

Financial Condition Report 2020 - 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 2020. 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 2020 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 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. During 2020, BHSI have developed their business throughout the world and this has included increased underwriting activity in the London Market through which a lot of the larger Swiss Risks are brokered. This has resulted in significantly increased commercial insurance coverages across all major general insurance classes of business but especially general third-party liability business. This expansion during 2020 is evidenced in the performance analysis.

The BHIL Swiss Branch will continue to support the participation of the Company in the GAUM Zurich aviation pool and in addition will continue to develop Swiss business through the BHSI Division in the future. There are no significant or unusual events to report for the business of the Swiss Branch for the reporting period 2020.

In relation to the ongoing Covid-19 pandemic, BHIL’s Business Continuity Plan continues to be deployed successfully with all personnel operating on a Working-From-Home basis with all key processes operational such that “business as usual” has been maintained throughout with the Board periodically updated. Furthermore, all key outsourcing and service providers have continued to operate and demonstrate 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 operations of BHIL and business written by the Swiss Branch is dependent on business being referred, which leads to some variability in premium volumes year on year. There has again been no significant claims activity in the reporting period 2020.

Performance

Premiums: The gross written premiums for the reporting period amounted to CHF 7'122'424. This presents an increase of CHF 4'878'526 compared to 2019 (CHF 2'243'898).

Costs: Total gross acquisition costs and administrative expenses for the reporting period amounted to CHF 581'346. This presents an increase of CHF 214'276 compared to 2019 (CHF 367'070).

Claims: Total gross claims and claim expenses paid for the reporting period amounted to CHF 80'159. This presents a reduction of CHF 592'138 compared to 2019 (CHF 672'297). Reinsurance shares amounted to CHF 70'583 for the reporting period.

Segmentation Information

Transport:	The Swiss Branch increased its previous year premium levels slightly but increased claims and acquisition expenses again returned an overall underwriting loss.
Property:	Although the Swiss Branch also increased the amount of property business written in the year, a small underwriting loss occurred due to acquisition and claims expenses.
Third-Party Liability:	As a result of focussed business development in the BHSI Division of BHIL, Third Party Liability premiums increased significantly in the year (by over 350%). Prudent reserving on the new liability business along with increased acquisition costs resulted in an overall underwriting loss for the year.

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

Information about income and expenses from investments: Due to further unrealised losses in the reporting period, along with increased investment expenses, there was a net loss from investments of CHF 94'793 compared to a net loss of CHF 35'139 in 2019.

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

Zurich, 30 April 2021

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

**Berkshire Hathaway International Insurance
Limited, London
Zurich Branch**

Independent auditor's report
to the General Meeting
on the financial statements
as of 31 December 2020

Report of the statutory auditor to the General Meeting on the financial statements of Berkshire Hathaway International Insurance Limited, London, Zurich Branch

As statutory auditor, we have audited the accompanying financial statements of Berkshire Hathaway International Insurance Limited, London, Zurich Branch, which comprise the balance sheet, statement of income and notes to the financial statements, for the year ended 31 December 2020.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity'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 entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, 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, 2020 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.

MAZARS AG



2021-04-30 17:10

Digitally signed by Angelo Accardi

Stephan Rössel
Audit expert
(Auditor in charge)

Angelo Accardi
Audit expert

Zurich, 30 April 2021

Enclosures:

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

Financial Statements

Berkshire Hathaway International Insurance Ltd (Swiss Branch)

31/12/2020

Balance Sheet at 31.12.2020

Assets CHF		Note	31/12/2020	31/12/2019
1.1	Investments		18'448'686	7'841'073
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	18'448'686	7'841'073
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		551'825	996'254
1.6	Reinsurers' share of technical provisions	5	10'028'666	6'501'510
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	798'846	1'078'681
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		29'828'023	16'417'518
Liabilities CHF				
		Note	31/12/2019	31/12/2019
2.1	Technical provisions	5	13'219'690	7'894'189
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	665'725	928'556
2.8	Other liabilities	10	0	0
2.9	Accrued expenses and deferred income	8	87'894	82'793
2.10	Subordinated liabilities		0	0
2.11	Total Liabilities		13'973'309	8'905'538
2.12	Liaison account	9	15'854'714	7'511'981
2.12.1	Translation differences			
2.17	Total Liaison account		15'854'714	7'511'981
2.18	Total Liabilities		29'828'023	16'417'518

Income Statement at 31.12.2020

CHF	Note	31/12/2020	31/12/2019
1 Gross premium written		7'122'424	2'243'898
2 Premiums ceded to reinsurers		-5'994'057	-1'876'940
3 Net premiums written (1+2)		1'128'367	366'958
4 Change in unearned premium reserves		-1'836'801	-637'046
5 Change in reinsurers' share of unearned premium reserves		1'559'228	519'402
6 Net premiums earned (3+4+5)		850'794	249'314
7 Other insurance income		0	0
8 Total technical income (6+7)		850'795	249'315
9 Gross claims and claim expenses paid		-80'159	-672'297
10 Reinsurer's share of claims and claim expenses		70'583	528'259
11 Change in technical provisions	11	-3'909'858	-76'908
12 Change in reinsurers' share of technical provisions	11	2'317'753	60'197
13 Change in actuarial provisions for unit-linked (only life insurer)	11	0	0
14 Net claims and claim expenses incurred (9+10+11+12+13)		-1'601'681	-160'749
15 Acquisition costs and administrative expenses		-581'347	-367'070
16 Reinsurers' share of acquisition costs and administrative expenses		601'091	335'915
17 Net acquisition costs and administrative expenses (15+16)		19'744	-31'156
18 Other technical expenses own business		0	0
19 Total technical expenses (14+17+18)		-1'581'937	-191'904
20 Income from Investments	13	43'550	0
21 Expenses from investments	14	-138'343	-35'139
22 Net income from investments (20+21)		-94'793	-35'139
23 Capital and interest gains from unit-linked business (only life insurer)		0	0
24 Other financial income		0	36'217
25 Other financial expenses		0	0
26 Operating result (8+14+17+18+22+23+24+25)		-825'936	58'488
27 Interest expenses from interest-bearing liabilities		0	0
28 Other income		0	0
29 Other expenses		-80'947	-4'693
30 Extraordinary income/expenses		0	0
31 Profit/loss before tax (26+27+28+29+30)		-906'882	53'795
32 Income tax expense		-10'181	-9'822
33 Profit/loss (31+32)		-917'063	43'973

Notes

Basis of presentation

The 2020 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 2020 financial year comprises the accounting period from 1 January 2020 to 31 December 2020.

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. For year end 2020 both an Equalisation Reserve and a ULAE Reserve have been incorporated in the Financial Statements. All technical provisions 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	
	2020	2019	2020	2019
EUR 1.00	1.08238	1.08530	1.07021	1.11255
USD 1.00	0.88239	0.96742	0.93756	0.99333
GBP 1.00	1.20479	1.27613	1.20446	1.26942

Disclosures

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

1. Participations

CHF	Registered office	Share in capital	Share in voting rights	Book value 31.12.2020	Book value 31.12.2019
-				0	0
-				0	0
Total				0	0

2. Other investments

CHF	Book value 31/12/2020	Book value 31/12/2019
Investment in money market funds	18'448'686	7'841'073
Total	18'448'686	5'931'906

3. Insurance receivables

CHF	31/12/2020	31/12/2019
Receivables from policyholders	0	0
Receivables from Insurance companies	80'414	125'978
Receivables from agents and brokers	718'432	952'703
Total	798'846	792'568

4. Accrued income and prepaid expenses

CHF	31/12/2020	31/12/2019
Accrued income on investments	0	0
Prepaid expenses	0	0
Total	0	0

5. Technical provisions

CHF	Technical provisions (gross)		Reinsurers share		Technical provisions written (net)	
	2020	2020	2020	2020	2020	2020
Unearned premium reserve	3'299'150	2'773'730		525'420		
Loss reserves	9'821'382	7'175'610		2'645'772		
Other technical provision	99'158	79'326		19832		
Actuarial reserves	0	0		0		
Provisions for policyholder	0	0		0		
Provisions for surplus funds	0	0		0		
Total	13'219'690	10'028'666		3'191'024		

CHF	Technical provisions (gross)		Reinsurers share		Technical provisions written (net)	
	2019	2019	2019	2019	2019	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		

6. Interest-bearing liabilities

CHF	31/12/2020	31/12/2019
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	31/12/2020	31/12/2019
Liabilities to policyholders	0	0
Liabilities to Insurance companies	569'144	773'495
Liabilities to agents and brokers	96'581	155'061
Total	665'725	928'556

8. Accrued expenses and deferred income

CHF	31/12/2020	31/12/2019
Accrued expenses	66'328	69'116
Accrued Capital Tax	21'566	13'677
Deferred income	0	0
Total	87'894	82'793

9. Statement of Changes in liaison account

CHF	31/12/2020	31/12/2019	Delta in %
Opening balance	7'511'981	7'884'923	-5%
Capital inflow	16'274'604	1'402'461	1060%
Capital outflow	-7'014'807	-1'819'376	286%
Net result of the year	-917'063	43'973	-2186%
Closing balance	15'854'714	7'511'981	111%

10. Receivables from and liabilities to related parties

CHF	Third Party	Participants	Management Bodies	Participations	Total 31/12/2020
Receivables	798'846	0	0	0	798'846
Payables	665'726	0	0	0	665'726

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

11. Change in technical provisions

CHF	Technical provisions (Gross) 2020	Reinsurers share 2020	Technical provisions written (net) 2020
Change in loss reserves	2'814'324	2'317'753	496'572
Change in Equalisation Reserve	1'095'534	0	1'095'534
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	3'909'858	2'317'753	1'592'106

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

12. Audit fees

CHF	31/12/2020	31/12/2019
Audit Services	33'000	44'000
Total	33'000	44'000

13. Income from investments

CHF	Income	Unrealized gains	Realized gains	Total 31/12/2020
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	43'550	0	0	43'550
Total	43'550	-	-	43'550

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	-	-	-	-

14. Expenses from investments

CHF	Expenses	Unrealized losses	Realized losses	Total 31/12/2020
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	-78'910	-59'434	0	-138'344
Total	(78'910)	(59'434)	(0)	(138'344)

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)

15. Personnel expenses

Personnel expenses for fiscal year 2020 amount to CHF NIL (2019: CHF NIL).

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

CHF	31/12/2020	31/12/2019
Property and equipment	0	0
Intangible assets	0	0
Total	0	0

Others notes

17. Net release of hidden reserves

CHF	31/12/2020	31/12/2019
Net amount released from hidden reserves	0	0
Total	0	0

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

CHF	31/12/2020	31/12/2019
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	31/12/2020	31/12/2019
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	31/12/2020	31/12/2019
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

No 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.