

JUN 24 2022

FILED

# CERTIFICATION

June 24, 2022

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

**BERKSHIRE HATHAWAY LIFE INSURANCE COMPANY OF NEBRASKA**

**AS OF**

**DECEMBER 31, 2020**

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



  
\_\_\_\_\_  
DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

**BERKSHIRE HATHAWAY LIFE INSURANCE COMPANY OF NEBRASKA**


**1314 DOUGLAS STREET, SUITE 1400**

**OMAHA, NEBRASKA 68102**

dated as of December 31, 2020, verified under oath by the examiner-in-charge on  
June 1, 2022, and received by the company on June 3, 2022, has been adopted  
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 14<sup>th</sup> day of June 2022.

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "Justin C. Schrader", written in a cursive style.

Justin C. Schrader, CFE  
Chief Financial Examiner

**STATE OF NEBRASKA**

**Department of Insurance**

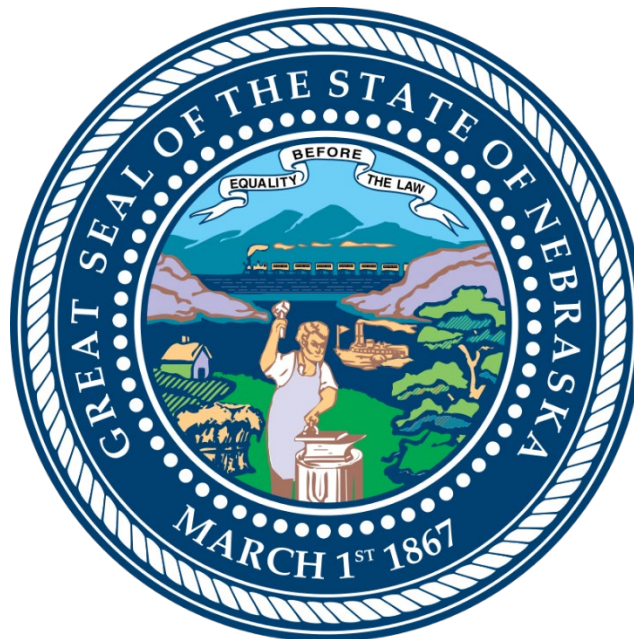
**EXAMINATION REPORT**

**OF**

**BERKSHIRE HATHAWAY LIFE INSURANCE COMPANY OF NEBRASKA**

**as of**

**December 31, 2020**



## Table of Contents

<b><u>Item</u></b>	<b><u>Page</u></b>
Salutation .....	1
Introduction.....	1
Scope of Examination.....	2
Description of Company.....	4
History.....	4
Management and Control.....	5
Holding Company.....	5
Shareholder.....	5
Board of Directors.....	6
Officers.....	7
Committees.....	8
Transactions with Affiliates.....	8
Intercompany Services Agreements.....	8
Intercompany Investment Agreement.....	10
Revolving Loan Agreements.....	10
Consolidated Federal Income Tax Allocation Agreement.....	10
Territory and Plan of Operation.....	11
Reinsurance.....	12
Assumed – Affiliates.....	12
Assumed – Non-affiliates.....	12
Ceded - Affiliates.....	14
General.....	15
Body of Report.....	16
Growth.....	16
Financial Statements.....	16
Examination Changes in Financial Statements.....	20
Compliance with Previous Recommendations.....	20
Commentary on Current Examination Findings.....	20
Intercompany Transactions.....	20
Summary of Comments and Recommendations.....	21
Acknowledgment.....	22
Addendum.....	23
Organizational Chart.....	23

Lincoln, Nebraska  
May 25, 2022

Honorable Eric Dunning  
Director of Insurance  
Nebraska Department of Insurance  
1526 K Street, Suite 200  
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

BERKSHIRE HATHAWAY LIFE INSURANCE COMPANY OF NEBRASKA  
1314 Douglas Street, Suite 1400  
Omaha, Nebraska 68102

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

### **INTRODUCTION**

The State of Nebraska last examined the Company as of December 31, 2016. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2020 and such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska, California, Colorado, Connecticut, Iowa, and New York participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company’s following affiliates:

Berkshire Hathaway Direct Insurance Company (BHDIC)  
Berkshire Hathaway Homestate Insurance Company (BHHIC)  
Berkshire Hathaway Specialty Insurance Company (BHSIC)  
BHG Life Insurance Company (BHGL)

Brookwood Insurance Company (BIC)  
Columbia Insurance Company (CIC)  
Continental Divide Insurance Company (CDIC)  
Cypress Insurance Company (Cypress)  
First Berkshire Hathaway Life Insurance Company (FBHL)  
National Fire & Marine Insurance Company (NFM)  
National Indemnity Company (NICO)  
National Indemnity Company of Mid-America (NIMA)  
National Indemnity Company of the South (NISO)  
National Liability & Fire Insurance Company (NLF)  
Oak River Insurance Company (ORIC)  
Redwood Fire and Casualty Insurance Company (RFC)

### **SCOPE OF EXAMINATION**

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Nebraska Department of Insurance as the coordinating state and the California Department of Insurance, Colorado Division of Insurance, State of Connecticut Insurance Department, Iowa Insurance Division, and New York Department of Financial Services. The companies examined under this approach benefit to a large degree from common management,

systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC, and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholder, Board of Directors, and committees held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, and approval of investment transactions were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected, and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Deloitte & Touche LLP, the Company's external auditors, during their audit of the Company's accounts for the year ended December 31, 2020. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

## **DESCRIPTION OF COMPANY**

### **HISTORY**

The Company was incorporated as a capital stock life insurance company on May 14, 1993, and its Articles of Incorporation were approved by the Nebraska Department of Insurance as of that date. The Company was issued a Certificate of Authority to transact the business of insurance as provided under Section §44-201(1), R.R.S. 1943, Nebraska as amended on June 11,



1993, and commenced writing business as of that date. The Certificate provides authority for life insurance and annuities.

## **MANAGEMENT AND CONTROL**

### **Holding Company**

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the “Ultimate Controlling Person,” Berkshire Hathaway Inc. (BHI), as reported in the 2020 Annual Statement, is attached to this report as an addendum.

### **Shareholder**

Article IV of the Company’s Articles of Incorporation provides that, “the Corporation has authority not limited by any preemptive or other rights of its Shareholders to issue an aggregate of 100,000 shares of nonassessable common capital stock of the par value of \$60 each subject to such conditions and other terms with respect to transfer thereof and other rights therein of its Shareholders as are set out in its By-Laws at the time of its acquisition by them or as are adopted from time to time by their unanimous agreement.”

As of December 31, 2020, Company records indicated that 50,000 shares were issued and outstanding, and that all shares were owned by NICO, for a total paid up capital of \$3,000,000.

There were no changes made to common capital stock during the years under review. Gross paid-in and contributed surplus remained the same during the examination period and no dividends were paid.

Section 2 of the Company’s By-Laws states that, “the annual meeting of Shareholders of the Corporation shall be held each year at a location, at a time and on a date set by the President of the Corporation, during the first five months of the calendar year.”

## **Board of Directors**

Section 3 of the Company's By-Laws provides that, "the affairs and business of the Corporation shall be managed by a Board of such number of Directors not less than five (5) nor more than eleven (11) as may be fixed by the Shareholders at each annual meeting, at least one of whom shall be a resident of Nebraska, none of whom shall be required to be Shareholders or Officers, and each of whom shall be elected annually by the Shareholders at each annual meeting to serve for a term of office of one year or until a successor has been elected and qualified." The number of Directors was fixed at seven at the annual Shareholder meeting.

The following persons were serving as Directors at December 31, 2020:

<b><u>Name and Residence</u></b>	<b><u>Principal Occupation</u></b>
John Duane Arendt Stamford, Connecticut	Vice President, National Indemnity Company
Bruce John Byrnes New City, New York	Vice President, National Indemnity Company
Dale David Geistkemper Omaha, Nebraska	Treasurer and Controller, National Indemnity Company
Marc David Hamburg Omaha, Nebraska	Senior Vice President and Chief Financial Officer, Berkshire Hathaway Inc.
Ajit Jain Rye, New York	Executive Vice President, National Indemnity Company
Brian Gerard Snover Stamford, Connecticut	Senior Vice President, National Indemnity Company
Donald Frederick Wurster Omaha, Nebraska	President, National Indemnity Company

No fees or expenses were paid to the Directors during the period under review.

## **Officers**

Section 4 of the Company’s By-Laws provides that, “the Officers shall be a President, one or more Vice Presidents, one or more Assistant Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, and one or more Assistant Treasurers, none of whom shall be required to be Shareholders or Directors, and each of whom shall be elected annually by the Board of Directors at each annual meeting to serve a term of office of one year or until a successor has been elected and qualified, may serve successive terms of office, may be removed from office at any time for or without cause by a vote of a majority of the Board of Directors.”

The following is a listing of Officers elected and serving the Company at December 31, 2020:

<b><u>Name</u></b>	<b><u>Office</u></b>
Donald F. Wurster	President
Brian G. Snover	Senior Vice President and Secretary
Dale D. Geistkemper	Treasurer and Controller
Jonathan A. Collins	Executive Vice President
John D. Arendt	Vice President and Assistant Secretary
Bruce J. Byrnes	Vice President
Scott R. Doerr	Vice President
Michael J. Lawler	Vice President
Karen L. Rainwater	Vice President
Rodney L. Rathbun	Assistant Vice President
Brad E. Rosen	Assistant Vice President
McKale R. Crawford	Assistant Secretary
Chris Denkinger	Assistant Secretary
Connor B. Dillard	Assistant Secretary
Raymond R. Driessen	Assistant Secretary
Janelle K. Kay	Assistant Secretary
Susan M. Kreski	Assistant Secretary
James A. Maakestad	Assistant Secretary
Mark D. Millard	Assistant Secretary
Brennan S. Neville	Assistant Secretary
Sarah E. Starkey	Assistant Secretary
Brooke L. Gregory	Assistant Treasurer
Zachary R. Royse	Assistant Controller
Shane W. Tomlinson	Assistant Controller

## **Committees**

Section 3G of the Company's By-Laws provides that, "the Board of Directors may designate from among the Directors an Executive Committee, an Investment Committee and one or more other committees; and the Executive Committee, the Investment Committee and such other committees as are designated shall have such powers and rights and be charged with such duties and obligations respectively as usually are vested in and pertain to such committees or as may be directed from time to time by the Board of Directors."

The following persons were serving on the Executive Committee at December 31, 2020:

Ajit Jain      Dale David Geistkemper      Donald Frederick Wurster

The following persons were serving on the Investment Review Committee at December 31, 2020:

Marc David Hamburg      Donald Frederick Wurster

The following persons were serving on the Audit Committee at December 31, 2020:

Bruce John Byrnes      Brian Gerard Snover

## **TRANSACTIONS WITH AFFILIATES**

### **Intercompany Services Agreements**

Effective May 1, 2000, the Company entered into an agreement with Berkshire Hathaway Credit Corporation (BHCC), which was amended effective December 1, 2001 to include CIC, NFM, and NICO. Under the terms of the agreement, BHCC performs various services for these affiliates including: consulting, analytical and research services. The method of allocating expenses is set forth in the intercompany services agreement.

Effective January 1, 2016, the Company entered into a reciprocal intercompany services agreement with NLF and British Insurance Company of Cayman (BICC). Each company

performs certain services for one another, including accounting, claims, recoveries, and underwriting services.

Effective March 1, 2011, the Company entered into an intercompany services agreement with CIC, NFM, NICO, NIMA, and NISO. Under the terms of the agreement, NICO performs various services for these affiliates, including: accounting, tax, internal and premium auditing, underwriting, claims, information technology, marketing, and support services. NICO also agrees to provide certain property, equipment, and facilities necessary in the conduct of the affiliates' operations; and also provides the personnel necessary for the affiliates to conduct their normal day-to-day operations. This relationship results in joint operating expenses that are subject to allocation. The method of allocating these expenses is set forth in the intercompany services agreement. The charge to the affiliates for the services and facilities includes all direct and directly allocable expenses, reasonably and equitably determined to be attributable to the affiliates by NICO. The apportionment of costs is based upon the allocation of salary for NICO employees on a quarterly basis.

On July 15, 2011 and effective July 1, 2011, the Company entered into an intercompany services agreement whereby the Company performs certain administrative and special services on behalf of BICC. These services include data processing, equipment, business property, and communications.

Effective May 4, 2017, the Company, along with thirteen other Nebraska domiciled insurers, entered into an Intercompany Tax Services Agreement with Ringwalt & Liesche Co. (R&L). The Company receives certain tax advisory and completion services from R&L.

Effective October 10, 2017, the Company entered into a service agreement with NICO and General Reinsurance Corporation (Gen Re), whereby the Company receives certain internal audit services provided by either NICO or Gen Re.

#### **Intercompany Investment Agreement**

Effective December 18, 2015, the Company became a participant in an investment service agreement with BHI where BHI may perform various investment services for the Company.

#### **Revolving Loan Agreements**

Effective September 21, 2016, the Company and BHI entered into a revolving loan agreement. The agreement provides for a reciprocal revolving loan between the Company and BHI, up to a limit of \$750,000,000.

On November 29, 2019, the Company entered into a reciprocal revolving loan agreement with NICO. Pursuant to the agreement, the parties agree to make intercompany loans to one another, upon request, up to an aggregate amount of \$750,000,000.

#### **Consolidated Federal Income Tax Allocation Agreement**

The Company joins with a group of approximately eight hundred affiliated companies in the filing of a consolidated federal income tax return. The consolidated tax liability is allocated among the affiliates in the ratio that each affiliate's separate return tax liability bears to the sum of the separate return liabilities. A complementary method is used, which results in reimbursement by profitable affiliates to loss affiliates for tax benefits generated by loss affiliates.

A written agreement between the Company and BHI, effective November 18, 2002, describes the method of allocation and the manner in which intercompany balances are settled.

## **TERRITORY AND PLAN OF OPERATION**

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in all states, with the exception of New York, and the District of Columbia. The Company is an accredited reinsurer in the State of New York.

The Company writes direct structured settlement business and other individual annuities, reinsures portfolios of structured settlement annuities, variable annuity guarantees, and pension obligations, accepts guaranteed investment contracts, and assumes other contract deposit funds, and engages in life reinsurance.

From inception through September 30, 2009, the Company's business was confined primarily to the areas of direct annuities and a few specialized reinsurance contracts. Beginning in October of 2009, the Company entered into various reinsurance agreements, described in this report under the caption "Reinsurance," which provide life and annuity reinsurance and retrocession capacity, and services to the U.S. and international reinsurance market.

The majority of the Company's direct annuity business consists of annuities sold to its affiliate, BHG Structured Settlements, Inc. (BHGSS), as qualified funding assets in accordance with Section 130 of the Internal Revenue Code. The Company has issued some annuity contracts to defendants as qualified funding assets and occasionally issues annuities to plaintiffs who are in constructive receipt of settlement funds. The annuities are generally long duration obligations funded by a single immediate premium. The Company started appointing brokers on March 1, 2019. In respect of the structured settlement product, the defendant in a settlement agrees to an obligation to make future payments and then assigns that obligation to BHGSS, who purchases an annuity from the Company to fund its liability. BHGSS is thus the owner/policyholder of the annuity. However, the Company makes periodic payments, as set forth in the assignment,

directly to the plaintiff. A Corporate Guarantee is typically issued to the plaintiff by CIC (an affiliate of the Company and parent of BHGSS), guaranteeing the payment obligations of BHGSS in accordance with the terms and conditions of the assignment in the event of BHGSS's default.

## **REINSURANCE**

### **Assumed – Affiliates**

Effective December 31, 2014, the Company entered into a Portfolio Transfer Reinsurance Agreement with FBHL under which the Company assumed 80% of statutory reserve liabilities from the issuance of life contingent annuities and annuity certain contracts by FBHL during the period from March 21, 2003 to December 31, 2014.

Effective January 1, 2015, the Company entered into a Quota Share Reinsurance Agreement with FBHL under which the Company assumes, on an 80% indemnity coinsurance basis, all liabilities arising from the issuance of life contingent and certain single premium annuity contracts on or after January 1, 2015 and continuing until termination. The Company also allows FBHL an expense allowance equal to 80% of FBHL's ordinary operating expenses.

### **Assumed – Non-affiliates**

Effective October 1, 2009, the Company assumed on a 100% quota share basis from Swiss Re Life & Health America Inc. (SRLHA) liabilities and subsequent renewal premiums associated with certain yearly renewable term (YRT) business reinsuring permanent and term products and universal life products, either written, assumed, or subsequently acquired by SRLHA. The Company assumes the mortality risk on the underlying lives until the underlying YRT reinsurance policy non-renews.



Simultaneous with the reinsurance agreement with SRLHA, the Company entered into a stop loss reinsurance agreement with Swiss Reinsurance Company Ltd. (Swiss Re), effective October 1, 2009. As consideration for this agreement, the Company pays Swiss Re quarterly premium equal to a certain percentage of the total face amount of insurance in force as of the first day of the calendar quarter. Under the initial terms of the agreement, Swiss Re assumes any liabilities equal to net claims of the underlying agreement with SRLHA that exceed \$1.05 billion.

In March 2013, the Company and SRLHA agreed to rescind the cession of certain underlying treaties and to recapture certain underlying treaties as of April 1, 2012. In addition, the Company and SRLHA's ultimate parent corporation Swiss Re agreed to amend a related stop-loss limit. In addition, SRLHA entered into an agreement with a company ceding business to SRLHA to recapture certain underlying treaties as of October 1, 2012.

Effective January 1, 2019, the Company, SRLHA and Swiss Re entered into a Settlement and Release Agreement where the parties agreed to settle all disputes with respect to the Coinsurance Agreement effective October 1, 2009 and the Stop Loss Reinsurance Agreement effective October 1, 2009 and amended March 2013. This resulted, in part, in a reduction of the attachment point of the stop-loss limit issued by Swiss Re to the Company to \$935 million.

Beginning in 2010, the Company entered into reinsurance agreements with Pension Insurance Corporation Limited (PIC), a company incorporated in England and Wales in the United Kingdom. Under the agreements, the Company agreed to assume certain risks associated with a defined group of members of a pension plan and their dependents underwritten by PIC. The Company is liable for a schedule of pension payments for each plan beginning on an agreed date and for any lump sum or transfer settlements prior to that date to the extent that they relate to scheduled pension payments from the scheduled date onwards. The Company has not assumed

the inflation risk affecting the actual payments made by PIC to members of each plan, as the amounts payable by the Company to PIC under the reinsurance agreements are calculated using a schedule of pre-determined annual increases.

On February 4, 2013, the Company entered into a 100% Coinsurance Treaty with Connecticut General Life Insurance Company (CGLIC), an indirect subsidiary of Cigna Holdings, Inc. The treaty covers, on a 100% quota-share basis, CGLIC's run-off variable annuity Guaranteed Minimum Death Benefit (GMDB) and Guaranteed Minimum Income Benefit (GMIB) arising from the underlying treaties, also referred to as run-off reinsurance business. CGLIC will continue to administer the business and pay to the Company all reinsurance premiums received on the business, and the Company will pay to CGLIC all GMDB or GMIB claims due. Premiums and claims are settled net of certain pre-existing reinsurance inuring to CGLIC. The Coinsurance Treaty will remain in force until the natural expiry of the underlying business, subject to an aggregate limit of approximately \$3.82 billion.

On May 25, 2015, the Company entered into a reinsurance agreement with Legal & General Assurance Society Limited (Legal & General), a company incorporated in England and Wales. Under the Legal & General reinsurance agreement, the Company agreed to assume certain risks associated with a defined group of members of two pension plans and their dependents underwritten by Legal & General. The Company is liable for a schedule of pension payments beginning on June 1, 2025, and for any lump sum or transfer settlements which exceed 25% in respect of any member, and to the extent that they relate to scheduled pension payments from June 1, 2025 and later.

#### **Ceded - Affiliates**

Effective January 1, 2014, the Company entered into a reinsurance agreement with BHGL under which the Company ceded 80% of statutory reserve liabilities from the issuance of life

contingent single premium annuity contracts issued by the Company during the period from January 1, 2013 through December 31, 2013. The transaction qualified as a capital contribution for federal income tax purposes.

Effective July 1, 2014, the Company entered into a second reinsurance agreement with BHGL, under which the Company ceded 80% of statutory reserve liabilities from the issuance of life contingent and certain single premium annuity contracts issued by the Company during the period from the date the Company commenced business, June 11, 1993, to December 31, 2012, and certain single premium annuity contracts issued between January 1, 2013 and December 31, 2013.

Effective December 31, 2017, the Company entered into a third reinsurance agreement with BHGL, under which the Company ceded 100% of expected annuity payments commencing after fifteen years from December 31, 2017 (i.e. after December 31, 2032) from the issuance of life contingent and certain single premium annuity contracts issued by the Company during the period from January 1, 2014 through December 31, 2017.

Effective December 31, 2020, the Company entered into a fourth reinsurance agreement with BHGL, under which the Company ceded 100% of expected annuity payments commencing after fifteen years from December 31, 2020 (i.e. December 31, 2035) from the issuance of life contingent single premium annuity contracts issued by the Company during the period from January 1, 2018 through December 31, 2019.

### **General**

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

## BODY OF REPORT

### GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$ 2,564,530,317	\$ 1,312,403,887	\$ 1,127,363,721	\$ 1,077,765,514
Admitted assets	19,610,130,785	18,411,682,604	20,830,372,351	23,422,142,792
Aggregate reserves for life contracts	7,878,050,249	8,683,723,412	8,122,766,424	7,412,474,207
Total liabilities	14,794,152,797	12,997,512,247	13,306,257,874	15,935,281,036
Capital and surplus	4,815,977,988	5,414,170,357	7,524,114,477	7,486,861,756
Premium income	225,219,475	2,548,995,494	1,283,668,021	(1,634,167,386)
Net investment income	477,560,382	581,656,226	581,186,083	566,862,795
Death benefits	1,334,654,135	1,465,760,097	266,403,469	361,833,277
Annuity benefits	505,596,751	464,399,192	404,802,136	506,643,876
Net income	437,581,495	118,050,663	1,489,804,468	(847,209,809)

### FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2020. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

**FINANCIAL STATEMENT**  
**December 31, 2020**

<b><u>Assets</u></b>	<b><u>Assets</u></b>	<b><u>Assets Not Admitted</u></b>	<b><u>Net Admitted Assets</u></b>
Bonds	\$ 1,077,765,514		\$ 1,077,765,514
Preferred stocks	720,076,000		720,076,000
Common stocks	8,581,219,390		8,581,219,390
Cash, cash equivalents, and short-term investments	5,642,118,743		5,642,118,743
Derivatives	3,109,486		3,109,486
Other invested assets	3,720,033,016		3,720,033,016
Receivables for securities	2,607		2,607
Funds held by affiliate under repayment and cash collateral agreements	<u>2,320,295,924</u>		<u>2,320,295,924</u>
Subtotal, cash and invested assets	\$22,064,620,680		\$22,064,620,680
Investment income due and accrued	34,168,883		34,168,883
Uncollected premiums	439,913,344	\$8,188,772	431,724,572
Amounts recoverable from reinsurers	324,504,787		324,504,787
Funds held by reinsured companies	120,165,422		120,165,422
Other amounts receivable under reinsurance contracts	10,069,893		10,069,893
Current federal income tax recoverable	435,905,084		435,905,084
Receivable from parent and affiliates	73,150		73,150
Other assets	<u>910,321</u>		<u>910,321</u>
Totals	<u>\$23,430,331,564</u>	<u>\$8,188,772</u>	<u>\$23,422,142,792</u>

## **Liabilities, Surplus, and Other Funds**

Aggregate reserve for life contracts	\$ 7,412,474,207
Liability for deposit-type contracts	2,306,112,423
Life contract claims	619,523,957
Provision for experience rating refunds	128,582,035
Other amounts payable on reinsurance	2,857,976,242
Interest maintenance reserve	314,369,440
Commissions to agents due or accrued	521,730
Commissions and expense allowance payable on reinsurance assumed	8,359,628
General expenses due or accrued	558,061
Taxes, licenses and fees due or accrued	16,388
Net deferred tax liability	412,450,849
Unearned investment income	11,525,000
Remittances and items not allocated	2,599,912
Asset valuation reserve	1,700,111,542
Funds held under reinsurance treaties with unauthorized reinsurers	851
Payable to parent, subsidiaries and affiliates	5,164,275
Deferred investment gain	139,986,966
Modified coinsurance payable	9,077,524
Other liabilities	5,618,941
Annuity payments held	<u>251,065</u>
Total liabilities	<u>\$15,935,281,036</u>
Common capital stock	\$ 3,000,000
Gross paid in and contributed surplus	2,324,283,198
Surplus	<u>5,159,578,558</u>
Total capital and surplus	<u>\$ 7,486,861,756</u>
Totals	<u>\$23,422,142,792</u>

## SUMMARY OF OPERATIONS – 2020

Premiums and annuity considerations	\$(1,634,167,386)
Net investment income	566,862,795
Amortization of interest maintenance reserve	13,809,675
Commissions and expense allowances on reinsurance ceded	3,622,933
Other interest income on funds held	<u>2,597,977</u>
 Total income	 <u>\$(1,047,274,006)</u>
 Death benefits	 \$ 361,833,277
Annuity benefits	506,643,876
Surrender benefits and withdrawals	263,873
Interest and adjustments on contract or deposit-type contract funds	102,086,007
Increase in aggregate reserves for life contracts	<u>(961,132,144)</u>
 Total benefits	 <u>\$ 9,694,889</u>
 Commissions on premiums, annuity considerations and deposit-type contract funds	 \$ 25,209,520
Commissions and expenses allowances on reinsurance assumed	22,711,272
General insurance expenses	19,845,342
Insurance taxes, licenses and fees	1,150,882
Expense for modified coinsurance reserve	34,881,595
Realized foreign exchange gain	(57,764,727)
Other miscellaneous expense	<u>3,075</u>
 Total expenses	 <u>\$ 46,036,959</u>
 Net gain from operations before federal income taxes and net realized capital gains	 \$(1,103,005,854)
Federal income taxes incurred	(319,425,285)
Net realized capital losses	<u>(63,629,240)</u>
 Net income	 <u>\$ (847,209,809)</u>

## CAPITAL AND SURPLUS ACCOUNT

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital and surplus, beginning	\$4,398,424,862	\$4,815,977,988	\$5,414,170,357	\$7,524,114,477
Net income	\$ 437,581,495	\$ 118,050,663	\$1,489,804,468	\$ (847,209,809)
Change in net unrealized capital gains	468,029,880	255,514,075	1,105,902,311	1,321,261,005
Change in net unrealized foreign exchange capital gain	(205,743,198)	214,277,321	(56,799,834)	(118,691,949)
Change in net deferred income tax	72,344,852	(38,866,577)	65,982,020	17,372,317
Change in nonadmitted assets	(40,217,495)	229,392,057	(12,018,861)	3,830,770
Change in reserve on account of change in valuation basis	(6,697,592)			(133,030,091)
Change in asset valuation reserve	(197,469,386)	(181,176,093)	(490,459,767)	(285,171,921)
Change in deferred gain liability	(110,275,430)	1,000,923	7,533,783	4,386,957
Net change for the year	\$ 417,553,126	\$ 598,192,369	\$2,109,944,120	\$ (37,252,721)
Capital and surplus, ending	\$4,815,977,988	\$5,414,170,357	\$7,524,114,477	\$7,486,861,756

## EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$5,159,578,558, as reported in the Company's 2020 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

## COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

No recommendations were made as a result of the previous examination.

## COMMENTARY ON CURRENT EXAMINATION FINDINGS

### Intercompany Transactions

The exam team noted that New England Asset Management (NEAM) provides investment services to BHI pursuant to an investment services agreement effective October 1, 2013. BHI, in turn, provides investment services to the Company pursuant to the December 1,



2015 agreement. The Company does not have an agreement with NEAM but receives bills and settles directly with the service provider.

SSAP No. 25(8) states, “transactions between related parties must be in the form of a written agreement. The written agreement must provide for the timely settlement of amounts owed, with a specified due date.” The settlement transactions occurring between the Company and NEAM are not subject to an agreement. In addition, Nebraska Insurance Statute §44-2133(2)(d) states that service contract transactions involving a domestic insurer and any person in its insurance holding company system may not be entered into unless the insurer has notified the Director in writing of its intention to enter into such transaction.

During the examination, the Company responded that NEAM will bill BHI subject to the 2013 investment services agreement. Then, BHI will bill the Company for the services provided by NEAM.

It is recommended that the Company proceed with its plan to adjust the settlement process in order to be compliant with the existing investment services agreement or enter into an investment services agreement directly with NEAM that includes settlement provisions in order to be compliant with SSAP No. 25(8) and Nebraska Insurance Statute §44-2133(2)(d).

### **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

The following comments and recommendations have been made as a result of this examination:

**Intercompany Transactions** - It is recommended that the Company proceed with its plan to adjust the settlement process in order to be compliant with the existing investment services agreement or enter into an investment services agreement directly with NEAM that includes settlement provisions in order to be compliant with SSAP No. 25(8) and Nebraska Insurance Statute §44-2133(2)(d).

## ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Brian Davis, CFE, Santosh Ghimire, CFE, Joe Jacobson, CFE, Skyler Lawyer, CFE, and Michael Sullivan, CFE, Financial Examiners; Gary Evans, CFE, CISA, Information Systems Specialist; and Derek Wallman, MAAA; all with the Nebraska Department of Insurance and Financial Examiners, Information Systems Specialists, and Actuarial Examiners with or contracted by the California Department of Insurance, Colorado Division of Insurance, State of Connecticut Insurance Department, Iowa Insurance Division, and New York Department of Financial Services; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



---

Isaak Russell, CFE  
Supervisory Examiner  
Department of Insurance  
State of Nebraska

## ADDENDUM

### ORGANIZATIONAL CHART

Note: The following chart includes all affiliates related to insurance operations. Affiliates of selected non-insurance operations have been omitted. The omissions are replaced with the phrase “and owned affiliate(s).”

Berkshire Hathaway Inc. (31.84654% owned by Warren E. Buffett)

Acme Building Brands, Inc. and owned affiliates

Affordable Housing Partners, Inc. and owned affiliates

Albecca Inc. and owned affiliates

Ben Bridge Corporation and owned affiliate

Benjamin Moore & Co. and owned affiliates

Berkshire Hathaway Automotive Inc. and owned affiliates

Berkshire Hathaway Credit Corporation and owned affiliates

Berkshire Hathaway Energy Company and owned affiliates

Berkshire Hathaway Finance Corporation

BH Columbia Inc.

Columbia Insurance Company

American All Risk Insurance Services, Inc.

American Commercial Claims Administrators Inc.

Berkadia Commercial Mortgage Holding LLC and owned affiliate

Berkadia Commercial Mortgage Partners LLC

Berkshire Hathaway Assurance Corporation

Berkshire Hathaway Direct Insurance Company

BH Finance LLC

BHG Structured Settlements, Inc. and owned affiliates

BIFCO, LLC

British Insurance Company of Cayman

Farnam Management Services, LLC

Hawthorn Life International, Ltd. and owned affiliate

MedPro Group Inc.

AttPro RRG Reciprocal Risk Retention Group

Medical Protective Finance Corporation

MedPro Risk Retention Services, Inc.

MedPro RRG Risk Retention Group

PLICO, Inc.

Princeton Insurance Company

The Medical Protective Company

C&R Insurance Services, LLC

C&R Legal Insurance Agency, LLC

MedPro Insurance Services, LLC

Somerset Services, LLC

Wellfleet Benefits, LLC

Wellfleet Group, LLC

Wellfleet Insurance Company  
 Wellfleet New York Insurance Company  
 Nederlandse Reassurantie Groep N.V. and owned affiliates  
 NetJets IP, LLC  
 Resolute Management Inc.  
 Ringwalt & Liesche Co. and owned affiliates  
 The Duracell Company and owned affiliates  
 BH Holding H Jewelry Inc. and owned affiliate  
 BH Holding S Furniture Inc.  
 BH Housing LLC  
 BH Shoe Holdings, Inc. and owned affiliates  
 BHSF, Inc. and owned affiliates  
 Blue Chip Stamps, Inc.  
 Borsheim Jewelry Company, Inc.  
 Brooks Sports, Inc. and owned affiliates  
 Business Wire, Inc. and owned affiliates  
 Central States of Omaha Companies, Inc.  
     Central States Indemnity Co. of Omaha  
         CSI Life Insurance Company  
         CSI Processing, LLC  
 Charter Brokerage Holdings Corp. and owned affiliates  
 Clayton Homes, Inc. and owned affiliates  
 CORT Business Services Corporation and owned affiliates  
 CTB International Corp. and owned affiliates  
 Detlev Louis Motorrad-Vertriebsgesellschaft GmbH and owned affiliates  
 Forest River, Inc. and owned affiliates  
 Fruit of the Loom, Inc. and owned affiliates  
 Gateway Underwriters Agency, Inc.  
 General Re Corporation  
     Faraday Holdings Limited and owned affiliates  
     Gen Re Intermediaries Corporation  
     Gen Re Long Ridge, LLC  
     General Reinsurance Corporation  
         Elm Street Corporation  
         Gen Re Japan Service Company Limited  
         General Re Compania de Reaseguros, S.A.  
         General Re Life Corporation  
             Idealife Insurance Company  
         General Reinsurance AG and owned affiliates  
         General Reinsurance Australia Ltd  
         General Star Indemnity Company  
         General Star Management Company  
         General Star National Insurance Company  
         Genesis Insurance Company  
         Genesis Management and Insurance Services Corporation  
         GRC Realty Corporation

Railsplitter Holdings Corporation  
New England Asset Management, Inc. and owned affiliate  
GRD Holdings Corporation and owned affiliate  
United States Aviation Underwriters, Inc. and owned affiliate  
International Dairy Queen, Inc. and owned affiliates  
Johns Manville Corporation and owned affiliates  
Jordan's Furniture, Inc.  
LiquidPower Specialty Products Inc. and owned affiliates  
Marmon Holdings, Inc. and owned affiliates  
McLane Company, Inc. and owned affiliates  
MiTek Industries, Inc. and owned affiliates  
MS Property Company and owned affiliate  
National Fire & Marine Insurance Company  
National Indemnity Company  
    Affiliated Agency Operations Co. and owned affiliate  
    AHP Housing Fund 184, LLC  
    AHP Housing Fund 208, LLC  
    AHP Housing Fund 219, LLC  
    AHP Housing Fund 220, LLC and owned affiliate  
    AHP Housing Fund 223, LLC  
    AHP Housing Fund 245, LLC  
    AHP Housing Fund 253, LLC  
    AHP Housing Fund 254, LLC  
    AHP Housing Fund 261, LLC  
    BDT I-A Plum, LLC  
    Berkshire Hathaway Homestate Insurance Company  
    Berkshire Hathaway International Insurance Limited and owned affiliate  
    Berkshire Hathaway Life Insurance Company of Nebraska  
    BHA Real Estate Holdings, LLC  
    BHG Life Insurance Company  
    Financial Credit Investment III (Cayman), L.P.  
    Financial Credit Investment III SPV-B (Cayman), L.P.  
    First Berkshire Hathaway Life Insurance Company  
    FlightSafety International Inc. and owned affiliates  
    Garan, Incorporated and owned affiliates  
    Berkshire Hathaway Specialty Insurance Company  
    Berkshire Hathaway Global Insurance Services, LLC  
    Berkshire Hathaway Specialty Services Limited  
    British Aviation Insurance Company Limited  
    Brookwood Insurance Company  
    Burlington Northern Santa Fe, LLC and owned affiliates  
    Continental Divide Insurance Company  
    Cypress Insurance Company  
    Douglas Building, LLC  
    Finial Holdings, Inc.  
    Finial Reinsurance Company

GEICO Corporation  
Boat America Corporation  
Boat Owners Association of the United States  
Boat/U.S., Inc.  
GEICO Marine Insurance Company  
GEICO Advantage Insurance Company  
GEICO Choice Insurance Company  
GEICO County Mutual Insurance Company  
GEICO Financial Services, Gmbh  
GEICO Indemnity Company  
Criterion Insurance Agency  
GEICO Casualty Company  
GEICO Products, Inc.  
GEICO Secure Insurance Company  
Government Employees Insurance Company  
AHP Federal and State Affordable 1, LLC and owned affiliates  
AHP State Affordable 1, LLC and owned affiliates  
GEICO General Insurance Company  
GEICO Insurance Agency, Inc.  
Government Employees Financial Corporation  
PIS QOZ Fund 2018-A, LP  
Plaza Financial Services Company  
International Insurance Underwriters, Inc.  
Maryland Ventures, Inc.  
Plaza Resources Company  
Top Five Club, Inc.  
MLMIC Insurance Company  
M2 Liability Solutions, Inc.  
MLMIC Services, Inc.  
National Indemnity Company of Mid-America  
National Indemnity Company of the South  
Oak River Insurance Company  
Redwood Fire and Casualty Insurance Company  
SLI Holding Limited and owned affiliates  
Tenecom Limited and owned affiliate  
Transfercom Limited  
VT Insurance Acquisition Sub Inc.  
Van Enterprises, Inc.  
MPP Co., Inc.  
Old United Casualty Company  
Old United Life Insurance Company  
Vantage Reinsurance, LLC  
WestGUARD Insurance Company  
AmGUARD Insurance Company  
AZGUARD Insurance Company  
EastGUARD Insurance Company

GUARDco, Inc.  
NorGUARD Insurance Company  
National Liability & Fire Insurance Company  
Nebraska Furniture Mart, Inc. and owned affiliates  
NetJets Inc. and owned affiliates  
Northern States Agency, Inc. and owned affiliates  
OTC Worldwide Holdings, Inc. and owned affiliates  
Precision Castparts Corp. and owned affiliates  
Precision Steel Warehouse, Inc. and owned affiliate  
R.C. Willey Home Furnishings  
Richline Group, Inc. and owned affiliates  
See's Candy Shops, Inc. and owned affiliate  
Shaw Industries Group, Inc. and owned affiliates  
The Fechheimer Brothers Company and owned affiliate  
The Lubrizol Corporation and owned affiliates  
The Pampered Chef, Ltd. and owned affiliates  
TTI, Inc. and owned affiliates  
U.S. Investment Corporation  
    United States Liability Insurance Company  
        Mount Vernon Fire Insurance Company  
            U.S. Underwriters Insurance Company  
            Mount Vernon Specialty Insurance Company  
            Radnor Specialty Insurance Company  
XTRA Corporation and owned affiliates

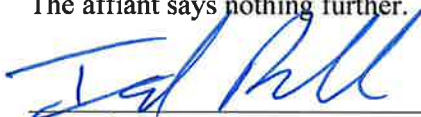
State of Nebraska,

County of Lancaster,

Isaak Russell being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of the following insurance companies (hereinafter referred to as the "NICO Group"):
  - Berkshire Hathaway Direct Insurance Company
  - Berkshire Hathaway Life Insurance Company of Nebraska
  - Berkshire Hathaway Specialty Insurance Company
  - BHG Life Insurance Company
  - Columbia Insurance Company
  - National Fire & Marine Insurance Company
  - National Indemnity Company
  
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
  
3. I have reviewed the examination work papers and examination report, and the examination of the NICO Group was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

  
\_\_\_\_\_  
Supervisory Examiner's Signature

Subscribed and sworn before me by ISAIAK RUSSELL on this 1<sup>st</sup> day of June, 2022.



(SEAL)

  
\_\_\_\_\_  
Notary Public

My commission expires 1/16/24 [date].