



# Coronavirus Update

April 15, 2020

## COVID-19: California premium refunds, credits and reductions

### Executive summary

Ricardo Lara, California Insurance Commissioner, issued an [order on April 13](#) that paves the way for local policyholders affected by the COVID-19 pandemic to receive certain premium credits. The order directs insurers to provide premium relief to policyholders for reduced exposure from the stay-at-home order. Specifics will vary by insurer, and in some cases by policyholder.

#### Key dates:

- June 12, 2020 - specifics due from insurers to California Department of Insurance (DOI).
- August 11, 2020 - payment/credit due to policyholders for reductions associated with March and April of 2020.

Your Lockton team will monitor carrier responses closely, as the order gives them 60 days to submit their plan. In the meantime, we suggest you compile any and all exposure changes resulting from the COVID-19 pandemic. This can be reduction in payroll, auto-related exposure, revenue, etc.

### Details

Direction was given to insurers to provide **economic relief to policyholders for premiums paid for March, April and potentially additional month(s) of 2020** for the following lines of insurance:

- Auto (personal and commercial).
- Workers' compensation.
- Property.
- General liability.
- Medical professional liability.
- Any other line of coverage where the measures of risk have become substantially overstated as a result of the pandemic.

Economic relief **is due to policyholders by August 11, 2020**. This is to be accompanied with an explanation of how the amount was calculated for each line of coverage and for which period it is being applied.

**Each insurer can choose** from the following in order to provide the economic relief:

- Premium credit.
- Premium reduction.
- Premium refund.
- Other premium adjustment.

**Each insurer can choose** either a uniform or nonuniform approach to calculating the amount of premium reduction for recent, current and upcoming policy periods.

- A uniform approach would be applied across the board and can entail an average percentage based on estimated reduction of exposure bases (i.e., mileage drive, payroll, revenue, etc.).
- A nonuniform approach would involve reassessing the exposures affected by the pandemic on a case-by-case basis for each policyholder (i.e., mileage drive, payroll, revenue, etc.).

If there are premium overcharges, carriers shall immediately reclassify the risks and refund premiums.

**Insurers are to provide their plan** of how they will be abiding by this bulletin to the Department of Insurance **by June 12, 2020**.

If the COVID-19 pandemic continues beyond May 1, 2020, the Insurance Commissioner will send a subsequent bulletin with additional instructions.

Please feel free to reach out if you'd like to discuss further.

*Lockton Companies*

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