BERKSHIRE HATHAWAY INC
Form 10-K
March 03, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

Commission file number 001-14905

BERKSHIRE HATHAWAY INC.

(Exact name of Registrant as specified in its charter)

Delaware	**47-0813844**
State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization	**Identification Number)**
3555 Farnam Street, Omaha, Nebraska	**68131**
(Address of principal executive office)	**(Zip Code)**

Registrant s telephone number, including area code (402) 346-1400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Class A common stock, $5.00 Par Value	New York Stock Exchange
Class B common stock, $0.0033 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months. Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.:

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

State the aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2013: $205,145,000,000*

Indicate number of shares outstanding of each of the Registrant s classes of common stock:

February 18, 2014	Class A common stock, $5 par value	857,911 shares
February 18, 2014	Class B common stock, $0.0033 par value	1,179,141,327 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Incorporated In
Proxy Statement for Registrant s Annual Meeting to be held May 3, 2014	Part III

* This aggregate value is computed at the last sale price of the common stock on June 30, 2013. It does not include the value of Class A common stock (367,832 shares) and Class B common stock (84,449,183 shares) held by Directors and Executive Officers of the Registrant and members of their immediate families, some of whom may not constitute affiliates for purpose of the Securities Exchange Act of 1934.

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Part I

Item 1. Business

Berkshire Hathaway Inc. (Berkshire, Company or Registrant) is a holding company owning subsidiaries engaged in a number of diverse business activities. The most important of these are insurance businesses conducted on both a primary basis and a reinsurance basis, a freight rail transportation business and a group of utility and energy generation and distribution businesses. Berkshire also owns and operates a large number of other businesses engaged in a variety of activities, as identified herein. Berkshire is domiciled in the state of Delaware, and its corporate headquarters are located in Omaha, Nebraska.

Berkshire s operating businesses are managed on an unusually decentralized basis. There are essentially no centralized or integrated business functions (such as sales, marketing, purchasing, legal or human resources) and there is minimal involvement by Berkshire s corporate headquarters in the day-to-day business activities of the operating businesses. Berkshire s corporate office senior management participates in and is ultimately responsible for significant capital allocation decisions, investment activities and the selection of the Chief Executive to head each of the operating businesses. It also is responsible for establishing and monitoring Berkshire s corporate governance efforts, including, but not limited to, communicating the appropriate tone at the top messages to its employees and associates, monitoring governance efforts, including those at the operating businesses, and participating in the resolution of governance-related issues as needed.

Berkshire and its consolidated subsidiaries employ approximately 302,000 persons world-wide, of which 25 are located at the corporate headquarters.

Insurance and Reinsurance Businesses

Berkshire s insurance and reinsurance business activities are conducted through numerous domestic and foreign-based insurance entities. Berkshire s insurance businesses provide insurance and reinsurance of property and casualty risks world-wide and also reinsure life, accident and health risks world-wide.

In primary (or direct) insurance activities, the insurer assumes the risk of loss from persons or organizations that are directly subject to the risks. Such risks may relate to property, casualty (or liability), life, accident, health, financial or other perils that may arise from an insurable event. In reinsurance activities, the reinsurer assumes defined portions of risks that other primary insurers or reinsurers have assumed in their own insuring activities.

Reinsurance contracts are normally classified as treaty or facultative contracts. Treaty reinsurance refers to reinsurance coverage for all or a portion of a specified class of risks ceded by the primary insurer, while facultative reinsurance involves coverage of specific individual risks. Reinsurance contracts are further classified as quota-share or excess. Under quota-share (proportional or pro-rata) reinsurance, the reinsurer shares proportionally in the original premiums, losses and expenses of the primary insurer or reinsurer. Excess (or non-proportional) reinsurance provides for the indemnification of the primary insurer or reinsurer for all or a portion of the loss in excess of an agreed upon amount or retention. Both quota-share and excess reinsurance contracts may provide for aggregate limits of indemnification.

Insurance and reinsurance are generally subject to regulatory oversight throughout the world. Except for regulatory considerations, there are virtually no barriers to entry into the insurance and reinsurance industry. Competitors may be domestic or foreign, as well as licensed or unlicensed. The number of competitors within the industry is not known. Insurers and reinsurers compete on the basis of reliability, financial strength and stability, ratings, underwriting consistency, service, business ethics, price, performance, capacity, policy terms and coverage conditions.

Insurers and reinsurers based in the United States are subject to regulation by their state of domicile and by those states in which they are licensed or write policies on a non-admitted basis. The primary focus of regulation is to assure that insurers are financially solvent and that policyholder interests are otherwise protected. States establish minimum capital levels for insurance companies and establish guidelines for permissible business and investment activities. States have the authority to suspend or revoke a given company s authority to do business as conditions warrant. States regulate the payment of dividends by insurance companies to their shareholders and other transactions with affiliates. Dividends and capital distributions and other transactions of extraordinary amounts are subject to prior regulatory approval.

Insurers may market, sell and service insurance policies in the states where they are licensed. These insurers are referred to as admitted insurers. Admitted insurers are generally required to obtain regulatory approval of their policy forms and premium rates. Non-admitted insurance markets have developed to provide insurance that is otherwise unavailable from the admitted

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insurance markets of a state. Non-admitted insurance, often referred to as excess and surplus lines, is procured by either state-licensed surplus lines brokers who place risks with insurers not licensed in that state or by the insured party s direct procurement from non-admitted insurers. Non-admitted insurance is subject to considerably less regulation with respect to policy rates and forms. Reinsurers are normally not required to obtain regulatory approval of premium rates and policy forms.

The insurance regulators of every state participate in the National Association of Insurance Commissioners (NAIC). The NAIC adopts forms, instructions and accounting procedures for use by U.S. insurers and reinsurers in preparing and filing annual statutory financial statements. However, an insurer s state of domicile has ultimate authority over these matters. In addition to its activities relating to the annual statement, the NAIC develops or adopts statutory accounting principles, model laws, regulations and programs for use by its members. Such matters deal with regulatory oversight of solvency, compliance with financial regulation standards and risk-based capital reporting requirements.

Berkshire s insurance companies maintain capital strength at exceptionally high levels. This strength differentiates Berkshire s insurance companies from their competitors. Collectively, the aggregate statutory surplus of Berkshire s U.S. based insurers was approximately $129 billion at December 31, 2013. All of Berkshire s major insurance subsidiaries are rated AA+ by Standard & Poor s and A++ (superior) by A.M. Best with respect to their financial condition and operating performance.

The Terrorism Risk Insurance Act of 2002 established within the Department of the Treasury a Terrorism Insurance Program (Program) for commercial property and casualty insurers by providing federal reinsurance of insured terrorism losses. The Program currently extends to December 31, 2014 through other Acts, most recently the Terrorism Risk Insurance Program Reauthorization Act of 2007. Hereinafter these Acts are collectively referred to as TRIA. Under TRIA, the Department of the Treasury is charged with certifying acts of terrorism. Coverage under TRIA occurs when the industry insured loss for a certified event exceeds $100 million. To be eligible for federal reinsurance, insurers must make available insurance coverage for acts of terrorism, by providing policyholders with clear and conspicuous notice of the amount of premium that will be charged for this coverage and of the federal share of any insured losses resulting from any act of terrorism. Assumed reinsurance is specifically excluded from TRIA participation. TRIA currently also excludes certain forms of direct insurance (such as commercial auto, burglary, theft, surety and certain professional liability lines). Reinsurers are not required to offer terrorism coverage and are not eligible for federal reinsurance of terrorism losses.

In the event of a certified act of terrorism, the federal government will reimburse insurers (conditioned on their satisfaction of policyholder notification requirements) for 85% of their insured losses in excess of an insurance group s deductible. Under the Program currently in effect, the deductible is 20% of the aggregate direct subject earned premium for relevant commercial lines of business in the immediately preceding calendar year. The aggregate deductible in 2014 for Berkshire s consolidated insurance and reinsurance businesses will be approximately $575 million. There is also an aggregate limit of $100 billion on the amount of the federal government coverage for each TRIA year. It is not currently known whether TRIA will be extended beyond 2014.

Regulation of the insurance industry outside of the United States is subject to the differing laws and regulations of each country in which an insurer has operations or writes premiums. Some jurisdictions impose complex regulatory requirements on insurance businesses while other jurisdictions impose fewer requirements. In certain foreign countries, reinsurers are required to be licensed by governmental authorities. These licenses may be subject to modification, suspension or revocation dependent on such factors as amount and types of insurance liabilities and minimum capital and solvency tests. The violation of regulatory requirements may result in fines, censures and/or criminal sanctions in various jurisdictions. Berkshire subsidiaries have historically provided insuring capacity to insurance syndicates at Lloyd s of London. Such capacity entitles the Berkshire subsidiaries to a share of the risks and rewards of the activities of the syndicates in proportion to the amount of capacity provided. This business is subject to regulation by the United Kingdom s Prudential Regulation Authority which maintains comprehensive rules and regulations covering the legal, financial and operating activities of managing agents and syndicates.

Berkshire s insurance underwriting operations are comprised of the following sub-groups: (1) GEICO and its subsidiaries, (2) General Re and its subsidiaries, (3) Berkshire Hathaway Reinsurance Group and (4) Berkshire Hathaway Primary Group. Except for certain retroactive reinsurance products that generate significant amounts of up-front premiums along with estimated claims expected to be paid over very long periods of time creating float (see Investments section below), Berkshire expects to achieve a net underwriting profit over time and will reject inadequately priced risks. Underwriting profit is earned premiums less associated incurred losses, loss adjustment expenses and underwriting and policy acquisition expenses. Underwriting profit does not include investment income earned from investments. Berkshire s insurance subsidiaries employ approximately 36,000 persons in the aggregate. Additional information related to each of Berkshire s four underwriting groups follows.

GEICO GEICO is headquartered in Chevy Chase, Maryland and its insurance subsidiaries consist of: Government Employees Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company, GEICO Casualty Company, GEICO Advantage Insurance Company, GEICO Choice Insurance Company and GEICO Secure Insurance Company. These companies primarily offer private passenger automobile insurance to individuals in all 50 states and the District of Columbia. In addition, GEICO insures motorcycles, all-terrain vehicles, recreational vehicles and small commercial fleets and acts as an agent for other insurers who offer homeowners, boat and life insurance to individuals. GEICO markets its policies primarily through direct response methods in which applications for insurance are submitted directly to the companies via the Internet or by telephone.

GEICO competes for private passenger auto insurance customers with other companies that sell directly to the customer as well as with companies that use agency sales forces. The automobile insurance business is highly competitive in the areas of price and service. Some insurance companies may exacerbate price competition by selling their products for a period of time at less than adequate rates. GEICO will not knowingly follow that strategy.

As a result of an aggressive advertising campaign and competitive rates, voluntary policies-in-force have increased about 40% over the past five years. GEICO was the third largest private passenger auto insurer in the United States in terms of premium volume in 2012. According to A.M. Best data for 2012, the five largest automobile insurers have a combined market share of 52%, with GEICO s market share being approximately 9.7%. Since the publication of that data, management believes that GEICO s current market share has grown to approximately 10.4% and that it is now the second largest private passenger auto insurer in the United States. Seasonal variations in GEICO s insurance business are not significant. However, extraordinary weather conditions or other factors may have a significant effect upon the frequency or severity of automobile claims.

Private passenger auto insurance is stringently regulated by state insurance departments. As a result, it is difficult for insurance companies to differentiate their products. Competition for private passenger automobile insurance, which is substantial, tends to focus on price and level of customer service provided. GEICO s cost-efficient direct response marketing methods and emphasis on customer satisfaction enable it to offer competitive rates and value to its customers. GEICO primarily uses its own claims staff to manage and settle claims.

The name and reputation of GEICO is a material asset and management protects it and other service marks through appropriate registrations.

General Re General Re Corporation (General Re) is the holding company of General Reinsurance Corporation (GRC) and its subsidiaries and affiliates. GRC s subsidiaries include General Reinsurance AG, a major international reinsurer based in Germany. General Re subsidiaries currently conduct business activities globally in 51 cities and provide insurance and reinsurance coverages throughout the world. General Re provides property/casualty insurance and reinsurance, life/health reinsurance and other reinsurance intermediary and risk management services, underwriting management and investment management services. General Re is one of the largest reinsurers in the world based on premium volume and shareholder capital.

Property/Casualty Reinsurance

General Re s property/casualty reinsurance business in North America is conducted through GRC domiciled in Delaware and licensed in the District of Columbia and all states but Hawaii where it is an accredited reinsurer. Property/casualty operations in North America are headquartered in Stamford, Connecticut, and are also conducted through 16 branch offices in the U.S. and Canada. Reinsurance activities are marketed directly to clients without involving a broker or intermediary. Coverages are written primarily on an excess basis and under treaty and facultative contracts. In 2013, approximately 35% of net written premiums in North America related to casualty reinsurance coverages and 46% related to property reinsurance coverages.

General Re s property/casualty business in North America also includes a few smaller specialty insurers (primarily the General Star and Genesis companies domiciled in Delaware and Connecticut.) These specialty insurers underwrite primarily liability and workers compensation coverages on an excess and surplus basis and excess insurance for self-insured programs. In 2013, the specialty insurers represented approximately 19% of General Re s North American property/casualty net written premiums.

General Re s international property/casualty reinsurance business operations are conducted through internationally-based subsidiaries on a direct basis (via General Reinsurance AG as well as several other General Re subsidiaries and branches in 23 countries) and through brokers (primarily via Faraday, which owns the managing agent of Syndicate 435 at Lloyd s of London and provides capacity and participates in 100% of the results of Syndicate 435). Coverages are written on both a quota-share and excess basis for multiple lines of property, aviation and casualty reinsurance coverage. In 2013, international-based property/casualty operations principally wrote direct reinsurance in the form of treaties with lesser amounts written on a facultative basis.

Life/Health Reinsurance

General Re s North American and international life, health, long-term care and disability reinsurance coverages are written on an individual and group basis. Most of this business is written on a proportional treaty basis, with the exception of the U.S. group health and disability business which is predominately written on an excess treaty basis. Lesser amounts of life and disability business are written on a facultative basis. The life/health business is marketed on a direct basis. In 2013, approximately 42% of life/health net premiums were written in the United States, 25% in Western Europe and the remaining 33% throughout the rest of the world.

Berkshire Hathaway Reinsurance Group The Berkshire Hathaway Reinsurance Group (BHRG) operates from offices located in Stamford, Connecticut. Business activities are conducted through a group of subsidiary companies, led by National Indemnity Company (NICO) and Columbia Insurance Company (Columbia). BHRG provides principally excess and quota-share reinsurance to other property and casualty insurers and reinsurers. BHRG also offers life reinsurance and annuity contracts through Berkshire Hathaway Life Insurance Company of Nebraska (BHLN) and financial guaranty insurance through Berkshire Hathaway Assurance Corporation.

The type and volume of insurance and reinsurance business written by BHRG is dependent on current market conditions, including prevailing premium rates and coverage terms as perceived by management, and can change rapidly. The level of BHRG s underwriting activities often fluctuates significantly from year to year depending on the perceived level of price adequacy in specific insurance and reinsurance markets.

BHRG writes catastrophe excess-of-loss treaty reinsurance contracts. BHRG also writes individual policies for primarily large or otherwise unusual discrete risks on both an excess direct and facultative reinsurance basis, referred to as individual risk, which includes policies covering terrorism, natural catastrophe and aviation risks. A catastrophe excess-of-loss policy provides protection to the counterparty from the accumulation of primarily property losses arising from a single loss event or series of related events. Catastrophe and individual risk policies may provide significant amounts of indemnification per contract and a single loss event may produce losses under a number of contracts. As a result, catastrophe and individual risk business can produce extremely volatile periodic underwriting results. The extraordinary financial strength of NICO and Columbia are believed to be the primary reasons why BHRG has become a major provider of such coverages.

BHRG periodically assumes risks under retroactive reinsurance contracts. Retroactive reinsurance contracts afford protection to ceding companies against the adverse development of claims arising under policies issued in prior years. Coverage under such contracts is provided on an excess basis or immediately with respect to losses payable after the inception of the contract. Coverage provided is normally subject to a large aggregate limit of indemnification. Significant amounts of asbestos, environmental and latent injury claims may arise under the contracts. Under certain contracts, the limits of indemnification provided are exceptionally large. In 2007, an agreement became effective between NICO and Equitas, a London based entity established to reinsure and manage the 1992 and prior years non-life liabilities of the Names or Underwriters at Lloyd s of London. Under the agreement NICO provides up to $7 billion of new reinsurance to Equitas. In 2009, NICO agreed to provide up to 5 billion Swiss Francs of aggregate excess retroactive protection to Swiss Reinsurance Company Ltd. and its affiliates (Swiss Re). In 2010, NICO entered into a reinsurance agreement with Continental Casualty Company, a subsidiary of CNA Financial Corporation (CNA), and several of CNA s other insurance subsidiaries (collectively the CNA Companies) under which NICO assumed the asbestos and environmental pollution liabilities of the CNA Companies subject to a maximum limit of indemnification of $4 billion. In 2011, NICO entered into a contract with Eaglestone Reinsurance Company, a subsidiary of American International Group, Inc. (AIG). Under the contract, NICO agreed to reinsure the bulk of AIG s U.S. asbestos liabilities up to a maximum limit of indemnification of $3.5 billion.

In BHRG s retroactive reinsurance business, the concept of time-value-of-money is an important element in establishing prices and contract terms, since the payment of losses under the insurance contracts are often expected to occur over lengthy periods of time. Losses payable under the contracts are normally expected to exceed premiums and therefore, produce underwriting losses. This business is accepted, in part, because of the large amounts of policyholder funds (float) generated for investment, the economic benefit of which will be reflected through investment results in future periods.

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BHRG also underwrites traditional non-catastrophe insurance and reinsurance coverages, referred to as multi-line property/casualty business and beginning on January 1, 2008, it included a five-year 20% quota-share of property and casualty business underwritten by Swiss Re and its major property/casualty affiliates. This contract expired with respect to business incepting after December 31, 2012 and is now in run-off.

For many years, BHLN has offered annuity insurance and reinsurance products, in which it usually receives an upfront premium and makes a stream of annuity payments in the future. In 2010, BHLN entered into a life reinsurance contract with Swiss Re Life & Health America Inc. (SRLHA), a subsidiary of Swiss Re. Under the agreement, BHLN assumed the liabilities and subsequent renewal premiums associated with a closed block of yearly renewable term reinsurance business. The agreement, as amended in 2013, is expected to remain in-force for several decades. At the end of 2010, BHLN also acquired the life reinsurance business of Sun Life Assurance Company of Canada.

In the first quarter of 2013, BHRG reinsured certain guaranteed minimum death benefit coverages on a portfolio of variable annuity reinsurance contracts that have been in run-off for a number of years under a 100% coinsurance reinsurance treaty with Connecticut General Life Insurance Company (CGLIC). The CGLIC contract will remain in force until the natural expiry of the underlying business, subject to an aggregate limit of indemnification of $3.82 billion.

Berkshire Hathaway Primary Group The Berkshire Hathaway Primary Group (BH Primary) is a collection of independently managed primary insurance operations that provide a wide variety of insurance coverages to policyholders located principally in the United States. These various operations are discussed below.

NICO and certain affiliates (referred to as the National Indemnity Primary Group) underwrite motor vehicle and general liability insurance to commercial enterprises on both an admitted and excess and surplus basis. This business is written nationwide primarily through insurance agents and brokers and is based in Omaha, Nebraska.

A collection of insurance companies referred to internally as the Berkshire Hathaway Homestate Companies (BHHC) primarily offer standalone workers compensation, commercial auto and commercial property coverages. Over the past five years, BHHC has developed a national reach, with the ability to provide first dollar and small to mid-range deductible workers compensation coverage to employers in all states, except those where coverage is available only through state operated workers compensation funds. As a result, the volume of workers compensation business written over that period has grown significantly. BHHC serves a diverse client base. BHHC s business is generated primarily through independent agents and BHHC employees adjust substantially all of related claims.

Medical Protective Corporation (MedPro) offers products and solutions through its subsidiaries (The Medical Protective Company and Princeton Insurance Company, which was acquired at the end of 2011) and is a national leader in providing healthcare malpractice insurance coverage and risk solutions for physicians, dentists, hospitals and health systems, as well as other healthcare facilities and healthcare providers. MedPro has provided insurance coverage to protect healthcare providers against losses since 1899. MedPro s insurance policies are distributed primarily through a nationwide network of appointed agents and brokers. MedPro offers strong claims handling and administration, risk management solutions, and a wide range of insurance coverage features though a team of experienced professional employees.

U.S. Investment Corporation (USIC), through its four subsidiaries led by United States Liability Insurance Company, is a specialty insurer that underwrites commercial, professional and personal lines of insurance on an admitted and excess and surplus basis. Policies are marketed in all 50 states and the District of Columbia through wholesale and retail insurance agents. USIC companies underwrite and market 110 distinct specialty property and casualty insurance products.

Applied Underwriters, Inc. (Applied) is a leading provider of payroll and insurance services to small and mid-sized employers. Applied, through its subsidiaries principally markets SolutionOne®, a product that bundles workers compensation and other employment related insurance coverages and business services into a seamless package that is designed to reduce the risks and remove the burden of administrative and regulatory requirements faced by small to mid-sized employers. Applied also markets EquityComp® which is a workers compensation only product targeted to medium sized employers with a profit sharing component.

In the fourth quarter of 2012, NICO acquired Clal U.S. Holdings, which owns GUARD Insurance Group (GUARD). GUARD is based in Wilkes-Barre, Pennsylvania and through four insurance subsidiaries provides commercial property and casualty insurance coverage to small- and mid-sized businesses.

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In 2007, Berkshire acquired Boat America Corporation, which owns Seaworthy Insurance Company and controls the Boat Owners Association of the United States (collectively BoatU.S.). BoatU.S. provides insurance, safety and other services to recreational watercraft owners and enthusiasts. Central States Indemnity Company of Omaha, located in Omaha, Nebraska, historically provided credit and income protection insurance and related services to credit and debit card holders nationwide and recently began writing Medicare Supplement insurance.

Berkshire Hathaway Specialty Insurance (BHSI) was formed in April 2013 with the goal of providing customers with tailored solutions for large and complex risks ranging from natural catastrophes, to securities litigation, to construction liabilities. BHSI currently provides primary and excess commercial property, casualty, healthcare professional liability, executive and professional lines insurance and related programs. To date, BHSI s business has principally been written on an excess & surplus lines basis in the U.S. market. Eventually, BHSI also plans to write policies on an admitted basis. BHSI has established a home office in Boston and regional underwriting offices in Atlanta, Chicago, Los Angeles and New York. BHSI expects to write business through wholesale and retail insurance brokers, as well as managing general agents. The type and volume of business written by BHSI will depend on prevailing premium rates and coverage terms that are deemed acceptable by its management.

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Property and casualty loss liabilities

Berkshire s property and casualty insurance companies establish liabilities for estimated unpaid losses and loss adjustment expenses with respect to claims occurring on or before the balance sheet date. Such estimates include provisions for reported claims or case estimates, provisions for incurred-but-not-reported (IBNR) claims and legal and administrative costs to settle claims. The estimates of unpaid losses and amounts recoverable under reinsurance are established and continually reviewed by using a variety of actuarial, statistical and analytical techniques. Reference is made to Critical Accounting Policies, included in Item 7 of this Report.

The table below presents the development of Berkshire s net unpaid losses for property/casualty contracts from 2003 through 2012 and net unpaid loss data as of December 31, 2013. Data in the table related to acquisitions is included from the acquisition date forward. Berkshire s management believes that the liabilities established as of December 31, 2013 are reasonable and adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate. Dollar amounts are in millions.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Unpaid losses per Consolidated Balance Sheet	$ 45,393	$ 45,219	$ 48,034	$ 47,612	$ 56,002	$ 56,620	$ 59,416	$ 60,075	$ 63,819	$ 64,160	$ 64,866
Reserve discounts	2,435	2,611	2,798	2,793	2,732	2,616	2,473	2,269	2,130	1,990	1,866
Unpaid losses before discounts	47,828	47,830	50,832	50,405	58,734	59,236	61,889	62,344	65,949	66,150	66,732
Ceded losses	(2,597)	(2,405)	(2,812)	(2,869)	(3,139)	(3,210)	(2,922)	(2,735)	(2,953)	(2,925)	(3,055)
Net unpaid losses	45,231	45,425	48,020	47,536	55,595	56,026	58,967	59,609	62,996	63,225	63,677
Reserve discounts	(2,435)	(2,611)	(2,798)	(2,793)	(2,732)	(2,616)	(2,473)	(2,269)	(2,130)	(1,990)	(1,866)
Deferred charges	(3,087)	(2,727)	(2,388)	(1,964)	(3,987)	(3,923)	(3,957)	(3,810)	(4,139)	(4,019)	(4,359)
Net unpaid losses, net of discounts/deferred charges	$ 39,709	$ 40,087	$ 42,834	$ 42,779	$ 48,876	$ 49,487	$ 52,537	$ 53,530	$ 56,727	$ 57,216	$ 57,452
Liability re-estimated:											
1 year later	$ 40,618	$ 39,002	$ 42,723	$ 41,811	$ 47,288	$ 48,836	$ 49,955	$ 51,228	$ 54,787	$ 55,557	
2 years later	39,723	39,456	42,468	40,456	46,916	47,293	47,636	49,960	53,600		
3 years later	40,916	39,608	41,645	40,350	45,902	45,675	46,793	49,143			
4 years later	41,418	38,971	41,676	39,198	44,665	45,337	46,099				
5 years later	40,891	39,317	40,884	38,003	44,618	44,914					
6 years later	41,458	38,804	39,888	37,946	44,406						
7 years later	41,061	38,060	40,008	37,631							
8 years later	40,412	38,280	39,796								
9 years later	40,700	38,189									
10 years later	40,778										
Cumulative deficiency (redundancy)	1,069	(1,898)	(3,038)	(5,148)	(4,470)	(4,537)	(6,438)	(4,387)	(3,127)	(1,659)	
Cumulative foreign exchange effect*	(248)	177	(366)	102	533	(57)	143	(211)	(287)	(93)	
Net deficiency (redundancy)	$ 821	$ (1,721)	$ (3,404)	$ (5,046)	$ (3,937)	$ (4,630)	$ (6,295)	$ (4,598)	$ (3,414)	$ (1,752)	
Deferred charge changes and reserve discounts	2,675	2,452	2,317	1,879	1,990	1,826	1,716	985	542	186	
Deficiency (redundancy) before deferred charges and reserve discounts	$ (1,854)	$ (4,173)	$ (5,721)	$ (6,925)	$ (5,927)	$ (6,456)	$ (8,011)	$ (5,583)	$ (3,956)	$ (1,938)	
Cumulative payments:											
1 year later	$ 8,828	$ 7,793	$ 9,345	$ 8,865	$ 8,486	$ 8,315	$ 9,191	$ 8,854	$ 10,628	$ 10,978	
2 years later	13,462	12,666	15,228	13,581	13,394	13,999	14,265	14,593	17,260		
3 years later	17,429	16,463	18,689	16,634	17,557	16,900	17,952	18,300			
4 years later	20,494	18,921	20,890	19,724	19,608	19,478	20,907				

5 years later	22,517	20,650	23,507	21,143	21,660	21,786
6 years later	24,070	22,865	24,935	22,678	23,595	
7 years later	26,300	24,232	26,266	23,892		
8 years later	27,292	25,430	26,928			
9 years later	28,414	26,624				
10 years later	29,559					

* The amounts of re-estimated liabilities in the table above related to these operations are based on the applicable foreign currency exchange rates as of the end of the re-estimation period. The cumulative foreign exchange effect represents the cumulative effect of changes in foreign exchange rates from the original balance sheet date to the end of the re-estimation period.

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The first section of the table reconciles the estimated liability for unpaid losses and loss adjustment expenses recorded at the balance sheet date for each of the indicated years from the gross liability reflected in Berkshire s Consolidated Balance Sheet to the net amount, after reductions for amounts recoverable under ceded reinsurance, deferred charges on retroactive reinsurance contracts and loss reserve discounts.

Certain workers compensation loss liabilities are discounted for both statutory and GAAP reporting purposes at an interest rate of 4.5% per annum for claims occurring before 2003 and at 1% per annum for claims occurring after 2002. In addition, deferred charges are recorded as assets at the inception of retroactive reinsurance contracts for the excess of the unpaid losses and loss adjustment expenses over the premiums received. The deferred charges are subsequently amortized over the expected claim payment period. Deferred charge amortization and loss reserve discount accretion are recorded as components of insurance losses and loss adjustment expenses incurred.

The second section of the table shows the re-estimated net unpaid losses, including the impact of changes in related reserve discounts and deferred charges, based on experience as of the end of each succeeding year. The re-estimated amount also reflects the effect of loss payments and re-estimation of remaining unpaid liabilities. The line labeled cumulative deficiency (redundancy) represents the aggregate increase (decrease) in the initial estimates from the original balance sheet date through December 31, 2013. These amounts have been reported in earnings over time as components of losses and loss adjustment expenses and include accumulated reserve discount accretion and deferred charge amortization. Due to the significance of the deferred charges and reserve discounts, the cumulative changes in such balances which are included in the cumulative deficiency/redundancy amounts are also provided.

The redundancies or deficiencies shown in each column should be viewed independently of the other columns because redundancies or deficiencies arising in earlier years may be included as components of redundancies or deficiencies in the more recent years. Liabilities assumed under retroactive reinsurance contracts are treated as occurrences in the year the contract was entered into, as opposed to when the underlying losses actually occurred, which is prior to the contract date.

The third part of the table shows the cumulative amount of net losses and loss adjustment expenses paid with respect to recorded net liabilities as of the end of each succeeding year. While the information in the table provides a historical perspective on the adequacy of unpaid losses and loss adjustment expenses established in previous years, and the subsequent payments of claims, readers are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

Investments Invested assets of insurance businesses derive from shareholder capital as well as funds provided from policyholders through insurance and reinsurance business (float). Float is an approximation of the amount of net policyholder funds available for investment. That term denotes the sum of unpaid losses and loss adjustment expenses, life, annuity and health benefit liabilities, unearned premiums and other policyholder liabilities less the aggregate amount of premium balances receivable, losses recoverable from reinsurance ceded, deferred policy acquisition costs, deferred charges on reinsurance contracts and related deferred income taxes. On a consolidated basis, the amount of float has grown from approximately $58 billion at the end of 2008 to approximately $77 billion at the end of 2013, primarily through internal growth. BHRG and General Re accounted for approximately 74% of the consolidated float as of December 31, 2013. Equally important as the amount of the float is its cost, represented by Berkshire s periodic net underwriting gain or loss. The increases in the amount of float plus the substantial amounts of shareholder capital devoted to insurance and reinsurance activities have generated meaningful increases in the levels of investments and investment income over the past five years.

Investment portfolios of insurance subsidiaries include ownership of equity securities of other publicly traded companies which are concentrated in relatively few companies and large amounts of fixed maturity securities and cash and cash equivalents. Fixed maturity investments consist of obligations of the U.S. Government, U.S. states and municipalities, mortgage-backed securities issued primarily by the three major U.S. Government and Government-sponsored agencies, as well as obligations of foreign governments and corporate obligations. Investment portfolios are primarily managed by Berkshire s corporate office. Generally, there are no targeted investment allocation rates established by management with respect to investment activities. Rather, management may increase or decrease investments in response to perceived changes in opportunities for income or price appreciation relative to risks associated with the issuers of the securities.

Railroad Business

On February 12, 2010, Berkshire completed its acquisition of Burlington Northern Santa Fe Corporation through the merger of a wholly-owned merger subsidiary and Burlington Northern Santa Fe Corporation. The merger subsidiary was the surviving entity and was renamed Burlington Northern Santa Fe, LLC (BNSF). BNSF is based in Fort Worth, Texas, and through BNSF Railway Company operates one of the largest railroad systems in North America. BNSF had about 43,000

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employees at the end of 2013. BNSF Railway operates one of the largest railroad networks in North America with approximately 32,500 route miles of track (excluding multiple main tracks, yard tracks and sidings) in 28 states and two Canadian provinces. BNSF Railway owns approximately 23,000 route miles, including easements, and operates on approximately 9,500 route miles of trackage rights that permit BNSF Railway to operate its trains with its crews over other railroads tracks. As of December 31, 2013, the total BNSF Railway system, including single and multiple main tracks, yard tracks and sidings, consisted of approximately 51,000 operated miles of track, all of which are owned by or held under easement by BNSF Railway except for approximately 10,500 miles operated under trackage rights.

In serving the Midwest, Pacific Northwest, Western, Southwestern and Southeastern regions and ports of the country, BNSF transports a range of products and commodities derived from manufacturing, agricultural and natural resource industries. Over half of the freight revenues of BNSF are covered by contractual agreements of varying durations, while the balance is subject to common carrier published prices or quotations offered by BNSF. BNSF s financial performance is influenced by, among other things, general and industry economic conditions at the international, national and regional levels. BNSF s primary routes, including trackage rights, allow it to access major cities and ports in the western and southern United States as well as parts of Canada and Mexico. In addition to major cities and ports, BNSF efficiently serves many smaller markets by working closely with approximately 200 shortline partners. BNSF has also entered into marketing agreements with other rail carriers, expanding the marketing reach for each railroad and their customers. For the year ending December 31, 2013, approximately 33% of freight revenues were derived from consumer products, 27% from industrial products, 23% from coal and 17% from agricultural products.

Regulatory Matters

BNSF is subject to federal, state and local laws and regulations generally applicable to all of its businesses. Rail operations are subject to the regulatory jurisdiction of the Surface Transportation Board (STB) of the United States Department of Transportation (DOT), the Federal Railroad Administration of the DOT, the Occupational Safety and Health Administration (OSHA), as well as other federal, state and Canadian regulatory agencies. The STB has jurisdiction over disputes and complaints involving certain rates, routes and services, the sale or abandonment of rail lines, applications for line extensions and construction and consolidation or merger with, or acquisition of control of rail common carriers. The outcome of STB proceedings can affect the profitability of BNSF s business.

The DOT and OSHA have jurisdiction under several federal statutes over a number of safety and health aspects of rail operations, including the transportation of hazardous materials. State agencies regulate some aspects of rail operations with respect to health and safety in areas not otherwise preempted by federal law.

Environmental Matters

BNSF s rail operations, as well as those of its competitors, are also subject to extensive federal, state and local environmental regulation covering discharges to water, air emissions, toxic substances and the generation, handling, storage, transportation and disposal of waste and hazardous materials. This regulation has the effect of increasing the cost and liabilities associated with rail operations. Environmental risks are also inherent in rail operations, which frequently involve transporting chemicals and other hazardous materials.

Many of BNSF s land holdings are and have been used for industrial or transportation-related purposes or leased to commercial or industrial companies whose activities may have resulted in discharges onto the property. As a result, BNSF is now subject to, and will from time to time continue to be subject to, environmental cleanup and enforcement actions. In particular, the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), also known as the Superfund law, generally imposes joint and several liability for the cleanup and enforcement costs on current and former owners and operators of a site, without regard to fault or the legality of the original conduct. Accordingly, BNSF may be responsible under CERCLA and other federal and state statutes for all or part of the costs to clean up sites at which certain substances may have been released by BNSF, its current lessees, former owners or lessees of properties, or other third parties. BNSF may also be subject to claims by third parties for investigation, cleanup, restoration or other environmental costs under environmental statutes or common law with respect to properties they own that have been impacted by BNSF operations.

Competition

The business environment in which BNSF operates is highly competitive. Depending on the specific market, deregulated motor carriers and other railroads, as well as river barges, ships and pipelines in certain markets, may exert pressure on price and service levels. The presence of advanced, high service truck lines with expedited delivery, subsidized infrastructure and minimal empty mileage continues to affect the market for non-bulk, time-sensitive freight. The potential expansion of longer combination vehicles could further encroach upon markets traditionally served by railroads. In order to remain competitive, BNSF and other railroads continue to develop and implement operating efficiencies to improve productivity.

As railroads streamline, rationalize and otherwise enhance their franchises, competition among rail carriers intensifies. BNSF s primary rail competitor in the Western region of the United States is the Union Pacific Railroad Company. Other Class I railroads and numerous regional railroads and motor carriers also operate in parts of the same territories served by BNSF. Based on weekly reporting by the Association of American Railroads, BNSF s share of the western United States rail traffic in 2013 was approximately 49.5 percent.

Utilities and Energy Businesses

Berkshire currently owns an 89.8% voting common stock interest in MidAmerican Energy Holdings Company (MidAmerican), an international energy company with subsidiaries that generate, transmit, store, distribute and supply energy. MidAmerican s businesses are managed as separate operating units. MidAmerican s domestic regulated energy interests are currently comprised of four regulated utility companies serving approximately 4.5 million retail customers, two interstate natural gas pipeline companies with approximately 16,400 miles of pipeline and a design capacity of approximately 7.7 billion cubic feet of natural gas per day and a 50% interest in electricity transmission businesses. Its Great Britain electricity distribution subsidiaries serve about 3.9 million electricity end-users. In addition, MidAmerican s interests include a diversified portfolio of domestic independent power projects, a hydroelectric facility in the Philippines, the second-largest residential real estate brokerage firm in the United States, and the second-largest residential real estate brokerage franchise network in the United States. MidAmerican employs approximately 19,700 persons in connection with its various operations.

General Matters

PacifiCorp is a regulated electric utility company headquartered in Oregon, serving electric customers in portions of Utah, Oregon, Wyoming, Washington, Idaho and California. The combined service territory s diverse regional economy ranges from rural, agricultural and mining areas to urban, manufacturing and government service centers. No single segment of the economy dominates the service territory, which helps mitigate PacifiCorp s exposure to economic fluctuations. In addition to retail sales, PacifiCorp sells electricity on a wholesale basis.

MidAmerican Energy Company (MEC) is a regulated electric and natural gas utility company headquartered in Iowa, serving electric and natural gas customers primarily in Iowa and also in portions of Illinois, South Dakota and Nebraska. MEC has a diverse customer base consisting of urban and rural residential customers and a variety of commercial and industrial customers. In addition to retail sales and natural gas transportation, MEC sells electricity principally to markets operated by regional transmission organizations and regulated natural gas on a wholesale basis and sells electricity and natural gas services in deregulated markets.

NV Energy, Inc. (NV Energy), acquired by MidAmerican on December 19, 2013, is an energy holding company headquartered in Nevada, primarily consisting of two regulated utility subsidiaries, Nevada Power Company (Nevada Power) and Sierra Pacific Power Company (Sierra Pacific) (collectively, the Nevada Utilities). Nevada Power serves electric customers in southern Nevada and Sierra Pacific serves electric and natural gas customers in northern Nevada. The Nevada Utilities combined service territory s economy includes gaming, mining, recreation, warehousing, manufacturing and governmental. In addition to retail sales, the Nevada Utilities sell electricity on a wholesale basis.

As vertically integrated utilities, MidAmerican s domestic utilities own approximately 24,000 net MW of generation capacity. There are seasonal variations in these businesses that are principally related to the use of electricity for air conditioning and natural gas for heating. Typically, regulated electric revenues are higher in the summer months, while regulated natural gas revenues are higher in the winter months.

The natural gas pipelines consist of Northern Natural Gas Company (Northern Natural) and Kern River Gas Transmission Company (Kern River). Northern Natural is based in Nebraska and owns the largest interstate natural gas pipeline system in the United States, as measured by pipeline miles, reaching from southern Texas to Michigan s Upper Peninsula. Northern Natural s pipeline system consists of approximately 14,700 miles of natural gas pipelines. Northern Natural s extensive pipeline system, which is interconnected with many interstate and intrastate pipelines in the national grid system, has access to supplies from multiple major supply basins and provides transportation services to utilities and numerous

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other customers. Northern Natural also operates three underground natural gas storage facilities and two liquefied natural gas storage peaking units. Northern Natural s pipeline system experiences significant seasonal swings in demand and revenue, with the highest demand typically occurring during the months of November through March.

Kern River is based in Utah and owns an interstate natural gas pipeline system that consists of approximately 1,700 miles and extends from supply areas in the Rocky Mountains to consuming markets in Utah, Nevada and California. Kern River transports natural gas for electric utilities and natural gas distribution utilities, major oil and natural gas companies or affiliates of such companies, electricity generating companies, energy marketing and trading companies, and financial institutions.

The Great Britain utilities consist of Northern Powergrid (Northeast) Limited (Northern Powergrid (Northeast)) and Northern Powergrid (Yorkshire) plc (Northern Powergrid (Yorkshire)), which own a substantial electricity distribution network that delivers electricity to end-users in northeast England in an area covering approximately 10,000 square miles. The distribution companies primarily charge supply companies regulated tariffs for the use of electrical infrastructure.

MidAmerican Renewables is based in Iowa and owns interests in independent power projects that are in service or under construction in California, Illinois, Arizona, the Philippines, Texas, New York and Hawaii. These independent power projects, consisting of solar, natural gas, wind, geothermal and hydroelectric generating facilities, produce energy that is sold principally under long-term power purchase agreements.

Regulatory Matters

PacifiCorp, MEC and the Nevada Utilities are subject to comprehensive regulation by various federal, state and local agencies. The Federal Energy Regulatory Commission (FERC) is an independent agency with broad authority to implement provisions of the Federal Power Act, the Natural Gas Act (NGA), the Energy Policy Act of 2005 and other federal statutes. The FERC regulates rates for wholesale sales of electricity; transmission of electricity, including pricing and regional planning for the expansion of transmission systems; electric system reliability; utility holding companies; accounting and records retention; securities issuances; construction and operation of hydroelectric facilities; and other matters. The FERC also has the enforcement authority to assess civil penalties of up to $1 million per day per violation of rules, regulations and orders issued under the Federal Power Act. MEC is also subject to regulation by the Nuclear Regulatory Commission pursuant to the Atomic Energy Act of 1954, as amended, with respect to its ownership of the Quad Cities Nuclear Station.

Except in Oregon, Washington, Nevada and Illinois, where certain customers have the right to choose alternative electricity service suppliers, MidAmerican s utilities have an exclusive right to serve retail customers within their service territories and, in turn, have an obligation to provide service to those customers. Historically, state regulatory commissions have established retail electric and natural gas rates on a cost-of-service basis, which are designed to allow a utility an opportunity to recover what each state regulatory commission deems to be the utility s reasonable costs of providing services, including a fair opportunity to earn a reasonable return on its investments based on its cost of debt and equity. The retail electric rates of PacifiCorp, MEC and the Nevada Utilities are generally based on the cost of providing traditional bundled services, including generation, transmission and distribution services.

The natural gas pipelines are subject to regulation by various federal, state and local agencies. The natural gas pipeline and storage operations of Northern Natural and Kern River are regulated by the FERC pursuant to the NGA and the Natural Gas Policy Act of 1978. Under this authority, the FERC regulates, among other items, (a) rates, charges, terms and conditions of service and (b) the construction and operation of interstate pipelines, storage and related facilities, including the extension, expansion or abandonment of such facilities. Interstate natural gas pipeline companies are also subject to regulations administrated by the Office of Pipeline Safety within the Pipeline and Hazardous Materials Safety Administration, an agency within the DOT. Federal pipeline safety regulations are issued pursuant to the Natural Gas Pipeline Safety Act of 1968, as amended, which establishes safety requirements in the design, construction, operation and maintenance of interstate natural gas pipeline facilities.

Northern Powergrid (Northeast) and Northern Powergrid (Yorkshire) each charge fees for the use of their distribution systems that are controlled by a formula prescribed by the British electricity regulatory body, the Gas and Electricity Markets Authority. The current five-year price control period is scheduled to end March 31, 2015.

Environmental Matters

MidAmerican and its energy businesses are subject to federal, state, local and foreign laws and regulations regarding air and water quality, renewable portfolio standards, emissions performance standards, climate change, coal combustion byproduct disposal, hazardous and solid waste disposal, protected species and other environmental matters that have the potential to impact

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MidAmerican s current and future operations. In addition to imposing continuing compliance obligations, these laws and regulations, such as the Federal Clean Air Act, provide regulators with the authority to levy substantial penalties for noncompliance including fines, injunctive relief and other sanctions.

The Federal Clean Air Act, as well as state laws and regulations impacting air emissions, provides a framework for protecting and improving the nation s air quality and controlling sources of air emissions. These laws and regulations continue to be promulgated and implemented and will impact the operation of MidAmerican s generating facilities and require them to reduce emissions at those facilities to comply with the requirements.

Renewable portfolio standards have been established by certain state governments and generally require electricity providers to obtain a minimum percentage of their power from renewable energy resources by a certain date. Utah, Oregon, Washington, California, Iowa and Nevada have adopted renewable portfolio standards. In addition, the potential adoption of state or federal clean energy standards, which include low-carbon, non-carbon and renewable electricity generating resources, may also impact electricity generators and natural gas providers.

Comprehensive climate change legislation has not been adopted by Congress; however, regulation of greenhouse gas emissions under various provisions of the Federal Clean Air Act has continued since the Environmental Protection Agency s December 2009 findings that greenhouse gas emissions threaten public health and welfare. Since that determination, significant sources of greenhouse gas emissions have been required to report their greenhouse gas emissions and to undergo a best available control technology determination in conjunction with permitting greenhouse gas emissions. As part of President Obama s Climate Action Plan issued in June 2013, the Environmental Protection Agency was required to re-propose by September 2013 greenhouse gas new source performance standards that had originally been proposed in 2012 for new fossil-fueled power plants. The re-proposed standards for new sources were released in September 2013 and generally propose a standard of 1,000 pounds of carbon dioxide per megawatt hour for natural gas-fueled combustion turbines and 1,100 pounds of carbon dioxide per megawatt hour for coal-fueled units. In addition, the Climate Action Plan required the Environmental Protection Agency to issue proposed standards or guidelines to address greenhouse gas emissions from existing fossil-fueled electric generating units by June 2014, to finalize those standards or guidelines by June 2015, and to require states to submit implementation plans by June 2016.

While the debate continues at the federal and international level over the direction of climate change policy, several states have continued to implement state-specific laws or regional initiatives to report or mitigate greenhouse gas emissions. In addition, governmental, nongovernmental and environmental organizations have become more active in pursuing climate change related litigation under existing laws.

The impact of future federal, regional, state and international accords, legislation, regulation or judicial proceedings related to climate change cannot be quantified in any meaningful range at this time. New requirements limiting greenhouse gas emissions could have a material adverse impact on MidAmerican.

MidAmerican continues to take actions to mitigate greenhouse gas emissions. For example, as of December 31, 2013, MidAmerican owned 4,747 megawatts of wind-powered generating capacity in operation and under construction, which when completed is estimated to cost approximately $9 billion, and owned 1,271 megawatts of solar generating capacity in operation and under construction, which when completed is estimated to cost approximately $6 billion.

Non-Energy Businesses

MidAmerican also owns HomeServices of America, Inc. (HomeServices), the second largest full-service residential real estate brokerage firm in the United States. In addition to providing traditional residential real estate brokerage services, HomeServices offers other integrated real estate services, including mortgage originations and mortgage banking primarily through joint ventures and subsidiaries, title and closing services, property and casualty insurance, home warranties, relocation services and other home-related services. It operates under 30 residential real estate brand names with over 22,000 sales agents and in over 450 brokerage offices in 25 states.

HomeServices principal sources of revenue are dependent on residential real estate sales, which are generally higher in the second and third quarters of each year. This business is highly competitive and subject to the general real estate market conditions.

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In October 2012, HomeServices acquired a 66.7% interest in the second largest residential real estate brokerage franchise network in the United States, which offers and sells independently owned and operated residential real estate brokerage franchises. HomeServices franchise network currently includes over 500 franchisees in over 1,600 brokerage offices in 49 states with over 44,000 sales associates under three brand names. In exchange for certain fees, HomeServices provides the right to use the Berkshire Hathaway HomeServices, Prudential and Real Living brand names and other related service marks. In 2013, HomeServices began rebranding certain of its Prudential franchisees as Berkshire Hathaway HomeServices. As of December 31, 2013, 60 franchisees were rebranded. This activity will continue in 2014 with plans to rebrand the majority of the remaining franchisees. HomeServices also provides orientation programs, training and consultation services, advertising programs, and other services.

Manufacturing, Service and Retailing Businesses

Berkshire s numerous and diverse manufacturing, service and retailing businesses are described below.

Marmon In 2008, Berkshire acquired approximately 64% of the outstanding common stock of Marmon Holdings, Inc. (Marmon), a private company then owned by trusts for the benefit of members of the Pritzker Family of Chicago. On various dates in 2010, 2012 and 2013, Berkshire acquired additional shares of outstanding stock held by noncontrolling shareholders and as of December 31, 2013 owned substantially all of Marmon. Marmon is currently comprised of three autonomous companies consisting of eleven diverse business sectors and approximately 160 independent manufacturing and service businesses.

Marmon s three companies and their respective sectors are as follows:

Marmon Engineered Industrial & Metal Components, Inc. (Engineered Components)

Distribution Services, supplying specialty metal pipe and tubing, bar and sheet products to markets including construction, industrial, aerospace and many others;

Electrical & Plumbing Products Distribution, supplying electrical building wire primarily for residential and commercial construction, and copper tube for the plumbing, HVAC, refrigeration and industrial markets, through the wholesale channel; and

Industrial Products, consisting of metal fasteners and fastener coatings for the construction, industrial and other markets, gloves for industrial markets, portable lighting equipment for mining and safety markets, overhead electrification equipment for mass transit systems, custom-machined aluminum and brass forgings for the construction, energy, recreation and other industries, brass fittings and valves for commercial and industrial applications, and drawn aluminum tubing and extruded aluminum shapes for the construction, automotive, appliance, medical and other markets.

Marmon Natural Resource & Transportation Services, Inc. (Natural Resources)

Crane Services, providing the leasing and operation of mobile cranes primarily to the energy, mining and petrochemical markets;

Engineered Wire & Cable, supplying electrical and electronic wire and cable for energy related markets and other industries; and

Transportation Services & Engineered Products, including manufacturing, leasing and maintenance of railroad tank cars, leasing of intermodal tank containers, in-plant rail services, manufacturing of bi-modal railcar movers, wheel, axle and gear sets for light rail transit and gear products for locomotives, manufacturing of steel tank heads, and services, equipment and technology for processing and distributing sulfur.

Marmon Retail & End User Technologies, Inc. (Retail Technologies)

Food Service Equipment, supplying commercial food preparation equipment for restaurants and shopping carts for retail stores;

Highway Technologies, primarily serving the heavy-duty highway transportation industry with trailers, fifth wheel coupling devices and undercarriage products such as brake parts and suspension systems, and also serving the light vehicle aftermarket with clutches and related products;

Retail Home Improvement Products, supplying electrical and plumbing products through the home center channel;

Retail Store Fixtures, providing shelving systems, other merchandising displays and related services for retail stores, as well as work and garden gloves sold at retail; and

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Water Treatment, including residential water softening, purification and refrigeration filtration systems, treatment systems for industrial markets including power generation, oil and gas, chemical, and pulp and paper, gear drives for irrigation systems and cooling towers, and air-cooled heat exchangers.

Marmon businesses operate approximately 300 manufacturing, distribution and service facilities, and employ approximately 17,000 people worldwide.

McLane Company McLane Company, Inc. (McLane) provides wholesale distribution services in all 50 states to customers that include convenience stores, discount retailers, wholesale clubs, drug stores, military bases, quick service restaurants and casual dining restaurants. McLane provides wholesale distribution services to Wal-Mart Stores, Inc. (Wal-Mart), which accounts for approximately 25% of McLane s revenues. A curtailment of purchasing by Wal-Mart could have a material adverse impact on McLane s periodic revenues and earnings. McLane s business model is based on a high volume of sales, rapid inventory turnover and tight expense control. Operations are currently divided into four business units: grocery distribution, foodservice distribution, beverage distribution, and software development. In 2013, the grocery and foodservice units comprised approximately 98.5% of the total revenues of the company. McLane and its subsidiaries employ approximately 21,000 employees.

McLane s grocery distribution unit, based in Temple, Texas, maintains a dominant market share within the convenience store industry and serves most of the national convenience store chains and major oil company retail outlets. Grocery operations provide products to more than 50,000 retail locations nationwide, including Wal-Mart. McLane s grocery distribution unit operates 23 facilities in 19 states.

McLane s foodservice distribution unit, based in Carrollton, Texas, focuses on serving the quick service restaurant industry with high quality, timely-delivered products. Operations are conducted through 18 facilities in 16 states. The foodservice distribution unit services more than 20,000 chain restaurants nationwide. On August 24, 2012, McLane acquired Meadowbrook Meat Company (MBM). MBM, based in Rocky Mount, North Carolina is a large customized foodservice distributor for national restaurant chains. MBM operates from 37 distribution facilities in 16 states. MBM services approximately 15,000 chain restaurants nationwide.

On April 23, 2010, McLane acquired Kahn Ventures, parent company of Empire Distributors and Empire Distributors of North Carolina. Kahn Ventures and its subsidiaries are wholesale distributors of distilled spirits, wine and beer. Operations are conducted through nine distribution centers in two states. On December 31, 2010, Kahn Ventures acquired Horizon Wine and Spirits, Inc. and on April 30, 2012 acquired Delta Wholesale Liquors. Operations of Horizon and Delta are conducted through three distribution centers located in Tennessee. The beverage unit services more than 19,000 retail locations in the Southeastern United States.

Other Manufacturing, Service and Retailing Businesses

Apparel Manufacturing Berkshire s apparel manufacturing businesses include manufacturers of a variety of clothing and footwear. Businesses engaged in the manufacture and distribution of clothing products include Fruit of the Loom, Inc. (Fruit), Russell Brands, LLC (Russell), Vanity Fair Brands, LP (VFB), Garan and Fechheimer Brothers. Berkshire s footwear businesses include H.H. Brown Shoe Group, Justin Brands and Brooks Sports. These businesses employ approximately 39,000 persons in the aggregate.

Fruit, Russell and VFB (together FOL) are headquartered in Bowling Green, Kentucky. FOL is primarily a vertically integrated manufacturer and distributor of basic apparel, underwear, casualwear and athletic apparel and hardgoods. Products, under the *Fruit of the Loom*® and *JERZEES*® labels are primarily sold in the mass merchandise and wholesale markets. In the VFB product line, *Vassarette*®, *Bestform*® and *Curvation*® are sold in the mass merchandise market, while *Vanity Fair*® *and Lily of France*® products are sold in the mid-tier chains and department stores. FOL also markets and sells athletic uniforms, apparel, sports equipment and balls to team dealers; collegiate licensed tee shirts and fleecewear to college bookstores and mid-tier merchants; and athletic apparel, sports equipment and balls to sporting goods retailers under the *Russell Athletic*® and *Spalding*® brands. Additionally, *Spalding*® markets and sells balls in the mass merchandise market and dollar store channels. In 2013, approximately 33% of FOL s sales were to Wal-Mart.

FOL generally performs its own spinning, knitting, cloth finishing, cutting, sewing and packaging for apparel. For the North American market which comprised about 82% of FOL s net sales in 2013, the majority of its capital-intensive spinning operations are located in highly automated facilities in the United States with cloth manufacturing performed both in the U.S. and Honduras. Labor-intensive cutting, sewing and packaging operations are located in lower labor cost facilities in Central

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America and the Caribbean. For the European market, products are either sourced from third-party contractors in Europe or Asia or sewn in Morocco from textiles internally produced in Morocco. FOL s bras, athletic equipment, sporting goods and other athletic apparel lines are generally sourced from third-party contractors located primarily in Asia.

U.S grown cotton and polyester fibers are the main raw materials used in the manufacturing of FOL s apparel products and are purchased from a limited number of third-party suppliers. Management currently believes there are readily available alternative sources of raw materials. However, if relationships with suppliers cannot be maintained or delays occur in obtaining alternative sources of supply, production could be adversely affected, which could have a corresponding adverse effect on results of operations. Additionally, raw materials are subject to price volatility caused by weather, supply conditions, government regulations, economic climate and other unpredictable factors. FOL has secured contracts to purchase cotton to meet the majority of its production plans for 2014. In 2012 and 2013, cotton market prices were in the range of $0.70 to $0.90 per pound which approximates the ten year average price. FOL s markets are highly competitive, consisting of many domestic and foreign manufacturers and distributors. Competition is generally based upon price, product style and quality and customer service.

Garan designs, manufactures, imports and sells apparel primarily for children, including boys, girls, toddlers and infants. Products are sold under its own trademark *Garanimals*® and customer private label brands. Garan also licenses its registered trademark *Garanimals*® to third parties for apparel and non-apparel products. Garan conducts its business through operating subsidiaries located in the United States, Central America and Asia. Substantially all of Garan s products are sold through its distribution centers in the United States. Wal-Mart accounted for over 90% of Garan s sales in 2013. Fechheimer Brothers manufactures, distributes and sells uniforms, principally for the public service and safety markets, including police, fire, postal and military markets. Fechheimer Brothers is based in Cincinnati, Ohio.

Justin Brands and H.H. Brown Shoe Group manufacture and distribute work, rugged outdoor and casual shoes and western-style footwear under a number of brand names, including *Justin, Tony Lama®, Nocona®, Chippewa®, BØRN®, B Ø®, Carolina®, Söfft, Double-H Boots®, Eürosoft®, and Softspots®*. Brooks Sports markets and sells performance running footwear and apparel to specialty and national retailers under *Brooks*® and *Moving Comfort*® brands. In 2013 and 2012, *Brooks*® achieved a #1 market share position in performance running footwear with specialty retailers. A significant volume of the shoes sold by Berkshire s shoe businesses are manufactured or purchased from sources outside the United States. Products are sold worldwide through a variety of channels including department stores, footwear chains, specialty stores, catalogs and the Internet, as well as through company-owned retail stores.

Building Products Manufacturing Acme Brick Company (Acme) headquartered in Fort Worth, Texas, manufactures and distributes clay bricks (*Acme Brick*® and *Jenkins Brick*), concrete block (*Featherlite*) and cut limestone *(Texas Quarries).* In addition, Acme and its subsidiaries distribute a number of other building products of other manufacturers, including floor and wall tile, wood flooring and other masonry products. Products are sold primarily in the South Central and South Eastern United States through company-operated sales offices. Acme distributes products primarily to homebuilders and masonry and general contractors.

Acme and its affiliates operate 26 clay brick manufacturing facilities located in eight states, six concrete block facilities in Texas and two stone fabrication facilities located in Texas and Alabama. In addition, Acme and its subsidiaries operate a glass block fabrication facility, a concrete bagging facility and a stone burnishing facility all located in Texas. The demand for Acme s products is seasonal, with higher sales in the warmer weather months and is subject to the level of construction activity which is cyclical. Acme also owns and leases properties and mineral rights that supply raw materials used in many of its manufactured products. Acme s raw materials supply is believed to be adequate into the foreseeable future.

Benjamin Moore & Co. (Benjamin Moore), headquartered in Montvale, New Jersey, is a leading formulator, manufacturer and retailer of a broad range of architectural coatings, available principally in the United States and Canada. Products include water-based and solvent-based general purpose coatings (paints, stains and clear finishes) for use by the general public, contractors and industrial and commercial users. Products are marketed under various registered brand names, including, but not limited to, *Aura®, Nattura®, Regal®*, *Super Spec®*, *MoorGard®, ben®, Coronado®, Insl-x® and Lenmar®.*

Benjamin Moore and its manufacturing subsidiaries rely primarily on an independent dealer network for distribution of its products. Benjamin Moore s distribution network includes approximately 72 company-owned stores as well as over 4,200 third party retailers currently representing over 6,300 storefronts in the United States and Canada. Benjamin Moore s company-owned stores represent several multiple-outlet chains in various parts of the United States and Canada serving primarily contractors and general consumers. The independent dealer channel offers a broad array of products including *Benjamin Moore®, Coronado®* and *Insl-x®* brands and other competitor coatings, wall coverings, window treatments and sundries. In addition, Benjamin Moore operates an on-line pick up in store program, which allows consumers to place orders via an e-commerce site or for national accounts and government agencies via its customer information center. These orders may be picked up at the customer s nearest dealer.

Johns Manville (JM) is a leading manufacturer and marketer of premium-quality products for building insulation, mechanical insulation, commercial roofing and roof insulation, as well as fibers and nonwovens for commercial, industrial and residential applications. JM serves markets that include aerospace, automotive and transportation, air handling, appliance, HVAC, pipe insulation, filtration, waterproofing, building, flooring, interiors and wind energy. Fiber glass is the basic material in a majority of JM s products, although JM also manufactures a significant portion of its products with other materials to satisfy the broader needs of its customers. Raw materials are readily available in sufficient quantities from various sources for JM to maintain and expand its current production levels. JM regards its patents and licenses as valuable, however it does not consider any of its businesses to be materially dependent on any single patent or license. JM is headquartered in Denver, Colorado, and operates 45 manufacturing facilities in North America, Europe and China and conducts research and development at its technical center in Littleton, Colorado and at other facilities in the U.S. and Europe.

JM sells its products through a wide variety of channels including contractors, distributors, retailers, manufacturers and fabricators. JM holds leadership positions in all of the key markets that it serves and typically competes with a few large global and national competitors and several smaller regional competitors. JM s products compete primarily on the basis of value, product differentiation and customization and breadth of product line. Sales of JM s products are moderately seasonal due to increases in construction activity that typically occur in the second and third quarters of the calendar year. JM is seeing a trend in customer purchasing decisions being determined based on the sustainable and energy efficient attributes of its products, services and operations.

MiTek is headquartered in Chesterfield, Missouri and is a leading provider of engineered connector products, engineering software and services and computer-driven manufacturing machinery to the truss fabrication segment of the building components industry. Primary customers are truss fabricators who manufacture pre-fabricated roof and floor trusses and wall panels for the residential building market as well as the light commercial and institutional construction industry. MiTek also participates in the light gauge steel framing market under the *Ultra-Span*® name, manufactures and markets assembly line machinery used by the lead acid battery industry, manufactures and markets a line of masonry connector products and manufactures and markets air handling systems used in commercial building. In 2013, MiTek acquired Benson Industries, Inc., a market leading company providing design, engineering, supply and installations of quality curtainwall and external cladding worldwide and acquired Cubic Designs, Inc., a premier provider of pre-engineered, prefabricated mezzanine systems and related structures. MiTek operates on six continents with sales into approximately 100 countries. MiTek has 43 manufacturing facilities located in 13 countries and 52 sales/engineering offices located in 20 countries.

The Shaw Industries Group, Inc. (Shaw), headquartered in Dalton, Georgia, is the world s largest carpet manufacturer based on both revenue and volume of production. Shaw designs and manufactures over 3,000 styles of tufted carpet, tufted and woven rugs, laminate and wood flooring for residential and commercial use under about 30 brand and trade names and under certain private labels. Shaw also provides installation services and sells ceramic and vinyl tile along with sheet vinyl. Shaw s manufacturing operations are fully integrated from the processing of raw materials used to make fiber through the finishing of carpet. Shaw s carpet, rugs and hard surface products are sold in a broad range of prices, patterns, colors and textures. Shaw acquired Sportexe (now Shaw Sports Turf) in 2009 and Southwest Greens International, LLC in 2011 which provides an entry into the synthetic sports turf, golf greens and landscape turf markets.

Shaw products are sold wholesale to over 32,000 retailers, distributors and commercial users throughout the United States, Canada and Mexico and are also exported to various overseas markets. Shaw s wholesale products are marketed domestically by over 2,000 salaried and commissioned sales personnel directly to retailers and distributors and to large national accounts. Shaw s nine carpet, three hard surface, one rug and one sample full-service distribution facilities and 23 redistribution centers, along with centralized management information systems, enable it to provide prompt efficient delivery of its products to both its retail customers and wholesale distributors.

Substantially all carpet manufactured by Shaw is tufted carpet made from nylon, polypropylene and polyester. In the tufting process, yarn is inserted by multiple needles into a synthetic backing, forming loops which may be cut or left uncut, depending on the desired texture or construction. During 2013, Shaw processed approximately 98% of its requirements for carpet yarn in its own yarn processing facilities. The availability of raw materials continues to be good but margins are impacted by petro-chemical and natural gas price changes. Raw material cost changes are periodically factored into selling prices to customers.

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The floor covering industry is highly competitive with more than 100 companies engaged in the manufacture and sale of carpet in the United States and numerous manufacturers engaged in hard surface floor covering production and sales. According to industry estimates, carpet accounts for approximately 55% of the total United States consumption of all flooring types. The principal competitive measures within the floor covering industry are quality, style, price and service.

Demand for products of Berkshire s building products businesses is affected to varying degrees by commercial construction and industrial activity in the U.S. and Europe and the level of U.S. housing construction. The building products businesses are subject to a variety of federal, state and local environmental laws and regulations. These laws and regulations regulate the discharge of materials into the air, land and water and govern the use and disposal of hazardous substances. The building products manufacturers employ approximately 36,000 persons in the aggregate.

Other Manufacturing

In September 2011, Berkshire acquired The Lubrizol Corporation (Lubrizol). Lubrizol is a specialty chemical company that produces and supplies technologies for the global transportation, industrial and consumer markets. Lubrizol operates two business sectors: (1) Lubrizol Additives, which includes engine additives, driveline additives and industrial specialties products; and (2) Lubrizol Advanced Materials, which includes personal and home care, engineered polymers, performance coatings, and life science polymers products. Lubrizol s products are used in a broad range of applications including engine oils, transmission fluids, gear oils, specialty driveline lubricants, fuel additives, refineries and oilfields, metalworking fluids, compressor lubricants, greases for transportation and industrial applications, over-the-counter pharmaceutical products, performance coatings, personal care products, sporting goods and plumbing and fire sprinkler systems. Lubrizol is an industry leader in many of the markets in which it competes. Its principal lubricant additives competitors are Infineum International Ltd., Chevron Oronite Company and Afton Chemical Corporation. The advanced materials industry is highly fragmented with a variety of competitors in each product line.

From a base of approximately 2,075 patents, Lubrizol uses its technological leadership position in product development and formulation expertise to improve the quality, value and performance of its products, as well as to help minimize the environmental impact of those products. Lubrizol uses many specialty and commodity chemical raw materials in its manufacturing processes and uses base oil in processing and blending additives. Raw materials are primarily feedstocks derived from petroleum and petrochemicals and, generally, are obtainable from several sources. The materials that Lubrizol chooses to purchase from a single source typically are subject to long-term supply contracts to ensure supply reliability. Lubrizol markets its products worldwide through a direct sales organization and sales agents and distributors where necessary. Lubrizol s customers principally consist of major global and regional oil companies and industrial and consumer products companies that are located in more than 110 countries. Some of its largest customers also may be suppliers. In 2013, no single customer accounted for more than 10% of Lubrizol s consolidated revenues.

Lubrizol continues to implement a multi-year phased investment plan to increase global manufacturing capacity, upgrade operations and ensure compliance with health, safety and environmental requirements. As part of the investment plan, in August 2013, Lubrizol completed construction of its $310 million additives manufacturing facility and research laboratory in Zhuhai, China, and Lubrizol is implementing plans to invest approximately $150 million to increase chlorinated polyvinyl chloride resin and compounding capacity by the end of 2014 to meet global customer demand. Capital spending in 2013 was approximately $350 million. Capital expenditures over the next three years are expected to approximate $1.5 billion.

Lubrizol is subject to foreign, federal, state and local laws to protect the environment and limit manufacturing waste and emissions. The company believes that its policies, practices and procedures are designed to limit the risk of environmental damage and consequent financial liability. Nevertheless, the operation of manufacturing plants entails ongoing environmental risks, and significant costs or liabilities could be incurred in the future.

Lubrizol operates facilities in 27 countries (including production facilities in 16 countries and laboratories in 14 countries). On August 30, 2013, Lubrizol completed the acquisition of Chemtool, Inc., a leading global supplier of custom formulated greases and lubricants.

Berkshire acquired an 80% interest in IMC International Metalworking Companies B.V. (IMC B.V.) in 2006. On April 29, 2013, Berkshire acquired the remaining 20% noncontrolling interests of IMC B.V. Through its subsidiaries, IMC B.V. is one of the world s three largest multinational manufacturers of consumable precision carbide metal cutting tools for applications in a broad range of industrial end markets. IMC B.V. s principal brand names include *ISCAR*®, *TaeguTec*®, *Ingersoll*®, *Tungaloy*®, *Unitac*®, *UOP It.te.di*® and *Outiltec*®. IMC B.V. s manufacturing facilities are located mainly in Israel, United States, Germany, Italy, France, Switzerland, South Korea, China, India, Japan and Brazil.

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IMC B.V. has five primary product lines: milling tools, gripping tools, turning/thread tools, drilling tools and tooling. The main products are split within each product line between consumable cemented tungsten carbide inserts and steel tool holders. Inserts comprise the vast majority of sales and earnings. Metal cutting inserts are used by industrial manufactures to cut metals and are consumed during their use in cutting applications. IMC B.V. manufactures hundreds of types of highly engineered inserts within each product line that are tailored to maximize productivity and meet the technical requirements of customers.

IMC B.V. s global sales and marketing network has representatives in virtually every major manufacturing center around the world staffed with highly skilled engineers and technical personnel. IMC B.V. s customer base is very diverse, with its primary customers being large, multinational businesses in the automotive, aerospace, engineering and machinery industries. IMC B.V. operates a regional central warehouse system with locations in Israel, United States, Belgium, Korea and Brazil. Additional small quantities of products are maintained at local IMC B.V. offices in order to provide on-time customer support and inventory management.

IMC B.V. competes in the metal cutting tools segment of the global metalworking tools market. The segment includes hundreds of participants who range from small, private manufacturers of specialized products for niche applications and markets to larger, global multinationals with a wide assortment of products and extensive distribution networks.

Forest River, Inc. (Forest River) is a manufacturer of recreational vehicles, utility, cargo and office trailers, buses and pontoon boats, headquartered in Elkhart, Indiana. Its products are sold in the United States and Canada through an independent dealer network. Forest River has manufacturing facilities in six states.

CTB International Corp. (CTB), headquartered in Milford, Indiana, is a leading global designer, manufacturer and marketer of agricultural systems and solutions for preserving grain, producing poultry, pigs and eggs, and for processing poultry. CTB operates from facilities located around the globe and supports customers in more than 100 countries primarily through a worldwide network of independent distributors and dealers.

The Scott Fetzer companies are a diversified group of 20 businesses that manufacture, distribute, service and finance a wide variety of products for residential, industrial and institutional use. The two most significant of these businesses are Kirby home cleaning systems and Campbell Hausfeld. Albecca Inc. (Albecca), headquartered in Norcross, Georgia, does business primarily under the *Larson-Juhl*® name. Albecca designs, manufactures and distributes a complete line of high quality, branded custom framing products, including wood and metal moulding, matboard, foamboard, glass, equipment and other framing supplies in the U.S., Canada and 15 countries outside of North America. Richline Group, Inc. is the business platform providing financial, operations and marketing support to its four independent strategic business units: Richline Brands, LeachGarner, Rio Grande and Inverness. Each business unit is uniquely a manufacturer and marketer of precious metal products to specific target markets including large jewelry chains, department stores, shopping networks, mass merchandisers, e-commerce retailers and artisans plus worldwide manufacturers and wholesalers.

Berkshire s other manufacturers employ approximately 38,000 persons in the aggregate.

Other Service Businesses

FlightSafety International Inc. (FlightSafety), headquartered at New York s LaGuardia Airport, is an industry leader in professional aviation training services to individuals, businesses (including certain commercial aviation companies) and U.S. and foreign governments. FlightSafety primarily provides high technology training to pilots, aircraft maintenance technicians, flight attendants and dispatchers who operate and support a wide variety of business, commercial and military aircraft. FlightSafety operates a large fleet of advanced full flight simulators at its learning centers and training locations in the United States, Brazil, Canada, China, France, Japan, Norway, South Africa, the Netherlands, and the United Kingdom. The vast majority of FlightSafety s instructors, training programs and flight simulators are qualified by the United States Aviation Administration and other aviation regulatory agencies around the world.

FlightSafety is also a leader in the design and manufacture of full flight simulators, visual systems, displays, and other advanced technology training devices. This equipment is used to support FlightSafety training programs and is offered for sale to airlines and government and military organizations around the world. Manufacturing facilities are located in Oklahoma, Missouri and Texas. FlightSafety strives to maintain and manufacture simulators and develop courseware using state of the art technology and invests in research and development as it builds new equipment and training programs.

NetJets Inc. (NetJets) is the world s leading provider of fractional ownership programs for general aviation aircraft. NetJets executive offices and U.S. operations are located in Columbus, Ohio, with most of its logistical and flight operations based at Port Columbus International Airport. NetJets European operations are based in Lisbon, Portugal. The fractional

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ownership concept is designed to meet the needs of customers who cannot justify the purchase of an entire aircraft based upon expected usage. In addition, fractional ownership programs are available for corporate flight departments seeking to outsource their general aviation needs or looking for additional capacity for peak periods and for others that previously chartered aircraft.

NetJets fractional aircraft ownership programs permit customers to acquire a specific percentage of a certain aircraft type and allow customers to utilize the aircraft for a specified number of flight hours per annum. In addition, NetJets offers prepaid flight cards and aviation solutions that provide aircraft management, ground support and flight operation services under a number of programs including NetJets Shares , NetJets Leases and the Marquis Jet Card®. In 2010, NetJets introduced the NetJets Signature Series of aircraft, which have been customized from design through production based on feedback from owners.

NetJets is subject to the rules and regulations of the Federal Aviation Administration, the National Institute of Civil Aviation of Portugal, and the European Aviation Safety Agency. Regulations address aircraft registration, maintenance requirements, pilot qualifications and airport operations, including flight planning and scheduling as well as security issues and other matters. NetJets places great emphasis on safety and customer service. Its programs are designed to offer customers guaranteed availability of aircraft, low and predictable operating costs and increased liquidity.

TTI, Inc. (TTI), headquartered in Fort Worth, Texas, is a global specialty distributor of passive, interconnect, electromechanical and discrete components used by customers in the manufacturing and assembling of electronic products. TTI s customer base includes original equipment manufacturers, electronic manufacturing services, original design manufacturers, military and commercial customers, as well as design and system engineers. TTI services a variety of industries including telecommunications, medical devices, computers and office equipment, aerospace, automotive and consumer electronics. TTI s business model covers design through production in the electronic component supply chain and consists of its core business, which supports high volume production business and its catalog division, which supports a broader base of customers with lower volume purchases.

TTI s franchise distribution agreements with the industry s leading suppliers allow it to uniquely leverage its product cost and to expand its business by providing new lines and products to its customers. TTI operates sales offices and distribution centers from more than 100 locations throughout North America, Europe, Asia and Israel. In April 2012, TTI acquired Sager Electrical Supply Company, Inc. (Sager), a leading distributor of electronic components headquartered in Middleborough, Massachusetts. Sager s business model and focus on electromechanical products allows TTI to further provide customers and suppliers a unique combination of operational excellence and innovative business solutions and to expand its customer base.

Business Wire provides electronic dissemination of full-text news releases to the media, online services and databases and the global investment community in 150 countries and in 45 languages. Roughly 90% of the company s revenue comes from its core business of news distribution. The Buffalo News and BH Media Group, Inc. (BHMG) are publishers of 31 daily and 41 weekly newspapers in upstate New York, New Jersey, Nebraska, Iowa, Oklahoma, Texas, Virginia, Tennessee, North Carolina, South Carolina, Alabama and Florida. In 2013, BHMG acquired four daily newspapers in Oklahoma, Virginia, North Carolina and New Jersey. The newspapers operate in small to mid-sized markets with strong local community connections. International Dairy Queen services a worldwide system of over 6,300 stores operating under the names *Dairy Queen*®*, Orange Julius*® and *Karmelkorn*® that offer various dairy desserts, beverages, prepared foods, blended fruit drinks, popcorn and other snack foods. Precision Steel and its affiliates operate steel service centers in the Chicago and Charlotte metropolitan areas. The service centers buy stainless steel, low carbon sheet and strip steel, coated metals, spring steel, and other metals, cut these metals to order, and sell them to customers involved in a wide variety of industries.

Berkshire s service businesses employ approximately 21,000 persons in the aggregate.

Retailing Businesses Berkshire s retailing businesses principally consist of several independently managed home furnishings and jewelry operations. These retailers employ approximately 15,000 persons. Information regarding each of these operations follows.

The home furnishings businesses are the Nebraska Furniture Mart (NFM), R.C. Willey Home Furnishings (R.C. Willey), Star Furniture Company (Star) and Jordan s Furniture, Inc. (Jordan s). NFM, R.C. Willey, Star and Jordan s each offer a wide selection of furniture, bedding and accessories. In addition, NFM and R.C. Willey sell a full line of major household appliances, electronics, computers and other home furnishings. NFM, R.C. Willey, Star and Jordan s also offer customer financing to complement their retail operations. An important feature of each of these businesses is their ability to control costs and to produce high business volume by offering significant value to their customers.

NFM operates its business from two very large retail complexes with almost one million square feet of retail space and sizable warehouse and administrative facilities in Omaha, Nebraska and Kansas City, Kansas. NFM is the largest furniture retailer in each of its markets. NFM also owns Homemakers Furniture located in Des Moines, Iowa, which has approximately 215,000 square feet of retail space. In late 2011, NFM announced that it plans to build a new retail store, warehouse and administrative facility in a suburb of Dallas, Texas. The store is expected to include approximately 1.8 million square feet of retail and warehouse space and anchor a multi-use retail and entertainment development site. The completion of the new facilities is scheduled for 2015.

R.C. Willey, based in Salt Lake City, Utah, is the dominant home furnishings retailer in the Intermountain West region of the United States. R.C. Willey operates 11 retail stores, two retail clearance facilities and three distribution centers. These facilities include approximately 1.7 million square feet of retail space with eight stores located in Utah, one store in Idaho, three stores in Nevada and one store in California. Star s retail facilities include about 700,000 square feet of retail space in 11 locations in Texas with eight in Houston. Star maintains a dominant position in each of its markets. Jordan s operates a furniture retail business from five locations with approximately 625,000 square feet of retail space in Massachusetts, New Hampshire and Rhode Island supported by an 800,000 square foot distribution center in Taunton, Massachusetts. Jordan s is the largest furniture retailer, as measured by sales, in the Massachusetts and New Hampshire areas. Jordan s is well known in its markets for its unique store arrangements and advertising campaigns.

Borsheim Jewelry Company, Inc. (Borsheims) operates from two locations in Nebraska, a 62,000 square foot flagship store in Omaha and a 5,500 square foot outlet store in Gretna. Borsheims is a high volume retailer of fine jewelry, watches, crystal, china, stemware, flatware, gifts and collectibles. Helzberg s Diamond Shops, Inc. (Helzberg) is based in North Kansas City, Missouri, and operates a chain of 234 retail jewelry stores in 37 states, which includes approximately 500,000 square feet of retail space. Helzberg s stores are located in malls, lifestyle centers, power strip centers and outlet malls, and all stores operate under the name *Helzberg Diamonds*® or *Helzberg Diamonds Outlet*®. The Ben Bridge Corporation (Ben Bridge Jeweler), based in Seattle, Washington, operates a chain of 80 upscale retail jewelry stores located in 11 states that are primarily in the Western United States and Canada. Fifteen of its retail locations are concept stores that sell only PANDORA jewelry. Principal products include finished jewelry and timepieces. Ben Bridge Jeweler stores are located primarily in major shopping malls. Berkshire s retail jewelry operations are subject to seasonality with approximately 36% of annual revenues earned in the fourth quarter.

Also included in Berkshire s group of retailing businesses is See s Candies (See s), which produces boxed chocolates and other confectionery products with an emphasis on quality and distinctiveness in two large kitchens in Los Angeles and San Francisco and one smaller facility in Burlingame, California. See s operates over 200 retail and quantity discount stores located mainly in California and other Western states. See s revenues are highly seasonal with approximately 45% of total annual revenues earned in the months of November and December. The Pampered Chef, LTD (TPC) is a premier direct seller of high quality kitchen tools with operations in the United States, Canada, United Kingdom, Germany and Mexico. TPC product portfolio consists of approximately 500 TPC branded items in twelve categories, which are researched, designed and tested by TPC and manufactured by third-party suppliers. TPC products are available primarily through a sales force of independent consultants.

Oriental Trading Company, Inc. (OTC) is a leading multi-channel retailer and online destination for value-priced party supplies, arts and crafts, toys and novelties, school supplies, educational games, home décor and giftware. OTC, based in Omaha, Nebraska, serves a broad base of nearly four million customers annually including consumers, schools, churches, non-profit organizations and other businesses. OTC operates a number of websites and utilizes multiple print and online marketing efforts.

Finance and Financial Products

Clayton Homes, Inc. (Clayton), which is headquartered near Knoxville, Tennessee, is a vertically integrated manufactured housing company. At December 31, 2013, Clayton operated 35 manufacturing plants in 12 states. Clayton s homes are marketed in 48 states through a network of 1,528 retailers, including 322 company-owned home centers. Financing is offered through its finance subsidiaries to purchasers of Clayton s manufactured homes as well as those purchasing homes from selected independent retailers.

Clayton competes at the manufacturing, retail and finance levels on the basis of price, service, delivery capabilities and product performance and considers the ability to make financing available to retail purchasers a major factor affecting the market acceptance of its product. Retail sales are supported by Clayton s offering of various finance and insurance programs.

Finance programs include home note and mortgage originations supporting company-owned home centers and select independent retailers. Proprietary loan underwriting guidelines have been developed and include gross income, debt to income limits and credit score requirements, which are considered in evaluating loan applicants. Approximately 62% of the originations are home-only loans and the remaining 38% have land as additional collateral. The average down payment is about 20%, which may be from cash or land equity. Each loan with land will have an independent appraisal in order to establish the value of the land. Originations are all at fixed rates and for fixed terms. Loans outstanding also include bulk purchases of contracts and mortgages from banks and other lenders. Clayton also provides inventory financing to certain independent retailers and services housing contracts and mortgages that were not purchased or originated. The bulk contract purchases and servicing arrangements may relate to the portfolios of other lenders or finance companies, governmental agencies, or other entities that purchase and hold housing contracts and mortgages. Clayton also acts as agent on physical damage insurance policies, home buyer protection plan policies and other programs.

XTRA Corporation (XTRA), headquartered in St. Louis, Missouri, is a leading transportation equipment lessor operating under the XTRA Lease® brand name. XTRA manages a diverse fleet of approximately 80,000 units located at 56 facilities throughout the United States. The fleet includes over-the-road and storage trailers, chassis, temperature controlled vans and flatbed trailers. XTRA is one of the largest lessors (in terms of units available) of over-the-road trailers in North America. Transportation equipment customers lease equipment to cover cyclical, seasonal and geographic needs and as a substitute for purchasing. Therefore, as a provider of marginal capacity of transportation equipment, XTRA s utilization rates (the number of units on lease to total units available) and operating results tend to be cyclical. In addition, transportation providers often use leasing to maximize their asset utilization and reduce capital expenditures. By maintaining a large fleet, XTRA is able to provide customers with a broad selection of equipment and quick response times.

CORT Business Services Corporation is the leading national provider of rental relocation services including rental furniture, accessories and related services in the rent-to-rent segment of the furniture rental industry. BH Finance invests in fixed-income financial instruments pursuant to proprietary strategies with the objective of earning above average investment returns. BH Finance also enters into derivative contracts and assumes foreign currency, equity price and credit default risk. This business is conducted from Berkshire s corporate headquarters. Management recognizes and accepts that losses may occur due to the nature of these activities as well as the markets in general. Berkshire s finance and financial products businesses employ approximately 14,000 persons.

Additional information with respect to Berkshire s businesses

The amounts of revenue, earnings before taxes and identifiable assets attributable to the aforementioned business segments are included in Note 23 to Berkshire s Consolidated Financial Statements contained in Item 8, Financial Statements and Supplementary Data. Additional information regarding Berkshire s investments in fixed maturity securities, equity securities and other investments is included in Notes 3, 4 and 5 to Berkshire s Consolidated Financial Statements.

On June 7, 2013, Berkshire and an affiliate of the global investment firm 3G Capital (such affiliate, 3G), through a newly formed holding company, H.J. Heinz Holding Corporation (Heinz Holding), acquired H.J. Heinz Company (Heinz). Berkshire and 3G each made equity investments in Heinz Holding, which, together with debt financing obtained by Heinz Holding, was used to acquire Heinz for approximately $23.25 billion. Additional information concerning these investments is included in Note 6 to the Registrant s Consolidated Financial Statements.

Heinz is one of the world s leading marketers and producers of healthy, convenient and affordable foods specializing in ketchup, sauces, meals, soups, snacks and infant nutrition. Heinz is a global family of leading branded products, including Heinz® Ketchup, sauces, soups, beans, pasta, infant foods, Ore-Ida® potato products, Weight Watchers® Smart Ones® entrées and T.G.I. Friday s® snacks.

Berkshire maintains a website (*http://www.berkshirehathaway.com*) where its annual reports, certain corporate governance documents, press releases, interim shareholder reports and links to its subsidiaries websites can be found. Berkshire s periodic reports filed with the SEC, which include Form 10-K, Form 10-Q, Form 8-K and amendments thereto, may be accessed by the public free of charge from the SEC and through Berkshire. Electronic copies of these reports can be accessed at the SEC s website (*http://www.sec.gov*) and indirectly through Berkshire s website (*http://www.berkshirehathaway.com*). Copies of these reports may also be obtained, free of charge, upon written request to: Berkshire Hathaway Inc., 3555 Farnam Street, Omaha, NE 68131, Attn: Corporate Secretary. The public may read or obtain copies of these reports from the SEC at the SEC s Public Reference Room at 450 Fifth Street N.W., Washington, D.C. 20549 (1-800-SEC-0330).

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Item 1A. Risk Factors

Berkshire and its subsidiaries (referred to herein as we, us, our or similar expressions) are subject to certain risks and uncertainties in our business operations which are described below. The risks and uncertainties described below are not the only risks we face. Additional risks and uncertainties that are not presently known or are currently deemed immaterial may also impair our business operations.

Our tolerance for risk in our insurance businesses may result in significant underwriting losses.

When properly paid for the risk assumed, we have been and will continue to be willing to assume more risk from a single event than any other insurer has knowingly assumed. Accordingly, we could incur a significant loss from a single event. We may also write coverages for losses arising from acts of terrorism. We attempt to take into account all possible correlations and avoid writing groups of policies from which pre-tax losses might aggregate above $10 billion. Currently, we estimate that our aggregate exposure from a single risk under outstanding policies is significantly below $10 billion. However, it is possible that despite our efforts, losses may aggregate in ways that were not anticipated. Our tolerance for significant insurance losses will likely result in lower reported earnings (or net losses) in a future period.

The degree of estimation error inherent in the process of estimating property and casualty insurance loss reserves may result in significant underwriting losses.

The principal cost associated with the property and casualty insurance business is claims. In writing property and casualty insurance policies, we receive premiums today and promise to pay covered losses in the future. However, it will take decades before all claims that have occurred as of any given balance sheet date will be reported and settled. Although we believe that liabilities for unpaid losses are adequate, we will not know whether these liabilities or the premiums charged for the coverages provided were sufficient until well after the balance sheet date. Except for certain product lines, our objective is to generate underwriting profits over the long-term. Estimating insurance claim costs is inherently imprecise. Our estimated unpaid losses arising under contracts covering property and casualty insurance risks are large ($65 billion at December 31, 2013) so even small percentage increases to the aggregate liability estimate can result in materially lower future periodic reported earnings.

Investments are unusually concentrated and fair values are subject to loss in value.

We concentrate a high percentage of our investments in equity securities in a small number of companies and diversify our investment portfolios far less than is conventional in the insurance industry. A significant decline in the fair values of our larger investments may produce a material decline in our consolidated shareholders equity and our consolidated book value per share. Under certain circumstances, significant declines in the fair values of these investments may require the recognition of other-than-temporary impairment losses.

A large percentage of our investments are held in our insurance companies and a decrease in the fair values of our investments could produce a large decline in statutory surplus. Our large statutory surplus serves as a competitive advantage, and a material decline could have a material adverse affect our ability to write new insurance business thus affecting our future underwriting profitability.

Derivative contracts may require significant future cash settlement payments and result in significant losses.

We have assumed the risk of potentially significant losses under equity index put option and credit default contracts. Although we received considerable premiums as compensation for accepting these risks, there is no assurance that the premiums we received will exceed our aggregate loss or settlement payments. Our risks of losses under equity index put option contracts are based on declines in equity prices of stocks comprising certain major stock indexes. The contracts expire beginning in 2018 and we could be required to make payments when these contracts expire if equity index prices are significantly below the strike prices specified in the contracts. Our risks under credit default contracts are limited to specified municipalities, amounts per municipality and aggregate contract limits. The deterioration of the financial condition of the referenced municipalities could result in significant losses.

Equity index put option and credit default contracts are recorded at fair value in our Consolidated Balance Sheet and the periodic changes in fair values are reported in earnings. The valuations of these contracts and the impact on our earnings can be particularly significant reflecting the volatility of equity and credit markets. Adverse changes in equity and credit markets may result in material losses in periodic earnings.

We are dependent on a few key people for our major investment and capital allocation decisions.

Major investment decisions and all major capital allocation decisions are made by Warren E. Buffett, Chairman of the Board of Directors and CEO, age 83, in consultation with Charles T. Munger, Vice Chairman of the Board of Directors, age 90. If for any reason the services of our key personnel, particularly Mr. Buffett, were to become unavailable, there could be a material adverse effect on our operations. However, Berkshire s Board of Directors has identified certain current Berkshire subsidiary managers who, in their judgment, are capable of succeeding Mr. Buffett. Berkshire s Board has agreed on a replacement for Mr. Buffett should a replacement be needed currently. The Board continually monitors this risk and could alter its current view regarding a replacement for Mr. Buffett in the future. We believe that the Board s succession plan, together with the outstanding managers running our numerous and highly diversified operating units helps to mitigate this risk.

We need qualified personnel to manage and operate our various businesses.

In our decentralized business model, we need qualified and competent management to direct day-to-day business activities of our operating subsidiaries. Our operating subsidiaries also need qualified and competent personnel in executing their business plans and serving their customers, suppliers and other stakeholders. Changes in demographics, training requirements and the unavailability of qualified personnel could negatively impact our operating subsidiaries ability to meet demands of customers to supply goods and services. Recruiting and retaining qualified personnel is important to all of our operations. Although we have adequate personnel for the current business environment, unpredictable increases in demand for goods and services may exacerbate the risk of not having sufficient numbers of trained personnel, which could have a negative impact on our operating results, financial condition and liquidity.

The past growth rate in Berkshire s book value per share is not an indication of future results.

In the years since our present management acquired control of Berkshire, our book value per share has grown at a highly satisfactory rate. Because of the large size of our capital base (shareholders equity of approximately $222 billion as of December 31, 2013), our book value per share will very likely *not* increase in the future at a rate even close to its past rate.

Risks unique to our regulated businesses

Insurance Businesses

Our insurance businesses are subject to regulation in the jurisdictions in which we operate. Such regulations may relate to among other things, the types of business that can be written, the rates that can be charged for coverage, the level of capital that must be maintained, and restrictions on the types and size of investments that can be made. Regulations may also restrict the timing and amount of dividend payments. Accordingly, changes in regulations related to these or other matters or regulatory actions imposing restrictions on our insurance companies, may adversely impact our results of operations.

Railroad Business

Our railroad business conducted through BNSF is subject to a significant number of governmental laws and regulations with respect to rates and practices, railroad operations and a variety of health, safety, labor, environmental and other matters. Failure to comply with applicable laws and regulations could have a material adverse effect on BNSF s business. Governments may change the legislative and/or regulatory framework within which BNSF operates without providing any recourse for any adverse effects that the change may have on the business. Federal legislation enacted in 2008 mandates the implementation of positive train control technology by December 31, 2015, on certain mainline track where intercity and commuter passenger railroads operate and where toxic-by-inhalation (TIH) hazardous materials are transported. This type of technology is new and deploying it across BNSF Railway s system and other railroads may pose significant operating and implementation risks and requires significant capital expenditures.

BNSF derives a significant amount of revenue from the transportation of coal. To the extent that changes in government environmental policies limit or restrict the usage of coal as a source of fuel in generating electricity or alternate fuels, such as natural gas, displace coal on a competitive basis, BNSF s revenues and earnings could be adversely affected. As a common carrier, BNSF is also required to transport TIH chemicals and other hazardous materials. An accidental release of hazardous materials could expose BNSF to significant claims, losses, penalties and environmental remediation obligations. Increased economic regulation of the rail industry could negatively impact BNSF s ability to determine prices for rail services and to make capital improvements to its rail network, resulting in an adverse effect on our results of operations, financial condition or liquidity.

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Utilities and Energy Businesses

Our utilities and energy businesses are highly regulated by numerous federal, state, local and foreign governmental authorities in the jurisdictions in which they operate. These laws and regulations are complex, dynamic and subject to new interpretations or change. Regulations affect almost every aspect of our utilities and energy businesses, have broad application and limit their management s ability to independently make and implement decisions regarding numerous matters, including acquiring businesses; constructing, acquiring or disposing of operating assets; operating and maintaining generating facilities and transmission and distribution system assets; complying with pipeline safety and integrity and environmental requirements; setting rates charged to customers; establishing capital structures and issuing debt or equity securities; transacting between our domestic utilities and our other subsidiaries and affiliates; and paying dividends or similar distributions. Failure to comply with or reinterpretations of existing regulations and new legislation or regulations, such as those relating to air and water quality, renewable portfolio standards, cyber security, emissions performance standards, climate change, coal combustion byproduct disposal, hazardous and solid waste disposal, protected species and other environmental matters, or changes in the nature of the regulatory process may have a significant adverse impact on our financial results.

Our utilities and energy businesses require significant amounts of capital to construct, operate and maintain generation, transmission and distribution systems to meet their customers needs and reliability criteria. Additionally, such systems may need to be operational for very long periods of time in order to justify the financial investment. The risk of operational or financial failure of capital projects is not necessarily recoverable through rates that are charged to customers.

Competition and technology may erode our business franchises and result in lower earnings.

Each of our operating businesses face intense competitive pressures within markets in which they operate. While we manage our businesses with the objective of achieving long-term sustainable growth by developing and strengthening competitive advantages, many factors, including market and technology changes, may erode or prevent the strengthening of competitive advantages. Accordingly, future operating results will depend to some degree on whether our operating units are successful in protecting or enhancing their competitive advantages. If our operating businesses are unsuccessful in these efforts, our periodic operating results in the future may decline from current levels.

Deterioration of general economic conditions may significantly reduce our operating earnings and impair our ability to access capital markets at a reasonable cost.

Our operating businesses are subject to normal economic cycles affecting the economy in general or the industries in which they operate. To the extent that the recovery from the recent economic recession continues to be slow or the economy worsens for a prolonged period of time, one or more of our significant operations could be materially harmed. In addition, our utilities and energy businesses, our railroad business and our manufactured housing business regularly utilize debt as a component of their capital structures. These businesses depend on having access to borrowed funds through the capital markets at reasonable rates. To the extent that access to the capital markets is restricted or the cost of funding increases, these operations could be adversely affected.

Civil unrest and terrorism acts could hurt our operating businesses.

Historically, we derived a relatively small amount of our revenues and earnings from international markets. Globally, our businesses are conducted primarily in regions where relatively stable political conditions have prevailed. However, certain of our business operations are subject to relatively higher risks from unstable political conditions and civil unrest. Further, terrorism activities deriving from unstable conditions or acts intended to compromise the integrity or security of our computer networks and information systems, in general could produce significant losses to our worldwide operations. Our business operations could be adversely affected directly through the loss of human resources or destruction of production facilities and information systems.

Regulatory changes may adversely impact our future operating results.

In recent years, partially in response to the financial markets crises and the global economic recessions, and social and environmental issues, regulatory initiatives have accelerated in the United States and abroad. Such initiatives address for example, the regulation of banks and other major financial institutions, environmental and global-warming matters and health care reform. It is not yet clear whether or not these initiatives will result in significant changes to existing laws and regulations. Many of the regulations associated with enacted legislation have yet to be written or the costs of compliance associated with enacted legislation may not be fully known or understood. These initiatives and the related costs to comply with such initiatives could have a significant negative impact on our operating businesses, as well as on the businesses that we have a significant but not controlling economic interest. Accordingly, we cannot predict whether such initiatives will have a material adverse impact on our consolidated financial position, results of operations or cash flows.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Description of Properties

The properties used by Berkshire s business segments are summarized in this section. Berkshire s railroad and utilities and energy businesses, in particular, utilize considerable physical assets in their businesses.

Railroad Business

Through BNSF Railway, BNSF operates a railroad network in North America with approximately 32,500 route miles of track (excluding multiple main tracks, yard tracks and sidings) in 28 states and two Canadian provinces. BNSF owns approximately 23,000 route miles, including easements, and operates on approximately 9,500 route miles of trackage rights that permit BNSF to operate its trains with its crews over other railroads tracks. The total BNSF Railway system, including single and multiple main tracks, yard tracks and sidings, consists of approximately 51,000 operated miles of track, all of which are owned by or held under easement by BNSF except for approximately 10,500 miles operated under trackage rights.

BNSF operates various facilities and equipment to support its transportation system, including its infrastructure and locomotives and freight cars. It also owns or leases other equipment to support rail operations, including containers, chassis and vehicles. Support facilities for rail operations include yards and terminals throughout its rail network, system locomotive shops to perform locomotive servicing and maintenance, a centralized network operations center for train dispatching and network operations monitoring and management in Fort Worth, Texas, regional dispatching centers, computers, telecommunications equipment, signal systems and other support systems. Transfer facilities are maintained for rail-to-rail as well as intermodal transfer of containers, trailers and other freight traffic and include approximately 30 intermodal hubs located across the system. BNSF owns or holds under non-cancelable leases exceeding one year approximately 7,000 locomotives and 74,000 freight cars, in addition to maintenance of way and other equipment.

Utilities and Energy Businesses

MidAmerican s energy properties consist of the physical assets necessary to support its electricity and natural gas businesses. Properties of MidAmerican s electricity businesses include electric generation, transmission and distribution facilities, as well as coal mining assets that support certain of MidAmerican s electric generating facilities. Properties of MidAmerican s natural gas businesses include natural gas distribution facilities, interstate pipelines, storage facilities, compressor stations and meter stations. In addition to these physical assets, MidAmerican has rights-of-way, mineral rights and water rights that enable MidAmerican to utilize its facilities. Pursuant to separate financing agreements, a majority of these properties are pledged or encumbered to support or otherwise provide the security for the related subsidiary debt. MidAmerican or its affiliates own or have interests in the following types of electric generation facilities at December 31, 2013:

Energy Source	Entity	Location by Significance	Facility Net Capacity (MW) (1)	Net MW Owned (1)
Coal	PacifiCorp, MEC and NV Energy	Iowa, Wyoming, Utah, Nevada, Arizona, Colorado and Montana	17,638	10,580
Natural gas and other	PacifiCorp, MEC, NV Energy and MidAmerican Renewables	Nevada, Utah, Iowa, Illinois, Washington, Oregon, Texas, New York and Arizona	9,954	9,306
Wind	PacifiCorp, MEC and MidAmerican Renewables	Iowa, Wyoming, Washington, California, Oregon and Illinois	3,750	3,741
Hydroelectric	PacifiCorp, MEC and MidAmerican Renewables	Washington, Oregon, The Philippines, Idaho, California, Utah, Hawaii, Montana, Illinois and Wyoming	1,309	1,282
Nuclear	MEC	Illinois	1,816	454
Solar	MidAmerican Renewables	California and Arizona	588	440
Geothermal	PacifiCorp and MidAmerican Renewables	California and Utah	361	198

Total	35,416	26,001

(1) Facility Net Capacity (MW) represents (except for wind-powered generation facilities, which are nominal ratings) either: 1) PacifiCorp the total capability of a generating unit as demonstrated by actual operating or test experience, less power generated and used for auxiliaries and other station uses, and is determined using average annual temperatures;

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2) MEC the total facility accredited net generating capacity based on MEC s accreditation approved by the Midcontinent Independent System Operator, Inc.;3) NV Energy the total capability of a generating unit, less auxiliary and station demands, available at peak summer conditions; or 4) MidAmerican Renewables the contract capacity for most facilities. Net MW Owned indicates MidAmerican s ownership of Facility Net Capacity (MW).

Additionally, as of December 31, 2013, MidAmerican s subsidiaries have electric generating facilities that are under construction in Iowa, California and Utah having total Facility Net Capacity and Net MW Owned of 2,482 MW.

PacifiCorp, MEC and NV Energy own electric transmission and distribution systems, including approximately 24,200 miles of transmission lines and approximately 1,700 substations, gas distribution facilities, including approximately 25,700 miles of gas mains and service lines, and an estimated 88 million tons of recoverable coal reserves in mines owned or leased in Wyoming, Utah and Colorado.

Northern Natural s pipeline system consists of approximately 14,700 miles of natural gas pipelines, including approximately 6,300 miles of mainline transmission pipelines and approximately 8,400 miles of branch and lateral pipelines. Northern Natural s end-use and distribution market area includes points in Iowa, Nebraska, Minnesota, Wisconsin, South Dakota, Michigan and Illinois and its natural gas supply and delivery service area includes points in Kansas, Texas, Oklahoma and New Mexico. Storage services are provided through the operation of one underground natural gas storage field in Iowa, two underground natural gas storage facilities in Kansas and two liquefied natural gas storage peaking units, one in Iowa and one in Minnesota.

Kern River s system consists of approximately 1,700 miles of natural gas pipelines, including approximately 1,400 miles of mainline section, including 100 miles of lateral pipelines, and approximately 300 miles of common facilities. Kern River owns the entire mainline section, which extends from the system s point of origination in Wyoming through the Central Rocky Mountains area into California.

Northern Powergrid (Northeast) s and Northern Powergrid (Yorkshire) s electricity distribution network includes approximately 18,000 miles of overhead lines, approximately 40,000 miles of underground cables and approximately 700 major substations.

Other Segments

The physical properties used by Berkshire s other significant business segments are summarized below:

Business	**Country**	**Location**	**Type of Property/Facility**	**Number of Properties**	**Owned/ Leased**
Insurance Group:					
GEICO	U.S.	Chevy Chase, MD and 6 other states	Offices	13	Owned
		Various locations in 37 states	Offices	104	Leased
General Re	U.S.	Stamford, CT	Offices	1	Owned
		Various locations	Offices	26	Leased
	Non-U.S.	Cologne, Germany	Offices	2	Owned
		Various locations in 23 countries	Offices	28	Leased
BHRG	U.S.	Stamford, CT and 9 other locations	Offices	10	Leased
	Non-U.S.	Various locations in 5 countries	Offices	9	Leased
BH Primary Group	U.S.	Omaha, NE, Fort Wayne, IN, Princeton, NJ and Wilkes-Barre, PA	Offices	10	Owned
		Various locations in 19 states	Offices	52	Leased
Marmon	U.S.	Various locations	Manufacturing plants	81	Owned
			Manufacturing plants	27	Leased

Offices	5	Owned
Offices	20	Leased
Warehouses	30	Owned
Warehouses	31	Leased

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Business	Country	Location	Type of Property/Facility	Number of Properties	Owned/ Leased
	Non-U.S.	Various locations in 21 countries	Manufacturing plants	40	Owned
			Manufacturing plants	19	Leased
			Offices	4	Owned
			Offices	22	Leased
			Warehouses	15	Owned
			Warehouses	14	Leased
McLane Company	U.S.	Various locations	Distribution centers/Offices	51	Owned
			Distribution centers/Offices	43	Leased
Other businesses:					
Other Manufacturing	U.S.	Various locations	Manufacturing plants	299	Owned
			Manufacturing plants	49	Leased
			Offices/Warehouses	167	Owned
			Offices/Warehouses	278	Leased
			Retail	27	Owned
			Retail/Showroom	126	Leased
	Non-U.S.	Various locations in over 60 countries	Manufacturing plants	182	Owned
			Manufacturing plants	98	Leased
			Offices/Warehouses	51	Owned
			Offices/Warehouses	387	Leased
			Retail	17	Leased
Other Service	U.S.	Various locations	Training facilities/Hangars	21	Owned
			Training facilities/Hangars	123	Leased
			Offices/Warehouses	52	Owned
			Offices/Warehouses	140	Leased
			Plants	25	Owned
			Plants	6	Leased

			Retail	6	Owned
	Non-U.S.	Various locations in 30 countries	Offices/Warehouses/ Hangars/Training facilities	20	Owned
			Offices/Warehouses/ Hangars/Training facilities	108	Leased
Retailing	U.S.	Various locations	Offices/Warehouses/Plants	25	Owned
			Offices/Warehouses	19	Leased
			Retail	33	Owned
			Retail	545	Leased
	Non-U.S.	Locations in 4 countries	Retail/Offices	7	Leased
Finance & Financial	U.S.	Various locations	Manufacturing plants	35	Owned
Products			Manufacturing plants	1	Leased
			Offices/Warehouses	16	Owned
			Offices/Warehouses	48	Leased
			Leasing/Showroom/Retail	223	Owned
			Leasing/Showroom/Retail	233	Leased
			Housing communities	27	Owned
	Non-U.S.	United Kingdom	Leasing/Warehouses	3	Leased

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Item 3. Legal Proceedings

We are parties in a variety of legal actions arising out of the normal course of business. In particular, such legal actions affect our insurance and reinsurance businesses. Such litigation generally seeks to establish liability directly through insurance contracts or indirectly through reinsurance contracts issued by Berkshire subsidiaries. Plaintiffs occasionally seek punitive or exemplary damages. We do not believe that such normal and routine litigation will have a material effect on our financial condition or results of operations.

Item 4. Mine Safety Disclosures

Information regarding the Company s mine safety violations and other legal matters disclosed in accordance with Section 1503 (a) of the Dodd-Frank Reform Act is included in Exhibit 95 to this Form 10-K.

Executive Officers of the Registrant

Following is a list of the Registrant s named executive officers:

Name	Age	Position with Registrant	Since
Warren E. Buffett	83	Chairman of the Board	1970
Charles T. Munger	90	Vice Chairman of the Board	1978

Each executive officer serves, in accordance with the by-laws of the Registrant, until the first meeting of the Board of Directors following the next annual meeting of shareholders and until his respective successor is chosen and qualified or until he sooner dies, resigns, is removed or becomes disqualified. Mr. Buffett and Mr. Munger also serve as directors of the Registrant.

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Part II

Item 5. Market for Registrant s Common Equity, Related Security Holder Matters and Issuer Purchases of Equity Securities
Market Information

Berkshire s Class A and Class B common stock are listed for trading on the New York Stock Exchange, trading symbol: BRK.A and BRK.B. The following table sets forth the high and low sales prices per share, as reported on the New York Stock Exchange Composite List during the periods indicated:

	2013				2012			
	Class A		Class B		Class A		Class B	
	High	Low	High	Low	High	Low	High	Low
First Quarter	$ 156,634	$ 136,850	$ 104.48	$ 91.29	$ 123,578	$ 113,855	$ 82.47	$ 75.86
Second Quarter	173,810	154,145	115.98	102.69	124,950	117,551	83.33	78.21
Third Quarter	178,900	166,168	119.30	110.72	134,892	123,227	89.95	82.12
Fourth Quarter	177,950	166,510	118.66	110.84	136,345	125,950	90.93	83.85

Shareholders

Berkshire had approximately 2,900 record holders of its Class A common stock and 19,300 record holders of its Class B common stock at February 14, 2014. Record owners included nominees holding at least 450,000 shares of Class A common stock and 1,170,000,000 shares of Class B common stock on behalf of beneficial-but-not-of-record owners.

Dividends

Berkshire has not declared a cash dividend since 1967.

Common Stock Repurchase Program

In September 2011, Berkshire s Board of Directors (Berkshire s Board) approved a common stock repurchase program under which Berkshire may repurchase its Class A and Class B shares at prices no higher than a 10% premium over the book value of the shares. In December 2012, Berkshire s Board amended the repurchase program by raising the price limit to no higher than a 20% premium over book value. Berkshire may repurchase shares in the open market or through privately negotiated transactions. Berkshire s Board authorization does not specify a maximum number of shares to be repurchased. However, repurchases will not be made if they would reduce Berkshire s consolidated cash equivalent holdings below $20 billion. The repurchase program is expected to continue indefinitely and the amount of repurchases will depend entirely upon the level of cash available, the attractiveness of investment and business opportunities either at hand or on the horizon, and the degree of discount of the market price relative to management s estimate of intrinsic value. The repurchase program does not obligate Berkshire to repurchase any dollar amount or number of Class A or Class B shares and there is no expiration date to the program. There were no share purchases in 2013. In December 2012, Berkshire repurchased 9,475 Class A shares and 606,499 Class B shares for approximately $1.3 billion through a privately negotiated transaction and market purchases.

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Item 6. Selected Financial Data

Selected Financial Data for the Past Five Years

(dollars in millions except per-share data)

	2013	2012	2011	2010	2009
Revenues:					
Insurance premiums earned	$ 36,684	$ 34,545	$ 32,075	$ 30,749	$ 27,884
Sales and service revenues	94,806	83,268	72,803	67,225	62,555
Revenues of railroad, utilities and energy businesses (1)	34,757	32,582	30,839	26,364	11,443
Interest, dividend and other investment income	4,939	4,534	4,792	5,215	5,531
Interest and other revenues of finance and financial products businesses	4,291	4,109	4,009	4,286	4,293
Investment and derivative gains/losses (2)	6,673	3,425	(830)	2,346	787
Total revenues	$ 182,150	$ 162,463	$ 143,688	$ 136,185	$ 112,493
Earnings:					
Net earnings attributable to Berkshire Hathaway (2)	$ 19,476	$ 14,824	$ 10,254	$ 12,967	$ 8,055
Net earnings per share attributable to Berkshire Hathaway shareholders (3)	$ 11,850	$ 8,977	$ 6,215	$ 7,928	$ 5,193
Year-end data:					
Total assets	$ 484,931	$ 427,452	$ 392,647	$ 372,229	$ 297,119
Notes payable and other borrowings:					
Insurance and other businesses	12,902	13,535	13,768	12,471	4,561
Railroad, utilities and energy businesses (1)	46,655	36,156	32,580	31,626	19,579
Finance and financial products businesses	12,667	13,045	14,036	14,477	13,769
Berkshire Hathaway shareholders equity	221,890	187,647	164,850	157,318	131,102
Class A equivalent common shares outstanding, in thousands	1,644	1,643	1,651	1,648	1,552
Berkshire Hathaway shareholders equity per outstanding Class A equivalent common share	$ 134,973	$ 114,214	$ 99,860	$ 95,453	$ 84,487

(1) *On February 12, 2010, BNSF became a wholly-owned subsidiary of Berkshire and BNSF s accounts are consolidated in Berkshire s financial statements beginning on that date. From December 31, 2008 to February 12, 2010, Berkshire s investment in BNSF common stock was accounted for pursuant to the equity method.*

(2) *Investment gains/losses include realized gains and losses and non-cash other-than-temporary impairment losses. Derivative gains/losses include significant amounts related to non-cash changes in the fair value of long-term contracts arising from short-term changes in equity prices, interest rates and foreign currency rates, among other market factors. After-tax investment and derivative gains/losses were $4.3 billion in 2013, $2.2 billion in 2012, $(521) million in 2011, $1.87 billion in 2010 and $486 million in 2009.*

(3) *Represents net earnings per equivalent Class A common share. Net earnings per Class B common share is equal to 1/1,500 of such amount.*

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations
Results of Operations

Net earnings attributable to Berkshire Hathaway shareholders for each of the past three years are disaggregated in the table that follows. Amounts are after deducting income taxes and exclude earnings attributable to noncontrolling interests. Amounts are in millions.

	2013	2012	2011
Insurance underwriting	$ 1,995	$ 1,046	$ 154
Insurance investment income	3,708	3,397	3,555
Railroad	3,793	3,372	2,972
Utilities and energy	1,470	1,323	1,204
Manufacturing, service and retailing	4,230	3,699	3,039
Finance and financial products	657	557	516
Other	(714)	(797)	(665)
Investment and derivative gains/losses	4,337	2,227	(521)
Net earnings attributable to Berkshire Hathaway shareholders	$ 19,476	$ 14,824	$ 10,254

Through our subsidiaries, we engage in a number of diverse business activities. Our operating businesses are managed on an unusually decentralized basis. There are essentially no centralized or integrated business functions (such as sales, marketing, purchasing, legal or human resources) and there is minimal involvement by our corporate headquarters in the day-to-day business activities of the operating businesses. Our senior corporate management team participates in and is ultimately responsible for significant capital allocation decisions, investment activities and the selection of the Chief Executive to head each of the operating businesses. It also is responsible for establishing and monitoring Berkshire s corporate governance practices, including, but not limited to, communicating the appropriate tone at the top messages to its employees and associates, monitoring governance efforts, including those at the operating businesses, and participating in the resolution of governance-related issues as needed. The business segment data (Note 23 to the Consolidated Financial Statements) should be read in conjunction with this discussion.

Our insurance businesses generated after-tax earnings from underwriting in each of the last three years. Periodic earnings from insurance underwriting are significantly impacted by the magnitude of catastrophe loss events occurring during the period. In 2013, we incurred after-tax losses of approximately $285 million from two catastrophe events in Europe. Insurance underwriting earnings in 2012 included after-tax losses of approximately $725 million from Hurricane Sandy. In 2011, underwriting earnings included after-tax losses of approximately $1.7 billion from several different catastrophe events occurring in that year.

Our railroad and utilities and energy businesses generated significant earnings in each of the last three years. Earnings from our manufacturing, service and retailing businesses in 2013 increased about 14.4% over 2012, which was partially attributable to bolt-on business acquisitions completed during the last two years and reductions in earnings attributable to noncontrolling interests. Earnings from our manufacturing, service and retailing businesses in 2012 increased significantly over 2011 due primarily to the impact of the acquisition of The Lubrizol Corporation (Lubrizol), which was completed on September 16, 2011.

In 2013 and 2012, after-tax investment and derivative gains were approximately $4.3 billion and $2.2 billion, respectively. In each year, after-tax gains included gains from the reductions in estimated liabilities under equity index put option contracts and dispositions of investments, partially offset by other-than-temporary impairment (OTTI) losses. Investment gains in 2013 also included after-tax gains associated with the fair value increases of certain investment securities where the gains or losses were reflected in periodic earnings. In 2012, after-tax investment and derivative gains also included gains from settlements and expirations of credit default contracts. In 2011, after-tax investment and derivative losses were $521 million, reflecting after-tax losses of $1.2 billion related to increases in liabilities under our equity index put option contracts and OTTI losses of $590 million related to certain equity and fixed maturity securities, partially offset by after-tax investment gains of $1.2 billion from the redemptions of our Goldman Sachs and General Electric Preferred Stock investments. We believe that investment and derivatives gains/losses are often meaningless in terms of understanding our reported results or evaluating our economic performance. These gains and losses have caused and will likely continue to cause significant volatility in our periodic earnings.

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Management s Discussion *(Continued)*

Insurance Underwriting

We engage in both primary insurance and reinsurance of property/casualty, life and health risks. In primary insurance activities, we assume defined portions of the risks of loss from persons or organizations that are directly subject to the risks. In reinsurance activities, we assume defined portions of similar or dissimilar risks that other insurers or reinsurers have subjected themselves to in their own insuring activities. Our insurance and reinsurance businesses are: (1) GEICO, (2) General Re, (3) Berkshire Hathaway Reinsurance Group (BHRG) and (4) Berkshire Hathaway Primary Group.

Our management views insurance businesses as possessing two distinct operations underwriting and investing. Underwriting decisions are the responsibility of the unit managers; investing decisions, with limited exceptions, are the responsibility of Berkshire s Chairman and CEO, Warren E. Buffett. Accordingly, we evaluate performance of underwriting operations without any allocation of investment income. Underwriting results represent insurance premiums earned less insurance losses, benefits and underwriting expenses incurred.

The timing and amount of catastrophe losses can produce significant volatility in our periodic underwriting results, particularly with respect to BHRG and General Re. For the purpose of this discussion, we considered catastrophe losses significant if the pre-tax losses incurred from a single event (or series of related events such as tornadoes) exceeded $75 million on a consolidated basis. In 2013, we incurred pre-tax losses of $436 million related to two events in Europe. In 2012, we incurred pre-tax losses of approximately $1.1 billion attributable to Hurricane Sandy, which included approximately $490 million incurred by GEICO. In 2011, we incurred pre-tax losses of approximately $2.6 billion, arising from nine events. The largest losses were from the earthquakes in Japan ($1.25 billion) and New Zealand ($650 million) in the first quarter. Additionally, we incurred losses from several weather related events in the Pacific Rim and the U.S.

Our periodic underwriting results may be affected significantly by changes in estimates for unpaid losses and loss adjustment expenses, including amounts established for occurrences in prior years. In 2011, we reduced estimated liabilities related to certain retroactive reinsurance contracts which resulted in an increase in pre-tax underwriting earnings of approximately $875 million. These reductions were primarily due to lower than expected loss experience of one ceding company. Actual claim settlements and revised loss estimates will develop over time, which will likely differ from the liability estimates recorded as of year-end (approximately $65 billion). Accordingly, the unpaid loss estimates recorded as of December 31, 2013 may develop upward or downward in future periods, producing a corresponding decrease or increase, respectively, to pre-tax earnings.

Our periodic underwriting results may also include significant foreign currency transaction gains and losses arising from the changes in the valuation of certain non-U.S. Dollar denominated reinsurance liabilities of our U.S. based subsidiaries as a result of foreign currency exchange rate fluctuations. Historically, currency exchange rates have been volatile and the resulting impact on our underwriting earnings has been relatively significant. These gains and losses are included in underwriting expenses.

A key marketing strategy of our insurance businesses is the maintenance of extraordinary capital strength. Statutory surplus of our insurance businesses was approximately $129 billion at December 31, 2013. This superior capital strength creates opportunities, especially with respect to reinsurance activities, to negotiate and enter into insurance and reinsurance contracts specially designed to meet the unique needs of insurance and reinsurance buyers.

Underwriting results from our insurance businesses are summarized below. Amounts are in millions.

	2013	2012	2011
Underwriting gain (loss) attributable to:			
GEICO	$ 1,127	$ 680	$ 576
General Re	283	355	144
Berkshire Hathaway Reinsurance Group	1,294	304	(714)
Berkshire Hathaway Primary Group	385	286	242
Pre-tax underwriting gain	3,089	1,625	248
Income taxes and noncontrolling interests	1,094	579	94

Net underwriting gain	$ 1,995	$ 1,046	$ 154

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Management s Discussion *(Continued)*

Insurance Underwriting *(Continued)*

GEICO

Through GEICO, we primarily write private passenger automobile insurance, offering coverages to insureds in all 50 states and the District of Columbia. GEICO s policies are marketed mainly by direct response methods in which customers apply for coverage directly to the company via the Internet or over the telephone. This is a significant element in our strategy to be a low-cost auto insurer. In addition, we strive to provide excellent service to customers, with the goal of establishing long-term customer relationships. GEICO s underwriting results are summarized below. Dollars are in millions.

	2013		2012		2011	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Premiums written	$ 19,083		$ 17,129		$ 15,664	
Premiums earned	$ 18,572	100.0	$ 16,740	100.0	$ 15,363	100.0
Losses and loss adjustment expenses	14,255	76.7	12,700	75.9	12,013	78.2
Underwriting expenses	3,190	17.2	3,360	20.0	2,774	18.1
Total losses and expenses	17,445	93.9	16,060	95.9	14,787	96.3
Pre-tax underwriting gain	$ 1,127		$ 680		$ 576	

Premiums written in 2013 were $19.1 billion, an increase of 11.4% over premiums written in 2012. Premiums earned in 2013 increased approximately $1.8 billion (10.9%) compared to premiums earned in 2012. The growth in premiums written and earned reflected an increase in voluntary auto policies-in-force of 7.8% over the past year and, to a lesser degree, higher average premiums per policy. The increase in policies-in-force reflected a 12.1% increase in voluntary auto new business sales. Voluntary auto policies-in-force at December 31, 2013 were approximately 898,000 greater than at December 31, 2012.

Losses and loss adjustment expenses incurred in 2013 increased $1.56 billion (12.2%) compared to 2012. The loss ratio (the ratio of losses and loss adjustment expenses incurred to premiums earned) was 76.7% in 2013 compared to 75.9% in 2012. In 2013, claims frequencies for property damage and collision coverages generally increased in the two to four percent range compared to 2012. Physical damage claims severities increased in the three to four percent range in 2013. In addition, average bodily injury claims frequencies increased in the one to two percent range. Bodily injury claims severities increased in the one to three percent range, although severities for personal injury protection coverage declined, primarily in Florida. In both 2013 and 2012, losses and loss adjustment expenses incurred were favorably impacted by reductions of estimates for prior years losses.

Underwriting expenses incurred in 2013 declined $170 million (5.1%) compared with 2012. Underwriting expenses in 2012 were impacted by a change in U.S. GAAP concerning deferred policy acquisition costs (DPAC). DPAC represents the underwriting costs that are capitalized and expensed as premiums are earned over the policy period. The new accounting standard, which we adopted on a prospective basis as of January 1, 2012, accelerates the timing of when certain underwriting costs are recognized in earnings. We estimate that GEICO s underwriting expenses in 2012 would have been about $410 million less had we computed DPAC under the prior accounting standard. The effect of transitioning to this new accounting standard was completed in 2012. Excluding the effects of the accounting change in 2012, the ratio of underwriting expenses to premiums earned (the expense ratio) in 2013 declined by approximately 0.4 percentage points from 2012.

Premiums earned in 2012 were approximately $16.7 billion, an increase of $1.4 billion (9.0%) over 2011. The growth in premiums earned for voluntary auto was 9.0% as a result of a 6.5% increase in policies-in-force and an increase in average premium per policy as compared to 2011. Voluntary auto new business sales in 2012 increased slightly compared with 2011. Voluntary auto policies-in-force at December 31, 2012 were approximately 704,000 greater than at December 31, 2011.

Losses and loss adjustment expenses incurred in 2012 were $12.7 billion, an increase of $687 million (5.7%) over 2011. The loss ratio was 75.9% in 2012 and 78.2% in 2011. Losses and loss adjustment expenses in 2012 included $490 million related to Hurricane Sandy. With the exception of Hurricane Sandy, GEICO s catastrophe losses tend to occur regularly and are normally not individually significant in amount.

Despite the losses from Hurricane Sandy, our loss ratio declined in 2012 as compared to 2011. Claims frequencies for property damage and collision coverages were down about one percent, comprehensive coverage frequencies were down about ten percent, excluding Hurricane Sandy, and frequencies for bodily injury coverages were relatively unchanged. Physical

Management s Discussion *(Continued)*

Insurance Underwriting *(Continued)*

GEICO (Continued)

damage severities increased in the two to four percent range and bodily injury severities increased in the one to three percent range from 2011.

Underwriting expenses incurred in 2012 increased $586 million (21.1%) compared with 2011. The increase was primarily the result of the change in U.S. GAAP concerning DPAC discussed previously. We estimate that GEICO s underwriting expenses in 2012 would have been about $410 million less had we computed DPAC under the prior accounting standard. Based on that estimate, GEICO s expense ratio in 2012 would have been less than in 2011.

General Re

Through General Re, we conduct a reinsurance business offering property and casualty and life and health coverages to clients worldwide. We write property and casualty reinsurance in North America on a direct basis through General Reinsurance Corporation and internationally through Germany-based General Reinsurance AG and other wholly-owned affiliates. Property and casualty reinsurance is also written in broker markets through Faraday in London. Life and health reinsurance is written in North America through General Re Life Corporation and internationally through General Reinsurance AG. General Re strives to generate underwriting profits in essentially all of its product lines. Our management does not evaluate underwriting performance based upon market share and our underwriters are instructed to reject inadequately priced risks. General Re s underwriting results are summarized in the following table. Amounts are in millions.

	Premiums written			Premiums earned			Pre-tax underwriting gain (loss)		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Property/casualty	$ 2,972	$ 2,982	$ 2,910	$ 3,007	$ 2,904	$ 2,941	$ 148	$ 399	$ 7
Life/health	2,991	3,002	2,909	2,977	2,966	2,875	135	(44)	137
	$ 5,963	$ 5,984	$ 5,819	$ 5,984	$ 5,870	$ 5,816	$ 283	$ 355	$ 144

Property/casualty

Property/casualty premiums written in 2013 were relatively unchanged while premiums earned increased $103 million (3.5%), versus the corresponding 2012 period. Excluding the effects of foreign currency exchange rate changes, premiums written and premiums earned in 2013 increased $8 million (0.3%) and $83 million (2.9%), respectively, versus 2012. This was primarily due to increases in European treaty business. Price competition in most property and casualty lines persists. Our underwriters continue to exercise discipline by declining offers to write business where prices are deemed inadequate. We remain prepared to increase premium volumes should market conditions improve.

Property/casualty operations in 2013 produced net underwriting gains of $148 million which consisted of $153 million of gains from our property business and $5 million of losses from casualty/workers compensation business. In 2013, property results included catastrophe losses of approximately $400 million attributable to a hailstorm ($280 million) and floods ($120 million) in Europe. The timing and magnitude of catastrophe and large individual losses has produced and is expected to continue to produce significant volatility in periodic underwriting results. Property underwriting results also included gains from reductions of $375 million in loss reserve estimates for prior years loss events as a result of lower than expected losses reported from ceding companies. The underwriting loss from casualty/workers compensation business included $141 million of losses attributable to discount accretion related to prior years workers compensation liabilities and net underwriting losses attributable to current year business, offset by reductions in estimated liabilities for prior year losses.

Premiums written in 2012 increased $72 million (2.5%), while premiums earned declined $37 million (1.3%) from 2011. Excluding the effects of foreign currency exchange rate changes, premiums written increased $158 million (5.4%) compared to 2011 which reflected increased volume in most of our major markets around the globe. Before the effects of currency exchange, premiums earned in 2012 increased $61 million (2.1%) over 2011 which was primarily attributable to an increase in European property treaty business.

Underwriting gains were $399 million in 2012 and consisted of $352 million of gains from our property business and $47 million of gains from casualty/workers compensation business. Our property results included $266 million of catastrophe losses primarily attributable to Hurricane Sandy ($226 million), an earthquake in Northern Italy and various tornadoes in the Midwest. The underwriting gains from casualty/workers compensation business included lower than expected losses from prior years

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Management s Discussion *(Continued)*

Insurance Underwriting *(Continued)*

Property/casualty (Continued)

casualty business, offset in part by discount accretion of workers compensation liabilities and deferred charge amortization on retroactive reinsurance contracts.

Underwriting gains were $7 million in 2011 and consisted of a net underwriting gain of $127 million from casualty/workers compensation business substantially offset by a net underwriting loss of $120 million from property business. Our property results in 2011 included $861 million of catastrophe losses. The catastrophe losses were primarily attributable to earthquakes in New Zealand ($235 million) and Japan ($189 million), as well as several weather related loss events in the United States, Europe and Australia, with losses ranging from about $30 million to $75 million per event. The underwriting gain of $127 million from casualty/workers compensation business reflected overall reductions in loss reserve estimates for prior years loss events, which was partially offset by discount accretion associated with workers compensation liabilities and deferred charge amortization.

Life/health

In 2013, premiums written decreased $11 million (0.4%), while premiums earned increased $11 million (0.4%) compared with 2012. Adjusting for the effects of currency exchange rate changes, premiums written in 2013 increased $9 million (0.3%) over 2012 and premiums earned were $32 million (1.1%), higher than 2012. The increases, before foreign currency effects, were primarily attributable to increased non-U.S. life business. Life/health operations in 2013 produced net underwriting gains of $135 million, which were driven by lower than expected mortality, offset in part by discount accretion in the long-term care business.

Premiums written in 2012 increased $93 million (3.2%) and earned premiums increased $91 million (3.2%) from 2011. Excluding the effects of foreign currency exchange rate changes, premiums written and earned in 2012 increased $239 million (8.2%) and $236 million (8.2%), respectively, compared to 2011. The increases in premiums written and earned were primarily attributed to increased writings in non-U.S. life business. The underwriting results for 2012 were negatively impacted by a premium deficiency reserve that was established on the run off of the U.S. long-term care book of business as well as greater than expected claims frequency and duration in the individual and group disability business in Australia. Underwriting results for 2011 included losses of $15 million attributable to the earthquake in Japan, offset by lower than expected mortality in the life business.

Berkshire Hathaway Reinsurance Group

Through BHRG, we underwrite excess-of-loss reinsurance and quota-share coverages on property and casualty risks for insurers and reinsurers worldwide. BHRG s business includes catastrophe excess-of-loss reinsurance and excess primary insurance and facultative reinsurance for large or otherwise unusual property risks referred to as individual risk. BHRG also writes retroactive reinsurance, which provides indemnification of losses and loss adjustment expenses with respect to past loss events. Multi-line property/casualty refers to various coverages written on both a quota-share and excess basis and includes a 20% quota-share contract with Swiss Reinsurance Company Ltd. (Swiss Re) covering substantially all of Swiss Re s property/casualty risks incepting between January 1, 2008 and December 31, 2012. The Swiss Re quota-share contract is now in run-off. BHRG s underwriting activities also include life reinsurance and traditional annuity businesses. BHRG s underwriting results are summarized in the table below. Amounts are in millions.

	Premiums earned			Pre-tax underwriting gain/loss		
	2013	2012	2011	2013	2012	2011
Catastrophe and individual risk	$ 801	$ 816	$ 751	$ 581	$ 400	$ (321)
Retroactive reinsurance	328	717	2,011	(321)	(201)	645
Other multi-line property/casualty	4,348	5,306	4,224	655	295	(338)
Life and annuity	3,309	2,833	2,161	379	(190)	(700)

	$ 8,786	$ 9,672	$ 9,147	$ 1,294	$ 304	$ (714)

Catastrophe and individual risk premiums written were $807 million in 2013, $785 million in 2012, and $720 million in 2011. The level of business written in a given period will vary significantly depending on changes in market conditions and

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Management s Discussion *(Continued)*

Insurance Underwriting *(Continued)*

Berkshire Hathaway Reinsurance Group (Continued)

management s assessment of the adequacy of premium rates. We have constrained the volume of business written in recent years. However, we have the capacity and desire to write substantially more business when appropriate pricing can be obtained.

Periodic underwriting results of our catastrophe and individual risk business are subject to extraordinary volatility, depending on the timing and magnitude of significant catastrophe losses. In 2013, we incurred losses of $20 million from floods in Europe, while in 2012 we incurred losses of $96 million in connection with Hurricane Sandy. In 2011, we incurred losses of approximately $800 million attributable to the earthquakes in Japan ($700 million) and New Zealand ($100 million).

Retroactive reinsurance policies provide indemnification of unpaid losses and loss adjustment expenses with respect to past loss events, and related claims are generally expected to be paid over long periods of time. Premiums and limits of indemnification are often very large in amount. Coverages are generally subject to policy limits. Premiums earned in 2013, 2012 and 2011 were attributed to a relatively small number of contracts. Premiums earned under retroactive reinsurance contracts in 2011 included approximately $1.7 billion from a reinsurance contract with Eaglestone Reinsurance Company, a subsidiary of American International Group, Inc. (AIG). Under the contract, we agreed to reinsure the bulk of AIG s U.S. asbestos liabilities. The agreement provides for a maximum limit of indemnification of $3.5 billion.

Underwriting results attributable to retroactive reinsurance include the recurring periodic amortization of deferred charges that are established with respect to these contracts. At the inception of a contract, deferred charge assets are recorded as the excess, if any, of the estimated ultimate losses payable over the premiums earned. Deferred charge balances are subsequently amortized over the estimated claims payment period using the interest method, which reflects estimates of the timing and amount of loss payments. The original estimates of the timing and amount of ultimate loss payments are periodically analyzed against actual experience and revised based on an actuarial evaluation of the expected remaining losses. Amortization charges and deferred charge adjustments resulting from changes to the estimated timing and amount of future loss payments are included as a component of losses and loss adjustment expenses.

The underwriting losses from retroactive policies of $321 million in 2013 and $201 million in 2012 primarily represented the amortization of deferred charges. In 2013, we increased undiscounted estimated liabilities by approximately $300 million related to prior years contracts, which was partially offset by increases in related deferred charge balances. In 2011, the net underwriting gain from retroactive reinsurance contracts of $645 million reflected the favorable impact of an $865 million reduction in the estimated liabilities related to an adverse loss development contract with Swiss Re, which was attributable to better than expected loss experience.

Gross unpaid losses from retroactive reinsurance contracts were approximately $17.7 billion as of December 31, 2013, $18.0 billion at December 31, 2012 and $18.8 billion at December 31, 2011. At December 31, 2013 and 2012 unamortized deferred charges related to BHRG s retroactive reinsurance contracts were approximately $4.25 billion and $3.90 billion, respectively.

Premiums earned from multi-line property/casualty business in 2013 declined $958 million (18%) compared to 2012, while premiums earned in 2012 increased approximately $1.1 billion (26%) over 2011. As previously noted, the Swiss Re 20% quota-share contract expired on December 31, 2012. As a result, premiums earned in 2013 from that contract declined $1.9 billion (57%) compared with 2012. Premiums earned under the Swiss Re quota-share contract were $3.4 billion in 2012 and $2.9 billion in 2011. Premiums earned in 2013 from multi-line business, other than from the Swiss Re quota-share contract, increased $981 million (52%) over 2012, which was primarily attributable to increased property quota-share business.

Multi-line property/casualty generated pre-tax underwriting gains of $655 million in 2013 and $295 million in 2012. This business produced pre-tax underwriting losses of $338 million in 2011. Periodic underwriting results can be significantly impacted by catastrophe losses and foreign currency transaction gains or losses associated with the changes in the valuation of certain reinsurance liabilities of U.S.-based subsidiaries (including liabilities arising under retroactive reinsurance contracts), which are denominated in foreign currencies.

Multi-line property/casualty underwriting results in 2013 included losses of $16 million from floods and a hailstorm in Europe. Underwriting results in 2012 included estimated losses of $268 million from Hurricane Sandy. Catastrophe losses were approximately $933 million in 2011, which arose primarily from the earthquakes in Japan ($375 million) and New Zealand ($300 million) and from floods in Thailand ($150 million). The catastrophe losses in 2011 and 2012 arose primarily under the

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Management s Discussion *(Continued)*

Insurance Underwriting *(Continued)*

Berkshire Hathaway Reinsurance Group (Continued)

Swiss Re quota-share contract. Underwriting results included foreign currency transaction losses of $28 million in 2013 and $123 million in 2012 and gains of $140 million in 2011.

Life and annuity premiums earned in 2013 increased $476 million (17%) over premiums earned in 2012. In 2013, premiums earned included $1.7 billion received in connection with a new reinsurance contract which provides coverage of guaranteed minimum death benefits on a portfolio of variable annuity reinsurance contracts that have been in run-off for a number of years. Premiums earned in 2013 also included $1.4 billion from traditional annuity insurance and reinsurance contracts that provide for streams of periodic payments in the future in exchange for upfront consideration. Annuity premiums in 2012 were $794 million. These increases were partially offset by the reversal of premiums previously earned (approximately $1.3 billion) under the Swiss Re Life & Health America Inc. (SRLHA) yearly renewable term life insurance contract as a result of contract amendments in 2013. The amendments essentially commuted coverage with respect to a number of the underlying contracts in exchange for payments to SRLHA of $675 million.

The life and annuity business produced pre-tax underwriting gains of $379 million in 2013. The underwriting gains in 2013 included a one-time pre-tax gain of $255 million attributable to the aforementioned amendments to the SRLHA contract as the reversal of premiums earned was more than offset by the reversal of life benefits incurred. The one-time underwriting gain related to the SRLHA contract partially offset the significant underwriting losses incurred under that contract over the previous three years. Underwriting results in 2013 also included pre-tax gains of approximately $250 million related to the variable annuity guarantee business written in 2013. The gains were primarily attributable to the impact of rising equity markets which lowered estimates of liabilities for guaranteed minimum benefits. The annuity business normally generates periodic underwriting losses as a result of the periodic accretion of discounted annuity liabilities. Periodic underwriting results are also impacted by adjustments for mortality experience and changes in foreign currency exchange rates applicable to certain of the contracts. Annuity business produced net underwriting losses of $178 million in 2013.

The life and annuity business generated pre-tax underwriting losses of $190 million in 2012 and $700 million in 2011. Annuity business produced net underwriting losses of $159 million in 2012 and $118 million in 2011. In 2011, we also recorded a pre-tax underwriting loss of $642 million with respect to the SRLHA contract. Mortality rates under that contract persistently exceeded the assumptions we made at the inception of the contract. During the fourth quarter of 2011, after considerable internal actuarial analysis, our management concluded that future mortality rates are expected to be greater than our original assumptions. As a result, we increased our estimated liabilities for future policyholder benefits to reflect the new assumptions.

Berkshire Hathaway Primary Group

The Berkshire Hathaway Primary Group (BH Primary) consists of a wide variety of independently managed insurance businesses. These businesses include: Medical Protective Company and Princeton Insurance Company (Princeton, acquired in December 2011), providers of healthcare malpractice insurance coverages; National Indemnity Company s primary group, writers of commercial motor vehicle and general liability coverages; U.S. Investment Corporation, whose subsidiaries underwrite specialty insurance coverages; a group of companies referred to internally as Berkshire Hathaway Homestate Companies, providers of commercial multi-line insurance, including workers compensation; Central States Indemnity Company, a provider of credit and disability insurance; Applied Underwriters, a provider of integrated workers compensation solutions; and BoatU.S., a writer of insurance for owners of boats and small watercraft. In the fourth quarter of 2012, we acquired GUARD Insurance Group (GUARD), a provider of workers compensation and complimentary commercial property and casualty insurance coverage to small and mid-sized businesses. In the second quarter of 2013, we formed Berkshire Hathaway Specialty Insurance which concentrates on providing large scale capacity solutions for commercial property and casualty risks.

Premiums earned in 2013 by BH Primary aggregated $3,342 million, an increase of $1,079 million (48%) over 2012. Premiums earned in 2012 by BH Primary were $2,263 million, an increase of $514 million (29%) over 2011. The comparative increases in 2013 and 2012 reflected the impact of the GUARD acquisition in 2012 and Princeton at the end of 2011. In addition, Berkshire Hathaway Homestate Companies premiums earned increased $301 million in 2013 and $188 million in 2012 compared to the corresponding prior years, due primarily to significantly higher workers compensation insurance volume. BH Primary produced underwriting gains of $385 million in 2013, $286 million in 2012 and $242 million in 2011. The gains reflected a generally favorable claim environment over the three years, which resulted in loss ratios of 60% in 2013, 58% in 2012 and 52% in 2011.

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Management s Discussion *(Continued)*

Insurance Investment Income

A summary of net investment income of our insurance operations follows. Amounts are in millions.

	2013	2012	2011
Investment income before taxes and noncontrolling interests	$ 4,713	$ 4,454	$ 4,725
Income taxes and noncontrolling interests	1,005	1,057	1,170
Net investment income	$ 3,708	$ 3,397	$ 3,555

Investment income consists of interest and dividends earned on cash and investments of our insurance businesses. Pre-tax investment income in 2013 increased $259 million (5.8%) compared to 2012. The increase was primarily attributable to increased dividends earned on equity investments, which reflected increased dividend rates for certain of our larger equity holdings as well as increased overall investments in equity securities.

Beginning with the fourth quarter of 2013, investment income no longer includes interest from our investments in Wrigley 11.45% subordinated notes ($4.4 billion par), as a result of the repurchase of those notes by Mars/Wrigley. In addition, other higher yielding fixed maturity investments were redeemed in 2013 or will mature in 2014. Investment income in 2014 is expected to decline compared to 2013 given that investment opportunities currently available will likely generate considerably lower yields. We continue to hold significant cash and cash equivalents earning very low yields. However, we believe that maintaining ample liquidity is paramount and we insist on safety over yield with respect to cash and cash equivalents.

Pre-tax investment income in 2012 declined $271 million (6%) compared to 2011. The decline reflected the redemptions in 2011 of our investments in Goldman Sachs 10% Preferred Stock (insurance subsidiaries held 87% of the $5 billion aggregate investment) and in General Electric 10% Preferred Stock ($3 billion aggregate investment). Dividends earned by our insurance subsidiaries from these investments were $420 million in 2011. Investment income in 2012 reflected dividends earned for the full year from our investment in September 2011 in Bank of America 6% Preferred Stock (insurance subsidiaries hold 80% of the $5 billion aggregate investment) and increased dividend rates with respect to several of our common stock investments.

Invested assets derive from shareholder capital and reinvested earnings as well as net liabilities under insurance contracts or float. The major components of float are unpaid losses, life, annuity and health benefit liabilities, unearned premiums and other liabilities to policyholders less premium and reinsurance receivables, deferred charges assumed under retroactive reinsurance contracts and deferred policy acquisition costs. Float approximated $77 billion at December 31, 2013, $73 billion at December 31, 2012, and $70 billion at December 31, 2011. The cost of float was negative over the last three years as our insurance business generated underwriting gains in each year.

A summary of cash and investments held in our insurance businesses as of December 31, 2013 and 2012 follows. Other investments include investments in The Dow Chemical Company and Bank of America Corporation. See Note 5 to the Consolidated Financial Statements. Amounts are in millions.

	December 31, 2013	December 31, 2012
Cash and cash equivalents	$ 32,572	$ 26,458
Equity securities	114,832	86,694
Fixed maturity securities	27,059	35,243
Other investments	12,334	10,184
	$ 186,797	$ 158,579

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Management s Discussion *(Continued)*

Insurance Investment Income *(Continued)*

Fixed maturity investments as of December 31, 2013 were as follows. Amounts are in millions.

	Amortized cost	Unrealized gains/losses	Carrying value
U.S. Treasury, U.S. government corporations and agencies	$ 2,650	$ 8	$ 2,658
States, municipalities and political subdivisions	2,221	124	2,345
Foreign governments	9,871	71	9,942
Corporate bonds, investment grade	6,116	552	6,668
Corporate bonds, non-investment grade	3,047	619	3,666
Mortgage-backed securities	1,596	184	1,780
	$ 25,501	$ 1,558	$ 27,059

U.S. government obligations are rated AA+ or Aaa by the major rating agencies and approximately 86% of all state, municipal and political subdivisions, foreign government obligations and mortgage-backed securities were rated AA or higher. Non-investment grade securities represent securities that are rated below BBB- or Baa3. Foreign government securities include obligations issued or unconditionally guaranteed by national or provincial government entities.

Railroad (Burlington Northern Santa Fe)

Burlington Northern Santa Fe Corporation (BNSF) operates one of the largest railroad systems in North America with approximately 32,500 route miles of track in 28 states and two Canadian provinces. BNSF s major business groups are classified by product shipped and include consumer products, coal, industrial products and agricultural products. Earnings of BNSF are summarized below (in millions).

	2013	2012	2011
Revenues	$ 22,014	$ 20,835	$ 19,548
Operating expenses:			
Compensation and benefits	4,651	4,505	4,315
Fuel	4,503	4,459	4,267
Purchased services	2,418	2,374	2,218
Depreciation and amortization	1,973	1,889	1,807
Equipment rents, materials and other	1,812	1,608	1,640
Total operating expenses	15,357	14,835	14,247
Interest expense	729	623	560
	16,086	15,458	14,807
Pre-tax earnings	5,928	5,377	4,741
Income taxes	2,135	2,005	1,769
Net earnings	$ 3,793	$ 3,372	$ 2,972

Revenues for 2013 were approximately $22.0 billion, an increase of $1.2 billion (5.7%) over 2012. The overall year-to-date increase in revenues reflected a 4.5% increase in cars/units handled and a slight increase in average revenue per car/unit, attributable to rates. In 2013, BNSF generated higher revenues from industrial products, consumer products and coal, partially offset by lower revenues from agricultural products.

In 2013, industrial products revenues of $5.7 billion increased 14% versus 2012, driven by an 11% increase in volume, reflecting significantly higher petroleum products volumes. Consumer products revenues in 2013 were $7.0 billion, an increase of 6% over 2012 that was primarily attributable to volume increases from domestic intermodal business and higher export demand. Coal revenues were $5.0 billion in 2013, an increase of 2.6% over 2012, which was attributable to increased volume. The volume increase reflected increased coal demand as a result of higher natural gas prices and reduced utility stockpiles, partially offset by severe weather issues impacting service levels. In 2013, agricultural products revenues of $3.6 billion declined 4% versus 2012 due to volume declines, which were mainly attributable to lower grain exports as a result of the drought conditions in the U.S. in 2012 and strong global competition.

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Management s Discussion *(Continued)*

Railroad (Burlington Northern Santa Fe) *(Continued)*

Revenues (and revenues per car/unit) in each period include fuel surcharges to customers under programs intended to recover incremental fuel costs when fuel prices exceed threshold fuel prices. Surcharges vary by product/commodity, and therefore amounts earned in a given period are impacted by business mix and volume as well as fuel costs. Fuel surcharges increased 3% in 2013 as compared to 2012.

Operating expenses in 2013 were approximately $15.4 billion, an increase of $522 million (3.5%) compared to 2012. Compensation and benefits expenses in 2013 increased $146 million (3.2%) in 2013 as compared to 2012, reflecting volume-related cost increases and wage inflation. In 2013, fuel expenses increased $44 million (1%) versus 2012, as the impact of higher volume was partially offset by lower average fuel prices. Purchased services expenses in 2013 increased 2% versus 2012, due primarily to volume-related costs, including purchased transportation for BNSF Logistics LLC, a wholly-owned, third-party logistics business. In 2013, equipment rents, materials and other expenses increased $204 million (13%) over 2012. The increase was primarily due to higher property taxes, crew travel costs, derailment-related costs and locomotive material expenses in 2013. Interest expense in 2013 increased $106 million (17%) compared to 2012 due to higher average outstanding debt balances.

Revenues in 2012 were approximately $20.8 billion, an increase of $1.3 billion (7%) over 2011. Overall, the revenue increase in 2012 reflected higher average revenues per car/unit of approximately 4% as well as a 2% increase in cars/units handled (volume). Revenues in each period include fuel surcharges to customers under programs intended to recover incremental fuel costs when fuel prices exceed threshold fuel prices. Fuel surcharges in 2012 increased 6% over 2011, and are reflected in average revenue per car/unit.

The increase in overall volume during 2012 included increases in consumer products (4%) and industrial products (13%), partially offset by declines in coal (6%) and agricultural products (3%). The consumer products volume increase was primarily attributable to higher domestic intermodal and automotive volume. Industrial products volume increased primarily as a result of increased shipments of petroleum and construction products. The decline in coal unit volume in 2012 was attributed to lower coal demand as a result of low natural gas prices and high utility stockpiles. Agricultural product volume declined in 2012 compared to 2011, reflecting lower wheat and corn shipments for export partially offset by higher soybean and U.S. corn shipments.

Operating expenses in 2012 increased $588 million (4%) compared to 2011. Compensation and benefits expenses in 2012 increased $190 million (4%) over 2011 due to the increased volume as well as wage inflation, partially offset by increased productivity and lower weather-related costs. Fuel expenses in 2012 increased $192 million (4.5%) due to higher fuel prices and increased volume, partially offset by improved fuel efficiency. Fuel efficiency in 2011 was negatively impacted by severe weather conditions. Purchased services costs in 2012 increased $156 million (7%) compared to 2011 due primarily to increased volume, increased purchased transportation services of BNSF Logistics and increased equipment maintenance costs, partially offset by lower weather-related costs. Interest expense in 2012 increased $63 million (11%) versus 2011, due principally to higher average outstanding debt balances.

Utilities and Energy (MidAmerican)

We hold an 89.8% ownership interest in MidAmerican Energy Holdings Company (MidAmerican), which operates an international energy business. MidAmerican s domestic regulated utility interests are currently comprised of four companies, PacifiCorp, MidAmerican Energy Company (MEC), as well as Nevada Power Company and Sierra Pacific Power Company (together, NV Energy). NV Energy was acquired on December 19, 2013. MidAmerican also owns two domestic regulated interstate natural gas pipeline companies. In Great Britain, MidAmerican subsidiaries operate two regulated electricity distribution businesses referred to as Northern Powergrid. The rates that our regulated businesses charge customers for energy and services are based in large part on the costs of business operations, including a return on capital, and are subject to regulatory approval. To the extent these operations are not allowed to include such costs in the approved rates, operating results will be adversely affected. In addition, MidAmerican also operates a diversified portfolio of independent power projects and the second-largest residential real estate brokerage firm and franchise network in the United States.

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Management s Discussion *(Continued)*

Utilities and Energy (MidAmerican) (Continued)

Revenues and earnings of MidAmerican are summarized below. Revenues and earnings of NV Energy since December 19, 2013 are included in other. Amounts are in millions.

	Revenues			Earnings		
	2013	2012	2011	2013	2012	2011
PacifiCorp	$ 5,215	$ 4,950	$ 4,639	$ 982	$ 737	$ 771
MidAmerican Energy Company	3,453	3,275	3,530	230	236	279
Natural gas pipelines	971	978	993	385	383	388
Northern Powergrid	1,026	1,036	1,016	362	429	469
Real estate brokerage	1,822	1,333	1,007	139	82	39
Other	256	175	106	4	91	36
	$ 12,743	$ 11,747	$ 11,291			
Earnings before corporate interest and income taxes				2,102	1,958	1,982
Corporate interest				296	314	336
Income taxes and noncontrolling interests				170	172	315
Net earnings				$ 1,636	$ 1,472	$ 1,331
Net earnings attributable to Berkshire				$ 1,470	$ 1,323	$ 1,204

PacifiCorp operates a regulated utility business in portions of several Western states, including Utah, Oregon and Wyoming. PacifiCorp s revenues in 2013 were $5.2 billion, an increase of $265 million (5%) compared to 2012. The increase was primarily due to higher retail revenues of $337 million, partially offset by lower renewable energy credits ($74 million). The increase in retail revenues reflected higher prices approved by regulators and higher retail customer loads. PacifiCorp s earnings before corporate interest and taxes (EBIT) in 2013 were $982 million, an increase of $245 million (33%) compared to 2012. The comparative increase in EBIT was primarily due to charges of $165 million in 2012 related to litigation, fire and other damage claims, and, to a lesser extent, the increase in revenues. Before the impact of the aforementioned claims, pre-tax earnings in 2013 as a percentage of revenues were relatively unchanged from 2012.

In 2012, PacifiCorp s revenues increased $311 million (7%) over revenues in 2011. The increase was primarily due to higher retail revenues of $244 million, which were due to higher prices approved by regulators across most of PacifiCorp s jurisdictions and to a lesser degree from increased revenues from renewable energy credits. In 2012, PacifiCorp also experienced generally higher customer load in Utah, which was offset by lower industrial customer load in Wyoming and Oregon, attributable to certain large customers electing to self-generate their own power and by lower residential customer load in Oregon as a result of unfavorable weather. EBIT in 2012 declined $34 million (4%) compared to the corresponding 2011 period. EBIT in 2012 was negatively impacted by the aforementioned litigation, fire and other claims ($165 million), which more than offset the increase in operating earnings from higher revenues and otherwise higher operating margins.

MEC operates a regulated utility business primarily in Iowa and Illinois. MEC s revenues in 2013 increased $178 million (5%) over 2012. Revenues in 2013 reflected higher regulated electric and natural gas revenues and lower nonregulated and other revenues. In 2013, regulated retail electric operating revenues increased $82 million, while regulated natural gas revenues increased $165 million compared to 2012. The increase in regulated electric revenues was primarily due to higher regulatory rates in Iowa and Illinois and increases in retail customer load. The increase in regulated natural gas revenues was primarily due to higher retail volumes and increases in recoveries through adjustment clauses as a result of a higher average per-unit cost of gas sold. Nonregulated and other operating revenues in 2013 declined $67 million in comparison with 2012 due primarily to lower electricity volumes and prices. MEC s EBIT in 2013 declined $6 million (3%) compared to 2012. The decline in EBIT was due to lower regulated and nonregulated electric operating earnings, partially offset by higher natural gas earnings.

MEC s revenues in 2012 declined $255 million (7%) compared to 2011, reflecting declines in natural gas revenues of $110 million and nonregulated and other operating revenues of $178 million. In 2012, MEC s regulated electric revenues increased 2% to approximately $1.7 billion. The decline in natural gas revenues reflected lower average per-unit cost of natural gas sold and lower volumes. The nonregulated and other operating revenues decline was due to generally lower electricity and natural gas prices. MEC s EBIT in 2012 declined $43 million (15%) compared to 2011 due primarily to increased depreciation expense of $56 million and higher general and administrative expenses, partially offset by lower interest expense.

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Management s Discussion *(Continued)*

Utilities and Energy (MidAmerican) (Continued)

In 2013, natural gas pipelines revenues and EBIT were $971 million and $385 million, respectively, which were relatively unchanged from 2012. In 2012, natural gas pipelines revenues and EBIT declined $15 million and $5 million, respectively, compared to 2011. In 2012, natural gas revenues increased from expansion projects and from higher transportation and storage rates in certain markets, which were more than offset by lower volumes of gas sales and the impact of contract expirations. In 2012, EBIT also reflected increased depreciation expense, partially offset by lower interest expense.

In 2013, Northern Powergrid revenues declined $10 million (1%) compared to 2012. EBIT in 2013 was $362 million, a decline of $67 million versus 2012. EBIT in 2013 was negatively impacted by fourth quarter rebates to customers and higher regulatory rate provisions in 2013, which reduced revenues, and from higher distribution operating expenses and the foreign currency translation effect of a stronger U.S. Dollar versus the U.K. Pound Sterling. Operating expenses in 2013 included increased pension costs and higher depreciation expenses. EBIT in 2013 also included a $9 million loss from the write-off of hydrocarbon well exploration costs.

Northern Powergrid s revenues in 2012 increased $20 million (2%) while EBIT declined $40 million (9%) compared to 2011. In 2012, revenues were negatively impacted by currency-related declines from a stronger U.S. Dollar. Excluding currency related impacts, distribution revenues increased $28 million in 2012, reflecting higher tariff rates ($76 million), partially offset by the impact of higher regulatory provisions in 2011 ($55 million). Northern Powergrid s EBIT in 2012 was negatively affected by increases in pension expense ($44 million) and distribution operating expenses ($21 million), which more than offset the increase in distribution revenues.

Real estate brokerage revenues in 2013 increased $489 million (37%) over 2012, while EBIT increased $57 million (70%) versus 2012. The increases in revenues and EBIT were attributable to increases in closed brokerage transactions and higher average home sales prices from existing business and the impact of businesses acquired during the last two years. Real estate brokerage revenues in 2012 increased $326 million (32%) and EBIT increased $43 million (110%) over 2011. The revenue increase included $123 million from businesses acquired in 2012. The increase in revenues in 2012 also reflected a 16% increase in closed sales transactions and higher average home sale prices from existing businesses. The increase in real estate brokerage EBIT in 2012 reflected the impact of business acquisitions in 2012 as well as the aforementioned increase in closed sales transactions.

MidAmerican s other activities primarily consist of a portfolio of independent power projects, including solar and wind-powered electricity generation projects placed in service in late 2012 and throughout 2013. In 2013, other activities also included the results of NV Energy since the December 19, 2013 acquisition date. The increase in revenues from other activities in 2013 was $81 million, which was primarily attributable to revenues from the new solar and wind-powered facilities, partially offset by the impact of one-time customer refunds issued by NV Energy and impairment losses associated with MidAmerican s interests in certain geothermal electricity generation projects. EBIT in 2013 from other activities declined $87 million compared to 2012, as the impacts of the aforementioned losses associated with geothermal projects and NV Energy acquisition costs and customer refunds, more than offset the increase in earnings from the new solar and wind-powered electricity generation projects.

Corporate interest includes interest on the unsecured debt issued by MidAmerican Energy Holding Company. Corporate interest expense in 2014 is expected to increase compared to recent years as a result of new borrowings in connection with the NV Energy acquisition, including borrowings from certain Berkshire insurance subsidiaries.

MidAmerican s consolidated income tax expense as percentages of pre-tax earnings were 7% in 2013, 9% in 2012 and 18% in 2011. In each year, MidAmerican s utility subsidiaries generated significant production tax credits. In addition, pre-tax earnings of Northern Powergrid are taxed at lower rates in the U.K. and each year also benefitted from reductions of deferred income taxes as a result of lower enacted corporate income tax rates in the U.K.

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Management s Discussion *(Continued)*

Manufacturing, Service and Retailing

A summary of revenues and earnings of our manufacturing, service and retailing businesses follows. Amounts are in millions.

	Revenues			Earnings		
	2013	2012	2011	2013	2012	2011
Marmon	$ 6,979	$ 7,171	$ 6,925	$ 1,176	$ 1,137	$ 992
McLane Company	45,930	37,437	33,279	486	403	370
Other manufacturing	29,098	26,757	21,191	3,608	3,319	2,397
Other service	8,996	8,175	7,438	1,096	966	977
Retailing	4,288	3,715	3,573	376	306	301
	$ 95,291	$ 83,255	$ 72,406			
Pre-tax earnings				6,742	6,131	5,037
Income taxes and noncontrolling interests				2,512	2,432	1,998
				$ 4,230	$ 3,699	$ 3,039

Marmon

Through Marmon, we operate approximately 160 manufacturing and service businesses within eleven diverse business sectors that are further organized in three separate companies. Those companies and constituent sectors are:

Company	Sector
Marmon Engineered Industrial & Metal Components (Engineered Components)	Electrical & Plumbing Products Distribution, Distribution Services, Industrial Products
Marmon Natural Resources & Transportation Services (Natural Resources)	Transportation Services & Engineered Products, Engineered Wire & Cable, Crane Services
Marmon Retail & End User Technologies (Retail Technologies)	Highway Technologies, Water Treatment, Retail Store Fixtures, Food Service Equipment, Retail Home Improvement Products

Marmon s consolidated revenues in 2013 were approximately $7.0 billion, 2.7% below 2012, with almost 60% of the decline associated with metals price deflation. Consolidated pre-tax earnings were $1.2 billion, an increase of 3.4% over 2012. Pre-tax earnings in 2013 as a percentage of revenues was 16.9% in 2013 compared with 15.9% in 2012. This margin improvement is a direct result of Marmon s focus on niche products/markets, product/service innovation and improvement in operating efficiency and productivity. The pre-tax earnings information in the paragraphs that follow, exclude unallocated corporate expenses of $30 million in 2013 and $34 million in 2012.

Engineered Components 2013 revenues were $2.3 billion, a decline of 5% as compared to 2012. The revenue decline was primarily due to the impact of lower metals (steel and copper) costs, which are passed on to customers with minimal margin, as well as reductions in volume in Distribution Services, partially offset by increased volume in the Industrial Products sector. Engineered Components pre-tax earnings were $204 million in 2013, representing a decline of 4% from earnings in 2012. The decline in pre-tax earnings in 2013 reflected reduced margins in the Distribution Services sector, attributable to lower sales volumes and steel price reductions. Electrical & Plumbing Products sector 2013 pre-tax earnings increased over 2012, despite lower revenues. Restructuring actions taken in 2012 and 2013 have provided the impetus for improved pre-tax earnings in this sector. Industrial Products sector pre-tax earnings increase in 2013 over 2012 was driven by higher volumes and improved product mix.

Natural Resources revenues were $2.5 billion in 2013, a decline of 3% compared to 2012. The decrease in revenues was attributable to several non-recurring large prior year projects in the Transportation Services & Engineered Products (TSEP) and Engineered Wire and Cable sectors and lower revenues from external tank car sales, partially offset by higher rail leasing revenues attributable to higher lease rates and new tank car fleet additions. Natural Resources pre-tax earnings were $718 million in 2013, an increase of 3% over 2012. Earnings in 2013 reflected higher rail leasing rates and new tank car fleet

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Management s Discussion *(Continued)*

Manufacturing, Service and Retailing *(Continued)*

Marmon (Continued)

additions which more than offset the prior year higher project revenues, higher railcar repair costs and lower sales volume of external tank cars.

Retail Technologies revenues were $2.2 billion in 2013, unchanged from 2012. Revenues increased in 2013 in Highway Technologies driven by growth in the automotive clutch and heavy duty truck axle businesses, Retail Store Fixtures, as a result of a significant store fixture display product rollout for a key customer and Water Treatment, driven by growth in residential products. These revenue increases were offset by a revenue decrease at Retail Home Improvement Products due to a planned reduction in revenues from lower margin products. Retail Technologies pre-tax earnings in 2013 were $284 million which represented an increase of 8% over 2012. The pre-tax earnings increases were primarily due to revenue growth in the Highway Technologies, Retail Store Fixtures and Water Treatment sectors, as well as cost savings related to 2012 restructuring actions taken in the Retail Store Fixtures sector.

Marmon s consolidated revenues in 2012 were $7.2 billion, an increase of 3.6% over 2011. Consolidated pre-tax earnings were $1.1 billion in 2012, an increase of 14.6% over 2011. In 2012 pre-tax earnings as a percentage of revenues were 15.9% compared to 14.3% in 2011.

Engineered Components 2012 revenues were $2.4 billion, a decline of 2% as compared to 2011. The revenue decline was primarily due to lower volume and copper pricing in the Electrical & Plumbing Products sector driven by lower HVAC demand and continued softness in commercial construction in 2012, offset in part by a 2012 bolt-on acquisition and increased market share in certain market niches in the Distribution Services sector. Engineered Components pre-tax earnings were $214 million, an increase of 3% from 2011. The increase in pre-tax earnings in 2012 reflected the growth in market share and higher margins in the Distribution Services sector, partially offset by the revenue declines in the Electrical & Plumbing Products sector.

Natural Resources revenues were $2.6 billion in 2012, an increase of 10% compared to 2011. The increase in revenues was attributable to bolt-on acquisitions in the Crane Services and Engineered Wire & Cable sectors in 2012 and growth in the TSEP sector. Higher rail fleet utilization and higher lease rates, offset in part by lower external tank car sales provided most of TSEP s growth, with sulfur equipment installations in the Middle East providing the balance. Natural Resources pre-tax earnings were $695 million in 2012, an increase of 23% from earnings in 2011. Earnings in 2012 reflected the impact of the aforementioned bolt-on acquisitions, higher rail fleet utilization and lease rates and Middle East projects, as well cost savings relating to restructuring actions taken in 2011 in the Engineered Wire & Cable sector.

Retail Technologies revenues were $2.2 billion in 2012, an increase of 3% compared to 2011. The 2012 revenue increase is due to the full year impact of a bolt-on acquisition made in December 2011 and growth in Highway Technologies commercial and heavy haul trailer products along with increased growth in projects for the Canadian Tar Sands area in the Water Treatment sector. These increases were partially offset by a decline in the Retail Store Fixtures sector due to reduced volume from its major customer, which resulted in a 14% decline in revenues. Retail Technologies pre-tax 2012 earnings were $262 million which represented an increase of 3% over 2011. The pre-tax earnings increase was primarily due to revenue growth in the Highway Technologies and Water Treatment sectors offset in part by the decline in the Retail Store Fixtures sector previously discussed.

McLane Company

Through McLane, we operate a wholesale distribution business that provides grocery and non-food products to retailers, convenience stores and restaurants. Through its subsidiaries, McLane also operates as a wholesale distributor of distilled spirits, wine and beer. On August 24, 2012, McLane acquired Meadowbrook Meat Company, Inc. (MBM). MBM, based in Rocky Mount, North Carolina, is a large customized foodservice distributor for national restaurant chains with annual revenues of approximately $6 billion. MBM s revenues and earnings are included in McLane s results beginning as of the acquisition date. McLane s grocery and foodservice businesses are marked by high sales volume and very low profit margins. McLane s significant customers include Wal-Mart, 7-Eleven and Yum! Brands. Approximately 25% of McLane s consolidated revenues in 2013 were attributable to Wal-Mart. A curtailment of purchasing by Wal-Mart or another of its significant customers could have a material adverse impact on McLane s periodic revenues and earnings.

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Management s Discussion *(Continued)*

Manufacturing, Service and Retailing *(Continued)*

McLane Company (Continued)

McLane s revenues in 2013 were approximately $45.9 billion, representing an increase of approximately $8.5 billion (22.7%) over revenues in 2012. The increase in revenues in 2013 reflected the impact of MBM, as well as year-to-date revenue increases ranging from 10% to 15% in the grocery, other foodservice and beverage businesses. Revenues of each of these businesses in 2013 included the impact of new customers added over the past two years. McLane s pre-tax earnings in 2013 increased $83 million (20.6%) over earnings in 2012. The increase in 2013 pre-tax earnings reflected the increases in revenues, including the impact of the MBM acquisition, and a gain from the sale of its Brazil-based logistics business, partially offset by slightly lower operating margins.

McLane s revenues were approximately $37.4 billion in 2012, an increase of about $4.2 billion (12.5%) over 2011. The increase in revenues was attributable to the MBM acquisition, as well as 6% to 8% revenue increases in McLane s grocery, foodservice and beverage business units. The increases in grocery and foodservice revenues reflected manufacturer price increases as well as increased volume. Pre-tax earnings in 2012 were $403 million, an increase of $33 million (9%) over 2011. The overall increase in earnings reflected the increases in revenues as pre-tax margin rates were relatively unchanged.

Other manufacturing

Our other manufacturing businesses include several manufacturers of building products (Acme Building Brands, Benjamin Moore, Johns Manville, Shaw and MiTek) and apparel (led by Fruit of the Loom which includes Russell athletic apparel and Vanity Fair Brands women s intimate apparel). Also included in this group are Lubrizol Corporation (Lubrizol), a specialty chemical manufacturer that we acquired on September 16, 2011, IMC International Metalworking Companies (Iscar), an industry leader in the metal cutting tools business with operations worldwide, Forest River, a leading manufacturer of leisure vehicles and CTB, a manufacturer of equipment and systems for the livestock and agricultural industries.

Other manufacturing revenues in 2013 increased $2.3 billion (8.7%) to $29.1 billion. Forest River generated revenues of $3.3 billion in 2013, a 24% increase over 2012. The increase reflected a 17% volume increase and higher average sales prices, attributable to price and product mix changes. Revenues in 2013 from our building products businesses increased 8% to about $9.6 billion. These businesses benefitted from the generally improved residential and commercial construction markets. Apparel revenues in 2013 increased 3.5% to about $4.3 billion. Our other businesses in this group produced revenues in 2013 of $11.9 billion in the aggregate, an increase of about 8% over 2012. Most of the increase in revenues of these other businesses was attributable to bolt-on acquisitions during the last two years.

Pre-tax earnings of our other manufacturing businesses in 2013 were $3.6 billion, an increase of $289 million (8.7%) versus 2012. Increased earnings were generated by Forest River (32%), building products businesses (13%) and apparel businesses (25%) compared to 2012. Pre-tax earnings of Iscar and Lubrizol were roughly unchanged from 2012. In addition, bolt-on acquisitions during the last two years contributed to the overall increased earnings.

Revenues of our other manufacturing businesses in 2012 were approximately $26.8 billion, an increase of approximately $5.6 billion (26%) over 2011. Excluding Lubrizol, revenues in 2012 grew 6% over 2011. Revenues of Forest River increased 27%, which was attributable to increased volume and average sales prices. Revenues from building products and apparel businesses increased 4% and 5%, respectively, as compared with 2011. However, revenues of Iscar and CTB (before the impact of bolt-on acquisitions) declined compared to 2011 as a result of weakness in demand, particularly in non-U.S. markets.

Pre-tax earnings of our other manufacturing businesses were approximately $3.3 billion in 2012, an increase of $922 million (38%) over earnings in 2011. Excluding the impact of Lubrizol, earnings of our other manufacturing businesses in 2012 increased 6% compared to 2011. The increase was primarily attributable to increased earnings from building products, apparel and Forest River, partially offset by lower earnings from Iscar, CTB and Scott Fetzer. In 2012, our Shaw carpet and flooring business benefited from the impact of price increases at the end of 2011 and the beginning of 2012, as well as from relatively stable raw material costs, which resulted in higher margins. Our apparel businesses benefitted from past pricing actions and stabilizing raw material costs. On the other hand, our other businesses that manufacture products that are primarily for commercial and industrial customers, particularly those with significant business in overseas markets, such as CTB and Iscar, were negatively impacted in 2012 by slowing economic conditions in certain of those markets.

Management s Discussion *(Continued)*

Manufacturing, Service and Retailing *(Continued)*

Other service

Our other service businesses include NetJets, the world s leading provider of fractional ownership programs for general aviation aircraft and FlightSafety, a provider of high technology training to operators of aircraft. Among the other businesses included in this group are: TTI, a leading electronic components distributor; Business Wire, a leading distributor of corporate news, multimedia and regulatory filings; Dairy Queen, which licenses and services a system of over 6,300 stores that offer prepared dairy treats and food; the Buffalo News; the BH Media Group (BH Media), which includes the Omaha World-Herald, as well as 29 other daily newspapers and numerous other publications; and businesses that provide management and other services to insurance companies.

Revenues of our other service businesses in 2013 were $9.0 billion, an increase of $821 million (10%) over revenues in 2012. In 2013, revenues of NetJets increased $288 million (7.5%), driven by higher sales of fractional aircraft shares, while TTI s revenues increased $255 million (11%) over 2012. Revenues of BH Media increased $207 million (66%), attributable to the impact of business acquisitions during the last two years. Pre-tax earnings of $1.1 billion in 2013 increased $130 million (13%) compared to 2012. The increase in earnings was primarily attributable to BH Media, FlightSafety, TTI and NetJets. The earnings increase of BH Media was due to bolt-on acquisitions during the last two years. TTI s earnings increased 10% in 2013 versus 2012, due to higher sales and changes in product mix. TTI continues to be impacted by price competition, which pressures overall gross sales margins. FlightSafety s earnings increased 11% in 2013, reflecting increased training revenues and relatively unchanged operating expenses. In 2013, NetJets earnings increased 7% as improved flight operations margins, fractional sales margins and reduced net financing costs more than offset the increase in comparative aircraft value impairment charges.

Revenues of our other service businesses in 2012 were approximately $8.2 billion, an increase of $737 million (10%) over 2011. The increase in revenues in 2012 was primarily attributable to the inclusion of the BH Media Group and a comparative revenue increase from TTI, principally due to its bolt-on business acquisitions in 2012. Pre-tax earnings of $966 million in 2012 declined $11 million (1%) from earnings in 2011. Earnings of NetJets and FlightSafety in 2012 were relatively unchanged from 2011. Earnings of other service businesses in 2012 included earnings of the BH Media Group, which were more than offset by lower earnings from TTI due primarily to weaker customer demand and intensifying price competition over the past year.

Retailing

Our retailing operations consist of four home furnishings businesses (Nebraska Furniture Mart, R.C. Willey, Star Furniture and Jordan s), three jewelry businesses (Borsheims, Helzberg and Ben Bridge), See s Candies; Pampered Chef, a direct seller of high quality kitchen tools; and Oriental Trading Company (OTC), a direct retailer of party supplies, school supplies and toys and novelties, which we acquired on November 27, 2012.

Revenues of our retailing businesses in 2013 were $4.3 billion, an increase of $573 million (15%) over 2012. Pre-tax earnings in 2013 of these businesses increased $70 million (23%) as compared to earnings in 2012. The comparative increases in revenues and earnings were primarily attributable to the inclusion of OTC for the full year in 2013. Otherwise, earnings of the home furnishings and jewelry retail groups increased in 2013, while earnings of Pampered Chef and See s Candies declined.

Revenues and pre-tax earnings in 2012 from the retailing businesses increased $142 million (4%) and $5 million (2%), respectively, over revenues and earnings in 2011. Increased revenues from the home furnishings and jewelry businesses as well as the inclusion of OTC from its acquisition date were partially offset by lower revenues from Pampered Chef. Increased earnings of our home furnishings retailers were substantially offset by lower earnings from our jewelry businesses and Pampered Chef.

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Management s Discussion *(Continued)*

Finance and Financial Products

Our finance and financial products businesses include manufactured housing and finance (Clayton Homes), transportation equipment leasing (XTRA), furniture leasing (CORT) as well as various miscellaneous financing activities. A summary of revenues and earnings from our finance and financial products businesses follows. Amounts are in millions.

	Revenues			Earnings		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
Manufactured housing and finance	$ 3,199	$ 3,014	$ 2,932	$ 416	$ 255	$ 154
Furniture/transportation equipment leasing	772	753	739	165	148	155
Other	320	343	343	404	445	465
	$ 4,291	$ 4,110	$ 4,014			
Pre-tax earnings				985	848	774
Income taxes and noncontrolling interests				328	291	258
				$ 657	$ 557	$ 516

Clayton Homes revenues and pre-tax earnings in 2013 increased $185 million (6%) and $161 million (63%), respectively, compared to 2012. In 2013, Clayton Homes pre-tax earnings benefitted from increased home sales, lower loan loss provisions and an increase in net interest income, as lower interest expense more than offset reductions in interest income on loan portfolios. Home unit sales increased 9% in 2013. Loan loss provisions in 2013 were lower reflecting comparatively lower foreclosures volume and loss rates. Clayton Homes manufactured housing business continues to operate at a competitive disadvantage compared to traditional single family housing markets, which receive significant interest rate subsidies from the U.S. Government through government agency insured mortgages. For the most part, these subsidies are not available to factory built homes. Nevertheless, Clayton Homes remains the largest manufactured housing business in the United States and we believe that it will continue to operate profitably, even under the prevailing conditions.

Clayton Homes pre-tax earnings in 2012 increased $101 million (66%) over earnings in 2011. Earnings in 2012 were impacted by the increased unit sales, which improved manufacturing and other operating efficiencies. Earnings also benefited from reduced insurance claims and a decline in credit losses. The decline in interest income on loan portfolios was more than offset by interest expense attributable to a decline in borrowings and lower interest rates.

Pre-tax earnings of CORT and XTRA in 2013 increased $17 million (11%) to $165 million, as compared to 2012. The increase reflected increased lease revenues and earnings of XTRA, which benefitted from increases in working units and average rental rates, relatively stable operating expenses and a foreign currency related gain in 2013.

Pre-tax earnings of CORT and XTRA in 2012 were $148 million, a decline of $7 million (5%) versus 2011. In 2012, CORT s earnings increased over 2011 due to a 5% increase in rental income and relatively stable selling, general and administrative expenses, which improved operating margins. In 2012, earnings from XTRA declined primarily due to increased depreciation expense and lower foreign currency exchange gains.

Other earnings include interest and dividends from a portfolio of fixed maturity and equity investments and our share of the earnings of a commercial mortgage servicing business in which we own a 50% interest. Other earnings previously included interest income from a relatively small number of long-held commercial real estate loans. These loans were repaid in full during the third and fourth quarters of 2012. In addition, other earnings includes income from interest rate spreads charged to Clayton Homes on borrowings by a Berkshire financing subsidiary that are used to fund loans to Clayton Homes and from guaranty fees charged to NetJets. Corresponding expenses are included in Clayton Homes and NetJets results. Guaranty fees charged to NetJets were $11 million in 2013, $30 million in 2012 and $41 million in 2011 and interest spreads charged to Clayton Homes were $78 million in 2013, $90 million in 2012 and $100 million in 2011.

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Management s Discussion *(Continued)*

Investment and Derivative Gains/Losses

A summary of investment and derivative gains and losses and other-than-temporary impairment losses on investments follows. Amounts are in millions.

	2013	2012	2011
Investment gains/losses:			
Sales and other disposals			
Insurance and other	$ 2,830	$ 1,288	$ 1,991
Finance and financial products	5	2	162
Other-than-temporary impairment losses	(228)	(337)	(908)
Other	1,458	509	29
	4,065	1,462	1,274
Derivative gains/losses:			
Equity index put option contracts	2,843	997	(1,787)
Credit default contracts	(213)	894	(251)
Other derivative contracts	(22)	72	(66)
	2,608	1,963	(2,104)
Gains/losses before income taxes and noncontrolling interests	6,673	3,425	(830)
Income taxes and noncontrolling interests	2,336	1,198	(309)
Net gains/losses	$ 4,337	$ 2,227	$ (521)

Investment gains/losses arise primarily from the sale or redemption of investments or when investments are carried at fair value with the periodic changes in fair values recorded in earnings. The timing of gains or losses from sales or redemptions can have a material effect on periodic earnings. Investment gains and losses usually have minimal impact on the periodic changes in our consolidated shareholders equity since most of our investments are recorded at fair value with the unrealized gains and losses included in shareholders equity as a component of accumulated other comprehensive income.

We believe the amount of investment gains/losses included in earnings in any given period typically has little analytical or predictive value. Our decisions to sell securities are not motivated by the impact that the resulting gains or losses will have on our reported earnings. Although our management does not consider investment gains and losses in a given period as necessarily meaningful or useful in evaluating periodic earnings, we are providing information to explain the nature of such gains and losses when they are reflected in earnings.

Pre-tax investment gains/losses in 2013 were $4,065 million. Investment gains in 2013 included approximately $2.1 billion related to our investments in General Electric and Goldman Sachs common stock warrants and Wrigley subordinated notes. Beginning in 2013, the unrealized gains or losses associated with the warrants were included in earnings. These warrants were exercised in October 2013 on a cashless basis in exchange for shares of General Electric and Goldman Sachs common stock with an aggregate value of approximately $2.4 billion. The Wrigley subordinated notes were repurchased for cash of $5.08 billion, resulting in a pre-tax investment gain of $680 million. Pre-tax investment gains were approximately $1.5 billion in 2012 and were primarily attributable to sales of equity securities. Investment gains in 2011 included aggregate pre-tax gains of $1.8 billion from the redemptions of our Goldman Sachs and General Electric preferred stock investments.

In each of the three years ending December 31, 2013, we recognized OTTI losses on certain of our equity and fixed maturity investments. OTTI losses on fixed maturity investments were $228 million in 2013, $337 million in 2012 and $402 million in 2011, and substantially all of the losses related to our investments in Texas Competitive Electric Holdings (TCEH) bonds. In 2011, we also recognized aggregate OTTI losses of

$506 million related to our investments in equity securities, a portion of which related to certain components of our Wells Fargo common stock investments. The OTTI losses on equity securities in 2011 averaged about 7.5% of the original cost of the impaired securities. In each case, the issuer had been profitable in recent periods and in some cases highly profitable.

Although we have periodically recorded OTTI losses in earnings in each of the past three years, we continue to own certain of these securities. In cases where the market values of these investments have increased since the dates the OTTI losses were recorded in earnings, these increases are not reflected in earnings but are instead included in shareholders equity as a

Management s Discussion *(Continued)*

Investment and Derivative Gains/Losses *(Continued)*

component of accumulated other comprehensive income. When recorded, OTTI losses have no impact whatsoever on the asset values otherwise recorded in our Consolidated Balance Sheets or on our consolidated shareholders equity. In addition, the recognition of such losses in earnings rather than in accumulated other comprehensive income does not necessarily indicate that sales are imminent or planned and sales ultimately may not occur for a number of years. Furthermore, the recognition of OTTI losses does not necessarily indicate that the loss in value of the security is permanent or that the market price of the security will not subsequently increase to and ultimately exceed our original cost.

As of December 31, 2013, consolidated gross unrealized losses on our investments in equity and fixed maturity securities determined on an individual purchase lot basis were $289 million. We have concluded that as of December 31, 2013, such losses were not other than temporary. We consider several factors in determining whether or not impairments are deemed to be other than temporary, including the current and expected long-term business prospects and if applicable, the creditworthiness of the issuer, our ability and intent to hold the investment until the price recovers and the length of time and relative magnitude of the price decline.

Derivative gains/losses primarily represent the changes in fair value of our credit default and equity index put option contracts. Periodic changes in the fair values of these contracts are reflected in earnings and can be significant, reflecting the volatility of underlying credit and equity markets.

In 2013, our equity index put option contracts generated a pre-tax gain of $2.8 billion, which was due to changes in fair values of the contracts as a result of overall higher equity index values, favorable currency movements and modestly higher interest rate assumptions. Our ultimate payment obligations, if any, under our remaining equity index put option contracts will be determined as of the contract expiration dates, which begin in 2018, and will be based on the intrinsic value as defined under the contracts as of those dates. As of December 31, 2013, the intrinsic value of these contracts was approximately $1.7 billion and our recorded liability at fair value was approximately $4.7 billion.

In 2012, we recorded pre-tax gains from our equity index put option contracts of approximately $1.0 billion. These gains were due to increased index values, foreign currency exchange rate changes and valuation adjustments on a small number of contracts where contractual settlements are determined differently than the standard determination of intrinsic value, partially offset by lower interest rate assumptions. In 2011, we recorded pre-tax losses of approximately $1.8 billion on our equity index put option contracts. The losses reflected declines ranging from about 5.5% to 17% with respect to three of the four equity indexes covered under our contracts and lower interest rate assumptions.

Our credit default contracts generated pre-tax losses of $213 million in 2013, which was due to increases in estimated liabilities of a municipality issuer contract that relates to more than 500 municipal debt issues. Our credit default contract exposures associated with corporate issuers expired in December 2013. There were no losses paid in 2013. Our remaining credit default derivative contract exposures are currently limited to the municipality issuer contract.

In 2012, we recognized pre-tax gains of $894 million on credit default contracts. Such gains were attributable to narrower spreads and reduced time exposure, as well as from settlements related to the termination of certain contracts. We recorded pre-tax losses of $251 million on our credit default contracts in 2011. The losses in 2011 were primarily related to our contracts involving non-investment grade corporate issuers due to widening credit default spreads and loss events. In 2012 and 2011, credit loss payments were $68 million and $86 million, respectively.

Financial Condition

Our balance sheet continues to reflect significant liquidity and a strong capital base. Our consolidated shareholders equity at December 31, 2013 was $221.9 billion, an increase of $34.24 billion since the beginning of the year. Our consolidated shareholders equity at December 31, 2013 is net of a reduction of approximately $1.8 billion as a result of acquisitions of noncontrolling interests as discussed below and in Note 22 to the accompanying Consolidated Financial Statements.

Consolidated cash and investments of our insurance and other businesses approximated $199.2 billion (excludes our investments in H.J. Heinz Holding Corporation) at December 31, 2013, including cash and cash equivalents of $42.6 billion. As of December 31, 2013, our insurance subsidiaries held approximately $186.8 billion in cash and investments.

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Management s Discussion *(Continued)*

Financial Condition *(Continued)*

In 2013, we used cash of approximately $15 billion in the aggregate to fund Berkshire s investments in H.J. Heinz Holding Corporation (Heinz Holding) and to acquire certain noncontrolling interests in our subsidiaries. On June 7, 2013, we invested $12.25 billion in Heinz Holding which acquired H.J. Heinz Company. Our investments in Heinz Holding consist of common stock, common stock warrants and preferred stock. Berkshire currently holds 50% of the voting interests in Heinz Holding. During 2013, Berkshire acquired noncontrolling interests of Marmon and International Metalworking Companies B.V., the parent company of Iscar. Cash paid in 2013 in connection with these acquisitions was approximately $2.9 billion and an additional $1.2 billion is payable in March 2014.

On October 1, 2013, we received cash of approximately $5.1 billion in connection with Mars/Wrigley s repurchase of our investment in Wrigley subordinated notes. In January 2013, Berkshire issued $2.6 billion of parent company senior unsecured notes with maturities ranging from 2016 to 2043. The proceeds were used to fund the repayment of $2.6 billion of notes that matured in February 2013. On January 1, 2014, Marmon completed its acquisition of the beverage dispensing and merchandising operations of British engineering company IMI plc for approximately $1.1 billion. The acquisition was funded with existing cash balances.

Berkshire s Board of Directors has authorized Berkshire to repurchase its Class A and Class B common shares at prices no higher than a 20% premium over the book value of the shares. Berkshire may repurchase shares at management s discretion. The repurchase program is expected to continue indefinitely, but does not obligate Berkshire to repurchase any dollar amount or number of Class A or Class B common shares. Repurchases will not be made if they would reduce Berkshire s consolidated cash and cash equivalent holdings below $20 billion. Financial strength and redundant liquidity will always be of paramount importance at Berkshire. There were no share repurchases during 2013. In December 2012, Berkshire acquired 9,475 Class A shares and 606,499 Class B shares for approximately $1.3 billion.

On December 19, 2013, MidAmerican completed its acquisition of NV Energy, Inc. (NV Energy), an energy holding company serving electric and natural gas customers in Nevada. MidAmerican purchased all outstanding shares of NV Energy s common stock for cash of approximately $5.6 billion. The acquisition was funded through a combination of cash provided by MidAmerican s shareholders of $3.6 billion (including approximately $3.5 billion provided by Berkshire) and the issuance by MidAmerican of $2.0 billion of senior unsecured debt.

Our railroad, utilities and energy businesses (conducted by BNSF and MidAmerican) maintain very large investments in capital assets (property, plant and equipment) and will regularly make capital expenditures in the normal course of business. In 2013, aggregate capital expenditures of these businesses were $8.2 billion, including $4.3 billion by MidAmerican and $3.9 billion by BNSF. BNSF and MidAmerican have forecasted aggregate capital expenditures in 2014 of approximately $11.1 billion. Future capital expenditures are expected to be funded by cash flows from operations and debt issuances. In 2013, BNSF issued $3.0 billion in new debentures consisting of $1.5 billion of debentures due in 2023 and $1.5 billion of debentures due in 2043. BNSF s outstanding debt was approximately $17.0 billion as of December 31, 2013. In 2013, MidAmerican and its subsidiaries issued new term debt of approximately $4.5 billion, including the new senior unsecured debt issued in funding the NV Energy acquisition, and repaid borrowings of approximately $2.0 billion. MidAmerican s aggregate outstanding borrowings as of December 31, 2013 were approximately $29.6 billion which includes approximately $5.3 billion of NV Energy s debt. BNSF and MidAmerican have aggregate debt and capital lease maturities in 2014 of $2.1 billion. Berkshire s commitment to provide up to $2 billion of additional capital to MidAmerican to permit the repayment of its debt obligations or to fund its regulated utility subsidiaries expired on February 28, 2014 and has not been renewed. Berkshire does not guarantee the repayment of debt issued by BNSF, MidAmerican or any of their subsidiaries.

Assets of the finance and financial products businesses, which consisted primarily of loans and finance receivables, cash and cash equivalents and fixed maturity and equity investments, were approximately $26.2 billion and $25.4 billion as of December 31, 2013 and December 31, 2012, respectively. Liabilities were $19.0 billion as of December 31, 2013 and $22.1 billion as of December 31, 2012. As of December 31, 2013, notes payable and other borrowings of finance and financial products businesses were $12.7 billion and included approximately $11.2 billion of notes issued by Berkshire Hathaway Finance Corporation (BHFC). During 2013, BHFC issued $3.45 billion aggregate of new senior notes and repaid $3.45 billion of maturing senior notes. In January 2014, an additional $750 million of BHFC debt matured and was refinanced with a corresponding amount of new debt. We currently intend to issue additional new debt through BHFC to replace some or all of its upcoming debt maturities. The proceeds from the BHFC notes are used to finance originated loans and acquired loans of Clayton Homes. The full and timely payment of principal and interest on the BHFC notes is guaranteed by Berkshire.

Management s Discussion *(Continued)*

Financial Condition *(Continued)*

As described in Note 12 to the Consolidated Financial Statements, we are party to equity index put option and credit default contracts. With limited exception, these contracts contain no collateral posting requirements under any circumstances, including changes in either the fair value or intrinsic value of the contracts or a downgrade in Berkshire s credit ratings. At December 31, 2013, the net liabilities recorded for such contracts were approximately $5.3 billion and we had no collateral posting requirements.

We regularly access the credit markets, particularly through our railroad, utilities and energy and finance and financial products businesses. Restricted access to credit markets at affordable rates in the future could have a significant negative impact on our operations.

In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Reform Act) was signed into law. The Reform Act reshapes financial regulations in the United States by creating new regulators, regulating new markets and market participants and providing new enforcement powers to regulators. Virtually all major areas of the Reform Act have been subject to extensive rulemaking proceedings being conducted both jointly and independently by multiple regulatory agencies, some of which have been completed and others that are expected to be finalized during the next several months. Although the Reform Act may adversely affect some of our business activities, it is not currently expected to have a material impact on our consolidated financial results or financial condition.

Contractual Obligations

We are party to contracts associated with ongoing business and financing activities, which will result in cash payments to counterparties in future periods. Certain obligations reflected in our Consolidated Balance Sheets, such as notes payable, require future payments on contractually specified dates and in fixed and determinable amounts. Other obligations pertain to the acquisition of goods or services in the future, such as minimum rentals under operating leases, that are not currently reflected in the financial statements. Such obligations will be reflected in future periods as the goods are delivered or services provided. Amounts due as of the balance sheet date for purchases where the goods and services have been received and a liability incurred are not included in the following table to the extent that such amounts are due within one year of the balance sheet date.

The timing and/or amount of the payments under certain contracts are contingent upon the outcome of future events. Actual payments will likely vary, perhaps significantly, from estimates reflected in the table that follows. Most significantly, the timing and amount of payments arising under property and casualty insurance contracts are contingent upon the outcome of claim settlement activities or events that may occur over many years. In addition, obligations arising under life, annuity and health insurance benefits are estimated based on assumptions as to future premiums, allowances, mortality, morbidity, expenses and policy lapse rates, as applicable. The amounts presented in the following table are based on the liability estimates reflected in our Consolidated Balance Sheet as of December 31, 2013. Although certain insurance losses and loss adjustment expenses and life, annuity and health benefits are ceded to others under reinsurance contracts, receivables recorded in the Consolidated Balance Sheet are not reflected in the table below. A summary of contractual obligations as of December 31, 2013 follows. Amounts are in millions.

		Estimated payments due by period			
	Total	**2014**	**2015-2016**	**2017-2018**	**After 2018**
Notes payable and other borrowings [1]	$ 113,862	$ 8,789	$ 14,521	$ 17,510	$ 73,042
Operating leases	8,614	1,245	2,062	1,512	3,795
Purchase obligations	50,297	15,496	10,541	7,295	16,965
Losses and loss adjustment expenses [2]	66,732	14,412	14,914	8,434	28,972
Life, annuity and health insurance benefits [3]	21,390	1,436	78	179	19,697
Other [4]	20,768	5,304	1,496	1,190	12,778
Total	$ 281,663	$ 46,682	$ 43,612	$ 36,120	$ 155,249

(1) *Includes interest.*

(2) *Before reserve discounts of $1,866 million.*

(3) *Amounts represent estimated undiscounted benefit obligations net of estimated future premiums, as applicable.*

(4) *Includes derivative contract liabilities.*

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Management s Discussion *(Continued)*

Critical Accounting Policies

Certain accounting policies require us to make estimates and judgments that affect the amounts reflected in the Consolidated Financial Statements. Such estimates are necessarily based on assumptions about numerous factors involving varying, and possibly significant, degrees of judgment and uncertainty. Accordingly, certain amounts currently recorded in the financial statements, with the benefit of hindsight, will likely be adjusted in the future based on additional information made available and changes in other facts and circumstances.

Property and casualty losses

A summary of our consolidated liabilities for unpaid property and casualty losses is presented in the table below. Except for certain workers compensation liabilities, all liabilities for unpaid property and casualty losses (referred to in this section as gross unpaid losses) are reflected in the Consolidated Balance Sheets without discounting for time value, regardless of the length of the claim-tail. Amounts are in millions.

	Gross unpaid losses		Net unpaid losses *	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
GEICO	$ 11,342	$ 10,300	$ 10,644	$ 9,791
General Re	15,668	15,961	14,664	14,740
BHRG	30,446	31,186	25,314	26,328
Berkshire Hathaway Primary Group	7,410	6,713	6,737	6,171
Total	$ 64,866	$ 64,160	$ 57,359	$ 57,030

* *Net of reinsurance recoverable and deferred charges on reinsurance assumed and before foreign currency translation effects.*

We record liabilities for unpaid losses and loss adjustment expenses under property and casualty insurance and reinsurance contracts based upon estimates of the ultimate amounts payable under the contracts with respect to losses occurring on or before the balance sheet date. The timing and amount of loss payments is subject to a great degree of variability and is contingent upon, among other things, the timing of claim reporting from insureds and cedants and the determination of the ultimate loss amount through the loss adjustment process. A variety of techniques are used in establishing the liabilities for unpaid losses. Regardless of the techniques used, significant judgments and assumptions are necessary in projecting the ultimate amounts payable in the future. As a result, uncertainties are imbedded in and permeate the actuarial loss reserving techniques and processes used.

As of any balance sheet date, not all claims that have occurred have been reported and not all reported claims have been settled. Loss and loss adjustment expense reserves include provisions for reported claims (referred to as case reserves) and for claims that have not been reported (referred to as incurred but not yet reported (IBNR) reserves). The time period between the loss occurrence date and settlement payment date is referred to as the claim-tail. Property claims usually have fairly short claim-tails and, absent litigation, are reported and settled within a few years of occurrence. Casualty losses usually have very long claim-tails, occasionally extending for decades. Casualty claims are more susceptible to litigation and can be significantly affected by changing contract interpretations. The legal environment and judicial process further contributes to extending claim-tails.

Receivables are recorded with respect to losses ceded to other reinsurers and are estimated in a manner similar to liabilities for insurance losses. In addition, reinsurance receivables may ultimately prove to be uncollectible if the reinsurer is unable to perform under the contract. Reinsurance contracts do not relieve the ceding company of its obligations to indemnify its own policyholders.

We utilize processes and techniques to establish liability estimates that are believed to best fit the particular business. Additional information regarding those processes and techniques of our significant insurance businesses (GEICO, General Re and BHRG) follows.

GEICO

GEICO s gross unpaid losses and loss adjustment expense liabilities as of December 31, 2013 were $11.3 billion, which included $8.0 billion of reported average, case and case development reserves and $3.3 billion of IBNR reserves. GEICO predominantly writes private passenger auto insurance. Auto insurance claims generally have a relatively short claim-tail. The

Management s Discussion *(Continued)*

Property and casualty losses *(Continued)*

GEICO (Continued)

key assumptions affecting our reserve estimates include projections of ultimate claim counts (frequency) and average loss per claim (severity).

Our reserving methodologies produce reserve estimates based upon the individual claims (or a ground-up approach), which yields an aggregate estimate of the ultimate losses and loss adjustment expenses. Ranges of loss estimates are not determined in the aggregate.

Our actuaries establish and evaluate unpaid loss reserves using recognized standard actuarial loss development methods and techniques. The significant reserve components (and percentage of gross reserves as of December 31, 2013) are: (1) average reserves (15%), (2) case and case development reserves (60%) and (3) IBNR reserves (25%). Each component of loss reserves is affected by the expected frequency and average severity of claims. Reserves are analyzed using statistical techniques on historical claims data and adjusted when appropriate to reflect perceived changes in loss patterns. Data is analyzed by policy coverage, rated state, reporting date and occurrence date, among other ways. A brief discussion of each reserve component follows.

We establish average reserve amounts for reported auto damage claims and new liability claims prior to the development of an individual case reserve. The average reserves are intended to represent a reasonable estimate for incurred claims for claims when adjusters have insufficient time and information to make specific claim estimates and for a large number of minor physical damage claims that are paid within a relatively short time after being reported. Average reserve amounts are driven by the estimated average severity per claim and the number of new claims opened.

Our claims adjusters generally establish individual liability claim case loss and loss adjustment expense reserve estimates as soon as the specific facts and merits of each claim can be evaluated. Case reserves represent the amounts that in the judgment of the adjusters are reasonably expected to be paid in the future to completely settle the claim, including expenses. Individual case reserves are revised over time as more information becomes known.

For most liability coverages, case reserves alone are an insufficient measure of the ultimate cost due in part to the longer claim-tail, the greater chance of protracted litigation and the incompleteness of facts available at the time the case reserve is established. Therefore, we establish additional case development reserve estimates, which are usually percentages of the case reserve. As of December 31, 2013, case development reserves averaged approximately 25% of total established case reserves. In general, case development factors are selected by a retrospective analysis of the overall adequacy of historical case reserves. Case development factors are reviewed and revised periodically.

For unreported claims, IBNR reserve estimates are calculated by first projecting the ultimate number of claims expected (reported and unreported) for each significant coverage by using historical quarterly and monthly claim counts to develop age-to-age projections of the ultimate counts by accident quarter. Reported claims are subtracted from the ultimate claim projections to produce an estimate of the number of unreported claims. The number of unreported claims is multiplied by an estimate of the average cost per unreported claim to produce the IBNR reserve amount. Actuarial techniques are difficult to apply reliably in certain situations, such as to new legal precedents, class action suits or recent catastrophes. Consequently, supplemental IBNR reserves for these types of events may be established through the collaborative effort of actuarial, claims and other management personnel.

For each significant coverage, we test the adequacy of the total loss reserves using one or more actuarial projections based on claim closure models, paid loss triangles and incurred loss triangles. Each type of projection analyzes loss occurrence data for claims occurring in a given period and projects the ultimate cost.

Unpaid loss and loss adjustment expense estimates recorded at the end of 2012 developed downward by $238 million when reevaluated through December 31, 2013, producing a corresponding increase to pre-tax earnings in 2013. These downward reserve developments represented approximately 1.3% of earned premiums in 2013 and approximately 2.3% of prior year-end recorded liabilities. Reserving assumptions at December 31, 2013 were modified appropriately to reflect the most recent frequency and severity results. Future reserve development will depend on whether actual frequency and severity are more or less than anticipated.

Management s Discussion *(Continued)*

Property and casualty losses *(Continued)*

GEICO (Continued)

Within the automobile line of business, reserves for liability coverages are more uncertain due to the longer claim-tails. Approximately 92% of GEICO s reserves as of December 31, 2013 were for automobile liability, of which bodily injury (BI) coverage accounted for approximately 55%. We believe it is reasonably possible that the average BI severity will change by at least one percentage point from the severity used. If actual BI severity changes one percentage point from what was used in establishing the reserves, our reserves would develop up or down by approximately $165 million resulting in a corresponding decrease or increase in pre-tax earnings. Many of the same economic forces that would likely cause BI severity to be different from expected would likely also cause severities for other injury coverages to differ in the same direction.

GEICO s exposure to highly uncertain losses is believed to be limited to certain commercial excess umbrella policies written during a period from 1981 to 1984. Remaining liabilities associated with such exposure are currently a relatively insignificant component of GEICO s total reserves (approximately 1.3%) and there is minimal apparent asbestos or environmental liability exposure. Related claim activity over the past year was insignificant.

General Re and BHRG

Liabilities for unpaid property and casualty losses and loss adjustment expenses of our General Re and BHRG underwriting units derive primarily from assumed reinsurance. Additional uncertainties are unique to the processes used in estimating such reinsurance liabilities. The nature, extent, timing and perceived reliability of information received from ceding companies varies widely depending on the type of coverage, the contractual reporting terms (which are affected by market conditions and practices) and other factors. Contract terms, conditions and coverages tend to lack standardization and may evolve more rapidly than under primary insurance policies. We are unable to reliably measure the ongoing economic impact of such uncertainties.

The nature and extent of loss information provided under many facultative, per occurrence excess or retroactive contracts may not differ significantly from the information received under a primary insurance contract. This occurs when our personnel either work closely with the ceding company in settling individual claims or manage the claims themselves. However, loss information related to aggregate excess-of-loss contracts, including catastrophe losses and quota-share treaties, is often less detailed. Occasionally, loss information is reported in a summary format rather than on an individual claim basis. Loss data is usually provided through periodic reports and may include the amount of ceded losses paid where reimbursement is sought as well as case loss reserve estimates. Ceding companies infrequently provide IBNR estimates to reinsurers.

Each of our reinsurance businesses has established practices to identify and gather needed information from clients. These practices include, for example, comparison of expected premiums to reported premiums to help identify delinquent client reports and claim reviews to facilitate loss reporting and identify inaccurate or incomplete claim reporting. We periodically evaluate and modify these practices as conditions, risk factors and unanticipated areas of exposures are identified.

The timing of claim reporting to reinsurers is typically delayed in comparison with claim reporting to primary insurers. In some instances, multiple reinsurers assume and cede parts of an underlying risk thereby causing multiple contractual intermediaries between us and the primary insured. In these instances, the claim reporting delays are compounded. The relative impact of reporting delays on the reinsurer varies depending on the type of coverage, contractual reporting terms and other factors. Contracts covering casualty losses on a per occurrence excess basis may experience longer delays in reporting due to the length of the claim-tail as regards to the underlying claim. In addition, ceding companies may not report claims until they conclude it is reasonably possible that the reinsurer will be affected, usually determined as a function of its estimate of the claim amount as a percentage of the reinsurance contract retention. However, the timing of reporting large per occurrence excess property losses or property catastrophe losses may not vary significantly from primary insurance.

Under contracts where periodic premium and claims reports are required from ceding companies, such reports are generally required at quarterly intervals which in the U.S. range from 30 to 90 days after the end of the accounting period. Outside the U.S., reinsurance reporting practices vary. In certain countries, clients report annually, often 90 to 180 days after the end of the annual period. The different client reporting practices generally do not result in a significant increase in risk or uncertainty as the actuarial reserving methodologies are adjusted to compensate for the delays.

Premium and loss data is provided to us through at least one intermediary (the primary insurer), so there is a risk that the loss data provided is incomplete, inaccurate or the claim is outside the coverage terms. Information provided by ceding

Management s Discussion *(Continued)*

Property and casualty losses *(Continued)*

General Re and BHRG (Continued)

companies is reviewed for completeness and compliance with the contract terms. Generally, we are permitted under the contracts to access the cedant s books and records with respect to the subject business, thus providing us the ability to conduct audits to determine the accuracy and completeness of information. Audits are conducted as we deem appropriate.

In the normal course of business, disputes with clients occasionally arise concerning whether certain claims are covered under our reinsurance policies. We resolve most coverage disputes through the involvement of our claims department personnel and the appropriate client personnel or through independent outside counsel. If disputes cannot be resolved, our contracts generally specify whether arbitration, litigation, or an alternative dispute resolution process will be invoked. There are no coverage disputes at this time for which an adverse resolution would likely have a material impact on our consolidated results of operations or financial condition.

General Re

General Re s gross and net unpaid losses and loss adjustment expenses and gross reserves by major line of business as of December 31, 2013 are summarized below. Amounts are in millions.

Type		Line of business	
Reported case reserves	$ 7,809	Workers compensation [1]	$ 2,830
IBNR reserves	7,859	Mass tort-asbestos/environmental	1,539
Gross reserves	15,668	Auto liability	3,769
Ceded reserves and deferred charges	(1,004)	Other casualty [2]	2,288
Net reserves	$ 14,664	Other general liability	2,462
		Property	2,780
		Total	$ 15,668

[1] *Net of discounts of $1,866 million.*

[2] *Includes directors and officers, errors and omissions, medical malpractice and umbrella coverage.*

General Re s loss reserve estimation process is based upon a ground-up approach, beginning with case estimates and supplemented by additional case reserves (ACRs) and IBNR reserves. The critical processes in establishing loss reserves involve the establishment of ACRs by claim examiners, the determination of expected ultimate loss ratios which drive IBNR reserve amounts and the comparison of case reserve reporting trends to the expected loss reporting patterns. Recorded reserve amounts are subject to tail risk where reported losses develop beyond the maximum expected loss emergence time period.

We do not routinely determine loss reserve ranges. We believe that the techniques necessary to make such determinations have not sufficiently developed and that the myriad of assumptions required render such resulting ranges to be unreliable. In addition, claim counts or average amounts per claim are not utilized because clients do not consistently provide reliable data in sufficient detail.

Upon notification of a reinsurance claim from a ceding company, our claim examiners make independent evaluations of loss amounts. In some cases, examiners estimates differ from amounts reported by ceding companies. If the examiners estimates are significantly greater than the ceding company s estimates, the claims are further investigated. If deemed appropriate, ACRs are established above the amount reported by the ceding company. As of December 31, 2013, ACRs aggregated approximately $2.2 billion before discounts and were concentrated in workers compensation reserves, and to a lesser extent in professional liability reserves. Our examiners also periodically conduct detailed claim reviews of individual clients and case reserves are often increased as a result. In 2013, we conducted 266 claim reviews.

Our actuaries classify all loss and premium data into segments (reserve cells) primarily based on product (e.g., treaty, facultative and program) and line of business (e.g., auto liability, property, etc.). For each reserve cell, premiums and losses are aggregated by accident year, policy year or underwriting year (depending on client reporting practices) and analyzed over time. We internally refer to these loss aggregations as loss triangles, which serve as the primary basis for our IBNR reserve calculations. We review over 300 reserve cells for our North American business and approximately 900 reserve cells with respect to our international business.

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Management s Discussion *(Continued)*

Property and casualty losses *(Continued)*

General Re (Continued)

We use loss triangles to determine the expected case loss emergence patterns for most coverages and, in conjunction with expected loss ratios by accident year, loss triangles are further used to determine IBNR reserves. While additional calculations form the basis for estimating the expected loss emergence pattern, the determination of the expected loss emergence pattern is not strictly a mechanical process. In instances where the historical loss data is insufficient, we use estimation formulas along with reliance on other loss triangles and judgment. Factors affecting our loss development triangles include but are not limited to the following: changes in client claims practices, changes in claim examiners use of ACRs or the frequency of client company claim reviews, changes in policy terms and coverage (such as client loss retention levels and occurrence and aggregate policy limits), changes in loss trends and changes in legal trends that result in unanticipated losses, as well as other sources of statistical variability. Collectively, these factors influence the selection of the expected loss emergence patterns.

We select expected loss ratios by reserve cell, by accident year, based upon reviewing forecasted losses and indicated ultimate loss ratios that are predicted from aggregated pricing statistics. Indicated ultimate loss ratios are calculated using the selected loss emergence pattern, reported losses and earned premium. If the selected emergence pattern is not accurate, then the indicated ultimate loss ratios may not be accurate, which can affect the selected loss ratios and hence the IBNR reserve. As with selected loss emergence patterns, selecting expected loss ratios is not a strictly mechanical process and judgment is used in the analysis of indicated ultimate loss ratios and department pricing loss ratios.

We estimate IBNR reserves by reserve cell, by accident year, using the expected loss emergence patterns and the expected loss ratios. The expected loss emergence patterns and expected loss ratios are the critical IBNR reserving assumptions and are updated annually. Once the annual IBNR reserves are determined, our actuaries calculate expected case loss emergence for the upcoming calendar year. These calculations do not involve new assumptions and use the prior year-end expected loss emergence patterns and expected loss ratios. The expected losses are then allocated into interim estimates that are compared to actual reported losses in the subsequent year. This comparison provides a test of the adequacy of prior year-end IBNR reserves and forms the basis for possibly changing IBNR reserve assumptions during the course of the year.

In 2013, our reported claims for prior years workers compensation losses were less than expected by $238 million. However, further analysis of the workers compensation reserve cells by segment indicated the need for maintaining IBNR reserves. These developments precipitated a net increase of $112 million in nominal IBNR reserve estimates for unreported occurrences. After adjusting for the $126 million net increase in liabilities from changes in net reserve discounts during the year, the net increase in workers compensation losses from prior years occurrences had a minimal impact on pre-tax earnings in 2013. To illustrate the sensitivity of changes in expected loss emergence patterns and expected loss ratios for our significant excess-of-loss workers compensation reserve cells, an increase of ten points in the tail of the expected emergence pattern and an increase of ten percent in the expected loss ratios would produce a net increase in our nominal IBNR reserves as of December 31, 2013 of approximately $795 million and $441 million on a discounted basis. The increase in discounted reserves would produce a corresponding decrease in pre-tax earnings. We believe it is reasonably possible for the tail of the expected loss emergence patterns and expected loss ratios to increase at these rates.

Our other casualty and general liability reported losses (excluding mass tort losses) developed favorably in 2013 relative to expectations. Casualty losses tend to be long-tail and it should not be assumed that favorable loss experience in a given year means that loss reserve amounts currently established will continue to develop favorably. For our significant other casualty and general liability reserve cells (including medical malpractice, umbrella, auto and general liability), an increase of five points in the tails of the expected emergence patterns and an increase of five percent in expected loss ratios (one percent for large international proportional reserve cells) would produce a net increase in our nominal IBNR reserves and a corresponding reduction in pre-tax earnings of approximately $978 million. We believe it is reasonably possible for the tails of the expected loss emergence patterns and expected loss ratios to increase at these rates in any of the individual aforementioned reserve cells. However, given the diversification in worldwide business, more likely outcomes are believed to be less than $978 million.

In 2013, our property results included estimated losses incurred of $400 million from significant catastrophe events during the year. In 2013, reported claims for prior years property loss events were less than expected, and we reduced our estimated ultimate liabilities by $375 million. However, the nature of property loss experience tends to be more volatile because of the effect of catastrophes and large individual property losses.

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Management s Discussion *(Continued)*

Property and casualty losses *(Continued)*

General Re (Continued)

In certain reserve cells within excess directors and officers and errors and omissions (D&O and E&O) coverages, IBNR reserves are based on estimated ultimate losses without consideration of expected emergence patterns. These cells often involve a spike in loss activity arising from recent industry developments making it difficult to select an expected loss emergence pattern. For our large D&O and E&O reserve cells, an increase of ten points in the tail of the expected emergence pattern (for those cells where emergence patterns are considered) and an increase of ten percent in the expected loss ratios would produce a net increase in nominal IBNR reserves and a corresponding reduction in pre-tax earnings of approximately $153 million. We believe it is reasonably possible for the tail of the expected loss emergence patterns and expected loss ratios to increase at these rates.

Overall industry-wide loss experience data and informed judgment are used when internal loss data is of limited reliability, such as in setting the estimates for mass tort, asbestos and hazardous waste (collectively, mass tort) claims. Gross unpaid mass tort liabilities at December 31, 2013 and 2012 were approximately $1.5 billion and $1.6 billion, respectively and net of reinsurance, were approximately $1.2 billion at the end of each of the last two years. Mass tort net claims paid were $72 million in 2013. In 2013, ultimate loss estimates for asbestos and environmental claims were increased by $30 million. In addition to the previously described methodologies, we consider survival ratios based on average net claim payments in recent years versus net unpaid losses as a rough guide to reserve adequacy. The survival ratio based on claim payments made over the last three years was approximately 15.6 years as of December 31, 2013. The reinsurance industry s survival ratio for asbestos and pollution reserves was approximately 14.5 years based on the three years ending December 31, 2012. Estimating mass tort losses is very difficult due to the changing legal environment. Although such reserves are believed to be adequate, significant reserve increases may be required in the future if new exposures or claimants are identified, new claims are reported or new theories of liability emerge.

BHRG

BHRG s unpaid losses and loss adjustment expenses as of December 31, 2013 are summarized as follows. Amounts in are millions.

	Property	Casualty	Total
Reported case reserves	$ 2,090	$ 3,202	$ 5,292
IBNR reserves	2,542	4,896	7,438
Retroactive		17,716	17,716
Gross reserves	$ 4,632	$ 25,814	30,446
Deferred charges and ceded reserves			(5,132)
Net reserves			$ 25,314

In general, the methodologies we use to establish loss reserves vary widely and encompass many of the common methodologies employed in the actuarial field today. Certain traditional methodologies such as paid and incurred loss development techniques, incurred and paid loss Bornhuetter-Ferguson techniques and frequency and severity techniques are utilized, as well as ground-up techniques where appropriate. Additional judgments must also be employed to consider changes in contract conditions and terms as well as the incidence of litigation or legal and regulatory change.

Our gross loss reserves related to retroactive reinsurance policies were predominately for casualty or liability losses. Our retroactive policies relate to loss events occurring before a specified date on or before the contract date and include excess-of-loss contracts, in which losses above a contractual retention are indemnified or contracts that indemnify all losses paid by the counterparty after the policy effective date. We paid retroactive reinsurance losses and loss adjustment expenses of approximately $1.3 billion in 2013. The classification reported case reserves has no practical analytical value with respect to retroactive policies since the amount is often derived from reports in bulk from ceding companies, who may have inconsistent definitions of case reserves. We review and establish loss reserve estimates, including estimates of IBNR reserves, in the aggregate by contract. In 2013, we increased reserves for prior years retroactive reinsurance contracts by approximately $300 million, which related primarily to asbestos and environmental risks assumed.

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Management s Discussion *(Continued)*

Property and casualty losses *(Continued)*

BHRG (Continued)

In establishing retroactive reinsurance reserves, we often analyze historical aggregate loss payment patterns and project losses into the future under various scenarios. The claim-tail is expected to be very long for many policies and may last several decades. We assign judgmental probability factors to these aggregate loss payment scenarios and an expectancy outcome is determined. We monitor claim payment activity and review ceding company reports and other information concerning the underlying losses. Since the claim-tail is expected to be very long for such contracts, we reassess expected ultimate losses as significant events related to the underlying losses are reported or revealed during the monitoring and review process.

BHRG s liabilities for environmental, asbestos and latent injury losses and loss adjustment expenses were approximately $11.9 billion at December 31, 2013 and $12.4 billion at December 31, 2012 and were concentrated within retroactive reinsurance contracts. We paid losses of approximately $874 million in 2013 attributable to these exposures. BHRG, as a reinsurer, does not receive consistently reliable information regarding asbestos, environmental and latent injury claims from all ceding companies, particularly with respect to multi-line treaty or aggregate excess-of-loss policies. Periodically, we conduct a ground-up analysis of the underlying loss data of the reinsured to make an estimate of ultimate reinsured losses. When detailed loss information is unavailable, our estimates can only be developed by applying recent industry trends and projections to aggregate client data. Judgments in these areas necessarily include the stability of the legal and regulatory environment under which these claims will be adjudicated. Potential legal reform and legislation could also have a significant impact on establishing loss reserves for mass tort claims in the future.

We currently believe that maximum losses payable under our retroactive policies will not exceed approximately $35 billion due to the aggregate contract limits that are applicable to most of these contracts. Absent significant judicial or legislative changes affecting asbestos, environmental or latent injury exposures, we also believe it unlikely that our reported year end gross unpaid losses of $17.7 billion will develop upward to the maximum loss payable or downward by more than 15%.

Certain of our reinsurance contracts are expected to have a low frequency of claim occurrence combined with a potential for high severity of claims, such as property losses from catastrophes and aviation risks related to our catastrophe and individual risk business. Loss reserves related to catastrophe and individual risk contracts were approximately $800 million at December 31, 2013. Estimated ultimate liabilities for prior years events were reduced by about $200 million in 2013, which produced a corresponding increase in pre-tax earnings. Reserving techniques for catastrophe and individual risk contracts generally rely more on a per-policy assessment of the ultimate cost associated with the individual loss event rather than with an analysis of the historical development patterns of past losses. Absent litigation affecting the interpretation of coverage terms, the expected claim-tail is relatively short and thus the estimation error in the initial reserve estimates usually emerges within 24 months after the loss event.

Other reinsurance reserves (approximately $11.9 billion as of December 31, 2013) consisted of a variety of traditional property and casualty coverages written primarily under excess-of-loss and quota-share treaties. Liabilities as of December 31, 2013, included approximately $4.0 billion related to the 20% quota-share contract with Swiss Re, which is now in run-off. Reinsurance reserve amounts are generally based upon loss estimates reported by ceding companies and IBNR reserves that are primarily a function of reported losses from ceding companies and anticipated loss ratios established on a portfolio basis, supplemented by management s judgment of the impact of major catastrophe events as they become known. Anticipated loss ratios are based upon management s judgment considering the type of business covered, analysis of each ceding company s loss history and evaluation of that portion of the underlying contracts underwritten by each ceding company, which are in turn ceded to BHRG. A range of reserve amounts as a result of changes in underlying assumptions is not prepared.

Derivative contract liabilities

Our Consolidated Balance Sheets include significant derivative contract liabilities that are measured at fair value. Our most significant derivative contract exposures relate to equity index put option contracts written between 2004 and 2008. These contracts were entered into in over-the-counter markets. Certain elements of the terms and conditions of these contracts are not standard and we are not required to post collateral under most of these contracts. Furthermore, there is no source of independent data available to us showing trading volume and actual prices of completed transactions. As a result, the values of these liabilities are based on valuation models that we believe would be used by market participants. Such models or other valuation techniques use inputs that are observable in the marketplace, while others are unobservable. Unobservable inputs require us to make certain projections and assumptions about the information that would be used by market participants in establishing

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Management s Discussion *(Continued)*

Derivative contract liabilities *(Continued)*

prices. We believe that the fair values produced for long-duration options is inherently subjective. The values of contracts in an actual exchange are affected by market conditions and perceptions of the buyers and sellers. Actual values in an exchange may differ significantly from the values produced by any mathematical model.

We determine the estimated fair value of equity index put option contracts using a Black-Scholes based option valuation model. Inputs to the model include the current index value, strike price, interest rate, dividend rate and contract expiration date. The weighted average interest and dividend rates used as of December 31, 2013 were 2.5% and 3.6%, respectively, and were approximately 2.1% and 3.3%, respectively, as of December 31, 2012. The interest rates as of December 31, 2013 and 2012 were approximately 64 basis points and 95 basis points (on a weighted average basis), respectively, over benchmark interest rates and represented our estimate of our nonperformance risk. We believe that the most significant economic risks under these contracts relate to changes in the index value component and, to a lesser degree, the foreign currency component.

The Black-Scholes based model also incorporates volatility estimates that measure potential price changes over time. Our contracts have an average remaining maturity of about 7 years. The weighted average volatility used as of December 31, 2013 was approximately 20.7%, compared to 20.9% as of December 31, 2012. The weighted average volatilities are based on the volatility input for each equity index put option contract weighted by the notional value of each equity index put option contract as compared to the aggregate notional value of all equity index put option contracts. The volatility input for each equity index put option contract reflects our expectation of future price volatility. The impact on fair value as of December 31, 2013 ($4.7 billion) from changes in the volatility assumption is summarized in the table that follows. Dollars are in millions.

Hypothetical change in volatility (percentage points)	Hypothetical fair value
Increase 2 percentage points	$ 5,067
Increase 4 percentage points	5,479
Decrease 2 percentage points	4,284
Decrease 4 percentage points	3,923

For several years, we also have had exposures relating to a number of credit default contracts written involving corporate and state/municipality issuers. During 2013, all credit default contracts involving corporate issuers expired and at December 31, 2013, our remaining exposures relate to state/municipality exposures which begin to expire in 2019. The fair values of our state/municipality contracts are generally based on bond pricing data on the underlying bond issues and credit spread estimates. We monitor and review pricing data and spread estimates for consistency as well as reasonableness with respect to current market conditions. We make no significant adjustments to the pricing data or inputs obtained.

Prices in a current market trade involving identical (or sufficiently similar) risks and contract terms as our equity index put option or credit default contracts could differ significantly from the fair values used in the financial statements. We do not operate as a derivatives dealer and currently do not utilize offsetting strategies to hedge our equity index put option or credit default contracts. We currently intend to allow these contracts to run off to their respective expiration dates.

Other Critical Accounting Policies

We record deferred charges with respect to liabilities assumed under retroactive reinsurance contracts. At the inception of these contracts, the deferred charges represent the excess, if any, of the estimated ultimate liability for unpaid losses over the consideration received. Deferred charges are amortized using the interest method over an estimate of the ultimate claim payment period with the periodic amortization reflected in earnings as a component of losses and loss adjustment expenses. Deferred charge balances are adjusted periodically to reflect new projections of the amount and timing of remaining loss payments. Adjustments to deferred charge balances resulting from changes to these assumptions are determined retrospectively from the inception of the contract. Unamortized deferred charges were approximately $4.35 billion at December 31, 2013. Significant changes in the estimated amount and the timing of payments of unpaid losses may have a significant effect on unamortized deferred charges and the amount of periodic amortization.

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Management s Discussion *(Continued)*

Other Critical Accounting Policies *(Continued)*

Our Consolidated Balance Sheet includes goodwill of acquired businesses of $57.0 billion, which includes approximately $2.7 billion associated with our various acquisitions in 2013. We evaluate goodwill for impairment at least annually and we conducted our most recent annual review during the fourth quarter of 2013. Our review includes determining the estimated fair values of our reporting units. There are several methods of estimating a reporting unit s fair value, including market quotations, underlying asset and liability fair value determinations and other valuation techniques, such as discounted projected future net earnings or net cash flows and multiples of earnings. We primarily use discounted projected future earnings or cash flow methods. The key assumptions and inputs used in such methods may include forecasting revenues and expenses, operating cash flows and capital expenditures, as well as an appropriate discount rate and other inputs. A significant amount of judgment is required in estimating the fair value of a reporting unit and in performing goodwill impairment tests. Due to the inherent uncertainty in forecasting cash flows and earnings, actual results may vary significantly from the forecasts. If the carrying amount of a reporting unit, including goodwill, exceeds the estimated fair value, then, as required by GAAP, we estimate the fair values of the individual assets (including identifiable intangible assets) and liabilities of the reporting unit. The excess of the estimated fair value of the reporting unit over the estimated fair value of its net assets establishes the implied value of goodwill. The excess of the recorded amount of goodwill over the implied value is charged to earnings as an impairment loss.

Market Risk Disclosures

Our Consolidated Balance Sheets include a substantial amount of assets and liabilities whose fair values are subject to market risks. Our significant market risks are primarily associated with interest rates, equity prices, foreign currency exchange rates and commodity prices. The fair values of our investment portfolios and equity index put option contracts remain subject to considerable volatility. The following sections address the significant market risks associated with our business activities.

Interest Rate Risk

We regularly invest in bonds, loans or other interest rate sensitive instruments. Our strategy is to acquire such securities that are attractively priced in relation to the perceived credit risk. Management recognizes and accepts that losses may occur with respect to assets. We also issue debt in the ordinary course of business to fund business operations, business acquisitions and for other general purposes. We strive to maintain high credit ratings so that the cost of our debt is minimized. We rarely utilize derivative products, such as interest rate swaps, to manage interest rate risks.

The fair values of our fixed maturity investments and notes payable and other borrowings will fluctuate in response to changes in market interest rates. In addition, changes in interest rate assumptions used in our equity index put option contract models cause changes in reported liabilities with respect to those contracts. Increases and decreases in interest rates generally translate into decreases and increases in fair values of those instruments. Additionally, fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions. The fair values of fixed interest rate instruments may be more sensitive to interest rate changes than variable rate instruments.

The following table summarizes the estimated effects of hypothetical changes in interest rates on our significant assets and liabilities that are subject to interest rate risk. It is assumed that the interest rate changes occur immediately and uniformly to each category of instrument containing interest rate risk, and that there are no significant changes to other factors used to determine the value of the instrument. The hypothetical changes in interest rates do not reflect what could be deemed best or worst case scenarios. Variations in interest rates could produce significant changes in the timing of repayments due to

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Management s Discussion *(Continued)*

Interest Rate Risk *(Continued)*

prepayment options available to the issuer. For these reasons, actual results might differ from those reflected in the table. Dollars are in millions.

		Estimated Fair Value after Hypothetical Change in Interest Rates (bp=basis points)			
	Fair Value	**100 bp decrease**	**100 bp increase**	**200 bp increase**	**300 bp increase**
December 31, 2013					
Assets:					
Investments in fixed maturity securities	$ 29,370	$ 30,160	$ 28,591	$ 27,870	$ 27,259
Other investments [1]	8,592	9,021	8,166	7,757	7,370
Loans and finance receivables	12,002	12,412	11,617	11,255	10,915
Liabilities:					
Notes payable and other borrowings:					
Insurance and other	13,147	13,776	12,595	12,104	11,663
Railroad, utilities and energy	49,879	54,522	45,906	42,500	39,554
Finance and financial products	13,013	13,703	12,405	11,867	11,385
Equity index put option contracts	4,667	5,589	3,876	3,200	2,626
December 31, 2012					
Assets:					
Investments in fixed maturity securities	$ 38,425	$ 39,333	$ 37,493	$ 36,592	$ 35,783
Other investments [1]	8,606	9,003	8,169	7,744	7,343
Loans and finance receivables	11,991	12,410	11,598	11,229	10,883
Liabilities:					
Notes payable and other borrowings:					
Insurance and other	14,284	14,794	13,815	13,398	13,018
Railroad, utilities and energy	42,074	46,268	38,519	35,495	32,902
Finance and financial products	14,005	14,597	13,432	12,950	12,519
Equity index put option contracts	7,502	8,980	6,226	5,131	4,198

(1) *Includes other investments that are subject to a significant level of interest rate risk.*

Equity Price Risk

Historically, we have maintained large amounts of invested assets in exchange traded equity securities. Strategically, we strive to invest in businesses that possess excellent economics, with able and honest management and at sensible prices and prefer to invest a meaningful amount in each investee. Consequently, equity investments are concentrated in relatively few issuers. At December 31, 2013, approximately 55% of the total fair value of equity investments was concentrated within four companies.

We often hold equity investments for long periods of time so we are not troubled by short-term price volatility with respect to our investments provided that the underlying business, economic and management characteristics of the investees remain favorable. We strive to maintain above average levels of shareholder capital to provide a margin of safety against short-term price volatility.

Market prices for equity securities are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

We are also subject to equity price risk with respect to our equity index put option contracts. While our ultimate potential loss with respect to these contracts is determined from the movement of the underlying stock index between the contract inception date and expiration date, fair values of these contracts are also affected by changes in other factors such as interest rates, expected dividend rates and the remaining duration of the contract. These contracts expire between 2018 and 2026 and may not be unilaterally settled before their respective expiration dates.

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Management s Discussion *(Continued)*

Equity Price Risk *(Continued)*

The following table summarizes our equity and other investments and derivative contract liabilities with significant equity price risk as of December 31, 2013 and 2012. The effects of a hypothetical 30% increase and a 30% decrease in market prices as of those dates are also shown. The selected 30% hypothetical changes do not reflect what could be considered the best or worst case scenarios. Indeed, results could be far worse due both to the nature of equity markets and the aforementioned concentrations existing in our equity investment portfolio. Dollar amounts are in millions.

	Fair Value	Hypothetical Price Change	Estimated Fair Value after Hypothetical Change in Prices	Hypothetical Percentage Increase (Decrease) in Shareholders Equity
December 31, 2013				
Assets:				
Equity securities	$ 117,505	30% increase	$ 152,757	10.3
		30% decrease	82,254	(10.3)
Other investments [1]	13,226	30% increase	17,172	1.2
		30% decrease	9,359	(1.1)
Liabilities:				
Equity index put option contracts	4,667	30% increase	2,873	0.5
		30% decrease	7,987	(1.0)
December 31, 2012				
Assets:				
Equity securities	$ 88,346	30% increase	$ 116,357	9.7
		30% decrease	61,408	(9.3)
Other investments [1]	10,136	30% increase	12,775	0.9
		30% decrease	7,664	(0.9)
Liabilities:				
Equity index put option contracts	7,502	30% increase	5,009	0.9
		30% decrease	11,482	(1.4)

[1] *Includes other investments that possess significant equity price risk.*

Foreign Currency Risk

We generally do not use derivative contracts to hedge foreign currency price changes primarily because of the natural hedging that occurs between assets and liabilities denominated in foreign currencies in our Consolidated Financial Statements. In addition, we hold investments in common stocks of major multinational companies such as The Coca-Cola Company that have significant foreign business and foreign currency risk of their own. Our net assets subject to translation are primarily in our insurance, utilities and energy businesses, and to a lesser extent in our manufacturing and services businesses. The translation impact is somewhat offset by transaction gains or losses on net reinsurance liabilities of certain U.S. subsidiaries that are denominated in foreign currencies as well as the equity index put option liabilities of U.S. subsidiaries relating to contracts that would be settled in foreign currencies.

Commodity Price Risk

Our subsidiaries use commodities in various ways in manufacturing and providing services. As such, we are subject to price risks related to various commodities. In most instances, we attempt to manage these risks through the pricing of our products and services to customers. To the extent that we are unable to sustain price increases in response to commodity price increases, our operating results will likely be adversely affected. We utilize derivative contracts to a limited degree in managing commodity price risks, most notably at MidAmerican. MidAmerican s exposures to commodities include variations in the price of fuel required to generate electricity, wholesale electricity that is purchased and sold and natural gas supply for customers. Commodity prices are subject to wide price swings as supply and demand are impacted by, among many other unpredictable items, weather, market liquidity, generating facility availability, customer usage, storage and transmission and transportation constraints. To mitigate a portion of the risk, MidAmerican uses derivative instruments, including forwards, futures, options, swaps and other agreements, to effectively secure future supply or sell future production generally at fixed prices. The settled cost of these contracts is generally recovered from customers in regulated rates. Financial results would be negatively impacted

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Management s Discussion *(Continued)*

Commodity Price Risk *(Continued)*

if the costs of wholesale electricity, fuel or natural gas are higher than what is permitted to be recovered in rates. MidAmerican also uses futures, options and swap agreements to economically hedge gas and electric commodity prices for physical delivery to non-regulated customers. The table that follows summarizes our commodity price risk on energy derivative contracts of MidAmerican as of December 31, 2013 and 2012 and shows the effects of a hypothetical 10% increase and a 10% decrease in forward market prices by the expected volumes for these contracts as of each date. The selected hypothetical change does not reflect what could be considered the best or worst case scenarios. Dollars are in millions.

	Fair Value Net Assets (Liabilities)	Hypothetical Price Change	Estimated Fair Value after Hypothetical Change in Price
December 31, 2013	$ (140)	10% increase	$ (72)
		10% decrease	(208)
December 31, 2012	$ (235)	10% increase	$ (187)
		10% decrease	(285)

FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements contained in this document as well as some statements in periodic press releases and some oral statements of Berkshire officials during presentations about Berkshire or its subsidiaries are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Act). Forward-looking statements include statements which are predictive in nature, which depend upon or refer to future events or conditions, which include words such as expects, anticipates, intends, plans, believes, estim or similar expressions. In addition, any statements concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects and possible future Berkshire actions, which may be provided by management, are also forward-looking statements as defined by the Act. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and assumptions about Berkshire and its subsidiaries, economic and market factors and the industries in which we do business, among other things. These statements are not guaranties of future performance and we have no specific intention to update these statements.

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The principal important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to, changes in market prices of our investments in fixed maturity and equity securities, losses realized from derivative contracts, the occurrence of one or more catastrophic events, such as an earthquake, hurricane or act of terrorism that causes losses insured by our insurance subsidiaries, changes in laws or regulations affecting our insurance, railroad, utilities and energy and finance subsidiaries, changes in federal income tax laws, and changes in general economic and market factors that affect the prices of securities or the industries in which we do business.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See Market Risk Disclosures contained in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations.

Management s Report on Internal Control Over Financial Reporting

Management of Berkshire Hathaway Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the Company s internal control over financial reporting as of December 31, 2013 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth in the framework in *Internal Control Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control Integrated Framework* (1992), our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears on page 65.

Berkshire Hathaway Inc.

February 28, 2014

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Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Berkshire Hathaway Inc.

Omaha, Nebraska

We have audited the accompanying consolidated balance sheets of Berkshire Hathaway Inc. and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of earnings, comprehensive income, changes in shareholders equity, and cash flows for each of the three years in the period ended December 31, 2013. We also have audited the Company s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Berkshire Hathaway Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

Omaha, Nebraska

February 28, 2014

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BERKSHIRE HATHAWAY INC.

and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(dollars in millions)

	December 31, 2013	December 31, 2012
ASSETS		
Insurance and Other:		
Cash and cash equivalents	$ 42,614	$ 42,358
Investments:		
Fixed maturity securities	28,785	36,708
Equity securities	115,464	87,081
Other	12,334	10,184
Investments in H.J. Heinz Holding Corporation	12,111	
Receivables	20,497	21,753
Inventories	9,945	9,675
Property, plant and equipment	19,732	19,188
Goodwill	33,372	33,274
Other	19,244	17,875
	314,098	278,096
Railroad, Utilities and Energy:		
Cash and cash equivalents	3,400	2,570
Property, plant and equipment	102,482	87,684
Goodwill	22,603	20,213
Other	16,149	13,441
	144,634	123,908
Finance and Financial Products:		
Cash and cash equivalents	2,172	2,064
Investments in equity and fixed maturity securities	1,506	1,432
Other investments	5,617	4,882
Loans and finance receivables	12,826	12,809
Goodwill	1,036	1,036
Other	3,042	3,225
	26,199	25,448
	$ 484,931	$ 427,452
LIABILITIES AND SHAREHOLDERS EQUITY		
Insurance and Other:		
Losses and loss adjustment expenses	$ 64,866	$ 64,160
Unearned premiums	10,770	10,237
Life, annuity and health insurance benefits	11,681	10,943
Accounts payable, accruals and other liabilities	22,254	21,149
Notes payable and other borrowings	12,902	13,535
	122,473	120,024
Railroad, Utilities and Energy:		

Accounts payable, accruals and other liabilities	14,557	13,113
Notes payable and other borrowings	46,655	36,156
	61,212	49,269
Finance and Financial Products:		
Accounts payable, accruals and other liabilities	1,024	1,099
Derivative contract liabilities	5,331	7,933
Notes payable and other borrowings	12,667	13,045
	19,022	22,077
Income taxes, principally deferred	57,739	44,494
Total liabilities	260,446	235,864
Shareholders equity:		
Common stock	8	8
Capital in excess of par value	35,472	37,230
Accumulated other comprehensive income	44,025	27,500
Retained earnings	143,748	124,272
Treasury stock, at cost	(1,363)	(1,363)
Berkshire Hathaway shareholders equity	221,890	187,647
Noncontrolling interests	2,595	3,941
Total shareholders equity	224,485	191,588
	$ 484,931	$ 427,452

See accompanying Notes to Consolidated Financial Statements

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BERKSHIRE HATHAWAY INC.

and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in millions except per-share amounts)

	Year Ended December 31, 2013	2012	2011
Revenues:			
Insurance and Other:			
Insurance premiums earned	$ 36,684	$ 34,545	$ 32,075
Sales and service revenues	94,806	83,268	72,803
Interest, dividend and other investment income	4,939	4,534	4,792
Investment gains/losses	3,881	990	1,065
	140,310	123,337	110,735
Railroad, Utilities and Energy:			
Operating revenues	34,649	32,383	30,721
Other	108	199	118
	34,757	32,582	30,839
Finance and Financial Products:			
Interest, dividend and other investment income	1,469	1,572	1,618
Investment gains/losses	184	472	209
Derivative gains/losses	2,608	1,963	(2,104)
Other	2,822	2,537	2,391
	7,083	6,544	2,114
	182,150	162,463	143,688
Costs and expenses:			
Insurance and Other:			
Insurance losses and loss adjustment expenses	21,275	20,113	20,829
Life, annuity and health insurance benefits	5,072	5,114	4,879
Insurance underwriting expenses	7,248	7,693	6,119
Cost of sales and services	77,053	67,536	59,839
Selling, general and administrative expenses	11,917	10,503	8,670
Interest expense	426	397	308
	122,991	111,356	100,644
Railroad, Utilities and Energy:			
Cost of sales and operating expenses	25,157	23,816	22,736
Interest expense	1,865	1,745	1,703
	27,022	25,561	24,439
Finance and Financial Products:			
Interest expense	510	602	653
Other	2,831	2,708	2,638

	3,341	3,310	3,291
	153,354	140,227	128,374
Earnings before income taxes	28,796	22,236	15,314
Income tax expense	8,951	6,924	4,568
Net earnings	19,845	15,312	10,746
Less: Earnings attributable to noncontrolling interests	369	488	492
Net earnings attributable to Berkshire Hathaway shareholders	$ 19,476	$ 14,824	$ 10,254
Average common shares outstanding *	1,643,613	1,651,294	1,649,891
Net earnings per share attributable to Berkshire Hathaway shareholders *	$ 11,850	$ 8,977	$ 6,215

**Average shares outstanding include average Class A common shares and average Class B common shares determined on an equivalent Class A common stock basis. Net earnings per common share attributable to Berkshire Hathaway shown above represents net earnings per equivalent Class A common share. Net earnings per Class B common share is equal to one-fifteen-hundredth (1/1,500) of such amount or $7.90 per share for 2013, $5.98 per share for 2012 and $4.14 per share for 2011.*

See accompanying Notes to Consolidated Financial Statements

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BERKSHIRE HATHAWAY INC.

and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars i