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CONTACTS: Greg Reisner
Director
+1 908 439 2200, ext. 5224
greg.reisner@ambest.com

Christopher Sharkey
Manager, Public Relations
+1 908 439 2200, ext. 5159
christopher.sharkey@ambest.com

Robert B. DeRose
Senior Director
+1 908 439 2200, ext. 5453
robert.derose@ambest.com

Jim Peavy
Director, Public Relations
+1 908 439 2200, ext. 5644
james.peavy@ambest.com

A.M. Best Affirms Credit Ratings of Berkshire Hathaway Homestate Insurance Company and Its Affiliates

OLDWICK, N.J., December 6, 2016—A.M. Best has affirmed the Financial Strength Rating of A++ (Superior) and the Long-Term Issuer Credit Ratings of “aa+” of **Berkshire Hathaway Homestate Insurance Company** (Omaha, NE) and its five property/casualty affiliates: **Cypress Insurance Company** (San Francisco, CA), **Oak River Insurance Company** (Omaha, NE), **Redwood Fire and Casualty Insurance Company** (Omaha, NE), **Brookwood Insurance Company** (Coralville, IA) and **Continental Divide Insurance Company** (Denver, CO). These companies are collectively referred to as **Berkshire Hathaway Homestate Companies** (BHHC). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect BHHC’s strong risk-adjusted capitalization, historically profitable operating performance and the executive team’s successful track record in managing operations. The ratings also acknowledge the group’s conservative underwriting leverage measures, aggressive claims management, effective loss control services and a history of conservative loss reserving standards. Lastly, the ratings consider the additional financial flexibility and support provided by the group’s publicly traded parent and ultimate shareholder, **Berkshire Hathaway Inc.** [NYSE: BRK A and BRK B].

The positive rating factors are somewhat offset by volatility in the group’s underwriting results in recent years, challenging market conditions and its business profile, which is concentrated in the workers’ compensation line, primarily in California. Approximately 62% of direct writings in 2015 were from California. This

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—2—

concentration exposes the group to a heightened level of regulatory, judicial, legislative and competitive risks relative to its peers. An additional offsetting factor includes the risks associated with a large investment allocation in equity securities, as common stocks made up approximately 100% of policyholders' surplus at year-end 2015, thus remaining a potential source of volatility in earnings and capital appreciation. Despite these concerns, the rating outlooks reflect the group's strong risk-adjusted capitalization, proven operating performance, management's ability to quickly adapt to changing market conditions and the long-term support of Berkshire Hathaway Inc., particularly in the management of the group's investment portfolio.

While the group is well-positioned at the current rating level, negative rating actions could result if operating performance falls markedly short of A.M. Best's expectations, if there is a considerable deterioration in risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR), or if A.M. Best determines that the strategic importance of the group no longer warrants rating enhancement.

This press release relates to Credit Ratings that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see A.M. Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Understanding Best's Credit Ratings](#).

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