

Kyoei Fire & Marine Insurance Co (UK) Limited

Report & Accounts

31 December 2012



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

Kyoei Fire & Marine Insurance Co (UK) Limited

DIRECTORS' REPORT

The directors present their report and audited Financial Statements for the year ended 31 December 2012

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.

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

RESULTS AND DIVIDENDS

The loss for the year attributable to shareholders amounted to £114,000 (2011 - £24,000 profit). The directors do not recommend payment of a dividend (2011 - £nil).

DIRECTORS

The directors of the Company during the year ended 31 December 2012 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.

Kyoei Fire & Marine Insurance Co (UK) Limited

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

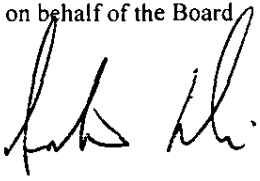
- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information and to establish that 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 an 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 2013

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 2013

Kyoei Fire & Marine Insurance Co (UK) Limited

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 2012 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 2012 and of its loss 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.

Kyoei Fire & Marine Insurance Co (UK) Limited

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 2013

Kyoei Fire & Marine Insurance Co (UK) Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2012

TECHNICAL ACCOUNT - GENERAL BUSINESS		Notes	2012	2011
			£000	£000
Gross premiums written		3	3	5
Outward reinsurance premiums			(3)	(310)
Net premiums written			-	(305)
Earned premiums, net of reinsurance			-	(305)
TOTAL TECHNICAL INCOME			-	(305)
Claims paid	- gross amount	2	14	32
	- reinsurers' share	2	(14)	(12)
	- net of reinsurance		-	20
Change in provision for claims	- gross amount	2	(11)	(27)
	- reinsurers' share	2	11	(326)
	- net of reinsurance		-	(353)
Claims incurred net of reinsurance		2	-	(333)
Net operating expenses		3,4,5,6	123	65
TOTAL CHARGES			123	(268)
BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT			(123)	(37)

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

Kyoei Fire & Marine Insurance Co (UK) Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2012

NON-TECHNICAL ACCOUNT	Notes	2012	2011
		£000	£000
BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT		(123)	(37)
Investment income	7	38	46
Realised gain on investments	7	11	27
Investment expenses and charges	7	(8)	(15)
Exchange (loss)/gain in the year		(32)	12
		<u>9</u>	<u>70</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		(114)	33
Tax on (loss)/profit on ordinary activities	10	<u>-</u>	<u>(9)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAX		<u>(114)</u>	<u>24</u>

There are no recognised gains or losses other than the loss 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

Kyoei Fire & Marine Insurance Co (UK) Limited

BALANCE SHEET at 31 December 2012

ASSETS	Notes	2012	2011
		£000	£000
INVESTMENTS			
Other financial investments	11	10,916	10,997
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Claims outstanding	2,16	327	352
DEBTORS			
Debtors arising out of reinsurance operations		20	31
Corporation Tax		-	4
		<u>20</u>	<u>35</u>
OTHER ASSETS			
Cash at bank and in hand		164	191
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest	14	1	6
TOTAL ASSETS		<u>11,428</u>	<u>11,581</u>

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

Kyoei Fire & Marine Insurance Co (UK) Limited

BALANCE SHEET at 31 December 2012

LIABILITIES	Notes	2012 £000	2011 £000
CAPITAL AND RESERVES			
Called up share capital	12,13	10,000	10,000
Profit and loss account	13	<u>1,048</u>	<u>1,162</u>
Shareholders funds attributable to equity interests	13	<u>11,048</u>	<u>11,162</u>
TECHNICAL PROVISIONS - GROSS			
Claims outstanding	2,16	327	352
CREDITORS			
Arising out of reinsurance operations		20	31
Other Creditors	15	<u>-</u>	<u>4</u>
		<u>20</u>	<u>35</u>
ACCRUALS AND DEFERRED INCOME		33	32
TOTAL LIABILITIES		<u>11,428</u>	<u>11,581</u>

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 2013

Registered No 1235521

Kyoei Fire & Marine Insurance Co (UK) Limited

NOTES TO THE ACCOUNTS **at 31 December 2012**

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 2012

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

Kyoei Fire & Marine Insurance Co (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 2012

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.

Kyoei Fire & Marine Insurance Co (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 2012

2. CLAIMS INCURRED NET OF REINSURANCE

	<i>Gross £000</i>	<i>Reinsurance £000</i>	<i>Net £000</i>
2012			
Claims paid	14	(14)	-
Outstanding claims brought forward	(352)	352	-
Impact of Foreign currency re-statement	14	(14)	-
	(338)	338	-
Outstanding claims carried forward	327	(327)	-
Net decrease	(11)	11	-
Claims incurred	3	(3)	-
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)

3. SEGMENTAL ANALYSIS

	<i>Insurance - Direct £000</i>	<i>Reinsurance - Assumed £000</i>	<i>Total £000</i>
2012			
Gross premiums written	-	3	3
Gross premiums earned	-	3	3
Gross claims incurred	-	(3)	(3)
Gross operating expenses	-	(123)	(123)
Reinsurance balance	-	-	-
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

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

Kyoei Fire & Marine Insurance Co (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 2012

4 NET OPERATING EXPENSES

	2012	2011
	£000	£000
Administrative expenses	<u>123</u>	<u>65</u>
	<u>123</u>	<u>65</u>
Administrative expenses include		
Auditor remuneration - audit fees for the Company's annual accounts and regulatory returns	<u>20</u>	<u>30</u>

The Company's auditor did not provide any other services to the Company in 2012 and 2011

Kyoei Fire & Marine Insurance Co (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 2012

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 £17,086 (2011: £18,403) has been charged into the Company for the provision of these services.

6 DIRECTORS' EMOLUMENTS

	2012	2011
	£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.

Kyoei Fire & Marine Insurance Co (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 2012

7. INVESTMENT INCOME

	2012	2011
INVESTMENT INCOME	£000	£000
Income from other investments	38	46
Gain on the realisation of investments	11	27
Investment expenses and charges	(8)	(15)
Total income	<u>41</u>	<u>58</u>

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

Kyoei Fire & Marine Insurance Co (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 2012

10 TAXATION AND DEFERRED TAXATION

The standard rate of current tax for the year is 26% to March, 31 and 24% thereafter (2011 - 28% and 26%) Based on this, the average standard rate of Corporation Tax is 24.5% (2011 - 26.5%)

	2012	2011
	£000	£000
(Loss)/Profit on ordinary activities before tax	<u>(114)</u>	<u>33</u>
Tax on (Loss)/Profit on ordinary activities at standard rate	<u>(28)</u>	<u>9</u>
Factors affecting tax charge		
Current year unrelieved losses	28	-
Total	<u>-</u>	<u>9</u>

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

Kyoei Fire & Marine Insurance Co (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 2012

11 INVESTMENTS

	<i>Current Value</i>	
	<i>2012</i>	<i>2011</i>
Other financial investments	<i>£000</i>	<i>£000</i>
Deposits with credit institutions	-	10,492
Units in Collective Investment schemes	10,916	505
Total investments	<u>10,916</u>	<u>10,997</u>

12. SHARE CAPITAL

	<i>2012</i>	<i>2011</i>
Allotted and issued	<i>£000</i>	<i>£000</i>
Ordinary shares, fully paid		
10,000,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

Kyoei Fire & Marine Insurance Co (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 2012

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2011	10,000	1,138	11,138
Retained profit for the financial year	-	24	24
At 31 December 2011	<u>10,000</u>	<u>1,162</u>	<u>11,162</u>
At 1 January 2012	10,000	1,162	11,162
Retained loss for the financial year	-	(114)	(114)
At 31 December 2012	<u>10,000</u>	<u>1,048</u>	<u>11,048</u>

14. PREPAYMENTS & ACCRUED INCOME

	<i>2012 £000</i>	<i>2011 £000</i>
Accrued interest	1	6
	<u>1</u>	<u>6</u>

Kyoei Fire & Marine Insurance Co (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 2012

15 OTHER CREDITORS

	2012	2011
	£000	£000
Amounts due to Other Group Companies	-	4
	<u>-</u>	<u>4</u>

16. CLAIMS OUTSTANDING

	Gross £000	Reinsurance £000	Net £000
2012	<u>327</u>	<u>(327)</u>	<u>-</u>
2011	<u>352</u>	<u>(352)</u>	<u>-</u>

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