

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

**NATIONAL FIRE & MARINE 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

**NATIONAL FIRE & MARINE INSURANCE COMPANY**

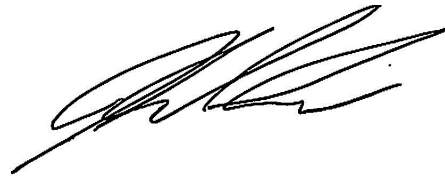
**1314 DOUGLAS STREET, SUITE 1400**

**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 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**

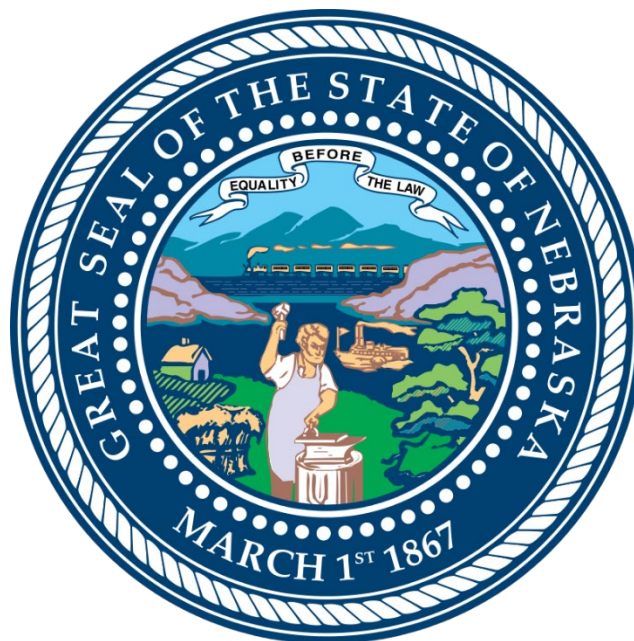
**EXAMINATION REPORT**

**OF**

**NATIONAL FIRE & MARINE 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:

NATIONAL FIRE & MARINE 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)  
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 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 organized under the laws of the State of Nebraska as a capital stock fire and casualty insurance company on October 11, 1949 and commenced business on January 1, 1950.

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 IV of the Company’s Articles of Incorporation states that, “the Corporation has the authority not limited by any preemptive or other rights of its Shareholders to issue an aggregate of fifty thousand (50,000) shares of nonassessable common capital stock of the par value of one hundred sixty six and 66/100 dollars (\$166.66) 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 35,000 shares were issued and outstanding and that all were owned by BHI, for a total paid up capital of \$5,833,100.

There were no changes made to common capital stock during the years under review. Gross paid-in and contributed surplus was \$217,716,900 as of December 31, 2020. The Company paid two dividends during the exam period. The first dividend was declared on July 1, 2019 for \$600,000,000 and was paid to the Company’s parent, BHI, on July 17, 2019. The

second dividend was declared on December 1, 2020 for \$800,000,000. It was paid to BHI on December 17, 2020. Both dividends were a combination of cash and a U.S. Treasury Bill.

Per Section 2A of the Company's By-Laws, "the annual meeting of Shareholders of the Company shall be held each year at a location, at a time and on a date set by the President of the Company, during the first five months of the calendar year."

**Board of Directors**

Section 3A 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 nor more than twenty-one as may be fixed by the Shareholders at each annual meeting or, if no number is so fixed, of five Directors, the majority of whom shall be residents of Nebraska..."

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

<b><u>Name and Residence</u></b>	<b><u>Principal Occupation</u></b>
Bruce John Byrnes New City, New York	Vice President, 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 4A of the Company's By-Laws states that, "the Officers shall be a President, one or more 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..." The exam team reviewed the minutes from the Board of Directors meetings and noted that an Assistant Treasurer was not being elected. It is recommended that the Company comply with its By-Laws and elect the required Officers. During the examination the Company began electing an Assistant Treasurer to address this issue.

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>
Marc D. Hamburg	Chairman of the Board
Donald F. Wurster	President
Brian G. Snover	Senior Vice President and Secretary
Dale D. Geistkemper	Treasurer and Controller
Scott R. Doerr	Senior Vice President
Philip M. Wolf	Senior Vice President
Bruce J. Byrnes	Vice President
Ateet A. Dhru	Vice President
David N. Fields	Vice President
Tracy L. Gulden	Vice President
Timothy J. Kenesey	Vice President
Raj R. Mehta	Vice President
Nancy F. Peters	Vice President
Karen L. Rainwater	Vice President
Ty J. Reil	Vice President
Brad E. Rosen	Vice President
Peter M. Shelley	Vice President
David J. Stanard	Vice President
Ralph Tortorella III	Vice President
Thomas L. Young	Vice President
Lori L. Cleary	Assistant Vice President
Daniel H. Little	Assistant Vice President
Timaree D. McKillip	Assistant Vice President
Rodney L. Rathbun	Assistant Vice President



## **TRANSACTIONS WITH AFFILIATES**

### **Intercompany Service Agreements**

On December 7, 2001, the Company entered into an agreement with BHLN, NICO, CIC, and Berkshire Hathaway Credit Corporation. Under the terms of the agreement, Berkshire Hathaway Credit Corporation 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.

On July 1, 2005, the Company entered into an operating agreement with The Medical Protective Company (MedPro). The agreement grants MedPro authority to administer and manage policies for the Company.

Effective October 1, 2005, the Company entered into an agreement with MedPro. Under the terms of the agreement, MedPro performs various claims services for the Company. The method of allocating expense is set forth in the claims services agreement.

Effective March 1, 2011, the Company entered into an intercompany services agreement with BHLN, CIC, 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 February 6, 2017, the Company, along with NICO and NLF, entered into an agreement with General Reinsurance Corporation (Gen Re), whereby Gen Re performs claims and underwriting advisory services for the Company in the conduct of its U.S. facultative reinsurance business. The Company agrees to compensate Gen Re 9% of the gross premium earned on the business serviced by Gen Re during each subject calendar year.

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 Gen Re, whereby the Company receives certain internal audit services provided by either NICO or Gen Re.

On December 19, 2017, the Company entered into an intercompany service agreement with BHSIC. BHSIC provides underwriting, advisory and claims services.

Effective March 1, 2019, the Company entered into an agreement with WestGuard Insurance Company (Guard), whereby Guard provides certain services and access to its proprietary software. The software developed by Guard includes policy administration, rating, workflow, billing, premium audit, collections and claims capabilities.

On July 1, 2020, the Company, along with NICO, entered into an intercompany service agreement with Resolute Management Services Limited (RMSL), effective April 3, 2020. RMSL provides certain underwriting advisory and claims services to the Company and NICO in connection with its U.S. surplus lines business and global reinsurance business.

### **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.

### **Intercompany Allocation Agreement**

Effective December 31, 2014, the Company along with several affiliates entered into an agreement regarding the allocation of premiums and recoveries under the multiple cedent reinsurance agreements.

### **Revolving Loan Agreement**

Effective August 1, 2002, the Company entered into a revolving loan agreement with its affiliate, NICO. Pursuant to the amended agreement, each party may lend funds to the other from time to time, up to a limit of \$600,000,000. The Company did not have an outstanding loan balance as of December 31, 2020.

### **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 April 15, 1996, 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 "Surplus Lines" business in all states, and the District of Columbia and the U.S. Virgin Islands. The Company's authority is limited to reinsurance only in Puerto Rico.

Primary business, including commercial automobile and general liability, is produced through a nationwide network of affiliated and independent surplus lines brokers. Underwriting and claims handling for commercial automobile and general liability is performed in Omaha, Nebraska.

In addition, various corporate products including aircraft coverages, professional liability capacity such as medical malpractice, directors and officers liability, errors and omissions, and commercial multi-peril coverages are offered as well as certain large individual property risks. The primary review of this business is performed in the Company's Reinsurance Division located in Stamford, Connecticut. Some of the commercial multi-peril, aircraft and medical malpractice risks are underwritten by affiliated and unaffiliated brokers and general agents.

The Company also assumes reinsurance, including "supercat" covers, catastrophe excess property risk, and various other facultative and quota share treaties with other insurance companies, syndicates, and pools. These assumptions are primarily underwritten through the Stamford office.

Berkshire Hathaway Specialty Insurance (BHSI) division was formed in April, 2013 to provide customers with tailored solutions for large and complex risks. BHSI currently provides primary and excess commercial property, casualty, healthcare professional liability, executive and professional lines insurance, and related programs. BHSI's business is written by the



Company on a non-admitted excess and surplus lines basis in the U.S. market. BHSI also writes policies on an admitted basis through affiliates of the Company.

The Company insures medical malpractice risks through an agreement with its affiliate, MedPro. MedPro underwrites classes and lines of business or types of risks purchased by health care providers and/or facilities on the Company's paper on an excess and surplus lines basis. MedPro also adjusts claims resultant from this business on behalf of the Company.

## **REINSURANCE**

### **Assumed - Affiliates**

Effective January 1, 2007, the Company provides coverage to NLF, covering 100% of NLF's liabilities in excess of \$5,000,000 per occurrence, which arise from contracts with per occurrence limits in excess of \$5,000,000 on contracts with an effective date prior to July 1, 2020. On contracts with an effective date of July 1, 2020 or later, the Company will assume 100% of NLF's liabilities in excess of \$25,000,000 per occurrence, which arise from contracts assumed and with per occurrence limits in excess of \$25,000,000.

### **Ceded - Affiliates**

The Company entered into an Excess of Loss Reinsurance Agreement with NICO. This agreement became effective January 1, 1998. Through amendments to the agreement, the Company's retention has increased from the original \$10,000,000 to \$50,000,000 effective June 6, 2005, and increased to \$100,000,000 effective January 1, 2007. The agreement currently calls for the Company to cede and NICO to assume 100% of the Company's liabilities in excess of \$100,000,000 per occurrence, which arise from the Company's issuance of insurance policies and reinsurance contracts with per occurrence limits in excess of \$100,000,000.

The Company entered into an excess of loss agreement with NICO effective June 1, 2007 to provide catastrophic event protection. The Company cedes 100% of its liabilities in excess of \$500,000,000 for the first occurrence in a given calendar year and liabilities in excess of \$100,000,000 for each subsequent loss occurrence in that calendar year that arise from the Company's issuance of insurance policies and reinsurance contracts. Effective July 1, 2014, the agreement was amended to increase the aggregate limit from \$2,000,000,000 to \$5,000,000,000 per occurrence and \$6,000,000,000 to \$15,000,000,000 for all occurrences within a given calendar year.

### **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:

	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
Bonds	\$ 223,925,193	\$ 233,107,646	\$ 233,249,146	\$ 233,550,018
Admitted assets	10,841,045,321	10,754,020,677	13,872,836,470	15,452,056,868
Losses	1,561,603,920	2,044,736,415	2,566,197,485	3,088,228,420
Total liabilities	3,653,847,885	4,405,855,220	5,538,992,882	6,829,541,586
Capital and surplus	7,187,197,436	6,348,165,457	8,333,843,588	8,622,515,280
Premiums earned	1,048,214,522	1,342,145,523	1,590,058,575	2,241,283,286
Net investment income	209,033,597	251,616,285	278,738,099	207,721,557
Losses incurred	787,898,494	949,025,939	1,096,092,274	1,516,247,855
Net income	86,288,385	253,297,807	290,406,248	(51,382,770)

## **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 Not</u></b>	<b><u>Net</u></b>
	<b><u>Assets</u></b>	<b><u>Admitted</u></b>	<b><u>Admitted</u></b>
			<b><u>Assets</u></b>
Bonds	\$ 233,550,018		\$ 233,550,018
Preferred stocks	341,218,500		341,218,500
Common stocks	10,856,920,263		10,856,920,263
Cash, cash equivalents and short-term investments	3,303,111,894		3,303,111,894
Other invested assets	26,713,394		26,713,394
Receivables for securities	<u>142,411</u>		<u>142,411</u>
Subtotal, cash and invested assets	\$14,761,656,480		\$14,761,656,480
Investment income due and accrued	8,157,314		8,157,314
Uncollected premiums	236,968,931	\$3,281,260	233,687,671
Deferred premiums	3,210,321		3,210,321
Accrued retrospective premiums	105,350,000		105,350,000
Amounts recoverable from reinsurers	6,217,272		6,217,272
Current federal and foreign income tax recoverable	32,232,966		32,232,966
Receivables from parent and affiliates	301,544,844		301,544,844
Advances to third party claims administrators	5,438,349	5,438,349	
Other assets	<u>617,323</u>	<u>617,323</u>	
Totals	<u>\$15,461,393,800</u>	<u>\$9,336,932</u>	<u>\$15,452,056,868</u>

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

Losses	\$ 3,088,228,420
Reinsurance payable	23,510,761
Loss adjustment expense	614,309,193
Commissions payable	13,719,856
Other expenses	19,497,872
Taxes, licenses and fees	(4,483)
Net deferred tax liability	1,571,989,171
Unearned premiums	1,421,243,251
Advance premium	6,483,971
Ceded reinsurance premium payable	2,069,115
Amounts withheld or retained for account of others	200,321
Provision for reinsurance	6,170,000
Drafts outstanding	982,078
Payable to parent, subsidiaries and affiliates	32,029,451
Retroactive insurance reserve	21,869,359
Deferred investment gain liability	<u>7,243,250</u>
Total liabilities	<u>\$ 6,829,541,586</u>
Common capital stock	\$ 5,833,100
Gross paid in and contributed surplus	217,716,900
Surplus	<u>8,398,965,280</u>
Total capital and surplus	<u>\$ 8,622,515,280</u>
Totals	<u>\$15,452,056,866</u>

## STATEMENT OF INCOME – 2020

### Underwriting Income

Premiums earned	\$2,241,283,286
Losses incurred	\$1,516,247,855
Loss adjustment expenses incurred	257,488,719
Other underwriting expenses incurred	<u>548,695,588</u>
Total underwriting deductions	<u>\$2,322,432,162</u>
Net underwriting loss	<u>\$ (81,148,876)</u>

### Investment Income

Net investment income earned	\$ 207,721,557
Net realized capital losses	<u>(137,538,266)</u>
Net investment gain	<u>\$ 70,183,291</u>

### Other Income

Net loss from agents' or premium balances charged off	\$ (3,382,946)
Finance and service charges not included in premiums	1,115
Miscellaneous income	250,976
Retroactive insurance gain	<u>4,995,987</u>
Total other income	<u>\$ 1,865,132</u>
Net income before federal income taxes	\$ (9,100,453)
Federal income taxes incurred	<u>42,282,317</u>
Net income	<u>\$ (51,382,770)</u>



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).

#### **Schedule P Reconciliations**

The Annual Statement Instructions for the Actuarial Opinion require that the Actuarial Report must include an exhibit that reconciles and maps the data used by the Appointed Actuary, consistent with the segmentation of exposure or liability groupings used in the Appointed Actuary’s analysis, to the Annual Statement Schedule P line of business reporting. An explanation should be provided for material differences.

The exam team did not receive legal entity Schedule P reconciliations consistent with the Annual Statement Instructions.

It is recommended that the Company comply with the Annual Statement Instructions regarding the Actuarial Opinion, specifically the illustration of Schedule P reconciliations as noted in paragraph 7C.

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

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

**Required Officers** – It is recommended that the Company comply with its By-Laws and elect the required Officers. During the examination the Company began electing an Assistant Treasurer to address this issue.

**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).

**Schedule P Reconciliations** - It is recommended that the Company comply with the Annual Statement Instructions regarding the Actuarial Opinion, specifically the illustration of Schedule P reconciliations as noted in paragraph 7C.



## 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

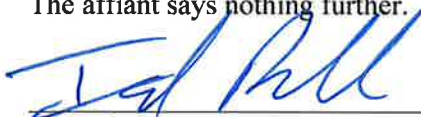
State of Nebraska,

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 1<sup>st</sup> day of June, 2022.



(SEAL)

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

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