

Brotherhood Mutual Explanatory and Actuarial Memorandum

Auto Liability

The COVID-19 pandemic has severely curtailed activities of policyholders in both personal and commercial lines. As a result, projected loss exposures on our Auto liability portion are likely overstated. Our risks primarily include churches and related ministries which have largely been operating in a reduced or modified capacity in recent weeks. Fewer people are physically on-site at their facilities resulting in generally lower risk to liability exposures.

Brotherhood Mutual recognizes that many personal lines automobile carriers are crediting premium, reclassifying exposures, or offering rating credits during this time. We believe it is similarly appropriate to quickly and fairly accomplish the credit of premium to our Auto liability policyholders at this time.

Upon consideration of the exceptional circumstances, we have settled on applying a uniform premium credit for all policyholders in force on April 15th, 2020. We are specifically crediting 15% of two months of liability premium.

There is no specific data we are able to rely on to accurately estimate the true reduction in exposure over this time; therefore, the 15% credit was judgmentally selected based on the public announcements of several personal and commercial lines carriers which ranged from 10% to 35%. We saw most public announcements reference a two-month period. We note that we are relying on public announcements rather than specific filings at this time since many carriers have not yet submitted filings that we can review.

We believe the 15% figure to be a fair and reasonable estimate of the reduction in exposure on Auto Liability. Furthermore, the two-month time period appears reasonable considering many of our customers began to significantly curtail operations in mid-to-late March, and many are now exploring ways to resume normal operations.

Methodology used to determine premium relief

We calculated the in-force premium on April 15th, 2020. We then multiplied 2 months of that premium by 15% to calculate the credit amount. The credit will not apply to new customers written after April 15th. We effectively have a moratorium in place on new business due to the widespread recommendations to stay home and avoid unnecessary contact, meaning few if any new policies are being written with effective dates around April 15th. We do not expect new business activity to resume until many potential policyholders resume normal operations.

How policyholders will receive the premium relief

Policyholders will not need to take any action to receive the premium relief. If they pay on an installment plan, the credit will automatically apply to future installments. If they have already paid in full, they will receive a check.

Description of how it will be implemented to avoid unfair discrimination

All policyholders equally receive the 15% credit.

Info on how insured will be notified of relief

Each insured will receive a letter notifying them of their credit amount, how it was calculated, and how the credit will be applied.

Other Information

Since we are crediting premium, we will treat this as a reduction in premium rather than an increase in underwriting expenses. This methodology will allow us to fairly assess the true premiums and losses over the upcoming experience period for ratemaking purposes.

In the months ahead, we will closely monitor the situation and adjust premium and coverage plans and monitor company solvency.