

**State: California**

**LOB: Workers Compensation**

**Carriers: Berkshire Hathaway Homestate Insurance Company (NAIC #20044), Cypress Insurance Company (NAIC #10855), Oak River Insurance Company (NAIC #34630), and Redwood Fire And Casualty Insurance Company (NAIC #11673)**

**Time Frame: 1/1/2021 – 03/31/2021**

### **Final Premium Audit:**

Workers compensation policies are written on an estimated basis using estimated payroll as the exposure basis for the policy term. All worker's compensation policies are subject to a final premium audit post expiration. During the final premium audit, we will determine the actual exposure basis and use that to determine the final premium for the policy term. In this way, policyholders only pay workers compensation premium on actual exposure basis (payroll) for the policy term. We will continue to perform final premium audits on all policies in the state of California to determine the actual premium in lieu of the estimated premium.

For inforce policies, our response to BULLETIN NO. 2020-3 is contingent on the billing plan selected by the policyholder.

### **Premium Reduction on Inforce Policies – Payroll Reporting Billing Plan:**

Payroll reporting policies are billed using the actual payroll reported to us by our policyholders. Policyholders report payroll to us at a frequency previously agreed upon by the policyholder. We take the payroll reported, calculate the premium due based on that report, and bill the premium accordingly. This process allows policyholders who have been negatively impacted by COVID-19 to automatically adjust their premium payments since the premium payments are based on actual payroll rather than estimated payroll. As a policyholder's payroll decreases their premium bill will also decrease. No action was needed to comply with BULLETIN NO. 2020-3. No additional action will be needed to comply with BULLETIN NO. 2020-3

### **Premium Reduction on Inforce Policies – Installment Billing Plan:**

Installment policies are billed using the estimated premium at a frequency previously agreed upon by the policyholder. Mid-term endorsements to increase or decrease the estimated payroll will increase or decrease the estimated premium on the policy and impact future installments. Policyholders who have been negatively impacted by COVID-19 have been asked to contact us to adjust their estimated payroll. Decreasing the estimated payroll on the policy will decrease the estimated premium and result in a decrease in future premium bills.

During the months of March, April, May, June, July, and August of 2020 we received an increase in endorsement requests from policyholders asking that the estimated payroll on their policy be reduced to account for changes in payroll resulting from the COVID-19 pandemic. Those requests were evaluated and

credit endorsements were processed to reduce premiums on policyholders who had been negatively impacted by COVID-19.

Endorsement requests received from September of 2020 through March of 2021 have returned to pre COVID-19 levels indicating that all policyholders who had been negatively impacted by COVID-19 have already contacted us to adjust the estimated premium on their policy. We will continue to evaluate endorsement requests as they are received.

### **Premium Payment Relief on Inforce Policies**

On March 17, 2020 Berkshire Hathaway Homestate Companies (“BHHC”) began suspending cancellation for all workers’ compensation policyholders for non-payment of premium. We continued to hold all direct notice of cancellations (“DNO”) for failure to pay premium until 07/14/2020. On 7/15/2020, we resumed normal billing activities.

### **New and Renewal Policies Written During the COVID-19 Pandemic**

Workers compensation policies are written on an estimated basis using estimated payroll as the exposure basis for the policy term. During the underwriting process, we work with policyholders to determine the most accurate payroll estimates for the policy period. Estimated payrolls on new and renewal policies written during the COVID-10 pandemic, for policyholders negatively impacted by COVID-19, are considered at this time.