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May 12, 2020

Commissioner Gary Anderson  
Division of Insurance  
1000 Washington Street, #810  
Boston, MA 02118

Dear Commissioner Anderson:

We are writing to ask you to direct commercial automobile insurance companies in Massachusetts to immediately reduce commercial insurance premiums paid by Massachusetts businesses. These reductions are needed to reflect the greatly decreased exposure to commercial automobile insurance claims resulting from the coronavirus pandemic. Without a reduction, Massachusetts businesses will be overpaying for this insurance at a time when many are already in difficult economic circumstances as a result of the national emergency.

The exposure of a business to commercial automobile insurance claims is closely related to the amount of traffic and economic activity, which have both decreased significantly during the past two months and are expected to continue at a lower level for a considerable time period. Measures of this decreased traffic and business activity can be seen in various economic data.

Nationwide, according to the Census Bureau, “[a]dvance estimates of U.S. retail and food services sales for March 2020, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$483.1 billion, a decrease of 8.7 percent ( $\pm 0.4$  percent) from the previous month, and 6.2 percent ( $\pm 0.7$  percent) below March 2019.” [https://www.census.gov/retail/marts/www/marts\\_current.pdf](https://www.census.gov/retail/marts/www/marts_current.pdf). Data on decreased employment also reflect a significant reduction in business activity.

Additionally, as we wrote to you last month regarding private passenger automobile insurance, there has been a large decrease in travel in Massachusetts.<sup>1,2</sup> This reduction in travel

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<sup>1</sup> The New York Times has reported that travel is down by over 50%. <https://www.nytimes.com/interactive/2020/04/02/us/coronavirus-social-distancing.html>.

<sup>2</sup> The article states “The divide in travel patterns, based on anonymous cellphone data from 15 million people, suggests that Americans in wide swaths of the West, Northeast and Midwest have complied with orders from state and local officials to stay home.”

occurred and continues to occur throughout the state, with every county having a significant reduction in travel compared to the previous year. Such reduced travel suggests a reduced risk for commercial as well as private passenger automobile accidents.<sup>3</sup>

In commercial auto, where the basis of exposure is a unit (e.g., number of vehicles), rates should be reduced to reflect the reduction in expected losses. While the appropriate premium reduction corresponding to the decrease in claims will vary among different types of commercial automobile policies, most sub-lines will experience a significant decrease. These include (but are not limited to) taxis, limousines, car services, school buses, van pools, and other businesses that are shut down or operating at reduced capacity.

In the current state of emergency, we believe insurance companies should lower their premiums and policyholders should receive a reduction in premium to reflect their lower risk. California has already required insurers to do this.<sup>4</sup> In addition, some insurers are presently providing premium discounts on an ad hoc basis. In order to ensure a level playing field and to protect small business policyholders, we request that you immediately send a notice to every insurance company writing commercial automobile insurance in Massachusetts requiring a reduction in premiums commensurate with the expected reduction in claims. This reduction should remain in effect until the substantial reduction in exposure to loss ends. Should a company object to this reduction, you should require the company to respond within seven days informing you of the company's objection, and then hold an expedited hearing to determine an appropriate premium.

There are also other ways that the Division could assist commercial customers experiencing decreased economic activity. For example, the Division could direct insurers to allow customers to purchase selective commercial automobile coverages when the remaining coverages on their policies are currently unneeded. An example would be the purchase of standalone comprehensive coverage (as an alternative, the Division might allow commercial automobile comprehensive coverage to be covered under a commercial property insurance policy). It is important that we do all we can to assist policyholders during the pandemic and ensure that the cost of their insurance reflects the true risk of loss.

Thank you for your cooperation in this matter. We would be happy to work with you on appropriate implementation measures.

Sincerely,

  
Glenn Kaplan, Chief

Insurance & Financial Services Division

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<sup>3</sup> A California analysis has indicated that a 60% reduction in driving there has resulted in a 50% reduction in accidents. <https://www.latimes.com/environment/story/2020-04-01/coronavirus-stay-at-home-orders-have-reduced-traffic-accidents-by-half>.

<sup>4</sup> <http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin-2020-3-re-covid-19-premium-reductions-2.pdf>.