

**Oregon Department of Consumer and Business Services
Division of Financial Regulation, Bulletin No. DFR 2020-11**

TO: All auto insurers

DATE: April 22, 2020

RE: Rate reductions and rebates to auto insurance policyholders

Background

The Division of Financial Regulation has received questions from insurers about how to address changes in exposure due to COVID-19 emergency orders. Some of these questions have included adding coverage for people using their vehicles differently and temporary rate reductions from decreased claim exposure. This document provides guidance for insurers on how to inform the division about proposed changes and required communications with policyholders.

Guidance

Temporary changes to policy coverage

The division encouraged insurers to extend coverage for personal delivery drivers and to limit the application of commercial delivery exclusions during the COVID-19 outbreak.¹ Some insurers have offered to remove exclusions or otherwise offer coverage on a temporary basis. One instance is private passenger automobile policies extending coverage for drivers delivering food, prescriptions, or other products for their employers.

Insurers with previously approved endorsements planning to expand coverage for the remainder of a policy term do not need to file new forms. Insurers who want to extend coverage on a temporary basis for matters excluded under their policy should file proposed endorsements or any revisions to policies with the division in the System of Electronic Rates and Forms Filing (SERFF). The division is requesting the insurer to label these filings as “COVID-19” in the Product Name field for identification and priority review. The SERFF filing description must include an explanation of how changes in coverage and pricing will be communicated to policyholders. The insurer must provide 30 days’ notice to its customers on any reduction in coverage.

Temporary rate reductions

Some insurers are proposing to reduce rates based on reduced exposure from the COVID-19 emergency orders. These requests should be made in SERFF as a rule filing, and the Product

¹ See DFR Bulletin 2020-08.

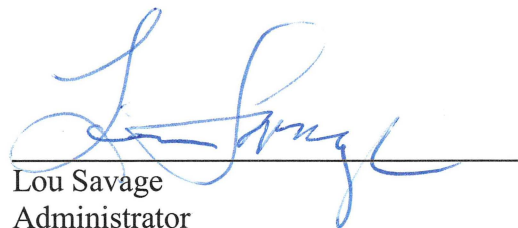
Name field should indicate this is a “COVID-19” plan. The request should indicate the amount of the rate reduction, the duration of the reduction, and the classes to which the reduction applies.

The insurer should explain how the rate reduction will be applied to in-force policies and whether the rate reduction applies to new business. The Policyholder Notice should state how long the temporary reduction will be in place. The insurer must provide 30 days’ notice to its policyholders on any increase in rates.

Midterm policyholder payments

The division has received requests from insurers to pay policyholders a specified amount in recognition of lower claim exposure and decreased losses, similar to a policyholder dividend. An insurer that wants to make one or more mid-term payments in recognition of lower exposure may do so if the amounts are in its filed rating plan. The insurer should make a rule filing in SERFF and specify this is a “COVID-19” filing in the Product Name field. The filing should state what dollar amounts will be sent to policyholders, how the payment is calculated, and the rationale for how the insurer determined the payment. The filing should include an explanation of how policyholders will be notified of the payment amount and duration. Payments sent without a change to the insurer’s filed rating plan are not permissible under ORS 746.045 unless provided for in the policy.

This bulletin is effective upon issuance.



Lou Savage
Administrator
Division of Financial Regulation

4/22/2020

Date