

AMERICAN ALTERNATIVE INSURANCE CORPORATION

September 24, 2020

VIA E-Mail –
RSBCovid19PR@insurance.ca.gov

California Insurance Department
300 Capital Mall, 17th Floor
Sacramento, CA 95814
Attn: Rate Specialist Bureau

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RE: Bulletin 2020-3: Premium Refunds, Credits, and Reductions in
Response to COVID-19 Pandemic – update due 10/1/20

**American Alternative Insurance
Corporation**

Main Administrative Office:
555 College Road East
Princeton, NJ 08543

Dear Rating Specialist Bureau:

NAIC Number 19720

This letter is sent on behalf of American Alternative Insurance Corporation (“AAIC”), NAIC # 19720, to respond to the above-referenced Bulletin issued by the California Department of Insurance (“CDI”).

At the outset, AAIC advises CDI that the majority of the currently in force California policies were written by Program Administrators pursuant to delegated authority agreements.

In accordance with the Bulletin, an actuarial analysis was conducted of the following lines of coverage to determine whether the COVID-19 pandemic has materially impacted the California policies written by AAIC for the purpose of determining whether premium relief is warranted:

- Private passenger automobile insurance
- Commercial automobile insurance
- Workers’ compensation insurance
- Commercial multiple peril insurance
- Commercial liability insurance
- Medical malpractice insurance
- Any other line of coverage where the measures of risk have become substantially overstated as a result of the pandemic

Written premium and in force policy counts for each line of business are provided separately as follows.

AMERICAN ALTERNATIVE INSURANCE CORPORATION

Page 2

September 24, 2020

Private Passenger Automobile

AAIC does not write this line of business in California and, thus, has \$0 in force premium and 0 policies.

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Commercial Automobile

AAIC wrote Commercial Auto policies for several classes in California, as follows:

- Emergency Services, Municipal and Social Services (\$1.1M in force premium across 854 policies)
- Advanced Technology Mobility Testing (\$1.3M in force premium across 38 policies)
- Food Delivery (\$16,000 in force premium across 13 policies)

These classes are still operating at historical and even increased levels and, thus, there has been no decrease in exposure due to the COVID-19 pandemic.

Workers' Compensation

AAIC wrote a limited number of Multi-class Workers' Compensation policies in California, as follows: (\$0.9M in force premium across 36 policies)

Commercial Multi-Peril (CMP)

AAIC wrote CMP policies for several classes in California, as follows:

- Habitational (\$10.0M in force premium across 2,078 policies)
- Emergency Services, Municipal and Social Services for Long-Term Care facilities (\$8.0M in force premium across 2,960 policies)
- Food Delivery (\$0.2M in force premium across 53 policies)
- Self-Storage (\$1.5M in force premium across 281 policies)

Commercial Liability

AAIC wrote General Liability and Professional Liability policies for a couple of classes in California, as follows:

- Emergency Services, Municipal and Social Services for Long-Term Care facilities (\$2.0M in force premium across 1,475 policies)
- Insurance Agents (\$0.3M in force premium across 85 policies)

AMERICAN ALTERNATIVE INSURANCE CORPORATION

Page 3

September 24, 2020

Medical Malpractice

AAIC wrote Medical Malpractice for Allied Health polices for Long-Term Care facilities in California as follows: (\$0.2M in force premium across 64 policies)

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Other Lines of Coverage

AAIC does not write other lines of coverage in California where the measures of risk have become substantially overstated as a result of the COVID-19 pandemic.

With respect to the foregoing lines of coverage written in California, AAIC advises that the existing rate plans already include the option to reduce premium based on usage, payroll, or revenue. Since these are monthly reporting/billing programs, reduced exposure, and reduced premium are accounted for as part of the rate plans. For example, all workers' compensation policies are based on payroll. To the extent that any given policyholder's payroll decreased due to COVID-19, the policyholder will receive a premium refund when the actual payroll is submitted. In addition, each policyholder's agent has the authority to restate exposures, if needed, to properly reflect any unique circumstances applicable to the policyholder, which is in line with the CDI's guidance.

Based on its actuarial analysis, AAIC has determined that there has been no misclassification of risk resulting from COVID-19 that resulted in any adverse impact on California policyholders in the lines of coverage in which it issues policies. In addition, AAIC has concluded that its rates and premiums are not excessive and, thus, it has further determined that premium refund relief in the form of reduce, refund, credit or adjust premium is not warranted for the lines of coverage that AAIC writes in California.

Should you have any questions concerning the matters discussed or AAIC's conclusions, please contact the undersigned at (609) 275-2120 or ekoganski@munichre.com.

Sincerely,



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SVP and Actuarial Manager Senior
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