

Berkshire Hathaway Inc., a Delaware-based holding company headquartered in Omaha, Nebraska, operates across diverse sectors, including insurance, reinsurance, transportation, utilities, and manufacturing. The company employs a decentralized management structure, focusing on capital allocation and governance while overseeing extensive insurance operations that cover property, casualty, life, accident, and health risks globally. As of June 30, 2018, the aggregate market value of its voting stock held by non-affiliates was reported at \$367 billion. The insurance policy document details the scope of Berkshire's insurance activities, including treaty and facultative reinsurance contracts, which are categorized into quota-share and excess types. Regulatory oversight is emphasized, with U.S. insurers regulated by state authorities to ensure financial solvency, while admitted insurers require approval for policy forms and premium rates. The document also discusses the Terrorism Risk Insurance Act (TRIA), mandating insurers to offer terrorism coverage and outlining federal reimbursement for losses from certified acts of terrorism.

Berkshire's insurance operations include GEICO, which primarily offers automobile insurance, and the Berkshire Hathaway Reinsurance Group, which provides a wide range of reinsurance coverages. The document highlights the importance of underwriting profit, defined as earned premiums minus incurred losses and expenses, excluding investment income. The General Re Group engages in life and health reinsurance, while the Berkshire Hathaway Primary Group underwrites commercial motor vehicle and general liability insurance. The insurance subsidiaries manage significant investment portfolios, with a notable increase in float from approximately \$73 billion in 2012 to about \$123 billion in 2018, indicating net underwriting gains.

The document outlines the financial performance of Berkshire's insurance segment, reporting total insurance premiums earned of \$57.4 billion in 2018, with total revenues reaching \$247.8 billion. The underwriting segment reported a profit of \$1.6 billion, contrasting with a loss of \$2.2 billion in 2017, influenced by prior year liability reductions and significant catastrophe losses. GEICO reported a pre-tax underwriting gain of \$2.4 billion in 2018, driven by lower catastrophe losses and increased

average premiums. The Berkshire Hathaway Reinsurance Group reported a pre-tax underwriting loss of \$1.1 billion, with property/casualty premiums written increasing to \$9.4 billion.

The document also discusses liabilities for unpaid losses and loss adjustment expenses, which totaled around \$110 billion as of December 31, 2018, with GEICO's gross unpaid losses reported at \$19.5 billion. The estimation of insurance claim costs is inherently imprecise, and changes in regulations could restrict capital allocation. The insurance policy document emphasizes the complexities involved in estimating liabilities, particularly for retroactive reinsurance contracts, which indemnify against claims from past loss events.

Berkshire Hathaway Energy (BHE) operates regulated utility interests and renewable energy projects, with revenues totaling approximately \$19.99 billion in 2018. The document highlights the financial dynamics and regulatory influences affecting BHE's operations, including compliance with environmental laws and regulations. The company also faces various risks, including reliance on key personnel, competition, technological changes, and cybersecurity threats.

The document outlines Berkshire's contractual obligations, including notes payable and operating leases, with total estimated payments amounting to approximately \$369.6 billion. It details the liabilities for unpaid losses and loss adjustment expenses, emphasizing the challenges in obtaining accurate loss data from ceding companies. The financial statements reflect a complex interplay of earnings, investments, and financing activities, with total liabilities reported at \$355.3 billion and shareholders' equity at \$352.5 billion as of December 31, 2018.

Overall, the insurance policy document provides a comprehensive overview of Berkshire Hathaway's financial health, operational strategies, and the performance of its insurance underwriting activities, emphasizing the importance of regulatory compliance, risk management, and effective capital allocation across its diverse business segments.