Berkshire Hathaway
Specialty Insurance

16 July 2021

The Registrar

RE: Certification

Berkshire Hathaway Specialty Insurance Company ("BHSIC") is relying on the *Financial Markets Conduct (Berkshire Hathaway Specialty Insurance Company) Exemption Notice 2017* for the 31 December 2020 reporting period.

Signed:

Abbas Choker
New Zealand Chief Financial Officer

Cameron McLisky
New Zealand CEO
Berkshire Hathaway Specialty Insurance Company
Level 34, ANZ Centre
23-29 Albert Street
Auckland NZ 1143

28 April 2021

Dear Cameron,

Berkshire Hathaway Specialty Insurance Company (New Zealand Branch) - Insurance (Prudential Supervision) Act 2010 Section 78 Appointed Actuary Report

Dear Cameron

Berkshire Hathaway Specialty Insurance Company New Zealand ("BHSI NZ") is the New Zealand branch of Berkshire Hathaway Specialty Insurance Company ("BHSIC"). BHSI NZ was granted a license to begin writing insurance business in New Zealand by RBNZ on 29 June 2015.

BHSI NZ has appointed me, Daniel Vaughan, to be BHSI NZ's Appointed Actuary as described by the New Zealand Insurance (Prudential Supervision) Act 2010 (the "Act").

As per Section 78 of the New Zealand Insurance (Prudential Supervision) Act 2010, I have reviewed the actuarial information contained in, or used in the preparation of, the financial statements of BHSI NZ as at 31 December 2020. This report (referred to as the "Appointed Actuary's report") documents my review.

Should you have any questions or require any further information please do not hesitate to contact me on +61 (2) 8002 2113.

Yours sincerely

Daniel Vaughan

Fellow of the New Zealand Society of Actuaries (FNZSA)
Appointed Actuary, Berkshire Hathaway Specialty Insurance Company (New Zealand Branch).

Ref.	Requirement of the Appointed Actuary's report, Section 78 of the New Zealand Insurance (Prudential Supervision) Act 2010	Comments
(a)	The actuary's name	Daniel Vaughan
(b)	The work done by the actuary	The prime responsibility of the Appointed Actuary is to provide advice to the Board of a general insurer on the value of its insurance liabilities and the preparation of the actuarial information contained in its financial statements. In New Zealand, the Appointed Actuary must provide written advice in accordance with the Act and the RBNZ's Solvency Standard for General Insurance Business ("Solvency Standard"). Additionally, the Appointed Actuary must provide written advice to BHSI NZ, giving an impartial assessment of the overall financial condition of the insurer as at 31 December 2020, in accordance with BHSI NZ's licence requirement and the New Zealand Society of Actuary's Professional Standard 31 (PS 31). The RBNZ has exempted BHSI NZ from certain compliance requirements with their Solvency Standard for General Insurance Business. This exemption has been granted subject to various conditions, including obligations of the Appointed Actuary, which have been described in my Financial Condition Report for BHSI NZ. It is ultimately the responsibility of the BHSIC Board and BHSI NZ senior management to place an appropriate valuation on BHSI NZ's insurance liabilities, after considering actuarial and other advice. A report has been prepared and a formal recommendation of the value of the insurance liabilities at 31 December 2020 has been completed to assist BHSI NZ in meeting this responsibility, including meeting the conditions set out by the RBNZ.
(c)	The scope and limitations of the review	The scope of the review includes all insurance liabilities and associated reinsurance recoveries owned by BHSI NZ at 31 December 2020. There were no limitations placed on me in preparing the actuarial information.

Ref.	Requirement of the Appointed Actuary's report, Section 78 of the New Zealand Insurance (Prudential Supervision) Act 2010	Comments
(d)	The existence of any relationship (other than that of actuary) that the actuary has with, or any interests that the actuary has in, the licensed insurer or any of its subsidiaries;	I have no relationship with BHSI NZ other than being its Appointed Actuary.
(e)	Whether the actuary has obtained all information and explanations that he or she has required	I can confirm that I have obtained all information and explanations as required.
(f)	Whether, in the actuary's opinion and from an actuarial perspective (i) the actuarial information contained in the financial statements and any group financial statements has been appropriately included in those statements (and if not, the respects in which it has been inappropriately included); and (ii) the actuarial information used in the preparation of the financial statements and any group financial statements has been used appropriately (and if not, the respects in which it has been used inappropriately).	In my opinion from an actuarial perspective: • The actuarial information contained in the financial statements of BHSI NZ has been appropriately included in these statements • The actuarial information used in the preparation of the financial statements of BHSI NZ has been used appropriately. I form these conclusions based on the following considerations: 1. A comparison of the liability results of my Insurance Liability Valuation Report for BHSI NZ as at 31 December 2020 with the balance sheet. All insurance liability figures and associated reinsurance recoveries used in the financial statements are sourced from the Insurance Liability Valuation Report 2. The net claims incurred in the income statement is consistent with the movement in net insurance liabilities in the balance sheet and net claim payments in the cash flow statement
(g)	Whether, in the actuary's opinion and from an actuarial perspective, the licensed insurer is maintaining the solvency margin that applies under a condition imposed under section 21(2)(b) (as at the balance date of the insurer); and	In my opinion and from an actuarial perspective, BHSIC, as the legal entity covering the business in BHSI NZ is maintaining the solvency margin that applies under a condition imposed under section 21(2) (b) of the Act.

Ref.	Requirement of the Appointed Actuary's report, Section 78 of the New Zealand Insurance (Prudential Supervision) Act 2010	Comments
(h)	In the case of a life insurer, whether, in the actuary's opinion and from an actuarial perspective, the life insurer is maintaining the solvency margins that apply in respect of its statutory funds under a condition imposed undersection 21(2)(c) (as at the balance date of the insurer).	N/A

Cameron McLisky
New Zealand CEO
Berkshire Hathaway Specialty Insurance Company
Level 34, ANZ Centre
23-29 Albert Street
Auckland NZ 1143

16 July 2021

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As per Section 78 of the New Zealand Insurance (Prudential Supervision) Act 2010, I have reviewed the actuarial information contained in, or used in the preparation of, the financial statements of BHSIC as at 31 December 2020. This report (referred to as the "Appointed Actuary's report") documents my review.

Should you have any questions or require any further information please do not hesitate to contact me on +61 (2) 8002 2113.

Yours sincerely

Daniel Vaughan

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(b)	The work done by the actuary	The prime responsibility of the Appointed Actuary is to provide advice to the Board of a general insurer on the value of its insurance liabilities and the preparation of the actuarial information contained in its financial statements. In New Zealand, the Appointed Actuary must provide written advice in accordance with the Act and the RBNZ's Solvency Standard for General Insurance Business ("Solvency Standard"). Additionally, the Appointed Actuary must provide written advice to BHSI NZ, giving an impartial assessment of the overall financial condition of the insurer as at 31 December 2020, in accordance with BHSI NZ's license requirement and the New Zealand Society of Actuary's Professional Standard 31 (PS 31). The RBNZ has exempted BHSI NZ from certain compliance requirements with their Solvency Standard for General Insurance Business. This exemption has been granted subject to various conditions, including obligations of the Appointed Actuary, which have been described in my Financial Condition Report for BHSI NZ. It is ultimately the responsibility of the BHSIC Board and BHSI NZ senior management to place an appropriate valuation on BHSI NZ's insurance liabilities, after considering actuarial and other advice. A report has been prepared and a formal recommendation of the value of the insurance liabilities at 31 December 2020 has been completed to assist BHSIC in meeting this responsibility, including meeting the conditions set out by the RBNZ.

Ref.	Requirement of the Appointed Actuary's report, Section 78 of the New Zealand Insurance (Prudential Supervision) Act 2010	Comments
(c)	The scope and limitations of the review	The scope of the review includes all insurance liabilities and associated reinsurance recoveries owned by BHSIC at 31 December 2020. There were no limitations placed on me in preparing the actuarial information.
(d)	The existence of any relationship (other than that of actuary) that the actuary has with, or any interests that the actuary has in, the licensed insurer or any of its subsidiaries;	I have no relationship with BHSIC other than being an employee and the Appointed Actuary for the BHSI NZ.
(e)	Whether the actuary has obtained all information and explanations that he or she has required	I can confirm that I have obtained all information and explanations as required – the information used is detailed in Appendix A.

(f)	Whether, in the actuary's opinion and from an actuarial perspective (i) the actuarial information contained in the financial statements and any group financial statements has been appropriately included in those statements (and if not, the respects in which it has been inappropriately included); and (ii) the actuarial information used in the preparation of the financial statements and any group financial statements has been used appropriately (and if not, the respects in which it has been used inappropriately).	In my opinion from an actuarial perspective: • the actuarial information contained in the financial statements of BHSIC has been appropriately included in these statements • the actuarial information used in the preparation of the financial statements of BHSIC has been used appropriately. I form these conclusions based on a comparison of the results within the Statement of Actuarial Opinion and BHSIC's financial statements. I note however, that the insurance liabilities in the financial statements have been calculated on an undiscounted basis with an allowance for claims handling expenses but without the inclusion of a risk margin to target a specified probability of sufficiency for the reserve. This is different from the basis as described under section 115 of the RBNZ's Solvency Standard which specifically states that the insurance liabilities should be discounted at a risk free rate and include a risk margin intended to target a specified probability of sufficiency. However there exists an implicit risk margin in the booked reserves due to the lack of discounting in the reserves, although I have not assessed whether this implicit margin is higher or lower than what would be required under RBNZ's Solvency Standard.
(g)	Whether, in the actuary's opinion and from an actuarial perspective, the licensed insurer is maintaining the solvency margin that applies under a condition imposed under section 21(2)(b) (as at the balance date of the insurer); and	In my opinion and from an actuarial perspective, BHSIC, as the legal entity covering the business in BHSI NZ is maintaining the solvency margin that applies under a condition imposed under section 21(2) (b) of the Act.
(h)	In the case of a life insurer, whether, in the actuary's opinion and from an actuarial perspective, the life insurer is maintaining the solvency margins that apply in respect of its statutory funds under a condition imposed undersection 21(2)(c) (as at the balance date of the insurer).	N/A

Appendix A – Information Used

I have made use of the following documents:

- Statement of Actuarial Opinion for BHSIC prepared by Chuan Cao, Chief Reserving Actuary for BHSIC for the year ended 31 December 2020;
- BHSIC Annual Statement for the year ended 31 December 2020; and
- Financial Statements of BHSIC titled "Statutory-Basis Financial Statements as of and for the Years Ended December 31, 2020 and 2019, Supplemental Schedules as of and for the Year Ended December 31, 2020, and Independent Auditors' Report".

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

New Zealand Branch

Company Registration No. 5737531

Financial Statements
For year ended 31 December 2020

A Berkshire Hathaway Company

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Financial Statements
For year ended 31 December 2020

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DIRECTORS' REPORT

The Directors present the Financial Statements for Berkshire Hathaway Specialty Insurance Company ('BHSI' or 'Company') - New Zealand Branch (the 'Branch') for the year ended 31 December 2020.

The Directors are responsible for the preparation, in accordance with New Zealand Law and New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), of financial statements that present fairly the financial position of the Branch as at 31 December 2020 and the results of its operations and cash flows for the year ended 31 December 2020.

The Directors consider that the financial statements of the Branch have been prepared using accounting policies appropriate to the Branch's circumstances, consistently applied and supported by reasonable judgements and estimates, and that all applicable NZ IFRS have been followed.
The Directors consider that adequate steps have been taken to safeguard the assets of the Branch and to prevent and detect fraud and other irregularities.

Principal activities

The principal activity of the Branch was the underwriting of general insurance. There has been no significant change in the nature of this activity during the year.

Disclosure

With the agreement of the shareholder, no disclosure has been made in respect of s211 (a) and (e) to (j) of subsection (1) and subsection (2) in accordance with s211 (3) of the Companies Act 1993.

Directors

Peter James Eastwood (18 November 2013 to Present)
David Neil Fields (18 November 2013 to Present)
Ajit Jain (18 November 2013 to Present)
Brian Gerard Snover (07 April 2010 to Present)
Ralph Tortorella III (18 November 2013 to Present)
Bruce John Byrnes (11 August 2017 to Present)
Peter Michael Shelley (30 June 2016 to Present)

Directors ceased during the year

None

State of Affairs - Impact of COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Whilst there are signs of improvement, including the roll-out and administration of the COVID-19 vaccine, the duration and impact of the COVID-19 outbreak continues to remain relatively unknown. The extent and tenure of these impacts are difficult to forecast and remain dependent on many factors. The financial, economic and social impacts of COVID-19 continue to emerge and will further develop over the coming year.
The impact of COVID-19 on the Branch's business and financial performance has been relatively modest, particularly in relation to Premium Income (GWP). Impact on the Branch's claims experience has been largely contained within the Corporate Travel business however, we continue to closely monitor the impact of COVID-19 on other segments of the business. The Branch has considered the impact of COVID-19 when preparing the financial statements and related note disclosures.

Signed for and on behalf of the Board of Directors who authorised the issue of these financial statements in Boston, Massachusetts, United States of America on the 28th April 2021.

Sign:	Sign:
Name: Ralph Tortorella III	Name: David N. Fields
Director, BHSI	Director, BHSI

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	2020 $	2019 $
Premium revenue	5	83,637,485	60,286,443
Outwards reinsurance expense	6	(67,245,092)	(48,470,107)
Net premium revenue		**16,392,393**	**11,816,336**
Claims expense		(58,132,118)	(70,640,659)
Reinsurance and other recoveries revenue		48,001,852	62,933,756
Net claims incurred	**7**	**(10,130,265)**	**(7,706,902)**
Acquisition costs	8	(4,554,766)	(3,511,070)
Reinsurance commission revenue	9	5,734,155	4,315,121
Net commission revenue		**1,179,389**	**804,051**
Other reinsurance commission revenue	10	6,794,055	6,113,268
Underwriting expenses	11	(8,315,119)	(7,807,796)
Underwriting result		**5,920,453**	**3,218,956**
Investment income		111,520	415,385
Interest income/(expense) on Lease Liabilities		45,562	(63,010)
Profit/(Loss) before income tax		**6,077,535**	**3,571,330**
Income tax (expense)/benefit	12(a)	(1,770,191)	(1,017,121)
Profit/(Loss) for the year, net of tax		**4,307,344**	**2,554,209**
Items that may be reclassified subsequently to profit/(loss), net of tax		-	-
Items that will not be reclassified subsequently to profit/(loss), net of tax		-	-
Unrealised Foreign Exchange		2,606	8,451
Other comprehensive income/(loss) for the year net of tax		**2,606**	**8,451**
Total comprehensive income/(loss) for the year attributable to owners of the Company		**4,309,950**	**2,562,661**

This Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

For the financial year ended 31 December 2020	**Head Office Account $**	**Retained Earnings $**	**Total Equity $**
Balance at the beginning of the year	15,000,000	6,135,833	**21,135,833**
Changes recognised in total comprehensive income			
Other comprehensive income/(loss) for the year net of tax	-	4,309,950	**4,309,950**
Transactions with the Branch			
Head office account	-	-	-
Balance at the end of the year	**15,000,000**	**10,445,784**	**25,445,783**

For the financial year ended 31 December 2019	**Head Office Account $**	**Retained Earnings $**	**Total Equity $**
Balance at the beginning of the year	15,000,000	3,573,172	**18,573,172**
Changes recognised in total comprehensive income			
Other comprehensive income/(loss) for the year net of tax	-	2,562,661	**2,562,661**
Transactions with the Branch			
Head office account	-	-	-
Balance at the end of the year	**15,000,000**	**6,135,833**	**21,135,833**

This Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 $	2019 $
Assets			
Cash and cash equivalent	13	52,374,840	36,278,690
Premium receivables		43,991,233	39,792,582
Current tax assets	12(a)	-	-
Reinsurance recoverable	15	111,454,350	80,503,576
Deferred reinsurance premiums	22	57,997,314	46,375,092
Deferred acquisition costs	23	3,266,549	2,945,735
Property, plant and equipment	14	160,507	172,559
Deferred tax assets	12(b)	698,041	583,707
Right-of-use assets	14(a)	2,391,475	2,260,195
Total assets		**272,334,309**	**208,912,136**
Liabilities			
Trade and other payables	16	3,641,331	2,829,536
Reinsurance liabilities	18	26,095,885	21,971,497
Deferred commission liabilities	19	4,369,346	3,739,298
Current tax liabilities	12(a)	676,230	1,130,344
Other tax liabilities	17	5,546,869	4,545,171
Intercompany payable	29	268,671	288,374
Unearned premium reserve	24	72,494,604	57,968,868
Outstanding claims payable	20	130,926,085	92,501,347
Lease liability	25	2,401,363	2,500,576
Employee benefits provision	21	468,143	301,292
Total liabilities		**246,888,526**	**187,776,304**
Net assets		**25,445,783**	**21,135,833**
Equity			
Head office account	26	15,000,000	15,000,000
Retained earnings		10,445,783	6,135,833
Total equity for the Branch		**25,445,783**	**21,135,833**

This Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements.

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Premiums received		93,525,184	65,618,685
Commission revenue received		6,364,203	5,634,264
Interest received		157,082	415,385
Claims paid		(19,707,377)	(12,776,060)
Acquisition costs paid		(4,875,580)	(4,578,711)
Net reinsurance paid		(49,466,149)	(37,208,404)
Payments to suppliers and employees		(7,258,910)	(5,776,967)
Income tax refund/(paid)		(2,338,640)	(1,377,544)
Intercompany funds received/(paid)		(19,703)	(587,581)
Net cash from operating activities	**27**	**16,380,111**	**9,363,067**
Cash flows from investing activities			
Payments for purchases of plant and equipment		(26,333)	(29,454)
Net cash used in investing activities		**(26,333)**	**(29,454)**
Cash flows from financing activities			
Capital funds received			
Principal Payments for lease liabilities	**25**	(257,628)	(111,857)
Net cash from financing activities		**(257,628)**	**(111,857)**
Net increase in cash and cash equivalents		**16,096,150**	**9,221,756**
Cash and cash equivalents at the beginning of the year		**36,278,691**	**27,056,934**
Cash and cash equivalents at the end of the year		**52,374,841**	**36,278,691**

This Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements.

1. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

These general purpose financial statements cover Berkshire Hathaway Specialty Insurance Company – New Zealand Branch (the 'Branch'). Berkshire Hathaway Specialty Insurance Company (the 'Company') is an insurance company incorporated in the United States of America. The Branch is domiciled in New Zealand, registered address at Level 34, ANZ Centre, 23-29 Albert Street, Auckland, New Zealand. The Branch is a FMC reporting entity under the Financial Markets Conduct Act 2013 and its financial statements comply with this Act and the Companies Act 1993.

Statement of compliance

The Branch was incorporated on 26 June 2015 and was granted its licence to carry on Insurance Business in New Zealand on 29 June 2015 by the Reserve Bank of New Zealand pursuant to the Insurance (Prudential Supervision) Act 2010. For the purposes of preparing the financial statements the Branch is a for-profit entity.

The annual financial statements have been prepared in accordance with the Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They fully comply with the New Zealand Equivalents of International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards as appropriate for for-profit entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

The accounting policies below have been applied in preparing the financial statements for the year ended 31 December 2020 and comparative in formation presented in these financial statements for the financial year ended 31 December 2019. Refer "Accounting standards and amendments adopted in the prior year(s)" on page 9 for more details on adoption.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the branch's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed in Note 2.

These financial statements are presented in New Zealand Dollars ($), which is the Branch's functional currency. All financial information is presented in New Zealand Dollars, except where otherwise indicated.

Accounting standards and interpretations issued but not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the Branch in the period of initial application. These standards and interpretations have been issued but are not yet effective.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the year ending
NZ IFRS 17 Insurance Contracts	1-Jan-23	31-Dec-23

The Branch currently plans to adopt the standards and amendments detailed above in the reporting periods beginning after their respective operative dates. An initial assessment of the financial impact of the standards and amendments have been undertaken and they are not expected to have a material impact on the Branch's financial statements, except where noted below.

NZ IFRS 17 Insurance Contracts

NZ IFRS 17 is a new accounting standard for all types of insurance contracts and replaces, as it relates to the Company, AASB 1023 General Insurance Contracts. NZ IFRS 17 incorporates International Financial Reporting Standard 17 (IFRS 17) Insurance Contracts including relevant amendments made up to and including May 2019 by the International Accounting Standards Board (IASB). IASB approved amendments to IFRS 17 in June 2020 addressing identified implementation issues. The effective date of IFRS 17 was revised to have an effective application date for reporting periods beginning on or after 1 January 2023.

The new standard is mandatory for the Branch's financial statements for the financial reporting period commencing from 1 January 2023.

The adoption of NZ IFRS 17 is a significant initiative for the Branch supported by a formal and global Company project plan and engagement of an external consultancy firm. The project was initiated with a workshop in November of 2019 to assess the impact of NZ IFRS 17 on financial reporting, systems, processes and compliance. Currently, the Branch is completing a full technical and operational impact assessment.

NZ IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. NZ IFRS 17 introduces three measurement models depending on the nature of the insurance contract: the General Measurement Model, the Premium Allocation Approach and Variable Fee Approach. It is anticipated that the simplified Premium Allocation Approach (PAA), will be the approach adopted by the Branch.

Given the complexity of AASB 17 the impact of the standard on the Branch's financial statements is still being determined.
Except for NZ IFRS 17, the Branch anticipates that the application of the new standards and amendments to New Zealand Accounting Standards listed above are not likely to have a material impact on the financial statements.

Accounting standards and amendments adopted in the current year - (None)

Accounting standards and amendments adopted in the prior year(s)

NZ IFRS 16 Leases
NZ IFRS 16 was issued in January 2016 and it replaces NZ IAS 17 Leases, NZ IFRIC 4 Determining whether an Arrangement contains a Lease, NZ SIC-15 Operating Leases - Incentives and NZ SIC - 27 Evaluating the Substance of Transactions Involving Legal Form of a Lease. NZ IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under NZ IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee to recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees are now required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The branch adopted NZ IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard was applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The branch elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying NZ IAS 17 at the date of initial application. The branch also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value.

The impact of IFRS16 on the financial statements is disclosed in note 14(a)

NZ IFRS 9 Financial Instruments
The Branch has adopted NZ IFRS 9 Financial Instruments (NZ IFRS 9) and the related consequential amendments to other NZ IFRS Standards that are effective for an annual period that begins on or after 1 January 2018 (prior year).

IFRS 9 introduced new requirements for:
1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting.

The application of NZ IFRS 9 has had no impact on the classification and measurement of the Branch’s financial assets and liabilities. The financial assets which were previously classified as loans and receivables are now classified at amortised cost. The financial liabilities continue to be classified as amortised cost. The Branch does not enter into hedging contracts.

In relation to the impairment of financial assets, NZ IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under NZ IAS 39. The expected credit loss model requires the Branch to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The change from an incurred credit loss model to an expected credit loss model has had no impact on the Branch’s financial instruments classified as amortised cost.

NZ IFRS 15 Revenue from Contracts with Customers
The NZ IFRS has issued a new standard for the recognition of revenue. This replaces NZ IAS 18 which covers contracts for goods and services and NZ IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Branch's main sources of income is Revenue from contracts under NZ IFRS 4 Insurance Contracts and interest. All of these are outside of the scope of the new revenue standard.

Basis of preparation

These financial statements are prepared on the historical cost basis unless the application of fair value measurements are required by the relevant accounting standards.

The preparation of financial statements in conformity with NZ IFRS 4 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch's accounting policies. These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

General accounting policies

The general accounting policies recognised as appropriate for the measurement and reporting of results and the financial position for a for-profit entity have been followed in the preparation of these financial statements.

Branch assets

The Branch is part of the Company. The assets of the Branch are legally available for the satisfaction of debts of the entire Company, not solely those appearing on the Branch's Statement of Financial Position. The debts of the Branch may result in claims against the entire Company's assets, not solely the assets presented on the Branch's Statement of Financial Position. Any deficiency of the Branch is supported by the Company. The amount of equity to be retained to ensure financial soundness of the Branch is managed at the Company level and details of the solvency position are set out in Note 35.

Specific accounting policies

The following specific accounting policies, which significantly affect the financial performance and financial position have been applied:

(a) Premiums
Written premiums comprise the premiums on contracts that incept in the year. The earned portion of premiums received and receivable is recognised as revenue. Premiums in relation to unclosed business have been brought into account and are based on latest information.

Written premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

(b) Unearned premiums
A provision for unearned premiums is made which represents that part of premiums which is estimated will be earned in the subsequent years. It is calculated separately for each insurance contract depending on the estimated incidence of risk throughout the year of the contract.

(c) Outstanding claims
Provision is made for outstanding claims and settlement expenses incurred at the Statement of Financial Position date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims. Changes in outstanding claims provision are recognised in the Statement of Comprehensive Income in the year in which the provision has changed.

(d) Current tax

Current tax, including income tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

(e) Deferred tax

Deferred tax is accounted for using the comprehensive liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets ("DTA") are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them.

(f) Foreign currency

Foreign currency transactions are translated to New Zealand currency at the rate of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies are translated at the rates of exchange ruling at balance date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the financial year in which the exchange rates change, as exchange gains or losses.

(g) Reinsurance receivables

Reinsurance receivables on paid and outstanding claims are recognised as revenue. Recoveries are measured as the present value of expected future receipts, calculated on the same basis as the outstanding claims liability.

(h) Deferred acquisition costs

The Branch adopts the practice of deferring to the following accounting year, expenses and levies directly related to premium income, in the same manner as unearned premium is calculated. These are measured at the lower of cost and recoverable amount.

(i) Liability adequacy test

The liability adequacy test (LAT) is used to assess the sufficiency of the unearned premium liability to cover all expected future cash flows relating to future claims against in-force insurance contracts. If the unearned premium liability less related deferred acquisition costs exceeds the present value (PV) of expected future cash flows plus additional risk margin then the unearned premium liability is deemed to be adequate. The LAT is carried out on each portfolio of contracts which each cover broadly similar risks.

(j) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and on-hand and short-term deposits with maturities of three months of less.

(k) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation. Costs include all associated expenditures that are directly attributable to the acquisition of the asset.

(k) Property, plant and equipment
Items of property, plant and equipment are measured at cost less accumulated depreciation. Costs include all associated expenditures that are directly attributable to the acquisition of the asset.

(l) Depreciation
Depreciation is calculated using the straight-line method. The depreciation rates for the year are as follows:

	2020	2019
Furniture & fixtures	10.50%	10.50%
Computer equipment	40%	40%
Leasehold improvements	7%	7%

(m) Interest income
Interest income is recognised in the Statement of Comprehensive Income as Interest accrues.

(n) Accounts payable

These amounts represent liabilities for goods and services provided to the Branch prior to the end of the year and which are unpaid. The amounts are unsecured and are usually paid within thirty days of recognition.

(o) Premium receivables
Premium receivables are recognised in accordance with NZ IFRS 4 “Insurance Contracts”. The collectability of premiums is assessed on an ongoing basis and a provision for impairment is made based on objective evidence and past default experience.

(p) Outwards reinsurance
Premiums ceded to the reinsurer under reinsurance contracts are recorded as an outwards reinsurance expense and are recognised over the year of the reinsurance contract. Accordingly, a portion of outwards reinsurance premium expense is treated as a prepayment and presented as deferred reinsurance premiums in the Statement of Financial Position at the reporting date.

Reinsurance commission from the reinsurer under reinsurance contracts are recognised as income over the life of the reinsurance contract. Accordingly, a portion of reinsurance commission is treated as a liability and presented as deferred commission liabilities in the Statement of Financial Position at the reporting date.

(q) Lease
Branch as a lessee
The branch applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The branch recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The branch recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows;

Properties Lesser of 10 years or term of lease

If ownership of the leased asset transfers to the branch at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the branch recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the branch and payments of penalties for terminating the lease, if the lease term reflects the branch exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the branch uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The branch applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Branch makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical evidence and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

All the Branch's assets are available to support the Branch's insurance liabilities and any deficiency is supported by the Company.

The ultimate liability arising from claims made under insurance contracts

Provisions are made at the Statement of Financial Position date for the estimated cost of claims incurred but not yet settled at the Statement of Financial Position date, including the cost of claims incurred but not yet reported to the Branch, and for the purpose of the premium liability adequacy test refer Note 36.

The estimated cost of claims includes direct expenses to be incurred in settling the claims gross of the expected value of salvage and other recoveries. The Branch takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Branch, where more information about the claim event is generally available. IBNR claims may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or that might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- Changes in Branch processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics of previous years;
- Changes in the legal environment;
- The effects of inflation;
- Changes in the mix of business;
- The impact of large losses;
- Movements in industry benchmarks; and
- Technological developments.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of such claims, the Branch will have regard to the claim circumstances as reported and information about the cost of settling claims with similar characteristics.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions. Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in Note 3.

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure the balance is reflective of the amounts that will ultimately be recovered.

All reinsurance contracts are with the Company and the recoverability of such assets is not considered to be impaired by any counterparty or credit risk.

Determining the lease term of contracts with renewal and termination options

The branch determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The branch's lease contract includes extension and termination options. The branch applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the branch reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Leases - Estimating the incremental borrowing rate

The branch cannot readily determine the interest rate implicit in the lease, therefore it uses incremental borrowing rate (IBR) to measure lease liabilities. The IBR was determined to be the 3 month United States Treasury bill rate and applied across all Berkshire Hathaway Specialty Insurance entities as it correlated with the weighted average remaining lease term. The IBR is the rate of interest that the branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the branch ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The branch estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

3. ACTUARIAL ASSUMPTIONS AND METHODS

The Branch commenced writing business in June 2015 and solely focuses on commercial businesses. The portfolio is composed of Property, Marine, Casualty, Executive & Professional and Accident & Health risks.

The Branch's insurance liabilities are valued in accordance with the New Zealand Society of Actuaries Professional Standard 30, Valuations of General Insurance Claims (PS 30) and New Zealand equivalent to International Financial Reporting Standard 4: Insurance Contracts (NZ IFRS 4) as at 31 December 2020.

The Appointed Actuary is Daniel Vaughan, Fellow of the New Zealand Society of Actuaries and Fellow of the Institute of Actuaries of Australia. The Appointed Actuary is satisfied as to the nature, sufficiency and accuracy of the data upon which policy liabilities have been determined.

COVID-19 Impact on use of Judgements and Estimates

As at December 2020, the impact of COVID-19 on the Branch's business and financial performance has been relatively modest. Impact on the Branch's claims experience has been largely contained within the Corporate Travel business however, we continue to closely monitor the impact of COVID-19 on other segments of the business, including Business Interruption (BI) cover. As at 31 DEcember 2020, it is of the view that the impact of COVID-19 on BI is not material however, this remains highly uncertain. With the current unprecedented environment, the development of claim liabilities established at the balance date could, over time, result in a higher or lower than estimated ultimate claim cost. The impact of COVID-19 has been appropriately captured within the outstandling claim liablities where the effect of COVID-19 on insurance liabilities is quantifiable and reflected in the data.

Actuarial Assumptions

Bornhuetter-Ferguson (BF) method – Actuarial valuation is based primarily on the BF method with assumptions set based on the Branch's pricing loss ratios and experience, industry benchmarking and the Appointed Actuary's experience. The BF method is applied to Accident Quarter cohorts of claims with quarterly development periods.

Inflation – Economic inflation is based on economic indicators such as the consumer price index and increases in average weekly earnings.

Weighted Average Discount rate – The future discount rates adopted are the risk-free no-arbitrage forward rates derived from the yield curve for fixed interest securities issued by the New Zealand government at the valuation date. This is a standard actuarial approach for deriving future discount rates.

Claims handling expense allowance – An estimate of outstanding claims liability will incorporate an allowance for the future cost of administering the claims. The allowance is estimated giving consideration of the actual allocated claims handling expense and the Branch's budget for claims management. As the claims handling expense is largely a fixed cost, the claims handling expense as a proportion of claims paid is expected to reduce as a larger base of claims on which to spread costs is established.

Risk margin – The overall risk margin is determined with consideration to the uncertainty of the outstanding claims estimate for each class. A risk margin is applied to the net central estimate of each class of business to increase the central estimate to a level that is intended to have a 75% probability of sufficiency. Adopted risk margins are judgemental and, given the small size of the Branch's portfolio, determining a diversification discount is highly uncertain and is likely to result in spurious accuracy, therefore no diversification discount is applied.

Weighted average expected term to settlement – The average weighted term to settlement is calculated by class of business and is based on the expected future claim payments net of reinsurance and third party recoveries. This has decreased since the previous year as the weight of the outstanding claims has shifted towards shorter tailed lines.

The following table below provides the key assumptions adopted in calculation of general insurance provisions:

Assumption	2020	2019
Weighted average Discount rate	0.42%	1.33%
Claims handling expense % of gross claims cost	2.95%	3.15%
Risk margin	23.83%	26.08%
Weighted average expected term to settlement	2.14 years	2.58 years

Impact of changes in assumptions

The Appointed Actuary conducts sensitivity analysis to quantify the exposure to the risk of changes in the key underlying actuarial assumptions. The table below describes how a change in each assumption affects the net provision of outstanding claims liabilities provision.

Table 1: Sensitivity analysis on net inflated and discounted outstanding claims liabilities provision

December 31, 2020		**Comprehensive Income before tax ($000)**	**Comprehensive Income after tax ($000)**	**Total Equity ($000)**
Recognised amount per Financial Statements		6,078	4,307	25,446
Scenario base	**Sensitivity**			
BF Model Loss Ratios	115% of all selections	-1687	-1189	24,257
	85% to all selections	1687	1189	26,635
BF Model Development	Faster - 25% reduction in gap to full development	1720	1212	26,658
	Slower - 25% increase in gap to full development	-1609	-1135	24,311
Discount rate	+0.50% to all future discount rates	246	173	25,619
	-0.25% to all future discount rates	-125	-88	25,357
Claims handling expense	200% of selection	-711	-502	24,944
	75% of selection	178	125	25,571
Risk Margins	+5% to all selections	-687	-484	24,962
	-5% to all selections	687	484	25,930
December 31, 2019				
Recognised amount per Financial Statements		3,571	2,554	21,136
Scenario base	**Sensitivity**			
BF Model Loss Ratios	115% of all selections	-1,768	-1247	19,889
	85% to all selections	1,768	1247	22,382
BF Model Development	Faster - 25% reduction in gap to full development	1,681	1185	22,321
	Slower - 25% increase in gap to full development	-1,481	-1044	20,092
Discount rate	+0.50% to all future discount rates	152	107	21,243
	-0.25% to all future discount rates	-77	-55	21,081
Claims handling expense	200% of selection	-343	-242	20,894
	75% of selection	86	60	21,196
Risk Margins	+5% to all selections	-459	-323	20,812
	-5% to all selections	459	323	21,459

4. RISK MANAGEMENT

The Company has an established governance framework and the Branch operates within this framework. The Branch's Risk Management Framework is outlined in its Risk Management Program (RMP). The purpose of the RMP is to integrate risk management within overall operations and provides the principles and requirements relating to the key pillars of risk management for the Branch, these are:

- Policies and related frameworks;
- Risk management processes;
- Organisational structure, governance and roles and responsibilities;
- Risk categories;
- Systems and data; and
- People and culture.

The Branch operates within this risk management framework which is a collection of processes and tools that have been put in place to ensure that the risks to which it is exposed are identified, measured, managed, monitored and reported on a continuous basis. The key instruments of this framework include the risk management policies, risk reports, the governance and oversight infrastructure and the risk appetite framework.

The Company is regulated by the State of Nebraska, USA Department of Insurance and is required to comply with standard and requirements that relate to the same or similar matters that are covered by New Zealand solvency standards.

The Branch's RMP outlines the procedures used for the effective identification and management of the following risks.

Insurance risk

Insurance risk includes underwriting risk (the risk of loss arising on underwriting activity due to underwriting decisions and prices being inappropriately determined or due to inadequate assessment and management of concentration and catastrophe exposures) and reserving risk (the risk of loss or adverse change in the value of insurance liabilities due to inadequate provisions). Underwriting risk is managed at the Branch level on a gross and net of reinsurance level against a defined risk appetite in relation to maximum exposure limits and aggregate exposure limits. Internal controls implemented at a Company level manage reserving risk, including adherence to and monitoring of reserving and IBNR policies.

Credit risk

Credit risk is the risk of loss due to unexpected default, or deterioration in the credit standing of counterparties and debtors. Payment default will result in the termination of the insurance contract with the policy holders, eliminating the credit risk on the unpaid balance. In the event of significant adverse claims experience, the Company and the Branch is highly reliant on the ability of its parental reinsurer, National Indemnity Company ('NICO') to pay amounts recoverable under reinsurance arrangements. NICO has a credit rating of AA+ from Standard and Poors rating agency.

Liquidity risk

Liquidity risk is the risk of not being able to meet all financial obligations as and when they fall due. In managing this risk all investments for the Branch are held in cash and cash like instruments. Liquidity risk is not considered to be a material concern given the highly liquid nature of investment holdings and financial strength of the Company and NICO.

Market risk

Market risk is the risk of possible losses due to unexpected changes in financial markets, resulting in volatility in the value of invested funds and encompasses interest-rate risk, equity risk, spread risk, property risk and currency risk. The Branch's investment strategy is conservative with all investments to be held in cash or cash-like instruments and invested in banks with strong credit ratings. The Branch is not exposed to material foreign currency risk.

Operational risk

Operational risk is the risk from inadequate staff, processes and procedures resulting in poor or failed execution. The Branch has adopted various internal controls, defined at a Company level along with developing its own operationally specific internal controls to manage operational risks within the Branch's risk appetite.
The Branch and outsourced providers enacted Business Continuity Plans/work from home arrangements during 2020. The potential heightened risk of deterioration in services levels was managed through ongoing oversight, there was no such adverse outcome.

Emerging risk

Emerging risk is the risk of loss resulting from a newly developing or changing (political, economic, social, technological, legal, environmental, etc) situation that could have critical impacts on the Branch, but which may not be fully understood, are difficult to quantify and might not be considered in contract terms and conditions, pricing, reserving or operations. The Branch, as well as BHSIC, give thought to higher level strategic and emerging risks which may affect the enterprise. The Branch's management perform various procedures to adapt to emerging risks and better prepare for future exposures and future opportunities. In 2020 this included the following risks:

Pandemic Risk : the risk of loss resulting from a global environmental factor such as widespread disease / pandemic or economic recession. The Branch had established risk management procedures in place and continues to monitor and adjust, as necessary, to this risk with current mitigation strategies and controls.

Climate Change : the risk of loss resulting from a change in global or regional climate patterns. On an annual basis, in line with strategic planning, the Branch, in conjunction with BHSIC and NICO implements initiatives to reduce Greenhouse Gas Emissions. The Branch leadership team is contemplating various methods, in conjunction with annual pricing and modelling reviews, to take into consideration current weather events and any impact of climate changes occurring to a degree that would significantly impact underwriting decisions.

Concentration of insurance risk

Insurance risk is described above and includes catastrophe and concentration risks. Concentrations are considered firstly at the level of the type of insured event (class of insurance business), e.g. Casualty vs Property. Then, for Property only, concentrations are further considered based on geographical location. The exposure to concentration risk is mitigated by a portfolio diversified across different business classes, strong aggregate monitoring, strict exposure limits and reinsurance.

Further discussions on the application of the risk management practices are presented in Note 30 in relation to credit, market and liquidity risks.

COVID-19 Impact

The Branch continues to closely monitor the impact of COVID-19 on all material risk categories. All categories have remained within risk-appetite and there has been no material impact on the Branch (and Branch operations) and Policyholders.

	2020 $	2019 $
5. PREMIUM REVENUE		
Gross written premium	98,163,224	80,939,137
Movement in unearned premium	(14,525,739)	(20,652,694)
Total premium revenue	**83,637,485**	**60,286,443**
6. OUTWARDS REINSURANCE EXPENSE		
Ceded written premium	(78,867,314)	(64,992,244)
Movement in ceded unearned premium	11,622,222	16,522,137
Total outwards reinsurance expense	**(67,245,092)**	**(48,470,107)**

7. NET CLAIMS INCURRED

December 31, 2020	**Current year**	**Prior Years**	**Total**
Gross claims incurred	(45,129,759)	(2,143,727)	(47,273,486)
Claims handling expenses	(1,444,835)	267,214	(1,177,621)
RI and other recoveries	37,687,747	2,035,738	39,723,485
Net claims incurred undiscounted	**(8,886,848)**	**159,226**	**(8,727,622)**
Gross discount movement	437,894	(1,403,391)	(965,497)
RI discount movement	(351,029)	1,180,037	829,008
Net discount movement	**86,866**	**(223,355)**	**(136,489)**
Gross risk margin movement	(10,652,269)	1,936,755	(8,715,514)
RI risk margin movement	8,811,949	(1,362,589)	7,449,360
Net risk margin movement	**(1,840,320)**	**574,166**	**(1,266,155)**
Net claims incurred	**(10,640,302)**	**510,037**	**(10,130,265)**

December 31, 2019	**Current year**	**Prior Years**	**Total**
Gross claims incurred	(55,886,109)	(3,888,308)	(59,774,417)
Claims handling expenses	(1,577,303)	987,646	(589,656)
RI and other recoveries	51,341,591	2,323,529	53,665,120
Net claims incurred undiscounted	**(6,121,821)**	**(577,133)**	**(6,698,954)**
Gross discount movement	1,174,939	(552,008)	622,931
RI discount movement	(1,015,157)	439,665	(575,492)
Net discount movement	**159,783**	**(112,343)**	**47,439**
Gross risk margin movement	(11,466,045)	566,531	(10,899,513)
RI risk margin movement	10,286,153	(441,985)	9,844,168
Net risk margin movement	**(1,179,892)**	**124,546**	**(1,055,346)**
Net claims incurred	**(7,141,930)**	**(564,930)**	**(7,706,860)**

	2020	2019
8. ACQUISITION COSTS	**$**	**$**
Gross acquisition costs	(4,875,580)	(4,578,711)
Movement in deferred acquisition costs	320,814	1,067,640
Total acquisition costs	**(4,554,766)**	**(3,511,070)**
9. REINSURANCE COMMISSION REVENUE		
Reinsurance commission revenue	6,364,203	5,634,265
Movement in deferred reinsurance commission revenue	(630,048)	(1,319,143)
Total reinsurance commission revenue	**5,734,155**	**4,315,121**
10. OTHER REINSURANCE COMMISSION REVENUE		
Reimbursement of operating expenses from reinsurer	6,794,055	6,113,268
Total other reinsurance commission revenue	**6,794,055**	**6,113,268**
11. UNDERWRITING EXPENSES		
Employment expenses	(6,489,976)	(5,852,721)
Premises expenses	(123,012)	(48,271)
General expenses	(263,999)	(274,599)
Consulting expenses	(1,547,067)	(1,343,756)
Depreciation expense	(65,520)	(392,486)
Other underwriting expenses	174,455	104,037
Total underwriting expenses	**(8,315,119)**	**(7,807,796)**

	2020 $	2019 $
12. INCOME TAX		
(a) The income tax for the year reconciles to the amount calculated on the loss for the year as follows:		
Profit/(Loss) before income tax	6,077,536	3,571,330
Prima facie tax thereon at 28% (2019:28%)	1,701,710	999,972
Tax effect of permanent differences		
Non-deductible expenses	15,578	15,150
Prior period adjustment	52,903	1,997
Income tax expense/(benefit) attributable for the year	1,770,191	1,017,120
Income tax benefit recognised consists of:		
Current tax expense	1,858,743	1,171,239
Deferred tax benefit	(114,928)	(157,515)
Prior period adjustment (current tax)	26,376	3,397
	1,770,191	1,017,121
(a) Current income tax:		
Balance at the beginning of the year	(1,130,346)	(1,333,254)
Income tax paid	2,312,262	1,377,544
Current year tax provision	(1,858,743)	(1,171,239)
RWT credits		-
Adjustments for prior year	(26,376)	(3,397)
Balance at the end of the year	**(676,230)**	**(1,130,346)**
(b) DTA represented by:		
Non-deductible salary accruals	905,000	719,500
Net deferred acquisition costs	1,102,798	811,697
Non-deductible accruals	468,143	301,292
IFRS 16 lease adjustments	2,401,362	2,500,576
Depreciation	(2,391,475)	(2,260,195)
Non-deductlbe data processing accruals	9,300	11,800
Total	**2,495,128**	**2,084,670**
Prima facie tax thereon at 28%	698,041	583,708
Movements in deferred tax assets:		
Balance at the beginning of the year	583,708	426,193
Movement recognised in profit or loss	114,333	157,515
Balance at the end of the year	**698,041**	**583,708**

	2020 $	2019 $
13. CASH AND CASH EQUIVALENTS		
HSBC bank account	42,849,249	26,792,295
HSBC term deposit	9,525,591	9,486,395
Total cash and cash equivalents	**52,374,840**	**36,278,690**
14. PROPERTY, PLANT AND EQUIPMENT		
Furniture & fixtures at cost	132,239	119,674
Accumulated depreciation	(69,887)	(57,531)
	62,352	**62,143**
Leasehold improvements at cost	127,132	127,132
Accumulated depreciation	(48,563)	(39,639)
	78,570	**87,493**
Computer equipment at cost	99,359	85,591
Accumulated depreciation	(79,773)	(62,668)
	19,585	**22,923**
Total property, plant and equipment	**160,507**	**172,559**
Reconciliations of the carrying amount for each class of property, plant and equipment		
Furniture & fixtures		
Carrying amount at the beginning of the year	62,143	64,905
Additions	70,096	9,081
Disposals	-	-
Depreciation expense	(69,887)	(11,843)
Carrying amount at the end of the year	**62,352**	**62,143**
Leasehold improvements		
Carrying amount at the beginning of the year	87,493	96,392
Additions	39,640	-
Disposals	-	-
Depreciation expense	(48,563)	(8,899)
Carrying amount at the end of the year	**78,570**	**87,493**
Computer equipment		
Carrying amount at the beginning of the year	22,923	22,056
Additions	13,768	20,373
Disposals	-	-
Depreciation expense	(17,106)	(19,505)
Carrying amount at the end of the year	**19,585**	**22,923**
Total property, plant and equipment	**160,507**	**172,559**
14 (a). RIGHT-OF-USE ASSETS		
Carrying value of properties	**2,770,847**	**2,612,433**
Net carrying amount		
Balance as 1 January 2020	**2,612,433**	-
Effect of adoption of IFRS 16'Leases"	-	2,612,433
Lease additions during the year	158,414	-
Balance as 1 January 2020 (adjusted)	**2,770,847**	**2,612,433**
Depreciation expense	(379,373)	(352,238)
Balance as 31 December 2020	**2,391,475**	**2,260,195**

	2020 $	2019 $
15. REINSURANCE RECOVERABLE		
Reinsurance recoverable on paid losses	3,105,970	3,427,217
Reinsurance recoverable on unpaid losses	111,454,350	80,503,576
Total reinsurance recoveries	**114,560,320**	**83,930,793**
Reconciliation of reinsurance recoverable on unpaid losses		
Balance at start of year	80,503,572	27,800,187
Change in discount to present value	829,008	(575,492)
Change in risk margin	7,449,360	9,844,168
Claims paid	(18,081,668)	(10,610,201)
Movement in incurred claims	40,754,079	54,044,910
Balance at end of year	**111,454,350**	**80,503,572**
Reinsurance recoverable at 31 December		
Expected to be realised within 12 months	46,043,880	37,384,090
Expected to be realised in more than 12 months	65,410,470	43,119,482
	111,454,350	**80,503,572**
16. TRADE AND OTHER PAYABLES		
Technical creditors	3,313,290	2,489,451
FSL payable	328,042	340,084
Total trade and other payables	**3,641,331**	**2,829,536**
Current	3,641,331	2,829,536
Non current	-	-
Total trade and other payables	**3,641,331**	**2,829,536**
17. OTHER TAX LIABILITIES		
GST tax payable	1,720,469	2,147,810
Non-resident withholding tax payable	3,826,400	2,397,361
Total other tax liabilities	**5,546,869**	**4,545,171**
Current	5,546,869	4,545,171
Non current	-	-
Total other tax liabilities	**5,546,869**	**4,545,171**
18. REINSURANCE LIABILITIES		
Reinsurance creditors - NICO	26,095,885	21,971,497
Total reinsurance liabilities	**26,095,885**	**21,971,497**
Current	26,095,885	21,971,497
Non current	-	-
Total reinsurance liabilities	**26,095,885**	**21,971,497**
Non-resident withholding tax payable Working		
Non-resident withholding tax payable	3,561,930	2,443,032
Other foreign levy payable/recoverable	264,469	(45,671)
	3,826,400	**2,397,361**
19. DEFERRED COMMISSION LIABILITIES		
Reinsurance Deferred Acquisition Cost (DAC)	4,369,346	3,739,298
Total deferred commission liabilities	**4,369,346**	**3,739,298**
Current	4,369,346	3,739,298
Non current	-	-
Total deferred commission liabilities	**4,369,346**	**3,739,298**

	2020	2019
	$	$
20. OUTSTANDING CLAIMS PAYABLE		
Gross outstanding claims	105,122,875	76,379,145
Discount to present value	(1,017,911)	(1,983,408)
Risk margin	26,821,121	18,105,607
Liability for outstanding claims	**130,926,085**	**92,501,344**
Reconciliation of outstanding claims		
Balance at start of year	92,501,344	34,636,746
Change in discount to present value	965,497	(622,931)
Change in risk margin	8,715,514	10,899,513
Claims paid	(20,737,971)	(13,130,735)
Movement in incurred claims	49,481,701	60,718,751
Balance at end of year	**130,926,085**	**92,501,344**
Outstanding claims liabilities at 31 December		
Expected to be paid within 12 months	54,088,018	42,955,592
Expected to be paid in more than 12 months	76,838,066	49,545,753
	130,926,085	**92,501,344**

Net undiscounted central estimate of ultimate claims

	2015	2016	2017	2018	2019	2020
	$	$	$	$	$	$
At end of accident year	127,716	2,138,814	3,388,172	4,177,565	5,950,958	8,593,489
One year later	79,121	2,428,395	2,124,379	4,674,900	5,760,336	-
Two years later	39,125	1,811,801	2,313,945	4,810,163	-	-
Three years later	16,707	1,868,301	2,304,531	-	-	-
Four years later	29,706	1,843,951	-	-	-	-
Five years later	21,997					
Current estimate	**21,997**	**1,843,951**	**2,304,531**	**4,810,163**	**5,760,336**	**8,593,489**
Cumulative net payments	2,116	1,628,989	636,547	2,402,054	2,664,206	661,342
Current outstanding claims	**19,882**	**214,962**	**1,667,984**	**2,408,109**	**3,096,130**	**7,932,147**

	2020
	$
Net undiscounted central estimate	15,339,213
Discount to present value	(181,923)
Claims handling expenses	566,777
Risk margin	3,747,668
Net outstanding claims liability	**19,471,735**

Maturity profile of net outstanding claims liability	2020	2019
	$	$
1 year or less	8,044,139	5,581,939
Within 1 to 5 years	8,885,989	4,863,830
Over 5 years	2,541,607	1,552,003
Total net outstanding claims liability	**19,471,735**	**11,997,773**

	2020 $	2019 $
21. EMPLOYEE BENEFITS PROVISION		
Annual leave	270,383	161,546
Personal leave	197,761	139,746
Total employee benefits provision	**468,143**	**301,292**
Current	468,143	301,292
Non current	-	-
Total employee benefits provision	**468,143**	**301,292**
22. DEFERRED REINSURANCE PREMIUMS		
Balance at the beginning of the year	46,375,092	29,852,943
Foreign currency revaluations	(50,208)	(42,418)
Deferral of premiums on contracts written in the year	48,462,917	42,097,727
Earning of premiums written in previous years	(36,792,119)	(25,533,152)
Balance at the end of the year	**57,997,314**	**46,375,092**
23. DEFERRED ACQUISITION COSTS		
Balance at the beginning of the year	2,945,735	1,878,094
Acquisition costs deferred	2,625,765	2,667,889
Amortisation charged to profit or loss	(2,295,981)	(1,609,169)
Movement in LAT write-down	-	-
Foreign currency revaluation	(8,971)	8,921
Balance at the end of the year	**3,266,549**	**2,945,735**
24. UNEARNED PREMIUM RESERVE		
Balance at the beginning of the year	57,968,868	37,316,172
Foreign currency revaluations	(62,760)	(53,022)
Deferral of premiums on contracts written in the year	60,578,647	52,622,158
Earning of premiums written in previous years	(45,990,149)	(31,916,441)
Balance at the end of the year	**72,494,604**	**57,968,868**
25. Lease liability		
Balance as at 1 January 2020	**2,500,576**	-
Effect of adoption of NZ IFRS 16 'Leases'	-	**2,612,433**
Lease additions during the year	**158,414**	
Balance as at 1 January 2020 (adjusted)	**2,658,990**	**2,612,433**
Interest expense	(45,562)	63,010
Payments	(212,066)	(174,867)
Balance as at 31 December 2020	**2,401,362**	**2,500,576**
Expected to be paid within 12 months	357,733	269,603
Expected to be paid in more than 12 months	2,043,629	2,230,973
Maturity profile		
Note later than 1 year	357,733	269,603
Later than 1 but not later than 5 years	2,043,629	1,582,949
Later than 5 years	-	648,024

26. HEAD OFFICE ACCOUNT

The Company provided initial funds of $15,000,000 during 2015.

27. CASH FLOW INFORMATION

Reconciliation of cash flow from operations with loss after income tax

	2020	**2019**
	$	**$**
Profit/(Loss) after income tax	4,309,950	2,562,661
Non cash movements:		
Unrealised FX	-	-
Depreciation	65,520	392,486
Deferred tax assets	(114,334)	(157,514)
Cash movements:		
(Increase) in trade and other receivables	(4,198,651)	(17,236,115)
(Increase) / Decrease in reinsurance and other recoverable/receivable	(30,950,774)	(52,703,389)
(Increase) in Deferred reinsurance premiums	(11,622,222)	(16,522,137)
(Increase) in deferred acquisition costs	(320,814)	(1,067,641)
(Decrease) / Increase in trade and other payables	811,795	1,816,579
Increase in current tax liabilities	(454,114)	(202,910)
(Decrease) / Increase in other tax liabilities	1,001,698	2,647,712
(Decrease) / Increase in reinsurance liabilities	4,124,388	10,561,702
Increase in Deferred commission liabilities	630,048	1,319,143
Increase / (Decrease) in outstanding claims payable	38,424,737	57,864,601
Increase in unearned premium reserve	14,525,736	20,652,697
Increase / (Decrease) in intercompany payable	(19,703)	(587,581)
Increase in employee benefits provision	166,851	22,773
Net cash from operating activities	**16,380,111**	**9,363,067**

28. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There are no capital commitments or contingent liabilities as at 31 December 2020.

29. RELATED PARTY TRANSACTIONS

The entity is a Branch of Berkshire Hathaway Specialty Insurance Company (the "Company"), a company incorporated in the state of Nebraska, USA. The Company is a wholly owned subsidiary of National Indemnity Company, also incorporated in the state of Nebraska, USA. The Company's ultimate parent company is Berkshire Hathaway Inc., domiciled in the state of Delaware, USA and with its principal place of business in Omaha, Nebraska, USA.

The Branch is party to reinsurance agreements with its immediate parent entity, NICO. These agreements are entered under normal commercial terms and conditions. Details of transactions and balances at year end are listed below:

	2020 $	2019 $
Related party balances		
Intercompany receivable from NICO*	87,102,985	58,531,967
- Reinsurance premiums (payable)	(31,578,980)	(29,270,477)
- Reinsurance commissions receivable	2,360,459	2,181,774
- Reinsurance operating expenses receivable	1,761,186	1,689,878
- Reinsurance recoverable on paid losses	3,105,970	3,427,217
- Reinsurance recoverable on unpaid losses	111,454,350	80,503,576
Intercompany (payable) to BHSI AU*	(55,298)	(72,102)
Intercompany (payable) to BHSIC*	(213,373)	(69,982)
Related party payable	**(268,671)**	**(142,084)**
Related party transactions		
Transactions with NICO*		
- Outwards Reinsurance Expense	(48,470,107)	(48,470,107)
- Claim recoveries	48,001,852	62,933,756
- Reinsurance commission revenue	12,528,210	10,428,389
Transactions with BHSI AU*	(1,979,751)	(2,045,588)
Transactions with BHSIC*	(225,724)	(319,261)

**Abbreviations used above refer to the following entities:*
- *NICO refers to National Indemnity Company*
- *BHSI AU refers to Berkshire Hathaway Specialty Insurance Company – Australian Branch*
- *BHSIC refers to Berkshire Hathaway Specialty Insurance Company*

Intercompany balances are at no interest and are due on demand.

Bank guarantee

BHSI AU provides for an off-balance sheet bank guarantee of $292,674 for the office lease premises of BHSI NZ.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments	**Note**	**2020 $**	**2019 $**
Cash and cash equivalents			
Bank account	13	42,849,249	26,792,295
Term deposit	13	9,525,591	9,486,395
Financial liabilities at amortised cost			
Trade and other payables	16	3,641,331	2,829,536
Intercompany payables	28	268,671	288,374

The term deposit is subject to a one month maturity.

All financial liabilities are due within 12 months.

The carrying value of all financial assets and liabilities is considered to be a reasonable approximation of fair value.

a) Credit Risk

Financial assets or liabilities are stated in the Statement of Financial Position at the amount that best represents the credit risk exposure at Statement of Financial Position date. The Branch's only concentration of credit risk is in relation to reinsurance recoveries from NICO, which has a credit rating of AA+ from Standard and Poors rating agency.

b) Market Risk

The Branch invests in cash and cash-like investments and is not exposed to any material interest rate or foreign exchange risk. Premiums written in foreign currency are immaterial to the branch.

c) Liquidity Risk

The Company manages the liquidity risk of the Branch by maintaining appropriate levels of financial assets that are readily realisable and by continuously monitoring of forecast and actual cash flows. The Branch has sufficient cash to meet all financial liabilities at the Statement of Financial Position date.

31. BUSINESS ACTIVITIES

The Branch commenced writing business in June 2015. The Branch only writes commercial insurance contracts with its portfolio comprising of Property, Marine, Casualty, Accident & Health, Executive Professional risks, Cyber risks and Travel risks.

32. CREDIT RATING

The Company has an AA+ credit rating from Standard and Poors rating agency.

33. ADDITIONAL INFORMATION

	2020	**2019**
Number of employees	27	24

34. DISCLOSURE OF AUDITOR

The Branch auditor is Deloitte Touche Tohmatsu, and the auditor remuneration is **NZD $67,234** (2019: NZD $62,787).

35. THE COMPANY - SOLVENCY

As at 31 December 2020 the solvency reported in accordance with the State of Nebraska, USA Department of Insurance are:

	2020	**2019**
	$'000	$'000
Actual Solvency Capital	5,378,541	5,900,805
Minimum Solvency Capital	494,957	554,295
Solvency Margin	4,883,584	5,346,510
Solvency Ratio	1087%	1065%

36. THE COMPANY'S REINSURANCE PROGRAMME

The Company's treaty reinsurance programme with its immediate parent NICO forms a fundamental part of the Company's capital structure. It consists of an 80% proportional quota share and a risk specific element which limits the aggregate limit to 3 times the Branch's net earned premium ceded during the accident year (Maximum Aggregate Accident Year Liability). A commission of 80% of the Branch's expenses are recovered plus a further 2.5% of the Branch's net written premium.

The Branch also has an XOL reinsurance programme with NICO - a reinsurance premium equal to 2% of the gross net earned premium for the year. No claims will be made unless the Branch has sustained ultimate net loss amounts in excess of NZD $1m retention subject to a maximum aggregate limit of NZD $750m.

37. LIABILITY ADEQUACY TEST

The Liability Adequacy Test (LAT) is used to assess the sufficiency of the unearned premium liability to cover all expected cash flows relating to future claims against in force contracts. If the unearned premium liability less related deferred acquisition costs exceeds the present value (PV) of expected future cash flows plus additional risk margin then the unearned premium liability is deemed to be adequate.

The LAT is carried out on each portfolio of contracts in line with RBNZ's reporting categories, which each cover broadly similar risks. Given that adopted risk margins are based on benchmarks and the small size of BHSI NZ's portfolio, determining a diversification discount is highly uncertain and is likely to result in spurious accuracy, therefore no diversification discount has been applied. The following table details the value of the expected future income/expenditure items arising from in-force contracts:

	2020	**2019**
	$'000	$'000
Central estimate of PV of expected future claims	9,168	6,338
Risk margin	2,486	1,692
PV of expected future cash flows for future claims	**11,654**	**8,030**
Risk margin	27.12%	26.70%
At probability of sufficiency	75.00%	75.00%

The liability adequacy test identified a surplus on all portfolios and no write-down of deferred acquisition costs was recognised.

Deloitte.

Independent Auditor's Report to the Shareholder of Berkshire Hathaway Specialty Insurance Company - New Zealand Branch

Opinion

We have audited the financial statements of Berkshire Hathaway Specialty Insurance Company - New Zealand Branch (the 'Branch') which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 4 to 31.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Branch's financial position as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Branch in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Branch , except that partners and employees of our firm deal with the Branch on normal terms within the ordinary course of trading activities of the business of the Branch.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Emphasis of Matter – New Zealand Branch

The New Zealand branch is part of Berkshire Hathaway Specialty Insurance Company, which is incorporated in Australia. As described in note 1, the assets of the branch are legally available for the satisfaction of debts Berkshire Hathaway Specialty Insurance Company, not solely those appearing on the accompanying statement of financial position and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect of this matter.

Other Information

The directors on behalf of the Branch are responsible for the other information. The other information comprises the information included in the Branch's annual report for the year ended 31 December 2020, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the Financial Statements

The directors of the Berkshire Hathaway Specialty Insurance Company are responsible on behalf of the Branch for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Branch for assessing the ability of the Branch to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management or either intend to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Actuarial Valuations As at 31 December 2020 the Branch's outstanding claims payable were NZ$130.9 million. Outstanding claims payable include: • case reserves for future payments of reported claims determined on a claim by claim basis; and • actuarial estimates of future payments on claims incurred but not reported ('IBNR') determined using actuarial methodologies and methods as disclosed in note 3. Actuarially determined loss reserves involved a high degree of subjectivity and complexity with significant judgement involved in determining actuarial reserves for claims incurred but not reported and in performing the premium liability adequacy test. Key assumptions that have been identified as having high estimation uncertainty include loss ratios, discount and inflation rates and risk margin.	In conjunction with our actuarial specialists our procedures included, but were not limited to: • assessing the appropriateness of key controls in relation to the application of actuarial valuation methodology, selection of key assumptions and the collection and analysis of data; • evaluating the appropriateness of the actuarial methodology with respect to actuarial standards; • assessing the appropriateness of key assumptions; • assessing the mathematical accuracy of key calculations in the actuarial model, and performing sensitivity analysis to assess impact of changes to key assumptions; • re-performance of reconciliation of actuarial data to source documentation; and • assessing the appropriateness of the disclosures in notes 3 and 20 to the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh public interest benefits such as communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault
Partner
Chartered Accountant
Sydney, 30 April 2021

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

New Zealand Branch

Level 34, ANZ Centre, 23-29 Albert Street,
Auckland 1143

Company Registration No. 5737531

https://bhspecialty.com/nz/

Berkshire Hathaway Specialty Insurance Company

Statutory-Basis Financial Statements as of and for the Years Ended December 31, 2020 and 2019, Supplemental Schedules as of and for the Year Ended December 31, 2020, and Independent Auditors’ Report

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Berkshire Hathaway Specialty Insurance Company
Omaha, Nebraska

We have audited the accompanying statutory-basis financial statements of Berkshire Hathaway Specialty Insurance Company (the "Company"), a wholly owned subsidiary of National Indemnity Company, which is a wholly owned subsidiary of Berkshire Hathaway Inc., which comprise the statutory-basis statements of admitted assets, liabilities, and capital and surplus as of December 31, 2020 and 2019, the related statutory-basis statements of operations, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory-basis financial statements.

Management's Responsibility for the Statutory-Basis Financial Statements

Management is responsible for the preparation and fair presentation of these statutory-basis financial statements in accordance with the accounting practices prescribed or permitted by the Insurance Department of the State of Nebraska. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these statutory-basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory-basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory-basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory-basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statutory-basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory-basis financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 to the statutory-basis financial statements, the statutory-basis financial statements are prepared by the Company using the accounting practices prescribed or permitted by the Insurance Department of the State of Nebraska, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Insurance Department of the State of Nebraska.

The effects on the statutory-basis financial statements of the variances between the statutory-basis of accounting described in Note 1 to the statutory-basis financial statements and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America paragraph, the statutory-basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2020 and 2019, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory-Basis of Accounting

In our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Insurance Department of the State of Nebraska as described in Note 1 to the statutory-basis financial statements.

Report on Supplemental Schedules

Our 2020 audit was conducted for the purpose of forming an opinion on the 2020 statutory-basis financial statements as a whole. The summary investment schedule, the supplemental schedule of reinsurance interrogatories, and the supplemental investment risks interrogatories as of and for the year ended December 31, 2020 are presented for purposes of additional analysis and are not a required part of the 2020 statutory-basis financial statements. These schedules are the responsibility of the Company's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the 2020 statutory-basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the 2020 statutory-basis financial statements as a whole.

Deloitte & Touche LLP

May 14, 2021

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS AS OF DECEMBER 31, 2020 AND 2019 (Dollars in thousands, except share amounts)

	2020	2019
ADMITTED ASSETS:		
Bonds	$ 41,703	$ 117,986
Investment in perpetual preferred stock of affiliate	146,237	-
Perpetual preferred stock - unaffiliated	177,820	206,280
Unaffiliated common stocks	1,816,043	2,159,067
Other derivatives	1,727	1,792
Cash, cash equivalents, and short-term investments	3,291,710	2,687,050
Amounts recoverable from reinsurers	122,238	89,265
Funds held by or deposited with reinsured companies	5,403	8,626
Agents' balances or uncollected premiums	603,616	368,086
Accrued investment income	8,991	9,394
Receivables from parent, subsidiaries, and affiliates	11,409	6,159
Current federal and foreign income tax recoverable	9,385	5,380
Other assets	472	8,709
TOTAL	$ 6,236,754	$ 5,667,794
LIABILITIES AND CAPITAL AND SURPLUS:		
LIABILITIES:		
Losses and loss adjustment expenses	$ 1,017,268	$ 734,630
Retroactive reinsurance reserve ceded	(95,344)	(99,884)
Unearned premiums	372,836	314,118
Ceded reinsurance premiums payable	412,051	279,909
Reinsurance balances payable	108,110	21,276
Funds held under reinsurance treaties	814	814
Provision for reinsurance	249	400
Net deferred tax liability	109,838	167,907
Payable to affiliate	304,467	213,036
Current federal and foreign income taxes	5,603	1,778
Other liabilities	113,790	59,617
Total liabilities	2,349,682	1,693,601
Commitments and Contingencies (Note 6 and Note 9)		
CAPITAL AND SURPLUS:		
Common stock, $50 par value; 100,000 shares authorized, issued, and outstanding	5,000	5,000
Surplus:		
Gross paid-in and contributed surplus	3,324,938	3,324,938
Special surplus from retroactive reinsurance account	46,847	46,847
Unassigned surplus	510,287	597,408
Total capital and surplus	3,887,072	3,974,193
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 6,236,754	$ 5,667,794

See accompaning notes to statutory-basis financial statements.

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Dollars in thousands)

	2020	2019
UNDERWRITING:		
Premiums earned net of reinsurance	$ 1,128,215	$ 527,809
LOSSES AND EXPENSES INCURRED:		
Losses	945,504	362,891
Loss adjustment expenses	73,618	48,542
Underwriting expenses	196,054	152,013
Total losses and expenses incurred	1,215,176	563,446
Net underwriting income (loss)	(86,961)	(35,637)
INVESTMENT INCOME:		
Net interest and dividends	72,778	102,467
Net realized investment (losses) gains, less tax expense (benefit) of $38,308 and $6,710 for 2020 and 2019, respectively	(82,053)	15,030
Net investment income (loss)	(9,275)	117,497
OTHER INCOME (LOSS) — NET	(10,925)	1,917
INCOME (LOSS) BEFORE FEDERAL INCOME TAXES	(107,161)	83,777
FEDERAL AND FOREIGN INCOME TAX EXPENSE (BENEFIT)	(787)	13,742
NET INCOME (LOSS)	$ (106,374)	$ 70,035

See accompanying notes to statutory-basis financial statements.

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Dollars in thousands)

	2020	2019
CAPITAL STOCK - beginning and end of year	$ 5,000	$ 5,000
GROSS PAID-IN AND CONTRIBUTED SURPLUS - beginning and end of year	3,324,938	3,324,938
UNASSIGNED SURPLUS (DEFICIT) AND SPECIAL SURPLUS FROM RETROACTIVE REINSURANCE ACCOUNT:		
Balance at beginning of year	597,408	103,613
Balance special surplus from retroactive reinsurance at beginning of year	46,847	46,847
Net income (loss)	(106,374)	70,035
Change in net deferred income tax, excluding deferred taxes on unrealized investment gains and losses	45,186	3,945
Change in net unrealized gains (loss) (net of deferred taxes of $(12,434) and $108,717 in 2020 and 2019, respectively)	(27,624)	423,097
Change in net unrealized foreign exchange capital (loss) gain (net of deferred taxes of $(456) and $1,070 in 2020 and 2019, respectively)	(1,689)	3,986
Change in provision for reinsurance	151	439
Change in non-admitted assets	3,229	(7,707)
Balance at end of year	557,134	644,255
TOTAL CAPITAL AND SURPLUS	$ 3,887,072	$ 3,974,193

See accompanying notes to statutory-basis financial statements.

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Dollars in thousands)

	2020	2019
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Premiums collected — net of reinsurance	$ 1,099,588	$ 569,938
Losses paid	(654,275)	(224,971)
Loss adjustment expenses and underwriting expenses paid	(214,118)	(169,248)
Net investment income received	65,053	97,567
Federal income taxes (paid) received	(37,702)	(34,619)
Miscellaneous income (expense)	(5,918)	8,401
Net cash provided (used) by operating activities	252,628	247,068
CASH PROVIDED (USED) BY INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	373,791	270,427
Purchases of investments	(150,000)	(311,340)
Net cash provided (used) by investing activities	223,791	(40,913)
CASH PROVIDED (USED) BY FINANCING AND MISCELLANEOUS ACTIVITIES:		
Other	128,241	54,136
Net cash provided (used) by financing and miscellaneous activities	128,241	54,136
NET CHANGE IN CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	604,660	260,291
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:		
Beginning of year	2,687,050	2,426,759
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:		
End of year	$ 3,291,710	$ 2,687,050
Supplemental disclosures of cash flow information for non-cash transactions:		
Unaffiliated common stocks received in lieu of cash for preferred stock dividend distribution	$ 8,609	-

See accompanying notes to statutory-basis financial statements.

(Dollars and other currencies in thousands)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Berkshire Hathaway Specialty Insurance Company (the "Company") is a multi-line property and casualty insurance company domiciled in the State of Nebraska. All outstanding shares of the Company are directly owned by National Indemnity Company ("NICO"), an insurance company domiciled in the State of Nebraska. All outstanding shares of NICO are owned by Berkshire Hathaway Inc. ("BHI"), a Delaware corporation.

Prior to 2011, the Company was in run-off having discontinued writing commercial lines of business in 1990 and completed its withdrawal from the personal lines automobile market in 1995. The Company is engaged in the property liability insurance business in the United States, Australia, Dubai, Hong Kong, Labuan, Macau, New Zealand, and Singapore. The table shown below provides further information regarding the licensing of the Company's foreign branch operations:

International Licensing

Branch	License Date	Licensing Body	License Type
Australia	4/22/2015	Australian Prudential Regulation Authority	General Insurer
Dubai	2/7/2018	Dubai Financial Services Authority	General Reinsurance
Hong Kong	12/31/2014	Hong Kong Office of the Commissioner of Insurance	General Insurer
Labuan	12/16/2016	Labuan Financial Services Authority	General Reinsurance
Macau	9/19/2016	Monetary Authority of Macau	General Insurer
New Zealand	6/29/2015	Reserve Bank of New Zealand	General Insurer
Singapore	12/5/2014	Monetary Authority of Singapore	General Insurer

These branch results are included in the Company's statutory-basis financial statements.

Summary of Significant Accounting Policies

<u>Basis of Reporting</u>

The accompanying statutory-basis financial statements of the Company have been prepared in conformity with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures manual subject to any deviations prescribed or permitted by the Insurance Department of the State of Nebraska (the "Insurance Department").

The Company has a retroactive reinsurance agreement with NICO, where the Company cedes asbestos and environmental liabilities to NICO and all ceded recoverables on ceded losses billed after the inception date of the agreement are covered and reimbursed by NICO. The agreement meets the requirements listed in Statutory Statement of Accounting Principle (“SSAP”) No. 62R, *Property and Casualty Reinsurance - Revised*, paragraphs 66(a) through 66(e); therefore, the Company recorded the benefit from the retroactive reinsurance agreement as another allowed offset item in the calculation of the provision for reinsurance and such treatment was approved by the Insurance Department.

On January 10, 2020, the Company requested a permitted accounting practice from the Insurance Department to admit its investments in non-publicly traded Occidental Petroleum Corporation ("Occidental") common stock warrants acquired on August 8, 2019, which are reported as other derivatives in compliance with SSAP No. 86, *Accounting for Derivative Instruments and Hedging, Income Generation, and Replication*. SSAP No. 86, paragraph 19, states that other derivatives shall be accounted for at fair value and that they do not qualify as admitted assets. The Company received approval from the Insurance Department on January 28, 2020 to admit the fair value of the Occidental common stock warrants.

Use of Estimates

The preparation of the financial statements in conformity with statutory accounting principles (“SAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory-basis financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates and assumptions. Material estimates susceptible to significant change include liabilities for unpaid losses and loss adjustment expenses (“LAE”), investment valuation, and federal income taxes.

The outbreak of COVID-19 has adversely affected, and in the future it or other epidemics, pandemics or outbreaks may adversely affect the Company's operations, including the portfolio of equity securities. This is or may be due to closures or restrictions requested or mandated by governmental authorities, disruption to supply chains and workforce, reduction of demand for products and services, credit losses when customers and other counterparties fail to satisfy their obligations to the Company, and volatility in global equity securities markets, among other factors. Many of these risks are shared with all businesses. The potential effects of the pandemic, including those that may be affected by judicial rulings and regulatory and legislative actions pertaining to insurance coverage and claims, cannot be reasonably estimated at this time. Any adverse effects were not significant to the Company’s 2020 operations.

Cash, Cash Equivalents, and Short-Term Investments

Cash equivalents, if any, include securities purchased with an original maturity of three months or less at the time of acquisition and are stated at amortized cost.

Short-term investments include investments whose maturities at the time of acquisition are one year or less, excluding those investments classified as a cash equivalent, and are stated at amortized cost.

Investments

Bonds are carried at the lower of amortized cost or fair value based on their NAIC rating and any adjustments to fair value are reported directly in unassigned surplus. The Company uses the constant yield method to amortize bond premium and discount.

Perpetual preferred stocks are carried at the lower of amortized cost or fair value based on their NAIC rating.

Common stocks, other than investments in stocks of subsidiaries and affiliates, are carried at fair value subject to limitations described in Note 2.

Non-publicly traded common stock warrants are reported as other derivatives and carried at fair value in compliance with SSAP No. 86. The fair value of the Occidental common stock warrants is admitted through application of a permitted practice approved by the Insurance Department.

Investments in subsidiaries and affiliates are recorded pursuant to SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities* ("SSAP No. 97"). SSAP No. 97 requires that affiliated preferred stock be valued according to SSAP No. 32 *Preferred Stock*. Current year acquisitions, disposals, and valuations of such entities are disclosed in Note 2.

The Company owns all outstanding shares of Berkshire Hathaway Global Insurance Services, LLC ("BHGIS, LLC"), which is valued at December 31, 2020 GAAP equity, adjusted for unamortized goodwill. Goodwill is amortized under the ten-year amortization rule in compliance with SSAP No. 68. BHGIS, LLC is not audited under GAAP and is, therefore, non-admitted pursuant to SSAP No. 97.

Investment gains and losses arise when investments are sold (as determined on a specific identification basis) or are other than temporarily impaired. If, in management's judgment, a decline in the value of an investment other than a loan-backed or structured security below cost is other than temporary, the amortized cost of the investment is written down to fair value with a corresponding charge to earnings. Factors considered in judging whether an impairment is other than temporary include the financial condition, business prospects, and creditworthiness of the issuer; the opinions of investment managers; the length of time that fair value has been less than cost; the relative significance of the decline; the Company's intent to sell; and the ability and intent to hold the investment until the fair value recovers.

For loan-backed or structured security investments, the Company first assesses whether it intends to sell any loan-backed or structured security in an unrealized loss position. If the determination is made to sell a particular investment in an unrealized loss position, the security's decline in fair value is other than temporary and the amortized cost of the investment is written down to fair value with a corresponding charge to earnings. If management has not made the decision to sell the loan-backed or structured security investment, then an evaluation of whether there is the intent and ability to retain the security for a period of time sufficient to recover amortized cost is required. If management does not have the intent and ability to retain the loan-backed and structured security for the time sufficient to recover the amortized cost basis, an other than temporary impairment ("OTTI") has occurred. If management intends to hold the security, an evaluation of whether the entire amortized cost is expected to be recovered is needed. To determine if the amortized cost will be recovered, the discounted estimated future cash flows are compared to the current book value and if they are less than the current book value, the cost of the loan-backed or structured security is written down to the discounted estimated future cash flows with the write-down as a charge to earnings.

Investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded as earned on the ex-dividend date. The Company does not anticipate investment income as a factor in premium deficiency calculations.

Losses and Loss Adjustment Expenses

Unpaid losses and LAE are comprised of 1) amounts directly determined from individual case estimates and loss reports on unsettled claims and 2) amounts determined based on reports from reinsureds, past experience, and consideration of the exposure base and assessment of economic and legal trends for a) loss development of reported unpaid claims and b) losses incurred but not reported ("IBNR"). The Company does not anticipate salvage and subrogation when estimating unpaid losses and LAE. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any changes to estimates of ultimate prior period losses are recognized in the period of redetermination.

Revenue Recognition

Premiums are earned pro rata reflecting the underlying exposure, except for certain accident and health business where premiums are earned as written. Unearned premium reserves are established to cover the unexpired portion of premiums written. Premiums received in advance of the policy's effective date are recorded as advance premiums and are included in other liabilities.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Reinsurance

In the normal course of business, the Company seeks to reduce the loss that may arise from events that cause unfavorable underwriting results by reinsuring certain levels of risk with unaffiliated insurers.

Prospective reinsurance premiums, commissions, expense reimbursements, and reserves relating to reinsured business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to other companies, which are primarily calculated based on direct earned premiums, are reported as a reduction of direct written premiums. Amounts applicable to reinsurance ceded for losses and LAE are reported as a reduction of this item on the statutory-basis statements of operations. Amounts applicable to reinsurance ceding commissions are reported as a reduction of underwriting expenses on the statutory-basis statements of operations.

Gains from retroactive reinsurance contracts are reported as a segregated surplus account and are not reported as earned surplus until the Company has recovered amounts in excess of the consideration paid.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash, cash equivalents and short-term investments, bonds, perpetual preferred stocks, unaffiliated common stocks, and reinsurance recoverables. The Company monitors the amount of credit exposure with any one financial institution and believes that no significant concentration of credit risk exists with respect to cash, cash equivalents and short-term investments, bonds, perpetual preferred stocks, and unaffiliated common stocks. Premiums receivable is also potentially subject to concentration of credit risk. Based upon Company experience, the amount that may be uncollectible and the potential losses are not material to the Company's financial condition and at December 31, 2020 and December 31, 2019, there was no concentration of credit risk.

The Company has a retroactive reinsurance agreement with its parent, NICO, where the Company cedes asbestos and environmental liabilities to NICO and all ceded recoverables on ceded losses billed after the inception date of the agreement are covered and reimbursed by NICO. The agreement meets the requirements listed in SSAP No. 62R, paragraphs 66(a) through 66(e), therefore, the Company recorded the benefit from the retroactive reinsurance agreement as an other allowed offset item in Schedule F, Part 3, as prescribed in SSAP No. 62R, paragraphs 67 and 100(c), and approved by the Insurance Department as a permitted accounting practice. This accounting practice differs from NAIC statutory accounting practices and procedures and the result is an increase of $4,796 and $5,206 for December 31, 2020 and 2019, respectively, to surplus when compared to NAIC standards.

The Company's balance of reinsurance recoverable on paid and unpaid losses at December 31, 2020 and 2019 was $2,434,503 (99.0%) and $1,826,902 (98.2%), respectively, from affiliated companies, specifically NICO.

Fair Value of Financial Instruments

Fair values of financial instruments have been determined by the Company using available market information and valuation methodologies. However, judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different valuation methodologies or market assumptions may have an effect on the estimated fair value amounts presented.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for statutory-basis financial instruments:

Bonds, Cash Equivalents, and Short-Term Investments — For publicly traded bonds, cash equivalents, and short-term investments, the fair value is based upon observable market quotations or observable market data or derived from such quotations and observable market data. For non-publicly traded bonds, fair value is based on inputs, including quoted market prices for identical or similar assets in markets that are active or not active or non-binding broker quotes and models that are widely accepted in the financial services industry and that use internally assigned credit ratings as inputs and instrument-specific inputs. Instrument-specific inputs used in internal fair value determinations include coupon rate, coupon type, weighted average life, sector of the issuer, and call provisions.

Perpetual Preferred Stocks — The fair value for preferred stocks is based primarily on valuation models, including discounted cash flow models, or other valuation techniques that are believed to be used by market participants.

Unaffiliated Common Stocks — The fair values for unaffiliated common stocks, including common stock warrants, are based on quotations from independent pricing services, applicable stock exchanges, or received from other reliable sources when available, or on valuation models, including discounted cash flow models or other valuation techniques that are believed to be used by market participants.

Other Derivatives — Non-publicly traded common stock warrants are valued using a warrant valuation model. While most inputs to the model are observable, assumptions are made regarding expected duration and volatility.

SAP vs. GAAP

Accounting practices and procedures of the SAP as prescribed or permitted by the Insurance Department comprise a comprehensive basis of accounting other than GAAP. The more significant differences are as follows:

(a) Investments in bonds are generally carried at amortized cost; while under GAAP, they are carried at either amortized cost or estimated fair value based on their classification according to the Company's ability and intent to hold or trade securities;

(b) SAP requires investments in equity securities to be carried at fair value with unrealized gains and losses on investments in equity securities be recorded directly to surplus; under GAAP, equity securities with readily determinable fair values are carried at fair value with unrealized gains and losses included in earnings; equity securities without readily determinable fair value may be carried at cost, subject to an impairment test;

(c) Perpetual preferred stocks are carried at the lower of amortized cost or fair value based on their NAIC rating; while under GAAP, if they are deemed equity securities they are carried consistent with equity securities;

(d) Acquisition costs, such as commissions and other costs related to acquiring new business, are expensed as incurred; while under GAAP, they may be deferred when attributable to the successful acquisition of new or renewal business and are subject to recoverability and are amortized to income as premiums are earned;

(e) SAP requires a provision for deferred taxes based upon the temporary differences between SAP and tax bases of certain assets and liabilities. Under SAP, there are limitations as to the amount of deferred tax assets that may be reported as "admitted assets". All deferred taxes are charged (or credited) directly to unassigned surplus; whereas certain elements of GAAP deferred taxes are included in net income. A federal income tax provision is required on a current basis only for the statutory-basis statement of operations. Under GAAP, deferred taxes are provided on temporary differences between the GAAP and tax bases of assets and liabilities, including amounts related to unrealized investment gains, net of a valuation allowance, if required;

(f) Assets are reported under SAP at "admitted asset" value and "non-admitted assets" are excluded through a charge against unassigned surplus; while under GAAP, "non-admitted assets" are reinstated to the balance sheet, net of any valuation allowance;

(g) The change in provision for reinsurance is charged, or credited, directly through unassigned surplus under SAP; while this provision is not recognized for GAAP purposes;

(h) Certain items in the statutory-basis statements of admitted assets, liabilities, and capital and surplus under SAP are reported net of reinsurance; while under GAAP, the balance sheet reports reinsurance recoverables, including amounts related to losses, IBNR, and pre-paid reinsurance premiums, as assets;

(i) Under SAP, comprehensive income and its components are not presented in the statutory-basis financial statements;

(j) Under SAP, if the Company has the intent to sell an impaired security, including a loan-backed or structured security or the Company does not have the intent and ability to retain the investment for a period of time sufficient to recover the amortized cost basis, the cost basis of the security is typically written down to fair value. If the Company does not have the intent to sell and it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the discounted estimated future cash flows. Under GAAP, for securities in an unrealized loss position, losses are recognized in earnings for the excess of amortized cost over fair value if the security is to be sold before the price recovers. Otherwise, the security is evaluated as of the balance sheet date whether the unrealized losses are attributable to credit losses or other factors. An allowance for credit losses is recorded, limited to the excess of amortized cost over fair value, along with a corresponding charge to earnings. The portion of the unrealized loss that is believed not to be related to a credit loss is recognized in other comprehensive income;

(k) Under SAP, the estimated liabilities and claim costs in excess of the consideration paid ("gains") with respect to ceded retroactive property and casualty reinsurance contracts that provide for indemnification of insurance risk are expensed at the inception of such contracts; while under GAAP, the Company defers these gains and subsequently amortizes them using the interest method over the expected claim settlement periods;

(l) Under SAP, cash, cash equivalents, and short-term investments represent cash balances and investments with initial maturities of one year or less. Under GAAP, cash and cash equivalents balances include investments with initial maturities of three months or less at the time of acquisition;

(m) Under SAP, the fair value of non-publicly traded common stock warrants are reported as other derivatives; while under GAAP, the fair value of such investments may be reported as equity securities based on the facts and circumstances.

Accounting Pronouncements

There were no substantive accounting pronouncements adopted by the NAIC during 2020 or 2019 that had a material effect on the Company's statutory-basis financial statements. On December 7, 2019, the NAIC adopted additional non-substantive guidance for SSAP No. 86 to explicitly include non-publicly traded common stock warrants as other derivatives. Paragraph 19 was added to SSAP No. 86 requiring non-publicly traded common stock warrants to be accounted for at fair value and stating that these derivatives do not qualify as admitted assets. The Company subsequently received approval of a permitted practice to admit the warrants as previously disclosed in Note 1. The refined guidance was approved after the Company's acquisition of non-publicly traded warrants to purchase common stock shares of Occidental (see Note 2.) The accounting prescribed by SSAP No. 86 is different from the Company's previous interpretation of SAP guidance applicable for common stock warrants. The impact of the refined guidance did not have a material impact on the Company's statutory-basis financial statements.

2. INVESTMENTS

The carrying value, cost or amortized cost, gross unrealized gains, gross unrealized losses, and fair value of the Company's bonds, perpetual preferred stock, and other invested assets were as follows:

At December 31, 2020	Carrying Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds:					
U.S. government	$ 6,988	$ 6,988	$ 98	$ -	$ 7,086
All other governments	34,384	33,958	684	-	34,642
U.S. states, territories, and possessions	145	145	1	-	146
Mortgage-backed securities	186	186	5	(1)	190
Total bonds	$ 41,703	$ 41,277	$ 788	$ (1)	$ 42,064
Other Invested Assets:					
Investments in limited liability companies (Note 1)	$ -	$ 13,728	$ -	$ -	$ 13,728
At December 31, 2019					
Bonds:					
U.S. government	$ 7,010	$ 7,010	$ 81	$ -	$ 7,091
All other governments	110,492	108,909	1,583	(203)	110,289
U.S. states, territories, and possessions	280	280	1	-	281
Mortgage-backed securities	204	204	4	(1)	207
Total bonds	$ 117,986	$ 116,403	$ 1,669	$ (204)	$ 117,868
Other Invested Assets:					
Investments in limited liability companies (Note 1)	$ -	$ 13,728	$ -	$ -	$ 13,728

At December 31, 2020 and 2019, the Company held no bonds with NAIC designations of 3 to 6.

At December 31, 2020	Carrying Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Perpetual preferred stocks - affiliated	$ 146,237	$ 150,000	$ -	$ 3,763	$ 146,237
Perpetual preferred stocks - unaffiliated	177,820	196,600	-	18,780	177,820
Total preferred stock	$ 324,057	$ 346,600	$ -	$ 22,543	$ 324,057

At December 31, 2019	Carrying Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Total perpetual preferred stocks - unaffiliated	$ 206,280	$ 196,600	$ 9,680	$ -	$ 206,280

At December 31, 2019, the Company held perpetual preferred stock with an NAIC designation of 2 and with a carrying value of $206,280. During 2020, this perpetual preferred stock changed from an NAIC designation of 2 to 4 and was, therefore, measured and reported at the lower of amortized cost or fair value.

On October 29, 2020, the Company purchased 150,000 shares of Perpetual Preferred Stock ("Preferred Stock") from its affiliate, Berkshire Hathaway Energy Company ("BHEC") for a cost of $150,000. The Preferred Stock has a liquidation value of $1,000 per share, accrues dividends at 4% per annum and is redeemable at BHEC's option at any time. The Preferred Stock has no maturity date and dividends are paid in cash.

On August 8, 2019, the Company acquired Occidental Cumulative Perpetual Preferred Stock Series A at a cost of $196,600 and non-publicly traded warrants to purchase 1,600,000 shares of Occidental common stock at an exercise price of $62.50 per share for initial consideration of $3,400. During 2020, Occidental adjusted the Company's initial warrants to 1,677,176.98 shares and the exercise price to $59.624 per share. The warrants are exercisable in whole or in part until one year after the redemption of the preferred stock, which is redeemable at the option of Occidental commencing on August 8, 2029. The warrants are reported as other derivatives, carried at fair value pursuant to the permitted practice received by the Insurance Department. At December 31, 2020, the fair value of the warrants was $1,727, resulting in an unrealized loss of $1,673. The maximum loss that may occur is the amount of consideration paid for the warrants. Such loss would occur if the market price of the underlying common stock does not exceed the exercise price at the time of expiration. Liquidity constraints exist due to the non-publicly traded nature of the warrants and contractual restrictions on transferability.

During the second and third quarters of 2020, the Company received common stock shares in lieu of cash for Occidental preferred stock dividend distributions as allowed under the original agreement. The Company subsequently sold the Occidental common stock shares.

The carrying value, cost, and fair value of the Company's unaffiliated common stocks were as follows:

At December 31, 2020	Carrying Value	Cost	Fair Value
Unaffiliated Common Stocks:			
Apple Inc	$ 732,980	$ 152,967	$ 732,980
Bank of America Corp	196,682	182,991	196,682
Bank of New York Mellon	460,007	499,998	460,007
US Bancorp	426,374	370,824	426,374
Total unaffiliated common stocks	$ 1,816,043	$ 1,206,780	$ 1,816,043
At December 31, 2019			
Unaffiliated Common Stocks:			
Apple Inc	$ 405,531	$ 152,967	$ 405,531
Bank of America Corp	228,542	182,991	228,542
Bank of New York Mellon	545,527	499,998	545,527
Goldman Sachs Group, Inc.	436,867	335,255	436,867
US Bancorp	542,600	370,824	542,600
Total unaffiliated common stocks	$ 2,159,067	$ 1,542,035	$ 2,159,067

The Company's investment securities restricted or pledged as collateral were as follows:

December 31, 2020

	Gross Restricted				Percentage	
	Total Current Year	Total Prior Year	Increase/ (Decrease)	Total Current Year Admitted Restricted	Gross Restricted to Total	Admitted Restricted to Total Admitted Assets
Restricted Asset Category:						
On deposit with states	$ 6,174	$ 6,177	$ (3)	$ 6,174	0.1%	0.1%
On deposit with other regulatory bodies	8,364	4,704	3,660	8,364	0.1%	0.1%
Letter stock or securities restricted as to sale	325,784	208,072	117,712	325,784	5.2%	5.2%
	$ 340,322	$ 218,953	$ 121,369	$ 340,322	5.4%	5.4%

December 31, 2019

	Gross Restricted				Percentage	
	Total Current Year	Total Prior Year	Increase/ (Decrease)	Total Current Year Admitted Restricted	Gross Restricted to Total	Admitted Restricted to Total Admitted Assets
Restricted Asset Category:						
On deposit with states	$ 6,177	$ 6,410	$ (233)	$ 6,177	0.1%	0.1%
On deposit with other regulatory bodies	4,704	4,387	317	4,704	0.1%	0.1%
Letter stock or securities restricted as to sale	208,072	-	208,072	208,072	3.6%	3.7%
	$ 218,953	$ 10,797	$ 208,156	$ 218,953	3.8%	3.9%

The cost or amortized cost and fair value of bonds at December 31, 2020, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Cost or Amortized Cost	Fair Value
Maturity:		
Due in one year or less	$ 39,523	$ 39,840
After one year through five years	1,994	2,034
After five years through ten years	-	-
After ten years	-	-
Mortgage backed securities	186	190
Total	$ 41,703	$ 42,064

Proceeds from the sale of bonds in 2020 totaled $73,344, resulting in a foreign exchange loss of $1,300, realized gain of $0, and total loss of $1,300. Proceeds from the sale of bonds in 2019 totaled $114,031, resulting in a foreign exchange loss of $2,963, realized gain of $0, and total loss of $2,963.

Proceeds from the sale of common stocks in 2020 totaled $302,816, resulting in a realized loss of $41,048. Proceeds from the sale of stocks in 2019 totaled $155,422, resulting in a realized gain of $24,710.

The following tables show the gross unrealized losses and fair values aggregated by investment category and length of time that bonds and common stocks have been in a continuous unrealized loss position at December 31, 2020 and 2019:

	December 31, 2020					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities:						
Bonds:						
U.S. governement	$ -	$ -	$ -	$ -	$ -	$ -
All other governments	-	-	-	-	-	-
Mortgage backed securities	96	(1)	-	-	96	(1)
Total bonds	96	(1)	-	-	96	(1)
Derivatives	1,727	(1,673)	-	-	1,727	(1,673)
Preferred stock - unaffiliated	177,820	(18,780)	-	-	177,820	(18,780)
Preferred stock - affiliated	146,237	(3,763)	-	-	146,237	(3,763)
Unaffiliated common stocks	460,007	(39,991)	-	-	460,007	(39,991)
Total temporarily impaired securities	$ 785,887	$ (64,208)	$ -	$ -	$ 785,887	$ (64,208)

	December 31, 2019					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities:						
Bonds:						
U.S. governement	$ -	$ -	$ -	$ -	$ -	$ -
All other governments	110,289	(203)	-	-	110,289	(203)
Mortgage backed securities	-	-	100	(1)	100	(1)
Total bonds	110,289	(203)	100	(1)	110,389	(204)
Other derivatives	1,792	(1,608)			1,792	(1,608)
Total temporarily impaired securities	$ 112,081	$ (1,811)	$ 100	$ (1)	$ 112,181	$ (1,812)

The Company has not pledged any of its assets as collateral for repurchase agreements.

The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other than temporary. Based on an evaluation, the Company had concluded that the declines in the fair values of the Company's investments for the years ended December 31, 2020 and 2019 were temporary.

3. INCOME TAXES

The components of the Company's net deferred tax assets (liabilities) are as follows as of December 31:

	2020		
	Ordinary	Capital	Total
Gross deferred tax assets	$ 41,579	$ 4,295	$ 45,874
Statutory valuation allowance adjustment	6,839	-	6,839
Adjusted gross deferred tax assets	34,740	4,295	39,035
Deferred tax liabilities	1,177	147,696	148,873
Subtotal net deferred tax assets (liabilities)	33,563	(143,401)	(109,838)
Deferred tax assets non-admitted	-	-	-
Net admitted deferred tax assets (liabilities)	$ 33,563	$ (143,401)	$ (109,838)

	2019		
	Ordinary	Capital	Total
Gross deferred tax assets	$ 32,504	$ 338	$ 32,842
Statutory valuation allowance adjustment	-	-	-
Adjusted gross deferred tax assets	32,504	338	32,842
Deferred tax liabilities	1,434	199,315	200,749
Subtotal net deferred tax assets (liabilities)	31,070	(198,977)	(167,907)
Deferred tax assets non-admitted	-	-	-
Net admitted deferred tax assets (liabilities)	$ 31,070	$ (198,977)	$ (167,907)

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101, *Income Taxes*, *A Replacement of SSAP No. 10R and SSAP No. 10,* is as follows as of December 31:

	2020		
	Ordinary	**Capital**	**Total**
Admission calculation components:			
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from (a) above) after application of the threshold limitation			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	583,061
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from above) offset by gross deferred tax liabilities	34,740	4,295	39,035
d. Total deferred tax assets admitted	$ 34,740	$ 4,295	$ 39,035
Ratio percentage used to determine recovery period and threshold limitation amount			1087%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount			$ 3,887,072

	2019		
	Ordinary	**Capital**	**Total**
Admission calculation components:			
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from (a) above) after application of the threshold limitation			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	596,129
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from above) offset by gross deferred tax liabilities	32,504	338	32,842
d. Total deferred tax assets admitted	$ 32,504	$ 338	$ 32,842
Ratio percentage used to determine recovery period and threshold limitation amount			1065%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount			$ 3,974,193

	2020		
	Ordinary	Capital	Total
Impact of Tax Planning Strategies:			
Adjusted gross deferred tax assets	0.00%	0.00%	0.00%
Net admitted adjusted gross deferred tax assets	0.00%	0.00%	0.00%

	2019		
	Ordinary	Capital	Total
Impact of Tax Planning Strategies:			
Adjusted gross deferred tax assets	0.00%	0.00%	0.00%
Net admitted adjusted gross deferred tax assets	0.00%	0.00%	0.00%

The Company's tax planning strategies did not include the use of reinsurance.

The Company does not carry any deferred tax assets or deferred tax liabilities on unrealized gains or losses related to investments in affiliates. There are no temporary differences for which a deferred tax liability has not been established.

Current income taxes consist of the following major components as of December 31:

	2020	2019
Federal	$ (6,935)	$ 10,994
Foreign	6,148	2,748
Subtotal	(787)	13,742
Federal income tax on net capital gains (losses)	38,308	6,710
Federal and foreign income taxes incurred	$ 37,521	$ 20,452

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows as of December 31:

	2020	2019	Change
Deferred Tax Assets:			
Ordinary:			
Discounting of unpaid losses	$ 12,684	$ 7,984	$ 4,700
Unearned premium reserve	16,010	13,154	2,856
Deferred acquisition costs	1,175	1,234	(59)
Fixed assets	398	378	20
Compensation and benefits accrual	5,230	3,946	1,284
Non-admitted assets	1,353	2,804	(1,451)
Net operating loss carryforward	2,007	4,921	(2,914)
Other	2,722	(1,917)	4,639
Subtotal	41,579	32,504	9,075
Statutory valuation allowance adjustment	6,839	-	6,839
Non-admitted	-	-	-
Admitted ordinary deferred tax assets	34,740	32,504	2,236
Capital:			
Investments	4,295	338	3,957
Subtotal	4,295	338	3,957
Statutory valuation allowance adjustment	-	-	-
Non-admitted	-	-	-
Admitted capital deferred tax assets	4,295	338	3,957
Total Admitted deferred tax assets	$ 39,035	$ 32,842	$ 6,193

	2020	2019	Change
Deferred Tax Liabilities:			
Ordinary:			
Investments	$ 757	$ 1,029	$ (272)
Amounts recoverable from reinsurers	420	405	15
Ceded retroactive reinsurance	-	-	-
Subtotal	1,177	1,434	(257)
Capital:			
Investments	147,696	199,315	(51,619)
Subtotal	147,696	199,315	(51,619)
Deferred tax liabilities	$ 148,873	$ 200,749	$ (51,876)

	2019	2018	Change
Deferred Tax Assets:			
Ordinary:			
Discounting of unpaid losses	$ 7,984	$ 4,698	$ 3,286
Unearned premium reserve	13,154	10,098	3,056
Deferred acquisition costs	1,234	1,047	187
Fixed assets	378	3,169	(2,791)
Compensation and benefits accrual	3,946	4,420	(474)
Non-admitted assets	2,804	1,427	1,377
Net operating loss carryforward	4,921	1,942	2,979
Other	(1,917)	395	(2,312)
Subtotal	32,504	27,196	5,308
Statutory valuation allowance adjustment	-	-	-
Non-admitted	-	-	-
Admitted ordinary deferred tax assets	32,504	27,196	5,308
Capital:			
Investments	338	294	44
Subtotal	338	294	44
Statutory valuation allowance adjustment	-	-	-
Non-admitted	-	-	-
Admitted capital deferred tax assets	338	294	44
Admitted deferred tax assets	$ 32,842	$ 27,490	$ 5,352

	2019	2018	Change
Deferred Tax Liabilities:			
Ordinary:			
Accrued dividends	$ 1,029	$ 444	$ 585
Amounts recoverable from reinsurers	405	459	(54)
Ceded retroactive reinsurance	-	-	-
Subtotal	1,434	903	531
Capital:			
Investments	199,315	88,662	110,653
Subtotal	199,315	88,662	110,653
Deferred tax liabilities	$ 200,749	$ 89,565	$ 111,184

	2020	2019	Change
Total deferred tax assets	$ 39,035	$ 32,842	$ 6,193
Total deferred tax liabilities	148,873	200,749	(51,876)
Net deferred tax liabilities	$ (109,838)	$ (167,907)	58,069
Tax effect of unrealized gains (losses)			(12,890)
Change in net deferred income tax			$ 45,179

	2019	2018	Change
Total deferred tax assets	$ 32,842	$ 27,490	$ 5,352
Total deferred tax liabilities	200,749	89,565	111,184
Net deferred tax liabilities	$ (167,907)	$ (62,075)	(105,832)
Tax effect of unrealized gains (losses)			109,787
Change in net deferred income tax			$ 3,955

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory-basis federal income tax rate to income before taxes. The significant items causing this difference are as follows:

	December 31, 2020		December 31, 2019	
	Tax Effect	Effective Tax Rate	Tax Effect	Effective Tax Rate
Income before taxes	$ (14,459)	21.0 %	$ 19,002	21.0 %
Dividends received deduction	(6,132)	8.9	(4,844)	(5.4)
Accrued dividends	-	0.0	(351)	(0.4)
Proration	1,519	(2.2)	1,211	1.3
Change in nonadmitted assets	678	(1.0)	(1,618)	(1.8)
Change in statutory valuation allowance	6,148	(8.9)	-	0.0
Sale of contributed stock	4,812	(7.0)	2,963	3.3
Foreign tax credit	(6,148)	8.9	(2,747)	(3.0)
Foreign taxes	6,148	(8.9)	2,747	3.0
Other	(224)	0.3	134	0.2
Total	$ (7,658)	11.1 %	$ 16,497	18.2 %
Federal income taxes incurred	$ (787)	1.1 %	$ 13,742	15.2 %
Tax on capital gains (losses)	38,308	(55.6)	6,710	7.4
Change in net deferred income taxes	(45,179)	65.6	(3,955)	(4.4)
Total statutory income taxes	$ (7,658)	11.1 %	$ 16,497	18.2 %

At December 31, 2020 and 2019, the Company had no net operating loss, capital loss, or tax carryforwards to offset against future U.S. taxable income and had approximately $12,368 and $32,116, respectively, of unused non-capital loss carryforwards available to offset against future taxable income in foreign jurisdictions. The foreign non-capital loss carryforwards expire ranging from 2021 to being available indefinitely.

The following is income tax expense for 2020 and 2019 that is available for recoupment in the event of future losses:

Year	Total
2020	$ 31,418
2019	19,272

The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code, nor did it have any alternative minimum tax credit refunds as of December 31, 2020.

The Company joins with a group of approximately 800 affiliated companies in the filing of a consolidated federal income tax return by BHI, common parent company of the group. The consolidated tax liability is allocated among affiliates in the ratio that each affiliate's separate return tax liability bears to the sum of the separate return tax liabilities of all affiliates that are members of the consolidated group. In addition, a complementary method is used which results in reimbursement by profitable affiliates to loss affiliates for tax benefits generated by loss affiliates. In the event this Company incurs a net operating loss in a future year in which the group reports consolidated taxable income, this Company will be entitled to reimbursement (from other profitable members of the group) for the income tax benefits attributable to the loss. All federal income taxes allocated to this Company for the current and preceding year may be recoverable in the event future net operating losses are reported by this Company, the sub-group of property-casualty insurance companies in the consolidated return (on an aggregate basis), and the consolidated return group as a whole, depending upon the magnitude of such losses.

The Company generally classifies all interest and penalties related to tax contingencies as a component of income tax expense. As of December 31, 2020, there were no accruals for interest and penalties recorded as an income tax liability on the statutory-basis statement of admitted assets, liabilities, and capital and surplus, nor recognized as income tax incurred on the statutory-basis statement of operations.

As of December 31, 2020, there were no positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase or decrease within 12 months of the reporting date. Certain tax returns in which the Company is included are under examination by the taxing authorities in the respective jurisdictions. The Company has settled income tax liabilities with U.S. federal taxing authorities for years through 2011. The Internal Revenue Service ("IRS") continues to audit BHI's consolidated U.S. federal income tax returns for the 2012 through 2016 tax years.

4. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

On December 27, 2013, the Company received a gross capital contribution from its parent, NICO, of $3,253,971, consisting of unaffiliated common stock shares. The Company assumed the net deferred tax liability of $233,867 related to the net unrealized gains associated with the common stock shares as of the date of the contribution. Therefore, the net increase to policyholders' surplus due to the contribution was $3,020,104. Since the contribution, the Company sold a portion of the common stock shares contributed by NICO, resulting in a decrease to the net deferred tax liability assumed as part of the contribution. As of December 31, 2019, the remaining deferred tax liability assumed as part of the contribution was $62,080. As of December 31, 2020, the remaining net deferred tax liability assumed as part of the contribution was $14,585.

The Company has an investment services agreement with NICO, where NICO is appointed as investment manager, subject, at all times, to the investment policy approved by the Company's Board of Directors and such other direction given by the Board of the Company.

The Company has an inter-company service agreement with NICO, where NICO may perform certain administrative and special services to the Company and makes available to the Company certain property, equipment, and facilities for a fee as specified in the agreement.

The Company has a management agreement with NICO, which is designed to allocate a proportionate share of operating expenses to affiliated companies effective September 9, 2010. The agreement has received approval of the parties' state of domicile. The terms require that amounts related to these agreements be settled within 60 days. All amounts per the agreement are immaterial.

The Company has an inter-company service agreement with National Liability & Fire Insurance Company ("NL&F"), where NL&F may provide certain administrative and special services to the Company and makes available to the Company certain property, equipment, and facilities for a fee as specified in the agreement. The agreement has received approval of the parties' state of domicile. The terms require that amounts related to these agreements be settled within 60 days. All amounts per agreement were immaterial.

The Company has a management agreement with NL&F, which is designed to allocate a proportionate share of operating expenses to affiliated companies. The agreement has received approval of the parties' state of domicile. The terms require that amounts related to these agreements be settled within 60 days. All amounts per agreement were immaterial.

The Company has an inter-company service agreement with National Fire & Marine Insurance Company ("NF&M"), where BHSIC may perform certain underwriting, advisory, and claims services for NF&M in connection with its insurance business. Costs allocated during 2020 related to the agreement totaled $117,402 and were immaterial for 2019. The agreement has received approval of the parties' state of domicile. The terms require that amounts related to these agreements, including service costs and amounts collected on behalf of NF&M, be settled within 60 days of each calendar quarter. The amount due to NF&M by the Company totaled $299,106, which included a receivable of $30,423 for cost allocation, and $210,369 at December 31, 2020 and December 31, 2019, respectively.

The Company and BHI have an agreement for BHI to provide certain investment management services to the Company. The agreement has been reported to the Insurance Department and received deemed approval. All amounts per the agreement were immaterial.

The Company and General Reinsurance Corporation ("GRC") entered into an agreement for GRC to provide certain internal audit services to the Company. The agreement has been reported to the Insurance Department and received deemed approval. All amounts per the agreement were immaterial.

The Company has an agreement with its affiliates, Berkshire Hathaway International Insurance Limited ("BHIIL") and Resolute Management Limited ("RML"), where the Company may provide various administrative and special services to BHIIL and RML. The agreement has been reported to the Insurance Department and received deemed approval. All amounts per the agreement were immaterial.

5. CAPITAL AND SURPLUS AND DIVIDEND RESTRICTIONS

The maximum amount of dividends which can be paid by the Company to its parent without prior approval from the Nebraska Insurance Director is subject to statutory-basis restriction. The maximum dividend which can be made without prior approval is limited to the greater of (a) 10% of capital and surplus at December 31, 2020 or (b) 2020 net income, excluding realized investment gains, net of taxes, plus allowable dividends not previously paid during the immediately preceding two years, provided that any ordinary dividends must be paid from earned surplus excluding unrealized gains. The maximum dividend payout that may be made in 2021 without prior approval is $48,554.

The portion of unassigned surplus represented by each item below at December 31 is as follows:

	2020	2019
Non-admitted assets	$ (34,726)	$ (37,955)
Provision for reinsurance	(249)	(400)
Unrealized gains, net of DTL, of $143,850 and $156,285 in 2020 and 2019, respectively	441,196	468,820
Unrealized foreign exchange net of DTL of $89 and $538 in 2020 and 2019, respectively	336	2,025

6. COMMITMENTS AND CONTINGENCIES

The Company is contingently liable for certain annuities purchased from life insurance companies in connection with structured claim settlements. All related amounts are immaterial.

Any other contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the statutory-basis financial statements of the Company at December 31, 2020 or 2019.

7. FAIR VALUE MEASUREMENTS

Included in various investment-related line items in the statutory-basis financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically carried at fair value, such as when impaired, or, for certain bonds and preferred stock, when carried at the lower of cost or fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Fair value measurements assume the asset or liability is exchanged in an orderly manner; the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and the market participants are independent, knowledgeable, able, and willing to transact an exchange.

Fair values for substantially all of the Company's financial instruments were measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in an actual current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

The fair value measurement of the Company's financial assets carried has been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, *Fair Value Measurements*. The hierarchy consists of three levels, ranging from the category deemed to be most reliable to a category where fair value is measured using significant unobservable inputs because of the lack of observable market prices for the instruments, or Levels 1 through 3, respectively. A further description of the inputs used in the valuation of assets under the three levels is as follows:

Level 1 – Inputs represent unadjusted quoted prices for identical assets exchanged in active markets. Substantially all of the Company's equity investments in unaffiliated entities are traded on an exchange in active markets and fair value is based on the closing price as of the balance sheet date.

Level 2 – Inputs include directly or indirectly observable inputs other than Level 1 inputs, such as quoted prices for similar assets exchanged in active or inactive markets; quoted prices for identical assets exchanged in inactive markets; other inputs that are considered in fair value determinations of the assets, such as interest rates and yield curves that are observable at commonly quoted intervals, volatilities, pre-payment speeds, loss severities, credit risks, and default rates; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. Fair values for the Company's investments in bonds are primarily based on market prices and market data available for instruments with similar characteristics since active markets are not common for many instruments. Pricing evaluations are based on yield curves for instruments with similar characteristics, such as credit rating, estimated duration, and yields for other instruments of the issuer or entities in the same industry sector.

Level 3 – Inputs include unobservable inputs used in the measurement of assets. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or related observable inputs that can be corroborated at the measurement date. Fair value measurements of certain investments are based primarily on valuation models, discounted cash flow models, or other valuation techniques that are believed to be used by market participants. Unobservable inputs require management to make certain projections and assumptions about the information that would be used by market participants in pricing assets.

The following tables provide information as of December 31, 2020 and 2019 about the Company's financial assets measured and reported at fair value:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets at Fair Value:				
Perpetual Preferred Stock:				
Affiliated	$ -	$ -	$ 146,237	$ 146,237
Industrial & Miscellaneous	-	-	177,820	177,820
Total Preferred Stock	$ -	$ -	$ 324,057	$ 324,057
Unafilliated Common Stock:				
Industrial & Miscellaneous	$ 1,816,043	$ -	$ -	$ 1,816,043
Total Common Stock	$ 1,816,043	$ -	$ -	$ 1,816,043
Other Derivatives:				
Common Stock Warrants	$ -	$ -	$ 1,727	$ 1,727
Total Other Derivatives	$ -	$ -	$ 1,727	$ 1,727
Total Assets at Fair Value:	$ 1,816,043	$ -	$ 325,784	$ 2,141,827

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets at Fair Value:				
Perpetual Preferred Stock:				
Industrial & Miscellaneous	$ -	$ -	$ 206,280	$ 206,280
Total Preferred Stock	$ -	$ -	$ 206,280	$ 206,280
Unafilliated Common Stock:				
Industrial & Miscellaneous	$ 2,159,067	$ -	$ -	$ 2,159,067
Total Common Stock	$ 2,159,067	$ -	$ -	$ 2,159,067
Other Derivatives:				
Common Stock Warrants	$ -	$ -	$ 1,792	$ 1,792
Total Other Derivatives	$ -	$ -	$ 1,792	$ 1,792
Total Assets at Fair Value:	$ 2,159,067	$ -	$ 208,072	$ 2,367,139

During 2020 and 2019, there were no transfers into or out of Level 3 for assets and liabilities carried at fair value.

The Company has no financial liabilities carried at fair value as of December 31, 2020 or 2019. There were no other transfers of assets carried at fair value into or out of Levels 1, 2, or 3 during 2020 or 2019.

A reconciliation of financial assets measured and recorded at fair value with the use of significant unobservable inputs (Level 3) for 2020 and 2019 follows:

	Balance at 1/1/2020	Transfers Into Level 3	Transfers Out of Level 3	Total Gains / (Losses) Included in Net Income	Total Gains / (Losses) Included in Surplus	Purchases / (Sales)	Balance at 12/31/2020
Perpetual preferred stocks - unaffiliated	$ 206,280	$ -	$ -	$ (28,460)	$ -	$ -	$ 177,820
Perpetual preferred stocks - affiliated	-	-	-	(3,763)	-	$ 150,000	$ 146,237
Other derivatives - warrants	1,792	-	-	(65)	-	-	1,727
Total	$ 208,072	$ -	$ -	$ (32,288)	$ -	$ 150,000	$ 325,784

	Balance at 1/1/2019	Transfers Into Level 3	Transfers Out of Level 3	Total Gains / (Losses) Included in Net Income	Total Gains / (Losses) Included in Surplus	Purchases / (Sales)	Balance at 12/31/2019
Perpetual preferred stocks	$ -	$ -	$ -	$ -	$ 9,680	$ 196,600	$ 206,280
Other derivatives	-	-	-	-	(1,608)	3,400	1,792
Total	$ -	$ -	$ -	$ -	$ 8,072	$ 200,000	$ 208,072

The Company classifies certain newly issued, privately placed, complex, or illiquid securities in Level 3. Fair values for the fixed maturity and equity securities classified in Level 3 are derived principally using inputs described above.

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Level 3. Gains and losses in income, if any, reflect activity for the period an instrument was classified in Level 3.

The following table presents information about significant unobservable inputs used in Level 3 assets measured at fair value for the period ended December 31, 2020 and 2019:

Assets accounted for at Fair Value on a Recurring Basis	Fair Value	Predominant Valuation Method	Significant Unobservable Input	Range of Values - Unobservable Inputs
For the period ended December 31, 2020:				
Other derivatives - warrants	$ 1,727	Warrant pricing model	Expected duration	9 years
			Volatility	32.00%
Perpetual preferred stock - unaffiliated	$ 177,820	Discounted cash flow	Expected duration	10 years
			Discount for transferability restrictions and subordination	375 basis points
Perpetual preferred stock - affiliated	$ 146,237	Perpetual Preferred Pricing Model	Subordination	1.15%
			Liquidity Premium	0.50%

Assets accounted for at Fair Value on a Recurring Basis	Fair Value	Predominant Valuation Method	Significant Unobservable Input	Range of Values - Unobservable Inputs
For the period ended December 31, 2019:				
Other derivatives - warrants	$ 1,792	Warrant pricing model	Expected duration	10 years
			Volatility	26.00%
Perpetual preferred stock	$ 206,280	Discounted cash flow	Expected duration	10 years
			Discount for transferability restrictions and subordination	375 basis points

The following tables present the aggregate admitted value and fair value of financial instruments reported on the Company's statutory-basis statements of admitted assets, liabilities, and capital and surplus as of December 31, 2020 and 2019, including financial instruments which are not carried at fair value. There were no assets or liabilities for which fair value was not practicable to estimate as of December 31, 2020 or 2019.

	Admitted Assets	Aggregative Fair Value	Level 1	Level 2	Level 3
Types of Financial Instrument					
Assets					
Bonds	$ 41,703	$ 42,064	$ 41,728	$ 336	$ -
Common stock	1,816,043	1,816,043	1,816,043	-	-
Preferred stock - affiliated	146,237	146,237	-	-	146,237
Preferred stock - unaffiliated	177,820	177,820	-	-	177,820
Other derivatives - common stock warrants	1,727	1,727	-	-	1,727
Short-term investments	1,799,167	1,799,402	1,799,402	-	-
Cash equivalents	599,920	599,930	599,930	-	-

			December 31, 2019		
	Admitted Assets	Aggregative Fair Value	Level 1	Level 2	Level 3
Assets					
Bonds	$ 117,986	$ 117,869	$ 117,380	$ 489	$ -
Common stock	2,159,067	2,159,067	2,159,067	-	-
Perpetual preferred stock	206,280	206,280	-	-	206,280
Other derivatives - common stock warrants	1,792	1,792	-	-	1,792
Short-term investments	1,378,679	1,379,098	1,379,098	-	-
Cash equivalents	727,636	727,745	727,745	-	-

The assets classified in Level 1 consist of actively traded exchange listed equity securities and short-term money market mutual funds. Unadjusted quoted prices for these securities are provided to the Company by independent pricing services. Fair values of bonds reported in Level 2 are also provided by independent pricing services when applicable.

8. SUBSEQUENT EVENTS

Type I – Recognized Subsequent Events

Subsequent events have been considered through May 14, 2021 for the audited statutory-basis financial statements available to be issued on that date. No events occurred subsequent to December 31, 2020 through May 14, 2021 which would have a material effect on the Company's statutory-basis financial statements.

Type II – Non-Recognized Subsequent Events

Subsequent events have been considered through May 14, 2021 for the audited statutory-basis financial statements available to be issued on that date. No events occurred subsequent to December 31, 2020 through May 14, 2021 which would have a material effect on the Company's statutory-basis financial statements.

9. REINSURANCE

In the normal course of business, the Company assumes and cedes business with other insurance companies. To the extent that any reinsuring companies are unable to meet obligations under the agreements covering reinsurance ceded, the Company would remain liable. Any uncollectible reinsurance recoverable that is subject to the retroactive reinsurance agreement with NICO is subject to the sufficiency of the remaining contract limit. The effect of reinsurance on premiums written and earned for 2020 and 2019 is as follows:

	2020		2019	
	Written	Earned	Written	Earned
Direct	$ 1,242,572	$ 1,025,038	$ 1,152,815	$ 984,231
Assumed:				
Affiliates	-	-	-	-
Non-affiliates	1,033,482	1,009,470	365,389	351,266
Ceded:				
Affiliates	(1,077,084)	(891,868)	(887,023)	(777,238)
Non-affiliates	(12,037)	(14,425)	(31,090)	(30,450)
Net	$ 1,186,933	$ 1,128,215	$ 600,091	$ 527,809

The effect of ceded reinsurance transactions on the Company's losses and LAE reserves is $1,638,379 and $1,254,269, respectively, and loss and LAE incurred is $772,208 and $744,016, respectively, for 2020 and 2019.

The following tables summarize the 2020 and 2019 assumed and ceded unearned premiums and the related commission equity:

	Assumed Reinsurance		Ceded Reinsurance		Net	
At December 31, 2020	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliate	$ -	$ -	$ 694,862	$ 162,078	$ (694,862)	$ (162,078)
All other	246,093	35,833	4,591	2,499	241,502	33,334
Totals	$ 246,093	$ 35,833	$ 699,453	$ 164,577	$ (453,360)	$ (128,744)
Direct unearned premium reserve					$ 826,196	

	Assumed Reinsurance		Ceded Reinsurance		Net	
At December 31, 2019	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliate	$ -	$ -	$ 509,646	$ 133,670	$ (509,646)	$ (133,670)
All other	222,082	41,908	6,979	3,778	215,103	38,130
Totals	$ 222,082	$ 41,908	$ 516,625	$ 137,448	$ (294,543)	$ (95,540)
Direct unearned premium reserve					$ 608,661	

The Company has aggregate unsecured reinsurance recoverables that exceed 3% of the Company's surplus as follows:

	2020	2019
National Indemnity Company	$ 2,023,421	$ 1,550,614

The Company had no other unsecured reinsurance recoverables that exceed 3% of the Company's total capital and surplus at December 31, 2020 or 2019.

The Company has entered into various reinsurance agreements with its parent, NICO, as shown in the table below:

Quota Share and Portfolio Transfer Agreements

Region	Agreement	Effective Date	Most Recent Amendment Date
United States	50% Quota-Share	3/1/2014	1/1/2020
Singapore	100% Quota-Share	11/1/2014	1/1/2020
Singapore	100% Portfolio Transfer Agreement[1]	1/1/2020	N/A
Hong Kong	80% Quota-Share	12/31/2014	1/1/2020
Australia	60% Quota- Share	2/1/2015	1/1/2020
New Zealand	80% Quota-Share	6/29/2015	1/1/2020
Macau	95% Quota-Share	9/3/2016	1/1/2020
Labuan	100% Quota-Share	11/1/2016	1/1/2020
Dubai	100% Quota-Share	2/7/2018	1/1/2020

[1]The Singapore 100% Portfolio Transfer Agreement between the Company's Singapore branch and NICO cedes 100% of the policy liabilities, as defined in the agreement, of the Company's Singapore branch as of December 31, 2019 to NICO.

The quota-share agreements include all subject premiums, losses, LAEs, and associated underwriting expenses subject to an aggregate limit on losses and LAEs for any calendar-accident year equal to three times that year's net calendar-accident year earned premium ceded to NICO except for the Australia Quota Share Agreement which is subject to an aggregate limit on losses and loss adjustment expenses for any calendar-accident year equal to six times that year's net calendar-accident year earned premium ceded to NICO. All quota-share agreements have been deemed approved by the Insurance Department.

Excess of Loss Agreements

Region	Agreement	Effective Date	Most Recent Amendment Date	Limit per Occurrence	Max Limit - All Occurences
Hong Kong	Excess of Loss	7/1/2014	1/1/2020	USD 1,000[2]	USD 100,000
Australia	Excess of Loss	4/1/2015	1/1/2020	AUD 3,000	AUD 197,000
New Zealand	Excess of Loss	6/29/2015	1/1/2020	USD 1,000	NZD 750,000
Macau	Excess of Loss	9/3/2016	1/1/2020	USD 1,000[3]	USD 100,000

[2]All amounts expressed in the Hong Kong Excess of Loss Agreement, which are in USD, shall be converted to the equivalent Hong Kong Dollar (HKD) at a rate of exchange of 1 USD = 7.75 HKD.

[3]All amounts expressed in the Macau Excess of Loss Agreement, which are in USD, are converted to their equivalent Macanese Pataca (MOP) at a rate of exchange of 1 USD = 8 MOP.

In each of the excess of loss reinsurance agreements set forth in the tables above, NICO has agreed to indemnify the Company for actual loss or losses paid or payable by the Company in respect of business covered for claims or losses in excess of the limit per occurrence disclosed above, subject to a maximum limit of liability to NICO disclosed above in respect of all occurrences per the excess of loss reinsurance agreements.

The Company purchased an aggregate retrocessional agreement from NICO effective May 1, 2000, which provides for $240,000 of reinsurance coverage for the Company's run-off business. This reinsurance contract has been accounted for as retroactive reinsurance and, consistent with statutory-basis accounting guidance, recoverables are excluded from net losses and LAE reserves. A schedule summarizing activity related to this agreement is shown below:

	2020	2019
Reserves Transferred:		
Initial reserves	$ 108,859	$ 108,859
Adjustments - prior years	63,988	63,988
Adjustment - current year	-	-
Current total	$ 172,847	$ 172,847
Consideration Paid:		
Initial consideration	$ 126,000	$ 126,000
Adjustments - prior years	-	-
Adjustment - current year	-	-
Current total	$ 126,000	$ 126,000
Amounts Recovered:		
Prior years	$ 78,640	$ 74,617
Current year	4,540	4,023
Current total	$ 83,180	$ 78,640
Special Surplus from Retroactive Reinsurance:		
Initial surplus (gain)/loss	$ (17,141)	$ (17,141)
Adjustments - prior years	63,242	63,242
Adjustment - current year	-	-
Current year restricted surplus	$ 46,847	$ 46,847
Cumulative total transferred to unassigned funds	$ -	$ -

10. LOSSES AND LOSS ADJUSTMENT EXPENSES

	2020	2019
Balance at January 1	$ 1,988,894	$ 1,488,530
Less reinsurance recoverables	1,254,264	921,520
Net balance at January 1	734,630	567,010
Incurred related to:		
Current year	$ 954,131	$ 400,305
Prior year	64,991	11,129
Total incurred	$ 1,019,122	$ 411,434
Paid related to:		
Current year	$ 521,531	$ 94,868
Prior year	214,953	148,946
Total paid	$ 736,484	$ 243,814
Net balance at December 31	$ 1,017,268	$ 734,630
Plus reinsurance recoverables	1,638,377	1,254,264
Balance at December 31	$ 2,655,645	$ 1,988,894

During 2020, the Company reported unfavorable development of prior period ultimate loss and loss expense reserves totaling $64,991. During 2019, the Company reported unfavorable development of prior period ultimate loss and expense reserves totaling $11,129. Both the 2020 and 2019 development was primarily the result of re-estimation of ultimate liability losses primarily on other liability and property lines of insurance. The Company's prior period loss and loss expense development is not materially affected by the retrospectively rated contract activity. Estimates of ultimate prior period loss and loss expenses are increased or decreased as described in Note 1.

11. ASBESTOS/ENVIRONMENTAL RESERVES

The Company had exposure to asbestos- and environmental-related claims as a result of having historically written product liability and general liability insurance.

The Company estimates the full impact of the asbestos and environmental exposures by establishing full case basis reserves, including legal and other LAE for all known unresolved claims and by establishing IBNR reserves. IBNR reserves are determined considering the Company's historic liability exposure base and policy language used; the Company's previous asbestos- and environmental-related loss and LAE development; and the Company's assessment of current trends of environmental law, environmental cleanup costs, asbestos liability law, and judgment and settlements of asbestos liabilities.

The Company's asbestos-related losses and LAE activity (including potential coverage dispute costs) at December 31, 2020 and 2019 was as follows:

	Direct			
	2020		2019	
Beginning reserves	$	65,881	$	73,039
Incurred losses and loss adjustment expenses		(2,171)		(2,929)
Calendar year payments for losses and loss adjustment expenses		1,931		4,229
Ending reserves	$	61,779	$	65,881

	Assumed			
	2020		2019	
Beginning reserves	$	14,547	$	15,043
Incurred losses and loss adjustment expenses		379		(160)
Calendar year payments for losses and loss adjustment expenses		180		336
Ending reserves	$	14,746	$	14,547

	Net of Reinsurance			
	2020		2019	
Beginning reserves	$	71,067	$	76,986
Incurred losses and loss adjustment expenses		(2,523)		(2,340)
Calendar year payments for losses and loss adjustment expenses		1,839		3,579
Ending reserves	$	66,705	$	71,067

The amounts in the tables above are subject to the retroactive reinsurance agreement with NICO discussed previously in Note 1.

The Company recorded asbestos-related bulk and IBNR reserves for unreported loss and LAE claims totaling $46,587 on a direct basis, $12,495 on an assumed basis, and $52,410, net of reinsurance, at December 31, 2020. The Company recorded asbestos-related bulk and IBNR reserves of $45,334 on a direct basis, $12,116 on an assumed basis, and $51,577, net of reinsurance, at December 31, 2019.

The Company recorded asbestos-related case, bulk, and IBNR reserves for future LAE (including potential coverage dispute costs) totaling $15,943 and $16,348 on a direct basis, $1,943 and $1,884 on an assumed basis, and $14,066 and $15,188, net of reinsurance, at December 31, 2020 and 2019, respectively.

The Company's environmental-related losses and LAE activity (including potential coverage dispute costs) at December 31, 2020 and 2019 was as follows:

	Direct	
	2020	2019
Beginning reserves	$ 21,024	$ 19,489
Incurred losses and loss adjustment expenses	3,535	2,639
Calendar year payments for losses and loss adjustment expenses	247	1,104
Ending reserves	$ 24,312	$ 21,024

	Assumed	
	2020	2019
Beginning reserves	$ 4,404	$ 4,404
Incurred losses and loss adjustment expenses	(405)	168
Calendar year payments for losses and loss adjustment expenses	150	168
Ending reserves	$ 3,849	$ 4,404

	Net of Reinsurance	
	2020	2019
Beginning reserves	$ 23,470	$ 21,835
Incurred losses and loss adjustment expenses	3,635	2,089
Calendar year payments for losses and loss adjustment expenses	1,719	454
Ending reserves	$ 25,386	$ 23,470

The amounts in the tables above are subject to the retroactive reinsurance agreement with NICO discussed previously in Note 1.

The Company recorded environmental-related bulk and IBNR reserves for unreported loss and LAE claims totaling $16,476 on a direct basis, $3,262 on an assumed basis, and $18,341, net of reinsurance, at December 31, 2020. The Company recorded environmental bulk and IBNR reserves of $12,555 on a direct basis, $3,667 on an assumed basis, and $15,286, net of reinsurance, at December 31, 2019.

The Company recorded environmental-related case, bulk, and IBNR reserves for future LAE (including potential coverage dispute costs) totaling $669 and $606 on a direct basis, $507 and $570 on an assumed basis, and $1,030 and $1,070 net of reinsurance, at December 31, 2020 and 2019, respectively.

* * * * * *

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage of Column 1 Line 13	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. Governments	6,988,330	0.1	6,988,330		6,988,330	0.1
1.02 All Other Governments	34,383,659	0.6	34,383,659		34,383,659	0.6
1.03 U.S. States, Territories and Possessions, etc., Guaranteed		0.0			0	0.0
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	145,000	0.0	145,000		145,000	0.0
1.05 U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed	186,203	0.0	186,203		186,203	0.0
1.06 Industrial and Miscellaneous		0.0			0	0.0
1.07 Hybrid Securities		0.0			0	0.0
1.08 Parent, Subsidiaries and Affiliates		0.0			0	0.0
1.09 SVO Identified Funds		0.0			0	0.0
1.10 Unaffiliated Bank Loans		0.0			0	0.0
1.11 Total Long-Term Bonds	41,703,192	0.8	41,703,192	0	41,703,192	0.8
2. Preferred Stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and Misc. (Unaffiliated)	177,820,000	3.2	177,820,000		177,820,000	3.2
2.02 Parent, Subsidiaries and Affiliates	146,236,500	2.7	146,236,500		146,236,500	2.7
2.03 Total Preferred Stock	324,056,500	5.9	324,056,500	0	324,056,500	5.9
3. Common Stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	1,816,042,565	33.1	1,816,042,565		1,816,042,565	33.2
3.02 Industrial and Miscellaneous Other (Unaffiliated)		0.0			0	0.0
3.03 Parent, Subsidiaries and Affiliates Publicly Traded		0.0			0	0.0
3.04 Parent, Subsidiaries and Affiliates Other		0.0			0	0.0
3.05 Mutual Funds		0.0			0	0.0
3.06 Unit Investment Trusts		0.0			0	0.0
3.07 Closed-End Funds		0.0			0	0.0
3.08 Total Common Stocks	1,816,042,565	33.1	1,816,042,565	0	1,816,042,565	33.2
4. Mortgage Loans Schedule B):						
4.01 Farm Mortgages		0.0			0	0.0
4.02 Residential Mortgages		0.0			0	0.0
4.03 Commercial Mortgages		0.0			0	0.0
4.04 Mezzanine Real Estate Loans		0.0			0	0.0
4.05 Total Valuation Allowance		0.0			0	0.0
4.06 Total Mortgage Loans	0	0.0	0	0	0	0.0
5. Real Estate (Schedule A):						
5.01 Properties Occupied by Company		0.0			0	0.0
5.02 Properties Held for Production of Income		0.0			0	0.0
5.03 Properties Held for Sale		0.0			0	0.0
5.04 Total Real Estate	0	0.0	0	0	0	0.0
6. Cash, Cash Equivalents, and Short-Term Investments::						
6.01 Cash (Schedule E, Part 1)	892,622,641	16.3	892,622,641		892,622,641	16.3
6.02 Cash Equivalents (Schedule E, Part 2)	599,920,334	10.9	599,920,334		599,920,334	11.0
6.03 Short-Term Investments (Schedule DA)	1,799,167,232	32.8	1,799,167,232		1,799,167,232	32.9
6.04 Total Cash, Cash Equivalents, and Short-Term Investments	3,291,710,207	60.0	3,291,710,207	0	3,291,710,207	60.1
7. Contract Loans		0.0			0	0.0
8. Derivatives (Schedule DB)	1,727,492	0.0	1,727,492		1,727,492	0.0
9. Other Invested Assets (Schedule BA)	13,728,346	0.3			0	0.0
10. Receivables for Securities	632	0.0	632		632	0.0
11. Securities Lending (Schedule DL, Part 1)		0.0		XXX	XXX	XXX
12. Other Invested Assets (Page 2, Line 11)		0.0			0	0.0
13. Total Invested Assets	5,488,968,934	100.0	5,475,240,588	0	5,475,240,588	100.0

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF REINSURANCE INTERROGATORIES

For reinsurance contracts entered into, renewed or amended on or after January 1, 1994.

7.1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

Yes [ ] No [X]

7.2 If 7.1 is yes, indicate the number of reinsurance contracts containing such provisions:

7.3 If 7.1 is yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?

Yes [ ] No [X]

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

(c) Aggregate stop loss reinsurance coverage;

(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF REINSURANCE INTERROGATORIES

(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity

Yes [ ] No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of the prior year-end surplus as regards policy holders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policy holders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes [ ] No [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;

(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and

(c) A brief discussion of management’s principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF REINSURANCE INTERROGATORIES

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (“SAP”) and as a deposit under generally accepted accounting principles (“GAAP”); or

(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes [ ] No [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

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SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2020

(To be filed by April 1)

Of BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

Address (City, State, Zip Code): Omaha NE 68102-1944

NAIC Group Code.....0031 NAIC Company Code.....22276 Employer's ID Number.....63-0202590

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $...6,236,753,770

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	APPLE INC.	COMMON STOCK	$....732,979,560	11.8 %
2.02	BANK OF NEW YORK MELLON CORP	COMMON STOCK	$....460,007,160	7.4 %
2.03	US BANCORP	COMMON STOCK	$....426,374,255	6.8 %
2.04	BANK OF AMERICA CORP	COMMON STOCK	$....196,681,590	3.2 %
2.05	OCCIDENTAL PETROLEUM CORP	VARIOUS	$....179,547,492	2.9 %
2.06	BERKSHIRE HATHAWAY ENERGY COMPANY	PREFERRED STOCK	$....146,236,500	2.3 %
2.07	HONG KONG GOVERNMENT	SOVEREIGN	$......34,383,659	0.6 %
2.08	CITY OF FRISCO TX	BOND	$...........145,000	0.0 %
2.09	FEDERAL HOME LOAN MORTGAGE CORP	MBS/ABS	$...........144,556	0.0 %
2.10	FEDERAL NATIONAL MORTGAGE ASSOCIATION	MBS/ABS	$............41,647	0.0 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2
3.01	NAIC 1	$.2,440,790,757	39.1 %
3.02	NAIC 2	$	0.0 %
3.03	NAIC 3	$	0.0 %
3.04	NAIC 4	$	0.0 %
3.05	NAIC 5	$	0.0 %
3.06	NAIC 6	$	0.0 %
	Preferred Stocks	3	4
3.07	P/RP-1	$....146,236,500	2.3 %
3.08	P/RP-2	$	0.0 %
3.09	P/RP-3	$	0.0 %
3.10	P/RP-4	$....177,820,000	2.9 %
3.11	P/RP-5	$	0.0 %
3.12	P/RP-6	$	0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 4.01 above is yes, responses are not required for interrogatories 5-10.

4.02	Total admitted assets held in foreign investments	$......34,383,659	0.6 %
4.03	Foreign-currency-denominated investments	$......34,383,659	0.6 %
4.04	Insurance liabilities denominated in that same foreign currency	$......24,982,346	0.4 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC 1	$	0.0 %
5.02	Countries designated NAIC 2	$	0.0 %
5.03	Countries designated NAIC 3 or below	$	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1:	$	0.0 %
6.02	Country 2:	$	0.0 %
	Countries designated NAIC 2:		
6.03	Country 1:	$	0.0 %
6.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
6.05	Country 1:	$	0.0 %
6.06	Country 2:	$	0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

		1	2
8.01	Countries designated NAIC 1	$	0.0 %
8.02	Countries designated NAIC 2	$	0.0 %
8.03	Countries designated NAIC 3 or below	$	0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries designated NAIC 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Designation	3	4
10.01			$	0.0 %
10.02			$	0.0 %
10.03			$	0.0 %
10.04			$	0.0 %
10.05			$	0.0 %
10.06			$	0.0 %
10.07			$	0.0 %
10.08			$	0.0 %
10.09			$	0.0 %
10.10			$	0.0 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02	Total admitted assets held in Canadian Investments	$	0.0 %
11.03	Canadian currency-denominated investments	$	0.0 %
11.04	Canadian-denominated insurance liabilities	$	0.0 %
11.05	Unhedged Canadian currency exposure	$	0.0 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$325,783,992	5.2 %
	Largest three investments with contractual sales restrictions:		
12.03	OCCIDENTAL PETROLEUM CORP	$179,547,492	2.9 %
12.04	BERKSHIRE HATHAWAY ENERGY COMPANY	$146,236,500	2.3 %
12.05		$	0.0 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer	2	3
13.02	APPLE INC	$732,979,560	11.8 %
13.03	BANK OF NEW YORK MELLON CORP	$460,007,160	7.4 %
13.04	US BANCORP	$426,374,255	6.8 %
13.05	BANK OF AMERICA CORP	$196,681,590	3.2 %
13.06	OCCIDENTAL PETROLEUM CORP	$177,820,000	2.9 %
13.07	BERKSHIRE HATHAWAY ENERGY COMPANY	$146,236,500	2.3 %
13.08		$	0.0 %
13.09		$	0.0 %
13.10		$	0.0 %
13.11		$	0.0 %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$324,056,500	5.2 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03	OCCIDENTAL PETROLEUM CORP	$177,820,000	2.9 %
14.04	BERKSHIRE HATHAWAY ENERGY COMPANY	$146,236,500	2.3 %
14.05		$	0.0 %

Ten Largest Fund Managers

	1 Fund Manager	2 Total Invested	3 Diversified	4 Non-Diversified
14.06		$	$	$
14.07		$	$	$
14.08		$	$	$
14.09		$	$	$
14.10		$	$	$
14.11.		$	$	$
14.12		$	$	$
14.13		$	$	$
14.14		$	$	$
14.15		$	$	$

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
		1	2	3	4	5	6
17.01	above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02	91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03	81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04	71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05	below 70%	$	0.0 %	$	0.0 %	$	0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	Description	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans	$	0.0 %
	Largest three investments held in mezzanine real estate loans:		
19.03		$	0.0 %
19.04		$	0.0 %
19.05		$	0.0 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	0.0 %	$	$	$
20.02 Repurchase agreements	$	0.0 %	$	$	$
20.03 Reverse repurchase agreements	$	0.0 %	$	$	$
20.04 Dollar repurchase agreements	$	0.0 %	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.0 %	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$	0.0 %	$	0.0 %
21.02 Income generation	$	0.0 %	$	0.0 %
21.03 Other	$1,727,492	0.0 %	$	0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$	0.0 %	$	$	$
22.02 Income generation	$	0.0 %	$	$	$
22.03 Replications	$	0.0 %	$	$	$
22.04 Other	$	0.0 %	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$