



**NATIONAL**

**Liability & Fire**

Canadian Branch

# 2026 OSFI B-15 Climate Risk Management Report



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## **Purpose**

This report was prepared to comply with OSFI Guideline B-15 Climate Risk Management and has been prepared using data as of December 31, 2025. Where appropriate, the most recent significant, unusual, or non-routine transactions and activities have been considered. Unless otherwise noted, all amounts are presented in Canadian dollar (“CAD”) and stated on the basis of accounting principles generally accepted in Canada and/or International Financial Reporting Standards.

## **Background**

National Liability & Fire Insurance Company’s Canadian Branch, hereinafter referred to as the “Branch”, is part of the Berkshire Hathaway Inc. (“BHI”) group of insurance companies. The Branch obtained its license to operate in Canada on January 1, 2004. The Branch has requested amendments to its original Order to Insure in Canada at various points as business opportunities have arisen. A summary of licenses held by line of business as of December 31, 2025 is presented in *Appendix A: Branch’s Active Licenses*.

National Liability & Fire Insurance Company (“Company”) is domiciled in the State of Connecticut. Its administrative and Head Office is located in Omaha, Nebraska. The Branch’s registered address is 18 York St #1700, Toronto, Ontario M5J 2TB.

Beginning October 1, 2014, the Branch began writing business through an underwriting division referred to as the Berkshire Hathaway Specialty Insurance Division (“BHSID”), utilizing underwriters employed in Canada. BHSID lines of business include property, liability, errors and omission, surety, and boiler and machinery. As of December 31, 2025, BHSID wrote \$258.4 million in net premiums with \$593.9 million in net reserves. BHSID comprised over 92.2% of the Branch’s net written premium.

The Branch is also a direct member of an aerospace insurance pool for Canadian domiciled aviation business that is managed by Global Aerospace Underwriting Managers (“GAUM”). Northern States Agency Inc, a BHI subsidiary, owns 49% of GAUM. The remaining shares are owned by a non-affiliated entity. The direct aviation risk written is limited to participation in the GAUM pool. As of December 31, 2025, GAUM wrote \$2.9 million in net premiums.

Beginning in 2017, the Branch assumed certain facultative property business underwritten by General Reinsurance Corporation (“Gen Re”), an affiliate of the Company, on the Branch’s paper. As of December 31, 2025, the Branch assumed \$3.4 million of Gen Re written premiums, with net written premiums totaling \$3.2 million.

The Branch enters into larger one-off reinsurance contracts with non-affiliates as part of the Company’s traditional reinsurance (“Trad Re”) segment and also has written direct contracts as part of its Professional Liability & Specialty Risks Division (“PL&SRD”). As of December 31, 2025, the Branch has assumed \$28.6 million of Trad Re written premiums, with net written premiums totaling \$15.3 million. For the same period, the PL&SRD segment has directly written \$407.6 thousand in premiums.

The Branch has reinsurance coverage in place with National Indemnity Company (“NICO”), an affiliate that is an unregistered reinsurer in Canada, to protect itself from losses in excess of \$10 million per occurrence and individual catastrophic events in excess of \$50 million. The Branch also has separate reinsurance coverage in place with NICO specific to the GAUM pool. NICO’s policyholder surplus as of December 31, 2025 totaled \$259.1 billion USD.

The Branch generates minimal carbon emissions. The Branch also considers initiatives to assess, reduce, and mitigate Greenhouse Gas (“GHG”) emissions as part of the strategic planning process. This informal process typically estimates the rate of return on investments in carbon-reduction technologies and the overall benefit to the environment. Ongoing GHG and other related environmental conservation initiatives within the Branch’s daily operations include the following:

- Implementing technology, equipment, and processes to reduce electricity and natural gas usage, such as transitioning from fluorescent to LED lighting, motion sensor lighting, installing high efficiency window blinds, and computer controlled thermostats;
- Updating computer equipment to take advantage of cutting-edge technology, often reducing energy usage as well as adding more computing power while using less equipment;
- Considering the benefits of increased work location flexibility and virtual meetings. This includes assessing the carbon footprint impacts associated with office space, commuting, and associated travel;
- Advocating the recycling of paper, glass, and plastics to all personnel and providing options to make recycling convenient at office locations;
- Encouraging electronic communication versus paper usage;
- Supporting the use of reusable cups to reduce one time use products; and
- Employing imaging technology to replace paper usage and long-term information storage.

## **Governance**

The Branch’s Management Committee ensures that process and controls designed to manage climate change risk are effective. Individual responsibilities may be delegated to officers or designees. Each of these representatives may have a vital and important role to fill in ensuring that risk is effectively managed within the Branch, but the Management Committee is the body ultimately accountable.

To ensure effective climate risk management processes and controls, the Branch’s Management Committee completes the following tasks:

- Proactively monitors climate change risk relative to the Branch’s tolerance limits on a regular basis and collaborates with impacted stakeholders to develop management actions when risk exposures breach tolerance limits. Note, the Branch has operated within risk tolerance since Climate Change Risk was added to the key risk inventory in 2020;

- Proposes amendments and updates to the climate change risk tolerance measures;
- Establishes the Branch's climate ambitions and metrics;
- Updates the Branch's climate transition plan;
- Monitors legal and regulatory changes that may adversely impact the Branch's future operating results. Over time, in response to environmental issues, regulatory initiatives have been adopted in various jurisdictions that may impact operating results. Increased regulatory compliance constraints could have a significant negative impact on the Branch's insurance businesses; and
- Periodically (at least annually) reports on its climate change risk management activities to the NICO Group's Enterprise Risk Management Committee.

At a minimum, the Branch's Management Committee includes the following members:

- Chief Agent for Canada (Chair)
- Country Manager for Canada
- Global Legal, Compliance, Risk & Governance Officer, BHSID
- Chief Financial Officer and Global Head of Finance, BHSID
- Vice President and Senior Counsel, BHSID and Branch CCO
- Controller, NICO (Head Office)
- Financial Reporting Manager, NICO (Head Office)
- Deputy CRO, BHRG and Branch CRO

Through a combination of qualitative and quantitative analyses, the Branch's Management Committee determined the events triggered by increased frequency and severity of weather events may result in more than \$25 million in losses.

The Country Manager for Canada is responsible for executing the Branch's business strategy. The strategic planning processes include consideration of climate related risks and opportunities. The Country Manager for Canada provides the Branch's Management Committee with quarterly performance updates.

Compensation and incentive plans are not directly linked to climate change risk management. Such a metric is a factor judgmentally considered.

### **Risk Management**

As of December 31, 2025, the Branch has a BAAT ratio of 526%, in which the excess net assets available over the minimum margin required is \$795.1 million. In general, the Branch does not set business volume goals but instead writes business that is expected to earn an underwriting profit. The Branch believes its capital and liquidity resources provide a margin of safety beyond the worst-case scenario downside impact of all the assumed risks.

The Branch's primary exposure to climate change risk arises from its P&C insurance and reinsurance business. P&C insurance policies and reinsurance agreements are customarily written for one-year terms and repriced annually to reflect changing exposures (increased possibilities of loss translate promptly into increased premiums). The Branch's Management Committee closely monitors and evaluates the potential frequency and

severity of natural catastrophe risks, including those that could be potentially influenced by climate risk.

Climate change will likely have different implications for the different lines of insurance that are underwritten in the Branch, including commercial liability lines, commercial property lines, and reinsurance. Each segment management team focuses on the implications for its particular underwriting specialties and modifies its underwriting approach based on a variety of actuarial and underwriting techniques that consider the potential frequency and severity of natural catastrophes.

To manage the physical, transition, and other risks associated with climate change, the Company, while taking into account the Branch, conducts robust catastrophe modeling. The climate risk focused stress testing considers the following impacts:

- **Natural Catastrophe Risk** – The Company is exposed to physical risks of climate change, including a potential increase in severe weather-related events. The stresses include multiple 500-year events. The Branch’s Management Committee believes this approach is more meaningful/conservative than a time-based approach.
- **Transition Risk** – The Company could face Transition Risk if companies in the investment portfolio face sudden drops in asset values or increased credit risk as a result of the transition to a lower carbon economy. The Company incorporates the mid-term shocks utilized in the Net Zero by 2050 Scenario to stress Transition Risk.
- **Litigation Risk** – The Company could be exposed to Litigation Risk if parties who have suffered losses and damages from climate change seek to recover from insureds whom they believe are responsible.
- **Pricing Risk** – The Company protects itself against Pricing Risk in its P&C insurance policies in the coverage term, which is customarily written for one year and repriced annually to reflect changing exposures (increased possibilities of loss translate promptly into increased premiums). This reduces the climate change driven residual pricing risk significantly and eliminates the need for a pricing risk stress. The Company, in coordination with the Branch, revisits this assumption on an ad hoc basis.
- **Underwriting Risk** – Certain climate change mitigation efforts are expected to decrease the demand for insurance for industries that produce non-renewable resources (i.e., coal, natural gas, and oil). Other mitigation efforts are likely to reduce the population of insureds for certain business units (i.e., auto and airline) leading to a decreased pool of insureds and associated premium.

Climate change risk is also a stand-alone risk in the Branch’s key risk inventory. The risk is assigned to the CRO to own and continuously monitor. This includes assisting the Branch’s Management Committee in monitoring compliance with the Branch’s climate change risk tolerance measures presented below:

Key Risk	Risk Measure	Within Tolerance	Early Warning	Tolerance Breach
Climate Change Risk	Post-Stress (Company Level)	NAIC RBC exceeds 350% post application of the inventory of Climate Change stress tests.	NAIC RBC is between 300% and 350% post application of the inventory of Climate Change stress tests.	NAIC RBC falls below 300% post application of the inventory of Climate Change stress tests.

The impact of how climate related risks affect key risks such as business continuity, underwriting, emerging, reputational, and market risks is also monitored by the CRO, who then provides periodic climate change risk updates to the Branch’s Management Committee.

**Climate Related Risks**

Climate related risks are assessed over the short term (0-5 years), medium term (5-15 years), and long term (15+ years). Due to the high levels of uncertainty regarding the nature, timing, and magnitude of climate related risks, it is not possible to estimate the timing of the impacts with any level of precision.

Risk Type	Key Risk	Timeframe	Potential Impact	Risk Mitigation
Physical	Business Continuity	Short/Medium Term	Interruption to ongoing operations.	Effective Business Continuity and Disaster Recovery Plans.
	Underwriting	Long Term	Decrease in demand for insurance for industries that produce non-renewable resources (i.e., coal, natural gas, and oil).	Superior capital strength that allows for an opportunistic approach when entering new lines of business.
Transition	Emerging	Short/Medium Term	Fines and/or penalties for failing to comply with legal and regulatory changes.	The Branch’s Management Committee monitors compliance with climate related regulations.
	Reputational	Medium Term	The Branch’s reputation is negatively impacted for failing to comply with publicly stated climate ambitions.	The Branch’s Management Committee monitors compliance with publicly stated climate ambitions.

	Market (Asset)	Long Term	The investment portfolio faces a sudden drop in asset values.	Transition risk related to investments is included in the Climate Change specific stress testing. Capital adequacy is assessed post stress. Currently, all holdings are Canadian Government backed securities.
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**Climate Related Opportunities**

The Branch continuously monitors the impact climate related risk could have on its various lines of business and assesses the potential impact on pricing as well as underwriting and risk selection. As a result of this monitoring and assessment process, it is possible that policy terms and conditions could be updated or revised to reflect changes in such risk. Likewise, opportunities to enter new lines may be identified as a result of these reviews.

As noted above, the Branch’s risk decisions are dictated by an expectation of an economic profit within the aggregate risk tolerance limits regardless of marketplace acceptance of those risk decisions. The Branch has demonstrated a willingness to assume multiples of its current levels of risks if the opportunities exist. Likewise, the Branch has shown an equally demonstrated willingness to assume only a fraction of the current risks if market conditions do not allow our risk assessments to prevail.

**Climate Ambitions and Metrics**

The appropriateness of the Branch’s Climate Ambition and Metrics are assessed by the Branch’s Management Committee on an annual basis (at a minimum).

Metric	Description	How it is measured	Current ambition
Transition Risk impact on the Branch's portfolio.	Portfolio exposure to carbon intensive assets.	Percentage of bonds and equities exposed to carbon risk.	The Branch's equity and bond portfolio will continue to be managed to appropriately limit undue exposure to transition risk. Currently, all holdings are Canadian Government backed securities.
Business Continuity during inclement weather events.	Increasing volatile weather and environmental changes generate extreme storms that pose a risk to business continuity.	Percentage of employees engaged during a severe weather event.	95% of Branch personnel are able to complete their employment responsibilities during a severe weather event that negatively impacts the ability to safely travel to / from the office. This metric would be reassessed in the event of a prolonged power outage.

**Greenhouse Gas (“GHG”) Metrics**

Where appropriate, the Branch follows the GHG Protocol Corporate Standard methodology. The Branch adopted the Financial Control method to account for GHG emissions. The Branch does not occupy owner-occupied offices or employ a corporate fleet.

Emissions	tCO2e
<b>Scope 1:</b> Direct GHG Emissions from company-owned buildings, fleets, or equipment (e.g., therms, fuel consumption).	Not applicable.
<b>Scope 2:</b> Indirect GHG emissions from the generation of purchased energy by owner occupied offices.	Not applicable.
<b>Scope 3:</b> Indirect GHG emissions that occur in a company's value chain.	Scope 3 emissions are not in scope for fiscal year 2025.

**Conclusion**

The Branch’s Management Committee concludes it has the financial resources and underwriting discipline to mitigate the risks associated with climate change. This includes the ability to successfully navigate the high level of uncertainty regarding the nature, timing, and magnitude of climate related risks.

## Appendix A: Branch's Active Licenses

Line of Business	Federal		Provincial											
	OSFI		Alberta		British Columbia		Manitoba		New Brunswick		Newfoundland		Northwest Territories	
	Authorized	Reinsurance Only	Authorized	Reinsurance Only	Authorized	Reinsurance Only	Authorized	Reinsurance Only	Authorized	Reinsurance Only	Authorized	Reinsurance Only	Authorized	Reinsurance Only
Accident & Sickness	X		X		X		X		X		X		X	
Aircraft	X		X		X		X		X		X		X	
Auto	X		X		X		X		X		X		X	
Boiler & Machinery	X		X			X	X		X		X		X	
Credit		X		X		X		X		X		X		X
Fidelity	X		X			X	X		X		X		X	
Hail		X		X		X		X		X		X		X
Legal Expense		X		X		X		X		X		X		X
Liability	X		X		X		X		X		X		X	
Marine	X		X			X	X		X		X		X	
Property	X		X		X		X		X		X		X	
Surety	X		X		X		X		X		X		X	
Fire (Quebec Only)														

Continued

Line of Business	Provincial													
	Nova Scotia		Nunavut		Ontario		Prince Edward Island		Quebec		Saskatchewan		Yukon	
	Authorized	Reinsurance Only	Authorized	Reinsurance Only	Authorized	Reinsurance Only	Authorized	Reinsurance Only	Authorized	Reinsurance Only	Authorized	Reinsurance Only	Authorized	Reinsurance Only
Accident & Sickness	X		X		X		X		X		X		X	
Aircraft	X		X		X		X		X		X		X	
Auto	X		X		X		X		X		X		X	
Boiler & Machinery	X		X		X		X		X		X		X	
Credit		X	X			X		X				X		X
Fidelity	X		X		X		X		X		X		X	
Hail		X	X			X		X				X		X
Legal Expense		X	X			X		X				X		X
Liability	X		X		X		X		X		X		X	
Marine	X		X		X		X		X		X		X	
Property	X		X		X		X		X		X		X	
Surety	X		X		X		X		X		X		X	
Fire (Quebec Only)									X					