

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE

MAY 23 2018

FILED

# CERTIFICATION

May 23, 2018

I, Bruce R. Range, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

**BERKSHIRE HATHAWAY LIFE  
INSURANCE COMPANY OF NEBRASKA**

as of

December 31, 2016

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.



*Bruce R. Range*  
\_\_\_\_\_  
DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

**BERKSHIRE HATHAWAY LIFE INSURANCE COMPANY OF NEBRASKA**

dated as of December 31, 2016 verified under oath by the examiner-in-charge on April 19, 2018 and received by the company on April 24, 2018, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 9th day of May 2018.

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', is written over a horizontal line.

Justin C. Schrader, CFE  
Chief Financial Examiner

**STATE OF NEBRASKA**

**Department of Insurance**

**EXAMINATION REPORT**

**OF**

**BERKSHIRE HATHAWAY LIFE INSURANCE COMPANY OF NEBRASKA**

**as of**

**December 31, 2016**



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Omaha, Nebraska  
March 9, 2018

Honorable Bruce R. Range  
Director of Insurance  
Nebraska Department of Insurance  
941 "O" Street, Suite 220  
Lincoln, Nebraska 68508

Dear Sir:

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

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

(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, 2012 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2016, and includes such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska, Iowa, California, Colorado, Connecticut 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 following Company affiliates:

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

Columbia Insurance Company (CIC)  
Continental Divide Insurance Company (CDIC)  
Cypress Insurance Company (CYP)  
Finial Reinsurance Company (FRC)  
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**

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 and the California Department of Insurance, Colorado Department of Insurance, Connecticut Department of Insurance, 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, 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 workpapers prepared by Deloitte & Touche LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2015 and 2016. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

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

## **DESCRIPTION OF COMPANY**

### **HISTORY**

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



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

Article II of the Articles of Incorporation provides that the Company shall have perpetual existence.

## **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 2016 Annual Statement, is attached to this report as an addendum.

### **Shareholder**

The Articles of Incorporation provide that, “the Corporation has authority not limited by any preemptive or other rights of its shareholders to issue an aggregate of 100,000 shares of nonassessable common capital stock of the par value of \$60 each...”

As of December 31, 2016, Company records indicated that 50,000 shares were issued and outstanding and that all shares were owned by NICO, for a total paid up capital of \$3 million.

There were no changes made to common capital stock during the years under review. Gross paid-in and contributed surplus decreased \$843,919,032 in 2013 and \$36,492,748 in 2016 to bring the December 31, 2016 balance to \$2,324,283,198. No dividends were paid during this examination period.

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

## **Board of Directors**

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 (5) nor more than eleven (11) as may be fixed by the shareholders at each annual meeting, at least one of whom shall be a resident of Nebraska..."

The following persons were serving as Directors at December 31, 2016:

<b><u>Name and Residence</u></b>	<b><u>Principal Occupation</u></b>
John Duane Arendt Stamford, Connecticut	Vice President of NICO
Dale David Geistkemper Omaha, Nebraska	Treasurer and Controller of NICO
Marc David Hamburg Omaha, Nebraska	Senior Vice President and Chief Financial Officer of BHI
Ajit Jain Rye, New York	Executive Vice President of NICO
Arvind Krishnamurthy Cambridge, Massachusetts	Assistant Vice President of the Company
Brian Gerard Snover Stamford, Connecticut	Senior Vice President of NICO
Donald Frederick 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, one or more Assistant Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, and one or more Assistant Treasurers, none of whom shall be required to be Shareholders or Directors..."

The following is a listing of Officers elected and serving the Company at December 31, 2016:

<u>Name</u>	<u>Office</u>
Donald Frederick Wurster	President
Dale David Geistkemper	Treasurer and Controller
Jonathan Andrew Collins	Executive Vice President
Brian Gerard Snover	Senior Vice President and Secretary
John Duane Arendt	Vice President
Bruce John Byrnes	Vice President
Scott Robert Doerr	Vice President
Michael James Lawler	Vice President
Karen Lee Rainwater	Vice President

### Committees

The Company's By-Laws provide that, "the Board of Directors may designate from among the Directors an Executive Committee, an Investment Committee and one or more other committees..."

The following persons were serving on the Executive Committee at December 31, 2016:

Ajit Jain      Dale David Geistkemper      Donald Frederick Wurster

The following persons were serving on the Investment Committee at December 31, 2016:

Marc David Hamburg      Donald Frederick Wurster

The following persons were serving on the Audit Committee at December 31, 2016:

Arvind Krishnamurthy      Brian Gerard Snover

## TRANSACTIONS WITH AFFILIATES

### Intercompany Services Agreements

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

Columbia Insurance Company  
National Fire & Marine Insurance Company

National Indemnity Company  
National Indemnity Company of Mid-America  
National Indemnity Company of the South

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 NICO. The apportionment of costs is based upon the allocation of salary for NICO employees on a quarterly basis.

Effective January 1, 2016, the Company entered into an agreement with NLF, British Insurance Company of Cayman (BICC), and the Canadian branch of BICC to perform various services, including support services. This relationship results in joint operating expenses that are subject to allocation by BICC. The method of allocating these expenses is set forth in the intercompany services agreement. In addition, there is a separate intercompany service agreement with BICC.

#### **Intercompany Investment Agreement**

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

### **Revolving Loan Agreement**

Effective September 21, 2016, the Company and BHI entered into a revolving loan agreement. The agreement provides for a reciprocal revolving loan between the Company and BHI, up to a limit of \$500 million. The Company did not have an outstanding loan balance as of December 31, 2016.

### **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 December 27, 1999, 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 write life and annuity insurance in all states, with the exception of New York, and the District of Columbia. The Company is an accredited reinsurer in the State of New York.

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

From inception through September 30, 2009, the Company's business was confined primarily to the areas of direct annuities and a few specialized reinsurance contracts. Beginning

in October of 2009 through December 31, 2016, the Company entered into various reinsurance agreements, described in this report under the caption “Reinsurance”, which provides life and annuity reinsurance and retrocession capacity and services to the U.S. and international reinsurance market.

The majority of the Company’s direct annuity business consists of annuities sold to its affiliate, BHG Structured Settlements, Inc. (BHGSS), as qualified funding assets in accordance with Section 130 of the Internal Revenue Code. The Company has issued some annuity contracts to defendants as qualified funding assets and occasionally issues annuities to plaintiffs who are in constructive receipt of settlement funds. The annuities are generally long duration obligations funded by a single immediate premium. The Company does not have any broker agreements in place and has not appointed any brokers or agents. In respect of the structured settlement product, the defendant in a settlement agrees to an obligation to make future payments and then assigns that obligation to BHGSS, who purchases an annuity from the Company to fund its liability. BHGSS is thus the owner/policyholder of the annuity. However, the Company makes periodic payments, as set forth in the assignment, directly to the plaintiff. A Corporate Guarantee is typically issued to the plaintiff by CIC (an affiliate of the Company and parent of BHGSS), guaranteeing the payment obligations of BHGSS in accordance with the terms and conditions of the assignment in the event of BHGSS’s default.

## **REINSURANCE**

### **Assumed- Affiliates**

Effective January 1, 2015, the Company entered into a Quota Share Reinsurance Agreement with First Berkshire Hathaway Life Insurance Company (FBHL) under which the Company assumes from FBHL on an 80% indemnity coinsurance basis all liabilities arising from the issuance

of life contingent and certain single premium annuity contracts on or after January 1, 2015 and continuing until termination. The Company also allows FBHL an expense allowance equal to 80% of FBHL's ordinary expenses.

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

Effective July 1, 2016, the Company entered into a reinsurance agreement with Berkshire Hathaway Reinsurance (Ireland) Designated Activity Company (BHRID), a company incorporated in Ireland. Under the BHRID reinsurance agreement, the Company agreed to reinsure, on an automatic basis, certain business. No premium or losses were ceded to the Company under this agreement during 2016.

#### **Assumed- Non-affiliates**

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

On April 28, 2014, the Company entered into a Retrocession Agreement (HLIKK Agreement) with Hartford Life Insurance K.K. (HLIKK), a Japanese corporation, which was

subsequently assigned and assumed by ORIX Reinsurance Limited (ORIX), a Cayman Islands insurance company. Through the HLIKK Agreement, the Company assumed on a 100% coinsurance basis certain guaranteed death and minimum living benefit riders from designated blocks of HLIKK's in-force variable annuities. The HLIKK Agreement will remain in effect until the natural expiry of the underlying business, subject to an aggregate limit of \$2.2 billion. The Company is paid 85% of the monthly mortality and expense fees collected by HLIKK on the designated blocks of variable annuities until the aggregate limit under the HLIKK Agreement is exhausted.

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

On November 29, 2012, the Company entered into a multi-year quota share reinsurance treaty with Vidacaixa, Sociedad Anonima de Seguros y Reaseguro (Vidacaixa), a company incorporated in Spain. The treaty covers, on a 100% quota-share basis, business consisting of the in-force portfolio of certain individual life, accident and sickness contracts written by Vidacaixa in Spain beginning September 30, 2012, net of any ceded reinsurance contracts entered into by



Vidacaixa. Also on November 29, 2012, the Company entered into an annuity reinsurance treaty with Vidacaixa. This treaty covers, on a 100% quota-share basis, annuity claim payments due to a specified group of current annuitants from Vidacaixa.

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

On October 27, 2010, the Company entered into a master purchase agreement with Sun Life Assurance Company of Canada (Sun Life) under which the Company acquired Sun Life's life retrocession business. Under the terms of the agreement, the Company and BICC entered into separate reinsurance agreements with Sun Life and its United States and Irish branches to assume 100% of the life retrocessional business. The Company agreed to assume this business from the United States branch of Sun Life, and BICC agreed to assume this business from Sun Life and its Irish branch. The effective date was December 31, 2010.

During 2011 and 2012, the Company and Sun Life obtained agreement from all cedents to novate to the Company the underlying U.S. life retrocession contracts. Upon approval of each novation by the underlying reinsured, the Company directly assumed the underlying life

retrocession agreements. At December 31, 2012, all of the U.S. underlying treaties assumed by the Company from Sun Life at December 31, 2010 had been novated to the Company.

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

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

Simultaneous with the reinsurance agreement with SRLHA, the Company entered into a stop loss reinsurance agreement with SwissRe, effective October 1, 2009. As consideration for this agreement, the Company pays SwissRe quarterly premium equal to a certain percentage of the total face amount of insurance in force as of the first day of the calendar quarter. Under the terms of the agreement, SwissRe assumes any liabilities equal to net claims of the underlying agreement with SRLHA that exceed \$1.05 billion. As of December 31, 2016, the sum of cumulative claims and cumulative stop loss premiums less cumulative premiums did not exceed \$1.05 billion.

Effective April 1, 1996, the Company entered into an indemnity reinsurance agreement with Metropolitan Life Insurance Company (MetLife). The Company agreed to reinsure 100% of MetLife's liabilities under a group contract for benefits payable on or after January 1, 2019. MetLife has the right for any reason to recapture the reinsurance and receive a net surrender value.

Also during 1996, the Company entered into an agreement with Transamerica Occidental Life Insurance Company (Transamerica). The Company assumed certain portions of future obligations under single premium annuity contracts written by Transamerica in 1993. The assumption was reflected as a liability under the caption "Liability for Deposit-Type Contracts" in the Company's 2016 Annual Statement.

#### **Ceded- Affiliates**

Effective January 1, 2014, the Company entered into a reinsurance agreement with BHGL under which the Company ceded 80% of statutory reserve liabilities from the issuance of life contingent single premium annuity contracts by the Company during the period from January 1, 2013 through December 31, 2013. The transaction qualified as a capital contribution for federal income tax purposes.

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

## **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>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Bonds	\$ 3,921,025,456	\$ 3,739,905,524	\$ 3,541,946,295	\$ 2,782,280,566
Admitted assets	13,768,310,973	14,786,448,315	16,287,262,296	17,969,607,195
Aggregate reserve for life contracts	8,070,057,689	7,897,258,711	9,104,457,426	9,486,181,688
Total liabilities	11,066,873,337	11,503,186,536	12,602,787,751	13,571,182,333
Capital and surplus	2,701,437,636	3,283,261,779	3,684,474,545	4,398,424,862
Annuity considerations	4,073,227,898	1,693,569,561	2,943,908,528	2,735,012,595
Net investment income	510,593,656	617,187,625	670,971,800	470,312,104
Death benefits	606,600,430	1,433,443,016	1,413,420,152	1,450,625,103
Net income	1,527,358,026	361,133,660	406,363,489	425,711,082

### **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, 2016. 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, 2016**

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 2,782,280,566		\$ 2,782,280,566
Preferred stocks	65,598,998		65,598,998
Common stocks	2,963,939,918		2,963,939,918
Cash and short-term investments	7,621,607,852		7,621,607,852
Other invested assets	1,398,207,861	\$189,173,810	1,209,034,051
Receivables for securities	1,788		1,788
Funds held by affiliate	<u>2,755,295,924</u>		<u>2,755,295,924</u>
Subtotal, cash and invested assets	<u>\$17,586,932,907</u>	<u>\$189,173,810</u>	<u>\$17,397,759,097</u>
Investment income due and accrued	\$ 41,386,335		\$ 41,386,335
Uncollected premiums and agents' balances in course of collection	417,880,639		417,880,639
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,063,167		1,063,167
Amounts recoverable from reinsurers	16,630,125		16,630,125
Funds held by reinsured companies	83,555,693		83,555,693
Other amounts receivable under reinsurance contracts	9,953,542		9,953,542
Furniture and equipment	856	\$ 856	
Receivables from parent, subsidiaries and affiliates	6,017		6,017
Reinsurance expense allowance receivable	1,222,171		1,222,171
Other assets	<u>150,987</u>	<u>578</u>	<u>150,409</u>
Total	<u>\$18,158,782,439</u>	<u>\$189,175,244</u>	<u>\$17,969,607,195</u>

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

Aggregate reserve for life contracts	\$ 9,486,181,688
Liability for deposit-type contracts	2,444,989,479
Life contract claims	695,667,737
Provision for experience rating refunds	108,256,241
Other amounts payable on reinsurance	99,577
Interest maintenance reserve	131,523,026
Commissions to agents due or accrued	398,494
Commissions and expense allowances payable on reinsurance assumed	7,943,943
General expenses due or accrued	796,965
Taxes, licenses and fees due or accrued	19,350
Current federal income taxes	31,756,325
Net deferred tax liability	43,741,154
Remittances and items not allocated	7,324,941
Asset valuation reserve	545,834,368
Funds held under reinsurance treaties with unauthorized reinsurers	136,298
Payable to parent, subsidiaries, and affiliates	4,709,642
Deferred investment gain	42,633,199
Modified coinsurance payable	10,611,795
Ceded reinsurance premium payable	4,175,200
Other liabilities	4,352,457
Annuity payments held	<u>30,454</u>
Total liabilities	<u>\$13,571,182,333</u>
Common capital stock	\$ 3,000,000
Gross paid in and contributed surplus	2,324,283,198
Unassigned funds (surplus)	<u>2,071,141,664</u>
Total capital and surplus	<u>\$ 4,398,424,862</u>
Total liabilities, capital, and surplus	<u>\$17,969,607,195</u>

## SUMMARY OF OPERATIONS - 2016

Premiums and annuity considerations for life contracts	\$2,735,012,595
Net investment income	470,312,104
Amortization of interest maintenance reserve	39,412,675
Commissions and expense allowances on reinsurance ceded	5,495,062
Interest income on funds withheld	<u>1,887,145</u>
Total	\$3,252,119,581
Death benefits	1,450,625,103
Annuity benefits	365,475,383
Surrender benefits and withdrawals for life contracts	470,467
Interest and adjustments on contract or deposit-type contract funds	89,185,586
Increase in aggregate reserves for life contracts	<u>710,507,410</u>
Total	\$2,616,263,949
Commissions on premiums, annuity considerations and deposit-type contract funds	3,458,895
Commissions and expense allowances on reinsurance assumed	28,515,506
General insurance expenses	18,177,600
Insurance taxes, licenses and fees, excluding federal income taxes	3,918,929
Adjustments for modified coinsurance reserve	28,556,507
Realized foreign exchange gain	(4,662)
Other miscellaneous expense	<u>673,633</u>
Total	\$2,699,560,357
Net gain from operations before federal income taxes and net realized capital gains	552,559,224
Federal income taxes incurred	140,269,872
Net realized capital gains	<u>13,421,730</u>
Net income	<u>\$ 425,711,082</u>

## CAPITAL AND SURPLUS ACCOUNT

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Capital and surplus, beginning	<u>\$2,238,437,730</u>	<u>\$2,701,437,636</u>	<u>\$3,283,261,780</u>	<u>\$3,684,474,545</u>
Net income	\$1,527,358,026	\$ 361,133,660	\$ 406,363,489	\$ 425,711,082
Change in net unrealized capital gains	(209,297,770)	63,490,764	26,075,144	364,077,530
Change in net unrealized foreign exchange capital	(53,606,433)	232,603,285	80,810,170	173,300,739
Change in net deferred income tax	207,042,645	(160,949,659)	7,873,785	(120,349,031)
Change in nonadmitted assets	(185,362,816)	78,400,728	(65,752,463)	(16,442,188)
Change in liability for reinsurance in unauthorized companies	2,149,597	671,509	(228,005)	658,381
Change in asset valuation reserve	19,060,862	23,864,190	(53,824,543)	(125,617,520)
Surplus adjustment, paid in	(843,919,033)			(36,492,748)
Change in deferred gain liability	(425,172)	(17,390,333)	(104,812)	263,007
Correction of error				<u>48,841,065</u>
Net change for the year	<u>\$ 462,999,906</u>	<u>\$ 581,824,144</u>	<u>\$ 401,212,765</u>	<u>\$ 713,950,317</u>
Capital and surplus, ending	<u>\$2,701,437,636</u>	<u>\$3,283,261,779</u>	<u>\$3,684,474,545</u>	<u>\$4,398,424,862</u>

## EXAMINATION CHANGES IN FINANCIAL STATEMENT

Unassigned funds (surplus) in the amount of \$2,071,141,664, as reported in the Company's 2016 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

There are no comments or recommendations that have been made as a result of this examination.



## **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

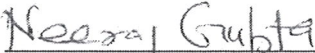
There are no comments or recommendations that have been made as a result of this examination.

## ACKNOWLEDGMENT

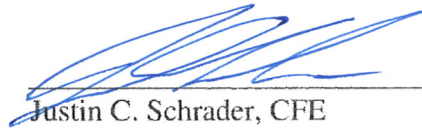
The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Kim Hurst, CFE; and Skyler Franssen, CFE, Financial Examiners; Gary Evans, CFE, CISA; and Santosh Ghimire, Information Systems Specialists; and Rhonda Ahrens, FSA, Senior Life & Health Actuarial Examiner; all with the Nebraska Department of Insurance and Financial Examiners with or contracted by the California, Colorado, Connecticut, Iowa, and New York Departments of Insurance participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



\_\_\_\_\_  
Neeraj Gupta, CFE  
Examiner-in-Charge  
Contracted by the Nebraska Department of Insurance  
INS Regulatory Insurance Services, Inc.



\_\_\_\_\_  
Justin C. Schrader, CFE  
Chief Financial Examiner  
Nebraska Department of Insurance

## 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. (32.483% owned by Warren E. Buffett)

Affordable Housing Partners, Inc. and owned affiliates

Albecca Inc. and owned affiliates

AU Holding Company, Inc.

Applied Group Insurance Holdings, Inc.

Commercial General Indemnity, 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.

Berkshire Indemnity Group, Inc.

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

New West Farm Holdings, LLC

Pennsylvania Insurance Company

South Farm, LLC

Texas Insurance Company

Promesa Health Inc.

Strategic Staff Management, Inc.

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

MEHC Insurance Services Ltd.  
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  
        Berkadia Commercial Mortgage LLC  
    Berkadia Commercial Mortgage Partners LLC  
    Berkshire Hathaway Assurance Corporation  
    Berkshire Hathaway Direct Insurance Company  
    Berkshire Hathaway Reinsurance (Ireland) Designated Activity Company  
    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  
BIFCO, LLC  
British Insurance Company of Cayman  
Försäkringsaktiebolaget Bostadsgaranti  
Hawthorn Life International, Ltd.  
    Hawthorn Life Designated Activity Company  
MedPro Group Inc  
    AttPro RRG Reciprocal Risk Retention Group  
    C&R Insurance Services, Inc.  
    C&R Legal Insurance Agency, LLC  
    Commercial Casualty Insurance Company  
    Medical Protective Finance Corporation  
    Medical Protective Insurance Services, Inc.  
    MedPro Risk Retention Services, Inc.  
    MedPro RRG Risk Retention Group  
    PLICO, Inc.  
        PLICO Financial, Inc  
        Red River Providers Association RPG  
        Ridgeline Captive Management, Inc.  
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 N.V.  
     NRG America Holding Company  
     NRG Victory Holdings Limited  
         NRG Victory Reinsurance Limited  
 NetJets IP, LLC  
 Ringwalt & Liesche Co.  
     BHHC Specialty Risk, LLC  
     Brilliant National Services, Inc.  
         L. A. Terminals, Inc.  
         Soco West, Inc.  
             Whittaker Clark & Daniels, Inc.  
 The Duracell Company  
     Duracell Canada, Inc.  
     Duracell Comercial e Importadora do Brazil Ltda.  
     Duracell Powermat LLC  
     Duracell U.S. Holding LLC  
         DDI Batteries Mexico S.de R.L. de C.V.  
         Duracell Australia Pty. Ltd.  
         Duracell Austria GmbH.  
         Duracell Batteries BVBA  
         Duracell Belgium Distribution BVBA  
         Duracell Dutch Holding B.V.  
             Duracell (China) Limited  
                 China Guangzhou Branch  
             Duracell Solutions BVBA  
         Duracell France SAS  
         Duracell Germany GmbH  
             Duracell Sweden AB  
         Duracell Global Services Nigeria Limited  
         Duracell Hong Kong Limited  
         Duracell International Operations Sàrl  
             DDI Batteries Mexico Services S. de R.L. de C.V  
             Duracell Panama, S. de R.L.  
             Duracell Singapore Pte. Ltd.  
         Duracell Italy S.r.l.  
         Duracell Japan Godo Kaisha  
         Duracell Korea Ltd.  
         Duracell Middle East DMCC  
         Duracell Netherlands B.V.  
         Duracell Pilas Limitada  
         Duracell Poland Sp. z.o.o  
             Duracell Ukraine  
         Duracell Portugal, Sociedade Unipessoal Lda.  
         Duracell Russia OOO  
         DURACELL SATIS VE DAGITIM LIMITED SIRKETI  
         Duracell South Africa Proprietary Limited

Duracell Spain S.L.  
Duracell UK Limited  
Taiwan Duracell Enterprised Limited  
Duracell U.S. Operations, Inc.  
Duracell Distributing, Inc.  
Duracell Manufacturing, 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 affiliate  
CTB International Corp. ("CTBI") 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  
        Faraday Capital Limited  
        Faraday Underwriting Limited  
        GRF Services Limited  
    Gen Re Intermediaries Corporation  
    Gen Re Long Ridge, LLC  
    General Reinsurance Corporation  
        Elm Street Corporation  
        General Re Compania de Reaseguros, S.A.  
        General Re Life Corporation  
            Idealife Insurance Company  
    General Reinsurance AG  
        Gen Re Beirut s.a.l. offshore  
        Gen Re Support Services Mumbai Private Limited  
        General Reinsurance Africa Ltd.  
        General Reinsurance AG Escritório de Representação no 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  
New England Asset Management, Inc.  
    New England Asset Management Limited  
GRD Holdings Corporation  
    General Re Financial Products Corporation  
United States Aviation Underwriters, Inc.  
    Canadian Aviation Insurance Managers Ltd.  
Helzberg's Diamond Shops, Inc.  
International Dairy Queen, Inc. and owned affiliates  
Johns Manville Corporation and owned affiliates  
Jordan's Furniture, Inc.  
Justin Industries, Inc. and owned affiliates  
Lubrizol 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 Company  
    CoverYourBusiness.com Inc.  
Atlanta International Insurance Company  
BA (GI) Limited  
Berkshire Hathaway Homestate Insurance Company  
Berkshire Hathaway International Insurance Limited  
Berkshire Hathaway Life Insurance Company of Nebraska  
    BHA Real Estate Holdings, LLC  
    BHG Life Insurance Company  
    First Berkshire Hathaway Life Insurance Company  
    Flight Safety International Inc. and owned affiliates  
    Garan, Incorporated and owned affiliates  
Berkshire Hathaway Specialty Insurance Company and owned affiliates  
Brookwood Insurance Company  
Burlington Northern Santa Fe, LLC and owned affiliates  
    Santa Fe Pacific Insurance Company  
Continental Divide Insurance Company  
Cypress Insurance Company  
Finial Holdings, Inc.  
    Finial Reinsurance Company  
GEICO Corporation  
    Boat America Corporation and owned affiliates

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 and owned affiliates  
     GEICO General Insurance Company  
     GEICO Insurance Agency, Inc.  
     Government Employees Financial Corporation  
     Plaza Financial Services Company  
 International Insurance Underwriters, Inc.  
 Maryland Ventures, Inc.  
 Plaza Resources Company  
 Top Five Club, Inc.  
 Miami Tower, LLC  
 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 affiliate  
 Tenecom Limited and owned affiliate  
 The British Aviation Insurance Company Limited  
 Transfercom Limited  
 VT Insurance Acquisition Sub Inc.  
     MPP Administrators, 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  
     EastGUARD Insurance Company  
     GUARDco, Inc.  
     NorGUARD Insurance Company  
 WPLG, 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 (Technical Services) Limited  
British Aviation Insurance Group (Underwriting Services) Limited  
GAUM Holdings Inc.  
    Fireside Partners, Inc.  
    Global Aerospace, Inc.  
Global Aerospace Underwriters Limited  
Global Aerospace Underwriting Managers (Canada) Limited  
Global Limited  
OTC Worldwide Holdings, Inc. and owned affiliates  
Precision Castparts Corp. 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 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