



What is Insurance Float? How its calculated?

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Insurance Float is the corner stone of Berkshire Hathaway's business. Buffett always mentions it in his annual report. Following document explains what it is and how it is calculated?

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Invested assets of our insurance businesses derive from shareholder capital, including reinvested earnings, and from net liabilities under insurance and reinsurance contracts or “float.” The major components of float are unpaid losses and loss adjustment expenses, including liabilities under retroactive reinsurance contracts, life, annuity and health insurance benefit liabilities, unearned premiums and other liabilities due to policyholders, which are reduced by insurance premiums and reinsurance receivables, deferred charges assumed under retroactive reinsurance contracts and deferred policy acquisition costs. Float approximated **\$138 billion** at December 31, 2020, **\$129 billion** at December 31, 2019 and \$123 billion at December 31, 2018.

WHERE TO FIND THE DIFFERENT COMPONENTS OF FLOAT?

1. Balance Sheet - Insurance and Other section
2. Note#8
3. Note#1 .r

	December 31,	
	2020	2019
ASSETS		
<i>Insurance and Other:</i>		
Cash and cash equivalents*	\$ 44,714	\$ 61,151
Short-term investments in U.S. Treasury Bills	90,300	63,822
Investments in fixed maturity securities	20,410	18,685
Investments in equity securities	281,170	248,027
Equity method investments	17,303	17,505
Loans and finance receivables	19,201	17,527
Other receivables	32,310	32,418
Inventories	19,208	19,852
Property, plant and equipment	21,200	21,438
Equipment held for lease	14,601	15,065
Goodwill	47,121	57,052
Other intangible assets	29,462	31,051
Deferred charges under retroactive reinsurance contracts	12,441	13,747
Other	14,580	13,232
	<u>664,021</u>	<u>630,572</u>

	December 31,	
	2020	2019
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Insurance and Other:</i>		
Unpaid losses and loss adjustment expenses	\$ 79,854	\$ 73,019
Unpaid losses and loss adjustment expenses under retroactive reinsurance contracts	40,966	42,441
Unearned premiums	21,395	19,782
Life, annuity and health insurance benefits	21,616	20,155
Other policyholder liabilities	8,670	7,723
Accounts payable, accruals and other liabilities	29,279	27,611
Derivative contract liabilities	1,065	968
Aircraft repurchase liabilities and unearned lease revenues	5,856	5,281
Notes payable and other borrowings	41,522	37,590
	<u>250,223</u>	<u>234,570</u>

(8) Other receivables

Other receivables of insurance and other businesses are comprised of the following (in millions).

	December 31,	
	2020	2019
Insurance premiums receivable	\$ 14,025	\$ 13,379
Reinsurance recoverables	4,805	4,470
Trade receivables	11,521	12,275
Other	2,637	2,712
Allowances for uncollectible accounts	(678)	(418)
	<u>\$ 32,310</u>	<u>\$ 32,418</u>

(1) Significant accounting policies and practices (Continued)

(r) Insurance policy acquisition costs

We capitalize the incremental costs that directly relate to the successful sale of insurance contracts, subject to ultimate recoverability, and we subsequently amortize such costs to underwriting expenses as the related premiums are earned. Direct incremental acquisition costs include commissions, premium taxes and certain other costs associated with successful efforts. We expense all other underwriting costs as incurred. The recoverability of capitalized insurance policy acquisition costs generally reflects anticipation of investment income. The unamortized balances are included in other assets and were approximately \$3.25 billion and \$2.95 billion at December 31, 2020 and 2019, respectively.

Insurance float calculation - Berkshire Hathaway Inc - All Figures in \$ millions		
	2020	2019
Unpaid losses and loss adjustment expenses	\$79,854	\$73,019
Unpaid losses and loss adjustment expenses under retroactive reinsurance contracts	\$40,966	\$42,441
Life, annuity and health insurance benefits	\$21,616	\$20,155
Unearned premiums	\$21,395	\$19,782
Other policyholder liabilities	\$8,670	\$7,723
	\$172,501	\$163,120
Deferred charges under retroactive reinsurance contracts	\$12,441	\$13,747
insurance premiums and reinsurance receivables (Note#8)	\$14,025	\$13,379
Reinsurance recoverables	\$4,805	\$4,470
deferred policy acquisition costs (Note1.r)	\$3,250	\$2,950
	\$34,521	\$34,546
FLOAT (A) - (B)	\$137,980	\$128,574