



Personal Auto Insurance Premium Relief in the COVID-19 Era

A Report by the Center for Economic Justice¹ and the Consumer Federation of America²

Center for Economic Justice
Consumer Federation of America

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¹ *The Center for Economic Justice is a nonprofit organization advocating for fair access by and fair treatment of consumers for insurance, credit, utilities, and other essential products and services.*

² *[The Consumer Federation of America](#) is a nonprofit association of more than 250 consumer groups that was founded in 1968 to advance the consumer interest through research, advocacy, and education. Barbara Roper is Director of Investor Protection at CFA.*

Greater and Ongoing Premium Relief Needed For Auto Insurance Consumers

State Insurance Regulators Must Take Actions Needed To Protect Consumers

Executive Summary

Motor vehicle accident data indicate a minimum average 30% premium relief payment needed starting March 18, 2020 through May 2020, even after accounting for offsetting factors. While insurers should be applauded for their actions taken to date to help policyholders, most insurers' auto insurance premium relief has not been sufficient.

Future driving – miles driven and vehicles on the road – will not jump back to pre – COVID-19 levels. Gradual relaxing of shelter-in-place restrictions, slow economic recovery and permanent changes in work-related travel demonstrate the need for on-going auto insurance premium relief and a different regulatory approach until a new normal develops.

State insurance regulators have largely been absent from personal auto insurance relief and the state auto insurance regulatory system has proven to be unprepared for an event like COVID-19. Regulators' statutory responsibilities – ensuring insurance rates are not excessive and not unfairly discriminatory and protecting consumers – requires action to ensure fair treatment of consumers and prevention of windfall profits for insurers. The report provides a framework to help regulators navigate this unprecedented period, with several recommendations including,³

1. Traditional ratemaking – the actuarial exercise of projecting future claims and the premiums needed to cover those future claims – isn't possible in the current uncertain environment and isn't a solution to the current problem. A temporary program of monthly premium relief based largely on changes in the number of new claims filed from pre-COVID time frames is needed.
2. Insurance regulators should provide guidance and assistance to insurers regarding the amount, methods and timing of relief payments and credits, including the collection and publication of data on new claims filings to support regulatory efforts, prevent unfair discrimination, assist insurers, provide public transparency and transition to the new “normal” – whatever that turns out to be.
3. Regulators should recognize and be prepared to account for the fact that not all states and sub-state locations will experience the same reduction in miles driven, vehicles on the road and number and type of vehicle accidents.

³ In a separate letter to state insurance commissioners, CFA's Director of Insurance J. Robert Hunter, former Texas Insurance Commissioner and credentialed actuary, offers detailed technical and policy guidance to the states. See <https://consumerfed.org/testimonial/cfas-director-of-insurance-offers-guidance-to-state-insurance-regulators-for-covid-19-related-auto-premium-relief/>

4. Impose a moratorium on insurance credit scoring or, at a minimum, prohibit rate increases due to credit declines in the wake of the pandemic. Although the legitimacy of insurers' use of consumer credit information to price insurance has always been controversial, it is clear that in the current environment any alleged relationship between credit history and expected claims has been ruptured and insurance credit scoring has become unfairly discriminatory.

2. Greater premium relief is needed for auto insurance policyholders. Motor vehicle accident data indicate a minimum average 30% premium relief payment starting March 18, 2020 through the end of May, even after accounting for offsetting cost factors. While insurers should be applauded for the actions taken to date, most insurers' premium relief has not been sufficient.

2.1. The regulatory standard for personal auto insurance rates (and premium charges⁴) is that rates must not be excessive, inadequate, or unfairly discriminatory.⁵

The “not excessive” standard means that insurers are permitted to earn a reasonable, but not excessive profit. The “not unfairly discriminatory standard” means that insurance must be cost-based. Stated differently, consumers who pose the same risk of claims and expense – technically, the “cost of the transfer of risk” from the consumer to insurer – should be treated the same way and pay the same rate.

State insurance laws – and actuarial standards of practice – require and encourage insurers to recognize differences in risk profiles and utilize rating factors that differentiate different groups of consumers by differences in likelihood of claims. One example of a risk rating factor is geographic location because the likelihood of a motor vehicle accident and the costs of medical care and vehicle and property damage repair vary across different locations. Motor vehicle accidents are more frequent in more congested areas with more vehicles on the road. The cost of medical care and vehicle and property damage repair is higher in higher-cost areas.

2.2 Personal auto insurance rates became excessive – and unlawful – as soon as COVID-19 shelter-in-place restrictions and business closings became effective.

Personal auto insurance rates became excessive almost like turning off a light in mid-March in most of the country because the assumptions in then-current rates about future claims became too high by a huge amount.

⁴ Rates and premium are different. A rate is the cost per unit of exposure, while premium is the dollar cost produced by applying the rate to a particular exposure (consumer or vehicle).

⁵ All states other than Illinois have some version of these statutory requirements – not excessive, not inadequate and not unfairly discriminatory. In some states, like Louisiana, rates are deemed to comply with these standards unless the insurance commissioner – through a laborious process – determines that the specific insurance market is not competitive. As discussed below, the market for auto premium relief is not competitive because consumers have already purchased the policy.

Personal auto insurance rates – and insurance rates in general – are prospective in nature, meaning that rates are set to cover future expected claims and expenses. When a consumer pays a six-month or annual premium on, say, March 1, that premium is based on rates designed to cover expected claims in the future six- or twelve-month period, respectively.

Insurers develop personal auto insurance rates by extrapolating from recent historical experience. Typically, an insurer will look at the past one to five years of actual historical experience – premiums, claims, claim settlement expenses, non-claim selling and administrative expenses – and project future claims and costs from that base. The assumption is, absent major changes in state laws or insurance coverages, the future will look like the recent past with relatively minor adjustments.⁶ As a result, insurer rates changes are typically under +/- 7% annually.

Because of COVID-19 restrictions, the assumptions about future claims underlying insurers' rates in effect on March 1 became radically incorrect overnight. When roads emptied, the frequency of motor vehicle accidents and insurance claims dropped dramatically and immediately. The assumptions in insurers' rates covering time-frames from mid-March forward about future frequency of claims became significantly wrong when the roads emptied because of Stay-At-Home orders and business closures starting in mid-March. The then-current rates became excessive not just for new policyholders going forward, but also for existing policyholders whose premium was based on now-overstated expectation about insurance claims.

2.3 Traditional ratemaking -- the actuarial exercise of projecting future claims and the premiums needed to cover those future claims -- isn't possible in the current uncertain environment and isn't a solution to the current problem. How insurers develop their estimates of future claims and premium need is distinct from any state's regulatory structure for review and approval of the rates -- although some states have provided their insurance regulators with much better tools to respond to the current overcharges.

We discuss below in more detail how insurers and their actuaries typically develop rates by extrapolating recent historical experience into the future based on assumptions that the future will look a lot like the recent past. Since that core assumption is no longer valid, traditional ratemaking fails. The current situation looks nothing like the recent past and the future is uncertain.

More important, even if insurers had perfect knowledge about the future and were able to change their rates today, that wouldn't address the problem of excessive rates for current policyholders. Policyholders today bought their policies sometime between the last week and the last year. The premiums they paid were based on insurers' expectation about claims in a normal economy and normal society. Those assumptions became dramatically invalid overnight and the rates used by insurers a week ago or a month ago – regardless of the state – became massively excessive because the assumptions underlying those rates evaporated.

⁶ For example, insurers study trends in claim costs – changes frequency of claims and average cost of claims per claim over time – to estimate whether average claim costs per vehicle insured is going up or down. While claim severity – average cost of a claim – typically increases over time, claim frequency has gone down and up. The loss trends are typically modest – a few percentage points annually. Similarly, premium collected by insurers – with no change in rates – typically increases because consumers exchange older vehicles for newer vehicles whose higher value translates into higher premiums.

Some states have provided their insurance regulators with much better tools to respond to the current overcharges than overs. For example, in California, the commissioner has authority to order insurers to provide the needed relief. In Ohio and Pennsylvania, the regulators have the authority to prevent insurers from penalizing consumers with higher rates because of expired driver licenses or declining insurance credit scores, respectively. In contrast, the insurance department in Illinois has no authority over auto insurance rates.

2.4 The reduction in the number of personal auto insurance claims – “claim frequency” – and insurance claim costs was massive and unlike anything previously experienced by auto insurers. The number of vehicles on the road and miles driven dropped sharply by the third week of March and continued dropping through mid-April.

With shelter-in-place restrictions and business closings, most people stopped driving or reduced their driving dramatically. With fewer cars on the road, there were dramatically fewer accidents. Fewer motor vehicle accidents mean fewer auto insurance claims.

The ubiquitous tracking of mobile phone location data has enabled a number of vendors to track changes in consumers’ travel activities. For example, Streetlight Data has developed a COVID-19 Vehicle Miles Traveled (“VMT”) Scorecard documenting changes in VMT by county from a January 2020 baseline.⁷

CEJ and CFA calculate, using the Streetlight VMT data,⁸ weekly VMT declined in every state from the January average for the week of March 15 to 21. Table 1 shows a nationwide decline in VMT of 38% with states ranging from an 8% reduction in Iowa to a 60% reduction in New Jersey during that third week of March. By the next week, March 22 to 28, the nationwide reduction had grown from 38% to 63%. By the week ending April 4, the national reduction was 66% and individual state reductions ranged from 52% in Arkansas to 86% in the District of Columbia. Nationally, VMT declined by over 60%, reaching a low of 68% fewer VMT in the second week of April.

Nationwide Reduction in Vehicle Miles Traveled from Mid-March

March 15 - March 21	March 22 - March 28	March 29 - April 4	April 5 - April 11	April 12 - April 18	April 19 - April 25
-38%	-63%	-66%	-68%	-66%	-62%

⁷ <https://www.streetlightdata.com/VMT-monitor-by-county/>

⁸ Streetlight utilizes geo-location data from mobile phone apps. See “Streetlight Multimode Methodology, Data Sources and Validation” at https://learn.streetlightdata.com/hubfs/White%20Papers/Multimode%20Data%20Sources%20and%20Methodology/StreetLight_Multimode_Methodology%20Data%20Sources%20and%20Validation.pdf?utm_source=hs_automation&utm_medium=email&utm_content=83889957&hsenc=p2ANqtz-NlzopwbAizy8qwBRY-22miugZWnnmCas-uPhDytubaE4j_-ru_jZeN06xdDLXaScaYsUsVosx7NeII6jFY2GM9IWpmw&hsmi=83889957

2.5 Auto insurance is different from other types of insurance in one important way – my personal driving action doesn’t just affect my risk profile, but also affects everyone else’s risk of an accident.

In all lines of insurance, if a policyholder reduces their risk profile, they should get a premium break based on the new, lower likelihood of a claim. For example, if a business has to close because of COVID-19 restrictions, the firm has lowered its risk exposure for worker injuries and liability claims and should get a premium break for that. But that business owner’s action does not affect the risk profile of the business next door that has continued to operate.⁹

Auto insurance is different. When one person stops driving, they not only reduce their own personal risk profile, they reduce the overall likelihood of any claim by anyone because of fewer cars on the road. Normally, this “network” effect is trivial. But when large numbers of cars leave the road, the likelihood of the remaining drivers getting into an accident drops because there are so many fewer cars on the road.

It is the existence of this network effect on claims of radically fewer cars on the road plus the fact that auto insurance is the largest insurance expense for Americans other than health insurance – over \$250 billion in personal auto insurance premium in 2019 – that gives rise to the need for immediate and on-going COVID-19-related auto premium relief.

⁹ This does not diminish the fact that many businesses have seen their individual risk profile change and are, therefore, due relief based on that.

Table 1: Reduction in Vehicles Miles Traveled by State from Mid-March 2020

For 7-Day Periods, Sunday through Saturday from January 2020 Average)

Sorted by State

State	March 15 - March 21	March 22 - March 28	March 29 - April 4	April 5 - April 11	April 12 - April 18	April 19 - April 25
Alabama	-29%	-48%	-51%	-57%	-52%	-49%
Arizona	-28%	-57%	-63%	-66%	-64%	-61%
Arkansas	-39%	-49%	-52%	-52%	-48%	-45%
California	-53%	-72%	-74%	-77%	-74%	-71%
Colorado	-44%	-68%	-75%	-74%	-77%	-70%
Connecticut	-53%	-74%	-79%	-79%	-78%	-76%
Delaware	-45%	-67%	-70%	-70%	-71%	-67%
District of Columbia	-41%	-83%	-86%	-86%	-88%	-87%
Florida	-32%	-60%	-67%	-70%	-69%	-65%
Georgia	-38%	-57%	-61%	-64%	-61%	-59%
Idaho	-34%	-53%	-62%	-59%	-56%	-51%
Illinois	-42%	-67%	-67%	-67%	-68%	-64%
Indiana	-31%	-59%	-62%	-62%	-63%	-56%
Iowa	-8%	-56%	-58%	-57%	-60%	-49%
Kansas	-25%	-59%	-65%	-63%	-64%	-56%
Kentucky	-39%	-54%	-57%	-59%	-60%	-55%
Louisiana	-38%	-60%	-62%	-63%	-59%	-54%
Maine	-37%	-62%	-70%	-70%	-66%	-59%
Maryland	-50%	-71%	-76%	-76%	-76%	-74%
Massachusetts	-53%	-76%	-82%	-81%	-81%	-78%
Michigan	-43%	-70%	-75%	-76%	-76%	-72%
Minnesota	-39%	-67%	-74%	-71%	-71%	-63%
Mississippi	-25%	-49%	-51%	-56%	-51%	-46%
Missouri	-23%	-58%	-59%	-60%	-59%	-52%
Montana	-31%	-58%	-68%	-66%	-65%	-56%
Nebraska	-38%	-57%	-60%	-59%	-64%	-52%
Nevada	-43%	-66%	-69%	-72%	-69%	-65%
New Hampshire	-48%	-69%	-75%	-74%	-74%	-70%
New Jersey	-60%	-81%	-83%	-82%	-83%	-80%
New Mexico	-33%	-56%	-59%	-62%	-59%	-54%
New York	-52%	-77%	-80%	-81%	-80%	-77%
North Carolina	-37%	-57%	-62%	-62%	-60%	-58%
North Dakota	-33%	-58%	-68%	-67%	-66%	-58%
Ohio	-40%	-65%	-66%	-67%	-67%	-60%
Oklahoma	-18%	-50%	-58%	-56%	-55%	-46%
Oregon	-35%	-62%	-69%	-67%	-64%	-62%
Pennsylvania	-45%	-70%	-72%	-72%	-71%	-67%
Rhode Island	-47%	-71%	-78%	-77%	-78%	-75%
South Carolina	-32%	-53%	-55%	-59%	-56%	-53%
South Dakota	-38%	-59%	-63%	-60%	-63%	-52%
Tennessee	-25%	-55%	-58%	-60%	-58%	-54%
Texas	-34%	-60%	-66%	-67%	-63%	-58%
Utah	-42%	-59%	-64%	-64%	-63%	-57%
Vermont	-38%	-68%	-75%	-73%	-72%	-65%
Virginia	-43%	-63%	-67%	-67%	-67%	-64%
Washington	-44%	-68%	-74%	-71%	-69%	-67%
West Virginia	-33%	-59%	-59%	-59%	-57%	-52%
Wisconsin	-36%	-65%	-68%	-66%	-67%	-60%
Wyoming	-29%	-50%	-55%	-56%	-61%	-51%
U.S. Total	-38%	-63%	-66%	-68%	-66%	-62%

Streetlight Data provides estimates of daily vehicle miles traveled.

Table 1A: Reduction in Vehicles Miles Traveled by State from Mid-March 2020

For 7-Day Periods, Sunday through Saturday from January 2020 Average)

Sorted by VMT Reduction, Week of April 5

State	March 15 - March 21	March 22 - March 28	March 29 - April 4	April 5 - April 11	April 12 - April 18	April 19 - April 25
District of Columbia	-41%	-83%	-86%	-86%	-88%	-87%
New Jersey	-60%	-81%	-83%	-82%	-83%	-80%
Massachusetts	-53%	-76%	-82%	-81%	-81%	-78%
New York	-52%	-77%	-80%	-81%	-80%	-77%
Connecticut	-53%	-74%	-79%	-79%	-78%	-76%
Rhode Island	-47%	-71%	-78%	-77%	-78%	-75%
California	-53%	-72%	-74%	-77%	-74%	-71%
Maryland	-50%	-71%	-76%	-76%	-76%	-74%
Michigan	-43%	-70%	-75%	-76%	-76%	-72%
New Hampshire	-48%	-69%	-75%	-74%	-74%	-70%
Colorado	-44%	-68%	-75%	-74%	-77%	-70%
Vermont	-38%	-68%	-75%	-73%	-72%	-65%
Nevada	-43%	-66%	-69%	-72%	-69%	-65%
Pennsylvania	-45%	-70%	-72%	-72%	-71%	-67%
Washington	-44%	-68%	-74%	-71%	-69%	-67%
Minnesota	-39%	-67%	-74%	-71%	-71%	-63%
Florida	-32%	-60%	-67%	-70%	-69%	-65%
Delaware	-45%	-67%	-70%	-70%	-71%	-67%
Maine	-37%	-62%	-70%	-70%	-66%	-59%
Virginia	-43%	-63%	-67%	-67%	-67%	-64%
Illinois	-42%	-67%	-67%	-67%	-68%	-64%
North Dakota	-33%	-58%	-68%	-67%	-66%	-58%
Oregon	-35%	-62%	-69%	-67%	-64%	-62%
Texas	-34%	-60%	-66%	-67%	-63%	-58%
Ohio	-40%	-65%	-66%	-67%	-67%	-60%
Arizona	-28%	-57%	-63%	-66%	-64%	-61%
Wisconsin	-36%	-65%	-68%	-66%	-67%	-60%
Montana	-31%	-58%	-68%	-66%	-65%	-56%
Utah	-42%	-59%	-64%	-64%	-63%	-57%
Georgia	-38%	-57%	-61%	-64%	-61%	-59%
Kansas	-25%	-59%	-65%	-63%	-64%	-56%
Louisiana	-38%	-60%	-62%	-63%	-59%	-54%
Indiana	-31%	-59%	-62%	-62%	-63%	-56%
New Mexico	-33%	-56%	-59%	-62%	-59%	-54%
North Carolina	-37%	-57%	-62%	-62%	-60%	-58%
Missouri	-23%	-58%	-59%	-60%	-59%	-52%
South Dakota	-38%	-59%	-63%	-60%	-63%	-52%
Tennessee	-25%	-55%	-58%	-60%	-58%	-54%
West Virginia	-33%	-59%	-59%	-59%	-57%	-52%
Idaho	-34%	-53%	-62%	-59%	-56%	-51%
Nebraska	-38%	-57%	-60%	-59%	-64%	-52%
Kentucky	-39%	-54%	-57%	-59%	-60%	-55%
South Carolina	-32%	-53%	-55%	-59%	-56%	-53%
Alabama	-29%	-48%	-51%	-57%	-52%	-49%
Iowa	-8%	-56%	-58%	-57%	-60%	-49%
Oklahoma	-18%	-50%	-58%	-56%	-55%	-46%
Mississippi	-25%	-49%	-51%	-56%	-51%	-46%
Wyoming	-29%	-50%	-55%	-56%	-61%	-51%
Arkansas	-39%	-49%	-52%	-52%	-48%	-45%
U.S. Total	-38%	-63%	-66%	-68%	-66%	-62%

Streetlight Data provides estimates of daily vehicle miles traveled.

CEJ/CFA calculated weekly totals and average reductions.

2.6 The reduction in motor vehicle accidents tracks the reduction in miles driven and vehicles on the road.

Fewer cars on the road – fewer people driving and driving fewer miles – translates into fewer motor vehicle accidents (and auto insurance claims).¹⁰ While insurers monitor new claim filings on a daily basis and were aware of the reduction in insurance claims by mid-March, public data on the number of motor vehicle crashes on a particular date isn't available until several weeks after the date in question. Public data on insurance claims aren't available for months after the end of the calendar quarter or calendar year.¹¹

The most current public data on motor vehicle accidents is available from state transportation departments. CEJ and CFA gathered motor vehicle accident data from Texas and Massachusetts, comparing the number of weekly accidents reported in mid-March and later to the average number of weekly accidents from the same period in 2019 as well comparing the March and April 2020 data with the average for February 2020 to assess the reduction in accidents post-COVID-19 restrictions.

Table 2 shows changes in VMT and crashes for the last two weeks of March and first three weeks of April in Massachusetts. The crash data were gathered from the Massachusetts Department of Transportation Crash Query and Visualization web site.¹² The table shows the state's reduction in VMT from Table 1 and two measures of changes in vehicle crashes. The first measure is the change in weekly crashes from the February 2020 average weekly number of crashes. The second measure is the change in weekly crashes from the same period in 2019. The five weekly periods used in 2019 and 2020 are Sunday through Saturday. While more recent crash data are available, we found that the crash data change frequently and significantly in the days immediately following the crash date. Consequently, we limited the analysis to the period ending April 18.

Table 3 shows the same metrics for Texas as Table 2 does for Massachusetts.¹³ As with Massachusetts we see that reductions in crashes track with reductions in VMT. We also see that crash reductions exceeded 50% in most of the weeks studied.

¹⁰ See, for example, <https://www.allstatenewsroom.com/news/as-roadway-fatalities-rise-allstate-unveils-the-cities-with-the-safest-drivers-when-population-density-is-part-of-the-equation/> describing Allstate's research into the correlation of population density and insurance claims.

¹¹ Public data on insurance claims is available in insurer rate filings in those states where insurers are required to file rates and provide justification for the rates. The rate filings will typically contain information on claim frequency for a historical period ending several months before the date of the rate filing. The Insurance Services Office produces a "Fast-Track" data report comprised experience from less than 50% of the auto insurance market with claim frequency data produced several months after the end of each calendar quarter. These data may not be available to members of the public and are only available for a substantial fee.

¹² <https://apps.impact.dot.state.ma.us/cdv/>

¹³ The Texas crash data were obtained from the Texas Department of Transportation's Crash Query Tool website at <https://cris.dot.state.tx.us/public/Query/app/welcome>

Table 2: Change in VMT and Vehicle Crashes in Massachusetts

	Change in VMT from Jan 2020 Baseline	Change Crashes from Feb 2020 Weekly Average	Change in Crashes from Same Period in 2019
March 15 - March 21	-53%	-42.8%	-47.8%
March 22 - March 28	-76%	-56.7%	-59.9%
March 29 - April 4	-82%	-63.5%	-69.4%
April 5 - April 11	-81%	-62.4%	-66.5%
April 12 - April 18	-81%	-64.4%	-69.6%

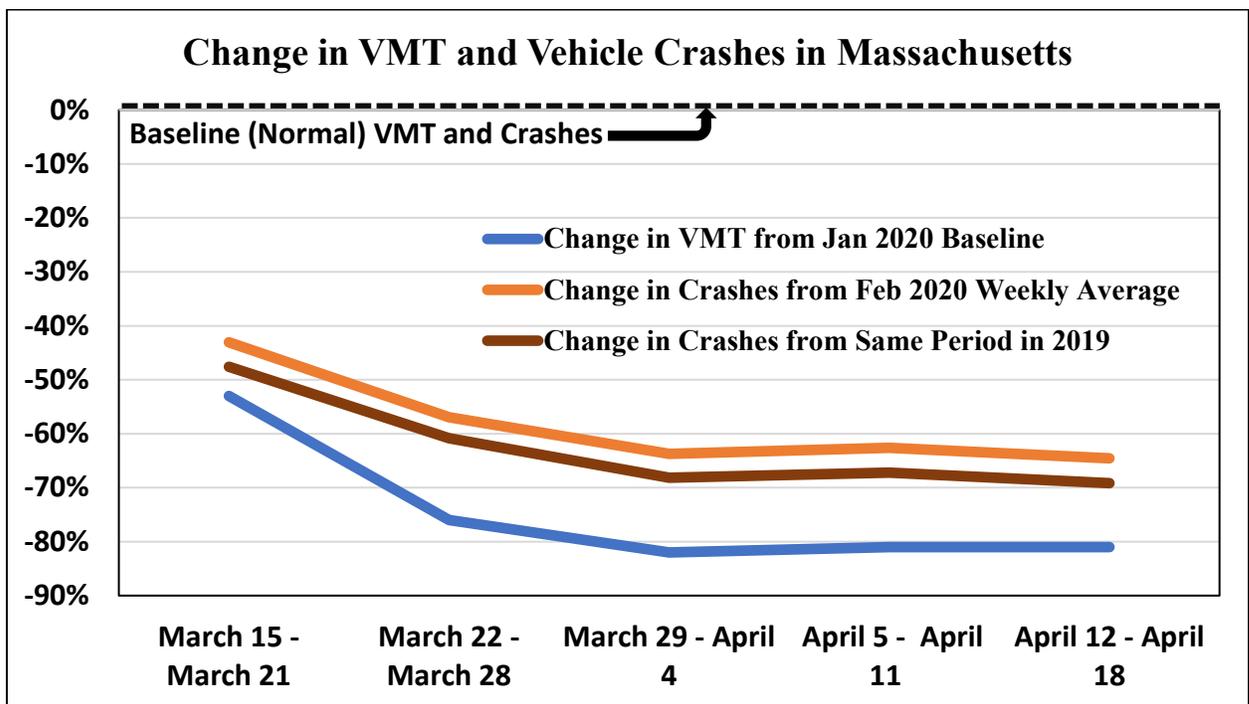
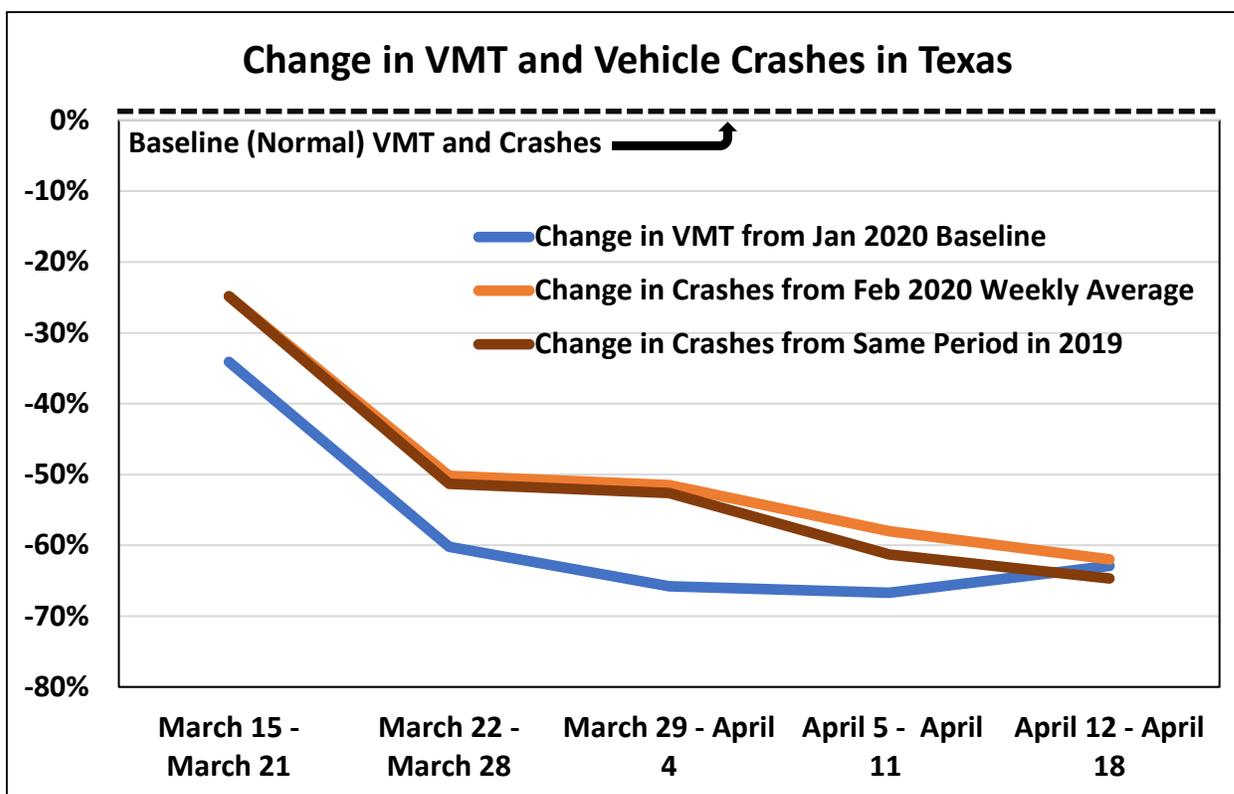


Table 3. Change in VMT and Vehicle Crashes in Texas

	Change in VMT from Jan 2020 Baseline	Change Crashes from Feb 2020 Weekly Average	Change in Crashes from Same Period in 2019
March 15 - March 21	-34.1%	-24.8%	-26.6%
March 22 - March 28	-60.2%	-50.2%	-51.7%
March 29 - April 4	-65.8%	-51.5%	-53.9%
April 5 - April 11	-66.7%	-58.0%	-61.6%
April 12 - April 18	-62.9%	-62.0%	-63.2%



California's Transportation Injury Mapping System is collecting similar data on crashes. They find that in March and April 2020 the number of crashes has declined by over 50% compared to March and April 2019.¹⁴

2.6 Auto premium relief should average at least 30% of premium from mid-March through the end of April.

The available accident data show significant reductions in motor vehicle accidents. All else equal, a 50% reduction in accidents will produce a 50% reduction in auto insurance claims and a 50% reduction in insurance claim payouts by insurers.

Table 4 shows how a reduction in claim costs should translate into a reduction in premium. Insurance rates (and premiums) consist of five major components: claim payments, claim settlement costs, selling expense, other general and administrative expense and profit. On average, claim and claim settlement expenses should be at least 65% of the premium dollar. Non-claim expenses fall into two categories – variable and fixed. Variable expenses are those that vary with the premium charge. For example, agent commissions are generally paid as a percentage of the premium charge. Profit is calculated as a percentage of premium. State premium tax is assessed as a percentage of premium. These expenses should grow with higher premium charges and decrease with lower premium charges.

Fixed expenses are those that don't vary in the short-term and don't vary with the amount of premium. For example, expenses for advertising, general management, building costs and more are typically fixed in the short-term, regardless of claim costs or premium collected.¹⁵

Table 4 shows that because some claim costs are only a portion of premium and because some of insurers' expenses are fixed in the short-term, a 50% reduction translates into a 39.4% reduction in premium and not a 50% reduction.

Variable expenses refer to those expenses that are calculated as a percentage of premium and include agents' commissions, premium tax and profit load. The dollar amount of these expenses rises and falls with increases or decreases in the premium charges to a policyholder. For example, if an insurer pays a 12% commission to an agent, the agent will receive \$120 for a policy with a \$1,000 premium, but \$60 for a policy with a \$500 premium. We note that agent commissions are adjusted as policies are changed or cancelled and the premium on the policy changes. While some insurers have decided not to recoup the agents' commissions on the premium relief paid back or credited to consumers, such additional payments to agents should not reduce the premium relief for policyholders.

The data we have analyzed show reductions in motor vehicle accidents in late March and April of over 50%. Even after consideration of higher costs to insurers from other types of consumer relief (e.g., extended grace period for non-payment of premium), discussed in the next section, we've very conservatively concluded that 30% premium relief is the minimum average

¹⁴ See <https://tims.berkeley.edu/covid19.php>.

¹⁵ It should be noted that, like other businesses, insurers' work forces have also moved to work from home. As a result, some insurer building costs will stay the same (e.g., rent), while others may decline (e.g., utility costs, cleaning and maintenance).

return of premium insurers should be giving policyholders for the second half of March and April. As shown in Table 5, we've started not from the 39.4% reduction associated with the 50% reduction in claims, but from a lower 35% as an added measure of conservatism for insurers.

Ongoing premium relief from May forward is also justified and needed, but the ongoing reduction in miles driven, motor vehicle accidents and auto insurance claims may vary by state and within a state depending on when and how COVID-19 restrictions are relaxed as well as other economic factors that will impact levels of driving in the future. We discuss, below, how to transition from the immediate relief framework needed for March, April and May to a longer-term relief framework as the new “normal” in driving and miles driven develops.

Table 4. How a Reduction in Driving and Accidents Affects Auto Insurance Premium

	Base Case Example	If Claims Drop by 33%	If Claims Drop by 50%	If Claims Drop by 67%
Claims and Claim Settlement Expense	\$650.00	\$435.50	\$325.00	\$214.50
Variable Expenses -- Profit, Premium Tax	\$175.00	\$129.50	\$106.06	\$82.62
Fixed Expenses -- Sales, Administrative	\$175.00	\$175.00	\$175.00	\$175.00
Premium	\$1,000.00	\$740.00	\$606.06	\$472.12
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, premium tax and profit.

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 and that current rates target a 65% ratio of claims to premium.

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

2.7 Insurers' other actions to help auto insurance consumers offset the reduction in claim costs by only a small amount.

In addition to premium relief, auto insurers have helped their policyholders – and deserve praise – in other ways, including:

- Extending by two months the grace period before policy cancellation for non-payment of premium;
- Extending coverage for commercial delivery driving on personal auto insurance policies
- Donations to organizations engaged in COVID-19 prevention and treatment
- Providing free identify theft coverage

Of the several other-than-premium-relief efforts to help consumers, we believe the extended grace period is the only action with a material impact on insurers' premium or claims experience for the March, April and May time frame. Insurers' revenue can be affected in two ways because of the extended grace period:

- Lost investment income due to consumers' paying two months later than expected; and
- Lost premium for two months from consumers who utilize the extended grace period and leave the insurer after that without paying the skipped premium.

Table 5 shows our analysis of the financial impact to insurers of the extended grace period. The analysis relies upon two key assumptions – what share of policyholders will use the two months' grace period and, of that group using the grace period, what share will walk away and never pay for the two months of coverage. Our analysis indicates that the extended grace period will, on average, offset the needed premium relief of 35% by 5% to arrive at the 30% per month minimum average relief.

Table 5. Cost of Premium Payment Grace Period Extension

Starting Point: 35% of 2 Months Premium =		5.83%	of Annual Premium
1. Lost Investment Income or 2 Month Grace Period			
2 Months Premium		16.67%	of Annual Premium
Investment Income at	4%	0.67%	of Annual Premium
<u>% Policyholders Using Grace Period</u>	<u>20%</u>	<u>0.13%</u>	<u>of Annual Premium</u>
2. No Premium Ever Collected for Grace Period			
2 Months Premium		16.67%	of Annual Premium
% Policyholders Using Grace Period	20%	3.33%	of Annual Premium
<u>% Using Grace Period Who Walk</u>	<u>20%</u>	<u>0.67%</u>	<u>of Annual Premium</u>
Sum of 1 & 2		0.80%	of Annual Premium
Relief After Offset for 1 and 2		30%	of 2 months premium

There are other COVID-19 related factors that might increase or decrease insurers' costs.

- Claim severity – the average cost of a claim – may change as a result of the faster driving and more serious accidents by the fewer drivers on the road. It's unclear if such an effect would have a material difference on average claim size because of coverage limits in personal auto policies and the large number of auto insurance claims even after these historic declines in accidents. The issue of significant changes in claim severity becomes much more important over time and can better be analyzed with actual insurer claims data.
- Increased administrative costs to process premium relief credits or payments. These costs might include additional regulatory filings, additional programming and data system costs and additional mailing costs. While these costs may be significant in nominal dollars, they are very small compared to amount of premium relief.
- Changes in costs to operate during a pandemic. While some types of costs may increase because of COVID-19, other operating costs may drop. With employees working from home, building utility and maintenance costs are likely lower without employees. Expenses for business travel likely dropped significantly and rapidly.

Based on the above, we estimate that after consideration of offsetting cost factors, a minimum 30% from mid-March through April is reasonable and necessary and that ongoing relief from May forward will also be needed.

2.8 The majority of insurers' premium relief has been only 15% of monthly premium and has not provided premium relief for any part of March.

CFA and CEJ have previously provided a scorecard on insurers' auto insurance premium relief efforts.¹⁶ Our review showed that the vast majority of insurers promised relief of 15% of policyholders April and May premium. This relief is inadequate because it doesn't provide the relief justified for the second half of March and because 15% of April and May premium is too low to reflect the deep reduction in claims.

2.9 Promises of future rate reductions do not address the current problem of excessive premium charges for part of March and April and May.

It is essential to understand that premium relief is needed for current in-force policies because of the extraordinary reduction in actual claim frequency from the assumptions about claim frequency used to justify the current rates. The needed premium relief represents recognition that the current rates and associated premium charges became significantly excessive virtually overnight. Consequently, the premium relief must be provided against policyholders' current premium charges to reflect the fact that the current premium charges – whether previously paid or not – are excessive.

A relief program that promises future premium reductions upon policy renewal – such as the GEICO program – fails to match the relief to the relevant premium and policy. GEICO, for example, promises a credit or reduction in the renewal premium, meaning a consumer sees no benefit unless and until they renew their policy. This is wrong for several reasons. First, it doesn't provide relief for current policyholders. This penalizes consumers who don't renew with GEICO – who would then get nothing – and fails to credit consumers for the current premium that has become excessive.

Second, it doesn't get relief to consumers when they need it. If a consumer renewed their policy on March 1, they won't see relief under the GEICO plan until the August renewal.

Third, the promise of \$2 billion relief is not comparable to the actual current relief other insurers are promising for March, April and May. Other insurers will also be lowering rates or otherwise providing relief from June forward because of on-going reductions in claim frequency from the assumptions used in the rates in effect on March 1, 2020. GEICO is wrongly attempting to take credit for future – and in most cases distant future – rate reductions as if it were actually providing relief today to current policyholders.

¹⁶ https://consumerfed.org/press_release/auto-insurance-premium-relief-update-more-insurers-to-return-premium-as-refunds-and-credits-top-7-billion-through-may/

Other relief programs, such as those deployed by State Farm, Farmers, USAA and Farmers, contrast sharply with the GEICO program.

- State Farm, a mutual insurance company owned by its policyholders, committed to paying a dividend to its members for 25% of premium for the period March 20 to May 31, 2020.
- USAA initially announced relief of 20% of two months premium for policies in force on March 31, 2020 and recently announced additional relief for 20% of a third month's premium.
- Farmers initially announced relief of 25% of April premium and recently announced additional relief of 15% of May premium.
- Notably, Erie Insurance originally promised relief similar to GEICO – future rate reductions. After further consideration, Erie revised its relief program to provide 30% of two months premium to be paid in May.

3. Ongoing auto premium relief will be necessary. Future driving – miles driven – will not jump back to pre –COVID-19 levels. Gradual relaxing of shelter-in-place restrictions, slow economic recovery, and permanent changes in work-related travel demonstrate the need for on-going relief and a different regulatory approach until a new normal develops.

3.1 Most observers predict the “new normal” will be far different from pre-COVID and will take a long time to develop.

It has become clear that the recovery from the COVID-19 restrictions and business closings will be a slow and gradual process.¹⁷ Commentary by Max Fisher is representative¹⁸:

"Until the virus is subdued either by a vaccine or by a global campaign of strategically coordinated lockdowns — which one Harvard study estimated would take two years to work — daily life is likely to be defined by efforts to manage the pandemic. There is no master formula. But suggestions from public health experts tend to follow a pattern. Large gatherings may remain rare...Travel is likely to remain tightly restricted...Even if officials authorize the reopening of shops, for example, neither employees nor customers will return if they consider it prohibitively unsafe."

Perhaps there is no better example of a future different than that of the recent past than Nationwide's recent announcement of a plan to transition a portion of its workforce to permanently work from home and close a number of regional building locations.¹⁹ Nationwide plans to move workers at five locations to “permanent remote-working status.”

¹⁷ Appendix 1 contains cites from a number of analysts and observers.

¹⁸ “What Will Our New Normal Feel Like? Hints Are Beginning to Emerge,” *New York Times*, April 21, 2020 at <https://www.nytimes.com/2020/04/21/world/americas/coronavirus-social-impact.html>

¹⁹ “Nationwide announces permanent shift in workplace, work-from-home-strategy” at <https://finance.yahoo.com/news/nationwide-announces-permanent-shift-workplace-173000870.html>

While the future of work and leisure are still unknown, we also don't know how we will get there, how long it will take, and when we'll know when the new normal has arrived.

3.2 Traditional ratemaking -- the actuarial exercise of projecting future claims and the premiums needed to cover those future claims -- isn't possible in the current uncertain environment and isn't a solution to the current problem.

As discussed above, traditional ratemaking is based on assumptions about the near future and, historically, insurers have been able to make accurate predictions about future claims and claim costs by extrapolating recent historical experience into the near future. But traditional ratemaking is simply not possible in the current period of radical change in current claims activity from the experience of the recent past. Future projections cannot be reliably made because of the unknown nature of the future COVID-19 infections, government actions to continue or loosen restrictions, the timing of such loosening of restrictions, and the behavioral responses from consumers and businesses once restrictions are loosened. Stated differently, predictions for what auto insurance claims will look like over the next six months and how that experience compares to recent historical experience is simply unknowable at this time.

Also as discussed above, the issue of how insurers develop their estimates of future claims and premium need is distinct from any state's regulatory structure for review and approval of the rates.

3.3 Ongoing premium relief – instead of traditional rate filings by insurers to change rates – is needed for the foreseeable future.

Three key factors demand that insurers freeze rates in effect as of March 1, 2020 and provide on-going monthly premium relief for at least six months and possibly longer until some type of new “normal” has developed and insurers' have relevant claims experience and data.

1. Current rates are excessive; consumers deserve and need premium relief;
2. Traditional ratemaking has been upended by radical changes in exposure and an uncertain future; and
3. The current state auto insurance regulatory framework is set up for filing rates for the future and is unsuited to respond to the current problem.

We've discussed the first two points above. In the next section, we discuss the failure of state insurance regulators and the actions they need to take.

4. State insurance regulators have largely been absent on auto premium relief and most states' auto insurance regulatory system have proven to be unprepared for an event like COVID19. Their statutory responsibilities – ensuring insurance rates are not excessive and not unfairly discriminatory and protecting consumers – requires action to ensure fair treatment of consumers and prevention of windfall profits for insurers.

4.1 Personal auto insurance is regulated by the states. While state insurance regulators were quick to require insurers to provide extended grace periods for non-payment of premium and to require health insurers to cover COVID-related testing and treatment costs, the regulators have been largely absent on requiring insurers to provide needed auto insurance premium relief.

State insurance regulators have been challenged in responding to the insurance impacts of COVID-19 and related restrictions. Like other organizations, state insurance department staff has had to work remotely instead of coming to the office. Health insurance challenges have been the focus of state regulator efforts to ensure coverage for testing and treatment while navigating the complex health insurance regulatory landscape. Unlike most other lines of insurance which are exclusively regulated by the states, health insurance is subject to significant federal regulation.

States' governors and insurance regulators were also prompt in encouraging or requiring insurers to extend the grace period for non-payment of premium to prevent policy cancellations for consumers who were late with payment – an important response to the massive increase in unemployment.

Other than extending payment grace periods and claim filing deadlines, most state insurance commissioners have stood on the sideline regarding personal auto insurance. Regulators from Alaska, Pennsylvania and Maryland were the only ones to even encourage auto insurers to provide premium relief in March in the face of empty roads. To date, only one state regulator, California's Insurance Commissioner, has ordered insurers to provide premium relief in response to the radical reduction in risk exposure.

In response to consumer protection other than premium relief, the Ohio commissioner directed insurers not to penalize consumers for expired driver licenses. This is an example of a regulator taking action to protect consumers because a once-valid risk factor had become invalid. Through no fault of their own, many drivers were simply unable to renew their licenses because of closed offices or shelter-in-place restrictions.

Similarly, the Pennsylvania commissioner directed insurers not to penalize consumers because of declining insurance credit scores. Even, assuming that a consumers' credit history was predictive of future claims (controversial in itself), the validity of that assumption disappears when millions of consumers' credit scores decline because of job loss or other COVID-19 impacts beyond their control.

While we applaud these efforts by Ohio and Pennsylvania, the fact is that few, if any, other states have taken similar actions. While Ohio took action on expired driver licenses, it hasn't taken any action on insurance credit scoring or premium relief.

A number of state insurance regulators have simply thanked insurers for providing relief while not taking any action to require the relief or ensure the relief is sufficient and timely. We find this astonishing since the regulators are required by law in every state but Illinois to make sure rates are fair and just – not excessive and not unfairly discriminatory.

State insurance regulators have failed to enforce their laws in part because of their inaction but also in part because of antiquated regulatory systems and authorities, as we next discuss.

4.2 State insurance regulators' ability to respond to the COVID-19 challenges has been limited because of weak and antiquated regulatory data collection and analysis tools.

In almost all states, the regulators outsource data collection to insurance organizations called advisory organizations or statistical agents. These organizations collect data from insurers for various lines of insurance and report experience on an annual basis typically 18 to 24 months after the end of the experience year. The absurd lag in getting usable data is exemplified by the annual auto insurance data reports produced by the National Association of Insurance Commissioners, an organization that assists state insurance regulators largely through data collection and analysis. The NAIC's most recent *Auto Insurance Database* was published on March 13, 2020 – covering auto insurance premiums and claims experience through 2017.

Insurance regulators, with very few exceptions, don't collect data in a timely fashion to effectively monitor insurance markets. And when data are needed, the process is slow and cumbersome because of the potential for 51 states and the District of Columbia to ask for the similar, but not identical, information in slightly different ways. The development of a uniform data collection tool, typically coordinated through the NAIC, is also slow.

The NAIC announced, on May 1, 2020, that regulators had developed a uniform request for data on business interruption premium and claims. No regulator to date has issued a request for data on new personal auto claims broken out by coverage and date the claim was received, despite the fact that the comparison of new claim filings over pre- and post-COVID-19 periods is the critical data element for regulators and insurers now and for the next few months.

4.3 Market forces will not force insurers to provide the necessary relief and protect consumers. Insurance regulators must take action to enforce the statutory requirements that auto insurance rates be not excessive and not unfairly discriminatory.

The response to date from insurers demonstrates that market forces alone will not drive insurers to provide the needed auto insurance premium relief to consumers. Insurers' responses have ranged from relief of less than 15% of two months of premium to 35%, while only one insurer has committed to providing relief for part of March, despite the dramatic reduction in claims in the second half of March. Further, there is no marketplace penalty for an insurer providing insufficient premium relief because the policy has already been written and issued – the insurer cannot lose premium that has already been earned. Regulators have the statutory and moral responsibility to make up for their lack of action to date by developing and implementing a consistent approach for insurers to provide premium relief.

4.4 Regulatory guidance on current and on-going COVID-19 relief is sorely needed.²⁰

4.4.1 *Traditional insurance ratemaking fails in the current environment. A program of monthly premium relief based largely on changes in the number of new claims filed from pre-COVID time frames is needed for at least several months.*

Regulators' reliance upon future rate filings to provide relief fails to protect consumers because such an approach fails to enforce the law that rates not be excessive and fails to get the relief to current policyholders whose premium has become excessive. While insurers might utilize other available information to determine the appropriate amount of premium relief, changes in new claims filed is, by far, the most relevant and important factor in developing premium relief in a timely manner in an uncertain time for the short- and medium-term.

4.4.2 *Guidance for amount, methods and timing of relief payments and credits on an on-going basis until a new normal develops.*

While two insurers, to date, have recognized the need for ongoing relief (USAA and Farmers), there is no template for ongoing relief to accompany the ongoing reductions in miles driven and claims. Regulators need to step up and provide guidance on the amount of relief needed – at a statewide average as well as for sub-state regions if experience varies significantly within the state – and the acceptable methods of providing that relief. Promises of future relief not tied to current policyholder premiums should not be considered a sufficient response.

4.4.3 *Regulatory data collection from insurers and publication of weekly new claims filings is needed to support regulatory efforts, prevent unfair discrimination, assist insurers, and provide public transparency*

Insurers track new claim filings on a daily basis. Regulators must require insurers to initially report the number of new auto insurance claims filed by date received by major coverage and by county for the period March 1, 2019 through August 31, 2019 and from January 1, 2020 through April 30, 2020 along with average number of policies in-force and average number of vehicles insured as of the end of each month reported. The new claims filed should be reported in two ways – claims filed by date of accident and claims filed by date of filing. Subsequent reports should be then be submitted monthly to update and supplement the 2020 experience.

The use of new claims filed from March 2020 forward compared to earlier periods as a way to estimate premium relief is a short-term response to facilitate timely relief to current consumers in the absence of the data required and used for traditional actuarial analysis. Regulators should develop a more comprehensive data collection strategy – including data on claim severity as these data become available over time – to guide the transition from the emergency auto premium relief framework into the time when more traditional actuarial analyses are possible.

²⁰ In a separate letter to state insurance commissioners, CFA's Director of Insurance J. Robert Hunter, former Texas Insurance Commissioner and credentialed actuary, offers detailed technical and policy guidance to the states. See <https://consumerfed.org/testimonial/cfas-director-of-insurance-offers-guidance-to-state-insurance-regulators-for-covid-19-related-auto-premium-relief/>

To be clear, the initial data collection on new claims filed and exposures in-force are not traditional ratemaking data and are not sufficient for traditional ratemaking. Rather, it is data needed in the current situation to respond rapidly to changing claims experience. While future data collection should add more data elements over time as the new “normal” develops, this limited data collection is designed for ease of reporting and rapid compilation and publication by regulators. Publication of aggregate industry data is essential to assist small and medium-sized insurers whose own books of business are too small to provide statistically-valid or credible insights.

4.4.4 Not all states and sub-state locations experience the same reduction in miles driven, vehicles on the road and number and type of vehicle accidents.

As Table 1 shows, reductions in miles driven varies significantly across the states depending on the population density of the state, the number and size of urban areas and the nature and extent of COVID-19 stay-at-home and business closing requirements. Table 1 suggests that a single percentage or dollar amount of relief for the entire country may not be fair to policyholders in those states with greater-than-national-average claims reduction. For larger states with significant rural and urban/suburban areas, the same logic and differential claims experience within the state may indicate different relief by major region within the state.

4.4.5 Utilize existing statutory authorities, obtain new authority if needed.

Insurance regulators in almost every state have considerable regulatory authority to take necessary action. For example, regulators can provide guidance that premium relief is not a prohibited rebate because it is provided to all policyholders and because it is not a payment intended to secure business in exchange for the rebate.

Regulators have authority to collect data from insurers and publish industry-aggregate experience. Regulators also have authority to utilize the NAIC for more efficient and uniform data collection – as they have done recently for data on COVID-19-related business interruption claims and have done for decades for insurers’ financial reporting.

In some states, regulators may need to invoke special authority by declaring markets as non-competitive. In some states, the regulator may need additional authority from the Legislature. If that is the case the regulator needs to act quickly to get that need authority.

4.4.6 Impose a moratorium on insurance credit scoring or, at least, prohibit, rate increases due to insurance credit scoring to protect consumers whose credit experience has suffered through no fault of their own.

Although the legitimacy of insurers’ use of consumer credit information to price insurance has always been controversial, it is clear that in the current environment any relationship between credit history and expected claims has been ruptured and insurance credit scoring has become unfairly discriminatory. 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.

Only California, Massachusetts, and Hawaii prohibit the use of credit history in auto insurance pricing. While some of the remaining states have provisions in their insurance credit scoring models for consumers to challenge their insurance credit scores due to life events, such a provision is not found in many state statutes. Nor should it be the burden of consumers to address this, given that most likely don't know that their credit history has a huge impact on the premium they're charged. Further, the concept of life events exceptions is just that – an exception to the general reliability of insurance credit scoring. The current situation has undermined that general reliability and, consequently, a general response – a moratorium or prohibition against penalizing current policyholders.²¹

²¹ A more detailed discussion of insurance credit scoring is found in the March 30, 2020 CFA/CEJ letter to insurance commissioners, found at <https://consumerfed.org/wp-content/uploads/2020/03/COVID-19-Auto-Premium-Relief-Letter-3-30-20.pdf>

Appendix 1

Comments on the Future Following COVID-19

Quotes from Experts on Lasting Effects of Coronavirus Crisis

If the Great Depression Is Any Indication, Things Won't Just Go Back to 'Normal' After the Coronavirus Pandemic Ends. James Cobb, Time Magazine, April 27, 2020.

"Like other era-defining historical trials, the Great Depression finally passed. But both on an individual and a governmental level, the end did not signal a return to status quo. While the history of crises past seems to assure us that, one way or another, today's will eventually recede, that history just as surely cautions us against assuming we can anticipate what the world may look like when it does."

What Will Our New Normal Feel Like? Hints Are Beginning to Emerge. Max Fisher, New York Times, April 21, 2020.

"Until the virus is subdued either by a vaccine or by a global campaign of strategically coordinated lockdowns — which one Harvard study estimated would take two years to work — daily life is likely to be defined by efforts to manage the pandemic. There is no master formula. But suggestions from public health experts tend to follow a pattern. Large gatherings may remain rare...Travel is likely to remain tightly restricted...Even if officials authorize the reopening of shops, for example, neither employees nor customers will return if they consider it prohibitively unsafe."

Our Pandemic Summer. Ed Yong, the Atlantic, April 15, 2020.

"As I wrote last month, the only viable endgame is to play whack-a-mole with the coronavirus, suppressing it until a vaccine can be produced. With luck, that will take 18 to 24 months. During that time, new outbreaks will probably arise. Much about that period is unclear, but the dozens of experts whom I have interviewed agree that life as most people knew it cannot fully return. 'I think people haven't understood that this isn't about the next couple of weeks,' said Michael Osterholm, an infectious-disease epidemiologist at the University of Minnesota. 'This is about the next two years.'"

"Gottlieb's road map, for example, recommends that until a vaccine or an effective treatment is produced, social gatherings should be limited to 50 people or fewer. That will be especially challenging in large cities: An average Manhattan street or subway car is the equivalent of a mass gathering. Elsewhere, concerts, conferences, summer camps, political rallies, large weddings, and major sporting events may all have to be suspended for at least this year. 'It's hard for me to imagine anyone going to Fenway Park and sitting with 30,000 fans—that will almost surely be a bad idea,' said Ashish Jha, an internist and public-health expert at Harvard. 'This isn't going to look like a normal summer in America.'"

We're Not Going 'Back to Normal.' Mary Harris, Slate Magazine, April 16, 2020.

“I think the idea that life will be dramatically different is correct... This is not going to be over anytime soon. We are still in the middle of this. I think that's the big risk—that we are psychologically ill-suited to understanding that.”

We're Not Going Back to Normal. Gideon Lichfield, Technology Review, March 17, 2020.

“But what most of us have probably not yet realized—yet will soon—is that things won't go back to normal after a few weeks, or even a few months. Some things never will.”

“In the short term, this will be hugely damaging to businesses that rely on people coming together in large numbers: restaurants, cafes, bars, nightclubs, gyms, hotels, theaters, cinemas, art galleries, shopping malls, craft fairs, museums, musicians and other performers, sporting venues (and sports teams), conference venues (and conference producers), cruise lines, airlines, public transportation, private schools, day-care centers.”

After the Coronavirus Passes, Your World Will Not Go Back to Normal. Ryan Broderick, BuzzFeed, April 2, 2020.

“The immediate effects of the pandemic — postponed weddings, canceled vacations, empty supermarket shelves, sinking housing prices, salary cuts, layoffs — suggest no one will come out of this period without losing something. But we are only at the beginning.”

“Two months into this current outbreak, massive layoffs have started, American industries have demanded bailouts, and unemployment rates have surged. Economists at the Federal Reserve Bank of St. Louis are projecting total employment reductions of 47 million — an unemployment rate of 32.1%.

According to Forbes, every sector of the American economy is shrinking: Hotel chain Marriott International is furloughing tens of thousands of workers, Landry's, the parent company of Del Frisco's and Bubba Gump Shrimp, laid off 40,000 workers. Air Canada plans to lay off 5,100 members of its cabin crew. Shoe retailer DSW put 80% of its workers on a temporary unpaid leave of absence.”

Fauci Warns Going Back to Normal Won't 'Be a Light Switch That You Turn On and Off.' Marina Fang, Huffington Post, April 9, 2020.

“Dr. Anthony Fauci has cautioned in recent interviews that the coronavirus pandemic will unalterably change aspects of public life. And on Thursday, the nation's top infectious disease expert again advised Americans not to expect a quick return to anything approaching “normal.” “When you say ‘get back to normal,’ it's not going to be a light switch that you turn on and off,” Fauci said on “CBS This Morning.”

Fauci, head of the National Institute on Allergies and Infectious Diseases, said it's too early to even begin thinking about what life after the pandemic may look like. Even when the risk subsides, the process of how people return to work and school, and resume public gatherings, will likely be different across various states and cities depending on the virus's spread, he said