

Financial Condition Report 2019 - Switzerland

Company registration: CH-020.9.002.897-8

Scope

This financial condition report is referring to the locally produced business of the Berkshire Hathaway International Insurance Limited, London, Zurich Branch for the reporting period 2019. The report is being produced in line with the requirements of art. 111a ISO and FINMA Circular 2016/2 and is a complementary element of the Solvency & Financial Condition Report 2019 of our head office in London.

Business Activities

Berkshire Hathaway International Insurance Limited (“BHIL” or “the Company”) established a Switzerland branch in Zurich (“Swiss Branch”) in 2008. BHIL is part of the Berkshire Hathaway group of companies. The principal activity of the Swiss Branch is underwriting general insurance business.

The Swiss Branch was created to support the participation of BHIL in the Global Aerospace Underwriting Managers (“GAUM”) Zurich aviation pools. The GAUM participation allows BHIL to write general insurance policies for Airline, Products, General Aviation and Space insurance to the aviation and space industries. Through the Swiss Branch, BHIL also writes direct Swiss business with Swiss policyholders that are being presented to it on an ad-hoc basis through underwriting activities on BHIL in the UK and Germany predominantly through a Division of BHIL, Berkshire Hathaway Specialty Insurance (“BHSI”).

BHSI is part of a worldwide group initiative to develop a significant property and casualty underwriting entity. BHIL have established underwriting hubs in London and a number of European locations, including Cologne following the move from Dusseldorf, of the BHSI division which write commercial insurance coverages across all major general insurance classes of business.

The Swiss Branch will continue to support the participation of the Company in the GAUM Zurich aviation pool. BHIL is anticipating that the new BHSI Division may develop opportunities to write Swiss business in the future. There are no significant unusual events to report for the business of the Swiss Branch for the reporting period 2019.

Subsequent to the year end, the Covid-19 pandemic has occurred. BHIL’s Business Continuity Plan has been successfully implemented and the Board updated. Effectively, all personnel are now operating on a Working-From-Home basis with all key processes fully-tested and operational. Further, all key outsource and service providers have confirmed their ongoing capability. BHIL has assessed the various risks, including underwriting, reserving, operational and market which have been increased by the pandemic, and is confident that the business is sufficiently robust to withstand all impacts.

The Swiss Branch is being audited by MAZARS AG, Zurich branch (CHE-248.814.976).

Management Summary

The performance of the Swiss Branch continues to be overseen by the Swiss Branch Management Committee which is chaired by the General Representative and has committee members from Underwriting, Claims, Compliance, Actuarial, Finance and Risk. The Swiss Branch continues to support the wider European operations of BHIL and business written by the Swiss Branch is dependent on business being referred. This does lead to some variability in premium volumes year on year. There has been no significant claims activity in the reporting period 2019.

Performance

Premiums: The gross written premiums for the reporting period amounted to CHF 2'243'898. This presents an increase of CHF 681'182 compared to 2018 (CHF 1'562'716).

Costs: Total net acquisition costs and administrative expenses for the reporting period amounted to CHF 31'156. This presents an increase of CHF 16'775 compared to 2018 (CHF 14'381).

Claims: Total gross claims and claim expenses paid for the reporting period amounted to CHF 672'297. This presents an increase of CHF 508'519 compared to 2018 (CHF 163'778). Reinsurance shares amounted to CHF 528'259 for the reporting period.

Segmentation Information

Transport: The Swiss Branch maintained its previous year premium levels but increased claims and acquisition expenses returned an overall small underwriting loss.

Property: Although the Swiss Branch reduced the amount of property business written in the year, an underwriting profit was achieved due to positive claims development on prior years.

Third-Party Liability: Following increased referrals from the London and Cologne offices the Swiss Branch increased the amount of liability business written and maintained a largely neutral underwriting result.

Additional segmentation information by class of business is provided on the "Performance Non-Life Solo" form. The Branch only wrote direct Swiss business in the year.

Information about income and expenses from investments: Due to an unrealised loss in the period there was Nil income from investments compared to a profit of CHF 6'550 in 2018. The unrealised loss has increased expenses from investments to CHF 35'139 which represents an increase of CHF 13'352 compared to 21'787 in 2018.

All in all, the movements in gross written premiums are within the range expected. Overall, the development of the business of the Swiss Branch is considered to be satisfactory.

Zurich, 29 May 2020

Berkshire Hathaway International Insurance Ltd.

Zurich Branch

Dominik Skrobala
Branch Manager

Annexes:

- Performance Solo NL
- Auditor's report to the General Representative incl. audited financial statements

INDEPENDENT AUDITOR'S REPORT
To the General Manager of
Berkshire Hathaway International Insurance Limited, London, Zurich Branch
2019

MAZARS AG

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INDEPENDENT AUDITOR'S REPORT

As a federally-supervised audit firm, we have audited the accompanying financial statements of the Berkshire Hathaway International Insurance Limited, London, Zurich Branch which comprise the balance sheet as at December 31, 2019, and the income statement and notes for the year then ended, in line with Article 28 para. 2 of the Insurance Supervision Act (ISA) and with reference to the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)".

The financial statements have been prepared by the General Manager on the basis of the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law.

General Manager's Responsibility for the Financial Statements

The General Manager is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law – in particular the Financial Market Supervision Act (FINMASA), the Insurance Supervision Act (ISA), the Insurance Supervision Ordinance (ISO) and the FINMA Insurance Supervision Ordinance (ISO-FINMA) as well as with the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)" –, and for such internal controls as the General Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulatory requirements set out in Article 28 para. 2 ISA, the WNL and Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the branch office's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the branch office's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of the Berkshire Hathaway Insurance Limited, London, Zurich Branch as of and for the year ended December 31, 2019 are prepared, in all material respects, in accordance with the financial reporting provisions of the Swiss Code of Obligations, the requirements of supervision law (in particular FINMASA, ISA, ISO and ISO-FINMA) and with the WNL.

Basis of Accounting

Without modifying our opinion, we note that the financial statements of the Berkshire Hathaway Insurance Limited, London, Zurich Branch are prepared on the basis of the accounting principles specified above. The financial statements are prepared to comply with the requirements of Article 25 para. 4 ISA. As a result, the financial statements may not be suitable for another purpose.

Zürich, 29 May 2020

MAZARS AG

Stephan Rössel

Audit expert
Auditor in charge

Denise Wipf

Audit expert

Enclosure:

- Financial statements (balance sheet, income statement and notes to the financial statements)

Financial Statements

Berkshire Hathaway International Insurance Ltd (Swiss Branch)

31/12/2019

Balance Sheet at 31.12.2019

Assets CHF		Note	31/12/2019	31/12/2018
1.1	Investments		7,841,073	5,931,906
1.1.1	Real Estate		0	0
1.1.2	Participations	1	0	0
1.1.3	Fixed-income securities		0	0
1.1.4	Loans		0	0
1.1.5	Mortgage loans		0	0
1.1.6	Shares		0	0
1.1.7	Other investments	2	7,841,073	5,931,906
1.2	Investments for unit-linked (only life insurer)		0	0
1.3	Receivables from derivative financial instruments		0	0
1.4	Deposits receivables from assumed reinsurance		0	0
1.5	Cash and cash equivalents		996,254	3,189,188
1.6	Reinsurers' share of technical provisions	5	6,501,510	5,985,253
1.7	Property and equipment		0	0
1.8	Deferred acquisition cost		0	0
1.9	Intangible assets		0	0
1.10	Insurance receivables	3, 10	1,078,681	792,568
1.11	Other receivables	10	0	0
1.12	Other assets		0	0
1.13	Share capital not paid in		0	0
1.14	Accrued income and prepaid expenses	4	0	0
1.15	Total Assets		16,417,518	15,898,915
Liabilities CHF				
Liabilities CHF		Note	31/12/2019	31/12/2018
2.1	Technical provisions	5	7,894,189	7,256,112
2.2	Technical provisions for unit-linked life insurance	5	0	0
2.3	Non-technical provisions		0	0
2.4	Interest-bearing liabilities	6	0	0
2.5	Liabilities from derivative financial instruments		0	0
2.6	Liabilities from deposits retained on ceded business		0	0
2.7	Insurance payables	7, 10	928,556	653,944
2.8	Other liabilities	10	0	0
2.9	Accrued expenses and deferred income	8	82,793	103,936
2.10	Subordinated liabilities		0	0
2.11	Total Liabilities		8,905,538	8,013,992
2.12	Liaison account	9	7,511,981	7,884,923
2.12.1	Translation differences			
2.17	Total Liaison account		7,511,981	7,884,923
2.18	Total Liabilities		16,417,518	15,898,915

Income Statement at 31.12.2019

CHF	Note	31/12/2019	31/12/2018
1		2,243,898	1,562,716
2		-1,876,940	-1,327,422
3		366,958	235,294
4		-637,046	169,425
5		519,402	-112,588
6		249,314	292,131
7		0	0
8		249,315	292,131
9		-672,297	-163,778
10		528,259	126,156
11	11	-76,908	-1,345,475
12	11	60,197	1,109,630
13	11	0	0
14		-160,749	-273,466
15		-367,070	-237,012
16		335,915	222,631
17		-31,156	-14,381
18		0	0
19		-191,904	-287,847
20	13	0	6,550
21	14	-35,139	-21,787
22		-35,139	-15,237
23		0	0
24		36,217	17,886
25		0	0
26		58,488	6,933
27		0	0
28		0	0
29		-4,693	-9,879
30		0	0
31		53,795	-2,946
32		-9,822	-3,855
33		43,973	-6,801

Notes

Basis of presentation

The 2019 annual financial statements of Berkshire Hathaway International Limited, London, Branch Zurich, domiciled in Zurich, Switzerland, have been prepared in accordance with the new Swiss accounting and financial reporting legislation entered into force on 1 January 2013 based on partial revisions of the Swiss Code of Obligations (CO) (Art. 957-963b CO, which required implementation in 2015. Apart from the Swiss Code of Obligations, the Company has, based on article 111b of the Ordinance on the Supervision of Private Insurance Companies (AVO), also to follow the Insurance Supervisory Ordinance-FINMA (AVO-FINMA) that entered into force on 15 December 2015. This AVO-FINMA contains specific guidance for presentation of the balance sheet, the income statement and the notes of insurance companies and overrides the general guidance of the CO.

Time period

The 2019 financial year comprises the accounting period from 1 January 2019 to 31 December 2019.

Foreign currency translation

The annual financial statements of Berkshire Hathaway International Limited, London, Branch Zurich are presented in Swiss Franc. The functional Currency was changed from USD to CHF in 2017 because management considered that CHF is the currency of the primary economic environment in which the Company operates. Translation from other currencies is achieved by applying the average rate for P&L and the closing rate for B/S with translation differences recorded through the Non Technical account

Valuation principles

Uniform valuation principles were applied. Assets, equity and liabilities were valued individually. The quoted or market price as of the balance sheet date is used for assets subsequently valued at observable market prices instead of amortized cost. Equity and liabilities are stated at their nominal value.

Other investments are valued at the market price.

Technical provisions

These are obligations due to insured parties determined based on an individual insurance agreement. They are calculated based on the business plans agreed with FINMA.

Exchange Rates

Balance Sheet assets and liabilities are converted at the reference date rate and Income Statement income and expenses are converted at average annual rates. These rates are illustrated below:

	Balance sheet		Income statement	
	2019	2018	2019	2018
EUR 1.00	1.08530	1.12628	1.11255	1.15514
USD 1.00	0.96742	0.98388	0.99333	0.97774
GBP 1.00	1.27613	1.25356	1.26942	1.30591

Disclosures

Breakdown and explanations relating to items on the balance sheet and the income statement

1. Participations

CHF			Share in	Book value	Book value
Company	Registered office	Share in capital	voting rights	31.12.2019	31.12.2018
-				0	0
-				0	0
Total				0	0

2. Other investments

CHF		Book value	Book value
		31/12/2019	31/12/2018
Investment in money market funds		7,841,073	5,931,906
Total		7,841,073	5,931,906

3. Insurance receivables

CHF		31/12/2019	31/12/2018
Receivables from policyholders		0	0
Receivables from Insurance companies		125,978	23,166
Receivables from agents and brokers		952,703	769,402
Total		1,078,681	792,568

4. Accrued income and prepaid expenses

CHF		31/12/2019	31/12/2018
Accrued income on investments		0	0
Prepaid expenses		0	0
Total		0	0

5. Technical provisions

CHF	Technical provisions (gross) 2019	Reinsurers share 2019	Technical provisions written (net) 2019
Unearned premium reserve	1,544,047	1,282,296	261,751
Loss reserves	6,350,142	5,219,214	1,130,927
Other technical provision	0	0	0
Actuarial reserves	0	0	0
Provisions for policyholder	0	0	0
Provisions for surplus funds	0	0	0
Total	7,894,189	6,501,511	1,392,678

CHF	Technical provisions (gross) 2018	Reinsurers share 2018	Technical provisions written (net) 2018
Unearned premium reserve	915,549	770,118	145,430
Loss reserves	6,340,563	5,215,135	1,125,428
Other technical provision	0	0	0
Actuarial reserves	0	0	0
Provisions for policyholder	0	0	0
Provisions for surplus funds	0	0	0
Total	7,256,112	5,985,253	1,270,859

6. Interest-bearing liabilities

CHF		31/12/2019	31/12/2018
Less than 1 year		0	0
1 to 5 years		0	0
More than 5 years		0	0
Total		0	0

7. Insurance payables

CHF		31/12/2019	31/12/2018
Liabilities to policyholders		0	0
Liabilities to Insurance companies		773,495	625,070
Liabilities to agents and brokers		155,061	28,874
Total		928,556	653,944

8. Accrued expenses and deferred income

CHF		31/12/2019	31/12/2018
Accrued expenses		69,116	100,081
Accrued Capital Tax		13,677	3,855
Deferred income		0	0
Total		82,793	103,936

9. Statement of Changes in liaison account

CHF	31/12/2019	31/12/2018	Delta in %
Opening balance	7,884,923	8,418,256	-6%
Capital inflow	1,402,461	2,035,203	-31%
Capital outflow	-1,819,376	-2,561,735	-29%
Net result of the year	43,973	-6,801	-747%
Closing balance	7,511,981	7,884,923	-5%

10. Receivables from and liabilities to related parties

CHF	Third Party	Participants	Management Bodies	Participations	Total 31/12/2019
Receivables	1,078,681	0	0	0	1,078,681
Payables	928,556	0	0	0	928,556

CHF	Third Party	Participants	Management Bodies	Participations	Total 31/12/2018
Receivables	792,568	0	0	0	792,568
Payables	653,944	0	0	0	653,944

11. Change in technical provisions

CHF	Technical provisions (Gross) 2019	Reinsurers share 2019	Technical provisions written (net) 2019
Change in loss reserves	76,908	60,197	16,711
Change in other technical provision	0	0	0
Change in actuarial reserves	0	0	0
Change in provisions for policyholder participations	0	0	0
Change in provisions for surplus funds	0	0	0
Total	76,908	60,197	16,711

CHF	Technical provisions (Gross) 2018	Reinsurers share 2018	Technical provisions written (net) 2018
Change in loss reserves	1,345,475	1,109,630	235,844
Change in other technical provision	0	0	0
Change in actuarial reserves	0	0	0
Change in provisions for policyholder participations	0	0	0
Change in provisions for surplus funds	0	0	0
Total	1,345,475	1,109,630	235,844

12. Audit fees

CHF	31/12/2019	31/12/2018
Audit Services	44,000	73,000
Total	44,000	73,000

13. Income from investments

CHF	Income	Unrealized gains	Realized gains	Total 31/12/2019
Real Estate	0	0	0	0
Participations	0	0	0	0
Fixed-interest securities	0	0	0	0
Loans	0	0	0	0
Mortgage loans	0	0	0	0
Shares	0	0	0	0
Other investments	0	0	0	0
Total	-	-	-	-

CHF	Income	Unrealized gains	Realized gains	Total 31/12/2018
Real Estate	0	0	0	0
Participations	0	0	0	0
Fixed-interest securities	0	0	0	0
Loans	0	0	0	0
Mortgage loans	0	0	0	0
Shares	0	0	0	0
Other investments	0	6,550	0	6,550
Total	-	6,550	-	6,550

14. Expenses from investments

CHF	Expenses	Unrealized losses	Realized losses	Total 31/12/2019
Real Estate	0	0	0	0
Participations	0	0	0	0
Fixed-interest securities	0	0	0	0
Loans	0	0	0	0
Mortgage loans	0	0	0	0
Shares	0	0	0	0
Other investments	-24,793	0	-10,346	-35,139
Total	(24,793)	-	(10,346)	(35,139)

CHF	Expenses	Unrealized losses	Realized losses	Total 31/12/2018
Real Estate	0	0	0	0
Participations	0	0	0	0
Fixed-interest securities	0	0	0	0
Loans	0	0	0	0
Mortgage loans	0	0	0	0
Shares	0	0	0	0
Other investments	0	0	-21,787	-21,787
Total	-	-	(21,787)	(21,787)

15. Personnel expenses

Personnel expenses for fiscal year 2019 amount to CHF NIL (2018: CHF NIL).

16. Depreciation of real estate and equipment and amortization of intangible assets

CHF	31/12/2019	31/12/2018
Property and equipment	0	0
Intangible assets	0	0
Total	0	0

Others notes

17. Net release of hidden reserves

CHF	31/12/2019	31/12/2018
Net amount released from hidden reserves	0	0
Total	0	0

18. Total amount of collateral provided for third-party liabilities

CHF	31/12/2019	31/12/2018
Guarantees	0	0
Liens	0	0
Total	0	0

19. Total amount of assets pledged to secure own liabilities, as well as assets with retention of title

CHF	31/12/2019	31/12/2018
Book value of restricted assets	0	0
Assets pledged to secure open derivative transaction	0	0
Other collateral assignments	0	0
Assets under reservation of ownership	0	0
Total	0	0

20. Residual amount of lease obligations

CHF	31/12/2019	31/12/2018
Less than 1 year	0	0
1 to 5 years	0	0
More than 5 years	0	0
Total	0	0

21. Events after the reporting date

On 31 January 2020, the World Health Organisation (WHO) identified the spread of COVID-19 (the so-called "Coronavirus") as an international health emergency. The General Representative of the Berkshire Hathaway International Insurance Limited, London, Zurich Branch, monitors events and takes the necessary measures if required. At the time of approval of these financial statements, the financial consequences of the direct and indirect effects of this pandemic cannot yet be reliably assessed. In particular, it is currently not possible to reliably estimate the duration and severity of a recession that is now expected, nor its impact on Berkshire Hathaway International Insurance Limited, London, Zurich Branch. Apart from the possible, serious effects of a recession, and from a present perspective, the ability to continue as a going concern of Berkshire Hathaway International Insurance Limited, London, Zurich branch, must be considered as not at risk in the sense of Art. 958a para. 2 CO. Since the coronavirus did not reach pandemic proportions until after the balance sheet date, in accordance with the statutory accounting principles, the possible effects of the event are not included in the 2019 financial statements.

No further events of particular importance after the end of the financial year as defined in Art. 959c, paragraph 2, item 13 of the Swiss Code of Obligations have been registered.

22. Contingent liabilities

The branch has no contingent liabilities.

23. Liabilities to pension schemes

The branch has no liabilities to pension schemes.

24. Litigation

The branch has no litigation.