



7000 Midland Boulevard
Amelia, OH 45102-2646

AMIG.COM

April 30, 2021

Via Electronic Mail (RSBCovid19PR@insurance.ca.gov)

California Department of Insurance
Rate Specialist Bureau
300 Capital Mall, 17th Floor
Sacramento, California 95814

Re: Bulletin 2021-03 - Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic

Dear Rate Specialist Bureau:

I write on behalf of the following American Modern Insurance Group, Inc. ("AMIG") companies (collectively, "Company") regarding Bulletin 2021-03 ("the Bulletin"), issued by Commissioner Lara on March 11, 2021, which is associated with Bulletins 2020-03, 2020-04, and 2020-08.

American Modern Home Insurance Company, NAIC #23469, DBA Name: American Modern Insurance Company
American Family Home Insurance Company, NAIC #23450, DBA Name: AFH Insurance Company
American Modern Property & Casualty Insurance Company, NAIC #42722
American Southern Home Insurance Company, NAIC #41998
*American Modern Surplus Lines Insurance Company, NAIC #12489

*Note that American Modern Surplus Lines Insurance Company is no longer a legal entity under American Modern Insurance Group and, further, does not have written business. AMIG transitioned the company to another Munich Re entity (Munich Re America Corporation), and an application is pending with the California Department of Insurance to rename the company as Bridgeway Insurance Company.

The following lines of business ("LOB" or "LOBs"), as referenced in the Bulletin, were analyzed to determine whether the COVID-19 pandemic has materially impacted loss frequencies and pure premiums, thereby warranting premium relief:

- *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*

Private Passenger Automobile

The Company currently writes two general programs falling under this LOB. These include Collector Vehicle ("CV") and Motorsports ("MS"), the latter of which is comprised of motorcycle and off-road vehicle exposures. Since November 2018, each of these programs has written new business exclusively in American Modern Property and Casualty Insurance Company ("AMPC"). Further, since August 2019, CV and MS renewal business that had initially been written in American Family Home Insurance Company ("AFH") has been migrating to AMPC, pursuant to plans

to consolidate our personal lines business into this single underwriting company. These plans have been discussed with the Department on multiple occasions.

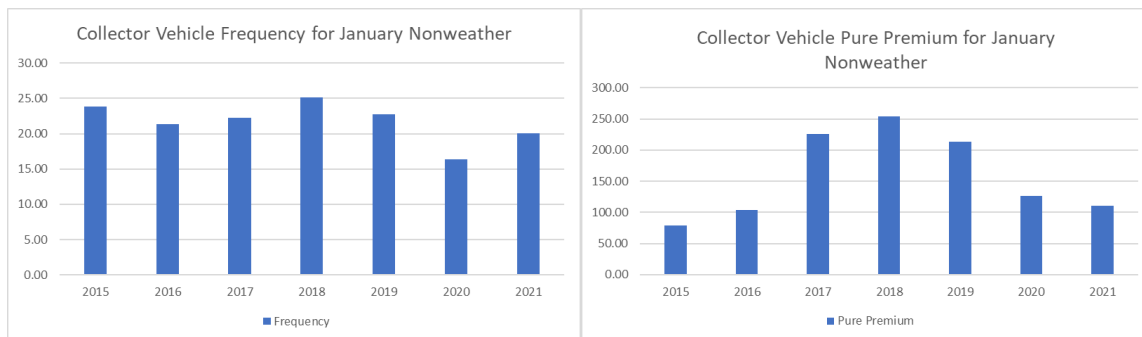
We have completed an analysis of the monthly claims frequency and pure premium, for both CV and MS, to demonstrate that as of 4/14/2021 our losses are generally in line with prior years. Data were gathered from Jan 2016 – March 2021. The loss and claim counts are not developed, although the Company does expect some development of liability losses.

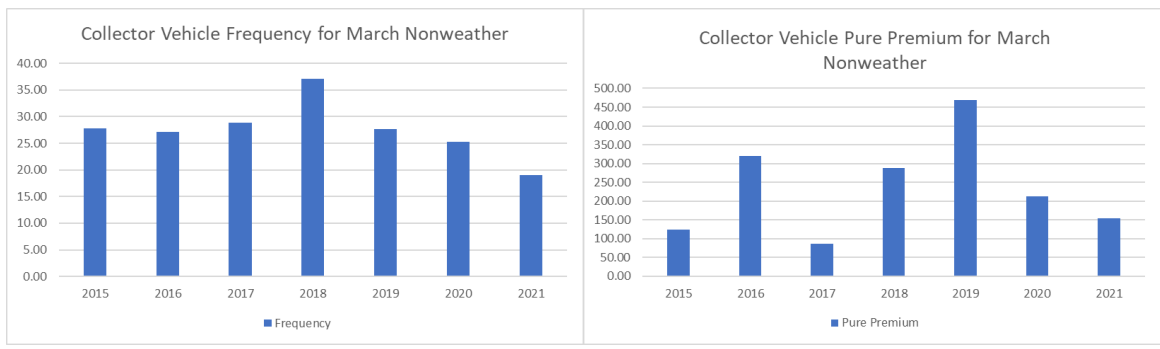
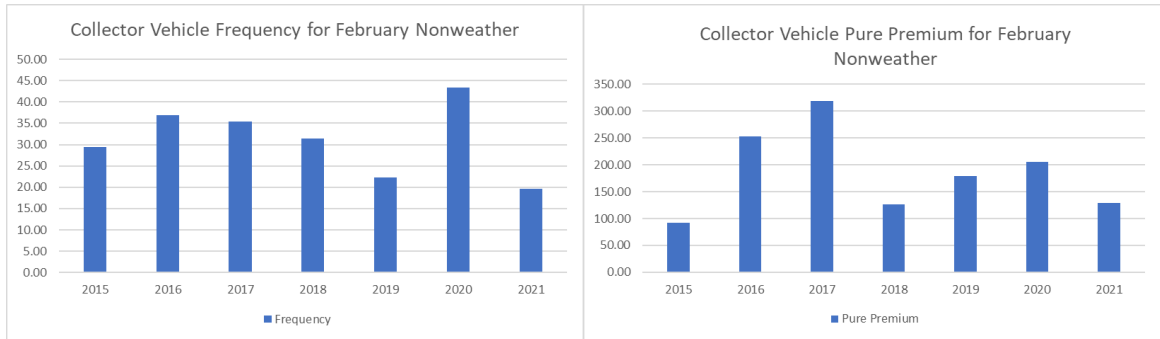
CV (~\$6.5M annual premium and 20,000 earned units)

The CV program is targeted at customers who desire special protection for their collectible vehicles driven for limited, occasional pleasure use. In other words, the program is comprised of exposures that are predominantly limited-use vehicles (non-daily-use vehicles) for which seasonality and restricted usage and mileage are contemplated in the rating plan. In fact, half of our policy holders are already on the lowest-rated mileage plan. Not unexpectedly, therefore, our actuarial analysis concludes that premium refunds are not warranted, as it appears the COVID-19 pandemic has not had an impact on the CV program.

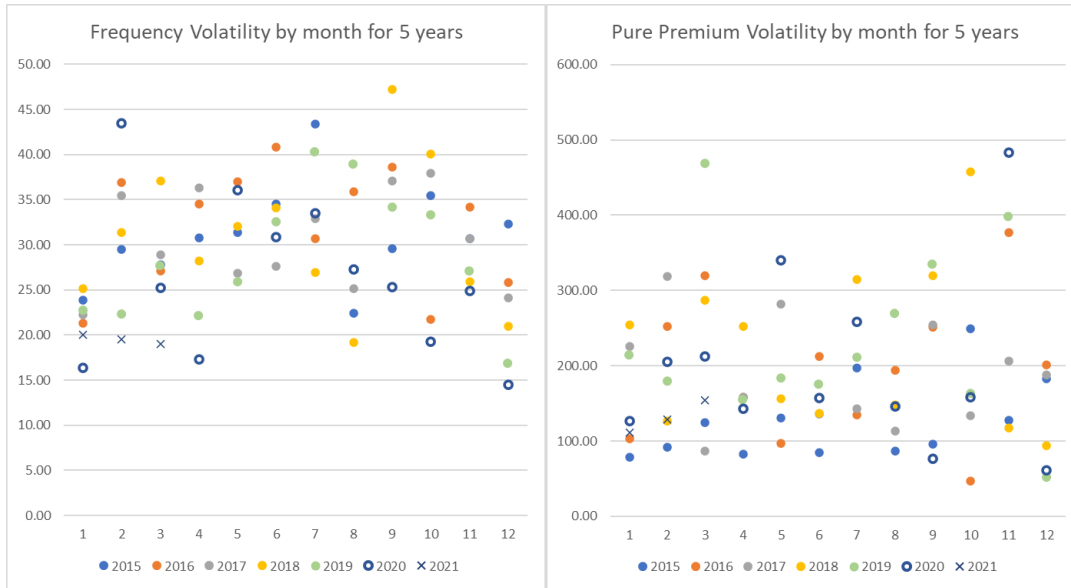
The following actuarial analysis can be summarized as frequency and pure premiums for January through March 2021 are in line with recent prior years. The small size of our portfolio, however, leads to volatile results, thus making it difficult to attribute drops in frequencies or pure premiums on a monthly basis to anything but our historic volatility. Additionally, the 3-year loss and allocated loss adjustment expense (“Loss & ALAE”) ratio for this program is 81.7% for the period ending 12/31/2020. Our non-cat loss & alae ratio based on earned premium for March 2020-December 2020 was 63%. We expect some of this improvement is from the conversion completion but could be natural volatility. Considering California efficiency standards, this loss ratio would fall within allowed profit margins.

The graphs below show our frequency and pure premium for January through March compared to prior years. The data include all coverages excluding weather and catastrophe claims.





As mentioned above, the Company’s small CV portfolio leads to volatile results. The graphs below demonstrate the monthly volatility in frequency and pure premium. These data include all coverages excluding weather and catastrophe claims. The “open” circles are 2020 and the “x” markers are 2021.

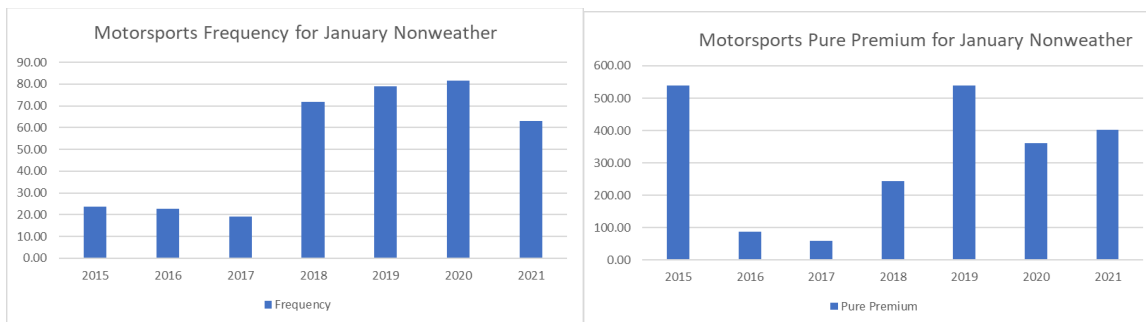


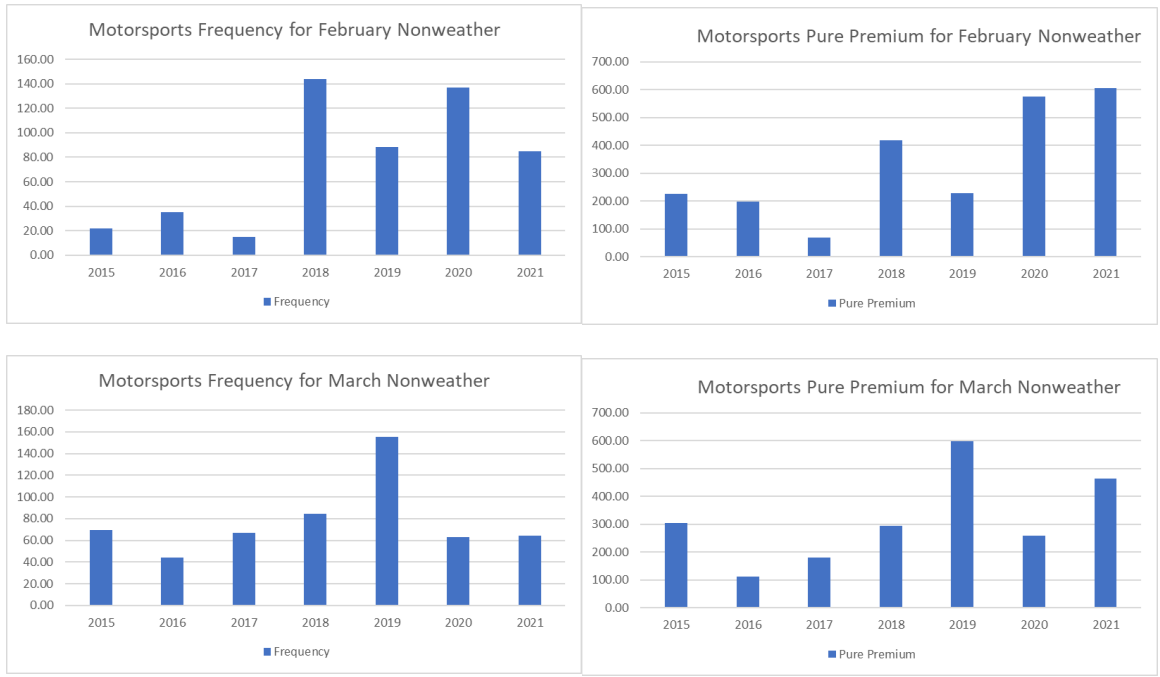
MS (~\$4.7M annual premium and 10,000 earned units)

The MS program insures both street-driven motorcycles, as well as off-road units such as ATVs. Unlike daily-use automobiles, most motorcycle and off-road operators use their unit on a limited basis. As such, seasonality and limited usage are contemplated in the rating plan. Not unexpectedly, therefore, our actuarial analysis concludes that premium refunds are not warranted, as it appears the COVID-19 pandemic has not had an impact on the MS program.

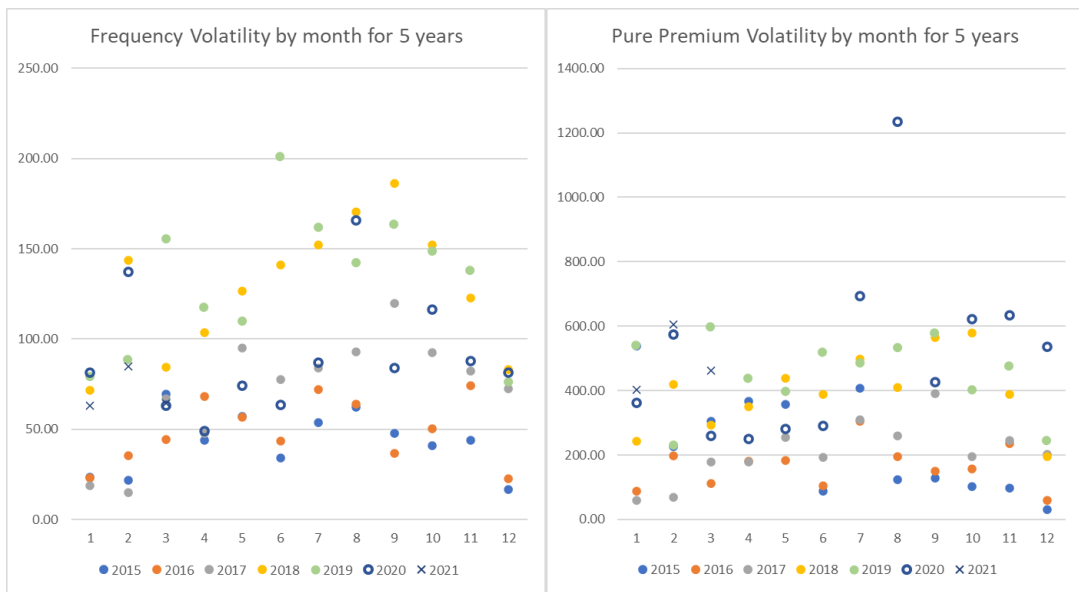
The following actuarial analysis can be summarized as frequency and pure premium are in line with prior years. The small size of our portfolio, however, leads to volatile results, thus making it difficult to attribute drops in frequencies or pure premiums on a monthly basis to anything but our historic volatility. Additionally, the 3-year Loss & ALAE ratio for this program is 100.3% for the period ending 12/31/2020. Our non-cat loss & alae ratio based on earned premium for March 2020-December 2020 was 112% and we have seen severity increases and overall loss ratio increases since August 2020.

The graphs below show our frequency and pure premium for January through March compared to prior years. The data include all coverages excluding weather and catastrophe claims.





As mentioned above, the Company’s small MS portfolio leads to volatile results. The graphs below demonstrate the monthly volatility in frequency and pure premium. These data include all coverages excluding weather and catastrophe claims. The “open” circles are 2020 and the “x” markers are 2021.



Commercial Automobile

The Company writes a commercial lines Recreational Vehicle Rental program, which insures recreational vehicle dealers who rent their inventory for limited periods of time. This program's rate plan already includes the option to reduce premium based on usage. Since this is a monthly reporting/billing program, reduced exposure and reduced premium are accounted for as part of the rate plan. In addition, the program offers other policy options (such as "seasonal-use status" and "suspend status" options) that result in lower premiums when dealers are renting fewer units or no units at all. Due to the COVID-19 pandemic, a letter was sent to all insured dealers in mid-March 2020 reminding them of these options and allowing these options to be utilized over all of 2020 rather than just certain months. Seasonal and suspend status are standard options during January-May providing insureds an option to match usage. We continue to allow this through 5/1/2021 and assess as needed at that time.

Policyholders are using the referenced options to adjust their insurance coverage and premiums during this time, depending on their business needs. Therefore, the Company does not believe additional premium relief is warranted.

The Company also has approximately \$0.2M in inforce premium across 26 policies for advanced technology mobility testing vehicles. The remainder are vehicles in social service and restaurant delivery classes (\$0.3M inforce premium across 206 policies), which have not seen a decrease in exposure due to the COVID-19 pandemic.

Workers' Compensation, Commercial Multi-Peril ("CMP"), General Liability ("GL"), Professional Liability ("PL") and Commercial Liability

The Company writes a selection of other commercial lines programs in California, as follows:

- Habitational CMP (inforce premium \$0.4M across 252 policies)
- Multi-class Workers' Compensation (inforce premium \$15M across 832 policies)
- Social Services and Healthcare Facilities CMP, GL and PL for Long-Term Care (inforce premium \$1.3M across 330 policies)
- * Food Delivery CMP (inforce premium \$0.1M across 40 policies)

Each program's rate plan already includes 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 plan. For example, all of the workers' compensation policies are based on payroll. To the extent that any given insured's payroll decreased due to COVID, they will get a premium refund when they submit actual payroll. In addition, each policyholder's agent has the authority to restate exposures, if needed, to properly reflect the unique circumstances of each policyholder, in line with the Department's guidance.

Medical Malpractice

The Company does not write Medical Malpractice insurance.

Other LOBs

The Company does not write other lines of coverage where the measures of risk have become substantially overstated as a result of the pandemic.

In light of the foregoing, the Company concludes that, despite the COVID-19 pandemic, premium relief is not warranted for the LOBs the Company writes in California.

If the Department has any questions, or would like additional information, please let us know.

Sincerely,

A handwritten signature in black ink that reads "Steven J. Mackie". The signature is written in a cursive style with a large, prominent "S" and "M".

Steven J. Mackie

Chief Compliance & Ethics Officer

American Modern Insurance Group, Inc.

smackie@amig.com