



Berkshire Hathaway
Specialty Insurance

COVID-19 Premium Adjustment | Commercial Auto

California

Berkshire Hathaway Specialty Insurance Company's (BHSIC) current Commercial Automobile book of business is entirely comprised of risks written under a Human & Social Services program. The operations of these insureds include residential group homes, respite care, social work, vocational and educational services for disabled individuals and youth programs including childcare.

A majority of these insureds are considered "essential" businesses, and therefore have continued to operate during state mandated shutdowns. Nevertheless, last spring BHSIC took swift action to provide premium relief to certain eligible Commercial Auto risks that were adversely affected by the pandemic. BHSIC issued \$167,124 in premium credits/refunds in total, which impacted over 40% of our California Commercial Auto policyholders. It should be noted that while some competitors chose a pro rata/incremental approach to refunds, BHSIC intentionally chose to provide a one-time premium refund based on the qualified insured's ANNUAL written premium. This was in an effort to provide relief quickly, while also anticipating the unknown length and impact of the pandemic.

As required by Bulletin 2021-03, BHSIC conducted a review of our California Commercial Auto experience. Through the application of actuarially sound principles, it has been determined that the current Commercial Auto rates are not excessive, even after applying a COVID-19 modifier which contemplates the pandemic's impact on frequency and severity. Accordingly, we will not be providing refunds to any of our commercial automobile customers at this time. We will, however, continue to monitor this situation closely and make future adjustments as needed.

Please see the enclosed actuarial summary exhibit supporting our decision to not issue additional premium credits/refunds to our Commercial Auto insureds at this time.

I. BHSIC California Commercial Auto Indication - Modified by COVID-19 adjustment

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Credibility Weighted Indication	Permissible Loss, LAE, and Fixed Expense Ratio	Implied Credibility Weighted Projected Loss, LAE, and Fixed Expense Ratio	COVID-19 Frequency Adjustment	COVID-19 Severity Adjustment	Total COVID-19 Loss Ratio Adjustment	Adjusted Projected Loss, LAE, and Fixed Expense Ratio (Credibility Weighted)	COVID-19 Modified Credibility Weighted Indication
Auto Liability	26.2%	68.4%	86.3%	-35%	20%	0.780	67.3%	-1.6%
Auto Physical Damage	53.1%	67.7%	103.6%	-35%	20%	0.780	80.8%	19.5%
Commercial Auto Total	30.0%							1.4%

(1) Indications effective 4/1/21; See below, highlighted in pale blue

(2) See below, highlighted in pale yellow

(3) [1 + (1)] * (2)

(4) Based on judgment/industry data suggesting that claim frequency is down; note, our Commercial Auto book is comprised of insureds offering "essential" services

(5) Based on judgment/industry data suggesting material increases in speeds and fatalities

(6) = [1 + (4)] * [1 + (5)]

(7) = (3) * (6)

(8) = (7) / (2) - 1

II. BHSIC California Commercial Auto Indications
I. BHSIC California Commercial Auto Liability - ex-Paratransit Rate Indication Summary

Fiscal Year through Q4 End	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Collected Earned Premium	SA Premium On-Level Factor	Earned Premium at CRL [(1) x (2)]	Premium Trend Factor	Proj. Earned Prem @ CRL [(3) x (4)]	Incurred Loss + ALAE	Implied Loss Devt. Factor [(8) ÷ (6)]	Selected Ultimate Loss + ALAE	Loss Trend Factor	Proj. Ult. Loss + ALAE [(8) x (9)]	ULAE Load	Excess Load	CAT Load	Proj. Ult. Loss + LAE Ratio [(10) x (1+ (12))] ÷ (5) + (11)	Selection Weights	Reported Claim Counts
2016	\$915,129	1.340	\$1,226,397	1.000	\$1,226,397	\$194,005	1.053	\$204,251	1.274	\$260,195	3.6%	49.6%	0.0%	35.3%	5.0%	23
2017	\$1,664,527	1.221	\$2,032,877	1.000	\$2,032,877	\$647,266	1.040	\$673,025	1.221	\$822,018	3.6%	49.6%	0.0%	64.1%	30.0%	62
2018	\$1,890,536	1.581	\$2,988,363	1.000	\$2,988,363	\$947,965	1.343	\$1,273,539	1.171	\$1,491,346	3.6%	49.6%	0.0%	78.2%	30.0%	68
2019	\$2,068,225	1.053	\$2,176,932	1.000	\$2,176,932	\$896,389	1.432	\$1,283,858	1.123	\$1,441,448	3.6%	49.6%	0.0%	102.6%	30.0%	74
2020	\$2,027,799	1.002	\$2,032,695	1.000	\$2,032,695	\$143,695	6.173	\$887,056	1.076	\$954,880	3.6%	49.6%	0.0%	73.9%	10.0%	27
Total	\$8,566,217		\$10,457,264		\$10,457,264	\$2,829,320		\$4,321,729		\$4,969,887				74.7%		254
														(17) Weighted Projected Ultimate Loss + LAE Ratio		82.6%
														(18) Fixed Expense Provision		7.2%
														(19) Projected Loss, LAE, and Fixed Expense Ratio		89.8%
														(20) Permissible Loss, LAE, and Fixed Expense Ratio		68.4%
														(21a) Experience Indication [(19) ÷ (20) - 1]		31.3%
														(21b) Credibility of Experience Indication		29.1%
														(22a) Expected Indication (CW Indication)		24.1%
														(22b) Credibility of Expected Indication		70.9%
														(23) Final Credibility-Weighted Indication [(21a) x (21b) + (22a) x (22b)]		26.2%

I. BHSIC California Commercial Auto Physical Damage - ex-Paratransit Rate Indication Summary

Fiscal Year through Q4 End	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Collected Earned Premium	SA Premium On-Level Factor	Earned Premium at CRL [(1) x (2)]	Premium Trend Factor	Proj. Earned Prem @ CRL [(3) x (4)]	Incurred Loss + ALAE	Implied Loss Devt. Factor [(8) ÷ (6)]	Selected Ultimate Loss + ALAE	Loss Trend Factor	Proj. Ult. Loss + ALAE [(8) x (9)]	ULAE Load	Excess Load	CAT Load	Proj. Ult. Loss + LAE Ratio [(10) x (1+ (12))] ÷ (5) + (11)	Selection Weights	Reported Claim Counts
2016	\$123,389	1.325	\$163,468	1.000	\$163,468	\$89,058	1.006	\$89,571	1.339	\$119,961	3.6%	0.0%	2.0%	79.0%	5.0%	29
2017	\$249,480	0.987	\$246,126	1.000	\$246,126	\$347,652	1.008	\$350,463	1.273	\$446,116	3.6%	0.0%	2.0%	186.8%	30.0%	65
2018	\$329,266	1.221	\$402,183	1.000	\$402,183	\$223,357	1.018	\$227,453	1.210	\$275,190	3.6%	0.0%	2.0%	74.0%	30.0%	53
2019	\$354,819	0.960	\$340,486	1.000	\$340,486	\$292,790	1.009	\$295,525	1.150	\$339,837	3.6%	0.0%	2.0%	105.4%	30.0%	69
2020	\$333,368	1.018	\$339,234	1.000	\$339,234	\$180,831	1.059	\$191,453	1.093	\$209,254	3.6%	0.0%	2.0%	67.3%	10.0%	28
Total	\$1,392,778		\$1,495,786		\$1,495,786	\$1,133,688		\$1,154,465		\$1,390,358				98.5%		244
														(17) Weighted Projected Ultimate Loss + LAE Ratio		120.5%
														(18) Fixed Expense Provision		9.3%
														(19) Projected Loss, LAE, and Fixed Expense Ratio		129.9%
														(20) Permissible Loss, LAE, and Fixed Expense Ratio		67.7%
														(21a) Experience Indication [(19) ÷ (20) - 1]		92.0%
														(21b) Credibility of Experience Indication		28.5%
														(22a) Expected Indication (CW Indication)		37.6%
														(22b) Credibility of Expected Indication		71.5%
														(23) Final Credibility-Weighted Indication [(21a) x (21b) + (22a) x (22b)]		53.1%