

Berkshire Hathaway Inc., a Delaware-based holding company, operates through various subsidiaries, primarily in insurance and reinsurance, employing around 360,000 people globally. The company's insurance activities encompass property, casualty, life, accident, and health risks, with significant operations through GEICO and the Berkshire Hathaway Primary Group. Berkshire's insurance operations include both direct insurance and reinsurance, with reinsurance contracts categorized as treaty or facultative. The company maintains a strong capital position, with a combined statutory surplus of approximately \$237 billion as of December 31, 2020, and is rated AA+ by Standard & Poor's and A++ by A.M. Best for financial strength. The Terrorism Insurance Program provides federal reinsurance for insured terrorism losses under the Terrorism Risk Insurance Program Reauthorization Act of 2019 (TRIA), activated when industry insured losses exceed \$200 million in a calendar year. Insurers must offer terrorism coverage to qualify for federal reinsurance, with certain types of insurance excluded. In the event of a certified act of terrorism, the federal government reimburses insurers for 80% of insured losses exceeding a deductible, which for Berkshire is expected to be around \$1.4 billion for 2021.

Berkshire operates in various countries, adhering to local insurance regulations, including licensing and solvency requirements. Its insurance underwriting includes GEICO, which focuses on private passenger automobile insurance, and the Berkshire Hathaway Reinsurance Group, which offers a wide range of reinsurance coverages globally. The document outlines the financial performance of Berkshire's insurance operations, reporting net earnings attributable to shareholders of \$42.5 billion in 2020, with underwriting earnings of \$657 million, impacted by catastrophe losses and the COVID-19 pandemic. GEICO's underwriting earnings were \$3.428 billion, reflecting a decrease in claims due to reduced driving during the pandemic, although premiums written fell by 3% due to the GEICO Giveback program. The Berkshire Hathaway Primary Group reported premiums written of \$10,212 million in 2020, with underwriting earnings affected by significant catastrophe events.

The document also discusses the financial performance of Burlington Northern Santa Fe (BNSF)

and Berkshire Hathaway Energy (BHE), highlighting BNSF's operating revenues of \$20.181 billion in 2020, a decline attributed to the pandemic, and BHE's total revenues of \$21.031 billion, reflecting various operational challenges. BHE's regulated utility interests include PacifiCorp and MidAmerican Energy Company, with earnings influenced by operational costs and regulatory approvals. The document emphasizes the importance of regulatory compliance across Berkshire's diverse operations, including environmental regulations affecting BHE and BNSF.

Berkshire's insurance policy document outlines various financial obligations, including liabilities for unpaid losses and loss adjustment expenses, which totaled approximately \$79.854 billion as of December 31, 2020. The estimation of these liabilities involves significant judgment and is influenced by factors such as changes in claims reporting practices and legal trends. The document also details the complexities of establishing claim liability estimates, particularly for long-tail lines of business, and notes that disputes regarding coverage are typically resolved through negotiation or arbitration.

The document highlights Berkshire's investment strategy, which is heavily concentrated in equity securities, posing risks of significant losses if fair values decline. It also discusses the company's substantial liquidity, with cash and equivalents totaling \$135 billion, and outlines various contractual obligations, including notes payable and future cash payments related to ongoing business activities. The financial statements reflect total assets of \$873,729 million and total liabilities of \$422,393 million as of December 31, 2020, with significant contributions from insurance premiums, sales, and service revenues.

Overall, the insurance policy document provides a comprehensive overview of Berkshire Hathaway's financial health, operational commitments, and the regulatory landscape governing its diverse business operations, emphasizing the interconnectedness of operational risks, regulatory environments, and strategic management in navigating these challenges.