



California Department of Insurance
Attn: Rate Specialist Bureau, 11th Floor
300 South Spring Street, South Tower
Los Angeles, CA 90013-1230

26 April 2021

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Dear Sir or Madam:

Response to Bulletin 2020-3

Pursuant to the April 13, 2020 California Department of Insurance Bulletin 2020-3, as extended by Bulletin 2021-03, ("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 previous responses to the Bulletin, HSB is a specialty insurer providing coverage in a limited number of property and casualty lines. HSB's direct book of business is limited in size and is engineering focused (equipment breakdown, cyber risks and specialty power generation). There are two product lines identified in the Bulletin, commercial multiple peril and commercial liability, which HSB has potentially impacted insureds. HSB also has coverages in other lines that are not identified in the Bulletin but included herein for discussion. For the reasons described below, HSB does not believe the pandemic has caused a substantial change in the measure of risk for these products or that HSB's exposure has been substantially reduced. As a result, HSB continues to believe that no reduction or return of premium is warranted for these products. Consistent with California's directive, however, HSB continues to work with our insureds, as needed, to provide relief on the timing of premium payments.

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

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not seen any significant impact to the measures of risk for this insured 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 increased during the pandemic. The pandemic forced a mass migration of people to work at home and resulted in an increase in internet scamming related to COVID-19. Existing IT security risks increased as systems became stressed due to the number of people working from home without state-of-the-art cyber protection and as the use of mobile and personal devices increased. 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

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 not seen a substantial decrease in claim levels due to the pandemic. We continue to expect an increased threat of loss due to increases in cyber loss activity and continued exposure to loss due to other perils such as fire, flood, sprinkler, earthquake and theft. HSB has not seen the measures of risk under this product become substantially overstated.

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 of the ordinary when compared to prior years. Indeed, the average costs incurred for covered losses arising during the pandemic have maintained steady. 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 under-supervised buildings while equipment was still in operation; 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 electrical distribution systems. HSB has not seen the measures of risk for this product become substantially overstated.

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HSB's Home Systems Protection product is similar to commercial equipment breakdown coverage, but for residences. Home Systems Protection is a new product for HSB and there is a low volume of in force policies. The current pandemic has forced individuals to spend significant amounts of time in their homes. Our claim volume incurred during the pandemic has remained consistent with prior year experience. We continue to anticipate that the 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 may be increased due to delay in supply chain issues and delays in gaining access to personal residences. HSB has not seen the measures of risk under this product 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 in the event they need relief on the timing of premium payments. HSB is glad to discuss any questions or comments you may have about our products or the impact of the pandemic on our insureds.

Sincerely,

Sofia Lighari