

Berkshire Hathaway Inc., a Delaware-based holding company, operates through various domestic and international insurance entities, providing coverage for property, casualty, life, accident, and health risks. The company assumes risks directly from policyholders in its primary insurance activities and takes on portions of risks from other insurers through reinsurance, which is categorized into treaty and facultative types. Regulatory oversight ensures financial solvency and protects policyholder interests, with state regulations governing capital levels and business activities. Berkshire's insurance operations are decentralized, with significant capital allocation decisions made at the corporate level. The company reported a statutory surplus of approximately \$106 billion as of December 31, 2012, and is highly rated by Standard & Poor's and A.M. Best.

The document outlines the structure of admitted and non-admitted insurers, with admitted insurers requiring regulatory approval for policy forms and premium rates, while non-admitted insurance is less regulated. The Terrorism Risk Insurance Act (TRIA) mandates insurers to offer terrorism coverage, with the federal government reimbursing insurers for a significant portion of losses from certified acts of terrorism. Berkshire's insurance operations include GEICO, General Re, Berkshire Hathaway Reinsurance Group (BHRG), and Berkshire Hathaway Primary Group, each focusing on different segments of the insurance market. GEICO specializes in private passenger automobile insurance, while General Re provides a range of reinsurance services globally. BHRG focuses on excess and quota-share reinsurance, including retroactive reinsurance.

The document details the establishment of liabilities for unpaid losses and loss adjustment expenses, estimated using actuarial techniques, with uncertainties acknowledged in the reserving process. The insurance businesses maintain a focus on underwriting profitability and risk management, with investment gains and losses impacting reported results. The document also highlights the complexities of estimating insurance liabilities, particularly for long-tail casualty losses, and the need for careful monitoring of claims and reserves.

Berkshire's financial performance is characterized by significant revenues from insurance premiums, with total revenues reaching approximately \$39 billion in 2012. The company reported net earnings of \$14.82 billion for the same year, with comprehensive income reflecting unrealized appreciation of investments. The document emphasizes the importance of regulatory compliance in insurance operations, particularly regarding capital maintenance and dividend payments, with restrictions on dividend payments from insurance subsidiaries.

The document also discusses the company's diverse business operations beyond insurance, including significant investments in utilities, energy, transportation, and retail sectors. Berkshire's acquisition strategy focuses on businesses with consistent earning power and strong management. The financial statements reflect a robust operating performance, with substantial cash generation from operations despite significant investment and financing activities. The company maintains a strong capital base and liquidity, with a commitment to providing additional capital to subsidiaries as needed.

Overall, the insurance policy document provides a comprehensive overview of Berkshire Hathaway's insurance operations, financial performance, and regulatory obligations, emphasizing the interconnectedness of its diverse business segments and the inherent risks involved in the insurance industry.