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AMIG.COM

June 11, 2020

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

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

Re: Bulletin 2020-3 - 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 2020-3 ("the Bulletin"), issued by Commissioner Lara on April 13, 2020.

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 ("AMPC")
American Southern Home Insurance Company, NAIC #41998

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 AMPC. Further, since August 2019, renewal business 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. Prior to AMPC writing private passenger automobile business, this business was written in American Family Home Insurance Company ("AFH").

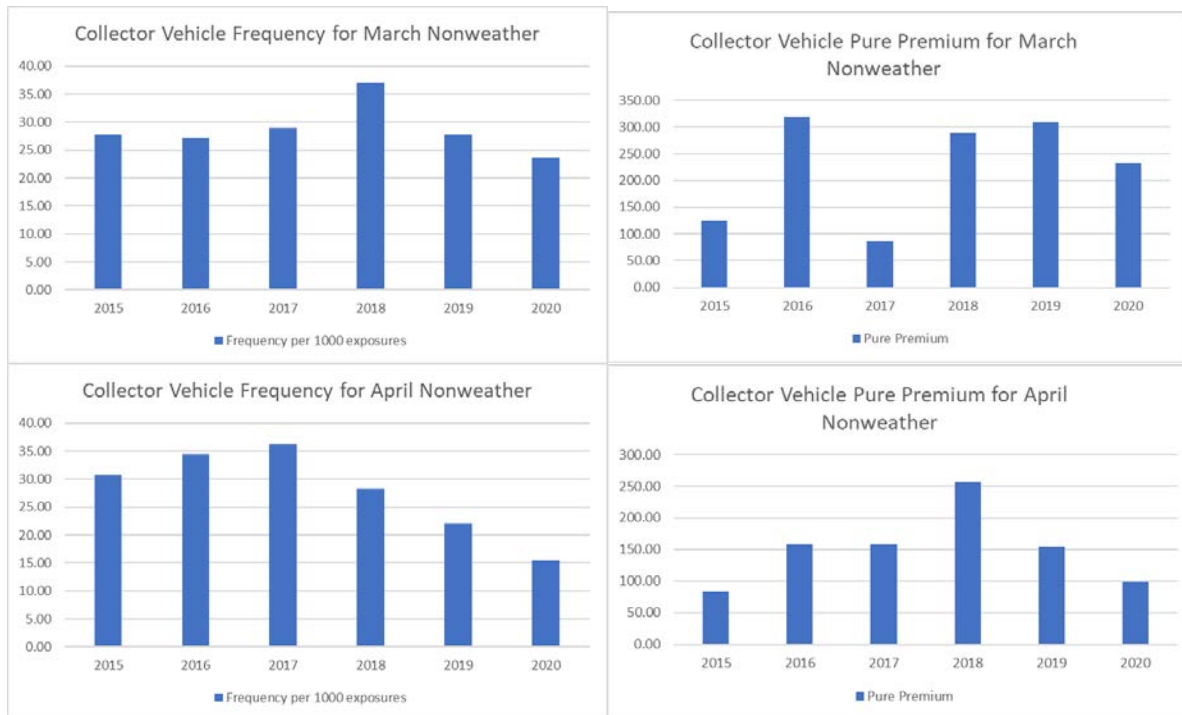
We have completed an analysis of the monthly claims frequency and pure premium, for both CV and MS, to demonstrate that as of 6/4/2020 our losses are generally in line with prior years. Data were gathered from Jan 2016 - April 2020. The loss and claim counts are not developed, although the Company does expect some development of liability losses.

CV (~\$6.6M annual premium and 21,000 earned units)

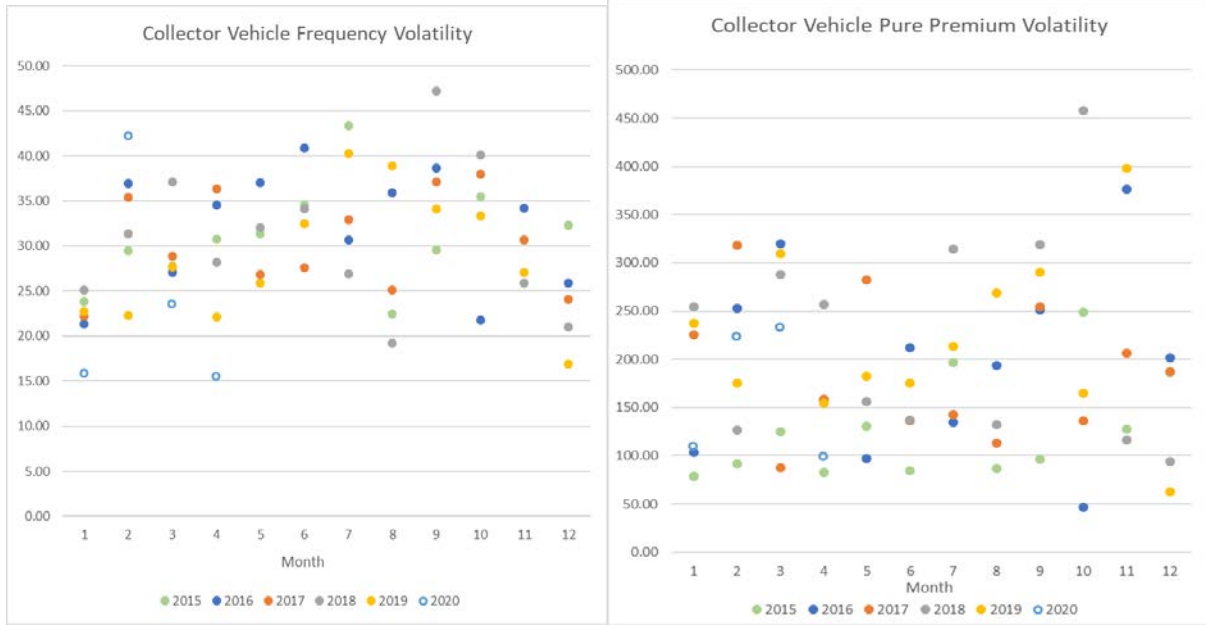
The CV program is targeted at customers who desire special protection for their collectible vehicles driven for limited, occasional pleasure use. In other words, the program is comprised of exposures that are predominantly limited-use vehicles (non-daily-use vehicles) for which seasonality and restricted usage and mileage are contemplated in the rating plan. In fact, nearly half (48%) of our policyholders are already on the lowest-rated mileage plan, which is the 1,000-mile annual 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 generally showing a decrease from more recent prior years, and more in line with less 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 (credibility on such little business over such short periods of time is negligible) to anything but our historic volatility. Additionally, the 3-year loss and allocated loss adjustment expense (“Loss & ALAE”) ratio for this program is 79.0% for the period ending 3/31/2020.

The graphs below show our frequency and pure premium for March and April 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.

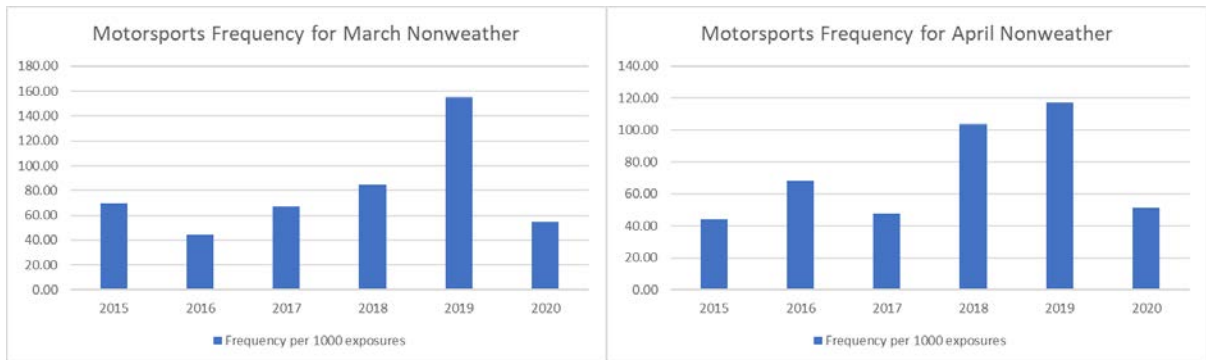


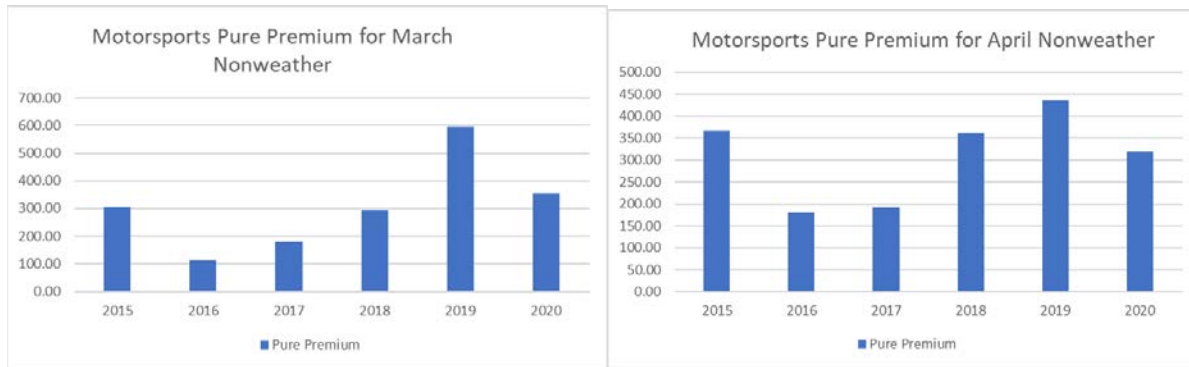
MS (~\$5.0M annual premium and 10,600 earned units)

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.

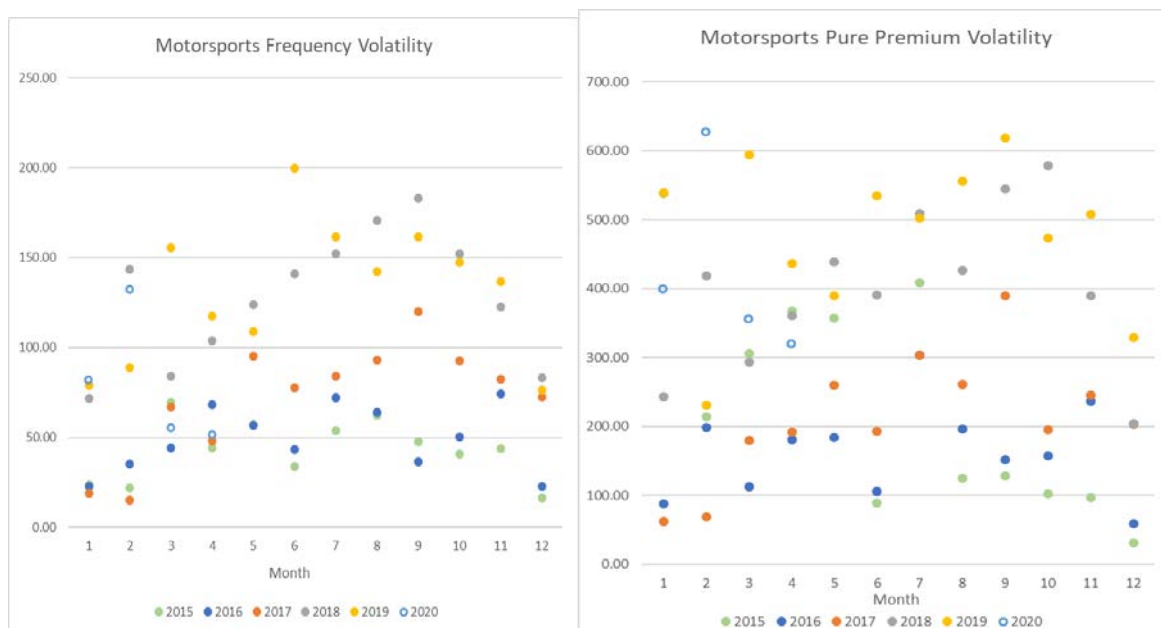
The following actuarial analysis can be summarized as frequency and pure premiums generally showing a decrease from more recent prior years (and from 2019, in particular), and more in line with less recent prior years. The small size of our portfolio, however, leads to volatile results, thus making it difficult to attribute drops in frequencies or pure premiums on a monthly basis (credibility on such little business over such short periods of time is negligible) to anything but our historic volatility. Additionally, the 3-year Loss & ALAE ratio for this program is 90.9% for the period ending 3/31/2020. It should be further noted that for both March and April, frequency is in line with 2016. During 2017 and 2018, prior to the launch of our new program, we experienced a shift in our portfolio towards higher risk insureds. This is the reason for the escalation in frequency in those years. The launch of our new program in November 2018, and the migration of renewal business starting in August 2019, significantly improved the quality of the risks being written, leading to frequency and pure premium returning to more historical levels.

The graphs below show our frequency and pure premium for March and April 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.



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 reminding them of these options. The Company is also providing leniency and allowing insured dealers to take advantage of these premium-saving options by honoring requests retroactively to when their business may have shut down due to COVID-19. For April 2020, the number of policies in “seasonal-use” status has increased by 162% year over year (“YoY”), and the number of policies in “suspend” status has increased by 558% YoY.

This program’s total California premium has decreased by 44% from April 2019 to April 2020. 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 writes \$617,000 in inforce premium across 197 policies. The majority of these policies are for advanced technology mobility testing vehicles. The remainder are vehicles in social service and restaurant delivery classes, 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 also writes a selection of other commercial lines programs in California, as follows:

- Habitational CMP (inforce premium \$399,000 across 244 policies)
- Multi-class Workers' Compensation (inforce premium \$16,556,000 across 862 policies)
- Social Services and Healthcare Facilities CMP, GL and PL for Long-Term Care (inforce premium \$981,000 across 226 policies)
- * Food Delivery CMP (inforce premium \$196,000 across 39 policies)
- * Insurance Agents PL (inforce premium \$243,000 across 44 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,



Steven J. Mackie
Chief Compliance & Ethics Officer
American Modern Insurance Group, Inc.
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