BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

Company Registration No. 03230337

Report and Financial Statements

31 December 2024

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2024

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BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED
COMPANY REGISTRATION NUMBER: 03230337

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N Cerni
D Fields (Non-Executive)
G E Finney
R A Love
B J Merry (Independent Non-Executive)
S A Michael (Non-Executive)
A Petrie (Independent Non-Executive)
J F Powell (Independent Non-Executive) – resigned 30 June 2024

SECRETARY

S Donald – appointed 13 November 2024; resigned 10 March 2025
G Morrissey

REGISTERED OFFICES

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UNITED STATES OF AMERICA

STRATEGIC REPORT

Review of business

During the year the Company continued to operate under four distinct divisions to allow the development of multiple brand offerings being Berkshire Hathaway Speciality Insurance (BHSI), Berkshire Hathaway Reinsurance Group (BHRG), Faraday and MedPro.

BHSI Division

This division writes Casualty, Property, Executive & Professional, Punitive Damages, Marine and Healthcare Lines under the BHSI brand. The BHSI brand began in 2013, when Berkshire Hathaway Inc. CEO Warren Buffett announced that Berkshire Hathaway was moving into commercial insurance in a substantial — and everlasting — way. The BHSI operation within BHIIL was formed in 2016 and targets 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. As from 1 October 2024, the BHSI division ceased to write UK business, which is now written through the UK branch of Berkshire Hathaway European Insurance DAC (BHEI).

BHRG Division

The BHRG Division 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, General Aviation and Aerospace insurance to the aviation and space industries.

The division continues to offer its Italian Medical Malpractice coverages for hospitals and clinics through in-house underwriting teams based in the Company's Italian Branch. In addition, the division is, on occasion, approached by Brokers to underwrite large one-off risks, which are considered on their individual merits and continues to write small amounts of high level US Casualty business.

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

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. No further business is written by this division and the claims are in run-off.

MedPro Division

This division continues to develop business opportunities for the provision of medical malpractice and associated coverage for the full spectrum of healthcare customers, including healthcare practitioners, hospitals and other healthcare institutions. The division currently has two MGA arrangements in place operating in the UK and Switzerland. The UK MGA, comprising Harley Street Insurance Group Limited and Premium Medical Protection Limited, was purchased by a Group Company, SLI Holdings Limited, in January 2018.

Company Performance

As shown in the Company's statement of comprehensive income on page 21, the Company's gross premiums written have decreased from $476.2m to $378.2m largely as a result of the reduction of business written by the BHSI division.

The Company's general business technical account result is a profit of $1.8m, compared to a profit of $22.4m for the previous year. Investment and exchange gains resulted in the Company reporting a profit before tax of $53.9m, compared to a profit before tax of $67.9m for the previous year.

The Company's investment income decreased slightly in the year, due to maturity of all Treasury Notes and disposal of all equity holdings in the Capital Surplus Portfolio, partially offset by higher bank interest returns and increased yields on German and Sterling Government Bonds.

STRATEGIC REPORT (continued)

Review of business (continued)

Reported exchange losses in the year of $3.7m compared to gains of $2.9m in the previous year.

The Company reported a tax charge of $13.6m (2023: $13.3m) as disclosed in Note 11 of these accounts.

The Company's credit rating from Standard & Poor's remained at AA+.

The Company maintained the Trust Fund Agreement with its parent company, National Indemnity Company (NICO), in respect of the exposure of the Company to NICO as disclosed under Note 4.2.1 Reinsurance credit risk. The arrangements continue to satisfy the requirement of the Company to manage its exposure to NICO under the current regulatory regime. The Company also operates a similar Trust Fund Agreement with a fellow group company, Berkshire Hathaway Homestate Company (BHHC), which is also disclosed under Note 4.2.1.

Berkshire Hathaway Inc. also manages its insurance operations on a divisional basis. For this reason and due to the immateriality of the Company within the Berkshire Group, the Company's Directors believe that further key performance indicators for the Company are not necessarily appropriate for an understanding of the development, performance or position of the business. The performance of the Berkshire Hathaway Insurance operations, which includes this Company, is discussed in the group's Annual Report, which does not form part of this report.

Principal risks and uncertainties

The Company is exposed to potentially very large gross claims. The Company evaluates the concentration of exposures to individual and cumulative insurance risk and establishes its reinsurance policy to reduce such exposure to levels acceptable to the Company.

The establishment of insurance liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from initial estimates, particularly for the Company's long tail lines of business. The Company seeks to provide appropriate levels of claims provision and provision for unexpired risks taking known facts and experience into account. The estimation of insurance liabilities involves the use of judgements and assumptions that are specific to each type of insurance risk covered.

The future return on the Company's investment portfolio is dependent on the movement of interest rates in our key currencies of US Dollars, Euro and Sterling and the performance of equity markets in the US.

The Company has appointed a Climate Change Officer who has responsibility for implementing actions from the climate change readiness plan based on PRA supervisory statement SS3/19. The main exposure for the Company is to natural catastrophes and the Company's monitoring of exposure aggregations is continuously developing and being enhanced, in line with the growth of the business, to allow the Board to consider the potential impacts of climate change. In 2024, the focus was to continue to improve data quality capture from all divisions including MGAs, as well as updating and enhancement of flood modelling. Development work will continue into 2025 with an emphasis on climate change impacted perils.

Cyber risk is increasing for the Company both in respect of its own operations and the insurance risk associated with the provision of insurance products, which provide cover in respect of losses, which can be attributed to a cyber event. The Company continues to enhance the security of its systems and undertakes independent penetration tests, which are commissioned to better understand the vulnerabilities of the Company's IT infrastructure. The Company continues to actively monitor and assess its exposure to insurance losses attributable to cyber events and has enhanced its understanding of the capital required to support these exposures.

STRATEGIC REPORT (continued)

The Insurance industry operates in an increasingly complex and interconnected environment, facilitating the provision of services locally and internationally. Firms rely on outsourced service providers, as does the Company, to support their operations. Financial services firms have experienced challenges from various disruptive events including technology failures, cyber incidents and natural disasters. However, recognising that not all potential hazards can be prevented, the Company's ability to respond to and recover from such events is a measure of the Company's operational resilience to provide an appropriate degree of protection for those who are or may become the firm's policyholders. The Board continues to look at ways in which the operational resilience of the Company can be enhanced with a focus around the management of third party suppliers.

Going concern

The financial position of the Company continues to be strong and although cash flows are expected to be positive in 2025 the Company maintains substantial highly liquid assets to meet unexpected cash outflows as they fall due.

Having taken into account the risks and uncertainties and the performance of the business and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the Directors have considered the actuarial valuation and solvency reporting made to the Board on a regular basis, including the Own Risk and Solvency Assessment (ORSA). The ORSA requires the Company to consider the risks arising from the agreed strategic priorities, how much capital is needed to protect the business against those risks over the three year business planning period in the context of the agreed risk appetite, and how resilient the Company's business model is under stressed conditions.

Resources & sufficiency of capital

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

On the basis of the above, the Directors have concluded that there is no impact on the going concern status of the Company and it is appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

Corporate governance statement

The Company is firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the business. The Board recognises that effective governance is key to the implementation of strategy for our shareholder and wider stakeholders.

The Company has adopted the Wates Corporate Governance Principles for Large Private Companies ('Wates Principles') published by the Financial Reporting Council ('FRC'). As a regulated Public Interest Entity (PIE) the Company has also continued to comply with regulatory requirements including the European Insurance and Occupational Pensions Authority (EIOPA) Guidelines on System of Governance.

Each of the six Wates Principles has been carefully considered and a statement on how they have been applied is set out below.

STRATEGIC REPORT (continued)

Corporate Governance Statement (continued)

Board Composition: *Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual Directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.*

The Company has a separate Chair, who is an independent Non-executive director, along with a Chief Executive Officer to ensure that the balance of responsibilities, accountabilities and decision making across the Company is effectively maintained.

The Board comprises a Chair, one Independent Non-Executive Director, two Group Non-Executive Directors and three Executive Directors. The size and composition of the Board is appropriate to the size, nature and complexity of the business.

Directors Responsibilities: *The Board and individual Directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.*

Each Board member has a clear understanding of their accountability and responsibilities. There is an induction programme for all new Directors which is tailored to their specific experience and knowledge and which provides access to all parts of the business.

The Board holds regular scheduled meetings throughout the year, as well as ad hoc meetings when required. There is open debate and constructive challenge at meetings, with Board members demonstrating good engagement with the business and a sound understanding of the Company's strategy and associated risks and challenges.

The Board assesses its effectiveness and composition through an annual evaluation exercise. The Board also continues to set direction and ensure appropriate resources are in place through the annual planning and three year ORSA.

Opportunity and Risk: *A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.*

Central to the management of Opportunity and Risk is the effective operation of the Risk Committee which is chaired by an Independent Non-Executive Director. This committee continues to assess all material new business opportunities and the associated risks with the Company's objectives as well as monitoring the Company's risk management framework.

Remuneration: *A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.*

Remuneration policy oversight is performed by the Nominations and Remuneration Committee which is chaired by the Chair of the Board and ensures executive remuneration structures are aligned to the long-term sustainable success of the Company.

Stakeholder Relationships and Engagement: *Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.*

The Board has strong relationships with its sole shareholder. In addition, the Board has actively sought Stakeholder Relationships and Engagement and has promoted the development of cultural awareness in the Company and communication to staff of the Company's strong ethical and behavioural standards that are expected. The Board continues to focus on staff welfare and the safety of our employees is an overriding consideration in how the Company operates and how employees can be supported.

Additional information on the Company's governance structure is contained in the Solvency and Financial Conditions Report (SFCR) published annually and available at www.bhiil.com.

STRATEGIC REPORT (continued)

S172 Statement

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with s172 of the Companies Act 2006 and the Wates Corporate Governance Principles and have acted in accordance with these responsibilities. The Board is focussed on its responsibilities to stakeholders, corporate culture and diversity as well as contributing to wider society.

In respect of this disclosure the Board has identified that its key stakeholders are its employees, its shareholder, customers, brokers and regulators. Regarding our responsibilities to our key stakeholders the Directors, individually and as a whole have considered and acted in consideration of:

- the likely consequences of any decision in the long term. The Directors have performed a review of the business and have considered the future outlook of the Company within this strategic report;

- the interests of the employees working for the Company. The Directors strive to make BHIIL an enjoyable and rewarding place to work. The various committees of the Company meet on a regular basis to discuss the Company's results, provide updates to the corporate strategy, and opportunities and challenges that are being seen across the market. The key messages from these committee meetings are communicated to the wider employee population through team meetings, discussion with management and email communications. This dialogue with the employees enables them to be better informed and aligned to BHIIL's strategy, helping to keep standards and engagement at the expected level;

- the need to foster the Company's business relationships with suppliers, customers and others. BHIIL strives to have a client-centric approach to business, and is constantly reviewing how we engage with our customers to ensure we are able to transact as seamlessly and dynamically as possible. This includes reviewing the products on offer, the distribution channels used and ensuring the claims response time is among best in class within our market; furthermore, the Company has a robust accounts payable function that ensures suppliers are paid within standard credit terms, with payments made weekly once invoices have been approved for settlement. This means it is very rare for a legitimate invoice, presented in a timely manner, to be overdue for payment and ensures a good working relationship is maintained with our suppliers;

- the desirability of the Company maintaining a reputation for high standards of business conduct. This is a core value of BHIIL and every member of staff is expected to act with professionalism and integrity, which is reiterated within job descriptions, the staff handbook and the annual appraisal process. In order to ensure proper structures are in place to deliver these high standards of business conduct, the Directors have put in place relevant committees and sub-committees that report to the board for key areas of the business, including (but not limited to) Underwriting Committee, Risk Committee, Operations Committee, and Executive Committee;

- the impact of the Company's operations on the community and the environment. The Directors continue to consider the impact the Company has on the environment. Staff are encouraged to take appropriate action such as recycling and taking advantage of technology to attend meetings by video, reducing the requirement for travel.

STRATEGIC REPORT (continued)

S172 Statement (continued)

Decision-making and Section 172

The success of the Company depends on its ability to engage effectively with its stakeholders and take their views into account. Section 172 of the Companies Act 2006 requires Directors, in making their decisions and choices, to have regard to a non-exhaustive list of factors to ensure that, in promoting the success of the Company for the benefit of its shareholders, broader implications of decisions are considered.

Information on the issues, factors and stakeholders taken into account by the Board when complying with the provisions of section 172 of the Companies Act 2006, the methods used to engage with stakeholders, and the effect of this engagement on the Board's decision-making during 2024 are detailed above.

The following principal decisions and activities demonstrate how the Board has assessed and addressed different stakeholder interests and impacts in making decisions that support the implementation of the Company's strategy.

Decisions and activities relating to our employees, customers and regulators

The Board remained committed to protecting the health, safety, and well-being of our employees. The Board also understands that the needs of our customers are best met by a workforce that is easily accessible, and that the requirements of our regulators cannot always be met outside of the office environment. Taking these into account, the Board endorsed the actions taken by management to support our employees and facilitate working from home for a period of the week. The Board continues to actively monitor the increased operational risk arising from working from home, and responds to challenges such as ensuring a robust IT infrastructure.

Decisions and activities relating to our shareholder

Several of the Company's representatives participate on shareholder committees, such as the Group Risk Management Committee and Enterprise Sustainability Group. The Company also has representation on some of the Group's shared initiatives, such as the combined Berkshire UK tax forum. These active participations ensure that the shareholder's interests are considered as part of the Company's operational activities.

Future Developments

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 2022 the Company noted that many risks presented in London continue to co-mingle European, UK and rest of the world risks. In response to this Berkshire Hathaway European Insurance DAC ('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 saw 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. In 2024 the BHSI Division decided to transfer materially on renewal all of its remaining business written in the Company to the UK Branch of BHEI to simplify its operational model. Though a reduction of business volumes for the Company, this had a limited impact on the UK based operations as resources and costs were re-distributed to the BHEI UK Branch. The Company anticipates that this reduction in premiums will be largely offset by a new portfolio of approximately thirty US Casualty policies which are being renewed into the Company in 2025.

In response to the uncertainty around Brexit, the Company and BHEI entered into a contingency policy executed by Deed Poll which extended the rights of the Company's European policyholders so that in the event the Company is unable to settle valid claims due to regulatory intervention or prohibition the policyholder can bring their claim contingent on this condition being met on BHEI. The policy also gives BHEI the full right of contribution from the Company in the event a successful claim is made by a Company policyholder against the contingency policy and for reimbursement of expenses associated with handling the claim.

STRATEGIC REPORT (continued)

Future Developments (continued)

The respective home regulators of the Company and BHEI, being the Prudential Regulatory Authority (PRA), Financial Conduct Authority (FCA) and Central Bank of Ireland (CBI) respectively, have been fully advised of the purpose and workings of the contingency policy and have all indicated no objection to the utilization of the policy as described. The premium paid reflected the credit risk assumed by BHEI with a commercial risk margin. The contingency policy is designed to mitigate the need for BHIIL to enter into a Part VII transfer of liabilities. The current estimated value of contributions that will be made under the contingency policy is $32m (2023 $45m) as disclosed in Note 6.4 to the accounts. The contingency policy has not been triggered to date.

War in Ukraine

Since the Russian invasion of Ukraine on 24th February 2022 the Company has been continuously 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 and the UK 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, with the main area of focus being the aviation portfolio. Management's assessment remains 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 Company is not aware of any events which materially impact the financial information disclosed.

Post Balance Sheet and Subsequent events are reported in Note 19 to the accounts.

STRATEGIC REPORT (continued)

Streamlined Energy and Carbon Reporting

BHIIL's energy consumption and greenhouse gas (GHG) emissions during 2024 were as follows, shown in kilowatt hours (kWh) and kilograms of carbon dioxide equivalent (kgCO2e). All of the emissions are assumed to pertain to BHIIL.

	2024		2023	
	kWh	kgC02e	kWh	kgC02e
Electricity	157,182	32,544	206,194	42,697
Natural Gas			-	-
Transport Fuel (excluding air travel)	11,274	3,236	6,783	1,709
GHG emissions total	168,456	35,781	212,977	44,406
Intensity (kgCO2e/full time equivalent employees (FTE))		340		386

Electricity consumption is based on actual usage and allocated based on the number of FTEs in each office location. No gas is consumed by BHIIL. Transport Fuel is based on staff expense claims.

BHIIL does not directly own or control any vehicles.

GHG emissions are calculated using the following conversion factors, as issued by the UK Government for reporting in 2024:

Electricity	0.20705 (2023: 0.20707)
Diesel	0.25197 (2023: 0.25193)

The Directors believe GHG emissions per FTE is an appropriate intensity metric for the Company, as this will provide a steadier ratio over time than using turnover or profit. The FTE used for the 2024 calculation was 105 (2023: 111). FTE refers to those employed by service companies.

The Company is continually looking for ways to reduce its impact on the environment, such as reducing paper usage from printing and customer communications, and using eco-friendly cleaning products and recycling.

Approved by the Board of Directors
and signed on behalf of the Board

Guy E Finney
Director
8 April 2025

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year to 31 December 2024. The Directors have chosen, in accordance with section 414c(11) of the Companies Act 2006, to include certain matters in the Strategic Report that would otherwise be required to be disclosed in this Directors' Report.

Principal Activities

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 and Manchester but it also operates from branch offices in Italy and Switzerland. The Company also operates from a branch office in Germany, which is in run-off.

Dividends

The Company did not pay a dividend during the year and the Directors do not recommend the payment of a dividend (2023: Nil).

Directors and their interests

The Directors of the Company who served throughout the year and subsequently were:

N Cerni
D Fields (Non-Executive)
G E Finney
R A Love
B J Merry (Independent Non-Executive)
S A Michael (Non-Executive)
A Petrie (Independent Non-Executive)
J F Powell (Independent Non-Executive) (resigned 30 June 2024)

None of the Directors had any beneficial interests in the shares of the Company at any time during the financial year. The Company is a wholly owned subsidiary of an entity incorporated outside of Great Britain. Accordingly, no disclosure is provided of Directors' interests in other Group companies, which are incorporated outside of Great Britain.

Directors' indemnities are disclosed in Note 18 of these accounts.

Financial Instruments and Financial Risk Management

The Company considers the investment assets of the Company to comprise two portfolios.

The Capital Surplus Portfolio comprises equity investments and countenances potential market volatility but results in lower asset liquidity as well as increased concentration risk. All equities were disposed of during the year, so the Capital Surplus Portfolio was valued at $0.0m at year end (2023: $65.1m).

The Insurance Portfolio represents assets, to support underwriting, that are for the benefit of policyholders and focuses on capital preservation and liquidity as primary investment objectives. The strategy is therefore to hold assets with high quality, which are highly marketable even if this does not maximise reward, to support a solvency coverage of at least 150% of the Solvency Capital Requirement (SCR). The investment strategy of the Insurance Portfolio is therefore conservative and the investment guidelines require funds to be invested in fixed interest securities with a credit rating of A and above, generally held to maturity. The Insurance Portfolio currently only invests in US, UK and German Government Bonds.

The Company also holds short term deposits in UCITS-approved liquidity funds, and working capital accounts at banks. The major financial risk to the Company would be the default of one of these entities. The Company monitors the credit ratings of these banks and adjusts the exposure to these counterparties accordingly.

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

DIRECTORS' REPORT (continued)

The Company is required to include Streamlined Energy and Carbon Reporting for the year ended 31 December 2024. This has been included within the Strategic Report, as is Future Developments, Employee Engagement, Post Balance Sheet Events, Engagement with Suppliers and Others and Corporate Governance Arrangements.

Equal Opportunity Policy

The Directors believe that all persons are entitled to equal employment opportunities and we do not discriminate because of race, colour, religion, national origin, ancestry, citizenship status, age, gender (including pregnancy, childbirth and related medical conditions), gender identity or gender expression (including transgender status), sexual orientation, marital status, military service and veteran status, physical or mental disability, protected medical condition as defined by applicable state or local law, genetic information, or any other characteristic protected by applicable law. In addition, we will provide reasonable accommodation to any qualified applicant or employee with a disability. Equal employment opportunities specifically means the continued employment and provision of learning and development opportunities consistent with that provided to all employees.

Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 (2) of the Companies Act 2006.

Under section 139 of the Companies Act 2006, the Company was required to rotate audit firms after the 31 December 2023 year end. Following a competitive tender process, the Directors appointed Forvis Mazars LLP as the Company's statutory auditor for the financial year ending 31 December 2024.

Forvis Mazars LLP have expressed their willingness to continue in office as auditors. An elective resolution has been passed dispensing with the requirement to appoint auditors annually. Forvis Mazars LLP are, therefore, deemed to continue as auditors.

Approved by the Board of Directors
and signed on behalf of the Board

Guy E Finney
Director
8 April 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of information included on the external website bhiil.com

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Guy E Finney
Director
8 April 2025

Independent auditor's report to the members of Berkshire Hathaway International Insurance Limited

Opinion

We have audited the financial statements of Berkshire Hathaway International Insurance Limited (the 'company') for the year ended 31 December 2024 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial Statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those 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 the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Critically assessing management's assessment of going concern which covers a period of at least 12 months and beyond from the date of approval of the financial statements;

- Inspecting management's "Going Concern Assessment" prepared for the Board, which covers the going concern assessment period of 12 months from the financial statements' approval date. We challenged management's inputs to this review, which were derived from the Group Own Risk and Solvency Assessment Report and the three-year Business Plan. Our assessment included an evaluation of financial projections across this extended period to provide a comprehensive view of the BHIIL future viability;
- Inspecting the company's Own Risk and Solvency Assessment Report, which gives a forward-looking assessment of own risks and solvency requirements, and the future capital position based on modelled scenarios applied by the Board, and contains severe but plausible reverse stress and scenario tests
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance
- Inspecting regulatory correspondence for the company with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA)
- Inspecting minutes of meetings of boards of directors and other committees up to date of the issue of the audit report to identify any potential management bias affecting the financial statements;
- Assessing the historical accuracy of forecasts prepared by the directors by comparing the actual results against the prior period forecast;
- Considering information obtained during the course of our audit and events after the balance sheet date for any evidence that would contradict management's assessment of going concern
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address the matter and our key observations arising from those procedures.

This matter, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Valuation of gross claims outstanding, specifically, claims incurred but not reported (IBNR) reserves **The valuation of the company's IBNR as disclosed in note 6.1 is significant at $1.4million (2023: $1.3 million)** The valuation of gross claims outstanding, specifically IBNR, is highly judgmental and involves the use of a variety of actuarial estimation techniques that have high estimation uncertainty. Small movements in those assumptions can have a material effect on valuation of IBNR. Refer to accounting policy note critical accounting judgements and key sources of estimation uncertainty.	In conjunction with our actuarial specialists, our procedures to address the valuation of the IBNR included, but were not limited to: • Obtaining an understanding of the internal control framework or management's process for the valuation of reserves and test the design and implementation of relevant key controls over completeness and accuracy; • Performing attributes testing over the completeness and accuracy of the actuarial data; • Testing the design and implementation of key controls and monitored environment; • Performing independent projections for selected classes of business for gross IBNR as at half-year 2024 across each of the four divisions; • Performing procedures to update the results from half-year to year-end and where and increase in uncertainty is noted during this period, re-performing our projection of claims reserve at Q4; • Challenging the methodology and assumptions management use to determine IBNR for selected BHIIL classes including diagnostic testing reviewing trends in actuarial metrics for example loss ratio trends, development patterns, historic ULRs trends using Q2 2024 data; • Conducting a methodology and assumptions review of the highly uncertain and material areas such as Italian Medical Malpractice and US Casualty; and • Evaluating the appropriateness of the margin to be applied to the actuarial best estimate by considering the allowance for uncertainties inherent in the data and assumptions used in the estimate. **Our observations** Based on the work performed and the audit evidence obtained, we consider that the valuation of IBNR to be reasonable.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	$19.1 million (2023: $17.9 million)
How we determined it	3% of Net Assets (2023: 3% of net assets)
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant and concluded that Net Assets was the most relevant benchmark. Net Assets of $636.6 million is the main focus for users of financial statements as it represents balance sheet strength and capital and is reflective of the company's ongoing businesses.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at $10.5 million, which represents 55% (2023: 70%) of overall materiality. The decrease in the % compared to the prior year is because it is our first year to audit this company, and hence, it was determined to be appropriate to set performance materiality at 55%.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above $0.6 million (2023: $0.9 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the company, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are 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 directors either intend to liquidate the company or to cease operations, or have 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 an auditor's 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 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 economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the company and its industry, we considered that non-compliance with the laws and regulations of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting regulatory correspondence with the relevant licensing or regulatory authorities including the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA)
- Reviewing minutes of directors' meetings in the year and up to the date of issue of the audit report; and
- Discussing amongst the engagement team the laws and regulations and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

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 the company's regulatory solvency requirements following the Solvency II 2009 directive.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to valuation of gross claims outstanding, specifically, claims incurred but not reported (IBNR reserves), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Performing an end-to-end walkthrough and evaluating the design and implementation of controls in place around the financial statements close process;
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team about incentives and opportunities that could lead to the risks of fraud;
- Considering significant transactions outside the normal course of business;
- Reviewing minutes of meetings of boards of directors and other committees up to date of the issue of the audit report to identify any potential management bias affecting the financial statements;
- Performing journal entries testing based on defined risk criteria to address the risks of fraud related to management override of controls and incorporating unpredictable procedures in our audit strategy;
- Performing the work set out under 'Key audit matters' within this report over the IBNR; and
- Reviewing other significant accounting estimates for evidence of management bias.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by Board of Directors on 31 July 2024 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report 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 company's members as a body for our audit work, for this report, or for the opinions we have formed.

Lionel Cazali (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey, London, EC4M 7AU

8 April 2025

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED
COMPANY REGISTRATION NUMBER: 03230337

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 $'000	2023 $'000
Technical Account			
Gross premiums written	5	378,225	476,220
Less: premiums ceded to reinsurers		(315,144)	(395,326)
Premiums written, net of reinsurance		63,081	80,894
Gross amount of change in provision for unearned premiums		77,847	22,076
Reinsurers' share of change in provision for unearned premiums		(64,138)	(18,339)
Net change in provision for unearned premiums		13,709	3,737
Net Earned premiums, net of reinsurance		**76,790**	**84,631**
Claims paid:			
Gross amount		(256,482)	(209,755)
Reinsurers' share		210,764	173,459
Claims paid, net of reinsurance		(45,718)	(36,296)
Change in the provision for claims:			
Gross amount		(72,542)	13,235
Reinsurers' share		61,330	(23,283)
Net change in the provision for claims		(11,212)	(10,048)
Claims incurred, net of reinsurance		**(56,930)**	**(46,344)**
Net change in unexpired risk reserve		**933**	**(16)**
Acquisition costs		(15,517)	(11,519)
Administrative expenses		(3,489)	(4,317)
Total acquisition and other expenses	5,9	**(19,006)**	**(15,836)**
Balance on the technical account for general business		**1,787**	**22,435**
Non-Technical Account			
Investment return		13,214	14,177
Realised gains on Investments		40,525	11,359
Unrealised gains on Investments	13	2,070	17,026
Net foreign exchange (losses) / gains		(3,722)	2,866
Total Non-Technical account profit		**52,087**	**45,428**
Profit on ordinary activities before tax		53,874	67,863
Tax (charge) / credit on profit	11	(13,555)	(13,297)
Profit for the year		**40,319**	**54,566**

All operations are continuing.
The accompanying Notes are an integral part of the annual accounts.

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED
COMPANY REGISTRATION NUMBER: 03230337

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	2024 $'000	2023 $'000
Assets			
Investments			
- Other financial investments	13	736,264	692,306
Reinsurers' share of Technical Provisions			
- Provision for unearned premiums	6	223,469	293,056
- Share of claims outstanding	6	1,747,853	1,727,888
- Share of unexpired risk reserve		36,365	37,652
Insurance and other receivables	7	173,066	241,869
Current taxation	11	4,332	597
Cash at bank and in hand		242,960	272,315
Deferred acquisition costs		55,290	72,137
Prepayments and accrued income		2,209	2,065
Total Assets		**3,221,808**	**3,339,885**
Liabilities and Equity			
Equity			
Called up share capital	14	432,998	432,998
Retained earnings		203,569	163,250
Total Equity		**636,567**	**596,248**
Liabilities			
Technical Provisions			
- Unearned premiums	6	269,620	354,107
- Losses and loss adjustment expenses	6	2,085,804	2,062,687
- Unexpired risk reserve		63,865	66,669
Insurance and other payables	8	112,525	191,058
Current taxation	11	-	1,033
Reinsurers' share of deferred acquisition costs		47,051	61,439
Accruals		6,376	6,644
Total Liabilities		**2,585,241**	**2,743,637**
Total Liabilities and Equity		**3,221,808**	**3,339,885**

The accompanying Notes are an integral part of the annual accounts.

The financial statements of Berkshire Hathaway International Insurance Limited registered number 03230337 were approved by the Board of Directors and signed on its behalf by:

Guy E. Finney
Director
8 April 2025

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Called up share capital $'000	Retained earnings $'000	Total equity $'000
At 1 January 2023	432,998	108,684	541,682
Total Comprehensive Income and Retained Profit for the year	-	54,566	54,566
At 31 December 2023	432,998	163,250	596,248
At 1 January 2024	432,998	163,250	596,248
Total Comprehensive Income and Retained Profit for the year	-	40,319	40,319
At 31 December 2024	432,998	203,569	636,567

The accompanying Notes are an integral part of the annual accounts.

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED
COMPANY REGISTRATION NUMBER: 03230337

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 $'000	2023 $'000
Cash generated from operating activities			
Net cash flows from operating activities	17	(11,879)	39,189
Tax paid		(18,342)	(9,616)
Dividends received		889	1,774
Net cash (outflows) / inflows from operating activities		**(29,332)**	**31,347**
Cash flows from investing activities			
Purchase of Investments		(1,159,015)	(494,054)
Proceeds from Investments		1,150,823	486,980
Interest received		12,099	12,304
Net cash inflows from investing activities		**3,907**	**5,230**
Net (decrease) / increase in cash and cash equivalents		**(25,425)**	**36,577**
Cash and cash equivalents at beginning of year		272,315	231,943
Effect of exchange rate (losses) / gains on cash and cash equivalents		(3,930)	3,795
Cash and cash equivalents at the end of the year		**242,960**	**272,315**
Cash and cash equivalents consists of:			
Cash at bank and in hand		242,960	272,315
Cash equivalents		-	-
		242,960	272,315

The accompanying Notes are an integral part of the annual accounts.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

1. General information

Berkshire Hathaway International Insurance Limited is a private limited liability company, limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is given on page 1. The Company's principal activity is the underwriting of general insurance and reinsurance business.

2. Accounting Policies and Basis of Preparation

2.1 Basis of preparation

The Financial Statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value, in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & 103) applicable in the United Kingdom and Republic of Ireland and provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the 2008 regulations").

The Company has taken advantage under Section 33.1A, FRS 102, not to disclose transactional details in Note 16 as all related parties are members of a group that is wholly owned by one such member of that group.

The Company has taken advantage of the exemption from disclosing information about its exposure to Pillar II income tax, as required by FRS102 sub-paragraph 1.12(dA) on the basis it is included in the financial statements of Berkshire Hathaway, Inc.

The functional currency of the Company is considered to be the US Dollar because that is the currency of the primary economic environment in which the Company operates. The Financial Statements are also presented in US Dollars. All values are rounded to the nearest thousand US Dollars unless otherwise stated.

2.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Directors' Report further describes the financial position of the Company; its cash flows and liquidity position; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 Insurance Contracts

In accordance with FRS 103, the Company has applied existing accounting policies for insurance contracts.

(a) Classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. The underwriting activities of all classes of business are accounted for on an annual basis.

2. Accounting Policies and Basis of Preparation (continued)

2.3 Insurance Contracts (continued)

(b) Premiums
Written premiums comprise the premiums on contracts incepting in the financial year. Estimates are included for premiums not yet notified by the financial year end. Written premiums are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business.

(c) Unearned Premiums
A provision for unearned premiums is made which represents that part of gross, and reinsurers' share of, premiums written which is estimated will be earned in the following or subsequent financial years. This is calculated separately for each insurance contract usually on the 365ths basis depending on the estimated incidence of risk throughout the period of the contract.

(d) Deferred Acquisition Costs
Acquisition costs represent the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the reporting date.

Outwards deferred acquisition costs are accounted for in the same accounting period as the deferred acquisition costs for the related direct or inwards reinsurance business.

(e) Claims Incurred
Claims incurred comprises all claims payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for outstanding claims and loss adjustment expenses, including claims incurred but not reported, net of salvage, contributions from other insurers and subrogation recoveries.

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

(f) Technical Provisions - Losses and loss adjustment expenses
Provision is made for outstanding claims and loss adjustment expenses incurred at the reporting date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims. Material salvage, contributions from other insurers and other recoveries are deducted from outstanding claims.

General insurance outstanding claims provisions are based on the estimated ultimate cost of all claims incurred, but not settled, at the date of the statement of financial position, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the reporting date. As such, booked claims provisions for general insurance are based on an estimate of future claim payments plus an allowance for uncertainty. Any estimate represents a determination within a range of possible outcomes. Outstanding claims provisions are valued net of an allowance for expected future recoveries. Recoveries include non-insurance assets that have been acquired by exercising rights to salvage and subrogation under the terms of insurance contracts.

(g) Other technical provisions - Unexpired Risk Reserve
Provision is made for unexpired risks when, after taking account of investment income, it is anticipated, on the basis of information available at the year end, that unearned premiums will be insufficient to meet future claims and related expenses of business in force at the end of the year.

2. Accounting Policies and Basis of Preparation (continued)

2.3 Insurance Contracts (continued)

(h) Liability adequacy
At each reporting date the Company performs a liability adequacy test on its insurance liabilities less related deferred acquisition costs to ensure that the carrying value is adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense to the statement of comprehensive income. The provision is assessed in aggregate for business classes which are managed together.

(i) Reinsurance
The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured. Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

Reinsurance assets include balances from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract.

2.4 Investment income

(a) Investment Return
Investment income consists of dividends and interest income.

(b) Interest Income
Interest income is recognised on an accruals basis, as are any investment expenses.

(c) Realised gains and losses
Realised gains or losses represent the difference between the net sale proceeds and purchase price.

(d) Unrealised gains and losses
Unrealised gains or losses represent the difference between the valuation of investments at the reporting date and their purchase price. The movement in unrealised investment gains and losses therefore comprises the increase or decrease in the year in the value of investments held at the reporting date together with the reversal of previously recognised unrealised gains and losses on investments disposed of in the current year.

2.5 Foreign Currencies

Transactions by the Company and all its branches in foreign currencies other than US Dollars are converted at the rate of exchange prevailing on the dates of the transactions, or at the average rate where this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into US Dollars at the rates of exchange prevailing at that date. Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into US Dollars at the historic rate pertaining on the date of the transaction.

2.6 Taxation

(a) Current Tax
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2024

2. Accounting Policies and Basis of Preparation (continued)

2.6 Taxation (continued)

(b) Deferred Tax
Deferred taxation is provided for using the liability method on all timing differences, arising from the different treatment of items for accounting and taxation purposes, calculated at the rates at which it is expected that tax will arise. Deferred tax balances are not discounted.

2.7 Financial Assets and Liabilities

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of Financial Assets and Liabilities.

(a) Recognition
Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

(b) Derecognition
A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for de-recognition under a combination of risk and controls tests.

A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

(c) Impairment
At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. There was no impairment of assets at the year end. Assets due greater than three months old but not yet impaired are provided for by the establishment of a bad debt provision, in case of future impairment.

2.8 Investments

The Company has designated on initial recognition its financial assets held for investment purposes (investments) at fair value through profit or loss (FVTPL).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (which are the principal markets or the most advantageous markets that maximise the amount that would be received to sell the asset or minimise the amount that would be paid to transfer the liability) are based on quoted market bid and ask price for both financial assets and financial liabilities respectively.

Gains and losses on investments designated as FVTPL are recognised through the statement of comprehensive income. Interest income from investments in bonds and short-term investments is recognised at the effective interest rate. Interest receivable is shown separately in the statement of financial position based on the debt instruments' stated rates of interest.

Other investments include Cash Equivalents such as short-term highly liquid investments with a maturity of three months or less at the date of acquisition.

2.9 Cash at bank and in hand

Cash at bank and in hand in the statement of financial position includes cash on hand and demand deposits.

2. Accounting Policies and Basis of Preparation (continued)

2.10 Receivables

Receivables, including inter-company loans, are recognised initially at their fair value and are subsequently assessed for indicators of impairment at each reporting date and carried at the recoverable amount. If there is objective evidence of impairment, an impairment loss is recognised through the statement of comprehensive income, in the period.

2.11 Payables and other financial liabilities

Payables, including inter-company amounts payable, are recognised at their fair value and are subsequently carried at the recoverable amount.

2.12 Provisions

Provisions are liabilities with uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made at the reporting date.

3. Critical accounting judgements and key sources of estimation uncertainty

3.1 Introduction

The Company makes various assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are regularly re-evaluated and are based on a combination of historical experience and other factors, including exposure analysis, expectations of future experience and expert judgement. There are key sources of estimation uncertainty outlined below but there are no accounting judgements that have a significant effect on amounts recognised in the financial statements.

3.2 The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts – the Claims Technical Provision for Losses and Loss Adjustment expenses - is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Company will ultimately pay to settle such claims. Significant areas requiring estimation and judgement include:

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims (IBNR) to be included within provisions for inwards insurance and reinsurance contracts;
- The corresponding estimate of the amount of outwards reinsurance recoveries which will become due as a result of the estimated claims on inwards business;
- The recoverability of amounts due from reinsurers; and
- Estimates of the proportion of exposure which has expired in the period as represented by the earned proportion of premiums written.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

3.2 The ultimate liability arising from claims made under insurance contracts (continued)

The assumptions used and the manner in which these estimates and judgements are made are set out below, including the reserving process for the estimation of gross, and net of reinsurance, ultimate premiums and claims:

- Quarterly statistical data is produced in respect of gross and net premiums and claims (paid and incurred);
- Projections of ultimate premiums, reinstatement premiums and claims are produced by the internal actuarial department using standard actuarial projection techniques (e.g. Basic Chain Ladder, Bornhuetter-Ferguson, Initial Expected Loss Ratio). The Basic Chain Ladder and Bornhuetter-Ferguson projection methods are based on the key assumption that historical development of premiums and claims is representative of future development. Claims inflation is taken into account in the initial expected loss ratio selections but is otherwise assumed to be in line with historical inflation trends, unless explicit adjustments for other drivers of inflation such as legislative developments are deemed appropriate;
- Some classes of business have characteristics which do not necessarily lend themselves easily to statistical estimation techniques, e.g. due to low data volumes. In such cases, for example, a policy-by-policy review may also be carried out to supplement statistical estimates;
- In the event of catastrophe losses, and prior to detailed claims information becoming available, claims provision estimates are compiled using a combination of output from specific recognised exposure data and detailed reviews of contracts exposed to the event in question;
- The initial ultimate selections along with the underlying key assumptions and methodology are proposed by the actuarial department after discussions with the underwriters;
- Following the completion of the actuarial review, the ultimate selections (actuarial estimate), assumptions, methodology and uncertainties are presented to the Actuarial Committee, chaired by the Chief Actuary and reporting to the Board, for discussion and debate;
- Following review of the actuarial estimate, the Actuarial Committee recommends the actuarial estimate to be adopted in the Financial Statements; and
- Claims provisions are subject to independent external actuarial audit review at least annually.

The carrying value at the date of the statement of financial position of gross claims reported and loss adjustment expenses and claims incurred but not reported was $2,085.8m (2023: $2,062.7m) as set out in Note 6 to the accounts. The amount of reinsurance recoveries estimated at that date is $1,747.9m (2023: $1,727.9m).

A measure of the Company's sensitivity to over or under-valuations is disclosed in Note 4.1.4 to the accounts.

4. Risk Management

The Company has an established risk management framework and operates within this framework. This framework has the following key elements:

- A clear organisational structure with defined authorities and responsibilities;
- Defined terms of reference for the Board of the Company and management committees; and
- Adoption of the Company risk management framework that defines risk appetite measures and sets out risk management and control standards for the Company's operations.

The risk management framework also sets out the roles and responsibilities of businesses, policy owners and risk oversight committees.

The Company operates a risk management framework, which is a collection of processes and tools that have been put in place to ensure that the risks to which it is exposed are identified, measured, managed, monitored and reported on a continuous basis. The key instruments of this framework include the risk management policies, risk reports, the governance and oversight infrastructure and the risk appetite framework.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

4. Risk Management (continued)

The Company has a set of formal risk policies that facilitate a consistent approach to the management of all the Company's risks across all business streams and locations in which the Company operates. These risk policies define the Company's appetite for different, specific risk types and set out risk management and control standards for the Company's operations.

The Company sets limits to manage material risks to ensure the risks stay within risk appetite. Where risks are outside of appetite, actions are agreed to mitigate the exposure.

In addition to monitoring Regulatory Solvency under applicable UK (PRA) Solvency II regulations, the PRA also requires the Company to assess its economic capital requirements to ensure that it adequately reflects the risks facing the business. The main risks being faced by the Company are as follows:

4.1 Insurance Risk

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts and thus is exposed to insurance risk via underwriting and reserving activities.

The Company manages its risk via its underwriting and reinsurance strategy within the overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events. Reinsurance policies are written with approved reinsurers on a quota share, excess of loss and stop loss basis.

4.1.1 Underwriting Risk

Underwriting is organised into divisions.

BHRG Division

Casualty Underwriting
Risks are written with a reasonable expectation of gross and net profit after related expenses. The Company employs a specialist underwriting team and the underwriters consider all the facts placed before them when forming a view of the appropriate rate to quote.

The business plan is estimated based on the underwriter view of market position. There is no premium target and all business is quoted / underwritten on its merits.

Medical Malpractice Underwriting (Italian branch business)
The competitive landscape remains challenging, however higher volumes are being written as rate increases are being observed. Risks are written with a reasonable expectation of gross and net profit after related expenses.

Global Aerospace Underwriting Managers (GAUM) Facility
The Company participates in the GAUM UK and Swiss pools. GAUM performance is monitored with Group resources and profits are expected over the longer term. BHIIL also fronts for other third party insurers who cannot participate directly for various reasons. GAUM employ specialist underwriters to negotiate risks and set rates. GAUM fronting is fully reinsured with NICO.

Specialty
BHRG will also enter lines of business or take on risks in areas of the market which are constrained by capital or where market inefficiencies exist. These are one off opportunistic risks therefore are high risk and higher reward with low internal expenses.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

4. Risk Management (continued)

4.1 Insurance Risk (continued)

4.1.1 Underwriting Risk (continued)

Medpro Division

The MedPro Division has appetite to underwrite healthcare professional liability insurance across the full spectrum customers: physicians, allied healthcare professionals, hospitals, and allied healthcare. The Division leverages underwriting expertise available from the MedPro Group, an associated company within the parent company group. Medical malpractice and public liability insurance are written with different partners in the UK, Switzerland and US.

The UK program commenced in 2014 and remains on a “prior submit” basis. In 2021, the Risk Committee approved a USA book of global medical malpractice business and MedPro fronting policies including punitive damage risks. The Swiss programme commenced in 2021 and is on a full delegated authority basis. An analysis of past performance was undertaken, and support and expert advice is being provided by a Berkshire Hathaway business, MedPro Group, experienced in this class of business.

BHSI Division

Berkshire Hathaway Specialty Insurance (BHSI) is a group related business unit which operates from the United States of America and represents a multi-national insurance brand. The BHSI operation within BHIIL was formed in 2016 and has been targeting commercial insurance. The Company writes property, executive & professional, casualty, healthcare, punitive damages and marine risks. As from 1 October 2024, the BHSI division ceased to write UK business, which is now written through the UK branch of Berkshire Hathaway European Insurance DAC (BHEI).

Faraday Division

Faraday, a member of the Berkshire Hathaway Group of companies, manages a Lloyds Syndicate in the UK as well as an FCA authorised intermediary, Faraday Managing General Agency Ltd. (FMGAL). The division wrote business across a number of product lines and the agreement operated as a wholesale MGA. FMGAL considers opportunities in various lines including Motor, Accident & Health, Property (D&F, Treaty and Commercial) and Liability. No further business is written by this division and the claims are in run-off.

Concentration of Insurance Risk

The Company monitors its aggregate exposures to single loss events on a continual basis. This is to ensure gross exposures do not exceed limits as set out in the risk appetite statements, which are agreed by the Board. Concentrations are determined by reference to a range of potential natural catastrophe events in different geographical regions, and also to potential losses caused by specific incidents, arising from terrorist activities, property or transport damage, medical malpractice or financial services failures. Aggregate exposure information is monitored by the underwriting teams and provided to the Board on a regular basis.

4.1.2 Reserving Risk

Reserving risk refers to the uncertainty in the adequacy of technical provisions held for earned business due to potential inaccurate assumptions or unforeseen circumstances. This is a key risk for the Company as the reserves for unpaid losses represent the largest component of the Company's liabilities and are inherently uncertain. The Actuarial Committee is responsible for recommending the appropriate reserves to the Board which manages the reserving risk with regard to the financial statements. Risk capital is required to be held to cover the potential for adverse development.

Further details on the reserve profile and claims development tables can be found in Note 6.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2024

4. Risk Management (continued)

4.1 Insurance Risk (continued)

4.1.3 Reinsurance Risk

Reinsurance risk arises mainly in the form of reinsurance credit risk (covered in 4.2.1), however there is also the risk that a reinsurer may not be able to respond. For example, this may occur due to the implementation of a sanction regime which applies to an overseas reinsurer. This may have a retrospective effect as regimes typically apply based on payment date rather than at the date the loss is incurred.

The Company recognises this risk and considers it as one example of an "Event Not In Data" (ENID) for reserving and reinsurance recovery purposes.

4.1.4 Assumptions and sensitivities reserving

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The key methods used by the Company for estimating liabilities are Basic Chain Ladder, Bornhuetter-Ferguson and initial expected loss ratio.

A key sensitivity to reserving methodologies is the potential for "Events Not In Data" (ENIDs). A generally conservative approach to reserving is adopted with a view that the liability for net non-life insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome. As a defensive strategy the Company maintains surplus capital to cover ENIDs.

The profit on ordinary activities before tax is sensitive to the actual outcome being different from the expected outcome. The table below gives an indication of the impact on profit of a percentage movement in the losses and loss adjustment expenses net of the reinsurers share of those liabilities (excluding the effect of foreign exchange).

Impact on profit before tax	2024 $'000	2023 $'000
Insurance losses deteriorate against expected outcome:		
5% deterioration	(18,273)	(18,191)
10% deterioration	(36,545)	(36,382)
20% deterioration	(73,090)	(72,763)
Insurance losses improve against expected outcome:		
5% improvement	18,273	18,191
10% improvement	36,545	36,382
20% improvement	73,090	72,763

Subject to taxation, the effect on shareholder's equity would be the same as the effect on profit.

4. Risk Management (continued)

4.1 Insurance Risk (continued)

4.1.5 Sensitivity analysis

The Company uses a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests are extreme but plausible scenarios, or a combination of extreme scenarios, which are used to examine the impact of catastrophic events, changes to business plans and shock changes in business cycles.

Scenario testing is undertaken based on a number of management defined scenarios. They are quantified based on the industry loss amounts, historical losses to BHIIL and knowledge of the current risk profile and exposure. As such, the gross and net underwriting loss amounts are calculated based on the most recent aggregate reporting including live exposures. Consideration is also given to the correlation of inter-related events and indirect impacts.

Reverse Stress Testing is designed to identify events that would potentially lead to either the business model becoming unviable, or business failure. A reverse stress testing exercise is carried out annually.

The results of the sensitivity, scenario and stress testing undertaken are regularly produced to inform the Company's decision-making and planning processes, and as part of the framework for identifying the risks to which the Company is exposed. A key sensitivity is reinsurance credit risk, a significant change of which could materially affect the amount, timing and uncertainty of the Company's future cash flows and profit. The details of the current reinsurer exposures are disclosed in Note 4.2.1.

4.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its reinsurance programme, investment portfolio and, to a lesser extent, amounts due from policyholders and intermediaries.

The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage credit risk and methods to measure it.

4.2.1 Reinsurance credit risk

Reinsurance credit risk represents the risk that the reinsurer will default. As the reinsurance with National Indemnity Company (NICO) and Berkshire Hathaway Homestate Insurance Company (BHHIC), both related parties, are fundamental parts of the business model these are an important element of the risk profile.

In general the reinsurance programs consists of 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. The Board is responsible for approving reinsurance and the Risk Committee is responsible for monitoring the associated credit risk. Trust Fund Agreements in place with NICO and BHHIC manages any concentrated credit risk.

Based on year end available figures, NICO reported surplus assets of US$241bn and total assets of US$381bn and is rated AA+ by S&P rating agency.

4. Risk Management (continued)

4.2 Credit Risk (continued)

4.2.1 Reinsurance credit risk (continued)

Based on 2024 year-end, the exposures to Reinsurers were as follows ($m):

Reinsurer	External Credit Rating	Exposure	Reinsurer Dr/(Cr)	Trust fund protection	Net exposure
NICO	AA+	1,796	(47)	(1,256)	493
BH Homestate	AA+	120	17	(123)	14
Others	A and above	44	3	-	47
Total		1,960	(27)	(1,379)	554

2023

Reinsurer	External Credit Rating	Exposure	Reinsurer Dr/(Cr)	Trust fund protection	Net exposure
NICO	AA+	1,768	(82)	(1,283)	403
BH Homestate	AA+	183	10	(204)	(11)
Others	A and above	46	4	-	50
Total		1,997	(68)	(1,487)	442

The results of the sensitivity for reinsurance credit risk by substituting the current Reinsurer credit rating with a Credit rating of A has a significant effect on the ORSA ultimate capital requirement, but a relatively low effect on the Solvency II requirements to the 99.5% probability of meeting liabilities over a one year timeframe. This is because the potential for default in the following year remains small. In both cases BHIIL continues to hold greater than the Board's target surplus over and above the ORSA capital requirements.

Such a change to the current Reinsurer rating would represent a substantial re-rating of NICO and BHHIC by the rating agencies.

4.2.2 Investment credit risk

The Company considers the assets of the Company to comprise two portfolios. The first portfolio, the Insurance Portfolio is designed to protect the Company's capital so that it is available to support the underwriting. The investment strategy is conservative and investment guidelines require funds to be invested in fixed income investments with a credit rating of A and above held to maturity. The Investment Committee are responsible for the management of investment credit risk.

The second portfolio, the Capital Surplus Portfolio, comprises assets in excess of the first portfolio which have been invested outside of the Insurance Portfolio Investment Guidelines. These assets are in excess of the requirements of policyholders and can include large equity holdings consistent with those held by Berkshire Hathaway Inc. These assets will only be invested in Equities quoted on the New York Stock Exchange, NASDAQ or the London Stock Exchange. This portfolio countenances potential market volatility and lower asset liquidity, whilst accepting potential concentration within the portfolio itself. The Capital Surplus Portfolio consists of the entire equity holdings and is covered in Market Risk below.

The credit risk on liquid funds is limited because the main counterparties are banks with high credit-ratings assigned by international credit-rating agencies although some exposure to lower rated banks exists related to operations in Continental Europe.

The Company has a policy of not investing in derivative contracts.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

4. Risk Management (continued)

4.2 Credit Risk (continued)

4.2.2 Investment credit risk (continued)

Investment credit risk profile

The summary of the investment credit risk exposures for the Company is set out in the tables below:

At 31 December 2024	AAA $'000	AA $'000	A $'000	BBB $'000	BB $'000	B $'000	Total $'000
Financial investments	674,527	61,737	-	-	-	-	736,264
Cash at bank	77,373	133,220	22,785	8,027	-	1,555	242,960
Total	751,900	194,957	22,785	8,027	-	1,555	979,224

At 31 December 2023	AAA S'000	AA $'000	A $'000	BBB $'000	BB $'000	B $'000	Total $'000
Financial investments	567,405	59,845	-	-	-	-	627,250
Cash at bank	84,990	142,206	33,524	8,336	-	3,259	272,315
Total	652,395	202,051	33,524	8,336	-	3,259	899,565

The table above, which excludes Equities, gives an indication of the level of credit worthiness of assets that are most exposed to credit risk. The ratings are mainly sourced from Standard & Poor's and where these are not available an equivalent rating agency.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Risk Committee annually.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

4. Risk Management (continued)

4.3 Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. This risk is largely mitigated by the investment guideline requirements which ensure compliance with the risk appetite statements. The Company retains significant liquid balances, the investment portfolio is such that it may be converted to liquid assets at short notice, and the Company also has the ability to make cash calls on its reinsurer.

The table below presents the fair value of monetary assets and the undiscounted value of monetary liabilities of the Company into their relevant maturing groups based on the remaining period at the end of the year to their contractual maturities or expected repayment dates.

31 December 2024	< 1 year $'000	1 to 3 years $'000	3 to 5 years $'000	> 5 years $'000	Total $'000
Assets:					
Other Financial Investments	736,264	-	-	-	736,264
Reins. of Technical Provisions	424,853	494,326	278,475	550,199	1,747,853
Insurance and other receivables	173,066	-	-	-	173,066
Current taxation	4,332	-	-	-	4,332
Cash at bank	242,960	-	-	-	242,960
Total	1,581,475	494,326	278,475	550,199	2,904,475
Liabilities:					
Technical Provisions	501,134	587,164	330,240	667,266	2,085,804
Insurance and other payables	112,525	-	-	-	112,525
Current & deferred taxation	-	-	-	-	-
Total	613,659	587,164	330,240	667,266	2,198,329

31 December 2023	< 1 year $'000	1 to 3 years $'000	3 to 5 years $'000	> 5 years $'000	Total $'000
Assets:					
Other Financial investments	690,425	1,881	-	-	692,306
Reins. of Technical Provisions	435,417	486,365	254,937	551,169	1,727,888
Insurance and other receivables	241,869	-	-	-	241,869
Current taxation	597	-	-	-	597
Cash at bank	272,315	-	-	-	272,315
Total	1,640,623	488,246	254,937	551,169	2,934,975
Liabilities:					
Technical Provisions	513,911	578,354	304,604	665,818	2,062,687
Insurance and other payables	191,058	-	-	-	191,058
Current & deferred taxation	1,033	-	-	-	1,033
Total	706,002	578,354	304,604	665,818	2,254,778

Given that liquidity is not a material risk for the Company no specific risk sensitivity is provided.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

4. Risk Management (continued)

4.4 Market Risk

Market risk is the risk of adverse financial impact due to market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Company in managing its market risk is to ensure the risk is managed in line with the Company's risk appetite.

The Company has established policies and procedures in order to manage market risk and methods to measure it.

4.4.1 Equity market risk

The Capital Surplus Portfolio consists entirely of equities holdings. The equity valuation is volatile and the policy is to mark to market at year end. The investments were valued at up to US$73m during the year; all equity holdings were disposed of prior to year end.

Impact on profit before tax	2024 $'000	2023 $'000
Equity value decreases:		
10% against year- end values	-	(6,506)
20% against year- end values	-	(13,011)
Equity value increases:		
10% against year-end values	-	6,506
20% against year-end values	-	13,011

Subject to taxation, the effect on shareholder's equity would be the same as the effect on profit.

4.4.2 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Company accounts for business in US Dollars, Canadian Dollars, Euro, Sterling, Swiss Francs and Japanese Yen. The Company has minimal exposure to currency risk as the Company's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage movement in the relative strength of the US Dollar against the value of Canadian Dollars, Euro, Sterling, Swiss Francs and Japanese Yen simultaneously. The analysis is based on information at 31 December 2024.

Impact on profit after tax	2024 $'000	2023 $'000
US Dollar weakens:		
10% against other currencies	(4,885)	(3,361)
20% against other currencies	(9,770)	(6,724)
US Dollar strengthens:		
10% against other currencies	4,885	3,361
20% against other currencies	9,770	6,724

Subject to taxation, the effect on shareholder's equity would be the same as the effect on profit.

4. Risk Management (continued)

4.4 Market Risk (continued)

4.4.3 Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

For the Company the investment assets subject to interest rate risk are short term fixed interest assets held to maturity. The net insurance liabilities are longer term. As the policy is not to match investments with the liability durations, the duration mismatch is significant.

Given the short term nature of the investments held, interest rate risk is not a material risk for the Company so no specific risk sensitivity is provided.

4.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. These risks are aligned with the Board's risk appetite, managed through controls and monitored via risk appetite statements that are reported quarterly to the Risk Committee. There is a framework to review the documentation and structure of the key risks, controls and risk appetite statements on a regular basis. All major operational risks are reviewed at least annually.

4.6 Climate Change

BHIIL considers climate change in the ORSA process, stress and scenario testing and during risk and control assessments as part of the overall Risk Management Framework to understand and assess the risks from climate change and to be able to address and oversee these risks within the firm's overall business strategy and risk appetite. Climate change risk is also included in BHIIL's and the Group's emerging risk inventory and monitored/ owned by the Risk Committee and Group ERM Committee respectively. The direct operations within the Group typically review their underwriting and customer base for loss control issues, which include potential climate change influenced events.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2024

5. Segmental Information

Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross administrative expenses and the reinsurance balance by Solvency II class of business:

2024	Motor Vehicle Liability $'000	Marine, Aviation & Transport $'000	Fire & Other damage to property $'000	General Liability $'000	Reinsurance $'000	Total $'000
Gross premiums written	(30)	56,380	78,376	243,121	378	**378,225**
Gross premiums earned	3,586	63,174	116,926	269,686	2,700	**456,072**
Gross claims incurred	19,428	(35,118)	(80,870)	(234,042)	1,578	**(329,024)**
Reinsurers' balance	18,941	23,537	31,831	29,385	3,494	**107,188**
Net technical result (before URR & Expenses)	4,073	4,519	4,225	6,259	784	**19,860**
Acquisition & other expenses	(3,685)	(1,246)	(4,278)	(9,562)	(235)	**(19,006)**

2023	Motor Vehicle Liability S'000	Marine, Aviation & Transport $'000	Fire & Other damage to property $'000	General Liability $'000	Reinsurance $'000	Total $'000
Gross premiums written	16,393	62,668	122,651	267,077	7,431	**476,220**
Gross premiums earned	44,265	64,585	118,465	261,030	9,951	**498,296**
Gross claims incurred	(12,088)	5,111	(69,233)	(123,521)	3,211	**(196,520)**
Reinsurers' balance	26,938	65,208	51,102	116,609	3,632	**263,489**
Net technical result (before URR & Expenses)	5,239	4,488	1,870	20,900	9,530	**38,287**
Acquisition & other expenses	(2,313)	(1,499)	(3,119)	(8,895)	(10)	**(15,836)**

Analysis of gross premiums written	2024 $'000	2023 $'000
Contracts written by the Company in:		
Europe – EEA	49,210	66,659
Europe – UK	310,197	388,988
Europe – Non EEA	18,818	20,573
Rest of the World	-	-
	378,225	476,220

Geographical analysis of profit before tax and net assets has not been included as the majority of risks either originate or are procured in the United Kingdom in both 2024 and 2023.

Class of business analysis for profit before taxation has not been disclosed as a meaningful split of the business cannot be obtained.

The Company has no transactions between segments.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

6. Technical Provisions

This note deals with balances carried in respect of insurance contracts (liabilities) and reinsurance contracts (assets). It examines the statement of financial position, splitting both insurance and reinsurance balances into their component parts, and explains the assumptions applied in arriving at these figures. The note also shows how the Company's claims have developed (before and after the effects of reinsurance) over a period of time by setting out the cumulative development at the end of each calendar year in respect of claims arising from business written in a particular underwriting year. It ends by analysing the movements in insurance and reinsurance contracts during the year.

6.1 Balances of Technical Provisions

	2024 $'000	2023 $'000
Gross:		
Claims reported (case estimates)	696,712	736,499
Claims incurred but not reported	1,351,926	1,292,394
Provision for claims handling	37,166	33,794
Total Gross Technical Claims Provisions and loss adjustment expenses provisions	2,085,804	2,062,687
Unearned premiums	269,620	354,107
Total Gross Liabilities	2,355,424	2,416,794
Recoverable from reinsurers:		
Claims reported (case estimates)	580,309	612,416
Claims incurred but not reported	1,138,822	1,088,919
Provision for claims handling	28,722	26,553
Total Reinsurers' share of claim provisions	1,747,853	1,727,888
Unearned premiums	223,469	293,056
Total Reinsurers' share of liabilities	1,971,322	2,020,944
Net:		
Claims reported	116,403	124,083
Claims incurred but not reported	213,104	203,475
Provision for claims handling	8,444	7,241
Total Net Claims provisions	337,951	334,799
Unearned premiums	46,151	61,051
Total Net Insurance Liabilities	384,102	395,850

The Claims Provisions reported are based on undiscounted estimates of the future claim payments, except in one personal motor case where a structured settlement, or periodic payment order (PPO), has been agreed. In this case a discounted provision/reserve has been provided based on a discount rate of 4% with a mean term of exposure of 12 years. The discounted reserves held amounted to $3.4m (2023: $3.9m) at the reporting date, and the effect of the discounting is a reduction in the reported reserves of $1.7m (2023: $1.5m).

The impact of this discounting in the reporting is as follows:-

	2024			2023		
	Gross $'000	Reinsurance $'000	Net	Gross $'000	Reinsurance $'000	Net
Losses and loss adjustment expenses	2,085,804	(1,747,853)	337,951	2,062,687	(1,727,888)	334,799
Effect of Discounting	1,709	(1,709)	-	1,525	(1,525)	-
Undiscounted losses and loss adjustment expenses	2,087,513	(1,749,562)	337,951	2,064,212	(1,729,413)	334,799

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

6. Technical Provisions (continued)

6.1 Balances of Technical Provisions

Technical Provisions – assumptions and changes in assumptions
Process used to decide on assumptions required

The risks associated with insurance liabilities are complex and subject to a number of variables that complicate quantitative analysis, particularly with casualty insurance liabilities.

The Company uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate costs of claims. The three methods more commonly used are the chain-ladder, the Bornhuetter-Ferguson method and target loss ratio.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (i.e. paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on these historical patterns. The selected development factors are then applied to cumulative claims data for each underwriting year that is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year.

Chain-ladder techniques are most appropriate for mature classes of business that have a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business or for underwriting years at early stages of development where the outcome is still highly uncertain.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique is used in situations in which developed claims experience is not available for the projection (recent underwriting years or new classes of business).

Target loss ratio is used when there is very little claims experience.

The choice of selected results for each year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for the individual underwriting year or groups of underwriting years within the same class of business.

Standard statistical techniques may not be solely appropriate for assessing ultimate claims for a number of classes of business (e.g. Casualty Treaty) and particular events (e.g. natural catastrophes) and therefore alternative methodologies may be employed to add additional rigour to the process. Examples include reviewing potential exposure on a policy by policy basis and taking account of market intelligence to determine the Company's share of the loss.

In addition to the estimation of claims provisions, certain estimates are produced for unearned premiums. Earned premium is calculated for each insurance contract, usually on the 365ths method depending on the estimated incidence of risk throughout the period of the contract.

Reinsurance outwards premiums are earned on the same basis as the inwards business being protected.

Changes in assumptions

The Company did not change its estimation techniques for the insurance contracts disclosed in this note during the year.

6. Technical Provisions (continued)

6.2 Claims development tables

The tables below show the development of claims over a period of time on a gross and net of reinsurance basis.

The claims development tables have been presented on an underwriting year basis.

The tables show the cumulative incurred claims, including both notified and IBNR claims, for each successive underwriting year at the end of each year, together with cumulative paid claims at the end of the current year.

Ultimate Gross Claims Liabilities $'000

Gross	2015 & Prior	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
At end of underwriting year	2,167,458	142,223	208,686	211,159	245,178	279,516	231,454	190,140	199,135	162,987	
One year later	2,287,015	287,911	386,386	426,370	519,194	582,907	441,802	377,554	357,964		
Two years later	2,273,240	378,292	388,325	440,100	505,733	542,430	417,529	363,523			
Three years later	2,275,343	475,345	439,643	483,325	452,099	480,896	392,395				
Four years later	2,240,524	446,924	433,901	486,905	449,305	482,508					
Five years later	2,134,447	454,131	399,817	474,714	455,880						
Six years later	1,970,262	403,234	418,673	492,906							
Seven years later	1,870,746	386,184	416,924								
Eight years later	1,794,638	391,037									
Nine years later	1,601,854										
Current Estimate of cumulative claim liability	1,601,854	391,037	416,924	492,906	455,880	482,508	392,395	363,523	357,964	162,987	5,117,978
Cumulative paid to date	1,399,001	287,479	310,321	307,185	227,159	184,055	161,426	98,927	42,986	13,635	3,032,174
Total Gross Claims Liability	**202,853**	**103,558**	**106,603**	**185,721**	**228,721**	**298,453**	**230,969**	**264,596**	**314,978**	**149,352**	**2,085,804**

Ultimate Reinsurance Claims Liabilities $'000

Reinsurance	2015 & Prior	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
At end of underwriting year	1,742,159	117,389	176,716	181,177	207,103	229,244	189,251	154,622	162,231	132,405	
One year later	1,787,796	237,915	320,494	360,871	430,696	482,963	365,081	306,904	290,815		
Two years later	1,777,262	315,367	318,186	363,232	416,361	454,329	342,990	294,878			
Three years later	1,794,980	405,128	359,891	404,680	369,709	399,918	321,709				
Four years later	1,770,208	371,882	357,097	412,041	368,642	403,729					
Five years later	1,678,303	377,574	326,430	399,675	373,867						
Six years later	1,528,294	331,842	344,698	418,546							
Seven years later	1,448,968	316,371	343,371								
Eight years later	1,388,990	319,664									
Nine years later	1,242,174										
Current Estimate of cumulative claim liability	1,242,174	319,664	343,371	418,546	373,867	403,729	321,709	294,878	290,815	132,405	4,141,158
Cumulative paid to date	1,060,737	230,924	248,676	257,324	185,221	151,159	131,768	80,489	35,938	11,069	2,393,305
Total Reinsurance Claims Liability	**181,437**	**88,740**	**94,695**	**161,222**	**188,646**	**252,570**	**189,941**	**214,389**	**254,877**	**121,336**	**1,747,853**

Ultimate Net Claims Liabilities $'000

Net	2015 & Prior	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
At end of underwriting year	425,299	24,834	31,970	29,982	38,075	50,272	42,203	35,518	36,904	30,582	
One year later	499,219	49,996	65,892	65,499	88,498	99,944	76,721	70,650	67,149		
Two years later	495,978	62,925	70,139	76,868	89,372	88,101	74,539	68,645			
Three years later	480,363	70,217	79,752	78,645	82,390	80,978	70,686				
Four years later	470,316	75,042	76,804	74,864	80,663	78,779					
Five years later	456,144	76,557	73,387	75,039	82,013						
Six years later	441,968	71,392	73,975	74,360							
Seven years later	421,778	69,813	73,553								
Eight years later	405,648	71,373									
Nine years later	359,680										
Current Estimate of cumulative claim liability	359,680	71,373	73,553	74,360	82,013	78,779	70,686	68,645	67,149	30,582	976,820
Cumulative paid to date	338,264	56,555	61,645	49,861	41,938	32,896	29,658	18,438	7,048	2,566	638,869
Total Net Claims Liability	**21,416**	**14,818**	**11,908**	**24,499**	**40,075**	**45,883**	**41,028**	**50,207**	**60,101**	**28,016**	**337,951**

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

6. Technical Provisions (continued)

6.3 Movements in Technical Provisions

	$'000 Year ended 31 December 2024			$'000 Year ended 31 December 2023		
	Gross	Reins	Net	Gross	Reins	Net
(I) Claims and loss adjustment expenses						
As at 1 January	2,062,687	(1,727,888)	334,799	2,023,827	(1,708,531)	315,296
Claims (paid)/recoveries in the year	(256,482)	210,764	(45,718)	(209,755)	173,459	(36,296)
Incr./(decrease) in liabilities/recoveries	329,024	(272,094)	56,930	196,520	(150,177)	46,343
Net foreign exchange gain/(loss)	(49,425)	41,365	(8,060)	52,095	(42,639)	9,456
As at 31 December	2,085,804	(1,747,853)	337,951	2,062,687	(1,727,888)	334,799

	Year ended 31 December 2024			Year ended 31 December 2023		
	Gross	Reins	Net	Gross	Reins	Net
(II) Unearned Premiums						
As at 1 January	354,107	(293,056)	61,051	365,406	(302,551)	62,855
Premiums written in the year	378,225	(315,144)	63,081	476,220	(395,326)	80,894
Premiums earned in the year	(456,072)	379,282	(76,790)	(498,296)	413,665	(84,631)
Net foreign exchange gain/(loss)	(6,640)	5,449	(1,191)	10,777	(8,844)	1,933
As at 31 December	269,620	(223,469)	46,151	354,107	(293,056)	61,051

6.4 Contingency policy on insurance and reinsurance contracts

Included in the total gross claims provision is an amount of $32m (€31m) (2023: $45m (€41m)) in respect of estimated contributions that the Company would be required to make under a contingency policy with another Group company, BHEI, in respect of claims impacted by the UK's exit from the EU. The group reinsurance programs would respond to any contributions paid by the Company under this contingency policy. This arrangement has not been utilised to date.

7. Insurance and other receivables

The amounts receivable are as follows:	2024 $'000	2023 $'000
Debtors arising out of direct insurance operations – intermediaries	138,109	205,042
Debtors arising out of reinsurance operations	25,895	24,377
Other debtors	9,062	12,450
Total	173,066	241,869

8. Insurance and other payables

The amounts payable are as follows:	2024 $'000	2023 $'000
Creditors arising out of direct insurance operations	8,939	16,097
Creditors arising out of reinsurance operations	88,257	150,109
Other creditors including taxation and social security	15,329	24,852
Total	112,525	191,058

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

9. Acquisition Costs and Administrative Expenses

This note shows the analysis of costs incurred in acquiring and underwriting insurance contracts and the running costs of the business during the year. More material costs have been separated out in order to provide a more detailed insight into the Company's cost base.

	Year ended 31 December 2024			Year ended 31 December 2023		
	Acquisition costs	Admin. Expenses	Total	Acquisition costs	Admin. Expenses	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Salary, pension, social security and other related costs (Note 16)	24,492	5,096	29,588	19,507	8,764	28,271
Accommodation costs	-	1,923	1,923	-	2,058	2,058
Legal and professional costs	-	3,330	3,330	-	2,831	2,831
IT costs	-	2,425	2,425	-	1,808	1,808
Travel and entertaining	-	1,058	1,058	251	753	1,004
Third party administration fees	4,488	627	5,115	4,991	808	5,799
Regulatory levies and charges	-	1,351	1,351	-	2,166	2,166
Other	-	1,637	1,637	-	2,394	2,394
Expenses before commissions	28,980	17,447	46,427	24,749	21,582	46,331
Commission on Direct Business (Gross)	57,931	-	57,931	55,413	-	55,413
Changes in deferred acquisition costs and other administrative expenses on Direct Business (Gross)	16,200	-	16,200	(343)	-	(343)
Acquisition costs and administrative expenses on Direct Business	103,111	17,447	120,558	79,819	21,582	101,401
Reinsurance commissions and profit participation	(74,442)	(13,958)	(88,400)	(70,182)	(17,265)	(87,447)
Changes in deferred acquisition costs on Ceded Business	(13,152)	-	(13,152)	1,882	-	1,882
Net total acquisition costs and administrative expenses	15,517	3,489	19,006	11,519	4,317	15,836

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

10. Auditor's remuneration

	2024 $'000	2023 $'000
Fees for the audit of the accounts - UK	442	332
Fees for the audit of the accounts – Italian Branch	-	78
Fees for the audit of the account – Swiss Branch	17	-
Fees for audit-related assurance services - UK	70	102
Fees for audit-related assurance services – Italian Branch	-	58
Fees for other services	4	4
Total	533	574

11. Taxation

The tax charge comprises:

	2024 $'000	2023 $'000
Current tax on profit		
UK corporation tax	13,061	15,728
	13,061	15,728
Foreign tax	494	246
	13,555	15,974
Adjustment in respect of prior years		
UK corporation tax	-	(2,677)
	-	(2,677)
Total tax on profit	13,555	13,297

The Company's Tax Strategy Statement is available at www.bhiil.com.

11. Taxation (continued)

The standard rate of tax applied to profit on ordinary activities for the year is 25% (2023: 23.5%).

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2024 $'000	2023 $'000
Profit before tax	53,874	67,864
Tax on profit on ordinary activities at standard rate	13,468	15,962
Effects of:		
Non-taxable income	(87)	(152)
Foreign tax paid on dividends	222	417
Tax on foreign branches	272	(171)
Non deductible expenses	(333)	(82)
Prior year adjustments	13	(2,677)
Total tax charge for the year	13,555	13,297

12. Deferred Tax

Deferred tax assets are recognised to the extent that it is probable that the losses will be capable of being offset against taxable profits and gains in future periods.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

No provision was made for potential deferred tax assets in 2024 or 2023.

13. Other Financial Investments

All financial investments have been designated as held at fair value through profit or loss.

The Company has classified the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making those measurements. The fair value hierarchy comprises the following levels:

(a) Level (i) – fair values measured using quoted prices (unadjusted) in active markets for identical assets. An active market exists where transactions take place with sufficient frequency and volume to provide pricing information on an on-going basis. Changes in the carrying amounts of Level (i) assets are reported through profit or loss at the reporting date.

	Other financial instruments held as at 31 December 2024			Other financial instruments held as at 31 December 2023		
	Cost	Unrealised Gain/(loss)	Market Value	Cost	Unrealised Gain/(loss)	Market Value
	$'000	$'000	$'000	$'000	$'000	$'000
UK Treasury Gilts	61,487	250	61,737	59,065	780	59,845
US Treasury Notes	-	-	-	192,799	(1,035)	191,764
US Treasury Bills	553,052	8,222	561,274	287,049	3,446	290,495
German Bunds	112,935	318	113,253	84,526	620	85,146
Equities	-	-	-	61,326	3,730	65,056
Total	727,474	8,790	736,264	684,765	7,541	692,306

The Unrealised gains for the year in the Statement of Comprehensive Income are $2,070k (2023: $17,026k loss).

(b) Level (ii) – fair values measured using inputs other than quoted prices included within level one that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level (iii) – fair values measured using inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Company has no Level (ii) or (iii) other financial investments.

14. Called Up Share Capital

	2024	2023
	$'000	$'000
Authorised:		
281,716,169 ordinary shares of $1.537 each	432,998	432,998
	432,998	432,998
Called up, allotted and fully paid:		
281,716,169 ordinary shares of $1.537 each	432,998	432,998
	432,998	432,998

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

15. Capital Management

The objective of the Company in managing its capital is to ensure that it will be able to continue as a going concern and comply with the regulators' capital requirements of the markets in which the Company operates. The level of the surplus capital held by the Company is based on its risk appetite and provides flexibility, allowing the Company to deal with shock events and to take advantage of opportunities as they arise.

The capital structure of the Company consists of equity attributable to the shareholder, comprising ordinary shares and retained earnings as disclosed above and in the Statement of Changes in Equity. Reinsurance is also used as part of capital management. Other capital such as subordinated debt, preference shares and borrowings are also considered by the Company but are not currently used.

The Company was in compliance with capital requirements imposed by regulators throughout the financial year.

The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and statutory regulations. The parent company intends to keep the Company's capitalisation at a level in excess of capital requirements under the Solvency II capital regime.

The Solvency II capital surplus is the amount of capital resources (referred to as Own funds) that the Company holds in excess of its capital requirement. The calculation of the capital resources and requirement is governed by the Solvency II regulatory regime. Under Solvency II, every insurer is required to identify its key risks – e.g. that equity markets fall – and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the Solvency capital requirement (SCR). The SCR is calibrated so that the likelihood of a loss being greater than the SCR in one year is less than 1 in 200.

The table below sets out the Solvency II capital surplus position of the Company:

	2024 $'000	2023 $'000
Own Funds	695,339	653,796
Solvency capital requirement	130,832	138,280
Solvency II capital surplus	564,507	515,516
Solvency Cover %	531%	473%

The Company fully complied with all externally imposed capital requirements throughout the financial year.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

16. Related Party Transactions

(a) Details of related party transactions

(i) Balances for services provided to and from related parties
The Company had the following amounts due from and payable to the following related parties:

	2024		2023	
	Receivable at year end $'000	Payable at year end $'000	Receivable at year end $'000	Payable at year end $'000
Controlling category				
Parent – National Indemnity Company	-	24,429	-	45,958
Key management personnel and services				
Resolute Management Limited	-	572	-	1,893
Other related parties				
Columbia Insurance Corporation	1,555	-	1,552	-
Berkshire Hathaway European Insurance	-	37	-	1
Berkshire Hathaway Specialty Insurance	-	719	-	1,506
Berkshire Hathaway Homestate Insurance	17,055	-	10,021	-
Medpro	-	335	-	238
Total	18,610	26,092	11,573	49,596

The related parties' receivables are not secured and no guarantees were received in respect thereof. Receivables are expected to be recovered in less than one year and payables are expected to be settled in less than one year.

The Company has taken advantage under Section 33.1A, FRS 102, not to disclose transactional details as all related parties are members of a group that is wholly owned by one such member of that group.

(ii) Reinsurance provided by related parties

Note 4.2.1 discloses related party balances in respect of reinsurance and the associated collateral arrangements.

(iii) Services provided by related parties

Reinsurance agreements are in place with the parent, National Indemnity Company, along with Columbia Insurance Company and Berkshire Hathaway Homestate Insurance Company. Resolute Management Ltd and Resolute Management Services Ltd provide key management, underwriting, claims and administrative services.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

16. Related Party Transactions (continued)

(iv) Key management compensation

The key management of the Company are considered to be the statutory Directors of the Company.

Key management - Directors' emoluments

	2024 $'000	2023 $'000
Emoluments recharged from another Group Company	857	1,467
Emoluments directly incurred	1,952	375
Total Emoluments	2,809	1,842

In total there were eight directors during the year (2023: nine). The emoluments stated above are in respect of the services of four non-executive directors and three executive directors during the year. The other Director did not receive any remuneration specifically for activity as a director of the Company; this cost was borne by another group company and not recharged. The Company contributed to a defined contribution pension scheme for two directors; this contribution was $95k and is included within the costs disclosed above. No directors were entitled to any other benefit.

The emoluments of the highest paid Director charged to the Company were $1,952k (2023: $526k).

Other management and employee costs

The average monthly number of employees of the Company during the year was 37 (2023: 32), employed in the Underwriting, Claims and Support functions, with details presented below. Generally, most services continue to be provided by other group companies and during the year an amount of $20.1m (2023: $20.9m) has been charged to the Company for the provision of these services.

Total directly incurred staff costs, comprised the following:

	2024 $'000	2023 $'000
Wages and salaries	3,875	3,985
Social security costs	2,111	1,921
Pension costs	655	498
Total directly incurred by the Company	6,641	6,404

(b) Parent companies

The Company's ultimate parent company, controlling party, company which heads the largest group of undertakings for which group accounts were drawn up and of which the Company was a member, is Berkshire Hathaway Inc., a company incorporated in the US state of Nebraska.

The Company's immediate parent undertaking which heads the smallest group of undertakings for which group accounts were drawn up and of which the Company was a member, is National Indemnity Company, a company incorporated in the US state of Nebraska.

The consolidated financial statements of both of these companies are available to the public and may be obtained from 1440 Kiewit Plaza, Omaha, Nebraska 68131, USA.

The Company's registered office is detailed on page 1.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2024

17. Cash Flows Provided by Operating Activities

The reconciliation of the result before tax to the net cash inflow from operating activities is:

	2024 $'000	2023 $'000
Cash generated from operations		
Profit before tax	53,874	67,863
Adjusted for :		
Net unearned premiums	(13,709)	(3,736)
Net claims reserves, including expenses	11,213	10,048
Net unexpired risk reserve	(933)	16
Gross deferred acquisition costs	15,378	(2,423)
Realised gains on investments	(40,525)	(11,359)
Unrealised (gains) on investments	(1,275)	(15,216)
Net foreign exchange losses / (gains)	3,176	(1,024)
Insurance and other receivables	62,919	597
Insurance and other payables	(75,583)	7,928
Prepayments and accrued income	(166)	1,096
Reinsurance element of DAC	(13,152)	1,882
Accruals	(108)	(2,405)
Dividends received	(889)	(1,774)
Investment Income received	(12,099)	(12,304)
Cash flow provided by / (utilised in) operating activities	(11,879)	39,189

The restricted cash flows of the Company are disclosed in Note 18.

18. Guarantees and Financial Commitments

The Company had a co-ordinating role for a defined contribution pension plan, the Resolute Pension Plan, and has indemnified the Trustees to the extent that no Trustee shall (as a Trustee for the Plan or in the exercise of any rights or powers under the Plan Rules) incur any personal liability except in respect of fraud or wilful and knowing breach of trust actually committed by the Trustee. No provision is considered necessary in the Company's accounts for any amounts due or potentially due under this indemnity.

The Company continued to provide indemnities to the Non-Executive Directors for their activities with the Company. Indemnities were also provided on a similar basis to the Executive Directors and to a number of Executive Directors of related Companies. These indemnities are intended to indemnify the Directors in the event of proceedings being brought against the individuals where the individual has reasonably believed they have acted in the best interests of the relevant related Company and have acted consistently within the related Company's rules, instructions and guidelines. These indemnities remained in place at the date of the approval of this report. No provision is considered necessary in the Company's accounts for any amounts due, or potentially due, under these indemnities.

The Company has issued Letters of Credit to the value of $263k (2023 $864k). These letters of Credit are in respect of potential future claims, cover an unlimited time, have no performance-related conditions attached and are funded from the Company's own funds.

Except as noted above, the Company has no charges, potential capital gains tax liabilities, contingent liabilities, guarantees, indemnities or other contractual commitments, or other fundamental uncertainties to report.

In order for the Company to transact business in the United States of America, the Company has ring-fenced investments of US$34.2m (2023: US$33.3m). To transact business in Switzerland, the Company has ring-fenced investments of US$112.7m (2023: US$112.9m). To transact business in Italy, the Company has ring-fenced investments of US$112.6m (2023: US$84.4m).

19. Subsequent Events

The Company is not aware of any subsequent events which materially impact the financial information disclosed and no post balance sheet adjustment has been made.