AMERICAN BUILDERS INSURANCE COMPANY
FILING MEMORANDUM
Workers' Compensation

On behalf of American Builders Insurance Company dba Commercial Builders Insurance Company ("the Company"), we are submitting this filing to introduce the Company's Workers' Compensation program in California.

The Company is in the process of obtaining authority to write Workers' Compensation insurance in California. In support of that effort, this filing establishes the Company's initial rates, rules and supplemental rating information for use in California and is intended to accompany the associated Certificate of Authority ("COA") filing.

The Company will become a member of the Workers' Compensation Insurance Rating Bureau of California ("WCIRB") as appropriate once the COA is granted and will authorize the WCIRB to file on its behalf when permitted. The Company will utilize the rules and supplementary rating information contained in the WCIRB Basic Manual together with the Company-specific manual pages included in this filing.

The proposed rates are based on the most recently approved WCIRB pure premiums effective September 1, 2026, as identified in the General Information section of SERFF. A Return on Equity exhibit has been included to support the proposed loss cost multiplier together with the selected profit provision and expense assumptions. The proposed expenses represent the expected expenses for this new Workers' Compensation program.

The associated Workers' Compensation policy forms and endorsements have been submitted separately under the Company's California forms filing.

Program Design and Rate Level Basis

The Company's proposed rate structure is modeled on the California workers' compensation program written by Accredited Surety and Casualty Company, Inc. ("Accredited") through general agency Atlas General Insurance Services, LLC, ("Atlas Program") as that program was approved prior to the structural revisions Accredited implemented in 2023. The exception pages for the Atlas Program were last approved under CDI File No. 21-3330 (SERFF PERR-133066425), effective January 1, 2022, and the rates were updated for the WCIRB's September 1, 2022 pure premium adoption under CDI File No. 22-2079 (SERFF WESA-133384863), effective October 1, 2022, with no change to the loss cost multiplier or other rating elements. In 2023, Accredited consolidated its two California programs, and the Atlas Program accounted for approximately 85% of Accredited's California policy count and 90% of its California premium at the time.

The Company selected the Atlas Program structure because it represents a seasoned California program supported by a substantial book of business, and because its design, a single guaranteed-cost LCM structure without underwriting tier differentiation, is well suited to the Company's intended California operations. Each element adopted from that program is identified below, together with the Company's basis for departing from it where applicable.

Loss Cost Multiplier

The proposed loss cost multiplier of 2.11 is supported by the accompanying Return on Equity exhibit, which reflects the expected expenses and the selected profit provision for this new program. The selected LCM is also consistent with the rate level in effect under the Atlas Program described above, which applied an LCM of 2.11 prior to the 2023 restructuring.

In connection with that restructuring (CDI File No. 23-201, SERFF WESA-133541119, effective March 7, 2023), Accredited reduced its LCM from 2.11 to 1.562 and concurrently introduced an underwriting tier factor of 1.350 for standard risks and 1.000 for preferred risks. They subsequently increased the preferred tier factor to 1.10 in the 2025 filing (CDI File No. 25-57, SERFF WESA-134377628, effective February 15, 2025). As stated in Accredited's supporting memorandum in the 2023 filing, the standard tier factor of 1.35 was selected specifically to hold the rate level constant for non-preferred risks alongside the reduced LCM. The Company's proposed LCM of 2.11 is therefore equivalent to the standard tier rate level under Accredited's post-2023 structure in addition to the LCM in the pre-2023 structure. The Company is not proposing an underwriting tier structure at this time and accordingly has filed a single LCM of 2.11 which will apply to all risks.

Class Deviation Factors

The proposed class deviation factors are adopted from the class factors approved for the Atlas Program under CDI File No. 21-3330. In the 2023 filing, Accredited made revisions to the class deviation factors solely to support the introduction of the preferred rating tier (see item #2 in their filing memo) with very little support for the class changes. Accredited reported the rate level impact of the class deviation revisions as 0.0% in that filing. Because the Company is not adopting the preferred/standard tier structure those revisions were designed to support, the Company has adopted the factors as they stood prior to that revision, without change. The Company considers the pre-revision factors the more appropriate basis for a program of this design. They were developed for, and applied within, a single LCM structure without tier differentiation (the same structure proposed in this filing) and those class factors carry the benefit of an extended period of actual use across a substantial and mature California book (i.e., the Atlas Program). The Company regards that record of sustained use in the market as an indicator of the reasonableness of these relativities. The sole exception is classification 2102, which is not included in the WCIRB's approved pure premium rates effective September 1, 2026 and has therefore been omitted.

Territorial Modifiers

The Company proposes to adopt the California territorial modifiers filed by the Great American Insurance Group under SERFF Tracking No. GACX-134778757, effective date of April 1, 2026. These modifiers assign a territorial relativity to each California five-digit zip code and were developed from a recent WCIRB Geo Study. The Company has also adopted the accompanying rules, as appropriate.

The Company evaluated the territorial structure filed by Accredited as part of the program described above and elected not to adopt it. Accredited's territorial rating rules carry an effective date of July 1, 2018 and assign each risk to one of six broad territories with modifiers ranging from 0.750 to 1.150. The Great American modifiers reflect a materially more recent and more granular analysis of California regional cost differences and are derived from a much more recent WCIRB Geo Study. As such, the Great American territory factors produce a more accurate reflection of expected regional cost differences.

Accredited's Withdrawal from the California Market

The Company acknowledges that Accredited notified the Department of its intent to withdraw from the California workers' compensation market by correspondence dated March 4, 2025 and March 21, 2025, acknowledged by the Department on April 28, 2025 (CDI File No. 25-759, SERFF ACSA-134508983). That withdrawal affected approximately 3,949 policies and $55,620,130 in direct written premium as of December 31, 2024.

As set forth in that correspondence, Accredited's withdrawal followed its decision to end its business relationships with its two California general agencies, Atlas General Insurance Services, LLC and Appalachian Underwriters, Inc./Cornerstone Underwriters Partners. Accredited participated in the California workers' compensation market principally as a fronting carrier, and its presence in the market was therefore a function of those program relationships rather than of a direct distribution capability. Accredited did not cite the adequacy of its filed rates or the performance of its rating structure as a basis for the withdrawal.

The Company further notes that Atlas General Insurance Services has continued to write California workers' compensation business without interruption through other carrier partners. The Company therefore understands Accredited's withdrawal to reflect Accredited's own underwriting appetite and fronting business model, and the termination of two general agency relationships, rather than any deficiency in the rating structure on which this filing is modeled. The Company has independently supported the proposed rate level through the Return on Equity exhibit accompanying this filing.