



Berkshire Hathaway
Specialty Insurance®

The Building Continued - from Strength to Strength

DECEMBER 30, 2016

Team,

With 2016 soon to be a year for the BHSI history books, I want to take this opportunity to thank all of you for your contribution to our success this year and for all that you continue to do to further our efforts to make BHSI “the finest property casualty insurance company in the world” – an appropriately ambitious and attainable goal. Throughout this year, and since BHSI was launched on April 29, 2013, I have watched this team build and grow our company with a great deal of thoughtfulness, care, humility and passion, through both smart and hard work, and with much selflessness and esprit de core – what a great way to win! Thank you for what you’ve done and for how you’ve done it.

Before we close the book on 2016, it’s worth taking note of some of our accomplishments throughout the year, both specifically and generally, and to comment on what the future holds for all of us and BHSI. Let me start with people:

PEOPLE

What began as a journey 3.5 years ago for a small number of people, has grown to be an effort that today is supported and nurtured by 800+ team members - a figure that grows to almost 1300 people when you include the approximately 475 important team members we have at Xceedance – remarkable! Importantly, by establishing and maintaining a sharp focus on both “capabilities” and “character” as we’ve identified and attracted people to BHSI, we’ve formed a team that is both good at what they do, and that does things the right way. As we move forward, the intensity of our focus on hiring people with great “capabilities” and strong “character” will remain essential to our success – we will continue to make this a top priority. Additionally, with a growing team, we will continue to focus our efforts on expanding our training, development, and learning opportunities, and importantly, using the growth of our business as an opportunity to reward strong contributing team members with increasing amounts of opportunity and responsibility – effectively continuing to bring life to our meritocracy and performance culture – exciting and important, indeed!

CULTURE

As we’ve done since the establishment of BHSI and will continue to do “FOREVER”, in 2016 we made culture and values a daily focus at BHSI – a focus, I believe, that is a hugely important component of our success. As I’ve mentioned in the past, our culture, and the values of respect, integrity, excellence, collaboration, and passion that we espouse, are the foundation on which BHSI is built. They give us a framework in which to operate the company and to make decisions, and guide us on both “what to do” and “how to do it” – both of which matter greatly and equally to us. Additionally, by having a clear set of values and strong cultural characteristics, we are able to better set expectations, both at an individual team member level and a company level, and measure our performance in terms of both “what we accomplish” as well as “how we accomplish it”. As we move forward, we all must continue to work to ensure that the BHSI culture remains alive and healthy, and to conduct ourselves in a manner that makes BHSI a place that is “wanted” – a place where the most talented people want and are proud to work, where brokers and customers want to do business, where our host countries and jurisdictions are pleased to have us, and where the broader Berkshire Hathaway organization and its shareholders are thankful that we are part of the stable of great Berkshire Hathaway businesses.

GEOGRAPHY

After our initial 2013 launch in the U.S. and the hiring of team members in 5 U.S. cities, we end 2016 with team members in 10 countries and jurisdiction occupying 24 offices, as well as team members working remotely in 13 additional cities. Today, we have a physical presence in the U.S., Canada, Honk Kong, Singapore, Macau, Malaysia, Australia, New Zealand, the U.K., and Germany – with the U.K., Germany, Macau, and Malaysia representing our 2016 geographic expansion efforts. When we include our team members at Xceedance, we add India and Poland to the list of countries and 4 additional offices. Not bad in 3.5 years! As we move into 2017, our regional geographic expansion efforts will moderate, with our attention disproportionately being spent on furthering our efforts to gain a more meaningful (profitable growth) presence in all of the regions and countries in which we currently operate, and to ensure that the people, processes, tools, and infrastructure are in place to support our growing business.

PRODUCT

As we continued to look to satisfy the needs of our customers and to be the insurance provider that they “want” to do business with, our product line expansion and policy form introduction efforts in 2016 were robust – let me count the ways: we began the year by launching numerous new executive & professional lines products, including miscellaneous professional liability insurance in Canada, and D&O and professional indemnity policies in Australia. In the U.S., we launched new D&O and professional liability solutions for private and not-for-profit entities, contractors, architects and engineers, and life agents & broker dealers. We added asset management liability insurance, public offering of securities insurance, and side A DIC liability insurance in Asia, while bringing to market a full line of executive & professional liability coverages for Canadian financial institutions. Additionally, we began underwriting cyber liability insurance in Asia, Australia, and New Zealand, as well as civil liability insurance for financial institutions in Australia and New Zealand. And if that’s not enough, in the U.S. we established a medical stop loss business, a transactional liability business, introduced employment practices liability insurance, launched Cinch, our small commercial on-line platform and product offering, and added distribution relationships to our program, homeowners, and travel & assistance efforts. And in Asia and Australia we launched accident & health insurance. Also, as we launched our business in Europe, we began underwriting core property, casualty, and executive and professional lines coverages. To round things out, and to support our robust and growing product offering, we furthered our efforts to satisfy the needs of our multi-national customers through the establishment of a third party relationship that, when coupled with our current owned country capabilities, allows us to compete in the multi-national insurance space. Importantly, we continued to take a solutions oriented approach to our underwriting that saw us take our “off-the-shelf” product offering and modify it in many ways to be responsive to the needs and wants of our customers.

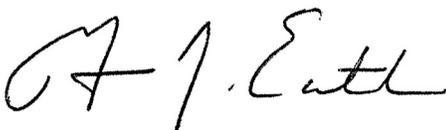
While the above list of accomplishments is significant, it is simply a snapshot of all that was accomplished at BHSI in 2016 and over the last 3.5 years - if I were to list all of the great work that has taken place and is taking place at our company, this note would be much longer than you would care to read! I do, however, want to broadly recognize and highlight that the building and operating of BHSI has been and is a team effort – we simply would not have accomplished all that we have without many great individual contributions coming together as a strong team showing – our ability to satisfy the needs of our customers is the result of the collective efforts of our team members across the underwriting, finance, operations, technology, human resources, claims, legal & compliance, actuarial, U.S. state regulatory & filings, customer & broker engagement, marketing communications, and geography and product management and leadership areas. Of course, to be “the finest property casualty insurance company in the world” we must continue to strive to be the highest performing team we can be, and to recognize that to be that team we must continue to “win together” and demonstrate “individual excellence in a team framework” – I’m encouraged by our progress and excited about our potential!

As I’ve mentioned in the past, the strength of BHSI resides in all of you, our talented team members, as well as from the financial resources we are afforded by being part of Berkshire Hathaway. With a great foundation in place, in order to recognize our full potential we must continue to develop “long term focused” strategies, and execute on them with both pace and thoughtfulness - in essence, we must work both hard and smart, and “have a sense of urgency, but not be in a rush”. Additionally, let’s continue to recognize that our “customers”, be they buyers of insurance, brokers, current and prospective team members, and most everyone we interact with, can often look elsewhere to satisfy many of their needs – let’s be sure to show up and be the company they “want” to do business with and be part of – passion, humility, and a lack of arrogance, coupled with a solution oriented mind set, thoughtfulness, and an orientation of “simplicity over complexity” will get us a long way to our goal of “being wanted”. Importantly, we must not forget that the property casualty insurance business is a difficult business – it’s a business that requires discipline and sound decision making - as we know, “winning isn’t normal” in our industry, it requires an “extraordinary effort” – with our team, I like our chances!

To end, I want to thank all of you again for your efforts this year (and in year’s past) in moving BHSI forward in such a positive fashion. You did so with a high degree of professionalism, integrity, and resolve, and continued to show yourselves to be terrific professionals and great people - I’m proud to be part of this extraordinary team, and I look forward to continuing to build BHSI with all of you in 2017 and beyond!

Happy New Year!

Sincerely,



Peter Eastwood

President & Chief Executive Officer