

BERKSHIRE HATHAWAY GUARD INSURANCE COMPANIES
SUPPLEMENTAL MEMORANDUM ACCOMPANYING REPORTING PURSUANT TO BULLETIN 2021-03 FOR
THE REPORTING PERIOD OF MARCH THROUGH DECEMBER 2020

Pursuant to Bulletin 2021-03 promulgated by California Insurance Commissioner Ricardo Lara on behalf of the State of California Department of Insurance (the “Department”) on March 11, 2021 (the “Bulletin”), Berkshire Hathaway GUARD Insurance companies (“GUARD”)¹ submits the following supplemental memorandum describing the actions it has taken to provide premium relief to its policy holders, in response to and consistent with the Bulletin for the period of March through December 2020.

In his directives for this supplemental report, the Insurance Commissioner asks insurance companies to report to the Department information about the additional premium relief that they provide to consumers, “for the private passenger automobile line of insurance and for other lines where loss experience now shows that premiums were over-collected.” The Department further directed companies, “to please note that this supplemental report of additional premium relief is to identify refunds that have NOT previously been reported to the Department using the prior quarterly reporting forms.”

As detailed in its June and October 2020, and February 2021 submissions, GUARD has taken numerous actions throughout 2020 to provide premium relief to its policyholders impacted by the COVID-19 pandemic. These efforts included provision of extended grace periods to all policyholders, waiving of late fees for premiums, halted reporting of late payments to credit rating agencies, and provision of premium refunds and credits to most policyholders in all lines of our insurance business subject to the Bulletins. Pursuant to Bulletin 2020-3 and as detailed in prior reports, GUARD provided across-the-board refunds to policyholders based on line of business and class, ranging between 15% and 30% for the period of March 15 through May 31, 2020.² Subsequently, GUARD provided ad-hoc, case-by-case premium reductions based upon policyholder reports of actual or estimated exposure for the periods of June 1 through December 31, 2020. In combination, these refunds and credits totaled over 8 million dollars in aggregate premium reductions as of our February 2021 submission.³

In addition to this over \$8 million in direct premium relief, GUARD provided significant reductions and relief to policyholders that cannot effectively be tracked and “earmarked” as COVID-related. Examples include renewal policies based on reduced exposures when compared with 2020, or cancelled policies with uncollectable premiums that were written off rather than pursued, effectively acting as a refund of premium. Finally, within the Workers’ Compensation product line, we continue to perform final audits at the end of each policy term and adjust premium where exposure (based on payroll) has changed, or even adjust the premium in real-time based on payroll reporting. In each of these situations, the premium reductions, adjustments, or credits were not necessarily earmarked as “COVID-related,” but the relief provided often undoubtedly reflected impacts from the COVID-19 pandemic.

GUARD has evaluated its results for the period of March through December 2020, and the premium relief already provided to its insureds, and has determined that additional across-the-board premium relief is not warranted or justified at this time. GUARD’s premium is not overstated when compared to its

¹ GUARD writes Workers’ Compensation business in California through EastGUARD Insurance Company, NorGUARD Insurance Company, and AmGUARD Insurance Company. All other lines of business referenced in this report are written through AmGUARD Insurance Company.

² Some exceptions to these refunds were detailed in our prior reporting.

³ Consolidated across the GUARD carriers. Amounts by carrier are detailed in prior reporting. Please refer to the previous submissions for June and October 2020, and February 2021.

exposure, especially considering GUARD's initial premium returns. In addition, GUARD will continue to provide premium relief on case-by-case bases when policyholders provide actual or estimated reductions in exposure bases.

We note that Bulletin 2021-03 provides targeted language, statistics, and supportive data collected by the Department centered exclusively around Private Passenger Automobile insurers. The resulting directive was for insurance companies "to do more to return overstated private passenger automobile premiums, and continue to do so as long as the pandemic results in reduced risk of loss."

GUARD does not write private passenger automobile policies. Of the lines listed in Bulletin, GUARD's California products include Workers' Compensation, Commercial Automobile, Businessowners' Coverage (BOP), General Liability and Commercial Umbrella policies. While the impact of COVID-19 may have changed the risk profile for policyholders in some lines of insurance written by some companies, GUARD's insurance products, its specific claims experience, and its 2020 results, do not directly compare to the data surrounding personal automobile policies.

It is important to note that, due to the lines it writes, GUARD had the worst insurance results of its history in accident year and calendar year 2020 because of events including COVID-19, wildfires, civil unrest, and other losses. GUARD has previously set forth the factors it has considered when evaluating its California-specific lines of business for premium relief. These factors remain unchanged and are further supported by end-of-year results for 2020. GUARD's 2020 results included an underwriting loss for the first time in more than a decade. Loss ratios and combined ratios across the board were higher than 2019, and our underwriting results for BOP and Commercial Auto in California for 2020 were not profitable.⁴ GUARD's loss experience for 2020 does not support a view that premiums were overstated within the relevant lines of business.

Further, for Workers' Compensation insurance, a significant portion of GUARD's book is paid directly as a percentage of payroll, and the insured received immediate relief as payrolls declined. Many insureds contacted GUARD throughout the year and reduced their payrolls. Workers' Compensation insureds are also audited at the end of the policy period, and any reduction in exposure flows through the premium calculations.

As a result, GUARD does not have additional premium refunds to report for the period of March through December 2020, that have not previously been reported to the Department. However, where evidence supports otherwise following case-specific analyses, we will continue to adjust accordingly into 2021 to make sure California policyholders are supported through this unprecedented pandemic.

GUARD is proud to stand by and work with its policyholders to provide relief and assistance to those impacted in these difficult times.

⁴ The one exception was Workers' Compensation, which as previously discussed is audited to accurately assess changes in exposure base.