Berkshire Hathaway International Insurance Limited

Solvency & Financial Condition Report 2017

Legal Entity Identifier: 213800YK7U6HYI2WAU19

Contents

Introduction and Summary

This is the second Solvency and Financial Condition Report (SFCR) for Berkshire Hathaway International Insurance Limited (BHIIL), based on the financial position as at 31 December 2017.

BHIIL uses the Standard Formula to calculate its solvency capital requirement. The Standard Formula produces a Solvency Capital Requirement which management accept as appropriate to use for the business under Solvency II standards.

Following discussion with the regulator and the external auditor it was decided to include the value of the equity holding in the solvency capital requirement calculations for 2017. This holding was treated as excess capital in 2016 and was excluded from the solvency requirement calculations. The inclusion of the equity holding in the solvency calculations has resulted in an increase in the available and eligible own funds and the ratio of eligible funds for the year ended 31 December 2017. The 2016 comparatives have been restated on this basis.

The key solvency ratios are disclosed below. The calculations of the capital requirements are defined by the Solvency II Regulations.

Key Capital Performance Indicators

	2017	**2016 (restated)**
	$000	**$000**
Available and Eligible Own Funds	523,343	472,477
Standard Formula Solvency Capital Requirement (SCR)	152,256	173,844
Surplus over SCR	371,087	298,633
Ratio of Eligible Funds to SCR	**344%**	**272%**
Minimum Capital Requirement (MCR)	38,064	43,461
Surplus over MCR	485,279	429,016
Ratio of Eligible Funds to MCR	1375%	1087%

As at 31 December 2017 BHIIL had a Standard Formula Solvency Capital Requirement of $152m. This is covered by $523m of eligible capital resources resulting in a Solvency II surplus of $371m and a coverage ratio of 344%.

The SCR decreased by just under $22m during the year and this was largely as a result of reduction in the insurance risk charge ($44m decrease) offset by increases in Market Risk ($9m), Credit Risk ($9m) and operational Risk ($5m).

The reduction in the insurance risk charge resulted from a planned decrease in premium writings for 2018, a change in the type of business written from non-proportional to proportional reinsurance and a change in the catastrophe risk calculation which is now based on one event rather than two.

It is forecast that the company will continue to maintain a surplus over both the Standard Formula Solvency Capital Requirement and the Standard Formula Minimum Capital Requirement over the current planning horizon. There are no current indicators that suggest that this is likely to change over the longer term.

A. Business and Performance

A.1 Business

Berkshire Hathaway International Insurance Limited commenced trading on 1 January 1997 and its principal activity is underwriting general insurance business. The Company's operations are administered by the Company with additional administrative and claims handling services being provided by related group companies. The Company's operations are directed from London but it also operates from branch offices in Switzerland, Italy and Germany.

BHIIL is a wholly owned subsidiary of National Indemnity Company (NICO), an insurance company and a subsidiary of Berkshire Hathaway Inc. (BHI) a multinational conglomerate holding company quoted on the New York Stock Exchange. Both NICO and BHI are headquartered in Omaha, Nebraska.

NICO forms part of the BH Reinsurance Division of BHI.

At 31 December 2017 NICO had US$128bn Surplus as regards policyholders and total assets of US$234bn. BHIIL is one of a number of subsidiaries of NICO. BHIIL represents less than 2% of the total assets of NICO, and less than 3% of NICO's reported consolidated underwriting premium in 2017.

BHIIL is the primary non-life European licensed insurance carrier for BH Reinsurance Division.

Regulation

BHIIL is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The Swiss Branch is regulated by the Swiss Financial Market Supervisory Authority (FINMA).

Contact details for each of these regulators can be found on their respective websites:

www.bankofengland.co.uk/pra

www.fca.org.uk

www.finma.ch

The company's external auditor for the year ended 31 December 2017 is Deloitte LLP.

The Company's registered office and principal place of business and the contact details of its external auditors and supervisory authority are presented below:

Registered Office	**External Auditors**	**Supervisory Authority**
Berkshire Hathaway International Insurance Limited	**Deloitte LLP**	**Prudential Regulation Authority (PRA)**
4th Floor	2 New Street Square	20 Moorgate
8 Fenchurch Place	London	London
London EC3M 4AJ	EC4A 3BZ	EC2R 6DA
+44 (0) 20 7342 2000	+44 (0) 20 7936 3000	+44 (0) 20 7601 4444

Strategy

The business strategy is to manage the underwriting cycle and write selected classes of business over the long-term to achieve an underwriting profit over the course of the cycle. The underwriting business is managed in divisions, the risk appetite and business strategy being defined at business level.

BHSI division: this division writes Casualty, Property, and Executive & Professional Lines under the BHSI (Berkshire Hathaway Specialty Insurance) brand.

MedPro division: the strategy is to access European markets for Doctors and Healthcare Professionals leveraging underwriting expertise available from MedPro Group, an associated company within the parent company group.

GAUM (Global Aviation Underwriting Managers) division: participation in GAUM Pools writing general aviation, aviation products liability, and space business.

Faraday division: an MGA arrangement between Faraday and BHIIL to write business where there is client preference for non-Lloyd's paper or where the risk does not fit into the Lloyd's environment or appetite. Faraday is a related company, mainly operating in the Lloyd's insurance market.

BHRG division: the business strategy in this division is to be reactive to global market conditions and to write profitable business opportunities with support of appropriate business understanding and the support of Group reinsurance.

BHIIL maintains surplus capital in order to take up business opportunities as they arise and additional capital can be made available by NICO if required to support attractive new underwriting or for other reasons. BHIIL's current policy is to retain excess capital in order to enable some flexibility on the current year business plan. BHIIL and NICO are both rated AA+ by Standard & Poor's.

For funds supporting underwriting the investment strategy is conservative and investment guidelines require funds to be invested in fixed interest securities with a credit rating of A and above held to maturity. A Capital Surplus Portfolio is also held; this comprises assets held in excess of the requirements of policyholders and therefore can be deployed for the benefit of the shareholders and can include large strategic long-term equity holdings consistent with holdings by BHI.

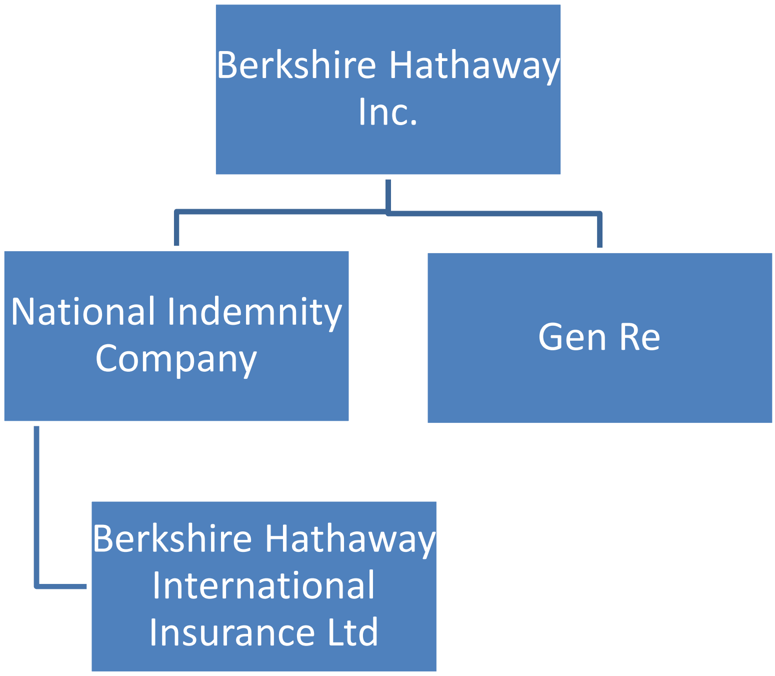
The Company has in place a Trust Fund Agreement with its parent Company in respect of the exposure of the Company to NICO. This arrangement satisfies the requirement of the Company to manage its exposure to NICO, under the current regulatory regime.

All other risks are actively managed to mitigate the possibility of significant adverse impact to the business.

Underwriting, investment, and other matters may be subject to consultation with the Holding company and its representatives, however the Board operate in accordance with the interests of BHIIL recognising its distinct legal entity status and regulatory requirements.

Group Structure

Below is a simplified group structure for Berkshire Hathaway Inc. Insurance group pertaining to BHIIL.



Review of the Business

The Company's credit rating from Standard & Poor's remained at AA+ throughout the year. The full S&P ratings report can be found on the BHIIL website www.bhiil.com

The Company is organised into four distinct divisions to allow the development of multiple brand offerings. The Divisions are Berkshire Hathaway Reinsurance Group (BHRG), Medpro, Berkshire Hathaway Speciality Insurance (BHSI) and Global.

<u>BHRG Division</u>

BHRG is focused on writing international reinsurance treaties including catastrophe, XOL and quota share, high level US Casualty and Italian Medical Malpractice coverages for hospitals and clinics through in-house underwriting teams. In addition the Company is, on occasion, approached by Brokers to underwrite large one-off risks which are considered on their individual merits. The division has also entered into managing general agency (MGA) agreements to write UK coach and haulage business.

The division successfully underwrote a number of international reinsurance treaties during the year mostly with European and Japanese cedants.

The division wrote significantly lower amounts of high level US Casualty business as assureds preferred to utilise US based group capacity.

The division's branch in Italy continued to expand its Italian Medical Malpractice business especially with public hospitals.

BHRG continued the orderly run-off of its Broker facility and UK motor accounts during the year.

Medpro Division

This division works closely with a US sister company, Medical Protective, to continue to develop MGA agreements for the provision of medical malpractice cover for medical practitioners. The division currently has two MGA arrangements in place operating in the UK and France. The UK MGA was purchased by a Group Company in January 2018.

BHSI Division

This division writes Casualty, Property, and Executive & Professional Lines under the BHSI (Berkshire Hathaway Specialty Insurance) brand. The BHSI brand began in 2013, when BHI CEO Warren Buffett announced that Berkshire Hathaway was moving into commercial insurance in a substantial — and everlasting — way. The BHSI operation within BHIIL was formed in 2016 and is in a growth phase targeting appropriate commercial insurance using the financial strength of Berkshire Hathaway to provide the ability for outsize capacity and creative, flexible solutions customers can count on year after year. A core element in this is building the capability for claims excellence, a key element of the BHSI brand

Global Division

This covers the company's participation on the Global Aerospace Underwriting Managers (GAUM) aviation pools writing general aviation, aviation products liability, and space business. The participation level is determined on an annual basis determined by the underwriting cycle and availability of pool capacity with a view to underwriting profit over the course of the cycle. BHIIL participate in the pool management committees with representatives from the business and other pool members.

A.2 Underwriting Performance

The Company primarily manages it business by division as described on pages 8 and 9. Under Solvency II, the lines of business are pre-defined.

The tables below provide the details of the Company's underwriting performance for 2017 for the major Solvency II lines of business. Full details of the Company's premiums, claims and expenses for the year are disclosed in template S.05.01 which is included within the appendix.

Year ended 31 Dec 2017 $000	**Motor Vehicle Liability**	**Marine, Aviation & Transport**	**Fire & Other Damage to Property**	**General Liability**
Net Premium Written	6,503	5,278	25,929	25,955
Net Premium Earned	4,916	8,335	30,352	30,172
Claims incurred	(4,937)	2,440	3,431	(25,434)
Changes in other technical provisions	(21)	422	(113)	(991)
Expenses incurred	(696)	(2,223)	(7,754)	(5,644)
Underwriting performance	**(738)**	**8,974**	**25,916**	**(1,897)**

Year ended 31 Dec 2016 $000	**Motor Vehicle Liability**	**Marine, Aviation & Transport**	**Fire & Other Damage to Property**	**General Liability**
Net Premium Written	3,387	4,168	1,001	26,405
Net Premium Earned	1,396	9,113	19,482	24,433
Claims incurred	(1,104)	(4,539)	(8,156)	(18,863)
Changes in other technical provisions	(323)	2,931	8,832	(2,101)
Expenses incurred	(63)	(3,213)	(8,861)	(1,446)
Underwriting performance	**(93)**	**4,292**	**11,297**	**2,023**

The BHIIL Board of Directors are satisfied with the underwriting performance of the Company for 2017.

A.3 Investment Performance

The Company considers the assets of the Company to comprise two portfolios. The first portfolio, the Insurance Portfolio, is in excess of policyholder liabilities after reinsurance plus an amount of surplus capital. The second portfolio, the Capital Surplus Portfolio, comprises assets invested outside of the Insurance Portfolio.

In respect of the Insurance Portfolio the Company adopts a conservative investment and risk management policy to ensure that there is no material exposure to market or liquidity risks.

In respect of the Capital Surplus Portfolio the Company agrees the investments to be held with the Shareholder and accepts market and liquidity risks. The Capital Surplus Portfolio was valued at $121m.

The Company has no exposure to derivatives or currency-hedging risks.

The Company's investment income improved in the year as equity holdings in the Capital Surplus Portfolio performed well and yields on US and Sterling Government Bonds improved.

Investment gains and exchange losses resulted in the Company reporting a profit before tax of $45.6m (2016; $15.2m). There were no material investment expenses incurred in the year.

Reported exchange losses moderated in the year to $0.5m from $3.5m the prior year.

The Director's consider the current investment policy and matching of liabilities and assets in currency to put the Company on a sound basis to deal with any market volatility.

A.4 Performance from Other Activities

The Company did not undertake any other activities in the year.

B. System of Governance

B.1 General information on the system of governance

The Governance structure of the company is set out in the BHIIL Governance Map. The Governance Map is maintained by the Compliance Officer.

Board

BHIIL is run by a Board of Directors operating under documented terms of reference and matters reserved for the Board. The Board oversees various Board Committees who operate under their own Board approved Terms of Reference and report into the Board on a regular basis. Board meetings are normally held on a quarterly basis with additional meetings scheduled as required.

The board members as at 31 December 2017 were:

Name	Role and SIMF /SIF Status	Appointment to Role	Other Information
John Powell	Chairman (SIMF9, SIMF12)	July 2016	Chair of the Board and Chair of the Nominations and Remuneration Committee
Michael Steel	Chairman (SIMF10, SIMF11) Senior Independent Director (SIMF14)	August 2016	Chair of the Risk Committee Chair of the Audit Committee
Robert Love	Chief Underwriting Officer (SIMF22)	December 2008	Chair of Underwriting Committee
Guy Finney	Finance Director (SIMF2)	April 2008	Chair of Regulatory Reporting, Financial Reporting and Investment Committees
Stephen Michael	Non-Executive Director (Notified NED)	November 2016	Member of the Audit Committee
Gregor Koehler	Executive Director	May 2016	Chair of Northern Europe Underwriting Committee.
Andrew D'Arcy	Non-Executive Director (Notified NED)	August 2016	Member of the Audit Committee Member of the Risk Committee

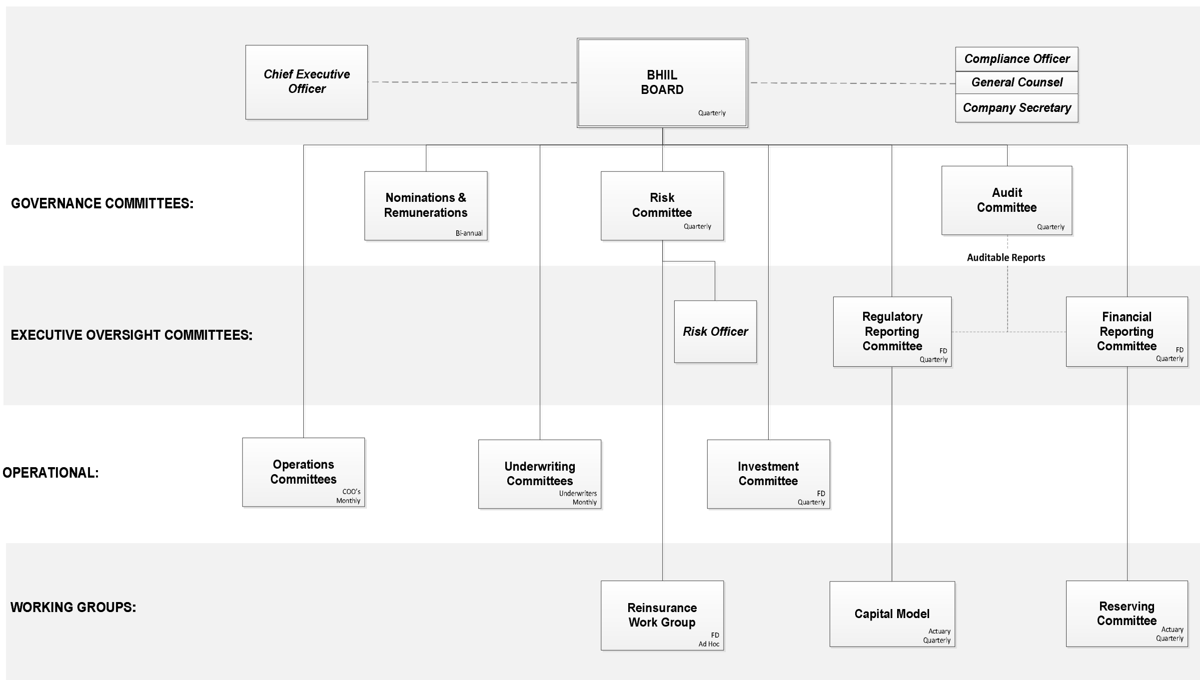
The Key Responsibilities of the Board are:

- To determine the strategic direction of BHIIL and to define the Company's Risk Appetite.
- To determine the approach to the Own Risk and Solvency Assessment, challenging and improving the results.
- To ensure that BHIIL has a suitably resourced system of Compliance and independent review and to monitor the adequacy of the operation.
- To ensure that BHIIL treats customers fairly and has adequate systems to address the risk of Financial Crime.
- To ensure that BHIIL is compliant with all relevant legislation.
- To ensure that System of Governance remains appropriate.

Committee Structure

The chart below sets out the Committee Structure of BHIIL.

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED (BHIIL)



Governance Committees consist of mainly non-executive directors and report directly to the Board.

Executive Oversight Committees are made up of executive officers of the company and the chair of these committees reports on their operation to the Board.

Operational Committees consist of executive officers and other senior members of staff. Each is chaired by an executive officer who reports to the Board on the operation of the committee.

Working groups are less formal than the committees and undertake tasks delegated to them by the appropriate committee. Each working group reports into the relevant associated operational committee.

B.2 Fit and Proper Requirements

BHIIL has a policy which sets out the procedures to ensure that all those undertaking controlled functions on behalf of the company are and remain fit and proper to carry out those functions.

These procedures ensure that all those holding controlled functions:
• meet the requirements of the Regulators' 'fit and proper' test and follow its principles
• comply with the Statement of Responsibilities; and
• report anything that could affect their ongoing suitability.

The following factors are taken into account when deciding whether an individual is fit and proper:
• their honesty, integrity and reputation
• their competence and capability; and
• their financial soundness.

Fitness and propriety checks are made before an individual is appointed to carry out a controlled function and also periodically thereafter.

B.3 Risk management system including the own risk and solvency assessment

The Board has approved a documented Risk Management Framework.

The Risk Management Framework is designed to ensure that there are clear responsibilities and reporting lines. In conjunction with an appropriate monitoring and reporting structure the Risk Management Framework is intended to provide the BHIIL Board with confidence that Risks are appropriately controlled in accordance with the Board's risk tolerance.

A pre-requisite of managing risk is that the Board have a good understanding of the risks that are faced by the business, and have considered the appropriate level of risk that the business will stand. Articulation of the Board's Risk Appetite in documented Risk Appetite Statements enables cascading of Risk Management throughout the organisation and provides useful reference material when considering new opportunities or process change.

Policy & Procedure for Articulating Risk Appetite

The Risk Appetite describes the Board's appetite for risk.

Strategic Risk Appetite deals with risks which involve both risk and reward. In the context of BHIIL these are essentially Insurance Risk and related Reinsurance Credit Risk, and Market Risk. The strategic risk appetite statements set out how these strategic risks are managed.

Operating Risk Appetite deals with risks which are faced as a consequence of being in business, but where there is no opportunity for significant reward. They are mainly "downside only" risks which are cost effectively minimised, such as Operational Risk and Liquidity Risk.

The articulation of risk appetite reflects the different natures of Strategic and Operating Risks.

Strategic Risk Appetite

BHIIL maintains a divisional business model for underwriting supported by the shareholder. The shareholder is able to provide both reinsurance support and additional capital for attractive business opportunities.

Strategic Risk is only taken on when it is supported by appropriate Capital. The Capital requirement is considered both from BHIIL's assessment of required capital and based on Regulatory requirements. The Board are responsible for approving Strategic Risk Appetite, and within BHIIL the Risk Committee takes an important role in assessing the business plan relative to capital availability.

Strategic risk is accepted with the objective of making a profitable return. The Strategic Risk Appetite statements define criteria that express how the Board wish to monitor the level of risk accepted by the business. Tolerances are set against those defined criteria which set out escalation levels; these operate as monitoring levels and are not intended to represent the absolute risk appetite of BHIIL.

Operating Risk Appetite

BHIIL's operating risk appetite statements and metrics are designed to inform day to day decision making. As such, they are closely aligned with the procedure documents for the various functional areas.

Operating Risk Appetite essentially deals with "downside" only risks which BHIIL seek to minimize (although the cost of mitigation must be appropriately balanced against the minimisation of risk). One exception is reserving risk which is a function of reserving policy, and the inherent uncertainty that exists within reserving.

Control of Strategic Risk Appetite

The corporate Business Plan is prepared annually and approved by the Board. The Business Plan takes into account Capital available and expected business conditions.

The Underwriting Committee monitors against the strategic risk appetite criteria set as tolerances at each monthly meeting.

The Risk Committee monitors reinsurer credit risk exposure aggregation information at each quarterly meeting.

The Investment Committee monitors compliance with investment guidelines (and thus monitors Market Risk) at each quarterly meeting.

Any identification of items outside the agreed tolerances are to be escalated via reporting to Board and Risk Committees. Operating outside of approved strategic risk appetites without separate approval at the appropriate committee is considered to be an operating risk. This is recorded and monitored through operating risks, controls, and Key Risk Indicators.

Control of Operating Risk Appetite

Operating Risks are managed by the application of Key Internal Controls, and are also monitored via Key Risk Indicators. It is the responsibility of the operational management to ensure that appropriate controls are in place to operate within risk appetite.

The relevant risk owners and operational committee monitors the performance of Key Internal Controls on behalf of the Risk Committee and the Board. The controls are assessed with regard to their design relative to the Operational Risk considered and the control performance.

Red	Ineffective
Amber	Partially Effective
Green	Effective

Each control for each risk therefore has two scores:

Design	Ineffective/Partially Effective/Effective
Performance	Ineffective/Partially Effective/Effective

The control owner is required to provide a score and narrative commentary for any risk which is not reported as effective.

Key Risk Indicators relating to Board Risk Appetite are also defined and monitored. Risk Appetite Tolerances are set for relevant risk appetite statements and these are reported using a Red/Amber/Green (RAG) reporting mechanism. They may include quantitative and qualitative tolerances as appropriate.

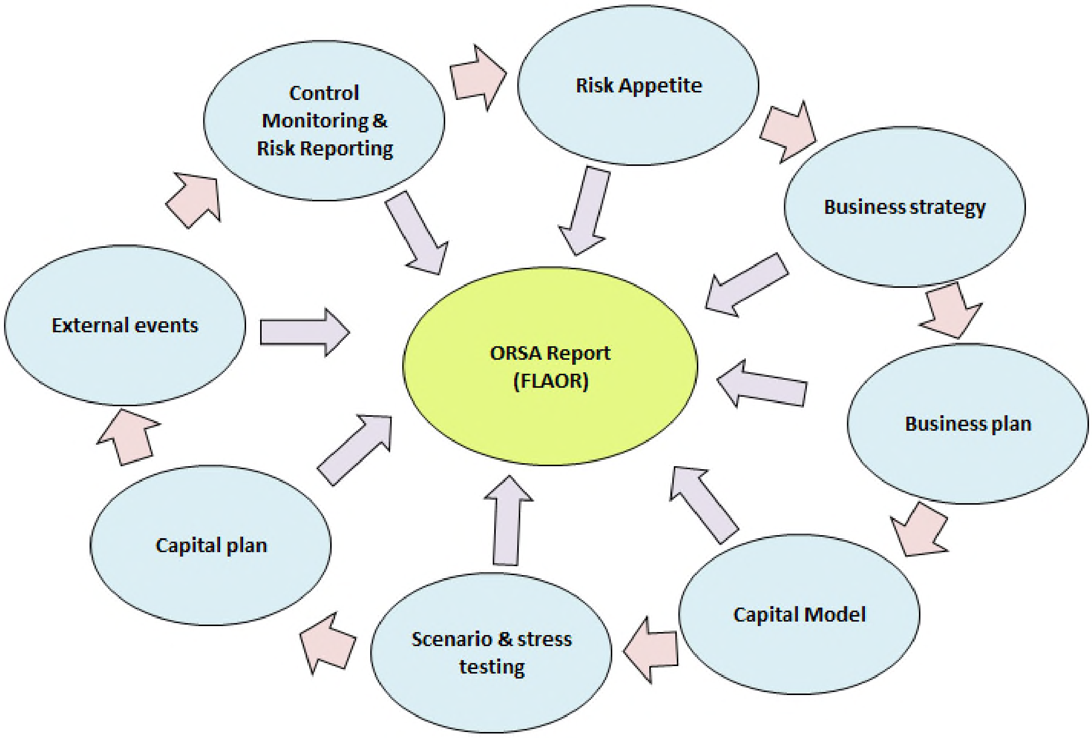
Red	Outside risk appetite. Consider appropriate action to address
Amber	Entity as a whole within Board's risk appetite, but close to appetite level which may indicate cause for concern, or parts of business operating outside operating risk appetite
Green	Within risk appetite – no issues

The RAG tolerances are monitored to ensure that they remain appropriate to the business.

Own Risk and Solvency Assessment (ORSA)

The ORSA is an integrated part of the company's business strategy. It is the regular assessment of the overall solvency needs relating to BHIIL's specific risk profile. The ORSA process is owned by the Board. The Board is responsible for both steering the on-going development of the ORSA process and challenging the results.

The ORSA is therefore an ongoing process that produces an ORSA Report at least annually. The process and report are central to the management of risk, and monitoring capital requirements and availability.



BHIIL has an ORSA Policy which is intended to create an appropriate structure to the ORSA process. Maintenance of the policy in line with developing Legal and Regulatory requirements is the responsibility of the Risk Officer. The policy is reviewed annually, and any proposed changes are submitted to the Regulatory Reporting Committee. The Regulatory Reporting Committee is responsible for recommending the policy and any policy changes to the Board.

The result of the ORSA process is required to be communicated internally and to the supervisory authority.

The ORSA is a continuing process and the ORSA Report will normally be produced annually and presented to the Board.

The report will be updated at other times for the following defined events:

- Significant underwriting not included in business plan
- Downgrade of Government rating to A based on investment criteria (for material holdings)
- Downgrade of key Reinsurer rating
- Significant change to investment strategy

B.4 Internal Control System

Internal controls are implemented to control risk. All internal controls are efficiently designed to achieve the required level of control in a cost–effective manner.

Internal controls are required where the inherent risk is in excess of the agreed risk appetite. Internal controls that are required to reduce the residual risk to the agreed risk appetite are defined as key controls.

Controls required for regulatory purposes are identified as such.

Other activities, systems or procedures with the attributes of internal control, but which are not required in relation to the agreed risk appetite or for regulatory purposes are defined as supplementary controls. Supplementary controls are not defined as internal controls and need not be documented in the internal control system; an internal control may act as a supplementary control for other risks and may therefore be documented as such.

Internal controls are identified with a defined owner responsible for maintenance of the control.

Internal controls are fully documented. The documentation includes:

- description of the control
- control category – preventative/detective/corrective
- control type – manual/ automatic/organisational
- control owner
- risks mitigated by control, and control importance relative to risks (key control/supplementary control)
- whether control is a regulatory requirement and applicable regulation
- explanatory note regarding control operation
- for detective controls – identification of control performer; definition of control frequency; documentation requirement for evidence of control performance

Internal control performance is recorded in the Risk Management and Internal Control System. There is a quarterly management report to the risk committee reporting control performance.

Internal controls are subject to verification of control operation and existence by compliance and internal audit.

The internal control system is central to achieving business objectives, and therefore changes to this should be implemented in a controlled manner. Changes to internal controls require approval by the relevant risk owner and a sub-committee of the relevant risk committee before implementation. All internal control changes made in this way are reported to the next meeting of the relevant risk committee. Examples where new or changed controls may be required include: changes in risk appetite; new risks identified; to improve control effectiveness or efficiency.

There is an annual review of internal controls continuing effectiveness and relevance (in conjunction with the annual risk review).

Compliance Function

Compliance monitoring ensures that the business operates within its Risk Appetite and that the Risk and Control documentation remains accurate.

In addition to owning some risks and controls, compliance also reviews evidence of control performance for each area of the business on a regular basis. A second purpose of this review is to consider the continuing completeness and accuracy of the control and risk documentation. This review is reported to the Risk Committee or other appropriate forum as a written report of findings and recommendations as appropriate. Risk and control documentation is updated as approved.

Compliance with Risk Appetite is also monitored through the Key Risk Indicators reported on a quarterly basis to the risk committee (or more frequent basis for underwriting and reserving within the underwriting committee).

B.5 Internal audit function

The function of Internal Audit is to provide independent, objective assurance and is designed to add value and improve the operations of BHIIL. Internal Audit aims to help Management accomplish their objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Internal Audit has unrestricted access to all activities undertaken in the organisation, in order to review, appraise and report on:

- The adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;
- The extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Board and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;
- The extent to which adequate business continuity plans exist;
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify measure, classify and report such information;
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the organisation's strategic goals;
- The suitability of the organisation of the units audited for carrying out their functions, and to report where services are provided in a way which is economical, efficient and effective;
- The recommendation of the follow-up action required to be taken to remedy weaknesses identified by Internal Audit review including monitoring completion against the required resolution date, and, ensuring that good practice is identified and communicated widely.
- The operation of the organisation's corporate governance arrangements.
- The preparation of an annual audit plan and submission of the plan for review and approval to the Audit Committee.
- Carrying out the approved audit plan and reporting to the Audit committee.
- Reporting to the Audit Committee at least annually on:-
  - assessments of the adequacy and effectiveness of the organisation's systems of risk management and internal control based on the work of Internal Audit
  - reporting significant issues related to the processes for controlling BHIIL's activities, including potential improvements to those processes, and provide information concerning such issues through to resolution; and
  - providing periodic information on the status and results of the annual audit plan and the sufficiency of Internal Audit resources.

B.6 Actuarial Function

The Chief Actuary is responsible for developing and implementing capital adequacy solutions to enable the Board to exercise the appropriate level of governance and control of the company's insurance risk exposures.

The Chief Actuary engages with the Board, senior managers, regulators, reinsurers, and auditors to ensure that the capital position of the Company and the risks that the Company faces are well understood and reflected in the analysis performed as part of the reserving and capital modelling processes.

Principal responsibilities of the Actuarial Function are:

- Advising the Board on the appropriate level of capital requirements and reserves.
- To keep the Company updated with significant capital and reserving related developments throughout the year.
- To undertake the calculation of the technical provisions of the Company and explain any material changes in data, methodologies or assumptions between valuation dates.
- To prepare and submit the Actuarial Function Report to the Board. The Actuarial Function Report reports on the assessment of the reliability and adequacy of the calculation of technical provisions and an opinion on the underwriting policy and reinsurance arrangements.
- The provision of actuarial information to the business as required including into Solvency II Pillar 3 Reporting.

B.7 Outsourcing

Outsourcing is an arrangement where an outsource provider is appointed to perform particular activities which would otherwise be undertaken by staff directly employed by the company. Entering into an outsource arrangement does not relieve BHIIL of its responsibility for the outsourced activity.

Any substantial activity carried out by an outsource provider is subject to the requirements of the Outsource Policy.

An outsource provider may be another Berkshire Hathaway or Resolute entity. In these cases the Outsource Policy remains applicable.

The Outsource Policy ensures that:

- An appropriate legal contract exists in respect of the Outsourced activity such that the desired level of control may be exercised
- The risks surrounding the Outsourced activity are articulated and appropriate controls and/or alternative measures exist so that the Outsourced activity operates within the Board's risk appetite
- There is a clear allocation of responsibility in respect of Outsourced arrangements
- There is an annual review of the Outsourced activity and risk assessment to ensure any performance issues or changes to the risk profile are considered, and any resulting agreed actions implemented.

Critical outsource arrangements are cleared with the Regulator before they are entered into.

C. Risk Profile

The Company distinguishes between Strategic Risks and Operating Risks as the management of these risks have different characteristics.

Strategic Risks involve both risk and reward. In the context of the Company these are essentially Insurance Risk and associated Reinsurer Credit Risk, and Market Risk.

Analysis of Risk Profile (As per S.25.01)

	2017	2016 (restated)
	$000	$000
Insurance risk	66,979	110,615
Market Risk	66,242	56,721
Credit Risk	21,570	13,263
Diversification	-37,672	-37,040
Basic Solvency Capital Requirement	117,120	143,559
Operational Risk	35,136	30,285
Total Solvency Capital Requirement	152,256	173,844

C.1 Underwriting risk

The appetite of BHIIL to insurance risk aligns with those of Berkshire Hathaway Inc., the ultimate parent company:

> "At bottom, a sound insurance operation needs to adhere to four disciplines. It must (1) understand all exposures that might cause a policy to incur losses; (2) conservatively assess the likelihood of any exposure actually causing a loss and the probable cost if it does; (3) set a premium that, on average, will deliver a profit after both prospective loss costs and operating expenses are covered; and (4) be willing to walk away if the appropriate premium can't be obtained."

BHIIL has an appetite to underwrite insurance business on the basis of the first three disciplines, and to withdraw or walk away from business when necessary under the fourth discipline.

BHIIL manages the underwriting cycle and writes selected classes of business over the long-term to achieve an underwriting profit over the course of the cycle. In addition BHIIL provide a service to the market by entering business lines or taking on risks in areas of the market which find themselves constrained by capital or where market inefficiencies exist.

Underwriting risk therefore represents the most significant aspect of risk within BHIIL, but much of this is converted to credit risk through reinsurance placed mainly with National Indemnity Company, BHIIL's holding company.

Insurance risk appetite tolerances are set for each line of business as part of the business planning process, or on the writing of a new business line when the decision to enter that line is made (i.e. outside of the annual business planning cycle). Insurance risk tolerances are proposed by the underwriting committee and approved by the Board, and are monitored at divisional underwriting committees.

Gross aggregate exposure is monitored at the company Risk Committee. The aggregate exposure is predominantly covered by reinsurance and the reinsurer is advised of exposures over a pre-agreed escalation limit.

For internal management and statutory reporting, reserves and planned loss ratios are established at levels consistent with prudent assumptions with regard to likelihood of loss and probable claims cost. These are monitored and approved at the Reserving Committee and the Financial Reporting Committee.

For solvency and business planning purposes, reserves and planned loss ratios are established at levels consistent with best-estimate assumptions with regard to likelihood of loss and probable claims cost. These are monitored and approved by the Regulatory Reporting Committee.

Underwriting risk for solvency purposes and relevant to this Solvency and Financial Condition Report primarily arise from:

- planned underwriting not achieving business best estimate plan loss ratios for attritional claims;
- higher than expected large loss or catastrophe (atypical) claim experience; and
- reserve deterioration against best estimate reserves.

For Regulatory and Solvency purposes BHIIL adopt the Standard Formula approach to estimate the capital requirement to meet the one in two-hundred adverse outcome over a one-year time frame. Separately a stochastic business model is used to estimate the capital requirement to meet the one in two-hundred adverse outcome to ultimate for BHIIL's Own Risk and Solvency Assessment. These assessments include prospective underwriting over the forthcoming year. The Standard Formula uses market wide volatility assumptions to assess risk capital requirements; the Stochastic Business Model uses volatility assumptions as approved by the Regulatory Reporting Committee for attritional losses and has an atypical loss model for natural and man-made catastrophe events for classes where appropriate exposure data exists. The expert judgement in the stochastic business model is monitored and approved at the Regulatory Reporting Committee, and sensitivity testing forms an important part of the Own Risk & Solvency Assessment.

The different reserve assessments for internal management, statutory, and regulatory reporting are reconciled through internal reports considered at the appropriate committee.

The different capital requirements under the standard formula and the stochastic business model are considered as part of the company's Own Risk & Solvency Assessment process. BHIIL maintains surplus capital on the higher of these two measures in order to provide a higher level of confidence that sufficient capital is maintained, and to take up further business opportunities as they arise.

C.2 Market risk

Market risk refers to the risk of losses on the Insurance Portfolio, arising from fluctuations in the market value of the underlying investments.

The investment strategy of the Insurance Portfolio is conservative and investment guidelines require funds to be invested in fixed interest securities with a credit rating of A and above held to maturity. This conservative strategy is designed to protect BHIIL capital so that it is available to support the underwriting. The company has no off-balance sheet transactions and has a policy of not investing in derivative contracts. Based on the investments held, and as a result of the investment policy, there is no exposure to spread, property, concentration, or illiquidity risk.

The Capital Surplus Portfolio is invested in an American Depository Receipt. This is subject to equity price risk.

The investment risk profile is the responsibility of the Investment Committee and is managed in line with the agreed Investment Risk Appetite.

C.3 Credit risk

Credit risk arises from the possibility of default by one or more counterparties, which include reinsurers and deposit-takers.

The credit risk to Reinsurers is materially exposure to NICO and this is addressed within the stochastic business model. The Reinsurance Working Group is responsible for approving the reinsurance and the Risk Committee is responsible for monitoring the associated credit risk. The Company has in place certain collateral arrangements with NICO which are used to manage the concentrated credit risk.

Credit risk from deposit-takers materially consists of bank exposures. The Investment Committee is responsible for monitoring the credit risk based on the value deposited and the bank credit rating. When determining the level of bank balances the Investment Committee also consider liquidity requirements.

Credit risk on overdue balances is materially premium credit risk which arises from exposure to overdue premium balances. These are often held at, or to be collected by, brokers. The Operations Committee is responsible for monitoring overdue amounts.

C.4 Liquidity risk

Liquidity risk is the risk that BHIIL will be unable to meet its liabilities as they fall due. This is largely mitigated by the investment guideline requirements which ensure compliance with the operational risk appetite statements. The company retains significant liquid balances, the investment portfolio is such that it may be converted to liquid assets at short notice, and the company also has the ability to make cash calls on its reinsurer.

C.5 Operational risk

Operational risk covers the risks arising from the failure of internal processes, people or systems, or from external events. Operational risk categories and specific risks contributing to an operating risk capital requirement are identified as:

• People	The risk of loss through theft or other fraudulent activity by staff
• Underwriting internal	The risk of loss through writing unauthorised business
• Delegated authority	The risk of loss through delegated authority business outside risk appetite
• Underwriting general	The risk of loss through underwriting losses that are not covered by reinsurance (e.g. due to sanctions issues)
• Other non-underwriting processes	The risk of loss due to unanticipated excess expenditure
• Process risk, outsourcing	The risk of loss through outsource providers operational failures
• Process risk, physical event	The risk of unanticipated physical events impacting the company's ability to trade
• Systems	The risk that systems performance issues will lead to operational difficulties
• Legal & Compliance Risk	The risk of loss due to regulatory or legal action and/or fine Conduct Risk and Financial Crime Risk are treated as two important sub-risks in Legal and Compliance Risk

Other risks in the Operating Risk framework are considered not to contribute to an operational risk capital requirement, but nevertheless require management through controls:

• Reputational Risk	The risk of reputational damage
• Project Risk	The risk of projects not achieving desired outcomes
• Group Risk	The risk of loss due to Group relationship

D. Valuation for Solvency Purposes

The details of the Company's Assets and Liabilities as at 31 December 2017 and 31 December 2016 are disclosed in the tables below along with the valuation adjustments between UK GAAP and the Solvency II valuations.

Consistent with Article 75 of Directive 2009/138/EC assets have been valued at the amounts for which the Company expects the assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

Solvency II Balance Sheet as at 31 December 2017, $000	Notes	UK GAAP	Reclassification Adjustments	Solvency II Adjustments	Solvency II
Assets					
Total Investments	1	**592,206**	**86,991**	**-**	**679,198**
Reinsurance recoverables from Non-Life	2	**1,434,714**	**(232,904)**	**(220,624)**	**981,186**
Insurance and intermediaries receivables	3	**320,301**	**(264,891)**	**-**	**55,410**
Reinsurance receivables	4	**52,648**	**(50,890)**	**-**	**1,758**
Receivables -not insurance		**1,067**	**-**	**-**	**1,067**
Cash and cash equivalents		**169,052**	**(86,729)**	**-**	**82,323**
Any other assets		**692**	**(262)**	**-**	**430**
Deferred Acquisition Costs	5	**12,447**	**(12,447)**	**-**	**-**
Total Assets		**2,583,127**	**(561,132)**	**(220,624)**	**1,801,372**
Liabilities					
Total Non-Life Technical Provisions -	6	**(1,728,840)**			**(1,214,753)**
Gross Technical Provisions		(1,728,840)	280,716	261,123	(1,187,001)
Risk Margin		-	-	(27,752)	(27,752)
Provisions other than technical provisions		**(4,450)**	**-**	**-**	**(4,450)**
Insurance and intermediaries payables	7	**(64,199)**	**61,890**	**-**	**(2,309)**
Reinsurance payables	8	**(261,286)**	**218,526**	**-**	**(42,760)**
Payables - not insurance		**(13,756)**	**-**	**-**	**(13,756)**
Total Liabilities		**(2,072,531)**	**561,132**	**233,371**	**(1,278,028)**
Excess of Assets over Liabilities		**510,596**	**-**	**12,747**	**523,343**

Solvency II Balance Sheet as at 31 December 2016, $000	Notes	UK GAAP	Reclassification Adjustments	Solvency II Adjustments	Solvency II
Assets					
Total Investments	1	**665,046**	**(1,601)**	**198**	**663,643**
Reinsurance recoverables from Non-Life	2	**1,379,806**	**(208,283)**	**(354,959)**	**816,564**
Insurance and intermediaries receivables	3	**281,932**	**(217,643)**	**-**	**64,289**
Reinsurance receivables	4	**42,937**	**(41,316)**	**-**	**1,621**
Receivables -not insurance		**489**	**-**	**-**	**489**
Cash and cash equivalents		**44,443**	**1,601**	**-**	**46,044**
Any other assets		**1,919**	**-**	**(191)**	**1,728**
Deferred Acquisition Costs	5	**13,323**	**(13,323)**	**-**	**-**
Total Assets		**2,429,895**	**(480,565)**	**(354,952)**	**1,594,378**
Liabilities					
Total Non-Life Technical Provisions -	6	**(1,658,099)**			**(1,054,868)**
Gross Technical Provisions		(1,658,099)	250,576	398,022	(1,009,501)
Risk Margin				(45,367)	(45,367)
Provisions other than technical provisions		**(4,960)**	**-**	**-**	**(4,960)**
Insurance and intermediaries payables	7	**(58,529)**	**50,215**	**-**	**(8,314)**
Reinsurance payables	8	**(221,771)**	**179,774**	**-**	**(41,997)**
Payables - not insurance		**(11,762)**	**-**	**-**	**(11,762)**
Total Liabilities		**(1,955,121)**	**480,565**	**352,655**	**(1,121,901)**
Excess of Assets over Liabilities		**(474,774)**	**-**	**2,297**	**(472,477)**

D.1 Assets

Assets are valued for Solvency II purposes using the policies detailed below:

Investments

Equities – Equities are valued at the quoted market price as at the balance sheet date.

Government bonds – Government bonds are valued at the quoted market price plus the value of accrued interest due as at the balance sheet date.

Money Market Funds – Money market funds are valued at the quoted market price as at the balance sheet date.

Deposits other than cash equivalents – Deposits are valued at the value of the deposit as at the balance sheet date.

Reinsurance Recoverables

The reinsurance recoverables, as included in the technical provisions, are calculated using a variety of techniques including a stochastic cash-flow model. While the gross cash-flows are uncertain, the reinsurance cash-flows given the gross cash-flows are certain as the terms of the reinsurance program are known.

Due to the importance of the reinsurance program to BHIIL, and the fact that the reinsurance program is not particularly complicated (i.e. does not consist of hundreds of facultative covers or different reinsurance strategies over time) BHIIL models the actual reinsurance program.

In general the reinsurance program consists of: a quota share cover; followed by a per event excess of loss cover; followed by whole account stop loss cover. For a small proportion of the total gross reserves there is additional facultative reinsurance in place.

A stochastic model allows the expected values of the contingent covers to be more accurately calculated (i.e. the excess of loss and stop loss covers). In order to accurately model the excess of loss cover atypical losses are modelled individually; attritional losses are modelled in aggregate.

The key steps in calculating the reinsurance recoverables are summarised below:

- Simulate the gross claims by segment (the segmentation of the business is described in the "Technical Provisions" section of this document)
- Calculate the reinsurance recoverables by applying the reinsurance program applicable to each segment
- Simulate reinsurer default including the mitigating effects of the trust funds and reinsurer recovery rate
- Discount the reinsurance recoverables based on the expected payment pattern and currency of the cash-flows
- Calculate the average reinsurance recoverables across all simulations (usually 128,000)
- Finally, allocate reinsurance recoverables to Solvency II class of business and geographical location

Insurance & Intermediaries Receivables

Insurance and intermediaries receivables are valued at the fair value of the amount outstanding reduced by the bad debt provision where applicable. Due to the short term nature of these amounts discounting is not considered to be material.

Cash & Cash Equivalents

Cash and cash equivalents are valued at fair value as at the balance sheet date.

Differences between Solvency II Valuation and UK GAAP valuation

The material differences between the Solvency II valuation and the UK GAAP valuation as detailed in the table above are as a result of the following:

Investments [1] – Investments valued on a Solvency II basis include accrued interest income which is included in other debtors on a UK GAAP basis.

Reinsurance Recoverables [2] – Solvency II values calculated by applying the reinsurance program to the best-estimate gross claims; as opposed to the book (i.e. prudent) gross claims reported in the statutory accounts. The Solvency II values are also discounted; the statutory values are not.

Insurance and Intermediaries Receivables [3] – Receivables exclude the value of inwards pipeline premiums as these are included within the valuation of the technical provisions for solvency purposes.

Reinsurance receivables [4] - Reinsurance receivables exclude the value of outwards pipeline commissions due as these are included within the valuation of the technical provisions for solvency purposes.

Deferred Acquisition Costs [5] – Deferred Acquisition Costs are not included in the Solvency II valuation in accordance with the valuation guidelines.

D.2 Technical Provisions

The technical provisions are the discounted present value of future insurance cash-flows, valued on a best-estimate basis, for business bound as at the valuation date, plus a risk margin. Gross and reinsurance cash-flows are modelled explicitly.

The best-estimate cash-flows which underlie the technical provisions are the same values which are used for the underwriting performance review. As such these figures, and the underlying assumptions, are reviewed on a monthly basis at the Underwriting Committee, with further review undertaken at the quarterly Regulatory Reporting Committee.

For modelling purposes the business is segmented by:

- Company – BHIIL underwrites and administers a relatively small amount of business for other NICO group entities. Only business written on BHIIL paper is included in the Regulatory and Financial returns.
- Branch – BHIIL operates in the UK and has branches in Italy, Switzerland and Germany.
- Division – BHIIL groups business according to numerous Berkshire Hathaway internal reporting divisions including: Berkshire Hathaway Reinsurance Group, Berkshire Hathaway Specialty Insurance; MedPro; Global Aerospace Underwriting Managers; Faraday MGA Ltd.
- Distribution Channel – BHIIL writes business through numerous distribution channels; these distribution channels can be broadly grouped into four categories: business underwritten by BHIIL directly, facility business in which BHIIL takes a follow line, business written through managing general agents and business written by Global Aerospace Underwriting Managers Limited.
- Class of Business – BHIIL writes numerous classes of business. Large speciality accounts are treated as distinct classes of business for modelling and reporting purposes.
- Year of account – Gross claims are modelled by year of account (i.e. the year in which the business incepts) as opposed to accident year (i.e. the year in which the business was earned).
- Loss type – There are three loss types modelled: attritional; large and catastrophe. Attritional losses are calculated in aggregate, while the large and catastrophe losses are calculated “per event”. Large and catastrophe losses are grouped together for reporting purposes as “atypical” losses.

The methodologies used to calculate the premiums, deductions, expenses and reinsurance cash-flows are the same for all classes of business. The methodologies used to calculate gross claims depend on the distribution channel and class of business, and are based on standard actuarial techniques such as chain-ladder, Bornheutter-Ferguson and target loss ratio.

Premiums, and associated deductions (e.g. commission and brokerage), are calculated at policy level. Once a premium ‘due date’ passes it is removed from the technical provisions and moved to the ‘payables’ section of the balance sheet.

Expenses are assessed at the Distribution Channel level and are estimated by the Finance team.

All cash-flows are calculated gross of discounting; the discounted present values are then calculated using the relevant payment pattern and currency yield curve.

Risk margin is calculated using the “cost of capital” approach – the cost of holding capital to support the technical provisions until their ultimate run-off.

The technical provisions are an output from a variety of sources including the stochastic business model; the figures reported in the QRTs are the mean of the distributions.

D.3 Other Liabilities

Other liabilities are valued for Solvency II purposes using the policies detailed below:

Insurance & intermediaries payables

Insurance & intermediaries payables are valued at the fair value of the amount payable. Due to the short term nature of these amounts discounting is considered to be inappropriate.

Reinsurance payables

Reinsurance payables are valued at the fair value of the amount payable. Due to the short term nature of these amounts discounting is considered to be inappropriate.

Payables (trade, not insurance)

Other payables are valued at the fair value of the amount payable. Due to the short term nature of these amounts discounting is considered to be inappropriate.

Differences between Solvency II Valuation and UK GAAP valuation

The material differences between the Solvency II valuation and the UK GAAP valuation as detailed in the table above are as a result of the following:

Technical Provisions [6] – the liabilities for the statutory accounts are calculated using prudent methodologies and assumptions while the liabilities for the Solvency II accounts are calculated using technically compliant "best estimate" methodologies and assumptions. The main contributors to the difference in the two liability figures are:

- Pipeline premium is treated as a negative liability in the Solvency II balance sheet (and included in the technical provisions) whereas the pipeline premium is treated as an asset in the Statutory balance sheet.
- Discounting: the Solvency II technical provisions are discounted whereas the statutory technical provisions are not.

Insurance Payables [7] - Insurance payables exclude the value of inwards pipeline commissions due as these are included within the valuation of the technical provisions for solvency purposes.

Reinsurance Payables [8] - Reinsurance payables exclude the value of outwards pipeline premiums due as these are included within the valuation of the technical provisions for solvency purposes.

D.4 Alternative methods for valuation

BHIIL does not use any alternative valuation methods**.**

E. Capital Management

E.1 Own Funds

All Own Funds are Tier 1 funds and consist of ordinary share capital and retained earnings. All of these Tier 1 Funds are classed as unrestricted and of a high quality. During 2017 the Company included the value of the Capital Surplus Portfolio, comprising of a listed equity, in the available capital for regulatory Solvency II calculations; this had previously been excluded from these calculations. The 2016 Basic Own Funds, SCR and MCR have been restated to reflect this adjustment. The impact on Basic Own Funds is an increase from $359,025,000 to $472,477,000.

The details of the Company's Own Funds as at 31 December 2017 and 31 December 2016 are disclosed in the tables below.

The Solvency II Net Assets along with the UK GAAP equivalent is also presented.

Solvency II Own Funds and Net Assets with UK GAAP Equivalents

Year ended 31Dec 2017	**Solvency II value $000**	**GAAP value $000**
Tier 1 Funds		
Called up share capital	432,998	432,998
Retained earnings	-	77,597
Reconciliation reserve	90,345	-
Total Basic Own Funds	**523,343**	**510,595**

Year ended 31Dec 2016 (Restated)	**Solvency II value $000**	**GAAP value $000**
Tier 1 Funds		
Called up share capital	432,998	432,998
Retained earnings	-	43,873
Reconciliation reserve	39,479	-
Total Basic Own Funds	**472,477**	**476,871**

The reconciliation reserve represents the difference between the Solvency II valuation of the balance sheet and the statutory valuation under current UK GAAP.

The Company does not have any ancillary own funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

BHIIL uses the Standard Formula as the basis for calculating capital requirements having reviewed the assumptions underlying the formula and assessed them as appropriate for the Company.

During 2017 the Company included the value of the Capital Surplus Portfolio in the available capital for regulatory Solvency II calculations; this had previously been excluded from these calculations. The 2016 solvency calculation has been restated to reflect this change in the comparative figures.

The Company's Solvency Capital Requirement at 31 December 2017 is $152.3m (2016 (restated): $173.8m, 2016: $152.4m) and the company's Minimum Capital Requirement at 31 December 2017 is $38.1m (2016 (restated): $43.5m, 2016: $38.1m).

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

BHIIL has not opted to use the duration-based equity risk sub-module of the Solvency Capital Requirement.

E.4 Differences between the standard formula and internal model used

BHIIL applies the standard formula model and does not use an internal model to calculate the Solvency Capital Requirement.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There was no breach of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

By reference to the SCR and MCR, the Solvency II own funds substantially exceed the capital requirements. By these measures, BHIIL remains in a satisfactory capital position.

F. Approval by the Administrative, Management or Supervisory Body (AMSB) of the SFCR and reporting templates

Berkshire Hathaway International Insurance Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 December 2017

We certify that:

the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

we are satisfied that:

(a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and

(b) it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

Guy E Finney
Director
Date: 3rd May 2018

G. Independent Auditors Report

REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED ('THE COMPANY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT CHAPTER OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ("SFCR")

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2017:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 December 2017, ('the Narrative Disclosures subject to audit'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the SFCR'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21;
- the written acknowledgement by management of their responsibilities, including for the preparation of the SFCR ('the Responsibility Statement').

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the SFCR in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR, which describe the basis of accounting. The SFCR is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or
- the Directors have not disclosed in the SFCR any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the SFCR is authorised for issue.

We have nothing to report in relation to these matters.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the SFCR does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the SFCR, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the SFCR, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the SFCR or a material misstatement of the Other Information. 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 relation to these matters.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a SFCR that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the SFCR 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 it is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 decision making or the judgement of the users taken on the basis of the SFCR.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. The same responsibilities apply to the audit of the SFCR.

Use of our Report

This report is made solely to the Directors of Berkshire Hathaway International Insurance Limited in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Berkshire Hathaway International Insurance Limited statutory financial statements. 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 relation to this matter.

Andrew Downes (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
3rd May 2018

H. Appendix

H.1 SFCR Reporting Templates

Berkshire Hathaway International Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December

2017

(Monetary amounts in USD thousands)

General information

Undertaking name	Berkshire Hathaway International Insurance Limited
Undertaking identification code	213800YK7U6HYI2WAU19
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2017
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	679,198
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	120,634
R0110	*Equities - listed*	120,634
R0120	*Equities - unlisted*	
R0130	*Bonds*	471,835
R0140	*Government Bonds*	471,835
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	16,936
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	69,793
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	981,186
R0280	*Non-life and health similar to non-life*	981,186
R0290	*Non-life excluding health*	981,186
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	55,410
R0370	Reinsurance receivables	1,758
R0380	Receivables (trade, not insurance)	1,067
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	82,323
R0420	Any other assets, not elsewhere shown	431
R0500	**Total assets**	1,801,371

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	1,214,753
R0520	*Technical provisions - non-life (excluding health)*	1,214,753
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	1,187,001
R0550	*Risk margin*	27,752
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	4,450
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	2,309
R0830	Reinsurance payables	42,760
R0840	Payables (trade, not insurance)	13,756
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	1,278,028
R1000	**Excess of assets over liabilities**	523,343

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business				36,126		45,346	15,979	144,831									242,283
R0120	Gross - Proportional reinsurance accepted				0		0	127,349	0									127,349
R0130	Gross - Non-proportional reinsurance accepted														4,834		4,834	9,667
R0140	Reinsurers' share				29,624		40,068	117,399	118,876						3,964		3,964	313,894
R0200	Net				6,503		5,278	25,929	25,955				0		870	0	870	65,405
	Premiums earned																	
R0210	Gross - Direct Business				27,310		64,846	55,704	166,096									313,956
R0220	Gross - Proportional reinsurance accepted				0		0	115,683	0									115,683
R0230	Gross - Non-proportional reinsurance accepted														13,678		13,678	27,356
R0240	Reinsurers' share				22,395		56,511	141,035	135,924						11,216		11,216	378,296
R0300	Net				4,916		8,335	30,352	30,172				0		2,462	0	2,462	78,699
	Claims incurred																	
R0310	Gross - Direct Business				24,356		-9,208	-117,800	151,942									49,291
R0320	Gross - Proportional reinsurance accepted				0		0	106,700	0									106,700
R0330	Gross - Non-proportional reinsurance accepted														11,193		11,193	22,386
R0340	Reinsurers' share				19,420		-6,768	-7,669	126,508						9,097		9,097	149,685
R0400	Net				4,937		-2,440	-3,431	25,434				0		2,096	0	2,096	28,691
	Changes in other technical provisions																	
R0410	Gross - Direct Business				-2,510		-1,549	-6,698	-7,816									-18,572
R0420	Gross - Proportional reinsurance accepted				0		0	10,696	0									10,696
R0430	Gross - Non-proportional reinsurance accepted														2,292		2,292	4,584
R0440	Reinsurers' share				-2,531		-1,127	3,885	-8,807						2,188		2,188	-4,204
R0500	Net				21		-422	113	991				0		104	0	104	912
R0550	**Expenses incurred**				696		2,223	7,754	5,644				0		598	0	598	17,511
R1200	**Other expenses**																	1,489
R1300	**Total expenses**																	19,000

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			FR	DE	IT	JP	CH	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	129,725	57,251	24,733	21,841	-10	1,628	235,167
R0120	Gross - Proportional reinsurance accepted	1,449	104,792	0	64	12,979	5,027	124,312
R0130	Gross - Non-proportional reinsurance accepted	621	0	0	28	5,563	2,155	8,366
R0140	Reinsurers' share	111,080	132,742	20,281	17,985	15,197	7,214	304,500
R0200	Net	20,714	29,301	4,452	3,948	3,335	1,596	63,345
	Premiums earned							
R0210	Gross - Direct Business	147,483	58,165	15,928	43,444	254	1,584	266,859
R0220	Gross - Proportional reinsurance accepted	1,765	52,542	0	748	31,634	6,593	93,281
R0230	Gross - Non-proportional reinsurance accepted	756	296	0	320	13,557	2,825	17,755
R0240	Reinsurers' share	126,081	90,960	13,061	36,500	37,266	9,008	312,877
R0300	Net	23,923	20,043	2,867	8,012	8,180	1,994	65,018
	Claims incurred							
R0310	Gross - Direct Business	55,636	59,010	20,193	36,353	146	955	172,292
R0320	Gross - Proportional reinsurance accepted	711	54,869	0	830	21,716	9,915	88,040
R0330	Gross - Non-proportional reinsurance accepted	305	173	0	356	9,307	4,249	14,389
R0340	Reinsurers' share	49,736	93,616	16,725	29,688	25,319	12,404	227,488
R0400	Net	6,916	20,435	3,467	7,850	5,851	2,716	47,234
	Changes in other technical provisions							
R0410	Gross - Direct Business	-3,779	199	2,225	-8,582	-4	-5,248	-15,189
R0420	Gross - Proportional reinsurance accepted	148	58	0	216	4,982	552	5,957
R0430	Gross - Non-proportional reinsurance accepted	63	25	0	93	2,135	237	2,553
R0440	Reinsurers' share	-5,065	341	1,679	-7,350	6,791	-3,936	-7,540
R0500	Net	1,498	-60	546	-924	322	-523	860
R0550	**Expenses incurred**	4,815	4,732	857	1,206	1,992	377	13,978
R1200	**Other expenses**							1,489
R1300	**Total expenses**							15,466

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**				0		0	0	0				0		0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross				18,265		13,883	13,732	47,716				0		889	0	758	95,243
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				14,871		11,203	9,315	38,430						712		453	74,984
R0150	**Net Best Estimate of Premium Provisions**				3,394		2,680	4,416	9,286				0		177	0	305	20,259
	Claims provisions																	
R0160	Gross				36,686		189,940	186,696	656,198				0		8,553	0	13,685	1,091,758
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				31,536		163,113	157,371	536,063						7,000		11,118	906,202
R0250	**Net Best Estimate of Claims Provisions**				5,150		26,827	29,325	120,134				0		1,553	0	2,567	185,556
R0260	**Total best estimate - gross**				54,951		203,823	200,428	703,914				0		9,442	0	14,444	1,187,001
R0270	**Total best estimate - net**				8,544		29,507	33,741	129,420				0		1,731	0	2,872	205,815
R0280	**Risk margin**				1,069		3,287	6,126	16,346						322		601	27,752
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**				56,020		207,109	206,554	720,260				0		9,764	0	15,045	1,214,753
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**				46,407		174,316	166,687	574,493				0		7,711	0	11,571	981,186
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**				9,613		32,794	39,867	145,767				0		2,053	0	3,473	233,567

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											811	811	811
R0160	2008	5,453	23,746	16,554	10,079	11,346	6,056	1,713	2,749	2,846	758		758	81,299
R0170	2009	1,074	9,335	9,924	4,554	1,478	877	564	603	411			411	28,819
R0180	2010	2,324	40,976	56,703	33,828	3,835	6,682	529	1,427				1,427	146,302
R0190	2011	3,263	35,552	23,590	10,819	8,108	5,805	11,150					11,150	98,287
R0200	2012	3,293	24,034	42,588	23,390	11,554	6,720						6,720	111,579
R0210	2013	14,847	33,434	44,768	34,680	14,580							14,580	142,309
R0220	2014	8,762	107,744	36,199	16,723								16,723	169,429
R0230	2015	6,782	14,129	13,133									13,133	34,044
R0240	2016	7,005	38,457										38,457	45,462
R0250	2017	3,912											3,912	3,912
R0260												Total	108,081	862,253

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											79,334	76,960
R0160	2008	0	0	0	0	0	0	0	0	16,808	12,404		11,696
R0170	2009	0	0	0	0	0	0	0	11,047	7,930			7,410
R0180	2010	0	0	0	0	0	0	19,827	15,134				13,997
R0190	2011	0	0	0	0	0	47,809	23,482					22,081
R0200	2012	0	0	0	0	106,286	98,396						91,854
R0210	2013	0	0	0	197,251	231,253							221,230
R0220	2014	0	0	237,554	140,506								133,022
R0230	2015	0	110,502	114,761									110,346
R0240	2016	107,853	201,306										192,091
R0250	2017	196,215											186,909
R0260												Total	1,067,595

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	432,998	432,998		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	90,345	90,345			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	523,343	523,343	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	523,343	523,343	0	0	0
R0510	Total available own funds to meet the MCR	523,343	523,343	0	0	
R0540	Total eligible own funds to meet the SCR	523,343	523,343	0	0	0
R0550	Total eligible own funds to meet the MCR	523,343	523,343	0	0	
R0580	**SCR**	152,256				
R0600	**MCR**	38,064				
R0620	**Ratio of Eligible own funds to SCR**	343.73%				
R0640	**Ratio of Eligible own funds to MCR**	1374.90%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	523,343
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	432,998
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	90,345
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	6,828
R0790	**Total Expected profits included in future premiums (EPIFP)**	6,828

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	66,242		
R0020	Counterparty default risk	21,570		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	66,979		
R0060	Diversification	-37,672		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	117,120		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	35,136
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	152,256
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	152,256
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	29,940

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	8,544	6,992
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	29,507	5,492
R0080	Fire and other damage to property insurance and proportional reinsurance	33,741	34,876
R0090	General liability insurance and proportional reinsurance	129,420	30,265
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	1,731	1,928
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	2,872	3,167

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	29,940
R0310	SCR	152,256
R0320	MCR cap	68,515
R0330	MCR floor	38,064
R0340	Combined MCR	38,064
R0350	Absolute floor of the MCR	4,306
R0400	**Minimum Capital Requirement**	38,064