Owning the Journey

DECEMBER 27, 2018

Team,

I hope this note finds you well and enjoying the holiday season.

As 2018 comes to a close and we move forward into our sixth full year of building and operating BHSI, I want to take the opportunity to pose to all of you a question that was posed to me recently by one of our newer team members, which is, “Is the BHSI culture and approach to doing business scalable – can it be sustained as we get bigger?”

This question, or some derivation thereof, is a question that has been posed to me, and others, on numerous occasions since BHSI was launched over five years ago, and it is a question I, and others, are contemplating with greater frequency as the number of BHSI team members increases and we are dispersed across more countries and offices. In my opinion, it is a great question and one that I am pleased is being asked and contemplated by many of you – and it is a topic that I’d like to address as the central theme of my year-end note to all of you. If you read this note, please recognize that this is a topic with many dimensions that I shall attempt to address in summary fashion, which will naturally leave my thoughts and views incomplete and unfinished – the good news, from my perspective, is this will leave us with lots of room to continue the conversation. You should expect to hear more from me on the topic, and importantly, I would like to hear from all of you.

Before I offer you any additional thoughts, since there is a chance that some of you will not read this entire note, let me start by stating my answer to the question: “Yes, but…”. Read on from here if you’d like to understand why I answered the question the way I did, and what I believe we need to do to ensure it happens.

# LEVEL SETTING – THE BHSI CULTURE, BROADLY DEFINED

Let’s start with a basic level setting question before answering the above stated question - What is the BHSI culture?: It’s a series of core values and guiding principles, and it’s the actions, attitudes, and behaviors of our team members. It shows up in how the company feels to current and prospective team members, and to our customers, brokers, and other business partners. It’s the way we go about underwriting and claims handling, to the manner in which we operationalize the company. Our culture cuts across all that we do and how we do things.

Over the last five years we’ve been focused and purposeful in building the culture at BHSI. Early in our journey we developed our core values and, over a brief period of time, established a series of guiding principles and descriptive sayings to help define who we are. So, what level of importance do they have to us? They’re hugely important to us. Our culture, including our core values and guiding principles, 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”. Additionally, by having a clear set of values and cultural characteristics, we are better able to 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”.

Now on to the original question, and the reasons I believe the answer to the question is “yes, but…”.

# A HEALTHY SIGN - WE’RE OFF TO A GOOD START

The fact that the above stated question is being asked and that it is of concern to BHSI team members is a terrific sign, as it indicates that people generally feel good about the company and that we have found ways to create an environment that people believe in and want to be a part of – otherwise, why would you want to sustain the culture? So, we’re off to a good start.

Additionally, a lack of concern with the sustainability of our culture and approach to doing business would be a very poor sign as it would suggest at best a lack of awareness within the company as to the importance we place on who we are and the way we do things, and at worst it might indicate that we’ve gotten the approach wrong or that we don’t have the right rigor around keeping it alive and well in the company – either of these views, or pretty much anything in-between, would be suboptimal. Again, we’re off to a good start.

Lastly, a healthy dose of concern on this topic coupled with a team filled with people who have a high level of care gives us a great way forward, and I believe, the ability for the BHSI culture to remain a competitive differentiator that can stand the tests of both time and size. Once again, we’re off to a good start.

# STAYING THE COURSE - HOW DO WE KEEP IT GOING?

The perpetuation of the BHSI culture and approach to doing business requires an investment of time and a sense of ownership by each and every team member. While we have done good work in creating a foundation and a framework within the company, and thus far executing well within and against that framework, in order for the environment to remain healthy and vibrant requires attention and nurturing. So what must we do in order to keep it going?

We must keep the connectivity level of the team high. The BHSI Team Outing, regional, product line, and functional team meetings are a great way to create and sustain connectivity. New team member welcome emails and responses, hoodies, hand written thank you notes, phone calls or in person meetings versus email, and simple things like acknowledging people by name and with a pleasant and upbeat tone all contribute to the connectivity of the team.

We must keep the engagement level of the team high by creating an environment imbued with care and ownership, and one that feels challenging and rewarding to our team members. My newest expression is, “don’t crowd the playing field” – as opposed to adding additional team members, lets challenge ourselves to find existing, high performing team members who can and want to take up the challenge of doing more and making additional contributions – it’s a great way to keep people engaged.

We must keep the trust level in the organization high. As I’ve stated in the past, trust is an essential ingredient to our success – our ability to make decisions quickly and confidently, to operate the company with simplicity as a core principle, and to have a work environment that feels healthy, depends on it. Trust is something we must all work to both earn and demonstrate. Every engagement we have with one another should be seen as an opportunity to increase the reservoirs of good will amongst us through the demonstration of positive intent, a high level of care, and selflessness. Importantly, a high degree of integrity in all that we do will engender trust.

We must balance urgency with thoughtfulness. We’ve been afforded a terrific opportunity to build a business at Berkshire Hathaway. We should do so with a great sense of urgency and pace, while at the same time maintaining a high level of thoughtfulness. Let’s continue to play the long game, keep an intense focus on both growth and profitability, and recognize that the former without the latter is short sighted and unacceptable.

We must make simplicity a true north. The business world is generally an unnecessarily complex environment. Simplicity is a stimulant for value creation, while complexity will impede and impair value creation. We have the opportunity and the ability to use simplicity to outperform the competition.

We must stay focused and avoid non-essential activity and distractions. Before we do something we should ask ourselves questions such as, what is the return on our time from this activity?, is this the best use of our time?, will this activity further our business objectives? The answers to these questions aren’t always obvious or able to be measured perfectly – nonetheless, we should make sure we are challenging ourselves and one another to stay focused on value added activities.

We must be active managers of the business. To get the most out of the opportunity, to evolve, course correct in real time (as opposed to requiring major overhauls and restructurings), we must roll up our sleeves and be actively engaged in all aspects of the business. To do so requires a strong work ethic, a sense of ownership, curiosity, a desire and willingness to ask questions, and the courage and conviction to challenge, in an appropriate way, the status quo and default positions.

We must be customer focused, and always remember that our customers, brokers, and other business partners have options. We should work to make them want to do business with BHSI by providing strong service and an overall great customer experience.

We must put forth an extraordinary effort – working long, hard, and smart are all necessary if we are to recognize our full potential.

We must excel at learning. Regardless of our current level of knowledge, we must out-learn our competitors. We must take advantage of the learnings from claims. It will take maturity to acknowledge where we have missed the mark from our original underwriting evaluation. Ours is a complex and evolving business and our long term success will depend on excellence in our capability to learn and evolve with it.

We must focus on people. Doing so requires strong rigor on who we ask to be on the team, vigilance and skill in managing the performance of each team member, and recognition that if we’ve selected the right team members none of them need to work at BHSI – we must show them compelling reasons why they should want to work at BHSI. If we hire people with great capabilities and strong character, we greatly increase the likelihood of achieving a positive and sustainable financial result and experience. People with great capabilities and strong character will develop strong strategies and execute effectively, and in so doing will perpetuate our ability to attract additional talented people to BHSI, and importantly, to reward our greatest contributors with increasing levels of responsibility and new opportunities. Our success begins and ends here.

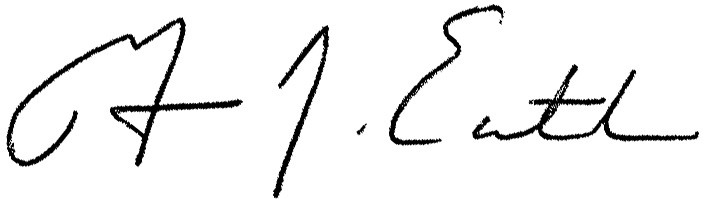
Lastly, we must never forget how difficult the property, casualty and specialty lines insurance business is. Over the course of the five years that BHSI has been in existence, we’ve operated in an environment of generally deteriorating market conditions, and with a starting point in 2013 that wasn’t one that we would say was in our favor. Additionally, in the past two years, we’ve been faced with significant catastrophe activity, from hurricanes in the U.S., cyclones in Australia, typhoons in Asia, and an earthquake in New Zealand. Let’s make sure our feet are firmly planted on the ground, our eyes are wide open, and that we’re always being honest with ourselves about our performance – building a business with top decile underwriting results requires us to be.

# OWNING THE JOURNEY

So, “Is the BHSI culture and approach to doing business scalable – can it be sustained as we get bigger?” Yes, I think it is, but it will require each of us to take ownership for ensuring that in fact it does. Each of us must periodically ask ourselves, “am I doing all of the things that are required and necessary to make BHSI the finest property, casualty and specialty lines insurance company in the world?” – and again, we must be honest with ourselves when we answer the question. Our success depends on each of us doing all of the things I’ve outlined above (and more), and for us to be resolute and tireless in our pursuit of excellence. Excellence requires the setting of high standards in all that we do – in underwriting, claims handling, and expense management, and in how we operationalize the company. Excellence must be pervasive throughout BHSI. The great thing is we’re off to a strong start, with a foundation and a framework that work, a terrific team, and a strong execution mindset – let’s stay focused and continue to build the right way.

Thanks for all you do for BHSI, for being on the team, and for making the company a place that I remain excited and proud to be part of – more importantly, I hope you are as well.

Sincerely,



Peter Eastwood

President & Chief Executive Officer

p.s. I look forward to updating you on our progress in building BHSI once 2018 ends and our fourth quarter and full year 2018 financial results are complete. Also, to assist you in continuing to contemplate the above stated questions, I’ve attached to this note our core values and guiding principles/descriptive sayings documents.