

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 SPECIALTY INSURANCE COMPANY

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 SPECIALTY INSURANCE COMPANY


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 14th 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 SPECIALTY INSURANCE COMPANY

as of

December 31, 2020

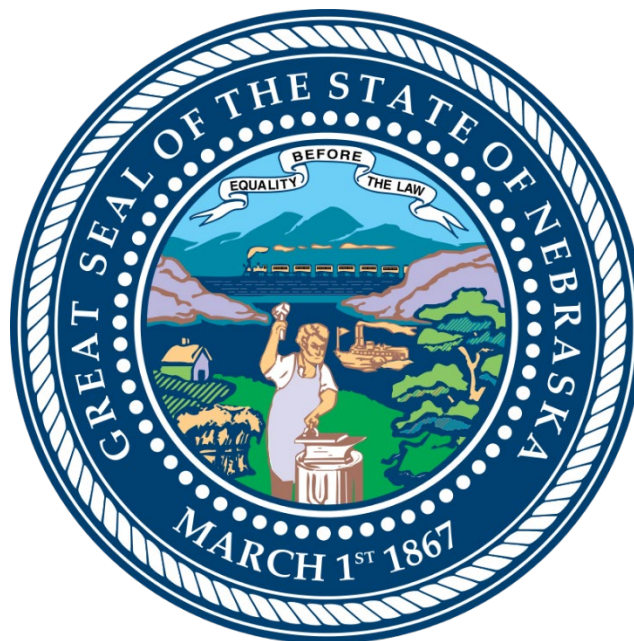


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Lincoln, Nebraska
May 25, 2022

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 SPECIALTY INSURANCE COMPANY
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 Life Insurance Company of Nebraska (BHLN)
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

On February 10, 1866, the Company was incorporated in Mobile, Alabama, by a special act of the General Assembly of Alabama. The Company commenced business in 1866 with 1,500 common shares. In 1952, an additional 3,750 shares were authorized. During the period from 1952 to 1973, the charter was amended several times to increase the Company's capital.

From 1961 to 2004, the Company’s full ownership was acquired by the following companies:

<u>Acquiring Company</u>	<u>Acquisition Year</u>
American Life Insurance Company	1961
Greatamerica Corporation	1964
Gulf Life Holding Company	1968
Great American Insurance Company	1977
Stonewall Acquisition Corporation	2000

Effective May 1, 2000, the Company entered into a management agreement with Cavell USA, Inc. to provide run-off services.

Effective January 1, 2004, the Company re-domesticated from Ohio to Rhode Island. CIC then acquired the Company on April 7, 2010. On August 23, 2010, the Company re-domesticated from Rhode Island to Nebraska, and on December 26, 2013, NICO acquired the Company from CIC through a stock purchase agreement.

Under provisions of its amended charter and in conformity with Nebraska Statutes, the Company is authorized to write all lines of business prescribed by Section §44-201 of the Nebraska Insurance Code except life, variable life, variable annuities, credit property, title, and mortgage guaranty insurance.

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 II of the Company's Articles of Incorporation provides that, "the Corporation is authorized to issue one hundred thousand (100,000) shares of common stock of the par value of fifty dollars (\$50) per share, to be sold at a price and in a manner as determined by the Board of Directors." As of December 31, 2020, Company records indicated that 100,000 shares were issued and outstanding in the name of NICO for a total paid up capital of \$5,000,000. Gross paid in and contributed surplus remained unchanged for the period covered by this examination in the amount of \$3,324,937,900. No dividends were paid during this examination period.

Per Article 1, Section 3 of the Company's By-Laws, "the annual Shareholders' meeting shall be held at a time and on a date set by the President of the Company, during the first five months of the calendar year and at a place within or without its state of domicile."

Board of Directors

Article I, Section 3 of the Company's By-Laws provides that, at the annual Shareholders' meeting, "...the Shareholders shall elect a Board of Directors consisting of not less than five (5) nor more than nine (9) members who shall hold office for one year or until their successors are elected and qualified."

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

Name and Residence

Principal Occupation

Bruce John Byrnes
New City, New York

Vice President, National Indemnity Company

Peter James Eastwood
Norwell, Massachusetts

President and Chief Executive Officer, Berkshire Hathaway Specialty Insurance Company

David Neil Fields
Brookline, Massachusetts

Executive Vice President and Chief Underwriting Officer, Berkshire Hathaway Specialty Insurance Company

<u>Name and Residence</u>	<u>Principal Occupation</u>
Ajit Jain Rye, New York	Executive Vice President, National Indemnity Company
Peter Michael Shelley Darien, Connecticut	Vice President, National Indemnity Company
Brian Gerard Snover Stamford, Connecticut	Senior Vice President, National Indemnity Company
Ralph Tortorella III Wellesley, Massachusetts	Director, Senior Vice President, Chief Legal Officer, Chief Compliance Officer and Corporate Secretary, Berkshire Hathaway Specialty Insurance Company

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

Officers

Article III, Section 1 of the Company’s By-Laws states that, “the Officers of the Corporation shall be the President, one or more Vice Presidents, a Secretary, a Treasurer and such other Officers as may be appointed in accordance with the provisions of this Article III.”

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

<u>Name</u>	<u>Office</u>
Ajit Jain	Chairman of the Board
Peter J. Eastwood	President
Ralph Tortorella III	Secretary
Steven J. Hendricks	Treasurer
Todd J. Link	Chief Financial Officer
David J. Bresnahan	Executive Vice President
David N. Fields	Executive Vice President
Sanjay Godhwani	Executive Vice President
Bruce J. Byrnes	Vice President
Brian G. Snover	Vice President

Committees

Article II, Section 9 of the Company's By-Laws provides that, "the Board of Directors shall designate from their own number an Executive Committee, an Audit Committee and an Investment Review Committee, and such other committees as in their sole discretion they shall deem necessary and appropriate."

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

Ajit Jain Peter James Eastwood Peter Michael Shelley

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

Bruce John Byrnes Brian Gerard Snover

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

Ralph Tortorella III Brian Gerard Snover

TRANSACTIONS WITH AFFILIATES

Intercompany Service Agreements

Effective April 8, 2010, the Company entered into an intercompany services agreement with NLF. Under the terms of the agreement, NLF may perform administrative and special services to the Company. The method of allocating these expenses is set forth in the intercompany services agreement. The charge to the Company for the services and facilities includes all direct and directly allocable expenses, reasonably and equitably determined to be attributable to the Company. The apportionment of costs is based upon the allocation of salary for NLF employees on a quarterly basis.

Effective September 9, 2010, the Company entered into an intercompany services agreement with NICO. Under the terms of the agreement, NICO performs various services for

the Company 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 Company's operations and also provides the personnel necessary for the company 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 Company for the services and facilities includes all direct and directly allocable expenses, reasonably and equitably determined to be attributable to the Company. The apportionment of costs is based upon the allocation of salary for NICO employees on a quarterly basis.

Effective January 6, 2015, the Company, along with NLF, began providing services to Ringwalt & Liesche Co. (R&L). These services consist of human resources to perform certain administrative, underwriting, and other special services. Also, the Company and NLF make available their day to day operations of certain property, equipment, and facilities for the benefit of R&L.

Effective May 4, 2017, the Company, along with thirteen other Nebraska domiciled insurers, entered into an Intercompany Tax Services Agreement with 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.

Effective December 19, 2017, the Company entered into an agreement with NFM, whereby the Company provides certain services to NFM. These services consist of underwriting,

claims administration and payment, corporate, and reporting services. In consideration for such services, NFM pays all costs fees, and expenses incurred by the Company that are directly allocable to services provided under the agreement.

Effective February 5, 2018, the Company entered into an agreement with its direct subsidiary, Berkshire Hathaway Global Insurance Services, LLC (BHGIS). Pursuant to this agreement, the Company provides services that include underwriting, sales, and reporting related to insurance policies written on behalf of BHGIS.

Effective January 1, 2019, the Company entered into an agreement with NICO, whereby the Company's Australian Branch provides certain claims administrative services to NICO in connection with a reinsurance transaction between NICO and the Motor Accident Commission of the State of South Australia. These services include claims, accounting, recovery, and reporting services.

Effective May 13, 2019, the Company entered into an agreement with Berkshire Hathaway European Insurance DAC (BHEI). The Company agreed to provide reserving, actuarial support, human resources support, and reporting services in connection with BHEI's insurance operations in Ireland.

Effective November 1, 2019, the Company entered into a reciprocal intercompany service agreement with BHHIC. The services provided include the use of facilities, accounting services, underwriting services, billing and collections, functional support services, collateral maintenance, and support.

Intercompany Investment Service Agreements

Effective April 8, 2010, the Company entered into an investment services agreement with NICO, whereby NICO performs certain investment management services on behalf of the Company to achieve certain operating economics.

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.

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 October 12, 2010, 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 and the District of Columbia. The Company is also an accredited reinsurer in Guam.

Prior to 2011, the Company was in run-off, having discontinued writing commercial lines of business in 1990, and completed its withdrawal from the personal lines automobile market in 1995. The Company is engaged in property liability insurance business in the United States, Australia, Hong Kong, Labuan, Macau, New Zealand, and Singapore. The Company is licensed

with the United States Department of the Treasury as an acceptable surety and/or reinsurer on Federal bonds.

REINSURANCE

Assumed – Non-affiliates

Effective January 1, 2019, NICO entered into contracts with various subsidiaries of the Oscar Insurance Corporation to provide quota share reinsurance. These contracts also have an interlocking agreement that provides over-arching maximum loss ratio and profit commission calculations. Two of the NICO agreements with Oscar Insurance Company of Florida (Oscar-FL) and Oscar Health Plan of California (Oscar-CA), were amended on January 1, 2020 to change the parties of the reinsurance agreement from NICO to the Company. The agreements with Oscar-FL and Oscar-CA are 50% quota share agreements.

Ceded – Affiliates

For business written by the Company prior to December 31, 2010, the Company had in effect arrangements for ceding business under formal reinsurance treaties. The principal active treaties included a 75% casualty Quota Share treaty and various casualty Excess of Loss treaties with attachment points and limits ranging from \$500,000 to \$5,000,000.

Effective for all insurance policies and reinsurance contracts incepting or renewing after February 28, 2014, the Company has entered into a continuous 50% quota-share cession (Quota-Share Agreement) of all subject premiums, losses, LAE, and associated underwriting expenses to its parent, NICO, subject to an aggregate limit on losses and LAE for any calendar-accident year equal to three times that year's net calendar accident year earned premium ceded to NICO. The Quota-Share Agreement was amended effective November 1, 2014 to exclude all lines of insurance and reinsurance written as part of the Company's foreign branch operations. A second

amendment was made effective January 1, 2020 to clarify that lines of business written by BHSIC Division are included in the agreement and not the insurance written by the Company's foreign branch operations.

Effective for all insurance policies and reinsurance contracts written by the Company's foreign branches, the Company has entered into various Quota-Share Cessions of all subject premiums, losses, LAE, and associated underwriting expenses to its parent, NICO, subject to an aggregate limit on losses and LAE for any calendar-accident year equal to three times that year's net calendar-accident year earned premium ceded to NICO. The Company's Singapore branch entered into an 80% Quota-Share Agreement, effective November 1, 2014. An addendum, effective January 1, 2020, increased the cession to 100%. The Company's Hong Kong branch entered into an 80% Quota-Share Agreement, effective December 1, 2014. The Company's Australia branch entered into a 60% Quota-Share Agreement, effective February 1, 2015. The Company's New Zealand branch entered into an 80% Quota-Share Agreement, effective June 29, 2015. The Company's Macau branch entered into a 60% Quota-Share Agreement, effective September 3, 2016. An amendment, effective January 1, 2020 increased the cession to 95%. The Company's Labuan branch entered into a 100% Quota-Share Agreement, effective November 1, 2016. The Company's Dubai branch entered into a 100% Quota Share Agreement, effective August 15, 2017.

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	\$ 146,585,230	\$ 120,388,014	\$ 117,985,905	\$ 41,703,191
Admitted assets	4,950,466,565	4,755,964,739	5,667,794,027	6,236,753,770
Losses	370,571,629	484,958,450	629,596,428	866,299,580
Total liabilities	1,200,829,077	1,275,566,959	1,693,601,565	2,349,682,318
Capital and surplus	3,749,637,488	3,480,397,780	3,974,192,463	3,887,071,452
Premiums earned	307,161,586	451,755,011	527,808,862	1,128,214,616
Net investment income	70,778,596	86,398,563	102,466,936	72,778,356
Losses incurred	225,665,667	303,087,829	362,891,298	945,503,853
Net income	46,285,571	125,361,030	70,035,155	(106,374,575)

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

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 41,703,191		\$ 41,703,191
Preferred stocks	324,056,500		324,056,500
Common stocks	1,816,042,565		1,816,042,565
Cash, cash equivalents and short-term investments	3,291,710,207		3,291,710,207
Derivatives	1,727,492		1,727,492
Other invested assets	13,728,346	\$13,728,346	
Receivables for securities	<u>632</u>	<u> </u>	<u>632</u>
Subtotal, cash and invested assets	\$5,488,968,934	\$13,728,346	\$5,475,240,588
Investment income due and accrued	8,990,747		8,990,747
Uncollected premiums	608,638,148	5,022,643	603,615,506
Amounts recoverable from reinsurers	122,237,790		122,237,790
Funds held by reinsured companies	5,409,944	6,762	5,403,182
Federal and foreign income tax recoverable	9,384,868		9,384,868
Electronic data processing equipment	687,201	338,583	348,617
Furniture and equipment	13,309	12,738	571
Receivables from parent and affiliates	11,408,762		11,408,762
Advance to third party claims administrator	5,325,855	5,325,855	
Intangible assets	513,570	513,570	
Leasehold improvement	662,555	662,555	
Prepaid expenses	7,328,115	7,328,115	
Security fund deposit	1,073,997	1,073,997	
Self-insured claims deposit	713,028	713,028	
Miscellaneous receivable	<u>123,137</u>	<u> </u>	<u>123,137</u>
Totals	<u>\$6,271,479,961</u>	<u>\$34,726,192</u>	<u>\$6,236,753,770</u>

Liabilities, Surplus, and Other Funds

Losses	\$ 866,299,580
Reinsurance payable	108,110,049
Loss adjustment expense	150,968,734
Commissions payable	1,210,030
Other expenses	28,256,735
Taxes, licenses and fees	24,481,893
Current federal and foreign income taxes	5,602,604
Net deferred tax liability	109,838,229
Unearned premiums	372,836,160
Advance premium	11,461,512
Ceded reinsurance premium payable	412,050,671
Funds held by company under reinsurance treaties	814,378
Amounts withheld or retained for account of others	14,322,959
Provision for reinsurance	249,137
Net adjustments due to foreign exchange rates	28,902,068
Drafts outstanding	1,787,930
Payable to parent and affiliates	304,466,620
Retroactive reinsurance reserve ceded	(95,344,366)
Miscellaneous liability	2,358,065
Deposit liabilities	<u>1,009,328</u>
Total liabilities	<u>\$2,349,682,318</u>
Special surplus from retroactive reinsurance account	\$ 46,846,554
Common capital stock	5,000,000
Gross paid in and contributed surplus	3,324,937,900
Surplus	<u>510,286,999</u>
Total capital and surplus	<u>\$3,887,071,452</u>
Totals	<u>\$6,236,753,770</u>

STATEMENT OF INCOME – 2020

Underwriting Income

Premiums earned	\$1,128,214,616
Losses incurred	\$ 945,503,853
Loss adjustment expenses incurred	73,618,368
Other underwriting expenses incurred	<u>196,054,402</u>
Total underwriting deductions	<u>\$1,215,176,623</u>
Net underwriting gain	<u>\$ (86,962,008)</u>

Investment Income

Net investment income earned	\$ 72,778,356
Net realized capital loss	<u>(82,053,247)</u>
Total investment loss	<u>\$ (9,274,890)</u>

Other Income

Net loss from agents' or premium balances charged off	\$ (5,771,792)
Finance and service charges not included in premiums	73,370
Miscellaneous expense	<u>(5,226,629)</u>
Total other income	<u>\$ (10,925,051)</u>
Net loss before federal and foreign income taxes	\$ (107,161,949)
Federal and foreign income taxes incurred	<u>(787,374)</u>
Net income	<u>\$ (106,374,575)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital and surplus, beginning	<u>\$3,337,139,481</u>	<u>\$3,749,637,488</u>	<u>\$3,480,397,780</u>	<u>\$3,974,192,463</u>
Net income	\$ 46,285,571	\$ 125,361,030	\$ 70,035,155	\$ (106,374,575)
Change in net unrealized capital gains	359,127,011	(437,298,778)	423,096,767	(27,623,380)
Change in net unrealized foreign capital gains	4,248,926	(1,910,344)	3,986,304	(1,689,183)
Change in net deferred income tax	2,965,949	(1,955,667)	3,944,933	45,186,012
Change in nonadmitted assets	(2,484,581)	45,361,051	(7,707,478)	3,229,253
Change in provision for reinsurance	<u>2,355,131</u>	<u>1,203,000</u>	<u>439,000</u>	<u>150,863</u>
Net change for the year	<u>\$ 412,498,007</u>	<u>\$ (269,239,708)</u>	<u>\$ 493,794,682</u>	<u>\$ (87,121,010)</u>
Capital and surplus, ending	<u>\$3,749,637,488</u>	<u>\$3,480,397,780</u>	<u>\$3,974,192,463</u>	<u>\$3,887,071,452</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$510,286,999, 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

Investment Approval

The exam team noted that most of the investment transactions during the exam period were reviewed and approved by the Board of Directors, Executive Committee, or Investment Review Committee. This process was not performed consistently through the exam period. Although it appears that the Company remedied this in 2020, it is recommended that the Company adhere to Nebraska Insurance Statute §44-5105(3) and continue to review and approve investment activity on a quarterly basis.

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 18, 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:

Investment Approval - it is recommended that the Company adhere to Nebraska Insurance Statute §44-5105(3) and continue to review and approve investment activity on a quarterly basis.

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 Gordon Hay, FCAS, 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,

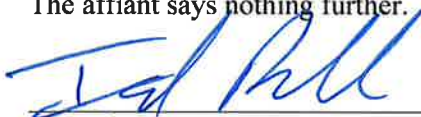
Isaak Russell being duly sworn, states as follows:

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 1st day of June, 2022.



(SEAL)



 Notary Public

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