

Table 1: Insurer COVID19 Auto Premium Relief (as of 4/10/2020) by Market Share

Status of of Insurer COVID19 Auto Premium Relief
(as of 4/10/20, sorted by Insurer Market Share)

Insurer	2019 Market Share	Value of Action for March, April, May 2020 (\$ Millions)	CFA/CEJ Grade for Policyholder Relief
State Farm	16.3%	\$1,964	A
GEICO	13.7%	\$862	D -
Progressive	12.0%	\$1,004	C+
Allstate	9.3%	\$586	B
USAA	6.0%	\$502	C+
Liberty Mutual / Safeco	4.7%	\$292	C+
Farmers / 21st Century	4.2%	\$220	C
Nationwide	2.5%	\$158	C+
American Family	2.3%	\$202	A
Travelers	1.9%	\$120	C+
AAA Southern CA, TX	1.4%		
Erie	1.3%		F
Kemper	1.3%	\$82	C+
Auto Owners	1.2%	\$77	C+
National General	1.2%		
AAA Northern California	1.2%	\$99	C
Mercury General	1.1%	\$68	C
MetLife	1.0%	\$61	D
AAA Michigan	0.8%		
The Hartford	0.8%	\$52	C+
MAPFRE	0.6%		
Hanover	0.5%	\$31	D
Amica Mutual	0.6%	\$46	C+
Country Frinancial	0.5%		
Sentry	0.4%		
NJ Manufacturers	0.4%	\$42	B
Shelter	0.4%	\$53	B+
Southern Farm Bureau	0.4%		
Alfa	0.4%		
Chubb	0.3%		
Texas Farm Bureau	0.3%		
Tennessee Farmers	0.3%	\$30	B+

Pymouth Rock	0.2%	\$12	C+
Germania	0.1%	\$6	C+
West Bend	0.1%	\$6	D
Industry Total (\$ Millions)		\$6,575	
Market Share of Companies	87.4%		
Providing Relief			
2019 Countrywide Premium (\$ Millions)		\$251,011	

Note: Value of Action is total to be refunded to consumers. CFA/CEJ grade considers percent of premium relief, number of months rebate covers and how quickly refund/credit will be implemented.

Table 2: Insurer COVID19 Auto Premium Relief (as of 4/10/2020) by Insurer Relief Grade

Status of of Insurer COVID19 Auto Premium Relief
(as of 4/10/20, sorted by Insurer Relief Grade)

Insurer	2019 Market Share	Value of Action for March, April, May 2020 (\$ Millions)	CFA/CEJ Grade for Policyholder Relief
State Farm	16.3%	\$1,964	A
American Family	2.3%	\$202	A
Shelter	0.4%	\$53	B+
Tennessee Farmers	0.3%	\$30	B+
Allstate	9.3%	\$586	B
NJ Manufacturers	0.4%	\$42	B
Progressive	12.0%	\$1,004	C+
USAA	6.0%	\$502	C+
Liberty Mutual / Safeco	4.7%	\$292	C+
Nationwide	2.5%	\$158	C+
Travelers	1.9%	\$120	C+
Kemper	1.3%	\$82	C+
Auto Owners	1.2%	\$77	C+
The Hartford	0.8%	\$52	C+
Amica Mutual	0.6%	\$46	C+

Pymouth Rock	0.2%	\$12	C+
Germania	0.1%	\$6	C+
Farmers / 21st Century	4.2%	\$220	C
AAA Northern California	1.2%	\$99	C
Mercury General	1.1%	\$68	C
MetLife	1.0%	\$61	D
Hanover	0.5%	\$31	D
West Bend	0.1%	\$6	D
GEICO	13.7%	\$862	D -
Erie	1.3%		F
AAA Southern CA, TX	1.4%		
National General	1.2%		
AAA Michigan	0.8%		
MAPFRE	0.6%		
Country Frinancial	0.5%		
Sentry	0.4%		
Southern Farm Bureau	0.4%		
Alfa	0.4%		
Chubb	0.3%		
Texas Farm Bureau	0.3%		
Industry Total (\$ Millions)		\$6,575	
Market Share of Companies	87.4%		
Providing Relief			
2019 Countrywide Premium		\$251,011	
(\$ Millions)			

Note: Value of Action is total to be refunded to consumers. CFA/CEJ grade considers percent of premium relief, number of months rebate covers and how quickly refund/credit will be implemented.

**Table 3A: CFA/CEJ Grading Methodology for Rating Insurer COVID19
Auto Insurance Relief Plans**

<u>Points</u>				
	3	2	1	0
Percentage of Premium Relief	21% to 30%	16% to 20%	10% to 15%	less than 10%
Time Frame Covered	Mar, Apr, May	Apr, May	Partial Apr, May	Something in the Future
Method of Delivery	Cash Dividend, Refund, Immediate Credit	Credit to Next Month's Bill	Credit upon Renewal	

Bonus Point: Allstate and American Family for Being First

<u>Grade</u>	<u>Points</u>
A+	10
A	9
B+	8
B	7
C+	6
C	5
D	4
D-	3
F	2 or less

Table 3B: CFA/CEJ Detailed Grading Results for Rating Insurer COVID19 Auto Insurance Relief Plans

Insurer	Grade	Total Points	Amount of Relief	Time Frame	Method	Description
State Farm	A	9	3	3	3	25% dividend of premium 3/20 to 5/31/20
GEICO	D -	3	1	1	1	15% credit towards policies renewing 4/8 to 10/7/20
Progressive	C+	6	2	2	2	20% credit Apr premium to May, 20% credit May premium to Jun, refund for paid in full
Allstate	B	6	1	2	3	15% of Apr and May premium credit account or refund
USAA	C+	6	2	2	2	20% on two months premium policies as of 3/31/20
Liberty Mutual / Safeco	C+	6	1	2	3	15% on two months of annual premium as of 4/7/20, check or method most recent payment
Farmers / 21st Century	C	5	2	1	2	25% premium reduction for Apr, future to be assessed
Nationwide	C+	6	1	2	3	\$50 per policy, equivalent to 15% for two months, payment for policies as of 3/31/20
American Family	A	8	3	2	3	\$50 per vehicle covered, checks mailed
Travelers	C+	6	1	2	3	15% on Apr and May premiums credit to customer account
Erie	F	0	0	0	0	Promises to reduce rates
Kemper	C+	6	1	2	3	15% credit of Apr premium in May, 15% credit of May premium in June, refund for paid in full
Auto Owners	C+	6	1	2	3	15% refund for Apr and May
AAA Northern California	C	5	2	2	1	20% refund for two months premium for policies in force as of 4/30/20 credited or refunded by 5/31/20
Mercury General	C	5	1	2	2	15% of Apr and May premium, credit to account
The Hartford	C+	6	1	2	3	15% refund Apr and May premium
Hanover	D	4	1	2	1	15% credit April in-force policies in May, 15% credit May in-force policies in June
Amica Mutual	C+	6	2	2	2	20% credit of Apr and May premium to account

NJ Manufacturers	B	7	1	3	3	15% of three months premium refund
Shelter	B+	8	3	2	3	30% of Apr and May premium payment
Tennessee Farmers	B+	8	3	2	3	Special payment about 24% two months auto premium paid per vehicle
Pymouth Rock	C+	6	2	2	2	25% premium credit on liability and personal injury protection coverages
Germania	C+	6	1	2	3	\$25 per policy in effect 3/31/20 and \$25 per policy in effect 4/30/21 credit for future or refund for paid in full
West Bend	D	4	1	2	1	\$50 to bundled home and auto policyholders insured as of 3/11/20, date WHO declared pandemic

Table 4: COVID19 Auto Insurance Premium Relief Timeline

**Lower Premium from Fewer Claims from Fewer Cars on the Road
CFA/CEJ Actions Lead to \$6.6B (and counting) Auto Premium Relief**

March 13: Warren Buffett acknowledges reduction in auto insurance claims due to reduced driving from COVID19 precautions and restrictions.¹ Buffett's Berkshire Hathaway owns GEICO, the second largest auto insurer.

March 18: the Consumer Federation of American and the Center for Economic Justice call on regulators and insurers to provide relief for now-excessive premium charges due to fewer claims from a radical drop in miles driven.²

March 20: Alaska Commissioner Lori Wing-Heier issues bulletin urging insurers to adjust premiums for changes in exposure.³

March 23: Industry trade associations, APCIA and NAMIC, ridicule CFA and CEJ's call for auto premium relief, betray insurance consumers.⁴

March 23: Maryland Insurance Commissioner Al Redmer issues bulletin urging insurers to consider temporary premium relief to reflect lower risk exposures.⁵

March 30: CFA and CEJ again call on regulators and insurers to provide auto insurance premium relief for March, April and May and to impose a moratorium the use by insurers of consumer credit (credit scoring) information for pricing.⁶

March 30 - April 6: National media begin reporting on the issue and pressing companies for answers to CFA's and CEJ's concerns.⁷

March 31: Pennsylvania Insurance Commissioner Jessica Altman issues bulletin urging insurers to offer premium relief for fewer miles driven and prohibiting insurers from penalizing consumers for a declining credit score.⁸

April 6: Allstate and American Family step up and were first to announce COVID19-related auto insurance premium relief totaling \$800 million.

April 7 to 10: Insurers comprising over 80% of the personal auto insurance market announce relief for March, April and May premium totaling \$6.6 Billion

April 13: CFA and CEJ call on regulators to get remaining insurers to provide relief, to provide guidance for how much, how to deliver that relief, and to collect data on new claim filings to guide future relief efforts.

Table 5: How Reduction in Driving and Crashes Affects Auto Insurance Premiums

	Base Case Example	If Claims Drop by 33%	If Claims Drop by 50%	If Claims Drop by 67%
Claims and Claim Settlement Expense	\$195.00	\$130.65	\$97.50	\$64.35
Variable Expenses -- Commissions, Profit	\$52.50	\$38.85	\$31.82	\$24.79
Fixed Expenses -- Administrative	\$52.50	\$52.50	\$52.50	\$52.50
Premium	\$300.00	\$222.00	\$181.82	\$141.64
Shelter-in-Place Payment		26.0%	39.4%	52.8%

Notes:

Claim and Claim Settlement Expenses include amounts paid plus reserves for claims received but not yet paid plus claim settlement expenses, like adjusting and legal.

Variable Expenses are expenses that vary with the premium. Examples include agent commissions at, say, 12% of premium and profit at, say, 5%, of premium.

Fixed Expenses are expenses that exist in the **short term** regardless of claims or premium. Examples include building and administrative costs.

Assume that current expenses are half variable and half fixed and that current rates target a 65% ratio of claims to premium

Premium = (Claims and Claim Settlement Expense + Fixed Expense) / (1 - Variable Expense)

Table 6: COVID19 Auto Insurance Premium – Performance by, and Actions Needed from, State Insurance Regulators

- Thank you to regulators requiring, and insurers providing, grace periods for non-payment of premium. Cancelling a policy because someone has lost their job, hasn't gotten unemployment relief and can't pay for auto insurance would be unfairly penalizing a consumer for things outside their control.
- Insurers became aware of drop in mileage and resulting drop in claims by mid-March. A glance at empty roads made clear premium relief was needed. We understand the insurance regulators have been in crisis mode and addressing many COVID19-related insurance issues -- particularly health insurance issues – and we appreciate the tireless work of the regulators on behalf of insurance consumers. Still, the inaction by regulators to prompt insurer action on auto premium relief was puzzling, particularly given CFA and CEJ's letters of March 18 and March 30.
- We also thank insurers that have acted to provide auto insurance premium relief, but as Doug explained, not all relief is equal. Further, it is clear that for most insurers providing relief, the amount is not enough to reflect the drop in claims.
- More action on auto insurance premium relief is needed and state insurance regulators need to dramatically increase their engagement on the issue:

Immediate Relief for March, April, May

Rates that were reasonable on March 1, 2020 became excessive by March 15. Consumers need and are entitled to premium relief for at least part of March and all of April and May to reflect the new reality of far fewer auto claims that anticipated in current rates. State insurance regulators should:

1. Set out best practices and expectations for relief, consistent with CFA/CEJ's best practices; and
2. Direct insurers providing inadequate relief to add more relief and direct laggard insurers to act.

Actions for June and beyond

3. Require insurers to submit data weekly on new claim filed to allow regulators and the public to assess the impact of fewer miles in real time and to monitor future changes;⁹
4. Direct insurers to prepare new rates for June forward.
5. **Impose a moratorium on insurance credit scoring**

Insurance Credit Scoring

A couple of states have taken action to stop the use of certain underwriting or rating factors that, while perhaps actuarially sound prior to COVID19, have become unreliable and unfair. The Ohio Department of Insurance issued the following guidance regarding insurance rating related to expired drivers licenses.¹⁰

The Superintendent recognizes that, as a result of these restrictions and orders, some insured Ohioans will be unable to timely renew their driver licenses. This Bulletin notifies insurers that they must not cancel, non-renew, or refuse to issue a policy of automobile insurance, or deny a claim, solely because the driver license of a named insured or other covered family member has expired since the Governor's declaration of emergency. Additionally, the automobile insurance premium amounts charged for new or renewal automobile insurance policies must not be calculated in a manner that will adversely impact the policyholder due to an insured driver's inability to renew his or her license

Relying upon the same logic – changing circumstances have removed the validity of certain insurance pricing factors – the Pennsylvania Department of Insurance issued a bulletin with the following guidance to insurers:¹¹

On March 26, 2020, the United States Department of Labor released its seasonally adjusted initial jobless claims indicating jobless claims rose to 3,283,000. The Department understands that worker displacement during the COVID-19 disruption may negatively impact insureds' credit scores. Insurers should review the application of credit score in the rates charged to consumers and provide flexibility, where appropriate, to policyholders who may experience a negative credit event during this time. A declining credit score may not be used to increase a premium at renewal.

The logic underlying the Ohio guidance on expired drivers licenses and the Pennsylvania guidance on credit scores holds for insurance credit scoring generally – the assumptions underlying the validity of consumer credit information for pricing insurance are no longer valid and insurance regulators should impose a moratorium on insurers' use of consumer credit scores until such validity can be re-established. CFA and CEJ explained this to regulators on March 30:

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.

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.

¹ <https://finance.yahoo.com/video/exclusive-warren-buffett-coronavirus-impact-124544516.html>

² <https://consumerfed.org/wp-content/uploads/2020/03/COVID-19-Auto-Premium-Relief-Letter.pdf>

³ https://www.commerce.alaska.gov/web/Portals/11/Pub/INS_B20-10.pdf

⁴ *Insurance Compliance Insight*, March 23, 2020

⁵ <https://insurance.maryland.gov/Insurer/Documents/bulletins/20-12-PandC-temporary-rate-relief-filings.pdf>

⁶ <https://consumerfed.org/wp-content/uploads/2020/03/COVID-19-Auto-Premium-Relief-Letter-3-30-20.pdf>

⁷ See, for example, *Scripps TV* (3/30); *Newsy* (4/3); *NY Times* (4/6); *Wall St Journal* (4/6); *Chicago Sun-Times* (4/6)

⁸ https://www.insurance.pa.gov/Regulations/Laws%20Regulations/Documents/Auto%20Notice_FINAL.pdf

⁹ See CFA/CEJ March 30, 2020 letter to regulators for details.

¹⁰ <https://iop-odi-content.s3.amazonaws.com/static/Legal/Bulletins/Documents/2020-06.pdf>

¹¹ https://www.insurance.pa.gov/Regulations/Laws%20Regulations/Documents/Auto%20Notice_FINAL.pdf