Berkshire Hathaway
Specialty Insurance

14 July 2022

The Registrar

RE: Certification

Berkshire Hathaway Specialty Insurance Company ("BHSIC") is relying on the *Financial Markets Conduct (Berkshire Hathaway Specialty Insurance Company) Exemption Notice 2022 for the 31 December 2021 reporting period.*

Signed:

Abbas Choker
New Zealand Chief Financial Officer

PO Box 106-844 ▪ Auckland, NZ 1143

Berkshire Hathaway Specialty Insurance Company NZCN 5737531 (Incorporated in Nebraska, USA)

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

29 April 2022

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 2021. 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 2021, 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 2021 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 2021. 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 2021 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

14 July 2022

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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 2021. 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).

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(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 2021, 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 2021 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 2021. 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 2021;
- BHSIC Annual Statement for the year ended 31 December 2021; and
- Financial Statements of BHSIC titled "Statutory-Basis Financial Statements as of and for the Years Ended December 31, 2021 and 2020, Supplemental Schedules as of and for the Year Ended December 31, 2021, and Independent Auditors' Report".

Berkshire Hathaway
Specialty Insurance

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

New Zealand Branch

Company Registration No. 5737531

Financial Statements
For year ended 31 December 2021

A Berkshire Hathaway Company

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Financial Statements
For year ended 31 December 2021

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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 2021.

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 2021 and the results of its operations and cash flows for the year ended 31 December 2021.

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)
Ralph Tortorella III (18 November 2013 to Present)
Bruce John Byrnes (11 August 2017 to Present)
Peter Michael Shelley (30 June 2016 to Present)
Donald Fredrick Wurster (01 February 2021 to present)

Directors ceased during the year

Brian Gerard Snover (07 April 2010 to 01 February 2021)

State of Affairs - Impact of COVID-19

The financial, economic and social impacts of COVID-19 have continued to develop albeit at a slower pace during 2021. The impact of COVID-19 on the Branch's business and financial performance is modest, particularly in relation to Premium Income (GWP). Impact on the Branch's claims experience has been largely contained within the Corporate Travel business and with close monitoring, we have not seen any further deterioration. 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 29 April 2022.

Sign.	Sign:
Name: Peter J. Eastwood	Name: David N. Fields
Director, BHSI	Director, BHSI

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	2021	2020
		$	$
Premium revenue	5	117,569,776	83,637,485
Outwards reinsurance expense	6	(94,529,033)	(67,245,092)
Net premium revenue		**23,040,743**	**16,392,393**
Claims expense		(80,262,831)	(58,132,118)
Reinsurance and other recoveries revenue		71,896,958	48,001,852
Net claims incurred	**7**	**(8,365,873)**	**(10,130,265)**
Acquisition costs	8	(7,344,100)	(4,554,766)
Reinsurance commission revenue	9	8,822,777	5,734,155
Net commission revenue		**1,478,677**	**1,179,389**
Other reinsurance commission revenue	10	8,731,608	6,794,055
Underwriting expenses	11	(11,410,481)	(8,315,119)
Underwriting result		**13,474,674**	**5,920,453**
Investment income		124,185	111,520
Interest income/(expense) on Lease Liabilities		(55,079)	45,562
Profit/(Loss) before income tax		**13,543,780**	**6,077,535**
Income tax (expense)/benefit	12(a)	(3,806,782)	(1,770,191)
Profit/(Loss) for the year, net of tax		**9,736,998**	**4,307,344**
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		(17,065)	2,606
Other comprehensive income/(loss) for the year net of tax		**(17,065)**	**2,606**
Total comprehensive income/(loss) for the year attributable to owners of the Company		**9,719,933**	**4,309,950**

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 2021

For the financial year ended 31 December 2021	Head Office Account $	Retained Earnings $	Total Equity $
Balance at the beginning of the year	15,000,000	10,445,783	**25,445,783**
Changes recognised in total comprehensive income			
Other comprehensive income/(loss) for the year net of tax	-	9,719,933	**9,719,933**
Transactions with the Branch			
Head office account	-	-	-
Balance at the end of the year	**15,000,000**	**20,165,715**	**35,165,715**

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**	**10,445,783**	**25,445,783**

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 2021

	Note	2021	2020
		$	$
Assets			
Cash and cash equivalent	13	70,754,256	52,374,840
Premium receivables		51,373,911	43,991,233
Current tax assets	12(a)	-	-
Reinsurance recoverable	15	145,515,500	111,454,350
Deferred reinsurance premiums	22	73,926,823	57,997,314
Deferred acquisition costs	23	5,476,287	3,266,549
Property, plant and equipment	14	172,001	160,507
Deferred tax assets	12(b)	921,777	698,041
Other receivable		1,000,000	-
Right-of-use assets	14(a)	1,981,508	2,391,475
Total assets		**351,122,063**	**272,334,309**
Liabilities			
Trade and other payables	16	2,487,491	3,641,331
Reinsurance liabilities	18	30,421,142	26,095,885
Deferred commission liabilities	19	6,630,246	4,369,346
Current tax liabilities	12(a)	2,598,821	676,230
Other tax liabilities	17	9,925,675	5,546,869
Intercompany payable	29	541,478	268,671
Unearned premium reserve	24	92,408,382	72,494,604
Outstanding claims payable	20	168,308,362	130,926,085
Lease liability	25	2,043,629	2,401,363
Employee benefits provision	21	591,122	468,143
Total liabilities		**315,956,348**	**246,888,526**
Net assets		**35,165,715**	**25,445,783**
Equity			
Head office account	26	15,000,000	15,000,000
Retained earnings		20,165,715	10,445,783
Total equity for the Branch		**35,165,715**	**25,445,783**

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 2021

	Note	2021	2020
		$	$
Cash flows from operating activities			
Premiums received		133,325,480	93,525,184
Commission revenue received		11,083,677	6,364,203
Interest received		69,106	157,082
Claims paid		(42,880,553)	(19,707,377)
Acquisition costs paid		(9,553,838)	(4,875,580)
Net reinsurance paid		(58,140,152)	(49,466,149)
Payments to suppliers and employees		(13,242,819)	(7,258,910)
Income tax refund/(paid)		(2,107,927)	(2,338,640)
Intercompany funds received/(paid)		272,807	(19,703)
Net cash from operating activities	**27**	**18,825,781**	**16,380,111**
Cash flows from investing activities			
Payments for purchases of plant and equipment		(88,633)	(26,333)
Net cash used in investing activities		**(88,633)**	**(26,333)**
Cash flows from financing activities			
Principal Payments for lease liabilities	**25**	(357,733)	(257,628)
Net cash from financing activities		**(357,733)**	**(257,628)**
Net increase in cash and cash equivalents		**18,379,415**	**16,096,150**
Cash and cash equivalents at the beginning of the year		**52,374,841**	**36,278,691**
Cash and cash equivalents at the end of the year		**70,754,256**	**52,374,841**

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 to 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 2021 and comparative in formation presented in these financial statements for the financial year ended 31 December 2020. 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
Annual Improvement to NZ IFRS 2018-2020	1-Jan-22	31-Dec-22
Amendments to NZ IAS 1 and IFRS 17 Practice Statement 2	1-Jan-23	31-Dec-23
Amendments to NZ IAS 8 - Definition of Accounting Estimates	1-Jan-23	31-Dec-23
Amendments to NZ IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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. Early 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 establishes principals for the recognition, measurement, presentation and disclosure of insurance contracts. The Standard introduces substantial changes in the presentation of financial statements and disclosures, introducing new balance sheet and income statement line items and increased disclosure requirements compared with existing reporting.

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 Branch has now completed a comprehensive technical and operational impact assessment, including an initial draft of accounting policies under NZ IFRS 17. 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 however, it is expected that this will be available and completed in the financial year ended 31 December 2022.

Annual Improvements to NZ IFRS 2018-2020

Amends numerous Standards to effect a number of minor changes, as set out below. The amendments apply to annual reporting periods beginning 1 January 2022.

- NZ IFRS 9 *Financial Instruments* to clarify that in applying the '10 per cent' test to assess whether to derecognise a financial liability, and entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- NZ IFRS 16 *Leases* to remove the illustration of the reimbursement of leasehold improvement by the lessor.

It is expected that these amendments will not have any material impact on the financial statements.

Amendments to NZ IAS 1 and IFRS 17 Practice Statement 2

The amendments include:

- NZ IAS 1 *Presentation of Financial Statements* to to require entities to disclose their material accounting policy information rather than their significant accounting policies.
- *IFRS Practice Statement 2 Making Materiality Judgements,* to provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

Except for the amendments to IFRS Practice Statement 2, the amendments are effective for annual reporting periods beginning on or after 1 January 2023. It is expected that these amendments will not have any material impact on the financial statements.

Amendments to NZ IAS 8 - Definition of Accounting Estimates

The amendments to NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

It is expected that this amendment will not have any material impact on the presentation of the financial statements.

Amendments to NZ IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amends NZ IAS 12 Income Taxes to specify how companies should account for deferred tax on transactions such as leases. The amendment applies to annual reporting periods beginning on or after 1 January 2023.

In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendment clarifies that the initial recognition does not apply transactions where both the asset and liability are recognised in a single transaction. Accordingly, deferred tax is required to be recognised on such transactions.

The assessment of the impact of the impact of this change in accounting policy has not yet been finalised, but It is expected that this amendment may not have any material impact on net assets of the Branch.

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:

	2021	2020
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 2021.

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 2021, 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. The impact of COVID-19 has been appropriately captured within the outstanding claim liabilities 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	2021	2020
Weighted average Discount rate	2.10%	0.42%
Claims handling expense % of gross claims cost	3.21%	2.95%
Risk margin	20.82%	23.83%
Weighted average expected term to settlement	2.27 years	2.14 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, 2021		Comprehensive Income before tax ($000)	Comprehensive Income after tax ($000)	Total Equity ($000)
Recognised amount per Financial Statements		13,544	9,737	35,166
Scenario base	**Sensitivity**			
BF Model Loss Ratios	+15% of all selections	-2485	-1752	33,414
	-15% to all selections	2485	1752	36,918
BF Model Development Patterns	Faster - 25% reduction in gap to full development	2301	1622	36,788
	Slower - 25% increase in gap to full development	-2167	-1528	33,638
Discount rate	+0.50% to all future discount rates	292	206	35,371
	-0.25% to all future discount rates	-125	-88	35,077
Claims handling expense	200% of selection	-852	-600	34,565
	75% of selection	213	150	35,316
Risk Margins	+5% to all selections	-861	-607	34,559
	-5% to all selections	861	607	35,773
December 31, 2020				
Recognised amount per Financial Statements		6,078	4,307	25,446
Scenario base	**Sensitivity**			
BF Model Loss Ratios	+15% of all selections	-1,687	-1189	24,257
	-15% to all selections	1,687	1189	26,635
BF Model Development Patterns	Faster - 25% reduction in gap to full development	1,720	1212	26,658
	Slower - 25% increase in gap to full development	-1,609	-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

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 2021 this included the following risks:

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.

	2021	2020
	$	$
5. PREMIUM REVENUE		
Gross written premium	137,483,553	98,163,224
Movement in unearned premium	(19,913,777)	(14,525,739)
Total premium revenue	**117,569,776**	**83,637,485**
6. OUTWARDS REINSURANCE EXPENSE		
Ceded written premium	(110,458,542)	(78,867,314)
Movement in ceded unearned premium	15,929,509	11,622,222
Total outwards reinsurance expense	**(94,529,033)**	**(67,245,092)**

7. NET CLAIMS INCURRED

December 31, 2021	**Current year**	**Prior Years**	**Total**
Gross claims incurred	(66,938,427)	(17,535,325)	(84,473,753)
Claims handling expenses	(1,995,985)	716,033	(1,279,952)
RI and other recoveries	57,411,940	19,309,505	76,721,446
Net claims incurred undiscounted	**(11,522,472)**	**2,490,213**	**(9,032,259)**
Gross discount movement	2,955,776	2,386,850	5,342,626
RI discount movement	(2,402,667)	(2,094,171)	(4,496,838)
Net discount movement	**553,109**	**292,679**	**845,788**
Gross risk margin movement	(12,053,576)	12,201,825	148,248
RI risk margin movement	10,083,356	(10,411,007)	(327,650)
Net risk margin movement	**(1,970,220)**	**1,790,818**	**(179,402)**
Net claims incurred	**(12,939,583)**	**4,573,710**	**(8,365,873)**

	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)**

	2021	2020
8. ACQUISITION COSTS	**$**	**$**
Gross acquisition costs	(9,553,839)	(4,875,580)
Movement in deferred acquisition costs	2,209,739	320,814
Total acquisition costs	**(7,344,100)**	**(4,554,766)**
9. REINSURANCE COMMISSION REVENUE		
Reinsurance commission revenue	11,083,677	6,364,203
Movement in deferred reinsurance commission revenue	(2,260,900)	(630,048)
Total reinsurance commission revenue	**8,822,777**	**5,734,155**
10. OTHER REINSURANCE COMMISSION REVENUE		
Reimbursement of operating expenses from reinsurer	8,731,608	6,794,055
Total other reinsurance commission revenue	**8,731,608**	**6,794,055**
11. UNDERWRITING EXPENSES		
Employment expenses	(7,180,302)	(6,489,976)
Premises expenses	(93,715)	(123,012)
General expenses	(778,689)	(263,999)
Consulting expenses	(2,892,297)	(1,547,067)
Depreciation expense	(487,104)	(65,520)
Other underwriting expenses	21,626	174,455
Total underwriting expenses	**(11,410,481)**	**(8,315,119)**

	2021 $	2020 $
12. INCOME TAX		
(a) The income tax for the year reconciles to the amount calculated on the profit for the year as follows:		
Profit/(Loss) before income tax	13,543,780	6,077,535
Prima facie tax thereon at 28% (2019:28%)	3,792,258	1,701,710
Tax effect of permanent differences		
Non-deductible expenses	13,136	15,578
Prior period adjustment	1,388	52,903
Income tax expense/(benefit) attributable for the year	3,806,782	1,770,191
Income tax benefit recognised consists of:		
Current tax expense	4,029,923	1,858,743
Deferred tax benefit	(223,736)	(114,928)
Prior period adjustment (current tax)	595	26,376
	3,806,782	1,770,191
(a) Current income tax:		
Balance at the beginning of the year	(676,230)	(1,130,346)
Income tax paid	2,105,892	2,312,262
Current year tax provision	(4,028,536)	(1,858,743)
Adjustments for prior year	53	(26,376)
Balance at the end of the year	**(2,598,821)**	**(676,230)**
(b) DTA represented by:		
Non-deductible salary accruals	945,500	905,000
Net deferred acquisition costs	1,153,958	1,102,798
Non-deductible accruals	591,122	468,143
IFRS 16 lease adjustments	2,043,629	2,401,362
Depreciation	(1,981,508)	(2,391,475)
Non-deductible data processing accruals	4,900	9,300
Allowance for doubtful debts	534,458	-
Total	**3,292,059**	**2,495,128**
Prima facie tax thereon at 28%	921,777	698,041
Movements in deferred tax assets:		
Balance at the beginning of the year	698,041	583,708
Movement recognised in profit or loss	223,736	114,333
Balance at the end of the year	**921,777**	**698,041**

	2021 $	2020 $
13. CASH AND CASH EQUIVALENTS		
HSBC bank account	61,205,085	42,849,249
HSBC term deposit	9,549,171	9,525,591
Total cash and cash equivalents	**70,754,256**	**52,374,840**

	2021 $	2020 $
14. PROPERTY, PLANT AND EQUIPMENT		
Furniture & fixtures at cost	160,213	132,239
Accumulated depreciation	(85,975)	(69,887)
	74,238	**62,352**
Leasehold improvements at cost	127,132	127,132
Accumulated depreciation	(57,462)	(48,563)
	69,670	**78,570**
Computer equipment at cost	160,016	99,359
Accumulated depreciation	(131,923)	(79,773)
	28,093	**19,585**
Total property, plant and equipment	**172,001**	**160,507**

Reconciliations of the carrying amount for each class of property, plant and equipment

	2021 $	2020 $
Furniture & fixtures		
Carrying amount at the beginning of the year	62,352	62,143
Additions	97,861	70,096
Disposals	-	-
Depreciation expense	(85,975)	(69,887)
Carrying amount at the end of the year	**74,238**	**62,352**
Leasehold improvements		
Carrying amount at the beginning of the year	78,570	87,493
Additions	48,562	39,640
Disposals	-	-
Depreciation expense	(57,462)	(48,563)
Carrying amount at the end of the year	**69,670**	**78,570**
Computer equipment		
Carrying amount at the beginning of the year	19,585	22,923
Additions	60,658	13,768
Disposals	-	-
Depreciation expense	(52,150)	(17,106)
Carrying amount at the end of the year	**28,093**	**19,585**
Total property, plant and equipment	**172,001**	**160,507**

	2021 $	2020 $
14 (a). RIGHT-OF-USE ASSETS		
Carrying value of properties	**2,770,847**	**2,770,847**
Net carrying amount		
Balance as 1 January 2021	**2,770,847**	**2,612,433**
Lease additions during the year	-	**158,414**
Balance as 1 January 2021	**2,770,847**	**2,770,847**
Depreciation expense	(789,339)	(379,373)
Balance as 31 December 2021	**1,981,508**	**2,391,475**

	2021	2020
	$	$
15. REINSURANCE RECOVERABLE		
Reinsurance recoverable on paid losses	4,746,162	3,105,970
Reinsurance recoverable on unpaid losses	145,515,500	111,454,350
Total reinsurance recoveries	**150,261,662**	**114,560,320**
Reconciliation of reinsurance recoverable on unpaid losses		
Balance at start of year	111,454,350	80,503,572
Change in discount to present value	(4,496,838)	829,008
Change in risk margin	(327,651)	7,449,360
Claims paid	(38,460,684)	(18,081,668)
Movement in incurred claims	77,346,323	40,754,079
Balance at end of year	**145,515,500**	**111,454,350**
Reinsurance recoverable at 31 December		
Expected to be realised within 12 months	53,487,046	46,043,880
Expected to be realised in more than 12 months	92,028,454	65,410,470
	145,515,500	**111,454,350**
16. TRADE AND OTHER PAYABLES		
Technical creditors	1,870,868	3,313,290
FSL payable	616,623	328,042
Total trade and other payables	**2,487,491**	**3,641,331**
Current	2,487,491	3,641,331
Non current	-	-
Total trade and other payables	**2,487,491**	**3,641,331**
17. OTHER TAX LIABILITIES		
GST tax payable	4,656,490	1,720,469
Non-resident withholding tax payable	5,269,185	3,826,400
Total other tax liabilities	**9,925,675**	**5,546,869**
Current	9,925,675	5,546,869
Non current	-	-
Total other tax liabilities	**9,925,675**	**5,546,869**
Non-resident withholding tax payable		
Non-resident withholding tax payable	4,954,341	3,561,930
Other foreign levy payable/recoverable	314,844	264,469
	5,269,185	**3,826,400**
18. REINSURANCE LIABILITIES		
Reinsurance creditors - NICO	30,421,142	26,095,885
Total reinsurance liabilities	**30,421,142**	**26,095,885**
Current	30,421,142	26,095,885
Non current	-	-
Total reinsurance liabilities	**30,421,142**	**26,095,885**
19. DEFERRED COMMISSION LIABILITIES		
Reinsurance Deferred Acquisition Cost (DAC)	6,630,246	4,369,346
Total deferred commission liabilities	**6,630,246**	**4,369,346**
Current	6,630,246	4,369,346
Non current	-	-
Total deferred commission liabilities	**6,630,246**	**4,369,346**

	2021	2020
	$	$
20. OUTSTANDING CLAIMS PAYABLE		
Gross outstanding claims	147,996,026	105,122,875
Discount to present value	(6,360,537)	(1,017,911)
Risk margin	26,672,873	26,821,121
Liability for outstanding claims	**168,308,362**	**130,926,085**
Reconciliation of outstanding claims		
Balance at start of year	130,926,085	92,501,344
Change in discount to present value	(5,342,626)	965,497
Change in risk margin	(148,248)	8,715,514
Claims paid	(43,505,431)	(20,737,971)
Movement in incurred claims	86,378,582	49,481,701
Balance at end of year	**168,308,362**	**130,926,085**
Outstanding claims liabilities at 31 December		
Expected to be paid within 12 months	61,865,005	54,088,018
Expected to be paid in more than 12 months	106,443,357	76,838,066
	168,308,362	**130,926,085**

Net undiscounted central estimate of ultimate claims

	2015	2016	2017	2018	2019	2020	2021
	$	$	$	$	$	$	$
At end of accident year	127,716	2,138,814	3,388,172	4,177,565	5,950,958	8,593,489	11,167,977
One year later	79,121	2,428,395	2,124,379	4,674,900	5,760,336	7,851,836	-
Two years later	39,125	1,811,801	2,313,945	4,810,163	4,865,484	-	-
Three years later	16,707	1,868,301	2,304,531	4,507,565	-	-	-
Four years later	29,706	1,843,951	2,019,768	-	-	-	-
Five years later	21,997	1,811,297					
Six years later	13,272						
Current estimate	**13,272**	**1,811,297**	**2,019,768**	**4,507,565**	**4,865,484**	**7,851,836**	**11,167,977**
Cumulative net payments	2,116	1,720,997	707,018	3,234,106	2,961,122	3,023,049	1,393,707
Current outstanding claims	**11,156**	**90,300**	**1,312,750**	**1,273,459**	**1,904,362**	**4,828,786**	**9,774,270**

	2021
	$
Net undiscounted central estimate	19,195,083
Discount to present value	(1,027,711)
Claims handling expenses	698,420
Risk margin	3,927,070
Net outstanding claims liability	**22,792,862**

Maturity profile of net outstanding claims liability	2021	2020
	$	$
1 year or less	8,377,958	8,044,139
Within 1 to 5 years	11,415,576	8,885,989
Over 5 years	2,999,328	2,541,607
Total net outstanding claims liability	**22,792,862**	**19,471,735**

	2021 $	2020 $
21. EMPLOYEE BENEFITS PROVISION		
Annual leave	341,609	270,383
Personal leave	249,513	197,761
Total employee benefits provision	**591,122**	**468,143**
Current	591,122	468,143
Non current	-	-
Total employee benefits provision	**591,122**	**468,143**
22. DEFERRED REINSURANCE PREMIUMS		
Balance at the beginning of the year	57,997,314	46,375,092
Foreign currency revaluations	(25,024)	(50,208)
Deferral of premiums on contracts written in the year	63,876,108	48,462,917
Earning of premiums written in previous years	(47,921,575)	(36,792,119)
Balance at the end of the year	**73,926,823**	**57,997,314**
23. DEFERRED ACQUISITION COSTS		
Balance at the beginning of the year	3,266,549	2,945,735
Acquisition costs deferred	4,416,923	2,625,765
Amortisation charged to profit or loss	(2,209,739)	(2,295,981)
Movement in LAT write-down	-	-
Foreign currency revaluation	2,554	(8,971)
Balance at the end of the year	**5,476,287**	**3,266,549**
24. UNEARNED PREMIUM RESERVE		
Balance at the beginning of the year	72,494,604	57,968,868
Foreign currency revaluations	(31,280)	(62,760)
Deferral of premiums on contracts written in the year	79,845,135	60,578,647
Earning of premiums written in previous years	(59,900,077)	(45,990,149)
Balance at the end of the year	**92,408,382**	**72,494,604**
25. LEASE LIABILITY		
Balance as at 1 January 2021 (adjusted)	**2,401,362**	**2,500,576**
Lease additions during the year	-	158,414
Balance as at 1 January 2021 (adjusted)	**2,401,362**	**2,658,990**
Interest expense	55,079	(45,562)
Payments	(412,812)	(212,066)
Balance as at 31 December 2021	**2,043,629**	**2,401,362**
Expected to be paid within 12 months	378,949	357,733
Expected to be paid in more than 12 months	1,664,680	2,043,629
Maturity profile		
Not later than 1 year	378,949	357,733
Later than 1 but not later than 5 years	1,664,680	2,043,629
Later than 5 years	-	-

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

	2021	2020
	$	$
Profit/(Loss) after income tax	9,719,933	4,309,950
Non cash movements:		
Depreciation	487,104	65,520
Deferred tax assets	(223,736)	(114,334)
Cash movements:		
(Increase) in trade and other receivables	(7,382,678)	(4,198,651)
(Increase) in reinsurance and other recoverable/receivable	(34,061,150)	(30,950,774)
(Increase) in Deferred reinsurance premiums	(15,929,509)	(11,622,222)
(Increase) in deferred acquisition costs	(2,209,738)	(320,814)
(Decrease) / Increase in trade and other payables	(1,153,840)	811,795
Increase / (Decrease) in current tax liabilities	1,922,591	(454,114)
Increase in other tax liabilities	4,378,806	1,001,698
Increase in reinsurance liabilities	4,325,257	4,124,388
Increase in Deferred commission liabilities	2,260,900	630,048
Increase in outstanding claims payable	37,382,277	38,424,737
Increase in unearned premium reserve	19,913,778	14,525,736
Increase / (Decrease) in intercompany payable	272,807	(19,703)
Increase in employee benefits provision	122,979	166,851
(Increase) in other receivable	(1,000,000)	-
Net cash from operating activities	**18,825,781**	**16,380,111**

28. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There are no capital commitments or contingent liabilities as at 31 December 2021.

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:

	2021 **$**	**2020** **$**
Related party balances		
Intercompany receivable from NICO*	116,464,466	87,102,985
- Reinsurance premiums (payable)	(40,018,429)	(31,578,980)
- Reinsurance commissions receivable	2,949,206	2,360,459
- Reinsurance operating expenses receivable	3,272,027	1,761,186
- Reinsurance recoverable on paid losses	4,746,162	3,105,970
- Reinsurance recoverable on unpaid losses	145,515,500	111,454,350
Intercompany (payable) to BHSI AU*	(518,068)	(55,298)
Intercompany (payable) to BHSIC*	(23,410)	(213,373)
Related party payable	**(541,478)**	**(268,671)**
Related party transactions		
Transactions with NICO*		
- Outwards Reinsurance Expense	(94,529,033)	(48,470,107)
- Claim recoveries	71,896,958	48,001,852
- Reinsurance commission revenue	17,554,385	12,528,210
Transactions with BHSI AU*	(2,687,696)	(1,979,751)
Transactions with BHSIC*	(180,007)	(225,724)

**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 $254,499 (FY 2020 $292,674) for the office lease premises of BHSI NZ.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments	**Note**	**2021**	**2020**
		$	**$**
Cash and cash equivalents			
Bank account	13	61,205,085	42,849,249
Term deposit	13	9,549,171	9,525,591
Financial liabilities at amortised cost			
Trade and other payables	16	2,487,491	3,641,331
Intercompany payables	29	541,478	268,671

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

	2021	2020
Number of employees	30	27

34. DISCLOSURE OF AUDITOR

The Branch auditor is Deloitte Touche Tohmatsu, and the auditor remuneration is NZD $96,938 (2020: NZD $67,234).

35. THE COMPANY - SOLVENCY

As at 31 December 2021 the solvency reported in accordance with the State of Nebraska, USA Department of Insurance are:

	2021	2020
	$'000	$'000
Actual Solvency Capital	6,454,444	5,378,541
Minimum Solvency Capital	653,943	494,957
Solvency Margin	5,800,500	4,883,584
Solvency Ratio	987%	1087%

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:

	2021	2020
	$'000	$'000
Central estimate of PV of expected future claims	11,156	9,168
Risk margin	2,533	2,486
PV of expected future cash flows for future claims	**13,689**	**11,654**
Risk margin	22.70%	27.12%
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.

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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 2021, 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 2021 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)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)(IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

Emphasis of Matter – New Zealand Branch

The New Zealand branch is part of Berkshire Hathaway Specialty Insurance Company, which is incorporated in the United States of America. 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.

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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of outstanding claims	
As at 31 December 2021 the Branch's outstanding claims payable were NZ$168.3 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. This was a key audit matter due to the size of the balance (being 53.3% of total liabilities), and the specific audit and actuarial expertise required to evaluate the judgemental actuarial methodologies and assumptions.	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.

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 2021, 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.

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.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, the auditor determines 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. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines 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 the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditor's report is David Gaudreault.

DELOITTE TOUCHE TOHMATSU

David Gaudreault
Partner
Chartered Accountant
Sydney, Australia
29 April 2022

Berkshire Hathaway
Specialty Insurance

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, 2021 and 2020, Supplemental Schedules as of and for the Year Ended December 31, 2021, and Independent Auditor's Report

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

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Deloitte & Touche LLP
First National Tower
1601 Dodge Street
Suite 3100
Omaha, NE 68102-1640
USA

Tel: +1 402 346 7788
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the 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, 2021 and 2020, and 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 (collectively referred to as the "statutory-basis financial statements").

Unmodified Opinion on Statutory-Basis of Accounting

In our opinion, the accompanying statutory-basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2021 and 2020, 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.

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 section of our report, the statutory-basis financial statements 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, 2021 and 2020, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory-Basis Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Statutory-Basis Financial Statements

Management is responsible for the preparation and fair presentation of the 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 statutory-basis financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory-basis financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the statutory-basis financial statements are issued.

Auditor's Responsibilities for the Audit of the Statutory-Basis Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory-basis 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory-basis financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory-basis financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory-basis financial statements.
- 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 Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory-basis financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Supplemental Schedules

Our 2021 audit was conducted for the purpose of forming an opinion on the 2021 statutory-basis financial statements as a whole. The supplemental summary investment schedule, the supplemental schedule of reinsurance interrogatories, and the supplemental schedule of investment risk interrogatories, as of and for the year ended December 31, 2021 are presented for purposes of additional analysis and are not a required part of the 2021 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 2021 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 2021 statutory-basis financial statements as a whole.

Deloitte & Touche LLP

May 18, 2022

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS AS OF DECEMBER 31, 2021 AND 2020 (Dollars in thousands, except share amounts)

	2021	2020
ADMITTED ASSETS:		
Bonds	$ 46,014	$ 41,703
Investment in perpetual preferred stock of affiliate	62,791	146,237
Perpetual preferred stock - unaffiliated	204,860	177,820
Unaffiliated common stocks	2,413,168	1,816,043
Other derivatives	8,923	1,727
Cash, cash equivalents, and short-term investments	3,768,428	3,291,710
Amounts recoverable from reinsurers	105,378	122,238
Funds held by or deposited with reinsured companies	3,667	5,403
Agents' balances or uncollected premiums	552,510	603,616
Accrued investment income	8,788	8,991
Receivables from parent, subsidiaries, and affiliates	15,519	11,409
Current federal and foreign income tax recoverable	7,236	9,385
Other assets	2,178	472
TOTAL	$ 7,199,460	$ 6,236,754
LIABILITIES AND CAPITAL AND SURPLUS:		
LIABILITIES:		
Losses and loss adjustment expenses	$ 1,235,923	$ 1,017,268
Retroactive reinsurance reserve ceded	(93,807)	(95,344)
Unearned premiums	484,660	372,836
Ceded reinsurance premiums payable	466,416	412,051
Reinsurance balances payable	30,536	108,110
Funds held under reinsurance treaties	2,056	814
Provision for reinsurance	263	249
Net deferred tax liability	219,145	109,838
Payable to affiliate	368,158	304,467
Current federal and foreign income taxes	14,870	5,603
Other liabilities	61,564	113,790
Total liabilities	2,789,784	2,349,682
Commitments and Contingencies (Note 7 and Note 10)		
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	1,032,891	510,287
Total capital and surplus	4,409,676	3,887,072
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 7,199,460	$ 6,236,754

See accompaning notes to statutory-basis financial statements.

BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Dollars in thousands)

	2021	2020
UNDERWRITING:		
Premiums earned net of reinsurance	$ 699,602	$ 1,128,215
LOSSES AND EXPENSES INCURRED:		
Losses	494,783	945,504
Loss adjustment expenses	70,140	73,618
Underwriting expenses	170,338	196,054
Total losses and expenses incurred	735,261	1,215,176
Net underwriting income (loss)	(35,659)	(86,961)
INVESTMENT INCOME:		
Net interest and dividends	64,247	72,778
Net realized investment gains (losses), less tax expense (benefit) of $68 and $38,308 for 2021 and 2020, respectively	266	(82,053)
Net investment income (loss)	64,513	(9,275)
OTHER INCOME (LOSS) — NET	(388)	(10,925)
INCOME (LOSS) BEFORE FEDERAL INCOME TAXES	28,466	(107,161)
FEDERAL AND FOREIGN INCOME TAX EXPENSE (BENEFIT)	18,470	(787)
NET INCOME (LOSS)	$ 9,996	$ (106,374)

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, 2021 AND 2020
(Dollars in thousands)

	2021	2020
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	510,287	597,408
Balance special surplus from retroactive reinsurance at beginning of year	46,847	46,847
Net income (loss)	9,996	(106,374)
Change in net deferred income tax, excluding deferred taxes on unrealized investment gains and losses	23,214	45,186
Change in net unrealized gains (loss) (net of deferred taxes of $132,587 and $(12,434) in 2021 and 2020, respectively)	499,331	(27,624)
Change in net unrealized foreign exchange capital (loss) gain (net of deferred taxes of $(66) and $(456) in 2021 and 2020, respectively)	(248)	(1,689)
Change in provision for reinsurance	(14)	151
Change in non-admitted assets	(9,675)	3,229
Balance at end of year	1,079,738	557,134
TOTAL CAPITAL AND SURPLUS	$ 4,409,676	$ 3,887,072

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, 2021 AND 2020
(Dollars in thousands)

	2021	2020
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Premiums collected — net of reinsurance	$ 909,257	$ 1,099,588
Losses paid	(377,451)	(654,275)
Loss adjustment expenses and underwriting expenses paid	(186,692)	(214,118)
Net investment income received	64,859	65,053
Federal income taxes (paid) received	(7,121)	(37,702)
Miscellaneous income (expense)	972	(5,918)
Net cash provided (used) by operating activities	403,824	252,628
CASH PROVIDED (USED) BY INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	123,230	373,791
Purchases of investments	(43,916)	(150,000)
Net cash provided (used) by investing activities	79,314	223,791
CASH PROVIDED (USED) BY FINANCING AND MISCELLANEOUS ACTIVITIES:		
Other	(6,420)	128,241
Net cash provided (used) by financing and miscellaneous activities	(6,420)	128,241
NET CHANGE IN CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	476,718	604,660
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:		
Beginning of year	3,291,710	2,687,050
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:		
End of year	$ 3,768,428	$ 3,291,710
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
Disposal of fixed assets	11	-

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

Basis of Reporting
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 ("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 warrants and the result is a gross increase of unassigned surplus of $8,923 and $1,727 as of December 31, 2021 and December 31, 2020, respectively.

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. Any adverse effects were not significant to the Company's 2021 or 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 fair value.

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

The Company owns Occidental Cumulative Perpetual Preferred Stock Series A and warrants to purchase 1,677,176.98 shares of Occidental common stock at an exercise price of $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. Non-publicly traded common stock warrants are reported as other derivatives and are 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, 2021 generally accepted accounting principles ("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, 2021 and December 31, 2020, 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 $4,082 and $4,796 for December 31, 2021 and 2020, respectively, to surplus when compared to NAIC standards.

The Company's balance of reinsurance recoverable on paid and unpaid losses at December 31, 2021 and 2020 was $3,006,919 (99.1%) and $2,434,503 (99.0%), 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 to 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) 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;

(d) 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;

(e) 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;

(f) 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;

(g) 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;

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

(i) 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;

(j) Under SAP, the estimated liabilities and claim costs in excess of the consideration paid charges 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;

(k) 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;

(l) 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 2021 or 2020 that had a material effect 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, 2021	Carrying Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds:					
U.S. government	$ 7,088	$ 7,088	$ 10	$ 37	$ 7,061
All other governments	38,752	38,616	136	247	38,505
U.S. states, territories, and possessions	-	-	-	-	-
Mortgage-backed securities	174	174	4	1	177
Total bonds	$ 46,014	$ 45,878	$ 150	$ 285	$ 45,743
Other Invested Assets:					
Investments in limited liability companies (Note 1)	$ -	$ 13,728	$ -	$ -	$ 13,728
At December 31, 2020					
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, 2021 and 2020, the Company held no bonds with NAIC designations of 3 to 6.

At December 31, 2021	Carrying Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Perpetual preferred stocks - affiliated	$ 62,791	$ 65,999	$ -	$ 3,208	$ 62,791
Perpetual preferred stocks - unaffiliated	204,860	196,600	8,260	-	204,860
Total preferred stock	$ 267,651	$ 262,599	$ 8,260	$ 3,208	$ 267,651

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

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 July 22, 2021, BHEC redeemed 58,000 shares of the BHEC Preferred Stock at the liquidation price of $1,000 for total consideration of $58,000. On November 15, 2021, BHEC redeemed an additional 26,001 shares of BHEC Preferred Stock at the liquidation price of $1,000 for total consideration of $26,001. There was no gain or loss on either redemption.

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, 2021	**Carrying Value**	**Cost**	**Fair Value**
Unaffiliated Common Stocks:			
Apple Inc	$ 980,897	$ 152,967	$ 980,897
Bank of America Corp	288,695	182,991	288,695
Bank of New York Mellon	629,529	499,998	629,529
US Bancorp	514,047	370,824	514,047
Total unaffiliated common stocks	$ 2,413,168	$ 1,206,780	$ 2,413,168
At December 31, 2020			
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

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

December 31, 2021

	Gross Restricted				Percentage	
	Total Current Year	Total Prior Year	Increase/ (Decrease)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Restricted Asset Category:						
On deposit with states	$ 6,280	$ 6,174	$ 106	$ 6,280	0.1%	0.1%
On deposit with other regulatory bodies	12,272	8,364	3,908	12,272	0.2%	0.2%
Letter stock or securities restricted as to sale	276,573	325,784	(49,211)	276,573	3.8%	3.8%
	$ 295,125	$ 340,322	$ (45,197)	$ 295,125	4.1%	4.1%

December 31, 2020

	Gross Restricted				Percentage	
	Total Current Year	Total Prior Year	Increase/ (Decrease)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	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%

The cost or amortized cost and fair value of bonds at December 31, 2021, 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	$ 1,984	$ 1,992
After one year through five years	43,856	43,573
Mortgage backed securities	174	178
Total	$ 46,014	$ 45,743

Proceeds from the sale of bonds in 2021 totaled $39,229, resulting in a foreign exchange gain of $323, realized gain of $0, and total gain of $323. 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.

There were no sales of common stock in 2021. Proceeds from the sale of common stocks in 2020 totaled $302,816, resulting in a realized loss of $41,048.

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, 2021 and 2020:

	December 31, 2021					
	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	$ 5,067	$ (37)	$ -	$ -	$ 5,067	$ (37)
All other governments	38,505	(247)	-	-	38,505	(247)
Mortgage backed securities	-	-	90	(1)	90	(1)
Total bonds	43,572	(284)	90	(1)	43,662	(285)
Derivatives	-	-	-	-	-	-
Preferred stock - unaffiliated	-	-	-	-	-	-
Preferred stock - affiliated	-	-	62,791	(3,208)	62,791	(3,208)
Unaffiliated common stocks	-	-	-	-	-	-
Total temporarily impaired securities	$ 43,572	$ (284)	$ 62,881	$ (3,209)	$ 106,453	$ (3,493)

	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)

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, 2021 and 2020 were temporary.

3. INCOME TAXES

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

	2021		
	Ordinary	Capital	Total
Gross deferred tax assets	$ 65,686	$ -	$ 65,686
Statutory valuation allowance adjustment	7,904	-	7,904
Adjusted gross deferred tax assets	57,782	-	57,782
Deferred tax liabilities	1,006	275,921	276,927
Subtotal net deferred tax assets (liabilities)	56,776	(275,921)	(219,145)
Deferred tax assets non-admitted	-	-	-
Net admitted deferred tax assets (liabilities)	$ 56,776	$ (275,921)	$ (219,145)

	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)

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:

	2021		
	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	661,451
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from above) offset by gross deferred tax liabilities	57,782	-	57,782
d. Total deferred tax assets admitted	$ 57,782	$ -	$ 57,782
Ratio percentage used to determine recovery period and threshold limitation amount			987%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount			$ 4,409,676

	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

	2021		
	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%

	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%

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:

	2021	2020
Federal	$ 9,878	$ (6,935)
Foreign	8,592	6,148
Subtotal	18,470	(787)
Federal income tax on net capital gains (losses)	68	38,308
Federal and foreign income taxes incurred	$ 18,538	$ 37,521

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:

	2021	2020	Change
Deferred Tax Assets:			
Ordinary:			
Discounting of unpaid losses	$ 16,782	$ 12,684	$ 4,098
Unearned premium reserve	20,417	16,010	4,407
Deferred acquisition costs	1,142	1,175	(33)
Fixed assets	80	398	(318)
Compensation and benefits accrual	5,568	5,230	338
Non-admitted assets	1,702	1,353	349
Net operating loss carryforward	1,651	2,007	(356)
Tax credit carry-forward	14,246	-	14,246
Other	4,098	2,722	1,376
Subtotal	65,686	41,579	24,107
Statutory valuation allowance adjustment	7,904	6,839	1,065
Non-admitted	-	-	-
Admitted ordinary deferred tax assets	57,782	34,740	23,042
Capital:			
Investments	-	4,295	(4,295)
Subtotal	-	4,295	(4,295)
Statutory valuation allowance adjustment	-	-	-
Non-admitted	-	-	-
Admitted capital deferred tax assets	-	4,295	(4,295)
Total Admitted deferred tax assets	$ 57,782	$ 39,035	$ 18,747

	2021	2020	Change
Deferred Tax Liabilities:			
Ordinary:			
Investments	$ 590	$ 757	$ (167)
Amounts recoverable from reinsurers	416	420	(4)
Ceded retroactive reinsurance	-	-	-
Subtotal	1,006	1,177	(171)
Capital:			
Investments	275,921	147,696	128,225
Subtotal	275,921	147,696	128,225
Deferred tax liabilities	$ 276,927	$ 148,873	$ 128,054

	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
Admitted deferred tax assets	$ 39,035	$ 32,842	$ 6,193

	2020	2019	Change
Deferred Tax Liabilities:			
Ordinary:			
Accrued dividends	$ 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)

	2021	2020	Change
Total deferred tax assets	$ 57,782	$ 39,035	$ 18,747
Total deferred tax liabilities	276,927	148,873	128,054
Net deferred tax liabilities	$ (219,145)	$ (109,838)	(109,307)
Tax effect of unrealized gains (losses)			132,521
Change in net deferred income tax			$ 23,214

	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

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, 2021		December 31, 2020	
	Tax Effect	Effective Tax Rate	Tax Effect	Effective Tax Rate
Income before taxes	$ 5,992	21.0 %	$ (14,459)	21.0 %
Dividends received deduction	(7,060)	(24.7)	(6,132)	8.9
Accrued dividends	(29)	(0.1)	-	0.0
Proration	1,488	5.2	1,519	(2.2)
Change in non-admitted assets	(2,032)	(7.1)	678	(1.0)
Change in statutory valuation allowance	1,545	5.4	6,148	(8.9)
Sale of contributed stock	-	0.0	4,812	(7.0)
Foreign tax credit	(8,591)	(30.1)	(6,148)	8.9
Foreign taxes	8,592	30.1	6,148	(8.9)
Effect of enacted changes in tax laws or rate	-	0.0		
Other	(4,581)	(16.1)	(224)	0.3
Total	$ (4,676)	(16.4)%	$ (7,658)	11.1 %
Federal income taxes incurred	$ 18,470	64.7 %	$ (787)	1.1 %
Tax on capital gains (losses)	68	0.2	38,308	(55.6)
Change in net deferred income taxes	(23,214)	(81.3)	(45,179)	65.6
Total statutory income taxes	$ (4,676)	(16.4)%	$ (7,658)	11.1 %

At December 31, 2021 and 2020, the Company had no net operating loss, capital loss, or tax carryforwards to offset against future U.S. taxable income and had approximately $10,893 and $12,368, 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 2022 to being available indefinitely.

The following is income tax expense for 2021 and 2020 that is available for recoupment in the event of future losses:

Year	Total
2021	$ 9,297
2020	32,021

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, 2021.

The Company joins with a group of approximately 800 affiliated companies in the filing of a consolidated federal income tax return by BHI, the 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, 2021, 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, 2021, 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 2019 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. The remaining net deferred tax liability assumed as part of the contribution was $14,585 at December 31, 2021 and 2020.

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 the 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 the 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 2021 related to the agreement totaled $140,829 and were $117,402 for 2020. 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 $361,174, which included a receivable of $33,273 for cost allocation, and $299,106 at December 31, 2021 and December 31, 2020, 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. RETIREMENT PLANS

The Company sponsors a defined contribution plan in which a majority of the employees of the Company located in the United States are eligible to participate ("U.S. Plan"). Contributions to the U.S. Plan by the Company match participants' contributions up to 5% of the participants' regular compensation subject to Internal Revenue Code restrictions. The Company's contributions for the plan were $4,470 from January 1, 2020 to December 31, 2020. The Company's contributions for the U.S. Plan were $4,549 from January 1, 2021 to December 31, 2021. The Company had no contribution liabilitiy at the end of 2021 or 2020.

The Company also sponsors contributions plans ("Branch Plans") in each of the foreign branches for eligible employees. The fair market value of the Branch Plans is not readily determiniable due to the local government sponsored nature of the plans. The Company's approximate USD equivalent of the total contributions to the Branch Plans was $2,488 and $2,831 for 2020 and 2021, respectively. The table below shows the contributions to the Branch Plan by branch, currency and plan name:

Branch	2021	2020	Currency	Plan Name/Type
Australia	2,033	1,790	AUD	Defined Contribution/Superannuation
Dubai	198	191	USD	DIFC Employees Workplace Savings Plan (DEWS)
Hong Kong	3,978	3,793	HKD	Defined Contribution Pension Plan
Labuan	236	209	MYR	State-Managed Defined Contribution Pension Plan
Macau	138	147	MOP	Defined Contribution Pension Plan
New Zealand	151	136	NZD	KiwiSaver - Defined Contribution Plan
Singapore	554	570	SGD	State-Managed Defined Contribution Pension Plan

6. 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, 2021 or (b) 2021 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 2022 without prior approval is $72,057.

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

		2021		2020
Non-admitted assets	$	(44,401)	$	(34,726)
Provision for reinsurance		(263)		(249)
Unrealized gains, net of DTL, of $276,436 and $143,850 in 2021 and 2020, respectively		940,527		441,196
Unrealized foreign exchange gain (loss) net of DTL of $253 and $89 in 2021 and 2020, respectively		953		336

7. 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, 2021 or 2020.

8. 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, 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. 100R, *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, prepayment 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, 2021 and 2020 about the Company's financial assets measured and reported at fair value:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets at Fair Value:				
Perpetual Preferred Stock:				
Affiliated	$ -	$ -	$ 62,791	$ 62,791
Industrial & Miscellaneous	-	-	204,860	204,860
Total Preferred Stock	$ -	$ -	$ 267,651	$ 267,651
Unaffiliated Common Stock:				
Industrial & Miscellaneous	$ 2,413,168	$ -	$ -	$ 2,413,168
Total Common Stock	$ 2,413,168	$ -	$ -	$ 2,413,168
Other Derivatives:				
Common Stock Warrants	$ -	$ -	$ 8,923	$ 8,923
Total Other Derivatives	$ -	$ -	$ 8,923	$ 8,923
Total Assets at Fair Value	$ 2,413,168	$ -	$ 276,574	$ 2,689,742

	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
Unaffiliated 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

During 2021 and 2020, there were no transfers into or out of Level 3 for assets and liabilities carried at fair value.

The Company had no financial liabilities carried at fair value as of December 31, 2021 or 2020. There were no other transfers of assets carried at fair value into or out of Levels 1, 2, or 3 during 2021 or 2020.

A reconciliation of financial assets measured and recorded at fair value with the use of significant unobservable inputs (Level 3) for 2021 and 2020 follows:

	Balance at 1/1/2021	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 12/31/2021
Perpetual preferred stocks - unaffiliated	$ 177,820	$ -	$ -	$ -	$ 27,040	$ -	$ 204,860
Perpetual preferred stocks - affiliated	146,237	-	-	-	555	(84,001)	62,791
Other derivatives - warrants	1,727	-	-	-	7,196	-	8,923
Total	$ 325,784	$ -	$ -	$ -	$ 34,791	$ (84,001)	$ 276,574

	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

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, 2021 and 2020:

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, 2021:				
Other derivatives - warrants	$ 8,923	Warrant pricing model	Expected duration	7.6 years
			Volatility	36.97%
Perpetual preferred stock - unaffiliated	$ 204,860	Discounted cash flow	Expected duration	7.6 years
			Discount for transferability restrictions and subordination	375 basis points
Perpetual preferred stock - affiliated	$ 62,791	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, 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%

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, 2021 and 2020, 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, 2021 or 2020.

				December 31, 2021						
		Admitted Assets		Aggregative Fair Value		Level 1		Level 2		Level 3
Types of Financial Instrument										
Assets										
Bonds	$	46,014	$	45,745	$	45,567	$	178	$	-
Common stock		2,413,168		2,413,168		2,413,168		-		-
Preferred stock - affiliated		62,791		62,791		-		-		62,791
Preferred stock - unaffiliated		204,860		204,860		-		-		204,860
Other derivatives - common stock warrants		8,923		8,923		-		-		8,923
Short-term investments		1,549,020		1,549,115		1,549,115		-		-
Cash equivalents		1,497,990		1,498,002		1,498,002		-		-

				December 31, 2020						
		Admitted Assets		Aggregative Fair Value		Level 1		Level 2		Level 3
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		-		-

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.

9. SUBSEQUENT EVENTS

Type I – Recognized Subsequent Events

Subsequent events have been considered through May 18, 2022 for the audited statutory-basis financial statements available to be issued on that date. No events occurred subsequent to December 31, 2021 through May 18, 2022 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 18, 2022 for the audited statutory-basis financial statements available to be issued on that date. No events occurred subsequent to December 31, 2021 through May 18, 2022 which would have a material effect on the Company's statutory-basis financial statements.

10. 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 2021 and 2020 is as follows:

	2021		2020	
	Written	Earned	Written	Earned
Direct	$ 1,570,029	$ 1,385,423	$ 1,242,572	$ 1,025,038
Assumed:				
Affiliates	47,795	31,339	-	-
Non-affiliates	534,195	490,545	1,033,482	1,009,470
Ceded:				
Affiliates	(1,325,977)	(1,194,103)	(1,077,084)	(891,868)
Non-affiliates	(14,617)	(13,602)	(12,037)	(14,425)
Net	$ 811,425	$ 699,602	$ 1,186,933	$ 1,128,215

The effect of ceded reinsurance transactions on the Company's losses and LAE reserves is $2,095,955 and $1,638,379, respectively, and loss and LAE incurred is $881,238 and $772,208, respectively, for 2021 and 2020.

The following tables summarize the 2021 and 2020 assumed and ceded unearned premiums and the related commission equity:

	Assumed Reinsurance		Ceded Reinsurance		Net	
At December 31, 2021	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliate	$ 16,456	$ 7,817	$ 826,735	$ 188,309	$ (810,279)	$ (180,492)
All other	289,743	50,295	5,606	2,827	284,137	47,468
Totals	$ 306,199	$ 58,112	$ 832,341	$ 191,136	$ (526,142)	$ (133,024)
Direct unearned premium reserve					$ 1,010,803	

	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	

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

	2021	2020
National Indemnity Company	$ 2,542,587	$ 2,023,421

The Company had no other unsecured reinsurance recoverables that exceed 3% of the Company's total capital and surplus at December 31, 2021 or 2020.

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 and Singapore quota-share agreements, which are subject to an aggregate limit on losses and LAEs 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	Retention 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 retention 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:

	2021	2020
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	$ 83,180	$ 78,640
Current year	1,537	4,540
Current total	$ 84,717	$ 83,180
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	$ -	$ -

11. LOSSES AND LOSS ADJUSTMENT EXPENSES

	2021	2020
Balance at January 1	$ 2,655,645	$ 1,988,894
Less reinsurance recoverables	1,638,377	1,254,264
Net balance at January 1	1,017,268	734,630
Incurred related to:		
Current year	537,636	954,131
Prior year	27,287	64,991
Total incurred	564,923	1,019,122
Paid related to:		
Current year	122,928	521,531
Prior year	223,340	214,953
Total paid	346,268	736,484
Net balance at December 31	1,235,923	1,017,268
Plus reinsurance recoverables	2,095,955	1,638,377
Balance at December 31	$ 3,331,878	$ 2,655,645

During 2021, the Company reported unfavorable development of prior period ultimate loss and loss expense reserves totaling $27,287. During 2020, the Company reported unfavorable development of prior period ultimate loss and expense reserves totaling $64,991. Both the 2021 and 2020 development was primarily the result of re-estimation of ultimate liability losses primarily on other liability 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.

12. 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, 2021 and 2020 was as follows:

	Direct	
	2021	2020
Beginning reserves	$ 61,779	$ 65,881
Incurred losses and loss adjustment expenses	3,526	(2,171)
Calendar year payments for losses and loss adjustment expenses	1,962	1,931
Ending reserves	$ 63,343	$ 61,779

	Assumed	
	2021	2020
Beginning reserves	$ 14,746	$ 14,547
Incurred losses and loss adjustment expenses	190	379
Calendar year payments for losses and loss adjustment expenses	6	180
Ending reserves	$ 14,930	$ 14,746

	Net of Reinsurance	
	2021	2020
Beginning reserves	$ 66,705	$ 71,067
Incurred losses and loss adjustment expenses	3,814	(2,523)
Calendar year payments for losses and loss adjustment expenses	1,407	1,839
Ending reserves	$ 69,112	$ 66,705

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 $43,278 on a direct basis, $12,648 on an assumed basis, and $51,715, net of reinsurance, at December 31, 2021. The Company recorded asbestos-related bulk and IBNR reserves of $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 case, bulk, and IBNR reserves for future LAE (including potential coverage dispute costs) totaling $17,423 and $15,943 on a direct basis, $1,943 and $1,943 on an assumed basis, and $15,686 and $14,066, net of reinsurance, at December 31, 2021 and 2020, respectively.

The Company's environmental-related losses and LAE activity (including potential coverage dispute costs) at December 31, 2021 and 2020 was as follows:

	Direct			
		2021		2020
Beginning reserves	$	24,312	$	21,024
Incurred losses and loss adjustment expenses		(2,447)		3,535
Calendar year payments for losses and loss adjustment expenses		834		247
Ending reserves	$	21,031	$	24,312

	Assumed			
		2021		2020
Beginning reserves	$	3,849	$	4,404
Incurred losses and loss adjustment expenses		(190)		(405)
Calendar year payments for losses and loss adjustment expenses		41		150
Ending reserves	$	3,618	$	3,849

	Net of Reinsurance			
		2021		2020
Beginning reserves	$	25,386	$	23,470
Incurred losses and loss adjustment expenses		(1,446)		3,635
Calendar year payments for losses and loss adjustment expenses		135		1,719
Ending reserves	$	23,805	$	25,386

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 $12,583 on a direct basis, $ 3,071 on an assumed basis, and $15,554, net of reinsurance, at December 31, 2021. The Company recorded environmental bulk and IBNR reserves of $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-related case, bulk, and IBNR reserves for future LAE (including potential coverage dispute costs) totaling $1,697 and $669 on a direct basis, $507 and $507 on an assumed basis, and $2,185 and $1,030 net of reinsurance, at December 31, 2021 and 2020, respectively.

* * * * *

SUMMARY INVESTMENT SCHEDULE

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
Investment Categories	Amount	Percentage of Column 1 Line 13	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3 + 4) Amount	Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. governments	7,087,765	0.109	7,087,765		7,087,765	0.109
1.02 All other governments	38,752,160	0.595	38,752,160		38,752,160	0.596
1.03 U.S. states, territories and possessions, etc. guaranteed		0.000				0.000
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed		0.000				0.000
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	174,337	0.003	174,337		174,337	0.003
1.06 Industrial and miscellaneous		0.000				0.000
1.07 Hybrid securities		0.000				0.000
1.08 Parent, subsidiaries and affiliates		0.000				0.000
1.09 SVO identified funds		0.000				0.000
1.10 Unaffiliated Bank loans		0.000				0.000
1.11 Total long-term bonds	46,014,262	0.706	46,014,262		46,014,262	0.707
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)	204,860,000	3.143	204,860,000		204,860,000	3.150
2.02 Parent, subsidiaries and affiliates	62,790,789	0.963	62,790,789		62,790,789	0.965
2.03 Total preferred stocks	267,650,789	4.106	267,650,789		267,650,789	4.115
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)	2,413,168,242	37.024	2,413,168,242		2,413,168,242	37.102
3.02 Industrial and miscellaneous Other (Unaffiliated)		0.000				0.000
3.03 Parent, subsidiaries and affiliates Publicly traded		0.000				0.000
3.04 Parent, subsidiaries and affiliates Other		0.000				0.000
3.05 Mutual funds		0.000				0.000
3.06 Unit investment trusts		0.000				0.000
3.07 Closed-end funds		0.000				0.000
3.08 Total common stocks	2,413,168,242	37.024	2,413,168,242		2,413,168,242	37.102
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages		0.000				0.000
4.02 Residential mortgages		0.000				0.000
4.03 Commercial mortgages		0.000				0.000
4.04 Mezzanine real estate loans		0.000				0.000
4.05 Total valuation allowance		0.000				0.000
4.06 Total mortgage loans		0.000				0.000
5. Real estate (Schedule A):						
5.01 Properties occupied by company		0.000				0.000
5.02 Properties held for production of income		0.000				0.000
5.03 Properties held for sale		0.000				0.000
5.04 Total real estate		0.000				0.000
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	721,417,932	11.068	721,417,932		721,417,932	11.092
6.02 Cash equivalents (Schedule E, Part 2)	1,497,989,738	22.983	1,497,989,738		1,497,989,738	23.031
6.03 Short-term investments (Schedule DA)	1,549,020,004	23.766	1,549,020,004		1,549,020,004	23.816
6.04 Total cash, cash equivalents and short-term investments	3,768,427,674	57.816	3,768,427,674		3,768,427,674	57.939
7. Contract loans		0.000				0.000
8. Derivatives (Schedule DB)	8,922,582	0.137	8,922,582		8,922,582	0.137
9. Other invested assets (Schedule BA)	13,728,346	0.211				0.000
10. Receivables for securities	751	0.000	751		751	0.000
11. Securities Lending (Schedule DL, Part 1)		0.000		XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)		0.000				0.000
13. Total invested assets	6,517,912,645	100.000	6,504,184,300		6,504,184,300	100.000

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.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2021
(To Be Filed by April 1)

Of The BERKSHIRE HATHAWAY SPECIALTY INSURANCE COMPANY

ADDRESS (City, State and Zip Code) Omaha , NE 68102-1944

NAIC Group Code 0031 NAIC Company Code 22276 Federal Employer's Identification Number (FEIN) 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. $ 7,199,459,696

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	$ 980,896,680	13.6 %
2.02	Bank of New York Mellon Corporation	Common Stock	$ 629,529,120	8.7 %
2.03	US Bancorp	Common Stock	$ 514,046,832	7.1 %
2.04	Allspring Government Select Money Market	Money Market Fund	$ 348,031,232	4.8 %
2.05	Bank of America Corporation	Common Stock	$ 288,695,610	4.0 %
2.06	Occidental Petroleum Corporation	Various	$ 213,782,582	3.0 %
2.07	Berkshire Hathaway Energy Company	Preferred Stock	$ 62,790,789	0.9 %
2.08	Singapore Government	Sovereign	$ 22,595,367	0.3 %
2.09	Hong Kong Government	Sovereign	$ 16,156,793	0.2 %
2.10	Federal Home Loan Mortgage Corporation	MBS/ABS	$ 135,547	%

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

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 2,744,992,772	38.1 %	3.07	P/RP-1	$ 62,790,789	0.9 %
3.02	NAIC-2	$	%	3.08	P/RP-2	$	%
3.03	NAIC-3	$	%	3.09	P/RP-3	$	%
3.04	NAIC-4	$	%	3.10	P/RP-4	$ 204,860,000	2.8 %
3.05	NAIC-5	$	%	3.11	P/RP-5	$	%
3.06	NAIC-6	$	%	3.12	P/RP-6	$	%

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	$ 38,752,160	0.5 %
4.03	Foreign-currency-denominated investments	$ 38,752,160	0.5 %
4.04	Insurance liabilities denominated in that same foreign currency	$ 32,934,106	0.5 %

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

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

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

		1	2
7.	Aggregate unhedged foreign currency exposure	$	%

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

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

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

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

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

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.

		1	2
11.02	Total admitted assets held in Canadian investments	$	%
11.03	Canadian-currency-denominated investments	$	%
11.04	Canadian-denominated insurance liabilities	$	%
11.05	Unhedged Canadian currency exposure	$	%

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	$ 276,573,370	3.8 %
	Largest three investments with contractual sales restrictions:		
12.03	Occidental Petroleum Corporation	$ 213,782,582	3.0 %
12.04	Berkshire Hathaway Energy Company	$ 62,790,789	0.9 %
12.05		$	%

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

13.01 Are assets held in equity interests 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 Issuer	2	3
13.02	Apple Inc	$ 980,896,680	13.6 %
13.03	Bank of New York Mellon Corporation	$ 629,529,120	8.7 %
13.04	US Bancorp	$ 514,046,832	7.1 %
13.05	Bank of America Corporation	$ 288,695,610	4.0 %
13.06	Occidental Petroleum Corporation	$ 204,860,000	2.8 %
13.07	Berkshire Hathaway Energy Company	$ 62,790,789	0.9 %
13.08		$	%
13.09		$	%
13.10		$	%
13.11		$	%

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	$ 267,650,789	3.7 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03	Occidental Petroleum Corporation	$ 204,860,000	2.8 %
14.04	Berkshire Hathaway Energy Company	$ 62,790,789	0.9 %
14.05		$	%

Ten largest fund managers:

	1 Fund Manager	2 Total Invested	3 Diversified	4 Nondiversified
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	$	%
	Largest three investments in general partnership interests:		
15.03		$	%
15.04		$	%
15.05		$	%

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		$	%
16.03		$	%
16.04		$	%
16.05		$	%
16.06		$	%
16.07		$	%
16.08		$	%
16.09		$	%
16.10		$	%
16.11		$	%

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

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

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

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 1	2	3
18.02		$	%
18.03		$	%
18.04		$	%
18.05		$	%
18.06		$	%

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 total 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:	$	%
	Largest three investments held in mezzanine real estate loans:		
19.03		$	%
19.04		$	%
19.05		$	%

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 Quarter	2nd Quarter	3rd Quarter
		1	2	3	4	5
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$	%	$	$	$
20.02	Repurchase agreements	$	%	$	$	$
20.03	Reverse repurchase agreements	$	%	$	$	$
20.04	Dollar repurchase agreements	$	%	$	$	$
20.05	Dollar reverse repurchase agreements	$	%	$	$	$

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	$	%	$	%
21.02	Income generation	$	%	$	%
21.03	Other	$ 8,922,582	0.1 %	$	%

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 Quarter	2nd Quarter	3rd Quarter
		1	2	3	4	5
22.01	Hedging	$	%	$	$	$
22.02	Income generation	$	%	$	$	$
22.03	Replications	$	%	$	$	$
22.04	Other	$	%	$	$	$

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 Quarter	2nd Quarter	3rd Quarter
		1	2	3	4	5
23.01	Hedging	$	%	$	$	$
23.02	Income generation	$	%	$	$	$
23.03	Replications	$	%	$	$	$
23.04	Other	$	%	$	$	$