

CERTIFICATION

June 30, 2014

I, Bruce R. Ramage, 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, 2012

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.



STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

JUN 30 2014

FILED

STATE
DEPARTMENT

Bruce R. Ramage

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

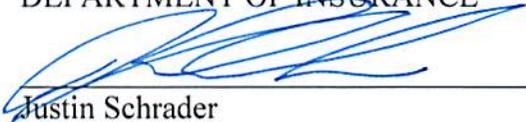
Take notice that the proposed report of the financial examination of

NATIONAL FIRE & MARINE INSURANCE COMPANY

dated as of December 31, 2012, verified under oath by the examiner-in-charge on June 3, 2014, and received by the company on June 17, 2014, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3)(a).

Dated this 20 day of June, 2014.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE


Justin Schrader
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

NATIONAL FIRE & MARINE INSURANCE COMPANY

as of

December 31, 2012



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Omaha, Nebraska
May 23, 2014

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Dear Sirs:

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
3024 Harney Street
Omaha, Nebraska 68131

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

INTRODUCTION

The Company was last examined as of December 31, 2008 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2012, and includes such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska, California, Florida, and Iowa participated in this examination, and assisted in the preparation of this report. The examination staff from these states conducted fully coordinated financial condition examinations of the following Company affiliates:

- Berkshire Hathaway Life Insurance Company of Nebraska (BHLN)
- Berkshire Hathaway Homestate Insurance Company (BHHIC)
- Brookwood Insurance Company (BIC)
- Columbia Insurance Company (CIC)
- Cypress Insurance Company (CYP)
- National Indemnity Company (NICO)
- National Indemnity Company of Mid-America (NIMA)
- National Indemnity Company of the South (NISO)
- Oak River Insurance Company (ORIC)
- Redwood Fire and Casualty Insurance Company (RFC)
- Stonewall Insurance Company (STW)

SCOPE OF EXAMINATION

This 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. The companies examined under this approach benefit to a large degree from common management, systems and processes, 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.

A general review was made 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 shareholders, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election

of Directors and Officers, approval of investment transactions, and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. 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 working papers prepared by Deloitte & Touche LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2011 and 2012. Portions of the auditor's working papers have been incorporated into the working papers 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 in 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 2012 Annual Statement, is attached to this report as an addendum.

Shareholder

The Articles of Incorporation provide that, “the Company had the authority to issue 50,000 shares of non-assessable common capital stock of the par value of \$166.66 each.”

As of December 31, 2012, 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 \$5.83 million.

There were no changes made to common capital stock during the years under review.

Gross paid-in and contributed surplus was \$217.7 million as of December 31, 2012. The Company paid cash dividends during the examination period of \$335 million on April 7, 2011; \$375 million on February 11, 2010; and \$200 million on October 16, 2009.

Board of Directors

The Company's By-Laws provide 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, 2012:

<u>Name and Residence</u>	<u>Principal Occupation</u>
J. Michael Gottschalk Omaha, Nebraska	Vice President of the Company
Marc David Hamburg Omaha, Nebraska	Chairman of the Board of the Company and Chief Financial Officer of BHI
Ajit Jain Rye, New York	Executive Vice President of NICO
Forrest Nathan Krutter Milton Mills, New Hampshire	Senior Vice President, Secretary, and General Counsel of NICO
Donald F. Wurster Omaha, Nebraska	President of NICO

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

Officers

The Company's By-Laws provide 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 Audit Committee was appointed by the Board to provide oversight of the financial reporting process. The following persons were serving on the Audit Committee at December 31, 2012:

J. Michael Gottschalk

Forrest Nathan Krutter

TRANSACTIONS WITH AFFILIATES

Intercompany Services Agreement

Effective March 1, 2011, the Company entered into an intercompany services agreement with the following affiliates:

Berkshire Hathaway Life Insurance Company of Nebraska
Columbia Insurance Company
National Indemnity Company
National Indemnity Company of Mid-America
National Indemnity Company of the South
Wesco-Financial Insurance Company

This agreement replaced an intercompany services agreement that had been effective from January 1, 1988. Under the terms of the new 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.

Revolving Loan Agreements

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 \$400 million. The Company did not have an outstanding loan balance as of December 31, 2012.

Consolidated Federal Income Tax Allocation Agreement

The Company joins with a group of approximately seven hundred fifty 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 Berkshire Hathaway Inc., effective January 1, 1995, describes the method of allocation and the manner in which intercompany balances are settled.

TERRITORY AND PLAN OF OPERATION

The Company was licensed to transact the business of insurance in Nebraska in accordance with its Certificate of Authority. The authority was granted on a "Surplus Lines" basis in all other states as well as 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 negotiated through the Stamford office.

REINSURANCE

Assumed – Affiliates

The Company provides property catastrophe aggregate excess of loss reinsurance for NISO. Effective June 1, 2007, the Company assumes 100% of NISO's liabilities in excess of \$5 million for the first occurrence in a given year and in excess of \$1 million for other occurrences within that year which arise from NISO's issuance of insurance policies and reinsurance contracts. The Company's liability under the contract is limited annually to \$200 million per occurrence and \$600 million for all occurrences. In prior years dating back to 2000, the Company has provided coverage for certain risks in excess of \$5 million ultimate net loss per occurrence with limits of either \$20 million or \$50 million depending on the year.

Effective July 1, 2003, the Company entered into a reinsurance agreement with NISO, whereby the Company assumes 100% of NISO's aircraft policies in excess of \$2 million per occurrence. In consideration for the reinsurance coverage provided by this agreement, NISO agrees

to pay the Company 81% of the pro-rata premium received from insureds for insurance policies with per occurrence limits in excess of \$2 million.

The Company has a 100% quota share agreement in place with NISO, whereby business is written for the Company through the Commercial Casualty Division in Stamford, Connecticut, a division of affiliate NICO. Under the agreement, the Company accepted 100% of the premiums, commissions, liabilities and expenses, net of facultative and/or any non-affiliate reinsurance. Business under this agreement is currently running off.

Effective January 1, 2007, the Company provides coverage to NLF, covering 100% of NLF's liabilities in excess of \$5 million per occurrence which arise from contracts with per occurrence limits in excess of \$5 million on certain business NLF assumed.

Assumed - Non-Affiliates

The Company has multiple agreements in run-off with the Kemper Insurance Companies, the two most significant being a quota share and an excess of loss treaty. In addition, the Company and the Kemper Insurance Companies are also parties to one retroactive reinsurance contract. The quota share reinsurance agreement is a multiple line contract effective January 1, 2002 through December 31, 2003, whereby the Company assumes 80% of the business covered. The umbrella/excess casualty reinsurance contract provided coverage whereby the Company assumes a 71.67% quota share participation up to \$30 million of loss, each loss occurrence, each policy, plus its proportionate share of loss expense. This agreement was effective April 1, 2002 through April 1, 2003. In addition, the Company has a retrospective reinsurance contract that is a claims administration agreement effective December 31, 2001 and continues for fifteen years thereafter. The business covered, or administered, is obligations arising from asbestos, environmental and other mass tort claims.

Mandatory Pools

The Company participates in the National Workers' Compensation Reinsurance Pool and the New Jersey Commercial Automobile Insurance Procedure.

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 million to \$50 million effective June 6, 2005, and increased to \$100 million 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 million per occurrence, which arise from the Company's issuance of insurance policies and reinsurance contracts with per occurrence limits in excess of \$100 million.

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 million for the first occurrence in a given calendar year and liabilities in excess of \$100 million for each subsequent loss occurrence in that calendar year that arise from the Company's issuance of insurance policies and reinsurance contracts. NICO's liability is limited to \$2 billion per occurrence and \$6 billion for all occurrences within a given calendar year.

Effective January 1, 1993, the Company entered into a reinsurance agreement with its affiliate CIC under which the Company cedes 100% of its liabilities which arise for the issuance of periodic payment reinsurance obligations assumed from other casualty insurance companies or self-insureds and settlements negotiated by the Company with its claimants and related parties. Premiums are passed through the Company with the exception of a 1% ceding commission retained by the Company.

As a member of the Global Aerospace Underwriting Pool (Pool), originally effective November 27, 2002, the Company writes aviation and aerospace insurance and reinsurance business. Effective July 1, 2003, the Company entered into a reinsurance agreement whereby NICO assumes 100% of the Company's surplus lines Pool business, outside the States of Florida and Nebraska.

Ceded - Non-Affiliates

From 2006 to 2010, the Company wrote aviation insurance and reinsurance risks through a program managed by Starr Aviation Agency, Inc. As of 2010, when the program went into run-off, 95% of the risk was ceded to Starr Insurance and Reinsurance Limited and Starr Indemnity & Liability Company.

Retroactive Reinsurance Reserve – Assumed

Effective December 31, 2001, the Company entered into an assumed retroactive reinsurance agreement with Lumberman's Mutual Casualty Company. As of December 31, 2012, the Company reported the assumed reserves as a write-in liability totaling \$3 million.

Retroactive Reinsurance Reserve – Ceded

In 1997, the Company entered into a ceded retroactive reinsurance agreement with Spectrum Insurance Company Ltd. The agreement ceded losses that occurred after December 31, 1996 related to the Company's workers' compensation policy insuring Interim Services, Inc. (formerly Personnel Pool of America). As of December 31, 2012, the Company reported ceded reserves as a contra write-in liability in the amount of \$(410,492).

General

A sample review of reinsurance agreements noted a multi-cedent reinsurance agreement that did not contain or refer to allocation terms for the cedents. It is recommended that allocation

terms be documented for all affiliate and non-affiliate multi-cedent reinsurance agreements in accordance with the NAIC Accounting Practices and Procedures, SSAP 62R, Paragraph 9. Per SSAP 62R the written documentation may be part of the reinsurance agreement or may be a separate agreement. It is also recommended that any new or amended affiliate agreements executed to comply with SSAP 62R Paragraph 9 be filed in accordance with the Insurance Holding Company System Act, Neb. Rev. Stat. Sec. 44-2133.

All contracts reviewed contained standard insolvency, arbitration, run-off, error and omissions, and termination clauses, as well as intermediary 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Common stocks	\$2,904,037,652	\$3,190,416,189	\$3,491,653,331	\$3,907,693,026
Admitted assets	5,070,249,064	4,985,478,022	4,596,276,849	5,596,974,565
Loss reserves	751,758,542	622,699,988	588,395,926	561,407,897
Unearned premiums	76,984,790	69,540,849	75,912,495	99,553,426
Total liabilities	1,713,895,230	1,627,802,463	1,478,570,386	1,739,402,290
Capital and surplus	3,356,353,833	3,357,675,559	3,117,706,463	3,857,572,275
Premiums earned	188,813,472	105,823,259	95,693,721	107,719,215
Losses incurred	140,361,703	19,377,539	43,510,474	24,866,488
Underwriting gain	(27,664,226)	31,056,477	(8,830,997)	17,415,847
Investment gain	115,951,961	92,590,081	160,568,678	313,547,142
Net income	39,138,461	64,416,145	110,821,590	279,527,823

FINANCIAL STATEMENTS

The following statement of admitted assets and liabilities, together with the accompanying summary of operations, reflects the financial condition of the Company at December 31, 2012 and its transactions during the year 2012, as determined through this examination. A reconciliation of the capital and surplus account for the period under review is also included:

FINANCIAL STATEMENT **December 31, 2012**

<u>Assets</u>	<u>Assets</u>	<u>Assets Non- Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 382,528,434		\$ 382,528,434
Common stocks	3,907,693,026		3,907,693,026
Cash and short-term investments	692,436,361		692,436,361
Other invested assets	589,078,519	\$2,450,318	586,628,201
Receivable for securities	<u>10,519</u>	<u></u>	<u>10,519</u>
Subtotal, cash and invested assets	<u>\$5,571,746,859</u>	<u>\$2,450,318</u>	<u>\$5,569,296,541</u>
Investment income due and accrued	\$ 10,669,843		\$ 10,669,843
Uncollected premiums and agents' balances in course of collection	13,210,125	\$ 122,758	13,087,367
Deferred premiums, agents' balances and installments booked but deferred and not yet due	900,000		900,000
Amounts recoverable from reinsurers	2,508,993		2,508,993
Receivables due from parent	511,821		511,821
Advance to third party claims administrator	<u>114,487</u>	<u>114,487</u>	<u></u>
Total	<u>\$5,599,662,128</u>	<u>\$2,687,563</u>	<u>\$5,596,974,565</u>

Liabilities, Surplus and Other Funds

Losses	\$ 561,407,897
Reinsurance payable on paid losses and loss adjustment expenses	202,427
Loss adjustment expenses	185,987,784
Commissions payable, contingent commissions and other similar charges	9,623,100
Other expenses	211,553
Taxes, licenses and fees	186,469
Current federal and foreign income taxes	82,057,037
Net deferred tax liability	659,634,442
Unearned premiums	99,553,426
Ceded reinsurance premiums payable	546,873
Amounts withheld for account of others	2,599,839
Provision for reinsurance	68,902,000
Drafts outstanding	1,897,374
Payable to parent, subsidiaries and affiliates	2,726,865
Retroactive insurance reserve	54,032,446
Retroactive reinsurance reserve – assumed	3,000,000
Retroactive reinsurance reserve – ceded	(410,492)
Deferred investment gain liability	<u>7,243,250</u>
Total liabilities	<u>\$1,739,402,290</u>
Special surplus from retroactive reinsurance account	\$ 659,191
Common capital stock	5,833,100
Gross paid in and contributed surplus	217,716,900
Unassigned funds (surplus)	<u>3,633,363,084</u>
Surplus as regards policyholders	<u>\$3,857,572,275</u>
Total	<u>\$5,596,974,565</u>

STATEMENT OF INCOME - 2012

Underwriting Income

Premiums earned	<u>\$107,719,215</u>
Deductions:	
Losses incurred	\$ 24,866,488
Loss adjustment expenses incurred	33,972,398
Other underwriting expenses incurred	<u>31,464,482</u>
Total underwriting deductions	<u>\$ 90,303,368</u>
Net underwriting gain (loss)	<u>\$ 17,415,847</u>

Investment Income

Net investment income earned	\$211,952,694
Net realized capital gains less capital gains tax	<u>101,594,448</u>
Net investment gain (loss)	<u>\$313,547,142</u>

Other Income

Net gain (loss) from agents' or premium balances charged off	\$ 2,503
Miscellaneous income (expense)	(359,642)
Retroactive reinsurance gain (loss) - ceded	<u>2,779</u>
Total other income	<u>\$ (354,360)</u>
Net income after capital gains tax and before federal income tax	\$330,608,629
Dividends to policyholders	62,816
Federal income tax incurred	<u>51,017,990</u>
Net income	<u>\$279,527,823</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Capital and surplus, beginning	\$3,102,382,421	\$3,356,353,833	\$3,357,675,559	\$3,117,706,469
Net income	\$ 39,138,461	\$ 64,416,145	\$ 110,821,590	\$ 279,527,823
Change in net unrealized capital gains	568,346,087	286,179,074	(60,427,705)	307,530,421
Change in net unrealized foreign exchange capital gain (loss)	29,413	(248,006)	(69,579)	439,750
Change in net deferred income tax	106,077,371	42,147,734	19,976,548	(51,027,087)
Change in nonadmitted assets	(223,080,108)	15,688,779	17,210,456	188,036,499
Change in provision for reinsurance	(29,345,000)	(31,862,000)	7,519,600	15,358,400
Dividends to stockholders	(200,000,000)	(375,000,000)	(335,000,000)	
Adjustment to prior period net income	14,613,541			
Adjustment to prior period provision for reinsurance	(20,556,000)			
Adjustment to prior period net deferred income tax	(1,252,353)			
Net change for the year	\$ 253,971,412	\$ 1,321,726	\$ (239,969,090)	\$ 739,865,806
Capital and surplus, ending	\$3,356,353,833	\$3,357,675,559	\$3,117,706,469	\$3,857,572,275

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$3,633,363,084, as reported in the Company's 2012 Annual Statement, was 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

The recommendations appearing in the previous report of examination are reflected below, together with the remedial actions taken by the Company to comply therewith:

Information Systems – Periodic User Access Review – It is recommended that management review user network and application access capabilities within each department on a quarterly basis.

Action: The Company has complied with this recommendation.

Information Systems – Administrator Level Access - It is recommended that the Company should take the necessary steps to limit the number of individuals with administrator level access and maintain a formal listing of all such individuals.

Action: The Company has complied with this recommendation.

Information Systems – Disaster Recovery/Business Continuity Plan – It was again recommended that the Company establish a formal, documented disaster recovery plan and a formal, documented business contingency plan.

Action: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There were no additional comments or recommendations made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

1. **Multi-Cedent Allocation Terms** – It is recommended that allocation terms be documented for all affiliate and non-affiliate multi-cedent reinsurance agreements in accordance with the NAIC Accounting Practices and Procedures, SSAP 62R, Paragraph 9. It is also recommended that any new or amended affiliate agreements executed to comply with SSAP 62R Paragraph 9 be filed in accordance with the Insurance Holding Company System Act, Neb. Rev. Stat. Sec. 44-2133.

ACKNOWLEDGEMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged. In addition to the undersigned, the following participated in this examination and assisted in the preparation of this report:

Examiners

Emilie Brady, CFE, Financial Examiner, Contracted by the State of Iowa, Eide Bailly LLP

Kyo Chu, CFE, Senior Insurance Examiner, California Department of Insurance

Wade Fleischacker, Financial Examiner, Nebraska Department of Insurance

Erin Garvin, AFE, Financial Examiner, Nebraska Department of Insurance

Mei Gu, CFE, Associate Insurance Examiner, California Department of Insurance

Kim Hurst, CFE, Financial Examiner, Nebraska Department of Insurance

Isaak Russell, CFE, Financial Examiner, Nebraska Department of Insurance

Colette Sawyer, CFE, Financial Examiner, Contracted by the State of Florida, INS Regulatory Insurance Services, Inc.

Kevin Stubbs, AFE, Financial Examiner, Nebraska Department of Insurance

Information Technology Specialists

Gary Evans, CFE, CISA, Information Systems Examiner, Nebraska Department of Insurance

Dave Gordon, CFE, CISA, CIA, Contracted by the Nebraska Department of Insurance, INS Services, Inc.

John Albertini, MBA, CISA, CISSP, Contracted by the Nebraska Department of Insurance, INS Services, Inc.

Actuarial Specialists

Gordon Hay, FCAS, MAAA, CPCU, Senior Casualty Actuarial Examiner, Nebraska Department of Insurance

Reinsurance Specialist

Lindsay Crawford, CFE, Reinsurance Specialist, Nebraska Department of Insurance

Don Carbone, CFE, Reinsurance Specialist, Contracted by the Nebraska Department of Insurance, INS Services, Inc.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "P. Bliss". The signature is stylized with a large initial "P" and a cursive "Bliss".

Peter Bliss, CFE
Examiner-in-Charge
Contracted by the Nebraska Department of Insurance
INS Regulatory Insurance Services, Inc.

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. (34.787% owned by Warren E. Buffett)
Affordable Housing Partners, Inc. and owned affiliates
Albecca Inc. and owned affiliates
AU Holding Company, Inc.
Applied Underwriters, Inc.
AEG Processing Center No. 35, Inc.
AEG Processing Center No. 58, Inc.
American Employers Group, Inc.
Applied Investigations, Inc.
Applied Logistics, Inc.
Applied Premium Finance, Inc.
Applied Processing Center No. 60, Inc.
Applied Risk Services of New York, Inc.
Applied Risk Services, Inc.
Applied Underwriters Captive Risk Assurance Company
AUI Employer Group No. 42, Inc.
BH, LLC
Combined Claim Services, Inc.
Coverage Dynamics, Inc.
Employers Insurance Services, Inc.
North American Casualty Co.
Applied Underwriters Captive Risk Assurance Company, Inc.
California Insurance Company
Continental Indemnity Company
Illinois Insurance Company
Pennsylvania Insurance Company
Promesa Health Inc.
Strategic Staff Management, Inc.
Applied Group Insurance Holdings, Inc.
Commercial General Indemnity, Inc.
Ben Bridge Corporation and owned affiliate
Benjamin Moore & Co. and owned affiliates
Berkshire Hathaway Credit Corporation and owned affiliates
Berkshire Hathaway Finance Corporation
BH Columbia Inc.
Columbia Insurance Company
American All Risk Insurance Services, Inc.
American Commercial Claims Administrators Inc.

Berkshire Hathaway Assurance Corporation
 Berkshire Hathaway Reinsurance (Ireland) Limited
 Berkadia Commercial Mortgage LLC
 BH Finance LLC
 BHG Structured Settlements, Inc.
 Berkshire Hathaway Services India Private Limited
 Berkshire India Limited
 Resolute Management Inc.
 CHP Insurance Agency, LLC
 Consolidated Health Plans, Inc.
 Resolute Management Limited
 Resolute Management Services Limited
 Tonicstar Limited
 The British Insurance Company of Cayman
 Medical Protective Corporation
 AttPro RRG Reciprocal Risk Retention Group
 C&R Insurance Services, Inc.
 C&R Legal Insurance Agency, LLC
 Medical Protective Finance Corporation
 Medical Protective Insurance Services, Inc.
 MedPro Risk Retention Services, Inc.
 MedPro RRG Risk Retention Group
 Princeton Insurance Company
 Alexander Road Insurance Agency, Inc.
 Princeton Advertising & Marketing Group, Inc.
 Princeton Risk Protection, Inc.
 Somerset Services, Inc.
 The Medical Protective Company
 Nederlandse Reassurantie Groep NV
 NRG Victory Holdings Limited
 NRG Victory Reinsurance Limited
 NRG America Holding Company
 Philadelphia Reinsurance Corporation
 NetJets IP, LLC
 Ringwalt & Liesche Co. and owned affiliates
 Stonewall Insurance Company
 BH Housing LLC
 BH Shoe Holdings, Inc. and owned affiliates
 BH-IMC Holdings B.V and owned affiliates
 BHSF, Inc. and owned affiliates
 Blue Chip Stamps, Inc.
 Borsheim Jewelry Company, Inc.
 Brookwood Insurance Company
 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
 CORT Business Services Corporation
 CTB International Corp. (CTBI) and owned affiliates
 Cypress Insurance Company
 Forest River, Inc. and owned affiliates
 Mobile Disaster Structures, Inc.
 Priority One Financial Services, Inc.
 Vertis Insurance Group, Inc.
 Fruit of the Loom, Inc. and owned affiliates
 Garan, Incorporated and owned affiliates
 Gateway Underwriters Agency, Inc.
 General Re Corporation
 General Reinsurance Corporation
 Elm Street Corporation
 General Re Compania de Reaseguros, S.A.
 General Re Life Corporation
 Idealife Insurance Company
 General Reinsurance AG
 Faraday Reinsurance Co. Limited
 General Star International Indemnity Ltd.
 Gen Re Beirut s.a.l. offshore
 Gen Re Warsaw Sp. z.o.o.
 General Re Holdings Limited
 Gen Re Services UK Limited
 General Reinsurance Africa Ltd.
 General Reinsurance AG Escritório de Rep. o Brasil Ltda.
 General Reinsurance Life Australia Ltd.
 General Reinsurance México, S.A.
 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
 Commercial Casualty Insurance Company
 International America Group Inc.
 American Centennial Insurance Company
 International American Management Company
 General Re-New England Asset Management, Inc.
 GR-NEAM Limited
 United States Aviation Underwriters, Inc.
 Canadian Aviation Insurance Managers Ltd.
 Gen Re Intermediaries Corporation

Faraday Holdings Limited
Faraday Underwriting Limited
Faraday Capital Limited
GRF Services Limited
GRD Holdings Corporation
General Re Financial Products Corporation
Gen Re Long Ridge, LLC
Helzberg's Diamond Shops, Inc. and owned affiliate
International Dairy Queen, Inc. and owned affiliates
Johns Manville Corporation and owned affiliates
Jordan's Furniture, Inc.
Justin Industries, Inc and owned affiliates
Marmon Holdings, Inc. and owned affiliates
MidAmerican Energy Holdings Company and owned affiliates
MiTek Industries, Inc. and owned affiliates
MS Property Company and owned affiliate
National Fire & Marine Insurance Company and owned affiliates
Redwood Fire and Casualty Insurance Company
National Indemnity Company
Atlanta International Insurance Company
Berkshire Hathaway International Insurance Limited (UK)
Berkshire Hathaway Life Insurance Company of Nebraska
Berkshire Hathaway Homestate Insurance Company
First Berkshire Hathaway Life Insurance Company
FlightSafety International Inc. and owned affiliates
Oak River Insurance Company
BHG Life Insurance Company
Boat America Corporation and affiliates
Burlington Northern Santa Fe, LLC and owned affiliates
CLAL U.S. Holdings, Inc.
GUARD Financial Group, Inc.
GUARD Insurance Group, Inc.
AmGUARD Insurance Company
EastGUARD Insurance Company
GUARDco, Inc.
InterGUARD, Ltd.
Affiliated Agency Operations Co.
TransGUARD, Ltd.
NorGUARD Insurance Company
WestGUARD Insurance Company
Continental Divide Insurance Company
Finial Holdings, Inc.
Finial Reinsurance Company
GEICO Corporation
Clayton Homes, Inc. and owned affiliates
CMH Capital, Inc. and owned affiliates

Eastern States Life Insurance Co.
 HomeFirst Agency, Inc.
 Midland States Life Insurance Co.
 Vanderbilt Property and Casualty Insurance Co., LTD
 CMH Services, Inc. and owned affiliates
 GEICO Advantage Insurance Company
 GEICO Choice 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
 GEICO General Insurance Company
 GEICO Insurance Agency, Inc.
 Government Employees Financial Corporation
 Plaza Financial Services Company
 International Insurance Underwriters, Inc.
 Maryland Ventures, Inc.
 McLane Company, Inc. and owned affiliates
 Claims Services, Inc.
 Plaza Resources Company
 Top Five Club, Inc.
 TTI, Inc. and owned affiliates
 National Indemnity Company of Mid-America
 National Indemnity Company of the South
 SLI Holding Limited
 The Scottish Lion Insurance Company Limited
 Tenecom Limited
 Kyoei Fire & Marine Insurance Co. Limited
 The British Aviation Insurance Company Limited
 Transfercom Limited
 Unione Italiana Reinsurance Company of America, Inc.
 National Liability & Fire Insurance Company
 Nebraska Furniture Mart, Inc. and owned affiliates
 NetJets Inc. and owned affiliates
 Northern States Agency, Inc.
 Global Aerospace Underwriting Managers Limited
 Associated Aviation Underwriters Limited
 BAIG Limited
 British Aviation Insurance Group (Canada) Ltd
 British Aviation Insurance Group (Technical Services) Limited
 British Aviation Insurance Group (Underwriting Services) Limited
 Global Aerospace Underwriters Limited
 Global Aerospace Underwriting Managers (Canada) Limited

Global Aerospace Underwriting Managers (USA), Inc.
Global Aerospace, Inc.
Global Limited
OTC Worldwide Holdings, Inc. and owned affiliates
Precision Steel Warehouse, Inc. and owned affiliates
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
Star Furniture Company
The Buffalo News, Inc.
The Fechheimer Brothers Company and owned affiliates
The Lubrizol Corporation and owned affiliates
The Pampered Chef, Ltd.
U.S. Investment Corporation
 United States Liability Insurance Company
 Mount Vernon Fire Insurance Company
 Mount Vernon Specialty Insurance Company
 U.S. Underwriters Insurance Company
Wesco-Financial Insurance Company
 The Kansas Bankers Surety Company
XTRA Corporation and owned affiliates

State of Vermont

County of Chittenden

Peter Bliss, being duly sworn, states as follows:

1. I have authority to represent Nebraska Dept. of Ins. in the examination of eight companies listed below.
2. Nebraska Dept. of Ins. 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 eight companies listed below was performed in a manner consistent with the standards and procedures required by

Nebraska Dept. of Ins.

National Indemnity Insurance Company
Berkshire Hathaway Homestate Insurance company
National Fire and Marine Insurance Company
Columbia Insurance Company
Redwood Fire Insurance Company
Oak River Insurance Company
Stonewall Insurance Company
Berkshire Hathaway Life Insurance Company of Nebraska

The affiant says nothing further.



Examiner's Signature

Subscribed and sworn before me by PETER BLISS on this THIRD day of JUNE, 20 14.

(SEAL)



Notary Public MARGO PLANK

My commission expires 02.10.2015 [date].