Berkshire Hathaway International Insurance Limited

Group Solvency & Financial Condition Report 2020

Legal Entity Identifier: 213800YK7U6HYI2WAU19

Contents

Introduction

This is the second Solvency and Financial Condition Report (SFCR) for Berkshire Hathaway International Insurance Group ("the Group"), based on the financial position as at 31 December 2020. The Group comprises Berkshire Hathaway International Insurance Limited (BHIIL) (the parent company) and its Irish subsidiary Berkshire Hathaway European Insurance DAC (BHEI).

This report sets out aspects of the Group's business performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices, as described by the Solvency II Regulatory Framework.

Figures for the Group represent the consolidated position of BHIIL and BHEI as at 31 December 2020.

This Group SFCR also covers information on the solvency and financial condition of the UK regulated entity, BHIIL, which is itself subject to the Solvency II requirements.

BHIIL has applied for and received a waiver from the Prudential Regulatory Authority under Rule 18.1(2) of the Group Supervision chapter of the PRA Rulebook and is not required to produce a solo SFCR.

BHEI is also subject to the Solvency II requirements and publishes its own SFCR separately.

Summary

The Group 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. The Group has not placed any reliance on transitional measures to the Solvency II Directive 2009/138/EC.

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

Key Capital Performance Indicators

	2020	**2019**
	$000	**$000**
Available and Eligible Own Funds	531,795	545,897
Standard Formula Solvency Capital Requirement (SCR)	236,175	187,458
Surplus over SCR	295,620	358,439
Ratio of Eligible Funds to SCR	**225%**	**291%**
Minimum Capital Requirement (MCR)	59,044	46,865
Surplus over MCR	472,751	499,032
Ratio of Eligible Funds to MCR	901%	1165%

As at 31 December 2020 the Group had a Standard Formula Solvency Capital Requirement of $236m. This is covered by $532m of eligible capital resources resulting in a Solvency II surplus of $296m and a coverage ratio of 225%.

The $48.7m increase in the SCR is as a result of the growth in the business resulting in increased premium and technical reserve volumes.

It is forecast that the Group will continue to grow and 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 Group's operations are administered by the Group with additional administrative and claims handling services being provided by related group companies. The Group's operations are directed from London and Dublin but it also operates from branch offices in Switzerland, Italy, Germany, France and Spain.

Throughout 2019, BHIIL prepared for Brexit by establishing a new EEA entity in Dublin, Ireland, Berkshire Hathaway European Insurance DAC (BHEI), a wholly owned subsidiary of BHIIL incorporated in Ireland and regulated by the Central Bank of Ireland (CBI). In setting up the subsidiary, a senior management team was established along with a supporting governance structure allowing for BHIIL oversight of the subsidiary. Where possible, BHIIL processes were replicated for BHEI including claims, underwriting and support services as well as the Risk Management Framework.

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.

At 31 December 2020 NICO had a $188bn Surplus as regards policyholders and total assets of $317bn. BHIIL is one of a number of subsidiaries of NICO. BHIIL represents less than 2% of the total assets of NICO, and less than 2% of NICO's reported consolidated underwriting premium in 2020.

Regulation
The Prudential Regulation Authority is the authority responsible for the prudential supervision of the Group.

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).

BHEI is regulated by the Central Bank of Ireland.

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

www.centralbank.ie

The external auditor for the Group for the year ended 31 December 2020 is Deloitte LLP.

The registered office of BHIIL 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 4th Floor 8 Fenchurch Place London EC3M 4AJ +44 (0) 20 7342 2000	**Deloitte LLP** 2 New Street Square London EC4A 3BZ +44 (0) 20 7936 3000	**Prudential Regulation Authority (PRA)** 20 Moorgate London EC2R 6DA +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.

Berkshire Hathaway Specialty Insurance (BHSI) Division: This division writes casualty, property and executive & professional lines under the BHSI brand. BHSI 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. The division has continued to grow in capability and product offering through the year as planned.

MedPro Division: This division works closely with US sister company, MedPro Group, to develop business opportunities for the provision of medical malpractice and associated coverage for the full spectrum of healthcare customers. MedPro expanded its product offering, from its historic healthcare practitioner offering, to include hospitals and other healthcare institutions during 2020.

Faraday Division: Faraday, a member of the Group of companies, manages a Lloyd's Syndicate in the UK as well as an FCA authorised intermediary. This division is focussed on writing managing general agency (MGA) business, targeting low levels of volatility and supported by appropriate reinsurance structures.

BHRG Division: This division maintained its UK Commercial motor business in the year through two strategic Managing General Agency agreements and its Italian Medical Malpractice coverages for hospitals and clinics through in-house underwriting teams based in the Group's Italian Branch. During the year, the BHRG division had two active MGA's being Volante Bridge underwriting property and casualty insurance for small to medium companies in Scandinavia, and Aon Coverall Landmark through which BHEI aims to underwrite 15% of all facultative reinsurance placed by Aon Milan that meet certain underwriting criteria. The Group issued termination notice on the Volante Bridge MGA in December 2020. In addition this division is, on occasion, approached by Brokers to underwrite large one-off risks, which are considered on their individual merits.

The division continued to write small amounts of high level US Casualty business.

The BHRG Division also has a long standing participation on the Global Aerospace Underwriting Managers (GAUM) aviation pools. The GAUM participation allows the Company to write general insurance policies for Airline, Products, General Aviation and Space insurance to the aviation and space industries.

The division continued the orderly run-off of its Broker facility, legacy motor accounts and reinsurance treaty business.

The Group has a comprehensive outwards reinsurance program placed with companies within the Berkshire Hathaway Group, with the most material cover provided by NICO and Berkshire Hathaway Homestate Insurance Company (BHHIC).

Surplus capital is maintained 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, BHEI and NICO are all 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 BBB+ and above, held to maturity.

The Group has in place Trust Fund Agreements with NICO and BHHIC in respect of the exposure generated from the outwards reinsurance program. This arrangement satisfies the requirement of the Group 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 the Group recognising its distinct legal entity status and regulatory requirements.

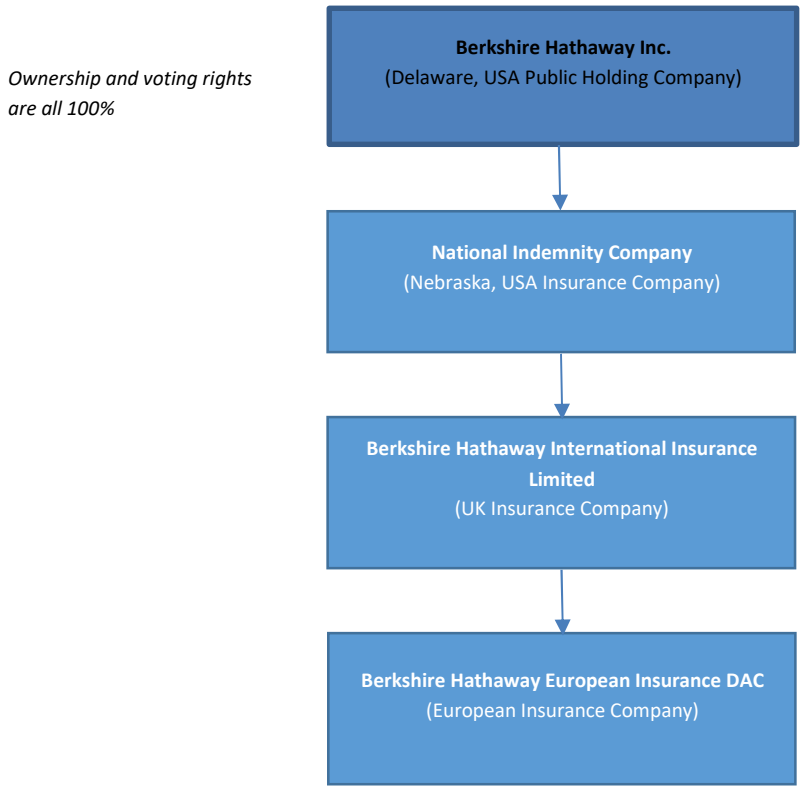
The Directors consider the current investment policy and matching of liabilities and assets in currency to put the Group on a sound basis to deal with any market volatility.

-

Group Structure

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

Organisation Structure



Review of the Business

The credit rating from Standard & Poor's for BHIIL and BHEI remained at AA+ throughout the year (2019:AA+). The full S&P ratings report can be found on the BHIIL website www.bhiil.com.

During the year the Group operated under the four distinct divisions to allow the development of multiple brand offerings.

BHSI Division

The division has continued to grow in capability and product offering through the year as planned after launching in Ireland, Germany, Spain and France in 2019. BHSI underwrote a wide array of products across the casualty, property, executive & professional, marine and healthcare classes.

Medpro Division

This division currently has three MGA arrangements in place operating in the UK, France and Switzerland. The UK MGA was purchased by a Group Company in January 2018. The French MGA relationship, and corresponding business, continued its transfer to BHEI during 2020. In 2020 the division entered a new partnership with Medisec (an Irish company owned by its medical practitioner members, committed to arranging professional medical indemnity insurance and providing assistance) through which it will insure Irish General Practitioners and Consultants.

Faraday Division

The Faraday division continued to underwrite UK commercial motor and UK personal lines motor MGAs during the year, in addition to a UK accident and health MGA.

BHRG Division

This division maintained its UK Commercial motor business in the year through two strategic Managing General Agency agreements and its Italian Medical Malpractice coverages for hospitals and clinics through in-house underwriting teams based in the Italian Branch. During the year, BHRG had two active MGA's being Volante Bridge underwriting property and casualty insurance for small to medium companies in Scandinavia, and Aon Coverall Landmark which aims to underwrite 15% of all facultative reinsurance placed by Aon Milan that meet certain underwriting criteria. The Company issued termination notice on the Volante Bridge MGA in December 2020.

In addition BHRG division is, on occasion, approached by Brokers to underwrite large one-off risks which are considered on their individual merits.

The division continued to write small amounts of high level US Casualty business.

The BHRG Division also has a long standing participation on the Global Aerospace Underwriting Managers (GAUM) aviation pools. The GAUM participation allows the Group to write general insurance policies for Airline, Products, General Aviation and Space insurance to the aviation and space industries.

The division continued the orderly run-off of its Broker facility, reinsurance treaty and legacy motor accounts.

A.2 Underwriting Performance

The Group primarily manages its business by division as described on page 8. Under Solvency II, the lines of business are pre-defined.

The tables below provide details of the Group's underwriting performance for 2020 and 2019 for the major Solvency II lines of business. Full details of the Group's premiums, claims and expenses for the year are disclosed in template S.05.01.02 which is included within the appendices.

Year ended 31 Dec 2020 $000	**Income Protection**	**Motor Vehicle Liability**	**Marine, Aviation & Transport**	**Fire & Other Damage to Property**	**General Liability**
Net Premium Written	8,343	29,151	7,298	42,070	93,031
Net Premium Earned	7,961	24,573	6,332	31,985	65,634
Claims incurred	(6,239)	(21,960)	(629)	(25,540)	(73,527)
Changes in other technical provisions	(594)	131	(215)	1,797	(3,194)
Expenses incurred	(1,657)	(7,446)	(982)	(6,676)	(11,965)
Underwriting performance	**(529)**	**(4,702)**	**4,506**	**1,566**	**(23,052)**

Year ended 31 Dec 2019 $000	**Income Protection**	**Motor Vehicle Liability**	**Marine, Aviation & Transport**	**Fire & Other Damage to Property**	**General Liability**
Net Premium Written	8,063	22,180	4,937	20,829	44,345
Net Premium Earned	4,242	18,968	5,068	28,239	36,882
Claims incurred	(3,817)	(19,444)	(226)	(11,740)	(25,588)
Changes in other technical provisions	-	(245)	75	(2,259)	1,653
Expenses incurred	(700)	(4,399)	(1,399)	(4,925)	(8,323)
Underwriting performance	**(275)**	**(5,120)**	**3,518**	**10,421**	**4,624**

Premium income has increased in the year as a result of the continued growth in the business.

The Board of Directors are satisfied with the underwriting performance of the Group for 2020.

A.3 Investment Performance

The Group considers the assets of the Group 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 Group adopts an 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 Group accepts market and liquidity risks. The Capital Surplus Portfolio was valued at $88.6m at 31 December 2020.

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

The Group's investment loss in the year was $18.3m. Over the year the market value of the equity investment holdings decreased resulting in an unrealised loss at the balance sheet date of $15.1m.

Reduced yields on US and Sterling Government Bonds made a small contribution to the weakened investment performance. In line with the prevailing markets, yields on Euro Government, Quasi Government and Commercials Bonds were negative throughout the period.

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

A.4 Performance from Other Activities

The Group 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 Group is set out in the BHIIL Governance Map. There have been no material changes to the Governance structure during the year.

Board

The Group 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 2020 were:

Name	Role and SIMF/SIF Status	Appointment to Role	Other Information
John Powell	Chairman (SMF9, SMF12)	July 2014	Chair of Board and Chair of Remuneration Committee (incorporates Nominations)
Paul Whittaker	Chairman (SMF10, SMF11) Senior Independent Director (SMF14)	June 2019	Chair of Risk Committee Chair of Audit Committee
Robert Love	Chief Underwriting Officer (MedPro Division Business & BHRG Division Business) (SMF23)	December 2008	
Christopher Colahan	Chief Executive Officer (SMF 1) Chief Underwriting Officer (BHSI Division Business & Faraday Division Business) (SMF23)	October 2018	Christopher Colahan took up the role of Chief Executive Officer from 01/01/19
Guy Finney	Finance Director (SMF2)	April 2008	Chair of Regulatory Reporting, Financial Reporting and Investment Committees
Stephen Michael	Non-Executive Director (Notified NED)	January 2019	Member of Audit Committee
Andrew D'Arcy	Non-Executive Director (Notified NED)	August 2016	Member of Audit Committee Member of Risk Committee
Barbara Merry	Non-Executive Director (Notified NED)	September 2020	Member of Audit Committee Member of Risk Committee

The Key Responsibilities of the Board are:

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

BHEI has approved individuals who undertake the regulated activities as detailed by the CBI.

Three of the directors, Christopher Colahan, Guy Finney and Paul Whittaker, also serve on the board of BHEI.

This ensures consistency in leadership and direction across the Group.

Committee Structure

The chart below sets out the Committee Structure of BHIIL.

B.2 Fit and Proper Requirements

The Group has a policy which sets out the procedures to ensure that all those who are directors, key function holders or are undertaking controlled functions on behalf of the Group are and remain fit and proper to carry out those functions.

These procedures ensure that all those holding such 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 the Board or to carry out a controlled function or a key 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 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 Statement describes the Board's appetite for risk.

The risk appetite framework enables the Group to define what strategic objectives are supported in its risk-taking activities and to keep exposure within agreed limits. The Group risk appetite framework therefore supports decision-making processes and understanding of its performance. The Group risk appetite statements are supported by risk appetite metrics, which define the extent of exposure the Group is prepared to tolerate to different types of risk in order to meet its strategic objectives. The risk appetite metrics are updated on a quarterly basis and are presented to the Risk Committee for review.

Operational Risks are managed by the application of internal controls and are also monitored via operational risk appetites. 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 the Operations Committee monitor the performance of 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.

Own Risk and Solvency Assessment (ORSA)

The ORSA is an integral part of the Group's business strategy and supports the strategic decision making process. The ORSA framework is a series of processes to enable the Group to manage its risk profile against risk appetite and to ensure that there is an appropriate quantity and quality of capital given the risks facing the business.

The ORSA encompasses the procedures employed to identify, assess, monitor, manage and report the risks each entity may face over the business planning period. The management information that is an output of the ORSA then facilitates informed strategic decisions with consideration to the Group's appetite for risk and the amount of capital needed.

ORSA processes evolve each year to ensure they remain appropriate to the nature, scale and operation of the business. The framework has been designed to be flexible and with a non-prescriptive approach. The ORSA report provides a conclusion of the adequacy of the control framework and capital required given the current and planned risk exposures.

The ORSA process is owned by the Chief Risk Officer and approved by the Board. The Board is responsible for both steering the on-going development of the ORSA process and challenging the results.

The ORSA process combines all elements of the risk and capital framework and is structured to complement the strategy development and business planning processes, to ensure it supports decision making. Outputs from the ORSA process are considered when setting business plans and the risk appetites.

A key concept of the ORSA is that it is a forward-looking assessment and therefore the ORSA process runs in parallel with the business planning and reporting cycle.

A full ORSA process is run at least annually and the Board considers and approves an annual Group ORSA report.

The Group's risk profile will change over the course of the planning period for a number of reasons, such as a significant insurance event, extreme economic conditions, or merger and acquisition. As a result, a full or partial ORSA exercise may be conducted outside of the usual cycle if any change is significant enough that the prior ORSA analysis is no longer relevant and useful.

The main output from the ORSA process is the ORSA report that is provided to the Board for approval. The full ORSA report that goes to the Board is also sent to the relevant supervisory authority.

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. It is the responsibility of the operational management to ensure that appropriate controls are in place to operate within risk appetite. Internal controls are identified with a defined owner responsible for maintenance of the control.

Internal control documentation includes:

- description of the control
- control owner
- risks mitigated by control, and control importance relative to risks (key control)

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.

Compliance Function

The Compliance Function monitors the business to ensure that it is in compliance with all laws and the regulatory framework applicable to the Group. The Compliance Function also provides advice to the Board and the business on all regulatory requirements and monitors compliance with such including licensing and other arrangements, the fair treatment of customers, managing the risk of financial crime including applicable sanctions compliance, product governance, the oversight of outsourced arrangements with third parties and regulatory reporting.

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 the Group. 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 monitoring various capital adequacy measures to enable the Board to exercise the appropriate level of governance and control of the Group'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 Group and the risks that the Group 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:

- To engage with the Board, senior managers, regulators and auditors to ensure that the capital position of the Group and that the risks it faces are well understood and reflected in the analysis. Performed as part of the reserving and capital modelling processes.
- To advise the Board on the appropriate level of capital requirements and reserves.
- To keep the Group updated with significant capital and reserving related developments throughout the year.
- To provide proactive support to Underwriting, Claims, Reinsurance, and Investment functions.
- To assist with the production of and to ensure the integrity of the Group's financial information and regulatory reporting.
- Annually the Chief Actuary formally reports to the Board through the 'Actuarial Function Report' which documents the tasks, as mandated under the Solvency II directive, that have been undertaken by the actuarial function, identifying any deficiencies and giving recommendations as to how such deficiencies should be remedied. The report covers the Actuarial Function's calculation of technical provisions, opinion on underwriting policy, opinion on the adequacy of reinsurance arrangements, and contribution to risk management.

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 Group. Entering into an outsource arrangement does not relieve the Group 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.

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 regular 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.

Material outsourced arrangements are required to be disclosed to the Regulator. A material outsourcing contract is defined by the PRA as one which is of such importance that weakness, or failure, of the services would cast serious doubt upon the firm's continuing satisfaction of the PRA's threshold conditions or Principles.

As at 31 December 2020, the following key outsourced functions are considered critical and important in line with the terms of 7.2 of Conditions Governing Business in the PRA Rulebook for Solvency II Firms. Resolute Management Limited (RML) and Resolute Management Services Limited (RMSL) (both group companies) provide to the Group the Services of certain designated employees as agreed between the Parties from time to time. Xceedance provide back office support to the Group for the BHSI business.

RML and RMSL are both located in the United Kingdom. Xceedance are located in Poland and India.

C. Risk Profile

The BHIIL risk universe comprises six main categories of risk: insurance, credit, market, liquidity, operational and strategic.

Analysis of Risk Profile (As per S.25.01)	2020	2019
	$000	$000
Underwriting Risk	137,851	87,605
Market Risk	63,593	84,834
Credit Risk	34,921	19,027
Diversification	-52,843	-46,804
Basic Solvency Capital Requirement	183,522	144,662
Operational Risk	55,057	42,796
Loss absorbing capacity of deferred taxes	-2,404	-
Total Solvency Capital Requirement	236,175	187,458

C.1 Underwriting Risk

The appetite of the Group to underwriting 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."

The Group 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.

The Group 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 the Group provides 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 the Group, but much of this is converted to credit risk through reinsurance placed mainly with NICO, BHIIL's holding company.

Underwriting 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). Underwriting 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 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 at the Reserving Committee and 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 the Group 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 the Group'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. 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 Group's Own Risk & Solvency Assessment process. The Group 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 Investment 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 BBB+ and above held to maturity. This conservative strategy is designed to protect capital so that it is available to support the underwriting. The Group has no off-balance sheet transactions and has a policy of not investing in derivative contracts.

The Capital Surplus Portfolio is invested in US equities. These are 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 predominantly the exposure to NICO and this is assessed 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 Trust Fund Agreements in place with NICO manages 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 the Group 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 risk appetite statement. The Group retains significant liquid balances, the investment portfolio is such that it may be converted to liquid assets at short notice, and the Group also has the ability to make cash calls on its reinsurer.

The total amount of expected profit included in future premiums within the technical provisions was $24.4m as at 31 December 2020 (31 December 2019: $13.6m).

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 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
- 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

C.6 Other Material Risks

With respect to the ongoing Covid-19 pandemic, the Board has re-assessed the various risks which have been increased by the pandemic and are confident that the business is sufficiently robust to withstand all impacts.

A scenario which considered an economic recession caused by a pandemic more aggressive and contagious than Covid-19 which leads to significant underwriting and investment losses was considered as part of the ORSA stress tests.

The Board have also assessed that there is no material impact on the valuation of the Group's assets and liabilities, either at 31 December 2020, or currently.

The Group continues to ensure it has adequate resources to service existing and future projected business and to maintain adequate regulatory surplus capital.

D. Valuation for Solvency Purposes

The details of the Group's Assets and Liabilities as at 31 December 2020 and 31 December 2019 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 Group expects the assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

Solvency II Balance Sheet as at 31 December 2020, $000	Notes	UK GAAP	Reclassification Adjustments	Solvency II Adjustments	Solvency II
Assets					
Total Investments	1	**758,093**	**17,865**	**-**	**775,958**
Property, plant & equipment held for own use	2	**-**	**-**	**6,429**	**6,429**
Reinsurance recoverables from Non-Life	3	**2,358,905**	**(358,346)**	**(380,740)**	**1,619,819**
Insurance and intermediaries receivables	4	**465,704**	**(376,799)**	**-**	**88,905**
Reinsurance receivables	5	**55,811**	**(48,034)**	**-**	**7,777**
Receivables -not insurance		**9,416**	**-**	**-**	**9,416**
Cash and cash equivalents		**274,456**	**(16,681)**	**-**	**257,775**
Any other assets		**5,304**	**(1,184)**	**-**	**4,120**
Deferred Acquisition Costs	6	**13,656**	**(13,656)**	**-**	**-**
Total Assets		**3,941,345**	**(796,835)**	**(374,311)**	**2,770,199**
Liabilities					
Total Non-Life Technical Provisions -	7	**(2,826,768)**			**(2,012,139)**
Gross Technical Provisions		(2,826,768)	421,238	444,280	(1,961,250)
Risk Margin		-	-	(50,889)	(50,889)
Provisions other than technical provisions		**(6,170)**	**5**		**(6,165)**
Insurance and intermediaries payables	8	**(71,750)**	**34,731**	**-**	**(37,019)**
Deferred tax liabilities	9	**-**	**-**	**(2,404)**	**(2,404)**
Reinsurance payables	10	**(304,650)**	**152,856**		**(151,794)**
Payables - not insurance		**(210,460)**	**188,005**	**(6,429)**	**(28,884)**
Total Liabilities		**(3,419,798)**	**796,835**	**384,558**	**(2,238,405)**
Excess of Assets over Liabilities		**521,547**	**-**	**10,247**	**531,794**

Solvency II Balance Sheet as at 31 December 2019, $000	Notes	UK GAAP	Reclassification Adjustments	Solvency II Adjustments	Solvency II
Assets					
Total Investments	1	**655,476**	**31,391**	**-**	**686,867**
Property, plant & equipment held for own use	2	**-**	**-**	**3,717**	**3,717**
Reinsurance recoverables from Non-Life	3	**1,689,018**	**(241,607)**	**(268,877)**	**1,178,534**
Insurance and intermediaries receivables	4	**262,648**	**(238,226)**	**-**	**24,422**
Reinsurance receivables	5	**31,871**	**(28,500)**	**-**	**3,371**
Receivables -not insurance		**2,471**	**-**	**-**	**2,471**
Cash and cash equivalents		**212,392**	**(30,390)**	**-**	**182,002**
Any other assets		**6,600**	**(1,003)**	**-**	**5,597**
Deferred Acquisition Costs	6	**9,858**	**(9,858)**	**-**	**-**
Total Assets		**2,870,334**	**(518,193)**	**(265,160)**	**2,086,980**
Liabilities					
Total Non-Life Technical Provisions -	7	**(2,012,787)**			**(1,462,946)**
Gross Technical Provisions		(2,012,787)	285,532	300,722	(1,426,533)
Risk Margin		-	-	(36,413)	(36,413)
Provisions other than technical provisions		**(8,300)**	**-**	**-**	**(8,300)**
Insurance and intermediaries payables	8	**(34,733)**	**33,180**	**-**	**(1,553)**
Reinsurance payables	10	**(244,819)**	**199,481**	**-**	**(45,338)**
Payables - not insurance		**(19,229)**	**-**	**(3,717)**	**(22,945)**
Total Liabilities		**(2,319,868)**	**518,193**	**260,593**	**(1,541,083)**
Excess of Assets over Liabilities		**550,466**		**(4,567)**	**545,897**

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.
Bonds - Government, Quasi Government and Commercial 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 (before consideration of reinsurer default or disputes) as the terms of the reinsurance program are known.

Due to the importance of the reinsurance program to the Group, 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) the Group models the actual reinsurance program for the vast majority of the book.

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 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 on page 27 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.

Property Leases[2] – Leases on premises are valued in accordance with IFRS rather than UK GAAP.

Reinsurance Recoverables[3] – Solvency II values calculated by applying the reinsurance program to the best-estimate gross claims on a stochastic basis; as opposed to being applied to the booked (i.e. prudent) gross claims reported in the statutory accounts on a deterministic basis. The Solvency II values are also discounted; the statutory values are not.

Insurance and Intermediaries Receivables[4] – Receivables exclude the value of inwards pipeline premiums as these are included within the valuation of the technical provisions for solvency purposes.

Reinsurance receivables[5] - 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[6] – Deferred Acquisition Costs are not included in the Solvency II valuation in accordance with the valuation guidelines.

Group and subsidiary valuation differences
There is no material difference between the bases, methods and assumptions used at Group level for the valuation for solvency purposes of the Group's assets and those used by the solo entities for the valuation for solvency purposes of their assets.

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 and their underlying assumptions, are reviewed and approved on a quarterly basis at the Reserving Committee, with further review undertaken at the quarterly Regulatory Reporting Committee.

For modelling purposes the business is segmented by:

- Branch – the Group operates in the UK and Ireland, and has branches in Italy, Switzerland, Germany, France and Spain.
- Division – the Group groups business according to Berkshire Hathaway internal reporting divisions including: Berkshire Hathaway Reinsurance Group, Berkshire Hathaway Specialty Insurance, MedPro, and Faraday MGA Ltd.
- Distribution Channel – the Group writes business through numerous distribution channels; these distribution channels can vary according to each Division. They can broadly cover: underwriting teams (for business written directly), brokers (for facility business) and managing general agents.
- Class of Business – the Group writes multiple 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. generally 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, Bornhuetter-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 a minimum, 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.

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 on page 27 are as a result of the following:

Technical Provisions[7] – 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.

Group and subsidiary valuation differences

There are no material differences between the technical provisions held for the Group and those held for the equivalent liabilities of each of the solo entities.

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.

Deferred tax liability
A deferred tax liability results from the difference in value of the Statutory and Solvency II balance sheets. The deferred tax liability is calculated at the tax rate at which the liability is expected to be paid in the future.

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 on page 27 are as a result of the following:

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

Deferred taxation [9] – The deferred tax liability arises due to the difference in valuation of the Statutory and Solvency II balance sheets.

Reinsurance Payables[10] - Reinsurance payables exclude the value of outwards pipeline premiums due as these are included within the valuation of the technical provisions for solvency purposes.

Group and subsidiary valuation differences
There is no material difference between the bases, methods and assumptions used at Group level for the valuation for solvency purposes of the Group's other liabilities and those used by any of the solo entities for the valuation for solvency purposes of its other liabilities.

D.4 Alternative methods for valuation

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

D.5 Any other information

Group consolidation scope and method
Method 1 (the accounting consolidation method) has been adopted.

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.

Details of the Group's Own Funds as at 31 December 2020 and 31 December 2019 are disclosed in the table 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 31 Dec 2020	**Solvency II value $000**	**GAAP value $000**
Tier 1 Funds		
Called up share capital	432,998	432,998
Retained earnings		88,549
Reconciliation reserve	98,797	
Total Basic Own Funds	**531,795**	**521,547**

Year ended 31 Dec 2019	**Solvency II value $000**	**GAAP value $000**
Tier 1 Funds		
Called up share capital	432,998	432,998
Retained earnings	-	117,468
Reconciliation reserve	112,899	-
Total Basic Own Funds	**545,897**	**550,466**

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

The Group does not have any ancillary own funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

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

The Group's Solvency Capital Requirement at 31 December 2020 is $236.2m (2019: $187.5m) and the Minimum Capital Requirement of the Group at 31 December 2020 is $59.0m (2019: $46.9m).

Solvency Capital Requirement

	2020 $000	**2019 $000**	**Change $000**
Market risk	63,593	84,834	(21,241)
Counterparty default risk	34,921	19,027	15,894
Health underwriting risk	3,114	2,769	345
Non-life underwriting risk	134,737	84,836	49,901
Operational risk	55,057	42,796	12,261
Diversification credit	(52,843)	(46,804)	(6,039)
Loss absorbing capacity of deferred taxes	(2,404)	-	(2,404)
Solvency Capital Requirement	**236,175**	**187,458**	**48,717**

Minimum Capital Requirement

	2020 $000	**2019 $000**	**Change $000**
Linear MCR	55,047	35,835	19,212
MCR Cap (45% of SCR)	106,279	84,356	21,923
MCR floor (25% of SCR)	59,044	46,865	12,179
Absolute floor of the MCR	4,328	4,127	201
Minimum Capital Requirement	**59,044**	**46,871**	**12,173**

Compared with the prior reporting period, the increase in Solvency Capital Requirement across all risk modules with the exception of Market risk reflects the growth in business written during 2020, as well as the projected business volumes for the forthcoming year. The Minimum Capital requirement has also increased in the reporting period, reflecting its calculation as a percentage of the Solvency Capital Requirement. The absolute floor of the MCR has increased, due to movement in the USD:EUR exchange rate.

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

The Group 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

The Group 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 Solvency Capital Requirement and the Minimum Capital Requirement, the Solvency II own funds substantially exceed the capital requirements. By these measures, the Group remains in a satisfactory capital position.

Appendix 1

Berkshire Hathaway International Insurance Limited Solo SFCR Sections

Introduction and Summary

This is the Solvency and Financial Condition Report (SFCR) for Berkshire Hathaway International Insurance Limited (BHIIL), based on the financial position as at 31 December 2020.

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.

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

Key Capital Performance Indicators

	2020	**2019**
	$000	**$000**
Available and Eligible Own Funds	530,800	554,248
Standard Formula Solvency Capital Requirement (SCR)	201,279	191,441
Surplus over SCR	329,521	362,807
Ratio of Eligible Funds to SCR	**264%**	**290%**
Minimum Capital Requirement (MCR)	50,320	47,860
Surplus over MCR	480,480	506,388
Ratio of Eligible Funds to MCR	1055%	1158%

As at 31 December 2020 BHIIL had a Standard Formula Solvency Capital Requirement of $201m. This is covered by $531m of eligible capital resources resulting in a Solvency II surplus of $330m and a coverage ratio of 264%.

The SCR increased by $9.8m during the year. This was largely as a result of the increase in the underwriting risk ($21.6m), counterparty credit risk ($12.3m) and operational risk ($4.9m). Offsetting these increases were decreased market risk charge ($19.5m) and an increase in the diversification credit ($6.3m). The standard formula SCR also decreased by $3.2m as a result of the increase in the loss absorbing capacity of deferred tax during the year.

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, which is in run-off.

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.

At 31 December 2020 NICO had a $188bn Surplus as regards policyholders and total assets of $317bn. BHIIL is one of a number of subsidiaries of NICO. BHIIL represents less than 2% of the total assets of NICO, and less than 2% of NICO's reported consolidated underwriting premium in 2020.

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 2020 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 4th Floor 8 Fenchurch Place London EC3M 4AJ +44 (0) 20 7342 2000	**Deloitte LLP** 2 New Street Square London EC4A 3BZ +44 (0) 20 7936 3000	**Prudential Regulation Authority (PRA)** 20 Moorgate London EC2R 6DA +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.

Berkshire Hathaway Specialty Insurance (BHSI) Division: This division writes casualty, property and executive & professional lines under the BHSI brand. BHSI 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. The division has continued to grow in capability and product offering through the year as planned.

MedPro Division: This division works closely with US sister company, MedPro Group, to develop business opportunities for the provision of medical malpractice and associated coverage for the full spectrum of healthcare customers. MedPro expanded its product offering, from its historic healthcare practitioner offering, to include hospitals and other healthcare institutions during 2020.

Faraday Division: Faraday, a member of the Group of companies, manages a Lloyd's Syndicate in the UK as well as an FCA authorised intermediary. This division is focussed on writing managing general agency (MGA) business, targeting low levels of volatility and supported by appropriate reinsurance structures.

BHRG Division: This division maintained its UK Commercial motor business in the year through two strategic Managing General Agency agreements and its Italian Medical Malpractice coverages for hospitals and clinics through in-house underwriting teams based in the Company's Italian Branch. In addition this division is, on occasion, approached by Brokers to underwrite large one-off risks, which are considered on their individual merits.

The division continued to write small amounts of high level US Casualty business.

The BHRG Division also has a long standing participation on the Global Aerospace Underwriting Managers (GAUM) aviation pools. The GAUM participation allows the Company to write general insurance policies for Airline, Products, General Aviation and Space insurance to the aviation and space industries.

The division continued the orderly run-off of its Broker facility and legacy motor accounts.

The Company has a comprehensive outwards reinsurance program placed with companies within the Berkshire Hathaway Group, with the most material cover provided by NICO and Berkshire Hathaway Homestate Insurance Company (BHHIC).

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 can include large strategic long-term equity holdings consistent with holdings by BHI. This portfolio therefore is intended to provide long term growth and countenances potential market volatility and lower asset liquidity as well as accepting potential concentration risk.

The Company has in place Trust Fund Agreements with NICO and BHHIC in respect of the exposure generated from the outwards reinsurance program. This arrangement satisfies the requirement of the Group 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.

Brexit Impact

Following the UK's exit from the European Union (Brexit) and the end of transition period at the end of 2020, BHIIL has now ceased to have EU passporting rights. BHIIL continues to handle and pay claims arising under policies it underwrote prior to Brexit and which relate to exposures in the EEA. However, should this no longer be possible, BHEI has issued a Contingency Deed Poll Policy in favour of all of BHIIL's policyholders which guarantees performance of BHIIL's policies in the event that BHIIL is unable to service those policies due to local restrictions in any EEA State following Brexit.

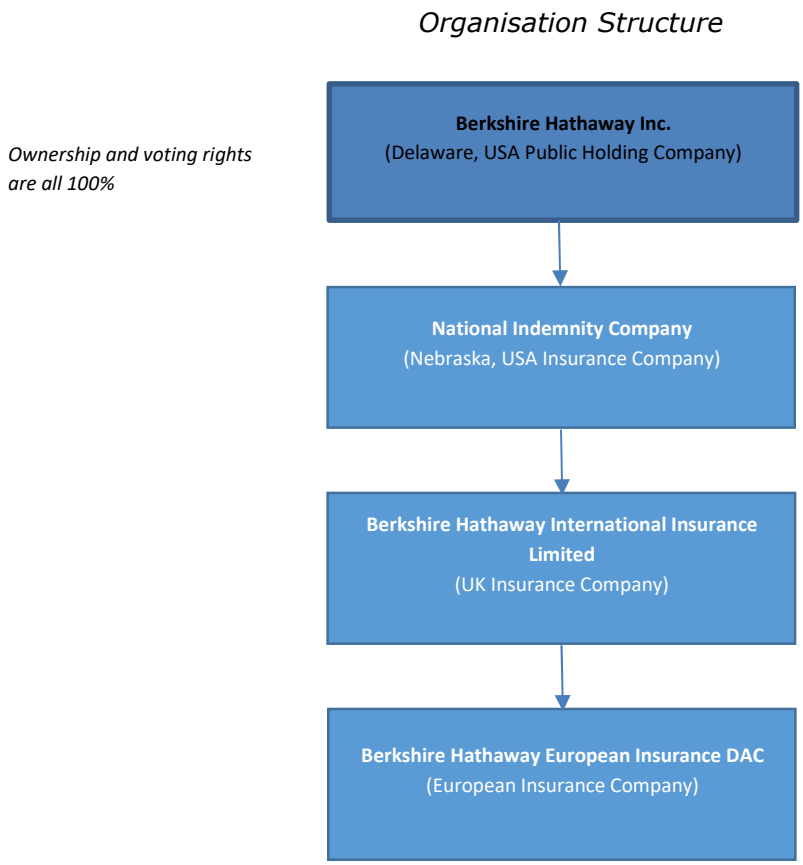
It continues to be the view of the Directors that the UK and London Market will remain a significant insurance and reinsurance market for the foreseeable future. In 2020 the Company has noted that many risks presented in London continue to co-mingle European, UK and rest of the world risks. In response to this BHEI established a UK Branch in London which had the necessary regulatory approvals to service these risks. With the ending of the Transition phase of BREXIT the Company is seeing significant amounts of business that would have been written by the Company being more appropriately served by the UK Branch of BHEI based in London. Though a reduction of business volumes for the Company this will have a limited impact on the UK based operations as resources and costs are re-distributed to the BHEI Branch. The Company is also anticipating significant growth in the UK operation primarily in the BHSI division which will off-set these transfers in the next couple of years.

The Company had concluded that the Italian Medical Malpractice business would be best served by a third country regulated branch and the registration process is ongoing. It is anticipated that the necessary approvals will be obtained by the middle of 2021.

The Directors 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.

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.

During the year the Company operated under four distinct divisions to allow the development of multiple brand offerings.

BHSI Division

The division has continued to grow in capability and product offering through the year as planned after launching in Ireland, Germany, Spain and France in 2019. BHSI underwrote a wide array of products across the casualty, property, executive & professional, marine and healthcare classes.

Medpro Division

This division currently has three MGA arrangements in place operating in the UK, France and Switzerland. The UK MGA was purchased by a Group Company in January 2018. The French MGA relationship, and corresponding business, continued its transfer to BHEI during 2020.

Faraday Division

The Faraday division continued to underwrite UK commercial motor and UK personal lines motor MGAs during the year, in addition to a UK accident and health MGA.

BHRG Division

This division maintained its UK Commercial motor business in the year through two strategic Managing General Agency agreements and its Italian Medical Malpractice coverages for hospitals and clinics through in-house underwriting teams based in the Italian Branch.

In addition BHRG division is, on occasion, approached by Brokers to underwrite large one-off risks which are considered on their individual merits.

The division continued to write small amounts of high level US Casualty business.

The BHRG Division also has a long standing participation on the Global Aerospace Underwriting Managers (GAUM) aviation pools. The GAUM participation allows the Group to write general insurance policies for Airline, Products, General Aviation and Space insurance to the aviation and space industries.

The division continued the orderly run-off of its Broker facility and legacy motor accounts.

A.2 Underwriting Performance

The Company primarily manages its business by division as described on page 37. Under Solvency II, the lines of business are pre-defined.

The tables below provide the details of the Company's underwriting performance for 2020 and 2019 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 (unaudited) which is included within the appendix.

Year ended 31 Dec 2020 $000	**Income Protection**	**Motor Vehicle Liability**	**Marine, Aviation & Transport**	**Fire & Other Damage to Property**	**General Liability**
Net Premium Written	8,343	29,151	4,799	22,282	53,402
Net Premium Earned	7,961	24,573	4,922	18,016	41,953
Claims incurred	(6,239)	(21,960)	545	(13,107)	(47,726)
Changes in other technical provisions	(594)	131	(241)	2,072	(2,688)
Expenses incurred	(1,656)	(7,446)	(425)	(3,050)	(6,521)
Underwriting performance	**(528)**	**(4,522)**	**4,801**	**3,931**	**(14,982)**

Year ended 31 Dec 2019 $000	**Income Protection**	**Motor Vehicle Liability**	**Marine, Aviation & Transport**	**Fire & Other Damage to Property**	**General Liability**
Net Premium Written	8,063	22,180	4,627	15,359	35,748
Net Premium Earned	4,242	18,968	4,978	26,787	34,297
Claims incurred	(3,817)	(19,444)	(154)	(10,265)	(23,283)
Changes in other technical provisions	-	(245)	75	(2,259)	2,222
Expenses incurred	(700)	(4,399)	(1,360)	(3,842)	(7,480)
Underwriting performance	**(275)**	**(5,120)**	**3,539**	**10,421**	**5,756**

The BHIIL Board of Directors are satisfied with the underwriting performance of the Company for 2020.

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 accepts market and liquidity risks. The Capital Surplus Portfolio was valued at $88.6m at 31 December 2020.

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

The Company's investment income deteriorated in the year as equity holdings in the Capital Surplus Portfolio performed poorly reversing gains reported in the prior year and reduced yields on US and Sterling Government Bonds also made a small contribution to the weakened investment performance. Additionally the Company recognised losses on its investment in its subsidiary of $5.5m. Though the Company has no expectation that it will sell its subsidiary the valuation under Solvency II rules includes a risk margin payable to a deemed third party acquirer. This risk margin contributed $12.6m to the loss reported.

Investment losses and exchange gains resulted in the Company reporting a loss before tax of $35.9m, compared to a profit before tax of $52.4m for the previous year. There were no material investment expenses incurred in the year.

Reported exchange profits in the year of $9.9m compared to losses of $1.6m in the previous year.

The Directors 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. There have been no material changes to the Governance structure during the year.

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 2020 were the same as those on the Group board. See Section B.1 within the Group SFCR for details of the board members.

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

See Section B.2 within the Group SFCR for details of the Committee Structure of BHIIL.

B.2 Fit and Proper Requirements

The Group Fit and proper requirements are applied at an entity level to BHIIL.

See Section B.2 within the Group SFCR for details of the Group's fit and proper requirements.

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

BHIIL has adopted the Group Risk Management System, reflecting the close alignment between BHIIL's risk strategy and risk appetite with that of the Group. See Section B.3 within the Group SFCR for details of the Group's Risk Management System.

B.4 Internal Control System

BHIIL has adopted the Group internal control system. See Section B.4 within the Group SFCR for details of the Group's internal control system.

B.5 Internal Audit function

The Group Internal Audit function provides the internal audit function for BHIIL. See Section B.5 within the Group SFCR for details of the Group's internal audit function.

B.6 Actuarial Function

The Group actuarial function is also the actuarial function holder for BHIIL. The Group Actuarial function produces annual actuarial reports summarising the key conclusions of the actuarial function's work covering BHIIL and these are presented to the BHIIL Board.

See Section B.6 within the Group SFCR for details of the Group's actuarial function.

B.7 Outsourcing

BHIIL has adopted the Group outsourcing policy. See Section B.7 within the Group SFCR for details of the Group's outsourcing policy.

C. Risk Profile

The BHIIL risk universe comprises six main categories of risk: insurance, credit, market, liquidity, operational and strategic.

Analysis of Risk Profile (As per S.25.01)

	2020	2019
	$000	$000
Underwriting Risk	95,533	73,908
Market Risk	84,225	103,739
Credit Risk	30,619	18,322
Diversification	-52,942	-46,675
Basic Solvency Capital Requirement	157,435	149,294
Operational Risk	47,231	42,312
Loss absorbing capacity of deferred taxes	-3,387	-165
Total Solvency Capital Requirement	201,279	191,441

C.1 Underwriting risk

The appetite of BHIIL to underwriting 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 NICO, BHIIL's holding company.

Underwriting 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). Underwriting 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 at the Reserving Committee and 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. 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 Investment 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.

The Capital Surplus Portfolio is invested in US equities. These are 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 predominantly the exposure to NICO and this is assessed 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 Trust Fund Agreement in place with NICO manages 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 risk appetite statement. 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.

The total amount of expected profit included in future premiums within the technical provisions was $14.3m as at 31 December 2020 (31 December 2019: $11.3m).

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 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
• 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

C.6 Other Material Risks

With respect to the ongoing Covid-19 pandemic, the Board has re-assessed the various risks which have been increased by the pandemic and are confident that the business is sufficiently robust to withstand all impacts.

A scenario which considered an economic recession caused by a pandemic more aggressive and contagious than Covid-19 which leads to significant underwriting and investment losses was considered as part of the ORSA stress tests.

The Board have also assessed that there is no material impact on the valuation of the Company's assets and liabilities, either at 31 December 2020, or currently.

The Company continues to ensure it has adequate resources to service existing and future projected business and to maintain adequate regulatory surplus capital.

D. Valuation for Solvency Purposes

The details of the Company's Assets and Liabilities as at 31 December 2020 and 31 December 2019 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 2020, $000	Notes	UK GAAP	Reclassification Adjustments	Solvency II Adjustments	Solvency II
Assets					
Total Investments	1	**755,421**	**(31,124)**	**-**	**724,297**
Reinsurance recoverables from Non-Life	2	**1,957,790**	**(216,405)**	**(307,638)**	**1,433,747**
Insurance and intermediaries receivables	3	**291,733**	**(213,984)**	**-**	**77,749**
Reinsurance receivables	4	**35,734**	**(30,192)**	**-**	**5,542**
Receivables -not insurance		**4,949**	**-**	**-**	**4,949**
Cash and cash equivalents		**179,445**	**31,427**	**-**	**210,872**
Any other assets		**8,524**	**(303)**	**-**	**8,221**
Deferred Acquisition Costs	5	**9,971**	**(9,971)**	**-**	**0**
Total Assets		**3,243,567**	**(470,552)**	**(307,638)**	**2,465,377**
Liabilities					
Total Non-Life Technical Provisions -	6	**(2,349,252)**	**251,782**	**325,464**	**(1,772,006)**
Gross Technical Provisions		(2,349,252)	251,782	363,860	(1,733,610)
Risk Margin		-	-	(38,396)	(38,396)
Provisions other than technical provisions		**(6,127)**	**-**	**-**	**(6,127)**
Insurance and intermediaries payables	7	**(71,750)**	**34,731**	**-**	**(37,019)**
Deferred tax liabilities	8	**-**	**-**	**(3,387)**	**(3,387)**
Reinsurance payables	9	**(283,037)**	**184,039**	**-**	**(98,998)**
Payables - not insurance		**(17,040)**	**-**	**-**	**(17,040)**
Total Liabilities		**(2,727,206)**	**470,552**	**322,077**	**(1,934,577)**
Excess of Assets over Liabilities		**516,361**	**-**	**14,439**	**530,800**

Solvency II Balance Sheet as at 31 December 2019, $000	Notes	UK GAAP	Reclassification Adjustments	Solvency II Adjustments	Solvency II
Assets					
Total Investments	1	**660,219**	**31,113**	**-**	**691,332**
Reinsurance recoverables from Non-Life	2	**1,620,690**	**(176,216)**	**(279,669)**	**1,164,805**
Insurance and intermediaries receivables	3	**195,548**	**(174,483)**		**21,065**
Reinsurance receivables	4	**21,309**	**(17,938)**		**3,371**
Receivables -not insurance		**2,242**	**-**		**2,242**
Cash and cash equivalents		**205,827**	**(30,761)**	**-**	**175,066**
Any other assets		**5,945**	**(352)**	**(4)**	**5,589**
Deferred Acquisition Costs	5	**7,895**	**(7,895)**	**-**	**-**
Total Assets		**2,719,675**	**(376,532)**	**(279,673)**	**2,063,470**
Liabilities					
Total Non-Life Technical Provisions -	6	**(1,929,809)**			**(1,439,909)**
Gross Technical Provisions		(1,929,809)	209,261	310,165	(1,410,383)
Risk Margin		-	-	(29,526)	(29,526)
Provisions other than technical provisions		**(5,900)**	**-**	**-**	**(5,900)**
Insurance and intermediaries payables	7	**(21,786)**	**20,343**	**-**	**(1,443)**
Deferred tax liabilities	8	**-**	**-**	**(164)**	**(164)**
Reinsurance payables	9	**(191,656)**	**146,928**	**-**	**(44,728)**
Payables - not insurance		**(17,078)**	**-**	**-**	**(17,078)**
Total Liabilities		**(2,166,229)**	**376,532**	**280,475**	**(1,509,222)**
Excess of Assets over Liabilities		**553,446**		**802**	**554,248**

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. Investment in Subsidiary is valued at fair value.

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 (before consideration of reinsurer default or disputes) 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 for the majority of the book.

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 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 on page 52 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 on a stochastic basis; as opposed to being applied to the booked (i.e. prudent) gross claims reported in the statutory accounts on a deterministic basis. 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 and their underlying assumptions, are reviewed and approved on a quarterly basis at the Reserving Committee, with further review undertaken at the quarterly Regulatory Reporting Committee.

For modelling purposes the business is segmented by:

- Branch – BHIIL operates in the UK and has branches in Italy, Switzerland and Germany.
- Division – BHIIL groups business according to Berkshire Hathaway internal reporting divisions including: Berkshire Hathaway Reinsurance Group, Berkshire Hathaway Specialty Insurance, MedPro, and Faraday MGA Ltd.
- Distribution Channel – BHIIL writes business through numerous distribution channels; these distribution channels can vary according to each Division. They can broadly cover: underwriting teams (for business written directly), brokers (for facility business) and managing general agents.
- Class of Business – BHIIL writes multiple 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. generally 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, Bornhuetter-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 a minimum, 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.

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 on page 52 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.

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.

Deferred tax liability

A deferred tax liability results from the difference in value of the Statutory and Solvency II balance sheets. The deferred tax liability is calculated at the tax rate at which the liability is expected to be paid in the future.

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 on page 52 are as a result of the following:

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.

Deferred taxation [8] – The deferred tax liability arises due to the difference in valuation of the Statutory and Solvency II balance sheets.

Reinsurance Payables [9] - 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.

The details of the Company's Own Funds as at 31 December 2020 and 31 December 2019 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 31 Dec 2020	**Solvency II value $000**	**GAAP value $000**
Tier 1 Funds		
Called up share capital	432,998	432,998
Retained earnings	-	83,364
Reconciliation reserve	97,802	-
Total Basic Own Funds	**530,800**	**516,362**

Year ended 31 Dec 2019	**Solvency II value $000**	**GAAP value $000**
Tier 1 Funds		
Called up share capital	432,998	432,998
Retained earnings	-	120,446
Reconciliation reserve	121,250	-
Total Basic Own Funds	**554,248**	**553,444**

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.

The Company's Solvency Capital Requirement at 31 December 2020 is $201.3m (2019: $191.4m) and the Company's Minimum Capital Requirement at 31 December 2020 is $50.3m (2019: $47.9m).

Solvency Capital Requirement

	2020 $000	**2019 $000**	**Change $000**
Market risk	84,225	103,739	(19,514)
Counterparty default risk	30,619	18,322	12,297
Health underwriting risk	3,045	2,699	346
Non-life underwriting risk	92,488	71,209	21,279
Operational risk	47,231	42,312	4,919
Diversification credit	(52,942)	(46,675)	(6,267)
Loss absorbing capacity of deferred taxes	(3,387)	(165)	(3,222)
Solvency Capital Requirement	**201,279**	**191,441**	**9,838**

Minimum Capital Requirement

	2020 $000	**2019 $000**	**Change $000**
Linear MCR	43,615	34,122	9,493
MCR Cap (45% of SCR)	90,576	86,148	4,428
MCR floor (25% of SCR)	50,320	47,860	2,460
Absolute floor of the MCR	4,328	4,127	201
Minimum Capital Requirement	**50,320**	**47,860**	**2,460**

Compared with the prior reporting period, the increase in Solvency Capital Requirement across all risk modules, with the exception of Market risk reflects the growth in business written during 2020, as well as the projected business volumes for the forthcoming year. The Minimum Capital requirement has also increased in the reporting period, reflecting its calculation as a percentage of the Solvency Capital Requirement. The absolute floor of the MCR has increased, due to movement in the USD:EUR exchange rate.

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.

Appendix 2

Directors' Statements in respect of the SFCR

Berkshire Hathaway International Insurance Group

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

Financial period ended 31 December 2020

We certify that:

the Group 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 Group has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable at the level of the Group; and

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

Guy E Finney
Director
Date: 20 May 2021

Berkshire Hathaway International Insurance Limited

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

Financial period ended 31 December 2020

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: 20 May 2021

Appendix 3

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 Group 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 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group SFCR of the Company as at 31 December 2020, ('the Narrative Disclosures subject to audit');
- Group templates S.02.01.02, S.23.01.22, S.25.01.22, S32.01.22 ('the Group Templates subject to audit'); and
- Solo Templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 in respect of Berkshire Hathaway International Insurance Limited ('the Solo Templates subject to audit').

The Narrative Disclosures subject to audit and the Group Templates and Solo Templates subject to audit are collectively referred to as the 'relevant elements of the Group 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:

- information contained within the relevant elements of the Group SFCR set out above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- the 'Executive Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group SFCR;
- Group templates S05.01.02, S05.02.01;
- Solo templates S.05.01.02 and S.05.02.01;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group SFCR ('the Responsibility Statement');
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations ('the sectoral information').

To the extent the information subject to audit in the relevant elements of the Group SFCR includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group SFCR of the Company as at 31 December 2020 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, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Group 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 Group SFCR in the UK, including the Financial Reporting Council's (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 Group SFCR, which describe the basis of accounting. The Group 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 Group SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the Group SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the SFCR is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- evaluated management's stress and scenario testing, and challenged management's key assumptions. With involvement of internal actuarial specialists, we assessed the governance over, and the production of, solvency monitoring information, and considered its consistency with other available information and our understanding of the business;
- assessed the actions that came out of the various governance committee meetings which considered COVID-19 in advance of signing the financial statements
- evaluated management's assessment of the risks across the company, including: solvency risk, liquidity risk, and operational matters;
- assessed the mitigating actions management have put in place, and further plans they have if required, in anticipation of any further deterioration of the wider UK and Global economy as a result of COVID-19 or Brexit; and
- assessed the going concern disclosures made by management in the financial statements, based on our knowledge gained throughout the audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group 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 Group 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 Group 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 Group 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 Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group 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 Group 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 Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group 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 Group 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 Group SFCR.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, actuaries and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including IT and Actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the revenue recognition accuracy of pipeline premiums for BHSI UK. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the SFCR. The key laws and regulations we considered in this context included Solvency II as implemented in the UK, tax and pension legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Companies Act 2006 and related Company Law.

Audit response to risks identified

As a result of performing the above, we identified the revenue recognition accuracy of pipeline premium for BHSI UK as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing SFCR disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Prudential Regulation Authority (the "PRA") and the Financial Conduct Authority (the "FCA"); and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other information

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

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 Group 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.

Adam Ely FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
20 May 2021

Appendix – relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Group SFCR that are not subject to audit comprise:

- The following elements of Group template S.23.01.22
  - Rows R0410 to R0440 – Own funds of other financial sectors
  - Row R0690: Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included in D&A
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Appendix 4

Quantitative Reporting Templates (QRTs)

This appendix contains the following QRTs:

Entity	QRT Reference	QRT Name
Group	S.02.01.02	Group balance sheet
Group	S.05.01.02	Group premiums, claims and expenses by line of business
Group	S.05.02.01	Group premiums, claims and expenses by country
Group	S.23.01.22	Group own funds
Group	S.25.01.22	Solvency capital requirement – for groups on Standard Formula
Group	S.32.01.22	Undertakings in the scope of the group
BHIIL	S.02.01.02	Balance sheet
BHIIL	S.05.01.02	Premiums, claims and expenses by line of business
BHIIL	S.05.02.01	Premiums, claims and expenses by country
BHIIL	S.17.01.02	Non-life technical provisions
BHIIL	S.19.01.21	Non-life insurance claims
BHIIL	S.23.01.01	Own funds
BHIIL	S.25.01.21	Solvency capital requirement – for undertakings on Standard Formula
BHIIL	S.28.01.01	Minimum capital requirement – only

Berkshire Hathaway International Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December

2020

(Monetary amounts in USD thousands)

General information

Participating undertaking name	Berkshire Hathaway International Insurance Limited
Group identification code	213800YK7U6HYI2WAU19
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2020
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
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.23.01.22 - Own Funds
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
S.32.01.22 - Undertakings in the scope of the group

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	6,429
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	775,958
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	88,607
R0110	*Equities - listed*	88,607
R0120	*Equities - unlisted*	
R0130	*Bonds*	639,232
R0140	*Government Bonds*	561,148
R0150	*Corporate Bonds*	78,084
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	41,735
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	6,384
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:	1,619,819
R0280	*Non-life and health similar to non-life*	1,619,819
R0290	*Non-life excluding health*	1,605,551
R0300	*Health similar to non-life*	14,268
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	88,905
R0370	Reinsurance receivables	7,777
R0380	Receivables (trade, not insurance)	9,416
R0390	Own shares (held directly)	
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	257,775
R0420	Any other assets, not elsewhere shown	4,119
R0500	**Total assets**	2,770,199

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	2,012,139
R0520	*Technical provisions - non-life (excluding health)*	1,993,811
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	1,943,409
R0550	*Risk margin*	50,402
R0560	*Technical provisions - health (similar to non-life)*	18,328
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	17,841
R0590	*Risk margin*	487
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	6,165
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	2,404
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	37,020
R0830	Reinsurance payables	151,793
R0840	Payables (trade, not insurance)	28,884
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**	2,238,404
R1000	**Excess of assets over liabilities**	531,795

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	0	46,353		188,835		80,003	227,478	517,015	27			0					1,059,710
R0120	Gross - Proportional reinsurance accepted	0	0		0		1,345	37,942	1,985	0			0					41,273
R0130	Gross - Non-proportional reinsurance accepted														-51		2,479	2,429
R0140	Reinsurers' share	0	38,010		159,684		74,050	223,350	425,969	22			0		-43		2,037	923,079
R0200	Net	0	8,343		29,151		7,298	42,070	93,031	5			0		-8		443	180,333
	Premiums earned																	
R0210	Gross - Direct Business	28	44,233		160,315		71,308	136,759	359,063	13			0					771,719
R0220	Gross - Proportional reinsurance accepted	0	0		0		2,434	44,234	7,167	0			0					53,835
R0230	Gross - Non-proportional reinsurance accepted														2,236		1,462	3,697
R0240	Reinsurers' share	23	36,271		135,742		67,411	149,009	300,595	11			0		1,832		1,202	692,096
R0300	Net	5	7,961		24,573		6,332	31,985	65,634	2			0		404		259	137,155
	Claims incurred																	
R0310	Gross - Direct Business	28	31,193		99,298		30,767	101,205	377,241	8			0					639,739
R0320	Gross - Proportional reinsurance accepted	0	0		0		2,294	29,760	5,047	0			0					37,100
R0330	Gross - Non-proportional reinsurance accepted														-3,466		-3,857	-7,322
R0340	Reinsurers' share	22	24,954		77,338		32,431	105,425	308,761	7			0		-4,375		-4,019	540,544
R0400	Net	5	6,239		21,960		629	25,540	73,527	2			0		909		163	128,973
	Changes in other technical provisions																	
R0410	Gross - Direct Business	-3	1,459		-1,842		1,056	-4,374	10,231	0			0					6,526
R0420	Gross - Proportional reinsurance accepted	0	0		0		4	2,818	0	0			0					2,822
R0430	Gross - Non-proportional reinsurance accepted														-4,420		-1	-4,422
R0440	Reinsurers' share	-2	865		-1,711		844	240	7,036	0			0		-4,029		-1	3,243
R0500	Net	-1	594		-131		215	-1,797	3,194	0			0		-391		-1	1,683
R0550	**Expenses incurred**	0	1,657		7,446		982	6,676	11,965	1			0		-18		44	28,753
R1200	**Other expenses**																	1,186
R1300	**Total expenses**																	29,939

S.05.02.01

Premiums, claims and expenses by country

Non-life

R0010		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
			FR	DE	IE	ES	IT	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	685,195	71,855	116,551	36,678	40,381	17,757	968,417
R0120	Gross - Proportional reinsurance accepted	366	6,582	2,458	844	996	1,795	13,041
R0130	Gross - Non-proportional reinsurance accepted	57	0	0	0	0	0	57
R0140	Reinsurers' share	580,693	64,032	97,588	30,788	33,929	16,032	823,062
R0200	Net	104,925	14,405	21,422	6,734	7,448	3,519	158,453
	Premiums earned							
R0210	Gross - Direct Business	486,241	66,551	90,361	21,274	22,464	29,169	716,061
R0220	Gross - Proportional reinsurance accepted	296	6,718	2,158	664	3,539	9,008	22,382
R0230	Gross - Non-proportional reinsurance accepted	1,974	0	0	0	0	0	1,974
R0240	Reinsurers' share	412,922	59,794	75,866	17,991	21,322	31,305	619,200
R0300	Net	75,589	13,475	16,653	3,946	4,681	6,872	121,216
	Claims incurred							
R0310	Gross - Direct Business	391,193	46,103	73,305	41,220	23,847	29,088	604,756
R0320	Gross - Proportional reinsurance accepted	234	7,953	2,454	776	4,415	7,605	23,437
R0330	Gross - Non-proportional reinsurance accepted	1,140	145	0	0	0	-1	1,285
R0340	Reinsurers' share	322,358	42,674	61,086	37,297	23,025	26,246	512,687
R0400	Net	70,209	11,527	14,673	4,699	5,237	10,446	116,792
	Changes in other technical provisions							
R0410	Gross - Direct Business	10,665	-4,528	-1,422	2,374	1,276	-933	7,433
R0420	Gross - Proportional reinsurance accepted	2	9	113	34	210	141	509
R0430	Gross - Non-proportional reinsurance accepted	-4,419	0	0	0	0	0	-4,419
R0440	Reinsurers' share	2,443	-3,197	-898	2,446	994	-414	1,375
R0500	Net	3,804	-1,322	-411	-38	492	-377	2,148
R0550	**Expenses incurred**	14,625	3,583	2,989	878	908	2,221	25,203
R1200	**Other expenses**							892
R1300	**Total expenses**							26,095

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	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	
R0020	*Non-available called but not paid in ordinary share capital at group level*	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
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	98,798	98,798			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	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 other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	531,795	531,795	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				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	531,795	531,795	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	531,795	531,795	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	531,795	531,795	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	531,795	531,795	0	0	
R0610	**Minimum consolidated Group SCR**	59,044				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	900.68%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	531,795	531,795	0	0	0
R0680	**Group SCR**	236,175				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	225.17%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	531,795
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable 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
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	98,798
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	24,405
R0790	**Total Expected profits included in future premiums (EPIFP)**	24,405

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	63,594		
R0020	Counterparty default risk	34,921		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	3,114		
R0050	Non-life underwriting risk	134,737		
R0060	Diversification	-52,843		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	183,523		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	55,057
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-2,404
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**	236,175
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	236,175

	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
R0470	Minimum consolidated group solvency capital requirement	59,044

	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0

	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	236,175

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

S.32.01.22

Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800YK7U6HYI2WAU19	LEI	Berkshire Hathaway International Insurance Limite	Composite undertaking	Company Limited by Shares	Non-mutual	Prudential Regulatory Authority
2	IE	635400OT4VIDMAADLQ13	LEI	Berkshire Hathaway European Insurance DAC	Composite undertaking	Company Limited by Shares	Non-mutual	Central Bank of Ireland

S.32.01.22

Undertakings in the scope of the group

				Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800YK7U6HYI2WAU19	LEI							Included in the scope		Method 1: Full consolidation
2	IE	635400OT4VIDMAADLQ13	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

Berkshire Hathaway International Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December

2020

(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 2020
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)	724,297
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	148,066
R0100	*Equities*	88,607
R0110	*Equities - listed*	88,607
R0120	*Equities - unlisted*	
R0130	*Bonds*	455,051
R0140	*Government Bonds*	455,051
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	26,189
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	6,384
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:	1,433,747
R0280	*Non-life and health similar to non-life*	1,433,747
R0290	*Non-life excluding health*	1,419,491
R0300	*Health similar to non-life*	14,256
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	77,749
R0370	Reinsurance receivables	5,543
R0380	Receivables (trade, not insurance)	4,949
R0390	Own shares (held directly)	
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	210,872
R0420	Any other assets, not elsewhere shown	8,220
R0500	**Total assets**	2,465,377

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	1,772,006
R0520	*Technical provisions - non-life (excluding health)*	1,753,691
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	1,715,782
R0550	*Risk margin*	37,910
R0560	*Technical provisions - health (similar to non-life)*	18,315
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	17,828
R0590	*Risk margin*	487
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	6,127
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	3,387
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	37,020
R0830	Reinsurance payables	98,998
R0840	Payables (trade, not insurance)	17,040
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**	1,934,577
R1000	**Excess of assets over liabilities**	530,800

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	0	46,353		188,835		67,465	136,853	298,730	27			0					738,263
R0120	Gross - Proportional reinsurance accepted	0	0		0		0	14,407	0	0			0					14,407
R0130	Gross - Non-proportional reinsurance accepted														-51		2,479	2,429
R0140	Reinsurers' share	0	38,010		159,684		62,666	128,978	245,328	22			0		-43		2,037	636,682
R0200	Net	0	8,343		29,151		4,799	22,282	53,402	5			0		-8		443	118,416
	Premiums earned																	
R0210	Gross - Direct Business	28	44,233		160,315		65,911	84,360	232,657	13			0					587,516
R0220	Gross - Proportional reinsurance accepted	0	0		0		0	16,688	0	0			0					16,688
R0230	Gross - Non-proportional reinsurance accepted														2,236		1,462	3,697
R0240	Reinsurers' share	23	36,271		135,742		60,989	83,032	191,064	11			0		1,832		1,202	510,166
R0300	Net	5	7,961		24,573		4,922	18,016	41,593	2			0		404		259	97,736
	Claims incurred																	
R0310	Gross - Direct Business	28	31,193		99,298		26,529	50,002	229,128	8			0					436,186
R0320	Gross - Proportional reinsurance accepted	0	0		0		0	-6,484	0	0			0					-6,484
R0330	Gross - Non-proportional reinsurance accepted														-3,466		-3,857	-7,322
R0340	Reinsurers' share	22	24,954		77,338		27,074	30,411	181,402	7			0		-4,375		-4,019	332,814
R0400	Net	5	6,239		21,960		-545	13,107	47,726	2			0		909		163	89,566
	Changes in other technical provisions																	
R0410	Gross - Direct Business	-3	1,459		-1,842		1,048	-6,281	6,284	0			0					664
R0420	Gross - Proportional reinsurance accepted	0	0		0		0	-7	0	0			0					-7
R0430	Gross - Non-proportional reinsurance accepted														-4,420		-1	-4,422
R0440	Reinsurers' share	-2	865		-1,711		807	-4,216	3,596	0			0		-4,029		-1	-4,691
R0500	Net	-1	594		-131		241	-2,072	2,688	0			0		-391		-1	927
R0550	**Expenses incurred**	0	1,657		7,446		425	3,050	6,521	1			0		-18		44	19,126
R1200	**Other expenses**																	1,124
R1300	**Total expenses**																	20,251

S.05.02.01

Premiums, claims and expenses by country

Non-life

R0010		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
			IL	IT	MC	CH	US	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	641,749	9,402	15,956	16,361	8,168	9,663	701,299
R0120	Gross - Proportional reinsurance accepted	0	0	0	0	0	143	143
R0130	Gross - Non-proportional reinsurance accepted	-319	0	0	0	0	2,005	1,686
R0140	Reinsurers' share	543,697	7,709	13,084	13,416	6,746	9,696	594,349
R0200	Net	97,733	1,692	2,872	2,945	1,422	2,115	108,779
	Premiums earned							
R0210	Gross - Direct Business	480,710	6,290	28,920	-164	5,661	10,577	531,992
R0220	Gross - Proportional reinsurance accepted	0	0	0	0	0	277	277
R0230	Gross - Non-proportional reinsurance accepted	1,820	0	0	0	0	821	2,641
R0240	Reinsurers' share	407,594	5,158	23,714	-135	4,679	9,585	450,594
R0300	Net	74,936	1,132	5,206	-30	982	2,090	84,316
	Claims incurred							
R0310	Gross - Direct Business	384,978	1,403	28,919	13	3,069	8,509	426,891
R0320	Gross - Proportional reinsurance accepted	0	0	-3	0	-1,015	200	-818
R0330	Gross - Non-proportional reinsurance accepted	1,068	0	-1	0	-435	386	1,018
R0340	Reinsurers' share	316,605	1,176	19,652	11	1,060	7,683	346,188
R0400	Net	69,441	227	9,263	3	559	1,411	80,904
	Changes in other technical provisions							
R0410	Gross - Direct Business	10,674	97	-930	-3,198	155	112	6,910
R0420	Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
R0430	Gross - Non-proportional reinsurance accepted	-4,419	0	0	0	0	0	-4,419
R0440	Reinsurers' share	2,430	53	-548	-2,191	101	75	-80
R0500	Net	3,825	44	-382	-1,007	54	37	2,571
R0550	**Expenses incurred**	14,763	184	1,604	0	62	170	16,784
R1200	**Other expenses**							1,124
R1300	**Total expenses**							17,908

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		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	27	9,546		34,278		3,162	34,964	95,206	8			0		11		-435	176,767
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	22	7,567		27,940		1,499	27,659	76,043	6			0		0		-375	140,361
R0150	**Net Best Estimate of Premium Provisions**	5	1,979		6,338		1,664	7,306	19,163	2			0		11		-61	36,405
	Claims provisions																	
R0160	Gross	54	8,202		176,882		121,978	206,923	1,004,311	8			0		25,087		13,398	1,556,844
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	44	6,623		146,877		112,771	183,828	809,436	7			0		21,296		12,504	1,293,386
R0250	**Net Best Estimate of Claims Provisions**	10	1,579		30,005		9,207	23,096	194,875	2			0		3,791		895	263,458
R0260	**Total best estimate - gross**	81	17,748		211,160		125,140	241,888	1,099,517	16			0		25,098		12,963	1,733,610
R0270	**Total best estimate - net**	15	3,557		36,343		10,870	30,401	214,038	3			0		3,801		834	299,863
R0280	**Risk margin**	2	485		5,209		1,379	4,345	26,397	0			0		451		128	38,396
	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**	82	18,233		216,369		126,519	246,233	1,125,914	17			0		25,549		13,091	1,772,006
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	66	14,190		174,817		114,270	211,486	885,479	13			0		21,296		12,129	1,433,747
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	16	4,043		41,552		12,249	34,747	240,435	4			0		4,253		962	338,259

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)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											451	451	451
R0160	2011	3,263	35,552	23,590	10,819	8,108	5,805	11,150	3,922	1,673	1,480		1,480	105,362
R0170	2012	3,293	24,034	42,588	23,390	11,554	6,720	28,423	1,594	1,582			1,582	143,178
R0180	2013	14,847	33,434	44,768	34,680	14,580	13,186	12,478	5,444				5,444	173,417
R0190	2014	8,762	107,744	36,199	16,723	22,980	6,983	4,470					4,470	203,861
R0200	2015	6,782	14,129	13,133	10,094	4,994	2,820						2,820	51,951
R0210	2016	7,005	38,457	44,457	61,041	35,633							35,633	186,593
R0220	2017	3,912	50,753	62,838	57,387								57,387	174,890
R0230	2018	12,316	88,185	41,717									41,717	142,218
R0240	2019	25,611	71,116										71,116	96,727
R0250	2020	16,631											16,631	16,631
R0260												**Total**	238,730	1,295,279

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											80,972	77,898
R0160	2011	0	0	0	0	0	47,825	23,423	13,601	9,709	7,342		7,359
R0170	2012	0	0	0	0	106,497	98,101	40,512	30,436	24,169			24,162
R0180	2013	0	0	0	197,499	231,091	199,304	132,677	127,816				129,329
R0190	2014	0	0	237,053	140,703	100,358	83,337	66,082					66,250
R0200	2015	0	110,392	114,937	116,429	80,427	104,251						105,734
R0210	2016	107,840	201,347	229,382	241,062	170,090							170,992
R0220	2017	195,769	290,763	209,607	192,339								192,911
R0230	2018	178,508	259,666	218,774									219,736
R0240	2019	187,859	323,067										323,654
R0250	2020	211,272											210,152
R0260												**Total**	1,528,176

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	97,802	97,802			
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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	530,800	530,800	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	530,800	530,800	0	0	0
R0510	Total available own funds to meet the MCR	530,800	530,800	0	0	
R0540	Total eligible own funds to meet the SCR	530,800	530,800	0	0	0
R0550	Total eligible own funds to meet the MCR	530,800	530,800	0	0	
R0580	**SCR**	201,279				
R0600	**MCR**	50,320				
R0620	**Ratio of Eligible own funds to SCR**	263.71%				
R0640	**Ratio of Eligible own funds to MCR**	1054.86%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	530,800				
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**	97,802				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	0				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	14,295				
R0790	**Total Expected profits included in future premiums (EPIFP)**	14,295				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	84,225		
R0020	Counterparty default risk	30,619		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	3,045		
R0050	Non-life underwriting risk	92,489		
R0060	Diversification	-52,942		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	157,435		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	47,231
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-3,387
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**	201,279
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	201,279

	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

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Yes

	Calculation of loss absorbing capacity of deferred taxes	**LAC DT**
		C0130
R0640	LAC DT	-3,387
R0650	LAC DT justified by reversion of deferred tax liabilities	-3,387
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	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	43,615

		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	15	0
R0030	Income protection insurance and proportional reinsurance	3,557	8,723
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	36,343	31,059
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	10,870	4,953
R0080	Fire and other damage to property insurance and proportional reinsurance	30,401	21,109
R0090	General liability insurance and proportional reinsurance	214,038	54,724
R0100	Credit and suretyship insurance and proportional reinsurance	3	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	3,801	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	834	416

	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	43,615
R0310	SCR	201,279
R0320	MCR cap	90,575
R0330	MCR floor	50,320
R0340	Combined MCR	50,320
R0350	Absolute floor of the MCR	4,328
R0400	**Minimum Capital Requirement**	50,320