



STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF THE
FIRST BERKSHIRE HATHAWAY
LIFE INSURANCE COMPANY

CONDITION:

December 31, 2006

DATE OF REPORT:

April 13, 2007

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

FIRST BERKSHIRE HATHAWAY

LIFE INSURANCE COMPANY

AS OF

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EXAMINER:

DENNIS G. BENSON

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

Eliot Spitzer
Governor

Eric R. Dinallo
Superintendent

April 13, 2007

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22557, dated October 30, 2006 and annexed hereto, an examination has been made into the condition and affairs of First Berkshire Hathaway Life Insurance Company, hereinafter referred to as "the Company," at its home office located at the Marine Air Terminal, LaGuardia Airport, Flushing, New York 11371.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2006 filed annual statement. (See item 5 of this report)

The Company violated Section 1505(a) of the New York Insurance Law by failing to reimburse an affiliate a reasonable amount for services provided under a service agreement. (See item 3B of this report)

The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to comply with the terms of its approved service agreement with NICO by reimbursing BHLIC for services provided by NICO. (See item 3B of this report)

2. SCOPE OF EXAMINATION

This is the first examination of the Company. This examination covers the period from March 21, 2003 through December 31, 2006. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2006 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2006 to determine whether the Company's 2006 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

- Company history
- Management and control
- Corporate records
- Territory and plan of operation
- Market conduct activities
- Growth of Company
- Business in force by states
- Mortality and loss experience
- Accounts and records
- Financial statements

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

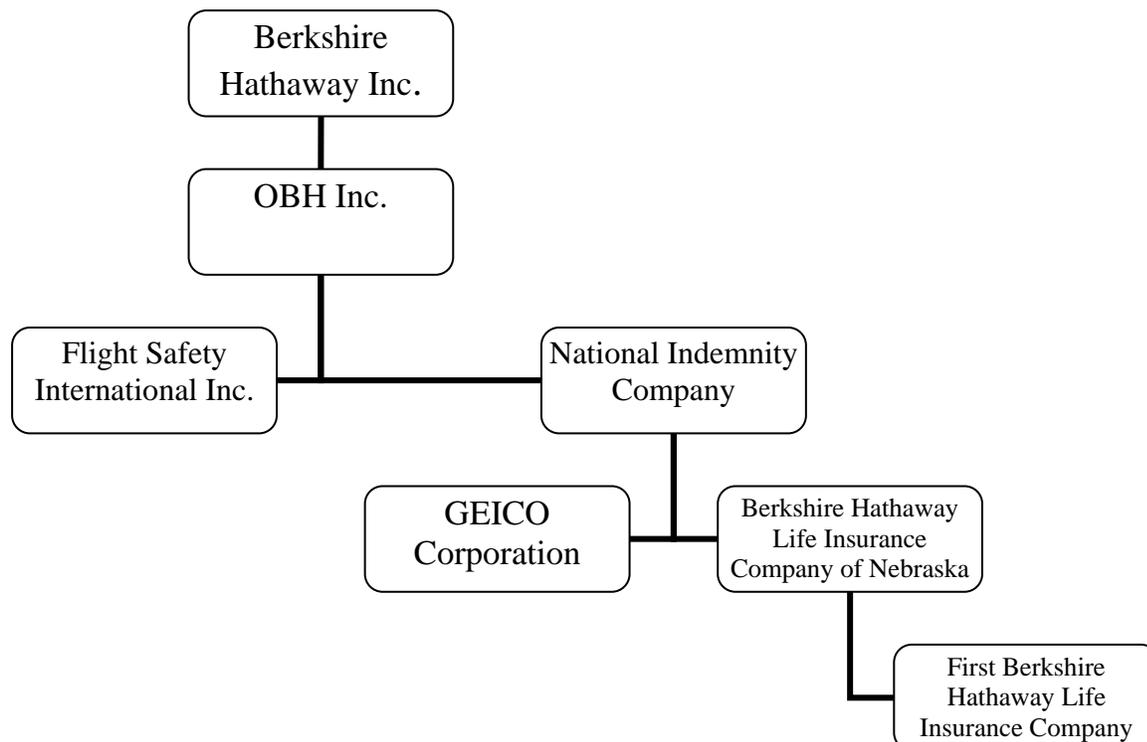
A. History

The Company was incorporated as a stock life insurance company on September 22, 1998, pursuant to the provisions of Section 1201 of the New York Insurance Law. The Company was licensed on March 21, 2003 and commenced business on that same day. Initial resources of \$8,000,000 consisted of \$6,000,000 of paid in and contributed surplus and \$2,000,000 of common capital stock which was provided through the sale of 2,000 shares of common stock with a par value of \$1,000 per share.

B. Holding Company

The Company is a wholly owned subsidiary of Berkshire Hathaway Life Insurance Company of Nebraska (“BHLIC”). BHLIC was organized and licensed as a life insurer in the State of Nebraska in 1993 and is an accredited reinsurer in New York. BHLIC is a wholly owned subsidiary of National Indemnity Company (“NICO”). The ultimate parent of the Company is Berkshire Hathaway Inc., a Delaware corporation.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2006 follows:



The Company had 4 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Providers of Services	Recipients of Services	Specific Services Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services 0025287A	12/1/02	NICO	The Company	Payroll, rent audit, legal, etc.	2006 \$(69,842) 2005 \$(19,320) 2004 \$(8,884)
Investment Services 0025287A	12/1/02	NICO	The Company	Investment management	2006 \$0** 2005 \$0** 2004 \$0**
Office Lease 0025287A	12/6/02	GEICO Corporation	The Company	Office space	2006 \$0 2005 \$0 2004 \$0
Office Lease 0036093	11/28/06	Flight Safety International Inc.	The Company	Office space	2006 \$0

* Amount of income or (expense) incurred by the Company

** The transactions involving this service agreement were immaterial

The Company participates in a federal income tax allocation agreement with BHLIC and NICO.

Section 1505(a) of the New York Insurance Law states:

“Transactions within a holding company system to which a controlled insurer is a party shall be subject to the following:

- (1) the terms shall be fair and equitable;
- (2) charges or fees for services performed shall be reasonable; and
- (3) expenses incurred and payments received shall be allocated to the insurer on an equitable basis and in conformity with customary insurance accounting practices and consistently applied.”

As indicated by the service agreement table above and supported by the examiner’s review of the Company’s books of account, the Company did not reimburse GEICO Corporation for the use of office space provided under the lease agreement occurring during the examination period.

The Company violated Section 1505(a) of the New York Insurance Law by failing to reimburse an affiliate a reasonable amount for services provided under a service agreement.

Section 1505(d) of the New York Insurance Law states, in part:

“The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period . . .

(3) rendering of services on a regular or systematic basis . . .”

A review of the Company’s books of account and workpapers indicated that a significant portion of the amount paid by the Company for the administrative services provided by NICO was actually paid to BHLIC instead of NICO. All administrative services were performed by NICO; BHLIC did not provide any services to the Company.

The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to comply with the terms of its approved service agreement with NICO by reimbursing BHLIC for services provided by NICO.

The examiner recommends that NICO bill the Company directly for any services they are providing rather than process expenses through other affiliates.

C. Management

The Company’s by-laws provide that the board of directors shall be comprised of not less than 9 and not more than 15 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2006, the board of directors consisted of 9 members. Meetings of the board are held quarterly.

The 9 board members and their principal business affiliation, as of December 31, 2006, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
John D. Arendt Norwalk, CT	Vice President National Liability & Fire Insurance Company	1999
Norman H. Denenberg* Omaha, NE	Attorney Self Employed	2002
Cynthia A. Gable* Easton, CT	Director Federal Executive Board	1998
Marc D. Hamburg Omaha, NE	Treasurer and Vice President Berkshire Hathaway Inc.	1998
Ajit Jain Rye, NY	Executive Vice President National Liability & Fire Insurance Company	1995
Arvind Krishnamurthy New York, NY	Assistant Vice President National Liability & Fire Insurance Company	1998
Forrest N. Krutter Omaha, NE	Senior Vice President and Secretary National Indemnity Company	1994
Robert M. LeBlanc* Newtown, CT	Managing Director Onex Investment Corporation	1998
Kevin G. Snover* West Babylon, NY	Attorney Self Employed	1998

* Not affiliated with the Company or any other company in the holding company system

The examiner requested the minutes for the audit committee meetings. The Company responded that there were no separate audit committee meetings. The Company has indicated that their independent committee members plan to conduct regularly-scheduled meetings, coinciding with the regular board of director meetings, in the future.

The Company indicated that their independent directors are: Mr. N. Deneberg, Ms. C. Gable, Mr. R. LeBlanc, and Mr. K. Snover. The Examiner's review of the board of director meeting minutes for 2004, 2005, and 2006 indicated that only Mr. Snover attended the board of director meetings; Mr. Deneberg, Ms. Gable, and Mr. LeBlanc did not attend any of the board

meetings. The Company has indicated that they will strive for greater attendance of their independent directors at the board of director meetings.

The examiner recommends that the Company terminate, in a timely manner, any directors whom do not regularly attend the board of director or board of director committee meetings.

The following is a listing of the principal officers of the Company as of December 31, 2006:

<u>Name</u>	<u>Title</u>
Donald F. Wurster*	President
Ajit Jain	Executive Vice President
Forrest N. Krutter	Vice President and Secretary
Dale D. Geistkemper	Treasurer and Controller

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. Territory and Plan of Operation

The Company is authorized to write life insurance and annuities as defined in paragraphs 1, and 2 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in 3 states, namely New York, Nebraska, and Missouri. In 2006, 90% of annuity considerations were received from New York and 10% were received from Missouri.

The Company markets structured settlements and individual immediate annuities. The Company has only one structured settlement and four immediate annuities in force. The Company intends to continue bringing in contracts through its holding company group well as from direct marketing over the internet. The Company has no agency operations.

E. Reinsurance

As of December 31, 2006, the Company had no reinsurance treaties in effect.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	<u>December 31,</u> <u>2003</u>	<u>December 31,</u> <u>2006</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$8,584,537</u>	<u>\$10,081,697</u>	<u>\$1,497,160</u>
Liabilities	<u>\$ 284,474</u>	<u>\$ 817,066</u>	<u>\$ 532,592</u>
Common capital stock	\$2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	6,000,000	6,000,000	0
Unassigned funds (surplus)	<u>300,063</u>	<u>1,264,631</u>	<u>964,568</u>
Total capital and surplus	<u>\$8,300,063</u>	<u>\$ 9,264,631</u>	<u>\$ 964,568</u>
Total liabilities, capital and surplus	<u>\$8,584,537</u>	<u>\$10,081,697</u>	<u>\$1,497,160</u>

The Company's invested assets as of December 31, 2006, were mainly comprised of bonds (94.4%).

The Company's entire bond portfolio, as of December 31, 2006, was comprised of investment grade obligations.

The following is the net gain from operations by line of business after federal income taxes but before realized capital gains reported for each of the years under examination in the Company's filed annual statements:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Individual annuities	\$ 0	\$324,925	\$203,535	\$181,817
Group annuities		0	145,851	123,321
All other lines	<u>\$320,124</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$320,124</u>	<u>\$324,925</u>	<u>\$349,386</u>	<u>\$305,138</u>

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2006, as contained in the Company's 2006 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2006 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2006

Admitted Assets

Bonds	\$ 9,974,173
Cash, cash equivalents and short term investments	56,195
Investment income due and accrued	<u>51,329</u>
 Total admitted assets	 <u>\$10,081,697</u>

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 592,468
General expenses due or accrued	12,430
Taxes, licenses and fees due or accrued, excluding federal income taxes	700
Current federal and foreign income taxes	164,282
Asset valuation reserve	21,356
Payable to parent, subsidiaries and affiliates	<u>25,830</u>
 Total liabilities	 <u>\$ 817,066</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	6,000,000
Surplus	<u>1,264,631</u>
Total capital and surplus	<u>\$ 9,264,631</u>
 Total liabilities, capital and surplus	 <u>\$10,081,697</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Premiums and considerations	\$ 0	\$ 40,000	\$ 493,727	\$110,263
Investment income	<u>492,778</u>	<u>518,934</u>	<u>546,453</u>	<u>571,815</u>
Total income	<u>\$492,778</u>	<u>\$558,934</u>	<u>\$1,040,180</u>	<u>\$682,078</u>
Benefit payments	\$ 0	\$ 0	\$ 11,563	\$ 39,842
Increase in reserves		46,067	458,073	88,328
Commissions		0	0	10,263
General expenses and taxes	255	8,686	28,084	69,897
Insurance taxes, licenses and fees	<u>25</u>	<u>1,498</u>	<u>790</u>	<u>4,328</u>
Total deductions	<u>\$ 280</u>	<u>\$ 56,251</u>	<u>\$ 498,510</u>	<u>\$212,658</u>
Net gain	\$492,498	\$502,683	\$ 541,670	\$469,420
Federal and foreign income taxes incurred	<u>\$172,374</u>	<u>177,758</u>	<u>192,286</u>	<u>164,282</u>
Net gain from operations before net realized capital gains	\$320,124	\$324,925	\$ 349,386	\$305,138
Net realized capital gains	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net income	<u>\$320,124</u>	<u>\$324,924</u>	<u>\$ 349,386</u>	<u>\$305,138</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Capital and surplus, December 31, prior year	\$ <u>7,986,414</u>	\$ <u>8,300,063</u>	\$ <u>8,619,399</u>	\$ <u>8,963,879</u>
Net income	\$ 320,124	\$ 324,925	\$ 349,386	\$ 305,138
Change in net deferred income tax	0	1,819	2,699	(20)
Change in non-admitted assets and related items	0	(1,819)	(2,699)	20
Change in reserve valuation basis	<u>(6,475)</u>	<u>(5,589)</u>	<u>(4,906)</u>	<u>(4,386)</u>
Net change in capital and surplus for the year	\$ <u>313,649</u>	\$ <u>319,336</u>	\$ <u>344,480</u>	\$ <u>300,752</u>
Capital and surplus, December 31, current year	\$ <u>8,300,063</u>	\$ <u>8,619,399</u>	\$ <u>8,963,879</u>	\$ <u>9,264,631</u>

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed the Company's website, which was the only form of advertising performed during the period under examination.

Based upon that review, no significant findings were noted.

B. Underwriting and Policy Forms

The examiner reviewed all of the new underwriting files, and the applicable policy forms.

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed all of the Company's annuity claim payments. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

7. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 1505(a) of the New York Insurance Law by failing to reimburse an affiliate a reasonable amount for services provided under a service agreement.	6
B	The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to comply with the terms of its approved service agreement with NICO by reimbursing BHLIC for services provided by NICO.	6
C	The examiner recommends that NICO bill the Company directly for any services they are providing rather than process expenses through other affiliates.	6
D	Comment that the Company's independent committee members plan to conduct regularly-scheduled meetings, coinciding with the regular board of director meetings, in the future.	7
E	Comment that the Company's will strive for greater attendance of their independent directors at the board of director meetings.	8
F	The examiner recommends that the Company terminate, in a timely manner, any directors whom do not regularly attend the board of director or board of director committee meetings.	8

Respectfully submitted,

Dennis G. Bensen
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Dennis G. Bensen, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

Dennis G. Bensen

Subscribed and sworn to before me

this _____ day of _____ 2007

APPOINTMENT NO. 22557

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

DENNIS BENSEN

as a proper person to examine into the affairs of the

FIRST BERKSHIRE HATHAWAY LIFE INSURANCE COMPANY

and to make a report to me in writing of the condition of the said

COMPANY

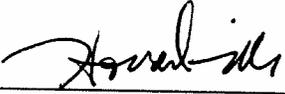
with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 30th day of October, 2006



HOWARD MILLS
Superintendent of Insurance


Superintendent