STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
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Janet T. Mills
Governor

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Superintendent

Bulletin 444

Coronavirus Pandemic: Property and Casualty Premium Refunds

The Superintendent directs this bulletin to the attention of property casualty insurers, producers with property or casualty authority, surplus lines insurers, and surplus lines brokers.

On March 12, 2020, Governor Mills declared a state of insurance emergency in Maine because of the coronavirus pandemic, known as COVID-19, and authorized the Superintendent "to make, amend, or rescind such rules and regulations governing the business of health insurance carriers as the Superintendent deems expedient in order to adopt and maintain sound methods of protecting the interests of such insurers, insureds, beneficiaries and the public" during the emergency. That day, the Superintendent issued Bulletin 442, "Emergency Measures Responding to the Coronavirus Pandemic." Bulletin 442 pointed out that the pandemic will affect various types of insurance in addition to health coverage.

The COVID-19 pandemic has altered insurers' assumptions about risks in various property and casualty lines. Motor vehicle insurance is a notable example because many policyholders have cut back greatly on their driving because of "stay at home" orders. This has decreased the frequency of claims in this line. Some motor vehicle insurers have already contacted the Bureau about reducing or refunding premiums so that insureds can share the financial benefit of decreased loss expenses. The Superintendent commends these voluntary efforts and encourages other insurers to do the same where possible. This bulletin provides guidance to property and casualty insurers for implementing premium reductions and refunds in compliance with Maine law.

The Superintendent will not consider prospective reductions in premium, or refunds of premium made to accommodate COVID-19-related changes in exposure or risk profile, to be an unfairly discriminatory rating practice to the extent that they are reasonable and consistently applied. Likewise, the Superintendent will not regard reasonable and consistently applied premium adjustments or audit accommodations, as described in this bulletin, as violations of statutes that govern the return of premium to policyholders, limit the frequency of premium changes, prohibit improper rebates to induce the purchase or retention of insurance, or impose a duty to adhere to approved rating plans.

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Maine law generally requires insurers to file all rates and forms with the Bureau before implementing changes.[1] However, these requirements could slow much-needed relief for insureds. Therefore, the Superintendent will only require insurers that plan to implement COVID-19-related premium reductions or refunds to file either a rate or a form that is sufficient to notify the Superintendent of the adjustment. Insurers do not need to file these rates and forms before implementing a premium adjustment. Rates and/or forms can be submitted to the Superintendent within a reasonable time and will be handled in an expedited manner. An insurer that uses a form filing to apprise the Superintendent of a premium reduction need not file a corresponding rate filing. Rates, however, may not be unfairly discriminatory and insurers should apply refunds consistently and fairly.

Many property and casualty insurance policies calculate premiums based on exposure estimates made when a 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 such as non-essential business closings and stay-at-home orders, initial estimates for many policyholders will be much higher than the exposure actually realized. The Superintendent encourages insurers to allow policyholders to self-audit and self-report changes in their exposure or risk profile and adjust premiums accordingly. For policies that are subject to audit, insurers are encouraged to allow self-auditing and self-reporting in lieu of physical audits to the extent that physical audits are impracticable.

These guidelines will apply until July 1, 2020, unless extended by the Superintendent. Anyone with questions about this bulletin should contact the Bureau's Property & Casualty Division.

April 15, 2020

Eric A. Cioppa
Superintendent of Insurance

NOTE: This Bulletin is intended solely for informational purposes. It is not intended to set forth legal rights, duties, or privileges, nor is it intended to provide legal advice. Readers should consult applicable statutes and rules and contact the Bureau of Insurance if additional information is needed.

[1] 24-A M.R.S. §§ 2304-A and 2412.