1235521.

# Kyoei Fire & Marine Insurance Co (UK) Limited

## Report & Accounts

### 31 December 2011

FRIDAY

*A15T4YOG*
A27 30/03/2012 #347
COMPANIES HOUSE

## Kyoei Fire & Marine Insurance Co (UK) Limited

Registered No 1235521

### OFFICERS AND PROFESSIONAL ADVISORS

**DIRECTORS**
Mr S Michael
Mr A Wilson
Mr J Liuzzi (US)

**SECRETARY**
Ms C Martin

**AUDITOR**
Deloitte LLP
2 New Street Square
London
EC4A 3BZ

**BANKERS**
Barclays Bank PLC
One Churchill Place
London
EC14 5HP

**REGISTERED OFFICE**
London Underwriting Centre
6th Floor, 3 Minster Court
Mincing Lane
London
EC3R 7DD

## DIRECTORS' REPORT

The directors present their report and audited Financial Statements for the year ended 31 December 2011

### PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company continues to handle the run-off of its marine and non-marine business The Company's operations are administered by the Company, with additional claims handling and administrative services being provided by related group companies

Effective 1 October 2011, the Company entered into a Portfolio Run-off Reinsurance agreement with Columbia Insurance Company This contract indemnifies the Company up to a maximum of $1m in respect of any and all of its liabilities for ultimate net loss under the protected portfolio, subject to the terms and conditions This has had a direct impact on reinsurance premiums and recoveries reported in the year

The Company intends to continue to manage the run-off of the insurance assets and liabilities in an orderly manner

It is the intention to seek approval from the UK Court and the Financial Services Authority to transfer out the portfolio of insurance liabilities and associated reinsurances to its parent company Tenecom Limited

### RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounted to £24,000 (2010 - £171,000) The directors do not recommend payment of a dividend (2010 £nil)

### DIRECTORS

The directors of the Company during the year ended 31 December 2011 were those listed on page 1

### GOING CONCERN

The financial position of the Company continues to be encouraging and cash flows are as expected The capital structure of the Company has remained stable for a considerable period and financial risk management processes are in place to maintain the Company's liquidity and solvency position

Having taken into account the risks and uncertainties and the performance of the business and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

### FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's largest potential risk is that technical provisions may prove to be inadequate or excessive The risk is substantially transferred to an affiliated group company by way of reinsurance

Outside this, the Company adopts a very conservative investment and risk management policy to ensure that there is no material exposure to market, liquidity or cash flow risks In addition, the Company has no exposure to pricing, derivatives or currency-hedging risks

## DIRECTORS' REPORT (continued)

### AUDITOR

**Disclosure of relevant information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006

**Appointment of auditor**

The Company has elected to dispense with the obligation to appoint auditor annually and, accordingly, Deloitte LLP shall be deemed to be re-appointed as auditor for a further term

Approved by the Board of Directors
and signed on behalf of the Board

A Wilson
Director

Date 27 March 2012

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the Board

A Wilson
Director

Date 27 March 2012

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KYOEI FIRE & MARINE INSURANCE (UK) LIMITED

We have audited the financial statements of Kyoei Fire & Marine Insurance Co (UK) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards of Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KYOEI FIRE & MARINE INSURANCE (UK) LIMITED (continued)

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jeremy Casson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date 27 March 2012

## PROFIT AND LOSS ACCOUNT
**for the year ended 31 December 2011**

| TECHNICAL ACCOUNT - GENERAL BUSINESS | | Notes | 2011 | 2010 |
|---|---|---|---|---|
| | | | £000 | £000 |
| Gross premiums written | | 3 | 5 | (27) |
| Outward reinsurance premiums | | | (310) | 29 |
| Net premiums written | | | (305) | 2 |
| Earned premiums, net of reinsurance | | | (305) | 2 |
| **TOTAL TECHNICAL INCOME** | | | (305) | 2 |
| Claims paid | - gross amount | 2 | 32 | 12 |
| | - reinsurers' share | 2 | (12) | (2) |
| | - net of reinsurance | | 20 | 10 |
| Change in provision for claims | | | | |
| | - gross amount | 2 | (27) | (220) |
| | - reinsurers' share | 2 | (326) | 39 |
| | - net of reinsurance | | (353) | (181) |
| Claims incurred net of reinsurance | | 2 | (333) | (171) |
| Net operating expenses | | 3,4,5,6 | 65 | 58 |
| **TOTAL CHARGES** | | | (268) | (113) |
| **BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT** | | | (37) | 115 |

The Notes on pages 11 to 20 form an integral part of these Financial Statements

## PROFIT AND LOSS ACCOUNT
**for the year ended 31 December 2011**

| NON-TECHNICAL ACCOUNT | *Notes* | *2011* | *2010* |
|---|---|---|---|
| | | *£000* | *£000* |
| **BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT** | | (37) | 115 |
| Investment income | 7 | 46 | 42 |
| Realised gain on investments | 7 | 27 | 21 |
| Investment expenses and charges | 7 | (15) | (14) |
| Exchange gain in the year | | 12 | 27 |
| | | 70 | 76 |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAX** | | 33 | 191 |
| Corporation Tax charge for year | 10 | (9) | (20) |
| **PROFIT ON ORDINARY ACTIVITIES AFTER TAX** | | 24 | 171 |

There are no recognised gains or losses other than the profit for the year and, accordingly, no statement of recognised gains and losses has been prepared

All the operations of the Company are continuing

The Notes on pages 11 to 20 form an integral part of these Financial Statements

## BALANCE SHEET
at 31 December 2011

| ASSETS | Notes | 2011 | 2010 |
|---|---|---|---|
| | | £000 | £000 |
| **INVESTMENTS** | | | |
| Other financial investments | 11 | 10,997 | 11,394 |
| **REINSURERS' SHARE OF TECHNICAL PROVISIONS** | | | |
| Claims outstanding | 2,16 | 352 | 26 |
| **DEBTORS** | | | |
| Debtors arising out of reinsurance operations | | 31 | 4 |
| Corporation Tax | | 4 | - |
| | | 35 | 4 |
| **OTHER ASSETS** | | | |
| Cash at bank and in hand | | 191 | 179 |
| **PREPAYMENTS AND ACCRUED INCOME** | | | |
| Accrued interest | 14 | 6 | 5 |
| **TOTAL ASSETS** | | 11,581 | 11,608 |

The Notes on pages 11 to 20 form an integral part of these Financial Statements

## BALANCE SHEET
**at 31 December 2011**

| LIABILITIES | *Notes* | *2011* | *2010* |
|---|---|---|---|
| | | *£000* | *£000* |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 12,13 | 10,000 | 10,000 |
| Profit and loss account | 13 | 1,162 | 1,138 |
| Shareholders funds attributable to equity interests | 13 | 11,162 | 11,138 |
| **TECHNICAL PROVISIONS - GROSS** | | | |
| Claims outstanding | 2,16 | 352 | 379 |
| **CREDITORS** | | | |
| Arising out of reinsurance operations | | 31 | 31 |
| Corporation Tax | | - | 16 |
| Other Creditors | 15 | 4 | 5 |
| | | 35 | 52 |
| **ACCRUALS AND DEFERRED INCOME** | | 32 | 39 |
| **TOTAL LIABILITIES** | | 11,581 | 11,608 |

The Notes on pages 11 to 20 form an integral part of these Financial Statements

Approved at a meeting of the Board of Directors and signed on its behalf

A Wilson
Director

Date 27 March 2012

Registered No 1235521

NOTES TO THE ACCOUNTS
at 31 December 2011

## 1 ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with the Companies Act 2006, and applicable United Kingdom accounting standards and under the current value accounting rules The Company has adopted all material recommendations of the Statement of Recommended Practice for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers ("the ABI SORP")

The results of the Company are consolidated within the financial statements of National Indemnity Company, a company registered/incorporated in the State of Nebraska, which will prepare consolidated financial statements for the year ended 31 December 2011

The particular accounting policies adopted are described below

**Going concern**
Having taken into account the risks and uncertainties and the performance of the business as disclosed in the Directors' Report, and after making enquiries, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future As a result, the Company continues to adopt the going concern basis in the preparation of the financial statements

**Cash flow statement**
Advantage has been taken of the exemption under the revised FRS1 not to present a statement of cash flow as the Company is 90% or more controlled by National Indemnity Company The consolidated financial statements in which the subsidiary undertaking is included are publicly available (Note 8)

**Basis of accounting for underwriting activities**
All classes of business are accounted for on an annual basis

**Foreign currency**
Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year Revenue transactions in other currencies in the London market accounts are translated to sterling at rates of exchange ruling at the end of the year Exchange differences on these transactions are taken to the Profit and Loss Account

**Premiums**
Premiums comprise amounts due during the financial year in respect of contracts, which commenced in earlier years This business is in run-off Premiums are shown gross of commission payable to intermediaries

**Claims incurred**
Claims incurred comprise all claim payments and expense payments made in the financial year and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoveries

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims

NOTES TO THE ACCOUNTS
at 31 December 2011

1. ACCOUNTING POLICIES (continued)

**Claims outstanding**
Provision is made for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date Included in the provision is an estimate of the internal and external costs of handling the outstanding claims Material salvage and other recoveries are deducted from outstanding claims

The provision for claims outstanding is based on information available at the balance sheet date Significant delays are experienced in the notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years

**Investment income and expenses**
Investments consist of cash deposits and deposits with credit institutions All investment income and expenses are recognised in the non-technical account

**Taxation**
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided for using the liability method on all timing differences, arising from the different treatment of items for accounting and taxation purposes, calculated at the rates at which it is expected that tax will arise Deferred tax balances are not discounted

NOTES TO THE ACCOUNTS
at 31 December 2011

## 2 CLAIMS INCURRED NET OF REINSURANCE

| | *Gross* *£000* | *Reinsurance* *£000* | *Net* *£000* |
|---|---|---|---|
| 2011 | | | |
| Claims paid | 32 | (12) | 20 |
| Outstanding claims brought forward | (379) | 26 | (353) |
| Impact of Foreign currency re-statement | - | - | - |
| | (379) | 26 | (353) |
| Outstanding claims carried forward | 352 | (352) | - |
| Net decrease | (27) | (326) | (353) |
| Claims incurred | 5 | (338) | (333) |
| 2010 | | | |
| Claims paid | 12 | (2) | 10 |
| Outstanding claims brought forward | (577) | 63 | (514) |
| Impact of Foreign currency re-statement | (22) | 2 | (20) |
| | (599) | 65 | (534) |
| Outstanding claims carried forward | 379 | (26) | 353 |
| Net decrease | (220) | 39 | (181) |
| Claims incurred | (208) | 37 | (171) |

## 3. SEGMENTAL ANALYSIS

| | *Insurance - Direct* *£000* | *Reinsurance - Assumed* *£000* | *Total* *£000* |
|---|---|---|---|
| 2011 | | | |
| Gross premiums written | - | 5 | 5 |
| Gross premiums earned | - | 5 | 5 |
| Gross claims incurred | - | (5) | (5) |
| Gross operating expenses | - | (65) | (65) |
| Reinsurance balance | - | 28 | 28 |
| 2010 | | | |
| Gross premiums written | - | (27) | (27) |
| Gross premiums earned | - | (27) | (27) |
| Gross claims incurred | - | (208) | (208) |
| Gross operating expenses | - | (58) | (58) |
| Reinsurance balance | - | (66) | (66) |

The business written by Kyoei Fire & Marine Insurance Co (UK) Limited was underwritten primarily in the United Kingdom

NOTES TO THE ACCOUNTS
at 31 December 2011

## 4 NET OPERATING EXPENSES

| | 2011 | 2010 |
|---|---|---|
| | £000 | £000 |
| Administrative expenses | 65 | 58 |
| | 65 | 58 |
| Administrative expenses include | | |
| Auditor remuneration - audit fees for the Company's annual accounts and regulatory returns | 30 | 30 |

The Company's auditor did not provide any other services to the Company in 2011 and 2010

NOTES TO THE ACCOUNTS
at 31 December 2011

## 5 STAFF COSTS

The Company has no full-time employees, with services provided by another group company and, accordingly, no direct staff costs are incurred by the Company During the year an amount of £18,403 (2010 £18,844) has been charged into the Company for the provision of these services

## 6 DIRECTORS' EMOLUMENTS

| | *2011* | *2010* |
|---|---|---|
| | *£000* | *£000* |
| Emoluments | - | - |

No directors received any emoluments specifically for activity as directors of this Company Their costs are borne by another group company and not recharged

NOTES TO THE ACCOUNTS
at 31 December 2011

## 7 INVESTMENT INCOME

| | *2011* | *2010* |
|---|---|---|
| INVESTMENT INCOME | *£000* | *£000* |
| Income from other investments | 46 | 42 |
| Gain on the realisation of investments | 27 | 21 |
| Investment expenses and charges | (15) | (14) |
| Total income | 58 | 49 |

## 8 PARENT COMPANIES

The Company's immediate parent company is Tenecom Limited, a UK company

The Company's ultimate parent company, controlling party and company which heads the largest group of undertakings for which group accounts were drawn up and of which the Company was a member of, is Berkshire Hathaway Inc incorporated in the United States of America

The parent undertaking which heads the smallest group of undertakings for which group accounts were drawn up and of which the Company is a member is National Indemnity Company, a company incorporated in the state of Nebraska

The consolidated financial statements of both of these companies are available to the public and may be obtained from 1440 Kiewit Plaza, Omaha, Nebraska, USA 68131

## 9 RELATED PARTY TRANSACTIONS

The Company is taking advantage of the exemption under FRS 8, Paragraph 3 Related Party Transactions The consolidated accounts of both the immediate and the ultimate parent companies are publicly available

NOTES TO THE ACCOUNTS
at 31 December 2011

## 10 TAXATION AND DEFERRED TAXATION

The standard rate of current tax for the year is 28% to March, 31 and 26% thereafter (2010 - 28%) Based on this, the average standard rate of Corporation Tax is 26 5%

| | *2011* | *2010* |
|---|---|---|
| | *£000* | *£000* |
| Profit on ordinary activities before tax | 33 | 191 |
| Tax on Profit on ordinary activities at standard rate | 9 | 54 |
| Factors affecting tax charge | | |
| Group relief surrendered and trading losses not recognised in deferred tax | - | ( 34 ) |
| Total | 9 | 20 |

No provision is made for potential deferred tax assets as this is dependent upon the availability of future profits within this Company or the rest of the UK group

NOTES TO THE ACCOUNTS
at 31 December 2011

## 11 INVESTMENTS

| | *Current Value* | |
|---|---|---|
| | *2011* | *2010* |
| Other financial investments | *£000* | *£000* |
| Deposits with credit institutions | 10,492 | 10,536 |
| Units in Collective Investment schemes | 505 | 858 |
| Total investments | 10,997 | 11,394 |

## 12 SHARE CAPITAL

| | *2011* | *2010* |
|---|---|---|
| Allotted and issued | *£000* | *£000* |
| Ordinary shares, fully paid | | |
| 10,000,000 ordinary shares of £1 each | 10,000 | 10,000 |

NOTES TO THE ACCOUNTS
**at 31 December 2011**

## 13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

| | *Share capital* | *Profit and loss account* | *Total* |
|---|---|---|---|
| | *£000* | *£000* | *£000* |
| At 1 January 2010 | 10,000 | 967 | 10,967 |
| Retained profit for the financial year | - | 171 | 171 |
| At 31 December 2010 | 10,000 | 1,138 | 11,138 |
| At 1 January 2011 | 10,000 | 1,138 | 11,138 |
| Retained profit for the financial year | - | 24 | 24 |
| At 31 December 2011 | 10,000 | 1,162 | 11,162 |

## 14 PREPAYMENTS & ACCRUED INCOME

| | *2011* | *2010* |
|---|---|---|
| | *£000* | *£000* |
| Accrued interest | 6 | 5 |
| | 6 | 5 |

NOTES TO THE ACCOUNTS
at 31 December 2011

## 15 OTHER CREDITORS

| | *2011* | *2010* |
|---|---|---|
| | *£000* | *£000* |
| Amounts due to Other Group Companies | 4 | 5 |
| | 4 | 5 |

## 16 CLAIMS OUTSTANDING

| | *Gross* | *Reinsurance* | *Net* |
|---|---|---|---|
| | *£000* | *£000* | *£000* |
| 2011 | 352 | (352) | - |
| 2010 | 379 | (26) | 353 |

In order to arrive at the appropriate level of gross provision, the Company has reviewed the information currently available including outstanding loss advices, past development of notifications and industry benchmarks

It is believed that the aforementioned have been appropriately considered in estimating ultimate losses that have occurred, including future developments in known claims as well as those yet to be reported However, the future uncertainties that are inherent in the estimating process are such that future developments might cause these provisions to be inadequate or excessive