for the March to May 2020 period to assure adequate relief is being granted.*

   This step requires review of the current paybacks and credits both in terms of the amount of the action and in terms of the duration. As our new report shows, the most common plan implemented by insurers, 15% for April and May, is significantly inadequate relief for consumers. Relief should be at least in the 30% range and the time covered should be from mid-March until May 31, 2020.

2. *Freeze auto insurance rates at the March 1, 2020 level to act as the base for future discount/credit action to keep rates from being excessive after May 31, 2020.*

   The rates in effect as of March 1, 2020, the "pre-pandemic rates," will be the basis for pricing auto insurance going forward until more normal actuarial methods can be applied. Prospective ratemaking using normal actuarial methods is impossible at least during the tenure of the pandemic and its near-term effects. Using recent data for 1 to 5 years of experience is largely irrelevant to the conditions that will prevail starting June 1, 2020 and stretching out for an unknown period of at least months.

3. *Implement an immediate, easy to apply, plan to determine discounts and credits to apply to premiums to be charged on and after June 1, 2020.*

   Departments can undertake simple data collection, such as new claims counts, to be used initially until a more sophisticated approach is developed. These data are accurate enough to produce reasonable discounts and credits to apply to the pre-pandemic rates now in effect. The method to be applied is a retrospective adjustment in the form of a return of premiums, which should be based on new claims for the month as compared to new claims from the pre-COVID-19 base premiums. For example, new claims filed in June 2020 will be used to calculate the discount for June to apply to the actual collected premiums for the month to calculate the payback. The payback of premiums thus determined will be made by no later than the end of July. This method will be applied, month by month, until data collection sufficient to implement a new approach is available.

4. *Begin development of a more sophisticated approach as a glide path from the continued effects of the COVID-19 pandemic toward the day when enough data are available to allow normal actuarial techniques to be used again to produce prospective auto insurance rates.*

Data collection of possible, more sophisticated retrospective adjustments, will be developed and implemented as such data become available. Actuaries from Departments of Insurance, the National Association of Insurance Commissioners, consumer groups, and insurers should be called upon to propose and review ideas for such data collection and methodology for returning excessive premiums, month by month. Particular care must be taken here to develop methods not reliant on current reserves, which are subjective and subject to manipulation.

5. *After data including the COVID-19 era becomes available, department and other actuaries (including the NAIC) should work together to determine if and when such data might be useful and appropriate to use in prospective ratemaking.*

   This step will be tricky since the data during the pandemic will be affected by many factors. Some reliance on pre-Covid-19 experience may be appropriate to consider. The "new normal," a post-COVID-19 era, will likely not resemble the pre-COVID-19 era and significant downward adjustments in miles driven are almost sure to be ingrained in the society and must be recognized in ratemaking.

6. *Return to normal prospective ratemaking once all the COVID-19 data are collected and a determination that such ratemaking is possible and appropriate.*

Thank you for your consideration, and please let us know if you have any questions.

Sincerely,

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Consumer Federation of America

May 21, 2020

Re: More State Action is Needed to Address Excessive Auto Insurance Rates

Dear Commissioner:

State Farm's recent announcement that it will be lowering rates later this summer by an average of 11% countrywide highlights several issues demanding regulatory guidance to protect consumers, which we discuss in this letter. I ask that you send your intended response to these issues by May 28, please.

First, I want to acknowledge State Farm for its policyholder-oriented response to the COVID-19 crisis in attempting to make auto insurance rates reasonable. It is the only major insurer that has both promised refunds dating back to mid-March when auto insurance exposure was transformed overnight by COVID-19 *and* has initiated a process for addressing the problem of ongoing excessive rates well into the future. Additionally, State Farm's 25% refund for March through May, while a bit short of the mark data suggest is needed,[1] far outstrips the relief provided by most other insurers.

Due to the dramatic drop in vehicles on the road and miles driven that began in March and the resulting, unprecedented reduction in claims, premium relief was needed immediately for policies in force as those premiums suddenly became excessive. Our analysis indicates a 30% premium relief was needed for the last two weeks of March, as well as April and May, yet, other than the commissioners in California and New Jersey, no other state regulators have ordered insurers to provide any relief, let alone a minimum amount of relief[2]. While a very few insurers have offered relief of 25% or more for at least two months, the vast majority of programs provide 15% for just two months, ignoring March. Miles driven has picked up somewhat from April lows but remains and will remain well-below pre-pandemic levels for a while. USAA recognized this by extending its 20% credit to June premium as does State Farm with its recent announcement for a future rate cut for new and renewal policies that will begin late this summer.

[1] https://consumerfed.org/press_release/new-car-accident-data-show-that-most-auto-insurance-covid-19-refunds-should-be-twice-as-much-as-promised-to-date/

[2] Progressive's profits for April for personal auto show a drop in loss ratio from 65% for January through March to 42% in April. We calculate that it would require a 35% return of premiums to policyholders to return the loss ratio to the 65% level, well in excess of Progressive's 15% relief. (See Progressive Press Release of May 20, 2020, "Progressive Reports April Results")

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State Farm's consumer relief efforts, while best-in-class, reveal why market forces alone cannot and will not protect consumers from excessive premiums and why urgent regulatory action is needed to ensure fair treatment of consumers and insurer compliance with statutory rate standards. State Farm's actions leave a gap in relief from May 31 – when the premium credits for the March 20 to May 31 period end – and the beginning of rate relief starting September 7 – the proposed effective date for its new rates in Michigan[3] – for new and renewal customers. This means that all policyholders in Michigan will fail to get premium relief for excessive rates for June, July, August and September 1st through 6th, and policyholders renewing their policies may not see relief until up to six or twelve months after the effective date of the filing. In most states the filings to implement the 11% reduction have not been made by State Farm in our national review of SERFF. The upshot is that even State Farm's consumer relief will still lead to months of overcharges due to excessive rates and lack of regulatory guidance and action in almost all states.

It is now two months since we first contacted you about the need not just for premium relief, but to start collecting data to monitor the effects of COVID-19 on auto exposures and claims. Through the efforts of Departments and the NAIC, regulators have begun data collection related to business interruption coverage and health insurance claims. We are puzzled that similar collection has not been done for private passenger auto insurance or other lines of business where exposures and claims have been dramatically affected by COIVD-19 responses.

Whatever the cause of this regulatory inaction to date, consumers need – and your statutory duties demand – action now. As we move into the next phase of the pandemic's impact on auto insurance, we ask your response to the following:

1. Whether premiums credits for March, April and May were sufficient and were provided for policies in force during that period (as opposed to a promise of relief on renewals as has been offered by Geico and Chubb), and what minimum credit should be required in your state;

2. Whether premium credits for June and beyond are being provided – including any periods between the last credit and future filed rate decreases – and what minimum credit should be required on a monthly basis; and

3. What data and analytic tools will your Department employ to assess needed premium relief action by insurers? In the case of State Farm, for example, its Michigan filing simply announces a 0.87 adjustment factor to reflect COVID-related reductions in claims and in Mississippi the factor is 0.90. There must be data and assumptions

[3] In Mississippi, State Farm has proposed an August 10, 2020 effective date, and we expect that the effective dates will vary from state to state. We assume that the decrease will not take effect until August or September in most states.

behind these particular selections, just as there are data and assumptions behind each insurers' premium credit amount and future rate decisions. Do you have the data to independently assess insurers' assertions, actions, or inactions?

Thank you for your attention to this request. We ask for your response by May 28.

Sincerely,

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