

REPORT OF EXAMINATION
OF THE
CYPRESS INSURANCE COMPANY
AS OF
DECEMBER 31, 2024

Commissioners Signature

A handwritten signature in blue ink, appearing to be 'D. DeFina', written over a horizontal line.

Filed on June 15, 2026

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Los Angeles, California
May 18, 2026

Honorable Ricardo Lara
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

CYPRESS INSURANCE COMPANY

(hereinafter also referred to as the Company). Its statutory home office is located at 45 Fremont Street, 27th Floor, San Francisco, California 94105. The primary location of the Company's books and records is 1314 Douglas Street, Suite 1300, Omaha, Nebraska 68102.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2020. This examination covered the period from January 1, 2021, through December 31, 2024.

The examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting

Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of facts and general information about the Company and its financial condition. There might be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

This was a coordinated examination of the Berkshire Hathaway Group with Nebraska as the lead state. The California Department of Insurance participated in this coordinated examination. It was conducted concurrently with other insurance entities belonging to two separate subgroups of the Berkshire Hathaway holding company group, National Indemnity Companies Group (NICO) and Berkshire Hathaway Homestate Companies Group (BHHC). The following states participated in the examination: Colorado (CO), Connecticut (CT), Iowa (IA), Nebraska (NE), and New York (NY). The following subsidiaries are in scope for this examination:

The NICO Subgroup is comprised of insurers as listed below:

- Berkshire-Hathaway Direct Insurance Company (NE)
- Berkshire Hathaway Life Insurance Company of Nebraska (NE)
- Berkshire Hathaway Specialty Insurance Company Nebraska (NE)
- BHG Life Insurance Company (NE)
- Columbia Insurance Company (NE)
- Finial Reinsurance Company (CT)
- First Berkshire Hathaway Life Insurance Company (CT)

- National Fire and Marine Insurance Company (NE)
- National Indemnity Company (NE)
- National Indemnity Company of Mid-America (IA)

- National Indemnity Company of the South (IA)
- National Liability and Fire Insurance Company (CT)

The BHHC Subgroup consists of the following six insurers:

- Berkshire Hathaway Homestate Insurance Company (NE)
- BHHC Special Risks Insurance Company (IA)
- Continental Divide Insurance Company (CO)
- Cypress Insurance Company (CA)
- Oak River Insurance Company (NE)
- Redwood Fire and Casualty Insurance Company (NE)

COMPANY HISTORY

The Company was incorporated in California on October 17, 1962, and began business on March 8, 1963. The Company is a wholly-owned subsidiary of National Indemnity Company (NICO) which in turn is wholly owned by Berkshire Hathaway Inc.

Capitalization

The Company has 104,000 authorized, issued, and outstanding shares of common stock with a par value of \$50 per share.

MANAGEMENT AND CONTROL

The Company is a member of the Berkshire Hathaway, Inc. (BHI) insurance holding company system. BHI is an American multinational holding company headquartered in Omaha, Nebraska.

The following abridged organizational chart is limited to the entities that the Company had interrelationships with during the examination period within the holding company system (all ownership is 100% unless otherwise indicated).

Berkshire Hathaway Inc. (Delaware)**
 BH Columbia Inc. (Nebraska)
 Columbia Insurance Company (Nebraska)
 Berkshire Hathaway Direct Insurance Company (Nebraska)

National Fire and Marine Insurance Company (Nebraska)
National Indemnity Company (Nebraska)
 Berkshire Hathaway Homestate Insurance Company (Nebraska)*
 Berkshire Hathaway Life Insurance Company of Nebraska (Nebraska)
 BHG Life Insurance Company (Nebraska)
 First Berkshire Hathaway Life Insurance Company (New York)
 Berkshire Hathaway Specialty Insurance Company (Nebraska)
 BHHC Special Risks Insurance Company (Iowa)*
 Continental Divide Insurance Company (Colorado)*
 Cypress Insurance Company (California)*
 Finial Reinsurance Company (Connecticut)
 National Indemnity Company of Mid-America (Iowa)
 National Indemnity Company of the South (Iowa)
 Oak River Insurance Company (Nebraska)*
 Redwood Fire and Casualty Insurance Company (Nebraska)*
 WestGUARD Insurance Company (Nebraska)
National Liability and Fire Insurance Company (Connecticut)
U.S. Investment Corporation (Pennsylvania)
 United States Liability Insurance Company (Pennsylvania)
 Mount Vernon Specialty Insurance Company (Nebraska)
 Rednor Specialty Insurance Company (Nebraska)
General Re Corporation (Delaware)
 New England Asset Management (Connecticut)
BH Columbia, Inc. (Nebraska)
 Columbia Insurance Company (Nebraska)

* Collectively referred to as the Berkshire Hathaway Homestate Companies

** 30.295% owned by Warren E. Buffett as of December 31, 2024

The three members of the board of directors, who are elected annually, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving on December 31, 2024:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Tracy L. Gulden Omaha, Nebraska	Senior Vice President National Indemnity Company
Nancy F. Peters Omaha, Nebraska	Vice President National Indemnity Company
Donald F. Wurster Omaha, Nebraska	President National Indemnity Company

Principal Officers

<u>Name</u>	<u>Title</u>
Robert N. Darby, Jr.	President
Andrew R. Linkhart	Chief Financial Officer and Treasurer
Daniel A. Lidolph	Controller
Nancy F. Peters	Secretary
Daniel A. Engell	Senior Vice President
Tracy L. Gulden	Senior Vice President
Margaret A. Hartmann	Senior Vice President
Marjorie D. Hutchings	Senior Vice President
Brian T. Wesselman	Senior Vice President
Michael V. Campbell	Vice President
Brian P. Hall	Vice President
William M. Lawrence	Vice President
Jeffrey W. Morris	Vice President
Joanne M. Ottone	Vice President

Management Agreements

Consolidated Federal Income Tax Allocation Agreement: Effective November 23, 1994, the Company became a party to a Consolidated Federal Income Tax Allocation Agreement (Agreement) with its ultimate parent, Berkshire Hathaway, Inc. (BHI). Pursuant to the Agreement, the consolidated federal tax liability is allocated among the subsidiaries in the ratio that each subsidiary's separate tax return liability bears to the total consolidated federal tax liabilities of all subsidiaries that are members of the consolidated group. This Agreement was in place before prior approval was required

under California Insurance Code (CIC) Section 1215.5(b)(4). The Company paid taxes of \$28,162,287, \$14,470,242, \$17,386,963, and \$23,869,065 for the years 2021, 2022, 2023, and 2024, respectively.

Intercompany Service Agreement: Effective November 23, 1994, the Company entered into an Intercompany Service Agreement (Agreement), with five affiliated insurers within the Berkshire Hathaway Homestate Companies Group (BHHC). The Agreement covers the following services: accounting, tax and auditing; underwriting; claims; investments; and other functional support services such as actuarial, telecommunications and electronic data processing, legal, purchasing, payroll and employee relations services. Each member may provide other members with any of the services listed above. The costs of shared services are allocated based on actual costs. Pursuant, to CIC Section 1215.5(b)(4), the Agreement and the most recent amendments have been reviewed by California Department of Insurance (CDI) and the CDI issued non-objection letters on September 6, 2013. The Company paid service fees to BHHC of \$41,735,985, \$45,972,453, \$48,528,187, and \$50,578,834 for the years 2021, 2022, 2023, and 2024, respectively.

Intercompany Service Agreement: Effective November 1, 2013, the Company entered into an Intercompany Service Agreement (Agreement) with its affiliate, WestGUARD Insurance Company (WestGUARD). Under the Agreement, the Company will use WestGUARD software to process insurance business written by the Company and its affiliates. The Agreement was filed with the CDI and approved on November 5, 2013. There were no fees paid under this Agreement during the examination period. On September 16, 2021, the Agreement was mutually terminated, and the Company notified the CDI in accordance with CIC Section 1215.5(b).

Intercompany Allocation Agreement: Multi-Cedent Reinsurance: Effective December 31, 2014, the Company entered into an Intercompany Allocation Agreement: Multi-Cedent Reinsurance with the BHHC companies, National Fire and Marine Insurance Company, National Indemnity Company (NICO), National Indemnity Company of Mid-America, and Berkshire Hathaway Direct Insurance Company. The Agreement was

established to formalize the provisions and reinsurance recoveries amongst affiliates participating in the Property Excess per Risk Reinsurance Contract. Berkshire Hathaway Homestate Insurance Company is the agent for the BHHC companies. CIC Section 1215.5(b)(3) requires insurers to provide prior written notice to the California Insurance Commissioner for reinsurance or pooling agreements with affiliates if the premium or liability change equals or exceeds 5% of the insurer's policyholder surplus. Given that the amount of premiums ceded by the Company under the Property Excess per Risk Reinsurance Contract was below the threshold for prior approval, this agreement was not required to be filed with the California Insurance Commissioner for approval. No payments were made during the examination period.

Investment Service Agreement: Effective May 8, 2017, the Company became a party to the Investment Service Agreement (Agreement) with BHI. Under the terms of the Agreement, BHI provides investment management services to NICO and its affiliates. As compensation, NICO and its affiliates will pay BHI a fee based on the actual cost incurred in managing its investment. The total fees payable per year shall not exceed 0.2 basis points of the market value of the portfolio being managed. Pursuant to CIC Section 1215.5(b)(4), the Agreement and amendments were submitted to the CDI and were issued non-objection letters, the most recent on February 20, 2018. The Company paid the service fees to BHI of \$0, \$15,411, \$31,675, and \$33,802 for the years 2021, 2022, 2023, and 2024, respectively.

Intercompany Service Agreement: Effective October 17, 2017, the Company and General Re Corporation (Gen Re) entered into an Intercompany Service Agreement (Agreement). Under the terms of the Agreement, the Company shall allow Gen Re access to facilities and services such as building support, front desk reception, and general infrastructure technical support. The fee for facilities and services shall include all direct and directly allocable expenses relating to the facilities and services, including any depreciation expenses. In consideration of services provided, Gen Re will pay the Company a monthly rate equal to \$25,000 and settle no later than the fifteenth day of each month. Pursuant to CIC Section 1215.5(b)(4), all amendments were submitted to the CDI and were issued non-objection letters, the most recent on October 16, 2019. Gen Re paid the Company

\$300,000, \$193,800, \$118,800, and \$0 for years 2021, 2022, 2023, and 2024, respectively. Effective June 25, 2024, this Agreement was terminated and the Company notified the CDI in accordance with CIC Section 1215.5(b).

Intercompany Service Agreement: Effective October 16, 2018, the Company and Gen Re entered into the Intercompany Service Agreement (Agreement). Under the terms of the Agreement, Gen Re will perform internal audit services for the benefit of the Company. A Form D was filed, and CDI issued a non-objection letter on April 26, 2022. No fees were paid during the examination period under this Agreement.

TERRITORY AND PLAN OF OPERATION

The Company operates as a specialty carrier in twelve (12) states: Alabama, Arkansas, California, Georgia, Hawaii, Idaho, Mississippi, New Mexico, Oklahoma, South Carolina, Tennessee, and Virginia, focusing almost entirely on workers' compensation business in California.

Direct written premium during 2024 totaled \$217,985,754. The majority of the business was written in California (93.7%), with the remaining written in Georgia (2.8%), Arkansas (2.1%), Louisiana (1.2%), and South Carolina (0.2%). The Company's primary line of business was workers' compensation (93.7%). The remaining 6.3% of written premiums were comprised of other commercial automobile liability (5.2%), commercial automobile physical damage (1.0%), and inland marine (0.1%) lines of business.

The workers' compensation business is mainly operated from the Company's statutory home office in San Francisco, California. Other lines of business are conducted in Omaha, Nebraska. In addition, the Company maintains branch offices in Sacramento, San Diego, and Walnut Creek, California, and Atlanta, Georgia.

Business is marketed through approximately 1,000 independent agents.

REINSURANCE

Assumed

The Company had no assumed reinsurance as of December 31, 2024, other than amounts assumed under mandatory pools and associations.

Ceded

The Company had the following ceded reinsurance programs in effect as of December 31, 2024:

Line of Business and Type of Contract	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limit
Commercial Auto Excess of Loss	<u>Authorized:</u> Columbia Insurance Company (100%)	\$1,000,000 per risk, per loss occurrence	\$5,000,000 aggregate all loss occurrence
Property Excess of Loss	<u>Authorized:</u> Columbia Insurance Company (35%) Hannover Rück SE (30.0%) Lloyd's Syndicates (20.0%) Nationwide Mutual Insurance Company (6.0%) The Cincinnati Insurance Company (2.5%) Farm Bureau Mutual Insurance Company of Michigan (0.5%) <u>Unauthorized:</u> Helvetia Swiss Insurance Company Ltd (6.0%)	\$3,000,000 per risk per loss occurrence	\$7,000,000 per risk, per loss occurrence. \$14,000,000 all risks per loss occurrence. \$28,000,000 aggregate all losses occurring
Property Facultative Facility	<u>Authorized:</u> XL Reinsurance America Inc. (50.0%) Munich Reinsurance America, Inc. (25.0%) Arch Reinsurance Company (15.0%) Convex Insurance UK Limited (10.0%)	\$10,000,000 per risk per loss occurrence	\$25,000,000 per risk, per loss occurrence

Property & Casualty Excess of Loss	<u>Authorized:</u> Columbia Insurance Company (100%)	\$10,000,000 per loss occurrence	\$500,000,000 per loss occurrence \$1,000,000,000 aggregate loss occurrence
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During the reinsurance contract review, it was noted the excess of loss contract with Columbia Insurance Company was missing clauses and provisions regarding settlement or accounting terms, premium schedules, or reporting requirements as required in the National Association of Insurance Commissioners Statements of Standard Accounting Practice (SSAP) No. 62R, Section 8(c). SSAP No. 62R, Section 8(c), requires reinsurance contracts to constitute the entire contract between the parties and must provide no guarantee of profit, directly or indirectly amongst the parties. It was also noted that the contract was missing clauses and provisions regarding entire agreement clause in Title 10 California Code of Regulations (CCR) §2303.13. Title 10 CCR §2303.13 requires a reinsurance agreement of a domestic insurer or volume insurer ceding property and casualty business shall expressly state that it constitutes the entire agreement between the parties with respect to the business covered by the agreement.

It is recommended that the Company amend the agreements to include all required clauses and provisions in its reinsurance contracts as required by SSAP 62R, Section 8(c) and Title 10 CCR §2303.13.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2024. The accompanying comments on financial statements should be considered an integral part of the financial statements. There is no examination adjustments to the amounts reported in the annual statements.

Statement of Financial Condition as of December 31, 2024

Underwriting and Investment Exhibit for the Year Ended December 31, 2024

Reconciliation of Surplus as Regards Policyholders from December 31, 2020
through December 31, 2024

Statement of Financial Condition
as of December 31, 2024

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 142,262,210	\$	\$ 142,262,210	
Common stocks	1,071,820,991	258,966,812	812,854,179	(1)
Cash, cash equivalents, and short-term investments	1,445,387,580		1,445,387,580	
Receivable for securities	13,494		13,494	
Investment income due and accrued	1,685,426		1,685,426	
Uncollected premiums and agents' balances in the course of collection	1,754,591	849,630	904,961	
Premiums, agents' balances and installments booked but deferred and not yet due	72,404,029	401,324	72,002,705	
Amount recoverable from reinsurers	177,866		177,866	
Current federal and foreign income tax recoverable and interest thereon	837,144		837,144	
Guaranty funds receivable or on deposit	11,842		11,842	
Furniture and equipment, including health care delivery assets	652,620	652,620		
Receivables from parent, subsidiaries, and affiliates	164,381		164,381	
Aggregate write-ins for other than invested assets	<u>11,496,948</u>	<u>70,012</u>	<u>11,426,936</u>	
Total assets	<u>\$ 2,748,669,122</u>	<u>\$260,940,398</u>	<u>\$ 2,487,728,724</u>	
 <u>Liabilities, Surplus and Other Funds</u>				
Losses			\$ 672,191,281	(2)
Reinsurance payable on paid loss and loss adjustment expenses			195	
Loss adjustment expenses			213,217,156	(2)
Commissions payable, contingent commissions and other similar charges			10,808,992	
Other expenses			3,422,425	
Taxes, licenses and fees			(12,247)	
Net deferred tax liability			112,790,780	
Unearned premiums			81,320,500	
Advance premiums			756,681	
Ceded reinsurance premiums payable			243,186	
Amounts withheld or retained by company for account of others			2,268,814	
Remittances and items not allocated			317,901	
Provision for reinsurance			2,790,000	
Drafts outstanding			53,581	
Payable to parent, subsidiaries and affiliates			3,328,425	
Aggregate write-ins for liabilities			<u>2,846,586</u>	
Total liabilities			1,106,344,256	
Common capital stock	\$ 5,200,000			
Gross paid-in and contributed surplus	3,255,000			
Unassigned funds (surplus)	<u>1,372,929,468</u>			
Surplus as regards policyholders			<u>1,381,384,468</u>	
Total liabilities, surplus and other funds			<u>\$ 2,487,728,724</u>	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2024

Statement of Income

Underwriting Income

Premiums earned \$ 230,507,233

Deductions:

Losses incurred \$ 101,471,165
Losses and loss expenses incurred 30,239,440
Other underwriting expenses incurred 56,513,359

Total underwriting deductions 188,223,964

Net underwriting gain 42,283,269

Investment Income

Net investment income earned \$ 86,385,815
Net realized capital loss (10,674,967)

Net investment gain 75,710,808

Other Income

Net loss from agents' or premium balances charged off \$ (2,223,594)
Finance and service charges not included in premiums 21,757
Aggregate write-ins for miscellaneous income (1,786,883)

Total other income (3,988,720)

Net income before dividends to policyholders, after capital gains tax and
before federal and foreign income taxes 114,005,397
Federal and foreign income taxes incurred (24,587,847)

Net income \$ 89,417,550

Capital and Surplus Account

Surplus as regards policyholders,
December 31, 2023 \$1,219,553,147

Net income \$ 89,417,550
Change in net unrealized capital gains 166,073,426
Change in net deferred income tax 23,940,402
Change in nonadmitted assets (118,498,057)
Change in provision for reinsurance 898,000

Change in surplus as regards policyholders for the year 161,831,321

Surplus as regards policyholders,
December 31, 2024 \$1,381,384,468

Reconciliation of Surplus as Regards Policyholders
from December 31, 2020 through December 31, 2024

Surplus as regards policyholders, December 31, 2020				\$ 948,333,422
		<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net income	\$ 328,910,179			\$
Change in net unrealized gains	313,569,417			
Change in net deferred income tax	49,989,316			
Change in nonadmitted assets			256,627,866	
Change in provision for reinsurance			<u>2,790,000</u>	
Total gains and losses	<u>\$ 692,468,912</u>		<u>\$ 259,417,866</u>	
Net increase in surplus as regards policyholders				<u>433,051,046</u>
Surplus as regards policyholders, December 31, 2024				<u>\$1,381,384,468</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Common Stocks

The Company's common stock portfolio carried a book/adjusted value of \$1,071,820,991 in 2024. The portfolio included \$896,894,496 of publicly traded common stock. The Company's position in Apple Inc. appreciated beyond the limits set forth by California Insurance Code Sections 1198 and 1210, resulting in a non-admittance amount of \$258,966,812 in 2024.

(2) Loss and Loss Adjustment Expenses

Based on an analysis by a Casualty Actuary from the Nebraska Department of Insurance, the Company's loss and loss adjustment expense reserves as of December 31, 2024, were found to be reasonably stated and have been accepted for the purposes of this examination. A Casualty Actuary from the California Department of Insurance agreed with the conclusion.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Reinsurance (Page 10): It is recommended that the Company amend the agreements to include all required clauses and provisions in its reinsurance agreements as required by the Statements of Statutory Accounting Principles 62R, Section 8(c) and Title 10 California Code of Regulations §2303.13.

Previous Report of Examination

Related Party Transactions (Page 8): It was recommended that the Company implement procedures to ensure it properly notifies and discloses all its affiliated agreements in accordance with California Insurance Code (CIC) Section 1215.4(b) and (c), 1215(b), and Statement of Statutory Accounting Principles No. 25, paragraph 8. The Company complied with this recommendation.

Accounts and Records (Page 11): It was recommended the Company implement procedures to ensure compliance with the NAIC Annual Statement Instructions and disclose the information accurately in the proper format in the Notes to Financial Statements. The Company complied with this recommendation.

Comments on Financial Statement Items – Common Stocks (Page16): It was recommended that the Company nonadmit any amount in excess of the CIC Section 1210 limitation restrictions to ensure compliance with the aforementioned code section on a going-forward basis. The Company complied with this recommendation.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

Tzuwen Meyer, CFE
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California

Anjanette Briggs, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California