REPORT ON EXAMINATION

OF THE

AMERICAN CENTENNIAL
INSURANCE COMPANY

AS OF

DECEMBER 31, 2008

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

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The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 23rd day of June, 2010

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2008 of the

AMERICAN CENTENNIAL INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By: Sonia C. Harris

Date: 23 June 2010

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 23rd day of June 2010.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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SALUTATION

April 30, 2010

Honorable Karen Weldin Stewart, CIR-ML
Insurance Commissioner
State of Delaware
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19901

Dear Commissioner:

In compliance with instructions contained in Certificate of Authority No. 9.027, an examination has been made of the affairs, financial condition and management of the

AMERICAN CENTENNIAL INSURANCE COMPANY

hereinafter referred to as "ACIC" or "Company", incorporated under the laws of the State of Delaware. The examination was conducted at 3501 Silverside Road., Wilmington, Delaware.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

The previous examination was performed as of December 31, 2005. This examination covered the three (3) year period from January 1, 2006, through December 31, 2008, and consisted of a general survey of the Company's business policies and practices, management, any corporate matters incident thereto, a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

The format of this report is designed to explain the procedures employed on examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible officials during the course of the examination.

The general procedure of the examination followed the rules established by the Committee on Financial Condition Examiners Handbook (NAIC Handbook), and generally accepted insurance examination standards.

In addition to items hereinafter incorporated as a part of the written report, the following were checked and made a part of the workpapers of this examination:

Corporate Records
Fidelity Bond and Other Corporate Insurance
Conflict of Interest Statements
NAIC Ratios
Legal Actions
Status of Prior Examination Recommendations
Recommendations
All asset and liability items not mentioned

HISTORY

ACIC is a Delaware domiciled property and casualty insurance company in run-off. ACIC was incorporated in 1970 for the purpose of underwriting primary and excess liability insurance for many large, national and international chemical, manufacturing and pharmaceutical companies, as well as for the purpose of underwriting facultative and treaty reinsurance for the same types of risks.

From inception through May 22, 1987, the Company was a subsidiary of the Beneficial Insurance Group, which in turn was wholly owned by the Beneficial Corporation, an organization engaged in diversified consumer financial services.

Due to poor profitability and financial problems encountered by many of the Company's reinsurers, ACIC stopped writing business on or about 1983. Since then, the Company has managed the run-off of its business and has concentrated on commuting its loss exposures.

On May 22, 1987, ACIC became a subsidiary of First Delaware Holdings, Inc., which changed its name in 1996 to Consolidated International Group, Inc. ("CIG"). On August 16, 1999, the Delaware Insurance Department approved the application of White Mountains Insurance Group, Inc. (White Mountains), to acquire control of ACIC through the cash purchase of all outstanding shares of ACIC's parent, CIG. On December 20, 2000, White Mountains contributed all outstanding shares of ACIC to Folksamerica Reinsurance Company, a wholly owned subsidiary incorporated in New York. On December 31, 2003, ACIC was transferred within the White Mountain Group to Fund American Companies, which then contributed 100% of the Company's stock to International American Group, Inc.

On October 30, 2008, ACIC and its parent company became subsidiaries of Railsplitter Holdings Corporation, still a wholly owned subsidiary of the White Mountain Group. On October 31, 2008, Railsplitter Holdings Corporation and its subsidiaries, including ACIC, became subsidiaries of Berkshire Hathaway, Inc. pursuant to an Exchange Agreement between Berkshire Hathaway Inc., White Mountains Insurance Group, Ltd. and others.

CAPITALIZATION

The Company is authorized to issue 30,000 shares of $200 par value common stock, for a total capitalization of $6,000,000. All authorized shares are issued, and the Company's common stock position remained unchanged during the period under examination. At the time of the 2005 examination, the Company reported Gross Paid-in and Contributed Surplus of $42,520,652, which remained unchanged during the examination period.

The Company's Surplus as Regards Policyholders increased $3,391,458 during the examination period. The following components contributed to the increase:

Net income	$2,036,256
Change in non-admitted assets	852,401
Unrealized capital gains	1,422,007
Change in deferred income tax	(2,098,904)
Dividends to stockholders	(8,800,000)
Change in provision for retroactive rein.	9,979,698
Total	$3,391,458

MANAGEMENT AND CONTROL

The management of the Company is vested in the Board of Directors, which shall consist of not less than seven, nor more than eighteen directors, who may or may not be stockholders of the Company. The Company's Board of Directors shall be elected annually by the stockholders and consisted of the following members as of December 31, 2008:

Name	Principal Occupation
Erika B. Duffy	Vice President-Finial Reinsurance Co.
Dale D. Geistkemper	Treasurer and Controller, National Indemnity Co.
Luann M. Petrellis	COO, American Centennial Ins. Co.
Forrest N. Krutter	President and Chairman, American Centennial Ins. Co.
Joseph R. Liuzzi	Vice President, Berkshire Hathaway Group
Brian G. Snover	Vice President and General Counsel, Berkshire Hathaway Reinsurance Division

In compliance with their bylaws, a seventh director was elected in early 2009.

The officers of ACIC are elected by the Board of Directors annually. Those persons serving as of December 31, 2008 were:

Name	Title
Forrest N. Krutter	President and Chairman
Luann M. Petrellis	Secretary and COO
Carolyn A. Scully	Vice President and Treasurer

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system whose ultimate parent as of December 31, 2008, was Berkshire Hathaway, Inc. The immediate parent, International American Group Inc, is a wholly owned subsidiary of Railsplitter Holdings Corporation, which through four intermediate parents, is ultimately owned by Berkshire Hathaway Inc.

Berkshire Hathaway Inc. reported the following financial information as of December 31, 2008:

Assets	$ 267,399,000,000
Shareholder Equity	$ 109,267,000,000
2008 Revenue	$ 107,786,000,000
2008 Net Income	$ 4,994,000,000

Prior to the transfer of the Company to Berkshire Hathaway in October, 2008, ACIC paid an extraordinary dividend of $7,500,000 to White Mountain Insurance Group. This dividend was approved by the Delaware Insurance Department.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements and reflects the four (4) year period from its last examination (2005). The amounts presented are prior to any examination financial adjustments.

	2008	2007	2006	2005
Assets	$28,998,179	$37,432,237	$39,432,625	$37,625,505
Policyholder Surplus	18,449,554	26,467,224	26,238,425	15,058,096
Net Premiums Written	356	713	238	795
Underwriting gain (loss)	(2,227,817)	(4,086,457)	(7,024,041)	(14,884,678)
Net Income	$(238,731)	$(1,058,141)	$3,333,128	$(2,880,070)

The above information reflects an insurer in run-off. All premium amounts reported by ACIC relate to adjustments to treaties in run-off or to commutation activities.

The underwriting losses reported by ACIC are offset by the Company's retroactive reinsurance agreement with Global International Reinsurance Company, Ltd, (Global Re) which is discussed in the Reinsurance section of this report.

The Company's Policyholder Surplus was impacted by two events that occurred during the examination period:

- At year end 2005, Global Re did not provide sufficient collateral to secure the Company's ceded reserves. ACIC was required to accrue a significant Provision for Retroactive Reinsurance. This deficiency was rectified in 2006, increasing the Company's Policyholder Surplus.

- In 2008, ACIC paid an extraordinary dividend of $7,500,000 to its previous ultimate parent, prior to the transfer of the Company to Berkshire Hathaway, Inc.

TERRITORY AND PLAN OF OPERATION

Though ACIC is in run-off and is not writing business, it remains licensed in the District of Columbia, the Virgin Islands, and all states except Florida, Illinois, Ohio, Maine, Michigan, and Wyoming. The Company's Delaware license authorizes ACIC to issue policies and transact the business of health, vehicle, liability, burglary and machinery, personal property floater, glass, boiler and machinery, credit, worker's compensation and employer liability, leakage and fire equipment, malpractice, elevator, congenital defects, livestock, entertainments, miscellaneous, surety, marine and transport, and property.

Prior to 1987, ACIC actively underwrote, primarily through authorized managing general agents, property and casualty insurance coverage on both a direct excess insurer, and reinsurer basis. In most cases, all or part of these exposures were ceded to mostly non-U.S. reinsurers. However, many of these reinsurers were subsequently declared insolvent, creating collection problems with respect to amounts recoverable and security concerns for ceded reserves. In addition, ACIC experienced poor profitability from adverse development on certain coverage's and increased exposure relating to asbestos, pollution and environmental clean-up exposures, including the related legal fees and costs to defend against declaratory judgment actions filed by insured's As a result, ACIC began to reduce its exposures to both the potentially uncollectible reinsurance and unprofitable/uncertain risks, through commutations. ACIC became extremely active in its commutation activities. Often, ACIC has engaged in "cross-commutations" by settling both assumed and ceded business concurrently.

The commutations since change in ownership from Beneficial are as follows:

Year	Assumed	Direct	Ceded
1987	0	0	16,940,440
1988	(113,426,144)	0	33,136,466
1989	(297,881,282)	0	73,944,271
1990	(42,542,655)	(26,163,185)	65,175,867
1991	(28,596,415)	(10,952),588)	15,655,088
1992	(21,161,287)	(21,287,741)	17,405,025
1993	(12,801,861)	(69,938,500)	4,667,547
1994	(6,561,800)	(28,955,000)	2,177,149
1995	(22,989,025)	(44,796,400)	9,803,976
1996	0	(61,507,250)	0
1997	0	(4,644,000)	0
1998	0	(11,022,500)	0
1999	0	(4,752,500)	0
2000	0	(1,457,500)	0
2001	0	(185,000)	0
2002	0	(225,000)	0
2003	0	(330,000)	0
2004	0	(517,500)	0
2005	0	(1,950,000)	0
2006	0	(1,177,076)	0
2007	0	(1,817,750)	0
2008	0	(1,975,000)	0
2009	0	0	0

The negative amounts for Assumed and Direct business reflect amounts that ACIC paid to achieve the commutation. Conversely, the amounts for ceded commutations reflect payments to ACIC to discontinue ceded coverage.

Effective July 1, 1996, the Company eliminated the risk from its books of all the remaining assumed business and the majority of its worker’s compensation business through two Assumption Reinsurance Agreements. The first agreement with British International Insurance Company (“BIIC”), an affiliate, ceded and transferred to BIIC 100% of ACIC’s assumed and ceded reinsurance and retrocessional business except for the business assumed through an assigned risk auto program. Approximately $45,200,000 was transferred as part of this agreement. The second agreement with Peninsula Insurance Company (“PIC”), an affiliate, ceded and transferred to PIC 100% of ACIC's worker's compensation insurance business that had been written through Adjustco, Inc. Approximately $8,900,000 was transferred as part of this agreement.

The majority of the remaining loss exposure is protected by a retroactive reinsurance agreement entered into in 1997 with Global International Reinsurance Company, Ltd. (See the following section of this report)

REINSURANCE

Effective July 1, 1997, the majority of the Company's remaining loss exposure was protected through a retroactive reinsurance agreement entered into with Global International Reinsurance Company, Ltd. (Global Re). Note: at the outset of the agreement, the reinsurer was known as Gerling Global International Reinsurance Company, Ltd. The covered business was all of ACIC's primary and excess book of business underwritten by managing general agents prior to December 31, 1985. The limits and retentions are as follows:

	LAYERS	GLOBAL	ACIC
Layer 1	$10 mm retention		100%
Layer 2	$30 mm xs $10 mm	100%	
Layer 3	$10 mm xs $40 mm		100%
Layer 4	$35 mm xs $50 mm	80%	20%
Layer 5	$15 mm xs $85 mm	50%	50%
	Total Contract Limit	$65,500,000	
	Total Retention		$34,500,000

The Global Re Agreement is termed an "Adverse Development" treaty and because of its retroactive nature, is recorded through deposit accounting.

ACIC's Agreement with Global Re has been profitable for the Company. Incurred losses covered by the Agreement through December 31, 2008, were $89,065,232. Of that amount,

$32,524,196 has been retained by ACIC and $56,541,036 has been ceded to Gerling Global. Since ACIC paid a consideration of $30,000,000 for the coverage, the Surplus Gain from this retroactive reinsurance agreement was $26,541,036 as of year end 2008.

The Company's Agreement with Global Re has been the subject of two arbitration proceedings, triggered by the change in ownership in ACIC. The first arbitration basically left the Agreement in tact while awarding minor damages to the reinsurer. The second arbitration is currently inactive.

Effective October 1, 2000, ACIC entered into an Excess of Loss Reinsurance Contract with an affiliate, Folksamerica Reinsurance Company (FRC). The Contract followed the terms of the Company's Agreement with Global Re, and provided $30,000,000 in coverage in excess of the $100,000,000 underlying as defined in the Global Re Agreement. ACIC paid a consideration of $1,000,000 for the FRC contract, which was accounted for on a prospective basis in accordance with SAAP #62, which requires that retroactive reinsurance contracts between affiliates that do not provide a gain to surplus for the ceding company should be accounted for as prospective contracts.

INTER-COMPANY AGREEMENTS

Service Agreement

The Company entered into a Service Agreement with an affiliate, International American Management Company ("IAMC") on June 1, 1997. The agreement was amended on March 20, 1998. Under the agreement, IAMC provides ACIC with executive management advice and guidance, corporate accounting, personnel support, legal, tax, actuarial, and corporate secretarial services. IAMC is compensated for the provided services at actual allocated cost plus a management fee of 10% of the allocated cost, allocated between ACIC and an affiliate, BICC, 75% and 25%, respectively. For 2008, ACIC expensed $1,577,000 under the Service Agreement with IAMC.

On November 1, 2008, after the acquisition of the Company by Berkshire Hathaway, the Company entered into service agreements with three affiliates, Resolute Management Inc., National Indemnity Company and National Liability & Fire Insurance Company. Under these agreements, the affiliates will make available certain property, equipment and facilities to the Company. By year end 2008, ACIC had incurred no costs under these contracts.

Investment Management Agreement

Effective November 1, 2008, the Company entered into an Investment Services Agreement with National Indemnity Company (NICO). The Agreement calls for NICO to supervise and direct the investments of ACIC, subject to the terms and conditions of the agreement and to the terms of NICO's Investment Objectives.

Consolidated Tax Agreement

The Company is included in the consolidated federal income tax return of Berkshire Hathaway Inc. as per an Tax Allocation Agreement effective November 1, 2008. The tax allocation agreement provides that each member shall compute and pay its tax liability on a separate return basis.

ACCOUNTS AND RECORDS

Prior to the transfer of ACIC to Berkshire Hathaway Inc. in 2008, the Company's accounts and records were audited by the firm of PriceWaterhouseCoopers, LLC (PwC). After the transfer, the Company has been audited by Deloitte & Touche, LLP (D&T). The examination reviewed the workpapers of Deloitte & Touche's 2008 audit of ACIC and utilized those workpapers to the fullest extent possible.

FINANCIAL STATEMENTS

The Company's financial position on December 31, 2008, and the results of operations for 2008, is presented in the following statements:

Analysis of Assets
Liabilities, Surplus and Other Funds
Underwriting and Investment Exhibit
Capital and Surplus Account
Summary of Examination Changes

ANALYSIS OF ASSETS

	Assets	Non Admitted Assets	Net Admitted Assets	Notes
Bonds	$16,111,307		$16,111,307	1
Real Estate	16,364	$16,364	0	
Cash, Cash Equiv., ST Investments	12,177,384		12,177,384	
Other Invested Assets	315,054		315,054	
Invest. Income Due and Accrued	149,046		149,046	
Current FIT Recoverable	175,706		175,706	
Net Deferred Tax Asset	1,175,406	1,175,406	0	
Recoverable on Retro. Reinsurance	69,682		69,682	
Totals	$30,189,949	$1,191,770	$28,998,179	

LIABILITIES, SURPLUS AND OTHER FUNDS

		Notes
Losses	$34,613,654	2
Loss Adjustment Expenses	1,500,000	
Other Expenses	277,782	
Payable to Parent, Subsidiaries and Affiliates	99,746	
Retroactive Reinsurance Reserves	(26,471,354)	3
Provision for Retroactive Reinsurance	507,361	
Miscellaneous Liabilities	21,436	
Total Liabilities	$10,548,625	
Common Capital Stock	$6,000,000	
Surplus Gain from Retroactive Reinsurance	26,541,036	4
Gross Paid In and Contributed Surplus	42,520,652	
Unassigned Funds	(56,612,134)	
Surplus as Regards Policyholders	$18,449,554	
Total Liabilities and Surplus as Regards Policyholders	$28,998,179	

STATEMENT OF INCOME

Premiums Earned	$356
Losses Incurred	$(332,177)
Loss Adjustment Expenses Incurred	1,057,451
Other Underwriting Expenses Incurred	1,502,899
Total Underwriting Deductions	$2,228,173
Net Underwriting Gain	$(2,227,817)
Net Investment Gain	1,054,011
Miscellaneous Income	222,332
Net Income before Federal Taxes	$(951,474)
Federal Taxes Incurred	(712,743)
Net Income	$(238,731)

CAPITAL AND SURPLUS ACCOUNT

Surplus as Regards Policyholders-Prev. Yr.	$26,467,224
Net income	$(238,731)
Change in Unrealized Capital Losses	(82,285)
Change in Provision for Retroactive Reins.	(98,743)
Change in Non-Admitted Assets	595,595
Dividends to Stockholder	(7,500,000)
Change in net deferred income tax	(693,506)
Change in Surplus as Regards Policyholders	$(8,017,670)
Surplus as Regards Policyholders-Current	$18,449,554

SUMMARY OF EXAMINATION CHANGES

No adjustments were made as a result of the examination.

NOTES TO FINANCIAL STATEMENTS

Note # 1: Bonds **$16,111,307**

The Company's bond holdings totaled $16.1 million and were approximately 55.6% of total admitted assets and 56.3% of the Company's total invested assets. Security composition for the year ending 2008 was comprised of the following:

U.S. Governments	$11.9 million
Industrial and Miscellaneous	4.2 million
Total	$16.1 million

The Company reported 23 bond securities at year end 2008. All but 2 of the bonds were Class 1 securities as rated by the NAIC. The other 2 bonds were Class 2 securities. The

Company maintained statutory deposits totaling $5.5 million with 16 jurisdictions at year end 2008.

Note #2: Losses	**$34,613,654**
Loss Adjustment Expenses	**$ 1,500,000**
	$36,113,654

The Company's reserves for Losses and Loss Adjustment Expenses (LAE) were comprised of the following as of December 31, 2008:

Cases Reserves-Direct	$ 14,660,654
IBNR-Direct	19,953,000
Adjusting and Other Expense	1,500,000
Total Reserves	$36,113,654

On an annual basis, ACIC engages the actuarial firm of Towers Perrin to evaluate the Company's Loss and LAE reserves.

The examination reviewed the Company's Loss and LAE reserves through the following procedures:

- A review of the Deloitte and Touche's audit workpapers.
- A review of commutations during the period under examination.
- A review of open claim files.
- A review of new claims reported in 2009
- Interviewing management.
- Retaining the actuarial firm of INS Consultants to review the Company's reserves.

The examination noted the following:

- The vast majority of the Company's open claims are for asbestos and environmental exposures that typically involve numerous defendants and multiple years of coverage. Absent the amounts expended for commutations, the Company made marginal claim payments during the period under examination. Most of ACIC's payments are legal expenses paid to the lead counsel representing numerous defendants, including ACIC, in asbestos and environmental clean-up claims.

- When the Company wrote business, it typically participated in the upper levels of excess of loss coverage provided to clients. Due to the extreme long tail nature of asbestos and environmental exposures, ACIC continues to receive notification of new claims. During the period under examination, the Company received the following number of new claim notifications:

2006	33
2007	13
2008	9

  In 2009, ACIC received notification of 15 new claims.

- A significant portion of the adverse development due to asbestos and environmental claims has been ceded to the Global International Reinsurance Agreement discussed previously in the Reinsurance section of this report and in Note # 2 below.

- The review by INS Consultants (INS) indicated the Company's reserves were within a reasonable range. In particular, INS noted that ACIC has accrued reserves for asbestos and environmental claims that compare favorably to the survival ratios accrued by the property & casualty industry for similar exposures.

Based on the procedures performed, the reserves for Losses and LAE as reported by the Company as of December 31, 2008, are accepted for purposes of the examination.

Note #3: Retroactive Reinsurance Reserves **$26,471,354**

As noted previously in the Reinsurance Section of this report, the Company's Retroactive Reinsurance Agreement with Global International Reinsurance Company (Global Re) has five layers. The first three layers, covering $50,000,000 in losses, have been penetrated and settled. The fourth layer provides for $35,000,000 in coverage, with an allocation of 80% to Global Re and 20% to ACIC. The fifth layer provides $15,000,000 in coverage, split 50%/50% between Global Re and the Company.

ACIC has recoveries of $24,438,738 available under Layer Four and $2,032,616 under Layer Five for a total of $26,471,354.

Note #4 Surplus Gain from Retroactive Reinsurance **26,541,036**

The calculation of the surplus gain from the Global Re Agreement is as follows:

Total incurred through December 31, 2008	$ 89,065,232
Amount retained by ACIC	$(32,524,196)
Ceded to Global Re	$ 56,541,036
Consideration paid to Global Re	$(30,000,000)
Surplus Gain from Global Re Agreement	$ 26,541,036

SUMMARY COMMENTS

ACIC is ultimately a wholly owned subsidiary of Berkshire Hathaway Inc. Prior to October 31, 2008, the Company was owned by the White Mountain Insurance Group.

ACIC is in run-off and has no plans to resume the writing of insurance. The Company has been adversely impacted by the continuing reporting of new asbestos and environmental claims. During the three year examination period, ACIC received notification of 55 new claims.

ACIC has an Adverse Development retroactive reinsurance agreement with Global International Reinsurance Company, Ltd, that has been profitable for the Company. Incurred losses covered by the Agreement through December 31, 2008, were $89,065,232. Of that amount, $32,524,196 has been retained by ACIC and $56,541,036 ceded to Global Re. Since ACIC paid a consideration of $30,000,000 for the coverage, the gain to surplus was $26,541,036 at year end 2008.

In addition to the Global Re Agreement, ACIC is protected for $30,000,000 through a treaty with a former affiliate and parent of the Company, Folksamerica Reinsurance Company.

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

Description	Current Examination	Previous (2005) Examination	Changes Increases (Decreases)
Assets	$28,998,179	$37,625,505	$(8,627,326)
Liabilities	$10,548,625	$22,567,409	$(12,018,784)
Policyholders Surplus	$18,449,554	$15,058,096	$ 3,391,458

In addition to the undersigned, David J. Macesic, ACAS, MAAA of INS Consultants, Inc. participated in the examination.

Respectfully submitted,

James J. Blair, CPA, CFE
Examination Supervisor
Insurance Department
State of Delaware