

Financial Condition Report 2022 - Switzerland

Company registration: CH-020.9.002.897-8

Scope

This financial condition report is referring to the locally produced business of the Berkshire Hathaway International Insurance Limited, London, Zurich Branch for the reporting period 2022. The report is being produced in line with the requirements of art. 111a ISO and FINMA Circular 2016/2 and is a complementary element of the Solvency & Financial Condition Report 2022 of our head office in London.

Business Activities

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

The Swiss Branch was created to support the participation of BHIL in the Global Aerospace Underwriting Managers (“GAUM”) Zurich aviation pools. The GAUM participation allows BHIL to write general insurance policies for Airline, Products, General Aviation and Space insurance to the aviation and space industries. Through the Swiss Branch, BHIL also writes direct Swiss business with Swiss policyholders through a Division of BHIL, Berkshire Hathaway Specialty Insurance (“BHSI”).

BHSI is an operation and part of a worldwide group initiative to develop a significant property and casualty underwriting entity. The Company has established underwriting hubs in various European locations and recruited underwriters and support staff for these operations. During 2022 BHSI has continued to build out the local underwriting capability and this will evolve further in 2023. The BHSI division is multi class and will write commercial insurance coverages across all major general insurance classes of business.

The number of full-time positions at the branch is 2 (2021 Nil), all active underwriting is performed by either GAUM within Zurich or BHSI within Zurich or the various European locations with support staff based alongside.

The BHIL Swiss Branch will continue to support the participation of the Company in the GAUM Zurich aviation pool and in addition continues to develop Swiss business through the BHSI Division. There are no significant or unusual events to report for the business of the Swiss Branch for the reporting period 2022.

During 2021 the Covid-19 pandemic continued to have an impact on the way in which the Company operated. The Company’s Business Continuity Plan was successfully implemented and the Board updated. The Company continues to follow Government advice in the various jurisdictions it operates in and personnel are now generally returning to the office environment with an element of working from home. All key processes are fully-tested and operational. All key outsource and service providers have confirmed their ongoing capability. The Company’s operations have stood up well in the pandemic and there has been little impact on the ability of the business to trade and operate.

Since the Russian invasion of Ukraine on 24th February 2022 the Company has been actively assessing its potential exposure to insurance losses as a result of the conflict. The Company is also monitoring the rapidly changing sanctions regimes of the US, the EU, the UK and Switzerland to ensure our processes and controls maintain compliance. The Company provides very limited war coverage but is potentially exposed to secondary effects through the policies it writes. The main areas of focus have been the aviation, marine, directors and officers and cyber portfolios. Management’s current assessment is that the Company’s exposure, net of reinsurance, and the changes in the sanctions regime are manageable and do not significantly impact the Company’s ability to continue as a going concern.

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

Management Summary

The performance of the Swiss Branch continues to be overseen by the Swiss Branch Management Committee which is chaired by the General Representative and has committee members from Underwriting, Claims, Compliance, Actuarial, Finance and Risk. The Swiss Branch continues to support the wider operations of BHIL and business written by the Swiss Branch is dependent on business being referred. This does lead to some variability in premium volumes year on year. There has again been no significant claims activity in the reporting period 2022.

Performance

Premiums: The gross written premiums for the reporting period amounted to CHF 17'431'551. This presents an increase of CHF 2'961'718 compared to 2021 (CHF 14'469'833).

Costs: Total gross acquisition costs and administrative expenses for the reporting period amounted to CHF 2'106'095. This presents an increase of CHF 708'781 compared to 2021 (CHF 1'397'314).

Claims: Total gross claims and claim expenses paid for the reporting period amounted to CHF 87'953. This presents a decrease of CHF 115'266 compared to 2021 (CHF 203'219). Reinsurance shares amounted to CHF 78'919 for the reporting period.

Segmentation Information

Transport: The GAUM Swiss Branch reduced its previous year premium levels slightly but with claims and expenses reducing further year on year this business returned a small underwriting profit.

Property: The Swiss Branch doubled the amount of property business written in the year but due to increases in claims technical provisions an underwriting loss occurred.

Third-Party Liability: As a result of continued business development in the BHSI Division of BHIL, Third Party Liability premiums increased again during 2023 to just over CHF 15m. Continued prudent claim reserving on the new and developing liability business along with increased acquisition costs resulted in an overall underwriting loss of just under CHF 8m for the year.

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

Information about income and expenses from investments: Due to further realised losses in the period, along with increased investment expenses, there was a net loss from investments of CHF 372,381 compared to a net loss of CHF 189'369 in 2021.

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

Zurich, 27 April 2023

Berkshire Hathaway International Insurance Ltd., Zurich Branch

Dominik Skrobala
Branch Manager

Annexes: Performance Solo NL, Auditor's report to the General Representative incl. audited financial statement

**Berkshire Hathaway International Insurance
Limited, London, Zweigniederlassung Zürich**

Report of the Statutory Auditor
to the General Representative
on the financial statements
for the year ended on the 31 December 2022

Report of the statutory auditor to the General Representative of the Berkshire Hathaway International Insurance Limited, London, Zweigniederlassung Zürich

Report on the Audit of the Financial Statements

Opinion

As a state-regulated audit firm, we have audited the financial statements of Berkshire Hathaway International Insurance Limited, London, Zweigniederlassung Zürich (the Company), which comprise the balance sheet as at 31 December 2022, the income statement for the year then ended, and notes to the financial statements including a summary of significant accounting policies - in accordance with article 28 paragraph 2 Insurance Supervision Act (ISA), 28 para. 2 of the Insurance Supervision Act (ISA) and considering the additional information contained in the report on the audit of the accounts of insurance undertakings in Annex 19 to FINMA-Circular 13/3 on the preparation and audit of the annual accounts of branches of foreign insurance undertakings dated 4 November 2020 (Annex 19 FINMA-Circular 13/3).

In our opinion, the accompanying financial statements of the Company comply, in all material respects, with the accounting provisions of Annex 19 FINMA-Circular 13/3.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards (SA-CH) and the framework for the audit of the financial statements as set out in section 3.2 of Annex 19 FINMA-Circular 13/3. Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with Swiss law and the requirements of the profession 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 audit opinion.

Responsibilities of the General Representative for the Financial Statements

The General Representative is responsible for the preparation of these financial statements in accordance with the accounting provisions of the Swiss Code of Obligations and the supervisory law of Annex 19 FINMA-Circular 13/3 and for such internal control as the General Representative determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Representative is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Representative either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH and the provisions of Annex 19 FINMA-Circ. 13/3 will always detect a material misstatement, if any. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Zurich, 27. April 2023

MAZARS AG

Stephan Rössel
Licensed audit expert
(auditor in charge)

Daniel Müller
Licensed audit expert

Attachments:

- Financial statement (balance sheet, income statement and notes)

Financial Statements

Berkshire Hathaway International Insurance Ltd (Swiss Branch)

31.12.2022

Balance Sheet at 31.12.2022

Assets CHF		Note	31.12.2022	31.12.2021
1.1	Investments		65'046'354	37'514'954
1.1.1	Real Estate		0	0
1.1.2	Participations	1	0	0
1.1.3	Fixed-income securities		0	0
1.1.4	Loans		0	0
1.1.5	Mortgage loans		0	0
1.1.6	Shares		0	0
1.1.7	Other investments	2	65'046'354	37'514'954
1.2	Investments for unit-linked (only life insurer)		0	0
1.3	Receivables from derivative financial instruments		0	0
1.4	Deposits receivables from assumed reinsurance		0	0
1.5	Cash and cash equivalents		4'083'056	593'928
1.6	Reinsurers' share of technical provisions	5	43'128'884	21'444'106
1.7	Property and equipment		0	0
1.8	Deferred acquisition cost		0	0
1.9	Intangible assets		0	0
1.10	Insurance receivables	3, 10	6'529'029	1'114'340
1.11	Other receivables	10	0	0
1.12	Other assets		0	0
1.13	Share capital not paid in		0	0
1.14	Accrued income and prepaid expenses	4	0	0
1.15	Total Assets		118'787'323	60'667'328
Liabilities CHF				
		Note	31.12.2022	31.12.2021
2.1	Technical provisions	5	58'740'600	28'692'001
2.2	Technical provisions for unit-linked life insurance	5	0	0
2.3	Non-technical provisions		0	0
2.4	Interest-bearing liabilities	6	0	0
2.5	Liabilities from derivative financial instruments		0	0
2.6	Liabilities from deposits retained on ceded business		0	0
2.7	Insurance payables	7, 10	4'094'796	926'257
2.8	Other liabilities	10	0	0
2.9	Accrued expenses and deferred income	8	304'772	88'005
2.10	Subordinated liabilities		0	0
2.11	Total Liabilities		63'140'168	29'706'263
2.12	Liaison account	9	55'647'155	30'961'065
2.12.1	Translation differences			
2.17	Total Liaison account		55'647'155	30'961'065
2.18	Total Liabilities		118'787'323	60'667'328

Income Statement at 31.12.2022

CHF	Note	31.12.2022	31.12.2021
1 Gross premium written		17'431'551	14'469'833
2 Premiums ceded to reinsurers		-14'359'398	-12'031'206
3 Net premiums written (1+2)		3'072'153	2'438'627
4 Change in unearned premium reserves		-2'275'006	-2'177'487
5 Change in reinsurers' share of unearned premium reserves		1'827'769	1'788'804
6 Net premiums earned (3+4+5)		2'624'915	2'049'944
7 Other insurance income		0	0
8 Total technical income (6+7)		2'624'915	2'049'944
9 Gross claims and claim expenses paid		-87'953	-203'219
10 Reinsurer's share of claims and claim expenses		78'919	176'437
11 Change in technical provisions	11	-27'849'424	-13'074'337
12 Change in reinsurers' share of technical provisions	11	19'919'322	9'462'690
13 Change in actuarial provisions for unit-linked (only life insurer)	11	0	0
14 Net claims and claim expenses incurred (9+10+11+12+13)		-7'939'136	-3'638'429
15 Acquisition costs and administrative expenses		-2'106'095	-1'397'314
16 Reinsurers' share of acquisition costs and administrative expenses		2'090'027	1'353'754
17 Net acquisition costs and administrative expenses (15+16)		-16'069	-43'560
18 Other technical expenses own business		0	0
19 Total technical expenses (14+17+18)		-7'955'205	-3'681'989
20 Income from Investments	13	278'055	50'755
21 Expenses from investments	14	-650'436	-240'124
22 Net income from investments (20+21)		-372'381	-189'369
23 Capital and interest gains from unit-linked business (only life insurer)		0	0
24 Other financial income		0	0
25 Other financial expenses		0	0
26 Operating result (8+14+17+18+22+23+24+25)		-5'702'670	-1'821'413
27 Interest expenses from interest-bearing liabilities		0	0
28 Other income		0	0
29 Other expenses		-112'539	-17'886
30 Extraordinary income/expenses		0	0
31 Profit/loss before tax (26+27+28+29+30)		-5'815'209	-1'839'299
32 Income tax expense		-148'241	-58'427
33 Profit/loss (31+32)		-5'963'449	-1'897'725

Disclosures

Basis of presentation

The 2022 annual financial statements of Berkshire Hathaway International Limited, London, Branch Zurich, domiciled in Zurich, Switzerland, have been prepared in accordance with the new Swiss accounting and financial reporting legislation entered into force on 1 January 2013 based on partial revisions of the Swiss Code of Obligations (CO) (Art. 957-963b CO, which required implementation in 2015. Apart from the Swiss Code of Obligations, the Company has, based on article 111b of the Ordinance on the Supervision of Private Insurance Companies (AVO), also to follow the Insurance Supervisory Ordinance-FINMA (AVO-FINMA) that entered into force on 15 December 2015. This AVO-FINMA contains specific guidance for presentation of the balance sheet, the income statement and the notes of insurance companies and overrides the general guidance of the CO.

Time period

The 2022 financial year comprises the accounting period from 1 January 2022 to 31 December 2022.

Foreign currency translation

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

Valuation principles

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

Other investments are valued at the market price.

Technical provisions

These are obligations due to insured parties determined based on an individual insurance agreement. From the year ending 2020 both an Equalisation Reserve and a ULAE Reserve have been incorporated in the Financial Statements. All technical provisions are calculated based on the business plans agreed with FINMA.

Exchange Rates

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

	Balance sheet		Income statement	
	2022	2021	2022	2021
EUR 1.00	0.98974	1.03544	1.00526	1.08110
USD 1.00	0.92443	0.91275	0.95385	0.91378
GBP 1.00	1.11919	1.23361	1.17967	1.25776

Disclosures

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

1. Participations

CHF			Share in	Book value	Book value
Company	Registered office	Share in capital	voting rights	31.12.2022	31.12.2021
-				0	0
-				0	0
Total				0	0

2. Other investments

CHF		Book value	Book value
		31.12.2022	31.12.2021
Investment in money market funds		60'491'213	33'925'897
Investments in fixed income securities funds		4'555'141	3'589'058
Total		65'046'354	37'514'954

3. Insurance receivables

CHF		31.12.2022	31.12.2021
Receivables from policyholders		0	0
Receivables from Insurance companies		520'460	75'969
Receivables from agents and brokers		6'008'569	1'038'371
Total		6'529'029	1'114'340

4. Accrued income and prepaid expenses

CHF		31.12.2022	31.12.2021
Accrued income on investments		0	0
Prepaid expenses		0	0
Total		0	0

5. Technical provisions

CHF	Technical provisions (gross)	Reinsurers share	Technical provisions written (net)
	2022	2021	2021
Unearned premium reserve	7'775'469	6'407'040	1'368'429
Loss reserves	50'513'226	36'360'578	14'152'647
Other technical provision	451'906	361'267	90'639
Actuarial reserves	0	0	0
Provisions for policyholder	0	0	0
Provisions for surplus funds	0	0	0
Total	58'740'600	43'128'885	15'611'715

CHF	Technical provisions (gross)	Reinsurers share	Technical provisions written (net)
	2022	2021	2021
Unearned premium reserve	5'529'571	4'604'728	924'843
Loss reserves	22'957'518	16'676'516	6'281'003
Other technical provision	204'912	162'863	42'049
Actuarial reserves	0	0	0
Provisions for policyholder	0	0	0
Provisions for surplus funds	0	0	0
Total	28'692'001	21'444'107	7'247'894

6. Interest-bearing liabilities

CHF		31.12.2022	31.12.2021
Less than 1 year		0	0
1 to 5 years		0	0
More than 5 years		0	0
Total		0	0

7. Insurance payables

CHF		31.12.2022	31.12.2021
Liabilities to policyholders		0	0
Liabilities to Insurance companies		3'114'093	846'000
Liabilities to agents and brokers		980'703	80'257
Total		4'094'796	926'257

8. Accrued expenses and deferred income

CHF		31.12.2021	31.12.2020
Accrued expenses		255'428	56'741
Accrued Capital Tax		49'344	31'264
Deferred income		0	0
Total		304'772	88'005

9. Statement of Changes in liaison account

CHF	31.12.2022	31.12.2021	Delta in %
Opening balance	30'961'065	15'854'714	95%
Capital inflow	71'645'137	30'004'102	139%
Capital outflow	-40'995'599	-13'000'026	215%
Net result of the year	-5'963'449	-1'897'725	214%
Closing balance	55'647'155	30'961'065	80%

10. Receivables from and liabilities to related parties

CHF	Third Party	Participants	Management Bodies	Participations	Total 31.12.2022
Receivables	6'529'029	0	0	0	6'529'029
Payables	4'094'797	0	0	0	4'094'797

CHF	Third Party	Participants	Management Bodies	Participations	Total 31.12.2021
Receivables	1'114'340	0	0	0	1'114'340
Payables	926'258	0	0	0	926'258

11. Change in technical provisions

CHF	Technical provisions (Gross) 2022	Reinsurers share 2022	Technical provisions written (net) 2022
Change in loss reserves	24'985'555	19'919'322	5'066'232
Change in Equalisation Reserve	2'863'870	0	2'863'870
Change in actuarial reserves	0	0	0
Change in provisions for policyholder participations	0	0	0
Change in provisions for surplus funds	0	0	0
Total	27'849'424	19'919'322	7'930'102

CHF	Technical provisions (Gross) 2021	Reinsurers share 2021	Technical provisions written (net) 2021
Change in loss reserves	11'720'138	9'462'690	2'257'448
Change in other technical provision	1'354'199	0	1'354'199
Change in actuarial reserves	0	0	0
Change in provisions for policyholder participations	0	0	0
Change in provisions for surplus funds	0	0	0
Total	13'074'337	9'462'690	3'611'647

12. Audit fees

CHF	31.12.2022	31.12.2021
Audit Services	53'250	34'500
Total	53'250	34'500

13. Income from investments

CHF	Income	Unrealized gains	Realized gains	Total 31.12.2022
Real Estate	0	0	0	0
Participations	0	0	0	0
Fixed-interest securities	0	0	0	0
Loans	0	0	0	0
Mortgage loans	0	0	0	0
Shares	0	0	0	0
Other investments	201'481	76'574	0	278'055
Total	201'481	76'574	-	278'055

CHF	Income	Unrealized gains	Realized gains	Total 31.12.2021
Real Estate	0	0	0	0
Participations	0	0	0	0
Fixed-interest securities	0	0	0	0
Loans	0	0	0	0
Mortgage loans	0	0	0	0
Shares	0	0	0	0
Other investments	50'755	0	0	50'755
Total	50'755	-	-	50'755

14. Expenses from investments

CHF	Expenses	Unrealized losses	Realized losses	Total 31.12.2022
Real Estate	0	0	0	0
Participations	0	0	0	0
Fixed-interest securities	0	0	0	0
Loans	0	0	0	0
Mortgage loans	0	0	0	0
Shares	0	0	0	0
Other investments	(239'560)	(410'876)	(0)	(650'436)
Total	(239'560)	(410'876)	(0)	(650'436)

CHF	Expenses	Unrealized losses	Realized losses	Total 31.12.2021
Real Estate	0	0	0	0
Participations	0	0	0	0
Fixed-interest securities	0	0	0	0
Loans	0	0	0	0
Mortgage loans	0	0	0	0
Shares	0	0	0	0
Other investments	(134'750)	(105'374)	(0)	(240'124)
Total	(134'750)	(105'374)	(0)	(240'124)

15. Personnel expenses

Personnel expenses for fiscal year 2022 amount to CHF NIL (2021: CHF NIL).

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

CHF	31.12.2022	31.12.2021
Property and equipment	0	0
Intangible assets	0	0
Total	0	0

Others notes

17. Net release of hidden reserves

CHF	31.12.2022	31.12.2021
Net amount released from hidden reserves	0	0
Total	0	0

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

CHF	31.12.2022	31.12.2021
Guarantees	0	0
Liens	0	0
Total	0	0

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

CHF	31.12.2022	31.12.2021
Book value of restricted assets	0	0
Assets pledged to secure open derivative transaction	0	0
Other collateral assignments	0	0
Assets under reservation of ownership	0	0
Total	0	0

20. Residual amount of lease obligations

CHF	31.12.2022	31.12.2021
Less than 1 year	0	0
1 to 5 years	0	0
More than 5 years	0	0
Total	0	0

21. Events after the reporting date

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

22. Contingent liabilities

The branch has no contingent liabilities.

23. Liabilities to pension schemes

The branch has no liabilities to pension schemes.

24. Litigation

The branch has no litigation.

25. Employees

At the end of the year the branch had 2 employees.