



Rate Specialist Bureau
California Department of Insurance
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19 January 2021

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Dear Sir or Madam:

Response to Bulletin 2020-3

**The Hartford Steam Boiler
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Pursuant to the April 13, 2020, California Department of Insurance Bulletin 2020-3 (“Bulletin”) and the April 17, 2020, clarification from Ken Allen, Deputy Commissioner for Rate Regulation to the American Property Casualty Insurance Association of America (“Clarification”), The Hartford Steam Boiler Inspection and Insurance Company (“HSB”) provides the following additional responsive information.

As indicated in our prior responses to the Bulletin, HSB is a specialty insurer providing coverage in a limited number of property casualty lines. HSB’s direct book of business is limited in size and engineering focused (equipment breakdown, cyber risks, and specialty power generation). HSB has two potentially impacted product lines identified in the bulletin - one in commercial multiple peril, one in commercial liability - and certain coverages in other lines that are not identified in the Bulletin but included for discussion herein. For the reasons stated below, HSB does not believe that the pandemic has caused a substantial change in the measure of risk for these products such that policies have become substantially overstated. As a result, HSB continues to believe that no reduction or return of premium is warranted for these products. Consistent with California’s direction,

however, HSB has worked with any insureds that have asked for relief.

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Commercial Multiple Peril

In California, HSB continues to have one in-force commercial multiple peril policy providing coverage to a renewable energy power generator. The facility has been in continuous operation generating power since the start of the pandemic. We have not seen any significant impact because of the pandemic.

Commercial Liability

HSB's commercial liability business exposure is limited to cyber liability and identity theft coverage. As anticipated, HSB's cyber related claims have slightly increased during the pandemic. The onset of the pandemic has forced a mass migration of people to work at home resulted in an increase in internet scams related to COVID-19. Existing IT security risks have increased as systems are stressed due to the multitude of employees working from home without state-of-the-art cyber protection and the increased use of phones and other mobile and personal devices. For these reasons, HSB does not believe that the measures of risk for this product have become substantially overstated as a result of the pandemic.

Other Lines

Lastly, HSB writes products filed under Inland Marine, Boiler and Machinery and Home Protection classes of insurance. HSB's Inland Marine product is a computer coverage for data processing equipment located inside of commercial buildings. With respect to this coverage, HSB has have not seen any change in claim levels due to the pandemic. We continue to view an increased threat of loss due to increases in cyber loss activity and continuing exposure to loss due to other perils such as fire, flood, sprinkler, earthquake and theft. HSB does not see that the measures risk under this product have become substantially overstated.

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HSB's Boiler and Machinery product covers direct physical loss to mechanical and electrical equipment. With respect to this coverage, HSB has seen a slight decline in claims but not outside the ordinary when compared to prior years. We continue to believe that while changes in work patterns may have led to some reduction in loss due to temporary business closings, new factors have arisen which have caused an increase in other potential loss events. The additional factors include unsupervised or less supervised buildings with equipment still in operation and without proper oversight; HVAC equipment being shut down incorrectly or not operating to requirements; and changes in building atmospheric conditions and humidity levels having an impact on the integrity of the electrical distribution system. Also, in the event a covered loss does occur, the cost to repair such losses can be increased due to extended period of restoration as a result of disruption to the supply chain and/or restrictions on the ability of repair firms to respond. HSB does not see that the measures risk under this product have become substantially overstated.

HSB has one last product, Home Systems Protection, which is similar to commercial equipment breakdown coverage for residences. Home Systems Protection is a new product and HSB has only issued two policies. The current pandemic has forced individuals to spend a significant amount of time in their residences. We continue to anticipate that increased time spent at home has had a corresponding increase in use, and potential loss to, residential systems. To the extent policies are written, and covered losses occur, the cost to make repairs will be increased due to delay in supply chain issues and delay in getting access to personal residences. HSB does not see that the measures risk under this product have become substantially overstated.

In closing, HSB has not seen evidence that the measures of risk for these products have become substantially overstated as a result of the pandemic. HSB remains committed to working with our insureds if

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they need relief on the timing of premium payments. HSB is glad to discuss any questions or comments you have may about our products and the impact of the pandemic on our insureds.

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Very truly yours

The Hartford Steam Boiler Inspection and Insurance Company

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