 

Year End Note

DECEMBER 31, 2013

Team,

On this day, the last day of 2013, I want to take the opportunity to thank all of you for your contribution to the success of Berkshire Hathaway Specialty Insurance. As I have said repeatedly, it is people that bring definition to a business and determine the level of success that is achieved, and thus it is through your hard work and dedication that we have made the progress that we have made since we launched our business some roughly eight months ago.

When we started the business on April 29, we did so with a mandate and an objective to build a long term focused property casualty insurance organization. We were given a blank sheet of paper and told that we could build the business anywhere in the world, and that we could enter virtually any product line area that we felt could produce a sustainable profit for Berkshire Hathaway. With that broad mandate, the work began to stand up the organization - to hire talented people; to develop policy forms, endorsements, quote and binder templates, and rating tools; to secure real estate, computers, telephones, and office supplies; to define a distribution strategy and appoint brokers; to develop a logo, a brand, and related marketing materials; to establish policies, procedures and protocols for operating the business; to develop a culture and to begin to define who we are and what we stand for; and to enter the marketplace and compete for the support of brokers and customers, and to win their business. While there is much work that remains to be done, I am proud to say that we have accomplished much in a short period of time.

Perhaps our most significant accomplishment is that today we stand 82 people strong - 82 talented people with diverse backgrounds and experiences who have been brought together to build our organization and operationalize it - again, to define who we are as a group and to determine what it feels like for our customers, brokers, and other business partners to do business with us, and for each of us to work for the organization. In making hiring decisions, we have focused intensely on “capabilities” and “character”, working hard to ensure that the people we have brought into the organization will make smart decisions and do so with a high degree of professionalism and integrity. We will continue this intense focus on “capabilities” and “character” as it is critical to our success, and as we move forward we will increasingly focus on ensuring that we are operating as a high performing team, taking the best of what each of us has to offer and bringing it together to create a collective effort that is unmatched in our business - stated simply, we will win together.

As we look to 2014, and as the team continues to come together, we will build on the success that we have had to date and both expand and refine the core of what we have established. Our product line capabilities and strategies will continue to evolve as we bring additional talented people onto the team and as we look to meet the needs of an evolving landscape and customer base and the opportunities that they present. Importantly, each of our product line groups has well thought out strategies and are well underway in executing on them. In terms of geography, in the U.S. our primary focus will be to continue to add people to the five offices that we have established, with consideration being given to additional offices over time if we feel it is necessary to have more locations to meet the demands of brokers and customers. We will look to expand our geographic reach to countries outside the U.S., both for purposes of executing a U.S. multi-national strategy, as well as to prosecute indigenous business in those countries where we establish operations. In the areas of customer and broker engagement and marketing communications, we will continue with our strategies for both broad and targeted outreach to both customers and brokers, utilizing our customer advisory board, strategic planning sessions with brokers, media outreach and engagement, advertising, direct mailings, customer and broker receptions and events, and participation in industry conferences. On the operations, technology, and actuarial fronts, we will make investments in people and systems that allow us to work increasingly efficiently and cost effectively, leverage data to make informed decisions, and create a highly productive and responsive organization. Within our claim handling group, the team will continue to support each of our businesses in engaging with brokers and customers and evaluating business opportunities, while simultaneously executing a strategy that not only has us positioned with both the ability and willingness to pay covered losses, but with a team that can affect outcomes. On the legal and compliance front, the focus will be to continue to assist the business in executing transactions, working on our international expansion plans, and developing protocols that ensure we are compliant with the regulations of our host countries. In the area of human resources, while our growth will allow us to remain focused on attracting talented people, our growing colleague base will afford us the opportunity to turn our attention to a more organized effort around employee development. As you can see, we have a lot of great activity taking place across the organization, which will continue to result in opportunities for all of us.

As we move our business forward, I’m certain that there will be challenges that we will have to overcome, but I am confident that with the team we have in place there will be considerably more opportunities. As we move forward it is important for all of us to remember that our principal assets are our people and our financial capital. They are inextricably linked and we must develop both for the organization to be successful over the long term. I am committed to doing so, and ask that all of you commit yourselves to doing so as well. Additionally, we must recognize that opportunity for all of us stems directly from our success in capitalizing on opportunity in the market place, and that our strategies must be executed flawlessly and with great pace. I am confident that we are up to the task. Importantly, let’s make sure we’re having some fun along the way and always demonstrating passion for who we are and what we do - small things such as team “hoodies” will be a part of who we are!

To end, I want to thank all of you again for your efforts this year in getting our business off to a great start, on what I’m certain is going to be an exciting decades long journey. You did so with a high degree of professionalism, integrity, resolve, and caring. I’m proud to be a part of the team, and I look forward to continuing to build our business with all of you. Congratulations on a job well done. My family joins me in wishing all of you and your respective families a happy, healthy, and exciting New Year.

Happy New Year! Enjoy your evening and the day tomorrow. I look forward to a great 2014 with all of you. Sincerely,

Peter Eastwood

President & Chief Executive Officer