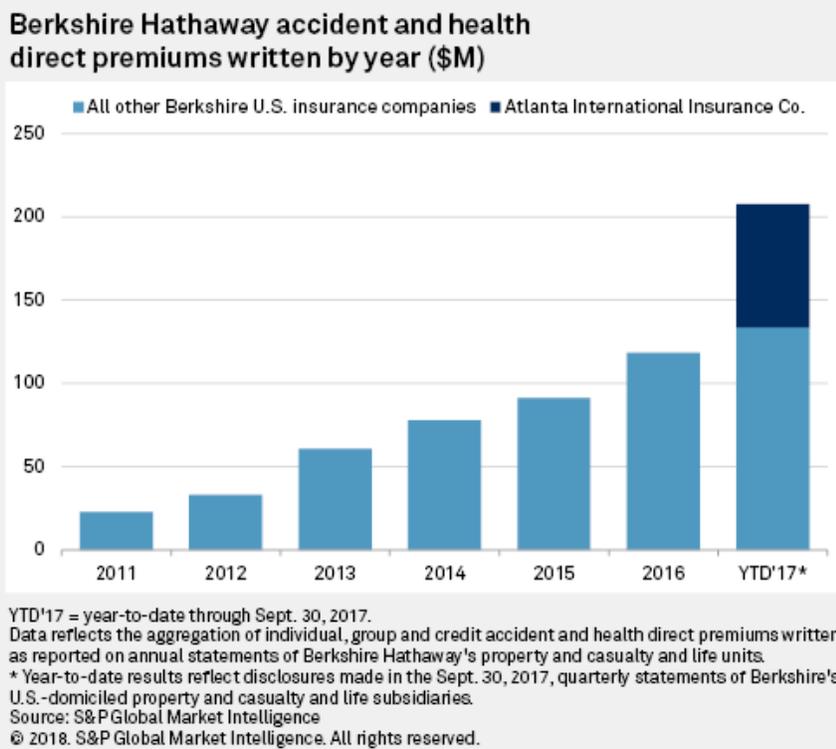


## Healthcare new, but not uncharted territory for Buffett's Berkshire

By [Tim Zawacki](#)

[Berkshire Hathaway Inc.](#)'s [announcement](#) of a new partnership with [Amazon.com Inc.](#) and [JPMorgan Chase & Co.](#) on employee healthcare represents another insurance-related opportunity for a company that has honed a reputation for taking on risks that others in the sector have avoided.

But Berkshire quietly began a foray into one health insurance niche several years ago, filings obtained by S&P Global Market Intelligence reveal, and it has more recently moved to deepen its presence in the business.



[Atlanta International Insurance Co.](#), a Berkshire subsidiary that discontinued underwriting business over two decades ago, started submitting filings for a new student health insurance program in several states during the summer of 2016. Berkshire had been active in the student health space for several years by virtue of a [2011 acquisition](#) of Springfield, Mass.-based Consolidated Health Plans Inc., a third-party administrator of certain student and employer health plans on behalf of U.S. colleges and universities, but its insurance subsidiaries had not directly underwritten individual or group student health business through 2016.

Citing dramatic changes in the student health marketplace, Consolidated Health Plans announced plans in 2016 to launch a new subsidiary. A January 2017 update confirmed the company's intent "to provide a long-term commitment to colleges and universities with student health insurance solutions for the 2017-18 academic year and beyond."

A review of various product filings finds no reference to Berkshire on the policy forms as they list Atlanta International as the underwriter and Consolidated Health Plans as the administrator. They also disclose that policyholders will have access to the provider networks of entities such as [Cigna Corp.](#) or MultiPlan Inc., depending upon the specific policy and state.

The third quarter of 2017 represented the first time Atlanta International reported any amount of direct premiums written since its acquisition by Berkshire in a 2009 [transaction](#) with [Aon Plc.](#) While more specifics about the nature of the business are only available in annual statements, which have yet to be filed for 2017, all \$74 million of its third-quarter premium volume came from group accident and health business. New York and South Carolina accounted for nearly 77% of the total. Among Atlanta International's initial roster of clients, filings show, are Buffalo State and St. Bonaventure University in New York and Clemson University and the University of South Carolina in the Palmetto State.

Another Berkshire unit that had previously been in runoff, [Commercial Casualty Insurance Co.](#), separately began filing in the spring of 2017 for a program that provides medical benefits on behalf of educational institutions for injuries sustained by participants in intercollegiate athletics. Commercial Casualty entered runoff in 2004, and Berkshire bought it four years later as part of a broader [deal](#) with [White Mountains Insurance Group Ltd.](#) It reported zero direct premiums written in its time as a Berkshire subsidiary through the third quarter of 2017. Both it and Atlanta International have also recently filed new workers' compensation and employers' liability policies in a variety of states.

Nonetheless, to the extent that all the Atlanta International premiums get reported as group student health business in the company's 2017 annual statement, the Berkshire group would already rank among the nation's leading providers in that niche. Only three entities — [Aetna Inc.](#), [UnitedHealth Group Inc.](#) and Chicago-based [Health Care Service Corp. a Mutual Legal Reserve Co.](#) — reported more than \$100 million of group student health premiums earned in 2016, and they combined to account for 72% of the industrywide volume for the year.

Berkshire life and property-and-casualty units reported \$111.4 million in accident-and-health premiums earned in 2016. Most of that volume pertained to Medicare supplement policies, an area that the company had been growing through [Central States Indemnity Co. of Omaha](#) and an affiliate over a period of several years.

The group's accident-and-health direct premiums written through the first nine months of 2017 had already increased by more than 75% from the full-year 2016 total, thanks in part to the new contribution by Atlanta International. The business still amounts to little more than a rounding error, however, for a group that is arguably best known for [GEICO Corp.](#), which ranks as the second-largest insurer of private automobiles in the United States.

It also pales in comparison in size and importance to Berkshire's reinsurance business, where the company specializes in what Chairman and CEO Warren Buffett has described as "risks that no one else has the desire or the capital to take on," particularly asbestos exposure.

Berkshire's ingenuity in structuring solutions for that toxic peril should provide some hope that the new healthcare venture, which seeks a fresh approach to the ballooning cost of coverage, might find success.