

Financial Statements and Accompanying Notes
Associated Electric & Gas Insurance Services Limited
Canadian Branch
As of and for the Year Ended December 31, 2025

CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION

ASSETS
(\$'000)

Reference Page	FS Notes Reference		Current Period		Prior Period		Opening Prior Period Restated	
			Total (01)	Vested in Trust* (02)	Total (03)	Vested in Trust* (04)	Total (05)	Vested in Trust* (06)
		ASSETS:						
		Cash and Cash Equivalents	01	62,004	3,342	82,245	401	
		Accrued Investment Income	11	1,598	1,598	1,571	1,571	
		Current Tax Assets	52	5,824		0		
		Assets Held for Sale	50			0	0	
		Asset for Insurance Acquisition Cash Flows	18			0		
40.08Q		Investments	14	366,141	366,141	357,219	357,219	
40.84Q		Equity Accounted Investees	15	0	0	0	0	
		Financial Instrument Derivative Assets	16			0	0	
20.12/20.14		Insurance Contract Assets	62	0		0		
20.16/20.18		Reinsurance Contract Held Assets	64	270,150		142,654		
		Investment Properties	17	0	0	0	0	
40.70A		Property and Equipment	41	0	0	0	0	
		Intangible Assets	56			0		
		Goodwill	54			0		
		Defined Benefit Pension Plan	58			0		
		Segregated Funds Net Assets	60					
		Deferred Tax Assets	44	365		0		
		Other Assets	88	42		47		
		TOTAL ASSETS	89	706,124	371,081	583,736	359,191	0

* Foreign insurers: Excludes deposits of reinsurers held in special trust accounts.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY
(\$'000)

Reference Page	FS Notes Reference		Current Period	Prior Period	Opening Prior Period Restated
		(55)	(01)	(03)	(05)
		LIABILITIES:			
		Provisions, Accruals and Other Liabilities	030	78,682	41,480
		Liabilities held for sale	040		
		Current Tax Liabilities	050		4,687
		Encumbrances on Real Estate & Mortgage Loans	060		
		Financial Instrument Derivative Liabilities	070		
		Insurance Contract Liabilities			
20.12/20.14		Insurance Contract Liabilities – Excluding Segregated Funds	150	276,403	142,618
20.12/20.14		Insurance Contract Liabilities – Segregated Fund Guarantees	155		
20.12/20.14		Insurance Contract Liabilities – Segregated Funds Net Liabilities	160		
		Total Insurance Contract Liabilities	169	276,403	142,618
		Reinsurance Contract Held Liabilities			
20.16/20.18		Reinsurance Contract Held Liabilities – Excluding Segregated Funds	170	0	0
20.16/20.18		Reinsurance Contract Held Liabilities - Segregated Fund Guarantees	175		
20.16/20.18		Reinsurance Contract Held Liabilities – Segregated Funds Net Liabilities	180		
		Total Reinsurance Contract Held Liabilities	189	0	0
		Trust and Banking Deposits	080		
		Other Debt	090		
		Defined Benefit Pension Plan	110		
		Employment Benefits (not including amounts in line above)	120		
		Subordinated Debt	130		
		Preferred shares - Debt	140		
		Deferred Tax Liabilities	100		1,401
		Investment Contract Liabilities			
		Investment Contract Liabilities – Excluding Segregated Funds Net Liabilities	190		
		Investment Contract Liabilities – Segregated Funds Net Liabilities	195		
		Total Investment Contract Liabilities	199	0	0
		Liabilities before Policyholders' Liabilities	299	355,085	190,186
		Policyholders' Liabilities			
20.41		Residual Interest (Non-Stock)	310		0
		Participating Account	320		
		Non-Participating Account (Non-Stock)	330		
		Total Policyholders' Liabilities	359	0	0
		TOTAL LIABILITIES	399	355,085	190,186
		EQUITY			
		CANADIAN INSURERS ONLY:			
		Policyholders' Equity			
20.41		Residual Interest (Non-Stock)	410		
		Participating Account	420		
		Participating Account - Accumulated OCI (Loss)	430		
		Non-Participating Account	440		
		Non-Participating Account - Accumulated OCI (Loss)	450		
		Total Policyholders' Equity	499		
		Shareholders' Equity			
		Common Shares	510		
		Preferred Shares	520		
		Contributed Surplus	530		
		Other Capital	540		
20.45		Retained Earnings	550		
		Nuclear and Other Reserves	560		
		Accumulated Other Comprehensive Income (Loss)	570		
		Total Shareholders' Equity	599		
		Non-controlling Interests	620		
		Total Equity	699		
		TOTAL LIABILITIES AND EQUITY	799	355,085	190,186
		FOREIGN INSURERS ONLY:			
		Head Office Account, Reserves & AOCI			
		Head Office Account	810	347,641	389,520
		Reserves	820	0	0
			830		0
		Accumulated Other Comprehensive Income (Loss)	840	3,398	4,030
		Total Head Office Account, Reserves & AOCI	899	351,039	393,550
		TOTAL LIABILITIES, EQUITY, HEAD OFFICE ACCOUNT, RESERVES & AOCI	999	706,124	583,736

CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS
(\$'000)

Reference Page	FS Notes Reference		Current Period (01)	Prior Period (03)
		Revenue from PAA Contracts	84,845	85,735
		Revenue from GMM Contracts (excluding VFA contracts)	0	0
		Revenue from VFA Contracts		0
		Total Insurance Revenue	84,845	85,735
		Insurance service expenses	178,278	3,881
60.25Q		Net expenses from reinsurance contracts held	96,011	(31,634)
		INSURANCE SERVICE RESULT	2,578	50,220
40.72Q		Interest revenue on financial assets	13,674	13,669
40.74Q		Net investment income excluding segregated funds	361	526
		Net investment income - segregated funds		
40.88Q		Provision for Credit Losses	0	0
40.72 / 40.74		Investment Return	14,035	14,195
		Net finance income (expenses) from insurance contracts excluding segregated funds	(9,643)	(10,461)
		Net finance income (expenses) from segregated funds		
		Net finance income (expenses) from reinsurance contracts held	7,163	9,575
		Movement in investment contract liabilities		0
		NET INVESTMENT RESULT	11,555	13,309
80.35Q		Other Income	(23)	(3,993)
		Share of Net Income (Loss) of Equity Accounted Investees		0
80.25Q		General and Operating Expenses	11,463	10,065
		OTHER INCOME AND EXPENSES	(11,486)	(14,058)
		PROFIT (LOSS) BEFORE TAXES	2,647	49,471
		Current Taxes	466	8,547
		Deferred Taxes	(1,766)	1,869
		Total Income Taxes	(1,300)	10,416
		PROFIT (LOSS) AFTER TAXES	3,947	39,055
		Discontinued Operations (net of Income Taxes of \$)		0
		NET INCOME (LOSS) FOR THE YEAR	3,947	39,055
		ATTRIBUTABLE TO:		
		Participating Policyholders/Certificateholders		
		Other Fund Account		
		Residual Interest Policyholders		
		Non-controlling Interests		
		Equity Holders		

(04)

(net of Income Taxes on Discontinued Operations) 520

CONSOLIDATED FINANCIAL STATEMENTS
COMPREHENSIVE INCOME (LOSS) and
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
(\$'000)

Reference Page	FS Notes Reference		Current Period (01)	Prior Period (03)
20.22		Comprehensive Income (Loss)		
		Net Income (Loss)	3,947	39,055
		Other Comprehensive Income (Loss):		
		Items that may be reclassified subsequently to Net Income (Loss):		
		Fair Value through Other Comprehensive Income (FVOCI):		
		Change in Unrealized Gains and Losses:		
		- Loans		0
		- Bonds and Debentures	(75)	1,513
		Reclassification of (Gains) Losses to Net Income (Loss)	(557)	(115)
		Derivatives Designated as Cash Flow Hedges		
		Change in Unrealized Gains and Losses		0
		Reclassification of (Gains) Losses to Net Income (Loss)		0
		Foreign Currency Translation		
		Change in Unrealized Gains and Losses		0
		Reclassification of (Gains) Losses to Net Income (Loss)		0
		Impact of Hedging		0
		Share of Other Comprehensive Income (Loss) of Equity Accounted Investees (may be reclassified)		0
		Insurance Finance Income (Expenses) Reserve from Insurance Contracts		0
		Insurance Finance Income (Expenses) Reserve from Reinsurance Contract Held		0
		Other		0
		Subtotal of items that may be reclassified subsequently to Net Income (Loss)	(632)	1,398
		Items that will not be reclassified subsequently to Net Income (Loss):		
		Fair Value through Other Comprehensive Income (FVOCI)		
		Change in Unrealized Gains and Losses:		
		- Equities		0
		Revaluation Surplus		0
		Share of Other Comprehensive Income (Loss) of Equity Accounted Investees		0
	Remeasurements of Defined Benefit Pension Plans		0	
	Other		0	
	Subtotal of items that will not be reclassified subsequently to Net Income (Loss)	0	0	
	Total Other Comprehensive Income (Loss)	(632)	1,398	
	Total Comprehensive Income (Loss)	3,315	40,453	
	Attributable to:			
	Participating Policyholders/Certificateholders			
	Other Fund Account			
	Residual Interest Policyholders			
	Non-controlling Interests			
	Equity Holders			

		Current Period (01)	Prior Period (03)
20.11	Accumulated Other Comprehensive Income (Loss)		
	Accumulated Gains (Losses), net of tax, on:		
	Items that may be reclassified subsequently to Net Income (Loss):		
	Fair Value through Other Comprehensive Income (FVOCI)	3,398	4,030
	Derivatives Designated as Cash Flow Hedges		0
	Foreign Currency Translation (net of hedging activities)		0
	Share of Other Comprehensive Income (Loss) of Equity Accounted Investees (may be reclassified)		0
	Insurance Finance Income (Expenses) Reserve from Insurance Contracts		0
	Insurance Finance Income (Expenses) Reserve from Reinsurance Contracts Held		0
	Other		0
	Subtotal of items that may be reclassified subsequently to Net Income (Loss)	3,398	4,030
	Items that will not be reclassified subsequently to Net Income (Loss):		
	Fair Value through Other Comprehensive Income (FVOCI)		0
	Revaluation Surplus		0
	Share of Other Comprehensive Income (Loss) of Equity Accounted Investees		0
	Remeasurements of Defined Benefit Pension Plans		0
	Other		0
	Subtotal of items that will not be reclassified subsequently to Net Income (Loss)	0	0
	Balance at end of Period	3,398	4,030
	Attributable to:		
Participating Policyholders/Certificateholders			
Other Fund Account			
Residual Interest Policyholders			
Non-controlling Interests			
Equity Holders			

HEAD OFFICE ACCOUNT (Foreign Insurers)
(\$'000)

Reference Page	FS Notes Reference		Current Period	Prior Period
			(01)	(02)
20.22		Opening Balance as Previously Reported	389,520	309,282
		Adjustments:		
		Net Income (loss) for the year	3,947	39,055
		Transfers from (to) Head Office		
		Advances (Returns)	(74,411)	55,545
		Expenses	8,499	7,777
		Insurance Related Cash Flows	25,390	(27,189)
		Other	(5,304)	5,050
		Subtotal	(45,826)	41,183
		Decrease (increase) in Reserves	0	0
		Net increase (decrease) in Head Office Account	(41,879)	80,238
		Balance at end of period	347,641	389,520

*CONSOLIDATED FINANCIAL STATEMENTS***RESERVES**
(\$'000)

Reference Page	FS Notes Reference		Current Period	Prior Period
			(01)	(02)
		Earthquake Reserves		
		Reserve Component		0
		Premium Reserve		0
		Mortgage Reserve		0
		Nuclear Reserve		0
		General Contingency Reserves		
		Total Reserves	0	0

CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS *
(\$'000)

	2025	2024
<i>CASH FLOW FROM OPERATING ACTIVITIES</i>		
Underwriting Receipts:		
Premiums Collected	79,261	87,907
Reinsurance Recoveries	12,587	68,137
Loss Cash Advances Received and Other	42,193	9,469
Total Underwriting Receipts	134,041	165,513
Underwriting Payouts:		
Losses and Expenses Paid	(46,747)	(141,380)
Reinsurance Premiums Paid	(40,873)	(46,263)
Loss Cash Advances Paid	(1,458)	(7,016)
FX Gains and Losses	-	40
Total Underwriting Payments	(89,078)	(194,619)
Income Tax Refund (Payments)	(10,705)	(5,543)
Cash from Operating Activities	34,258	(34,649)
<i>CASH FLOW FROM INVESTING ACTIVITIES</i>		
Securities Sales Proceeds	76,071	90,834
Securities Purchased	(82,275)	(129,387)
Interest Received	(808)	13,423
Investment Expenses Paid	(361)	(290)
Cash used in investing activities	(7,373)	(25,420)
Effect of exchange rate changes on Cash and Cash Equivalents	963	(2,390)
Transfer of Capital from (to) Home Office	(48,089)	43,072
Net Increase (Decrease) in Cash and Cash Equivalents	(20,241)	(19,387)
Beginning Cash and Cash Equivalents	82,245	101,632
Ending Cash and Cash Equivalents	62,004	82,245

Associated Electric & Gas Insurance Services Limited
Canadian Branch
December 31, 2025

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in thousands of Canadian Dollars, unless otherwise indicated)

1) GENERAL INFORMATION:

The Canadian Branch (the "Branch") of Associated Electric & Gas Insurance Services Limited (the "Company" or "Home Office") is registered under the Insurance Companies Act of Canada (the "Act"). The Branch is licensed in Canada to write most classes of business other than life insurance. The Company is incorporated under the laws of Bermuda, and the Home Office is located in Hamilton, Bermuda. The Branch's registered address is at 40 Temperance Street, Suite 3200, Toronto, ON, M5H 0B4 c/o Cassels Brock & Blackwell LLP.

The Branch is not a separate legal entity, and these financial statements do not contain all of the assets, liabilities, revenues and expenses of the Company. These statements include all Canadian business written by the Branch. The surplus of the Branch represents the portion of the surplus of Head Office that is attributable to the Branch's operations. The total surplus of the Home Office is available to meet the claims of its policyholders throughout Canada and Home Country, in the event funding is needed.

The Branch does not have any employees but is represented in Canada by a Chief Agent.

2) NEW AND REVISED ACCOUNTING STANDARDS

a. New and amended Accounting Standards that are effective for current year

International Tax Reform - Pillar Two Model Rules (Amendments to International Accounting Standards ("IAS") 12, Income Taxes)

Global minimum tax rules ("Pillar Two") enacted in Canada are applicable as of January 1, 2024 and include a qualified domestic top-up tax regime ("QDMTT"). Pillar Two rules require the ultimate parent entity of a group to pay top-up tax, on a jurisdiction-by-jurisdiction basis, on profits of its subsidiaries that are taxed below 15%. QDMTT rules require that a group of entities resident in Canada pay a top-up tax on profits that are taxed at less than 15%. The Company has performed an assessment of the potential exposure to Pillar Two and QDMTT income taxes.

The IASB issued amendments to IAS 12 *Income Taxes* in May 2023, which provided a mandatory temporary exception to the recognition and disclosure of information about deferred taxes arising from Pillar Two, and we have applied this temporary exception. The applied guidance has no impact on the financial statements.

IAS 21 – The Effects of Changes in Foreign Exchange Rates

On January 1, 2025, the International Accounting Standards Board ("IASB") issued amendments to IAS 21. IAS 21 provides guidance on how to account for and present the effects of foreign currency transactions and foreign operations in their financial statements. The amendments introduce new disclosure requirements that are effective immediately upon enactment and pertain to both an entity's foreign currency transactions and the translation of the financial statements of foreign operations. The Branch has applied the guidance, with no impact to the measurement of the Branch's foreign currency amounts.

b. New and revised Accounting Standards issued but not yet effective

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued International Financial Reporting Standards ("IFRS") 18. IFRS 18 will replace IAS 1 - Presentation of Financial Statements and will be effective for the Branch beginning January 1, 2027. This Standard

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sets out general and specific requirements for the presentation of information in the statement(s) of financial performance, the statement of financial position and the statement of changes in equity. The Standard also establishes requirements for the structure, organization, and disclosure of information in the footnotes, with the objective of improving consistency and comparability across financial statements. The Branch is currently in the process of evaluating the impact of the adoption of this new standard on its financial statements.

Amendments to IFRS 9 – Financial Instruments and IFRS –Financial Instruments Disclosures

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which modify IFRS 9-Financial Instruments and IFRS-7 Financial Instruments Disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The amendments aim to reduce diversity in practice by clarifying and enhancing the requirements by making them more understandable and consistent. The amendments relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with Environmental, Social, and Governance (“ESG”) linked features. The IASB also amended disclosure requirements relating to investments in equity instruments designated at FVOCI and added disclosure requirements for financial instruments with contingent features. The Branch is assessing the impacts of the standard on the financial statements and associated disclosures, however no significant changes are anticipated.

3) MATERIAL ACCOUNTING POLICIES:

The material accounting policies used in the preparation of these financial statements are as follows:

a. Basis of presentation

These financial statements are presented in accordance with International Financial Reporting Standards as issued by the IASB and include the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (“OSFI”).

The functional and reporting currency of the Branch is Canadian dollars (“CAD”), and as such all information is reflected in Canadian dollars, rounded and presented in thousands.

These financial statements have been prepared under the fair value measurement basis, except for Liability for Incurred Claims (“LIC”) included in insurance contracts liabilities and Asset for Incurred Claims (“AIC”), which are included in reinsurance assets held. The LIC and AIC are presented on a discounted basis in accordance with accepted standards of actuarial practices in Canada and the requirements of IFRS 17.

b. Significant estimates and assumptions

In preparing the Branch’s financial statements, management and by extension its appointed actuary make estimates and assumptions that affect the reported amount of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. The appointed actuary makes estimates and assumptions using accepted actuarial practice, applicable legislation and associated regulations. Estimates and assumptions are reviewed on an ongoing basis.

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NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in thousands of Canadian Dollars, unless otherwise indicated)

Key sources of significant estimation uncertainty include: the valuation of insurance and reinsurance contracts, discount rates, risk adjustments, valuation of investments inclusive of the determination of expected credit losses and impairments, and provision for income taxes. Accordingly, actual results may differ from these and other estimates thereby impacting future financial statements.

c. Foreign currency transactions and translation

The Branch's functional currency is CAD, which represents the local currency of the Branch. Foreign currency transactions initially recorded in other currencies (i.e., U.S. dollars) are translated using the spot exchange rate on the transaction date, with monetary items remeasured at the exchange rates in effect at each reporting date.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at each reporting date. Revenues and expenses are translated at the average rate prevailing during the year. Non-monetary assets and liabilities denominated in foreign currencies are translated at the historical rate in effect at the transaction date. The Branch recorded net operating foreign exchange (losses) of (\$23) and (\$3,993) for the years ended December 31, 2025, and 2024, respectively.

d. Cash and cash equivalents

Cash and cash equivalents consist entirely of demand deposits that are recorded at fair value and included in the Statement of Financial Position.

e. Income taxes

The tax expense includes the costs of current income tax and deferred income tax.

Current tax expense represents the expected tax payable resulting from the current year's taxable operating profits or loss and is calculated using rates that have been enacted or substantively enacted at the reporting date. Current tax expenses are charged or credited to the statement of income.

Deferred tax expense represents the movement during the year in the cumulative temporary differences between the carrying value of the Branch's assets and liabilities on the statement of assets and their values for tax purposes. Deferred tax is measured using enacted or substantively enacted tax rates that are expected to be applied in the period in which the liability is settled, or the asset is realized. Deferred tax liabilities are incurred on changes in unrealized gains and losses on securities relating to fair value through other comprehensive income ("FVOCI"), with the current tax effects included in other comprehensive income ("OCI"). The resulting tax expense and tax liability are included in OCI and current tax payable, respectively. With the exception of temporary differences related to items recognized through accumulated other comprehensive income ("AOCI"), deferred tax is charged or credited to the statement of income. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that it will be realized.

f. Financial instruments

The Branch records its financial instruments in accordance with IFRS 9: Financial Instruments. The standard has three measurement categories: amortized cost, FVOCI, and fair value through profit and loss ("FVTPL"). The

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Canadian Branch
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guidance applies emphasis on the underlying contractual cash flow characteristics of the financial instruments. Financial assets and liabilities are recognized when the Branch becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or have been transferred and the Branch has substantially transferred all risks and rewards of ownership.

Classification and Measurement

In accordance with IFRS 9, all recognized financial assets are required to be measured initially at fair value and subsequently at amortized cost or fair value. Debt investments held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding are generally measured at amortized cost at the end of subsequent accounting period, unless the asset is designated at FVTPL under the fair value option. Debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, with terms resulting in meeting the SPPI assessment are measured at FVOCI, unless the asset is designated at FVTPL under the fair value option. Financial assets, which are held within held-to-collect and sell and held-to-collect business models are evaluated based on their contractual cash flows being in accordance with the SPPI framework. The Branch's investments are comprised of debt securities, which are carried at fair value on the statement of assets on a trade-date basis. These investments are categorized as a hold to collect and sell and have met the SPPI requirement assessment. This has resulted in the Branch's investments being measured at FVOCI and recorded as follows:

Classification	Financial instruments	Description	Initial and subsequent measurement
FVOCI	Debt securities	Investments intended to be held for an indefinite period, and which may be sold in response to liquidity needs or changes in market conditions.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using market prices at end of period, with changes in fair value recognized in OCI (when unrealized) or in Net gains (losses) on investment portfolio when realized or impaired.

As illustrated above debt instruments classified as FVOCI reflect any changes in fair value in OCI (net of taxes) until the financial asset is disposed of or has become impaired. When the asset is disposed of, or has become impaired, the accumulated fair value adjustments recognized in accumulated other comprehensive income are transferred to the statement of profit or loss and, accordingly, a corresponding adjustment (net of income taxes) is made to OCI.

Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments including cash short-term investments and debt securities, which are measured at FVOCI, are recognized within Interest revenue on financial assets not measured at FVTPL in the statement of profit and loss. Interest income from debt securities is accrued on the

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principal outstanding at the effective interest rate applicable. If a financial instrument were credit impaired, the Branch would reduce the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and would continue to record the discount as interest income.

Net investment income

Net investment income is comprised of realized gains or losses on the sale of FVOCI debt securities. Gains and losses on the sale of FVOCI debt securities under IFRS 9 were determined using average cost methodology.

Netted against investment income described above are the costs associated with the acquisition and custody of financial instruments. These costs are expensed as incurred.

Impairment Model – Expected Credit Loss (“ECL”)

The ECL model requires management to make judgements about and projections of the future, including views on the economy, economic growth, interest rates and markets, as well as the conditions affecting the debt servicing abilities of the debt issuer, which could consider industry developments, technology changes and internal factors. Future projections, in addition to looking at historical loss patterns, to estimate the probability and magnitude of default for individual financial instruments should all be taken into account.

Under the ECL model, credit losses are measured as the shortfall between the present value of expected future cash flows and contractual cash flows, which is recorded as a reduction in carrying value of the underlying financial instrument. The Branch applies the ECL impairment model, for assets carried at FVOCI. The model has three stages:

- Stage 1 - on initial recognition, ECL for 12 months are recognized in profit or loss, and an allowance is established,
- Stage 2 - if credit risk increases significantly and the resulting credit risk is not considered under the low credit risk simplification rules of IFRS 9, full lifetime ECL are recognized, and
- Stage 3 - when an asset is considered credit impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, as opposed to its gross carrying amount.

At each reporting date, the Branch reviews its investment portfolio and if warranted records an allowance for debt instruments measured at FVOCI. The ECL does not reduce the carrying amount of FVOCI financial assets, which remain at their fair value. Instead, an amount equal to the allowance and its subsequent changes is reclassified from OCI to Net income. The ECL for financial instruments measured at amortized cost reduces the carrying amount of these financial assets with a corresponding expense recognized in the statement of operations in provision for credit losses. To date the Branch has not recorded an allowance. The Branch reviews and measures its ECLs no less than quarterly.

In evaluating ECL's, the Branch applies the low-risk simplification to its portfolio. The Branch considers the portfolio to be a very low credit risk, as no individual security as of December 31, 2025, was rated below A, which is a number of levels above investment grade. Additionally, debt securities held are federal, provincial and municipal bonds, with no history of credit losses or default.

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Determination of Fair Value

The Branch measures certain assets and liabilities using fair value. Fair value is a market-based measurement and not an entity-specific measurement and requires the use of a fair value hierarchy with the highest priority given to quoted prices in active markets. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – Quoted price (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

In cases where quoted market prices are not available, fair values are estimated using valuation techniques performed by independent vendors providing pricing information. The determination of fair value is based upon (i) valuation methodologies; (ii) securities the vendor deems comparable; and (iii) assumptions deemed appropriate given the circumstances. The fair value estimates are based upon available market information and judgments about financial instruments, including estimates of the amount and timing of expected cash flows and the credit standing of the issuer. Inputs considered in estimating fair value include maturity date, credit rating, and industry sector of the issuer and quoted market prices of comparable securities. There have been no changes in the Branch's fair valuation techniques for the years ended December 31, 2025, and 2024.

g. Insurance and reinsurance contracts

Scope and Separating Components

The Branch issues insurance contracts in the normal course of business (direct business). The Branch also enters into reinsurance contracts (ceded business), under which it is compensated by other entities for claims arising from its issued insurance contracts. The Branch does not assume reinsurance, does not issue any investment contracts, including contracts with direct participating features, and its insurance and reinsurance policies do not include any components that require separation.

Level of Aggregation

Insurance contracts under IFRS 17 are required to be identified within grouped portfolios. Each portfolio of insurance contracts is comprised of contracts that are subject to similar risks and are managed together and are reflected within one of the following three groups: i) any contracts that are onerous at initial recognition, ii) any contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and iii) any remaining contracts within the portfolio.

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Similarly, reinsurance contracts are identified within grouped portfolios comprising contracts subject to similar risks that are managed together, and are reflected within one of the following three groups: i) a group of contracts resulting in a net gain on initial recognition; ii) a group of contracts resulting in a net cost, with no significant possibility of a net gain subsequent to initial recognition; and iii) a group of any remaining contracts in the portfolio.

The Branch has determined that none of its contracts are onerous (see *Onerous Contracts* below).

As the Branch has low volume, high dollar contracts, the Branch considers each contract individually and aggregates them when they have similar risks and are managed together. The Branch has determined based on common contractual attributes and risks, that its contracts both insurance and reinsurance will be grouped in accordance with its management lines of business: Excess Liability, Directors and Officers, Property, Cyber and Marine.

Recognition of insurance contract groups are based on the earliest of the following: i) the beginning of the coverage period of the group of contracts, ii) the date when the first payment from a policyholder in the group becomes due; and iii) the date when facts and circumstances indicate that the group to which an insurance contract will belong to is onerous. The Branch's policyholders generally pay in full within two months of policy issuance.

Recognition of reinsurance contract groups are based on the earliest of the following: i) the beginning of the coverage period of the group of reinsurance contracts held; and ii) the date the Branch recognizes an onerous group of underlying insurance contracts if the Branch entered into the related reinsurance contract held at or before that date. The Branch recognizes reinsurance contracts at the beginning of the coverage period, as the Branch does not have onerous contracts.

Measurement Models

IFRS 17 has introduced two new measurement models for insurance contracts: i) General Measurement Model ("GMM"); and ii) Premiums Allocation Approach ("PAA").

- Under the GMM, a group of insurance contracts is measured as the total of: a) the fulfilment cash flows, which consists of estimates of future cash flows, adjusted to reflect the time value of money and associated financial risks, and a risk adjustment for non-financial risk; and b) the Contractual Service Margin ("CSM"). Groups of reinsurance contracts are measured in a similar manner and include the effect of any risk of non-performance by the reinsurers.
- The PAA simplifies the measurement requirements for groups of contracts where the coverage period of each contract in the group is one year or less. On initial recognition, Liability for remaining coverage ("LRC") is measured as the premiums received less insurance acquisition costs deferred at inception and subsequently amortized over the contract's coverage period. On initial recognition of reinsurance contracts, the carrying amount of the ARC is measured as the premiums paid and subsequently adjusted for the allocation of reinsurance premiums paid and associated commissions over the coverage period.

The Branch does not have any significant contracts with coverage periods greater than one year. For contracts that exceeded one year, management performed assessments to determine whether those contracts were PAA eligible. Based on those assessments, which are performed periodically, the Branch will apply the PAA for all insurance and reinsurance contracts.

Generally, LIC and AIC are discounted to take into consideration the time value money. However, for contracts

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measured under the PAA only, the Branch is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred. The Branch however has elected to discount all of its LIC and AIC.

The Branch's LIC and AIC are measured based on fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate the supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. They reflect current estimates from the perspective of the Branch and include risk adjustments.

Reinsurance contracts are measured on the same basis as insurance contracts, except they reflect the features of reinsurance contracts that differ from insurance contracts, for example the generation of expenses or reduction in expenses rather than revenue. Reinsurance contracts also include an allowance for non-performance risk by the reinsurer, which is presented in net income (expense) from reinsurance contracts held. In addition, the risk adjustment represents the amount of risk being transferred to the reinsurer.

Onerous Contracts

The Branch has determined that none of its contracts are onerous at inception based on the following:

- The Branch's Actuarial Pricing assessment - the Branch does not issue contracts that are anticipated to be unprofitable at inception, as all of the known current and historical risks are built into the Branch's pricing methodology,
- Almost all policies written, both insurance and reinsurance, are for one year. Thus, the Branch has made the determination to apply the PAA to its insurance and reinsurance contracts. Since the Branch has elected to use PAA, it assumes that no contracts in the portfolio are potentially onerous at initial recognition.

However, as facts and circumstances are assessed the Branch may identify potentially onerous conditions by using market projections and forecasts as well as historical experience. In the event a group of contracts becomes onerous, the following will occur:

For insurance contracts and reinsurance contracts, a loss will be recognized and tracked separately as a loss component to the extent that the current estimates of the fulfilment cash flows that relate to the remaining coverage exceed the carrying amount of the LRC or Assets for remaining Coverage ("ARC"). The loss component is included in the LRC or ARC and is recognized immediately in the statement of profit and loss as part of insurance service expenses.

Discounting and Risk Adjustment

LIC and AIC are recognized as the amount of fulfilment cash flows relating to incurred claims. These fulfilment cash flows are adjusted for the time value of money and a risk adjustment for non-financial risk, using newly introduced methodologies under IFRS 17. The Branch has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. The Branch has elected to not discount the LRC and ARC, excluding loss and loss-recovery component, of contracts measured under the PAA. Based on management's assessment, these new discount rate and risk adjustment methodologies significantly impacted the Branch's financial position on transition to IFRS 17 and on an ongoing basis.

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Yield curves used to discount cash flows for insurance and reinsurance contracts:

	December 31, 2025	December 31, 2024
As at		
1 year	3.30%	3.82%
3 years	3.81%	3.97%
5 years	4.13%	4.20%
10 years	4.84%	4.73%

Risk Adjustment

The risk adjustment for non-financial risk is the compensation the Branch would require to bear for the non-financial risk and the degree of risk aversion. This adjustment is applied to incurred claims and is determined based on the cost of capital technique, taking into account different risk characteristics by portfolio.

The risk adjustments for non-financial risk for insurance contracts correspond to the following confidence levels.

	December 31, 2025	December 31, 2024
Gross of reinsurance	75.0%	75.0%
Net of reinsurance	75.0%	75.0%

Insurance Revenue

Under IFRS 17, direct premiums written and earned premiums are no longer presented in the Statement of Profit or Loss; but are replaced by insurance revenue allocated to the period. Insurance revenue includes premium receipts and fees collected from policyholders in connection with the cost incurred. Based on the Branch's billing process premiums are generally collected within two months of contract issuance. Revenue is allocated over time, based on the life of a policy, which is usually 12 months or less.

Insurance Service Expenses

Under IFRS 17, expenses directly attributable to insurance contracts are classified as incurred claims and other insurance service expenses. If expenses are not directly attributable to servicing insurance contracts, they are classified as general and operating expenses. The PAA provides the two following options associated with acquisition costs: i) to expense the costs as incurred or 2) to amortize the insurance acquisition costs associated with the contracts. The Branch has elected to amortize the costs on a straight-line basis over the coverage period of the related groups.

Net Expenses from Reinsurance Contracts Held

The Branch participates in, and enters into, reinsurance contracts in the normal course of business in order to limit the potential for excessive losses arising from related insurance contracts. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Amounts recoverable from reinsurers are estimated and recognized in a manner consistent with the reserve for losses associated with the related reinsurance contract. The

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Branch presents reinsurance balances on a gross basis in the statement of financial position.

Net expense from reinsurance contracts is comprised of the amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid. The Branch treats reinsurance cash flows that are contingent on claims of the underlying contracts as part of the amounts recoverable from reinsurers and includes ceded commissions not contingent on claims as a reduction of the premiums paid to reinsurers.

Net Finance Income/(Expenses) from Insurance Contracts and Reinsurance Contracts Held

Finance income or expense is comprised of the change in the carrying amount of the group of insurance and reinsurance contracts arising from the discount unwinding and effects of changes in discounting assumptions. The Branch has elected to record changes in discount rates in the Statement of Profit or Loss in the lines net finance income (expenses) from insurance contracts and net finance income (expenses) from reinsurance contracts held.

4) CASH

Cash and cash equivalents consist entirely of demand deposits.

	December 31, 2025	December 31, 2024
	\$	\$
Cash	\$58,662	\$81,844
Cash held in Trust	3,342	401
	\$62,004	\$82,245

5) INVESTMENTS

The Branch's investment in debt securities consist of federal, provincial and municipal government bonds, that were entirely designated as FVOCI investments. The change in unrealized gains (losses) of the Branch's investments was recorded in other comprehensive income and in the table below the Branch's fair value of investments in debt securities, which is carrying value, is compared to the investments' amortized cost. The change in unrealized gains and losses as of December 31, 2025 and 2024 resulted in net pre-tax unrealized income of \$4,543 and \$5,398, respectively. Unrealized losses may be due to interest rate fluctuations, widening of credit spreads, general depressed market prices due to current market conditions, or depressed fair values in sectors that have experienced unusually strong negative market reactions.

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	December 31, 2025			
	Amortized Cost \$	Unrealized Gains \$	Unrealized Losses \$	Fair Value \$
Canadian federal government	282,007	2,674	351	284,330
Canadian provincial government	46,708	917	-	47,625
Canadian municipal government	32,883	1,303	-	34,186
	361,598	4,894	351	366,141

	December 31, 2024			
	Amortized Cost \$	Unrealized Gains \$	Unrealized Losses \$	Fair Value \$
Canadian federal government	248,571	3,499	249	251,821
Canadian provincial government	70,622	1,025	-	71,647
Canadian municipal government	32,628	1,123	-	33,751
	351,821	5,647	249	357,219

The maturity of the Branch's bonds are as follows:

	December 31, 2025			
	Less than one year \$	One to five years \$	Over five years \$	Total \$
Canadian federal government	-	172,927	111,403	284,330
Canadian provincial government	9,863	31,397	6,365	47,625
Canadian municipal government	-	9,221	24,965	34,186
	9,863	213,545	142,733	366,141

	December 31, 2024			
	Less than one year \$	One to five years \$	Over five years \$	Total \$
Canadian federal government	-	120,231	131,590	251,821
Canadian provincial government	24,323	40,889	6,435	71,647
Canadian municipal government	-	2,930	30,821	33,751
	24,323	164,050	168,846	357,219

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6) FAIR VALUE MEASUREMENT

The Branch invests in government, provinces and municipal bonds, which are all, considered Level 2 investments. There were no amounts transferred into or out of Level 2 in 2025 or 2024.

The following table presents the Branch's financial instruments measured at fair value based on the following three-level fair value hierarchy:

December 31, 2025	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
Government bonds	<u>\$ -</u>	<u>\$ 366,141</u>	<u>\$ -</u>	<u>\$ 366,141</u>
December 31, 2024	Level 1	Level 2	Level 3	Total
Government bonds	<u>\$ -</u>	<u>\$ 357,219</u>	<u>\$ -</u>	<u>\$ 357,219</u>

7) INCOME TAX

Tax charged to income statement:

	2025	2024
	\$	\$
Current tax expense (benefit):		
For the year	259	9,202
Adjustments made in respect of prior years	207	(655)
Total current tax	<u>466</u>	<u>8,547</u>
Origination and reversal of temporary differences	(1,528)	765
Adjustments made in respect of prior years	(238)	1,104
Total deferred tax	<u>(1,766)</u>	<u>1,869</u>
Total tax	<u>(1,300)</u>	<u>10,416</u>
Tax relating to components of other comprehensive income:		
	2025	2024
Current tax on unrealized gains (losses) on FVOCI securities	<u>\$ 217</u>	<u>\$ (476)</u>

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The provision for income taxes reported in the statement of income differs from the amount based on the combined federal and provincial income tax rate, as certain sources of income are exempt from tax. The combined tax rate is equal to the substantively enacted tax rates by jurisdiction as of December 31, 2025. The tax rate applicable to prior year was determined using the provincial allocation of net written premiums at December 31, 2024.

A reconciliation to the provision for income taxes reported in the statement of income is summarized as follows:

	2025		2024	
	Tax effect \$	Percentage of pre-tax income	Tax effect \$	Percentage of pre-tax income
Tax calculated at statutory rate	686	25.21%	12,563	25.39%
Adjustments:				
Minimum net reserve	(1,998)	(73.39)%	(2,522)	(5.10)%
Permanent differences RTP	51	1.86%	452	0.91%
Rate change	(10)	(0.38)%	-	0.00%
Tax rate differential	(74)	(2.73)%	3	0.00%
Deferred validations	1	0.03%	(5)	(0.01)%
Other permanent items	44	1.62%	(75)	(0.14)%
Total income tax provision	(1,300)	(47.78)%	10,416	21.05%

The Branch is considered a non-resident branch insurer for U.S. income tax purposes. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. Management believes that based on its historical pattern of taxable income and losses, the Branch will more likely than not produce sufficient taxable income in the future to realize its deferred tax assets.

At December 31, 2025, the Branch recognized a deferred income tax asset of \$365 representing temporary timing differences relating to the deductibility of loss reserves.

At December 31, 2024, the Branch recognized a deferred income tax liability of \$1,401 representing temporary timing differences relating to the deductibility of loss reserves.

The Branch's statutory tax rate has increased from the previous year because of a change in the provincial mix of the Branch's business.

The tax credit/ (charge) relating to components of other comprehensive income are as follows:

	2025			2024		
	Before tax	Tax credit (charge)	After tax	Before tax	Tax credit (charge)	After tax
Fair value gains/(losses) on FVOCI financial assets	\$4,543	\$(1,145)	\$3,398	\$5,398	\$(1,368)	\$4,030

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The deferred income tax assets and liabilities amounts are as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Deferred income tax assets		
Deferred income tax assets to be recovered after more than a year	743	-
Deferred income tax assets to be recovered within a year	238	-
	981	-
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than a year	308	977
Deferred income tax liabilities to be settled within a year	308	424
	616	1,401
Net deferred income tax assets/(liability)	365	(1,401)

Components of the Branch's deferred income tax assets and liabilities are as follows:

	December 31, 2025	December 31, 2024
	\$	
Deferred income tax assets		
Insurance contract liabilities	981	-
Reinsurance contract assets	-	-
	981	-
Deferred income tax liabilities		
Insurance contract liabilities	-	470
IFRS 17 transition adjustment	616	931
Presented as		
Deferred income tax asset/(liability)	365	(1,401)

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8) REINSURANCE CONTRACT HELD ASSETS

The following reflects an analysis by remaining coverage and incurred claims:

	December 31, 2025			Total
	Assets for remaining coverage	Assets for incurred claims under PAA		
	Excluding loss-recovery component	Expected present value of future cash flows	Risk adjustment	
	\$	\$	\$	
Opening balance	\$18,088	\$118,897	\$5,669	\$142,654
Changes in the statement of profit and loss and OCI:				
Allocation of reinsurance premiums paid	(45,348)	-	-	(45,348)
Incurred claims recovered and other reinsurance service expenses	-	124,755	13,629	138,384
Adjustments to assets for incurred claims	-	(3,600)	578	(3,022)
Amortization of reinsurance acquisition cash flows	5,997	-	-	5,997
Amounts recoverable from reinsurers	5,997	121,155	14,207	141,359
Effect of changes in non-performance risk of reinsurers				
Net expenses from reinsurance contracts held	(39,351)	121,155	14,207	96,011
Net finance (income) expenses from reinsurance contracts held	-	5,835	882	6,717
Effects of movement in FX	446	-	-	446
Total changes in the statement of profit and loss and OCI	(38,905)	126,990	15,089	103,174
Cash flows				
Premiums paid	40,873	-	-	40,873
Amounts received	-	(12,587)	-	(12,587)
Reinsurance acquisition cash flows	(3,964)	-	-	(3,964)
Total cash flows	36,909	(12,587)	-	24,322
Ending balance	16,092	233,300	20,758	270,150

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	December 31, 2024			
	Assets for remaining coverage	Assets for incurred claims under PAA		Total
	Excluding loss- recovery component	Expected present value of future cash flows	Risk adjustment	
\$	\$	\$	\$	
Opening balance	\$15,784	\$162,720	\$12,322	\$190,826
Changes in the statement of profit and loss and OCI:				
Allocation of reinsurance premiums paid	(46,515)	-	-	(46,515)
Incurred claims recovered and other reinsurance service expenses	-	17,884	2,368	20,252
Adjustments to assets for incurred claims	-	(1,648)	(10,213)	(11,861)
Amortization of reinsurance acquisition cash flows	6,490	-	-	6,490
Amounts recoverable from reinsurers	6,490	16,236	(7,845)	14,881
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Net expenses from reinsurance contracts held	(40,025)	16,236	(7,845)	(31,634)
Net finance (income) expenses from reinsurance contracts held	-	8,078	1,192	9,270
Effects of movement in FX	305	-	-	305
Total changes in the statement of profit and loss and OCI	(39,720)	24,314	(6,653)	(22,059)
Cash flows				
Premiums paid	46,263	-	-	46,263
Amounts received	-	(68,137)	-	(68,137)
Reinsurance acquisition cash flows	(4,239)	-	-	(4,239)
Total cash flows	42,024	(68,137)	-	(26,113)
Ending balance	18,088	118,897	5,669	142,654

In the ordinary course of business, the Branch reinsures certain risks with reinsurers to limit its maximum loss in the event of catastrophic events or other significant losses. The following table shows the Company's reinsurance attachment point.

	2025	2024
	\$	\$
Attachment point	47,939	50,251

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9) INSURANCE CONTRACT LIABILITIES

Movements in insurance contract balances

Analysis by remaining coverage and incurred claims:

	December 31, 2025				Total
	Liabilities for remaining coverage		Liabilities for incurred claims under PAA		
	Excluding loss component	Loss component	Expected present value of future cash flows	Risk adjustment	
	\$	\$	\$	\$	
Opening balance	37,000	-	94,154	11,464	142,618
Changes in the statement of profit and loss and OCI:					
Insurance revenue	(84,845)	-	-	-	(84,845)
Incurred claims recovered and other insurance service expenses	-	-	165,082	15,425	180,507
Amortization of insurance acquisition cash flows	5,606	-	-	-	5,606
Losses and reversal of losses on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	(7,298)	(537)	(7,835)
Insurance service expenses	5,606	-	157,784	14,888	178,278
Insurance service result	(79,239)	-	157,784	14,888	93,433
Net finance (income) expenses from insurance contracts	-	-	7,400	1,101	8,501
Effect of movements in FX	1,142	-	-	-	1,142
Total changes in the statement of profit and loss and OCI	(78,097)	-	165,184	15,989	103,076
Cash flows					
Premiums received for insurance contracts	79,261	-	-	-	79,261
Claims, benefits and other expenses paid	-	-	(42,761)	-	(42,761)
Insurance acquisition cash flows	(5,791)	-	-	-	(5,791)
Total cash flows	73,470	-	(42,761)	-	30,709
Ending balance	32,373	-	216,577	27,453	276,403

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	December 31, 2024				
	Liabilities for remaining coverage		Liabilities for incurred claims under PAA		Total
	Excluding loss component	Loss component	Expected present value of future cash flows	Risk adjustment	
	\$	\$	\$	\$	\$
Opening balance	35,018	-	195,106	27,537	257,661
Changes in the statement of profit and loss and OCI:					
Insurance revenue	(85,735)	-	-	-	(85,735)
Incurred claims recovered and other insurance service expenses	-	-	33,139	4,549	37,688
Amortization of insurance acquisition cash flows	5,705	-	-	-	5,705
Losses and reversal of losses on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	(17,373)	(22,139)	(39,512)
Insurance service expenses	5,705	-	15,766	(17,590)	3,881
Insurance service result	(80,030)	-	15,766	(17,590)	(81,854)
Net finance (income) expenses from insurance contracts	-	-	10,523	1,517	12,040
Effect of movements in FX	(1,579)	-	-	-	(1,579)
Total changes in the statement of profit and loss and OCI	(81,609)	-	26,289	(16,073)	(71,393)
Cash flows					
Premiums received for insurance contracts	87,907	-	-	-	87,907
Claims, benefits and other expenses paid	-	-	(127,241)	-	(127,241)
Insurance acquisition cash flows	(4,316)	-	-	-	(4,316)
Total cash flows	83,591	-	(127,241)	-	(43,650)
Ending balance	37,000	-	94,154	11,464	142,618

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Since the time value of money is considered when determining the AIC and LIC, an increase or decrease in the discount rates of the yield curve would result in a decrease or increase in the AIC and LIC, respectively. At December 31, 2025, a 0.1% change in the discount rates of the yield curve used by the Branch would have an impact of \$1 (2024 - \$(22)) on net income before tax. A sensitivity rate of 0.1% is used when reporting the change in yield curve, as it represents the best estimate of a reasonable change in yield curve.

Maturity profile of incurred claims based on fulfillment cash flows

	December 31, 2025			Total \$
	Less than one year \$	One year to five years \$	Over five years \$	
Asset for incurred claims	95,509	132,819	23,700	252,028
Liability for incurred claims	81,780	128,590	25,039	235,409
	December 31, 2024			
	Less than one year \$	One year to five years \$	Over five years \$	Total \$
Asset for incurred claims	51,242	66,775	10,084	128,101
Liability for incurred claims	34,918	57,568	10,100	102,586

Significant actuarial assumptions

The appointed actuary makes numerous assumptions to establish an estimate of the Branch's LIC and AIC. These assumptions are made following accepted actuarial practice based on the appointed actuary's experience coupled with observed characteristics of the Branch's current and historic claim settlement processes. The actuarial assumptions that have the greatest impact on the estimation of LIC and AIC are as follows:

- the selection of amount of claims settlement and payment patterns of claims settlement based on the Branch's past experience and industry benchmark
- the selection of expected loss ratios
- the selection of yield curve used to compute present value of estimated LIC and AIC
- the selection of margins for risk adjustment for non-financial risks, and
- the effect for risk of non-performance of reinsurers

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Liability for incurred claims – Estimate of undiscounted future cash flows

The Branch establishes claims liabilities to cover the estimated cash flows associated with incurred losses as at the balance sheet date, including claims incurred but not yet reported (“IBNR”) and loss adjustment expenses incurred with respect to insurance contracts written. The same approach is applied to the Branch’s reinsurance assets. The ultimate cost of claims liabilities is estimated by using generally accepted actuarial techniques.

The main assumption underlying these techniques is that the Branch’s past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, based on the observed development of earlier years and expected loss ratios. Historical claims development was analyzed by accident year, as well as significant business line and claim type. Although the Branch had no major catastrophic weather events in 2025, if they were to occur the Branch would separately project to reflect the fact that their development might differ from historical losses, while very large losses are typically left reserved at the face value of claims adjuster estimates.

Additionally, qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes towards claims, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims.

Discount rates

The LIC and AIC under the PAA is calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields of Canadian Government Bonds. The illiquidity premium is determined by reference to observable market rates of investment grade bonds.

Risk adjustment

The risk adjustment is the compensation that the Branch requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The Branch has concluded the cost of capital technique is the best approach to measure its compensation for bearing the non-financial risk and is appropriate for the valuation of its insurance contract liabilities. To sustain long-term growth the cost of capital rate is determined to be about 10%. Expressed as a percentage of discounted fulfillment cash flows, the risk adjustment for LIC is approximately 12.7% and AIC is approximately 12.3%.

Associated Electric & Gas Insurance Services Limited
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The main assumptions underlying these techniques are:

- Historical claims development can be used to generate the full range of potential outcomes; and
- Judgments determining lines of business.
- Additional qualitative judgment is used to assess the extent to which there are events not included in the historical data.

Claims development

Uncertainty exists on reported claims in that not all information may be available at the reporting date; therefore, the claim cost may rise or fall at some date in the future when additional information is obtained. In addition, claims may not be reported to the Branch immediately; therefore, estimates are made as to the value of claims incurred but not yet reported, a value which may take some months or years to finally determine. In order to determine the liability, assumptions are developed considering the characteristics of the line of business, the historical pattern of payments, the amount of data available and any other pertinent factors. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates. Short settlement term claims are those, which are expected to be substantially paid within a year of being reported.

Loss development tables

The tables that follow present the development of claim payments and the estimated ultimate cost of claims for the accident years 2016-2025:

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Loss development table before effect of reinsurance as at December 31, 2025:

Accident Year	Prior years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross cumulative claim payments												
At the end of accident year	91,135	115	140	1,972	50	415	49	132	4	146	28,832	122,990
1 year later	130,394	12,050	1,105	5,791	190	4,002	5,232	25,845	668	452		185,729
2 years later	134,341	14,894	1,144	8,652	13,824	4,138	7,550	94,496	727			279,766
3 years later	141,224	14,964	1,155	10,855	16,990	4,355	10,915	94,600				295,058
4 years later	169,169	18,741	1,237	9,991	17,875	58,325	21,126					296,464
5 years later	177,213	18,751	1,231	10,010	17,875	58,344						283,424
6 years later	182,957	18,756	1,231	10,455	17,875							231,274
7 years later	187,402	18,756	1,231	12,627								220,016
8 years later	187,402	18,756	2,209									208,367
9 years later	187,402	18,756										206,158
Estimate of gross ultimate claims												
At the end of accident year	224,012	33,904	17,377	27,341	25,497	29,425	34,999	59,108	31,932	36,305	180,042	699,942
1 year later	198,136	29,794	14,122	22,505	24,580	16,941	42,950	109,464	20,433	23,008		501,933
2 years later	231,768	25,403	10,677	19,709	22,876	68,660	37,137	105,208	7,798			529,236
3 years later	229,805	25,868	15,870	17,912	20,733	62,518	35,611	98,431				506,748
4 years later	203,177	20,049	15,771	13,096	19,019	61,516	64,567					397,195
5 years later	194,306	19,506	2,619	12,687	18,461	59,031						306,610
6 years later	193,434	19,228	3,645	12,365	18,310							246,982
7 years later	189,568	19,032	2,151	12,627								223,378
8 years later	188,819	18,898	2,793									210,510
9 years later	188,570	18,757										207,327
Estimate of gross ultimate claims	190,410	18,757	2,793	12,627	18,310	59,031	64,567	98,431	7,798	23,008	180,042	675,774
Less cumulative payments	187,484	18,756	2,209	12,627	17,875	58,344	21,126	94,600	727	452	28,832	443,032
Unpaid claims	2,926	1	584	0	435	687	43,441	3,831	7,071	22,556	151,210	232,742
Effect of risk adjustment and discounting												8,621
Unallocated loss adjustment expenses												2,667
Other provision												-
Present value recognized in the Balance Sheet*												244,030

*Agrees to Insurance Contract Liabilities of \$276,403, less the Liability for Remaining Coverage of \$32,373.

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Loss development table after the effect of reinsurance as at December 31, 2025:												
Accident Year	Prior years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net cumulative claim payment												
At the end of accident year	63,185	39	33	390	45	104	43	25	2	81	25,206	89,153
1 year later	72,537	2,088	159	1,310	120	941	1,639	8,664	271	215		87,944
2 years later	76,168	2,817	165	2,120	13,077	979	2,387	63,529	305			161,547
3 years later	82,988	2,858	167	2,731	15,907	1,197	3,971	63,564				173,383
4 years later	110,911	3,551	181	2,555	11,843	20,090	7,711					156,842
5 years later	118,902	3,569	180	2,559	9,937	20,109						155,256
6 years later	123,491	3,573	180	2,662	9,937							139,843
7 years later	127,935	3,573	180	3,180								134,868
8 years later	127,936	3,573	1,157									132,666
9 years later	109,154	3,573										112,727
Estimate of net ultimate claims												
At the end of accident year	131,098	16,111	10,787	12,358	17,645	14,821	18,193	25,586	16,090	16,068	42,777	321,534
1 year later	114,592	10,660	6,691	9,144	21,086	8,996	17,405	30,365	9,534	10,950		239,423
2 years later	125,478	7,277	4,077	6,538	15,887	28,136	13,956	25,399	4,224			230,972
3 years later	122,699	8,264	3,871	5,185	12,111	23,505	12,650	24,771				213,056
4 years later	104,148	4,604	3,847	3,858	10,329	22,894	19,461					169,141
5 years later	96,635	4,184	1,400	3,572	10,006	20,629						136,426
6 years later	95,847	3,959	2,480	3,300	10,175							115,761
7 years later	90,649	3,798	1,062	3,180								98,689
8 years later	91,243	3,690	1,741									96,674
9 years later	88,741	3,574										92,315
Estimate of net ultimate claims	91,604	3,574	1,741	3,180	10,175	20,629	19,461	24,771	4,224	10,950	42,777	233,086
Less cumulative payments	109,223	3,573	1,157	3,180	9,937	20,109	7,711	63,564	305	215	25,206	244,180
Unpaid claims	(17,619)	1	584	0	238	520	11,750	(38,793)	3,919	10,735	17,571	(11,094)
Effect of risk adjustment and discounting												6,591
Unallocated loss adjustment expenses												2,667
Other provision												(8,192)
Present value recognized in the Balance Sheet*												(10,028)

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10) PROVISIONS, ACCRUALS AND OTHER LIABILITIES

Provisions, accrued expense and other liabilities are comprised of the following.

	December 31, 2025	December 31, 2024
	\$	\$
Expenses due and accrued	2,290	1,317
Other	76,392	40,163
	78,682	41,480

The category "Other" in the table above consists primarily of funds withheld from reinsurers. These funds are withheld to mitigate future risk in the event the reinsurer is unable to meet its contractual commitments. Funds withheld are classified as a liability, because in the event the funds are not utilized by the Branch to offset reinsurance recoveries on paid losses owed, they will be released to the reinsurer.

11) RELATED PARTY TRANSACTIONS

Unless otherwise stated, transactions between the Branch and related parties are conducted at arm's length; none of the transactions incorporates special terms and conditions, and no guarantees were given or received. Outstanding balances are usually settled in cash at the settlement date exchange rates, if applicable.

Affiliates

During the year, the Branch ceded written premium of \$Nil (2024: \$Nil) and ceded claims and adjustments expense (reduction) of \$Nil (2024: \$Nil) to AEGIS Energy Syndicate 1225, a Lloyd's Syndicate and related party through common ownership. The outstanding unpaid claims and adjustment expense recoverable from related parties at December 31, 2025 and 2024 is \$Nil and \$Nil respectively. All premiums and claims under the reinsurance agreements are settled between companies under common control on a regular basis. Receivables from related parties at December 31, 2025, and 2024 are \$Nil and \$Nil respectively.

The Branch participates in and is covered under the Company's group reinsurance program. The Branch's allocation of the Company's group ceded written premiums was \$41,031 (2024: \$44,971).

In 2025, \$74,411 was transferred from the Branch to Head Office and in 2024 \$55,545 was transferred from the Home Office to the Branch

During the years ended December 31, 2025, and 2024, the daily management, administrative, underwriting and claims functions were provided by AEGIS Insurance Services, Inc., a subsidiary of the Company that is compensated by the Branch for the services provided.

Operating expenses

Operating expenses of \$8,499 (2024: \$7,777) were charged to the Branch for management, administrative, underwriting and claims services provided by the Home Office. Compensation of key management personnel having authority for planning, directing and controlling Branch activities of \$165 and \$213 for the years ended December 31, 2025, and 2024, respectively, is included in operating expenses above after taking into consideration gains and losses on investments used to fund the employee benefit plans.

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12) REVENUE FROM PAA CONTRACTS

PAA revenue is settled within twelve months of the reporting period. The corresponding reinsurance receivables are expected to be settled within the credit terms agreed, all of which are within twelve months.

Revenue is comprised of the following types of contracts:

	2025	2024
	\$	\$
Property	18,002	23,144
Cyber	14,376	14,370
Directors & Officers	7,878	8,628
Excess Liability	44,521	39,507
Marine	68	86
	84,845	85,735

13) INSURANCE SERVICE AND OTHER OPERATING EXPENSES

Insurance service and other operating expenses are as follows:

	2025	2024
	\$	\$
Claims and benefits	172,672	(1,824)
Amortization of insurance acquisition cash flow	5,606	5,705
Insurance service expense	178,278	3,881
Home Office overhead	11,463	10,065
	189,741	13,946

Claims and benefits expenses include incurred claims and other insurance service expenses and when combined with the amortization of insurance acquisition cash flows it totals the insurance services expenses recorded on the Statement of Profit or Loss. The amortization of insurance acquisition cash flows reflects the Branch's election not to expense its acquisition costs as incurred, but rather to amortize them on a straight-line basis over the coverage period of the related groups. Deferred acquisition costs are comprised of commissions, premium tax and continuity credits. The Home Office overhead reflects the allocation of Home Office general and administrative costs to the Branch and is included in General and operating expenses in the Statement of Profit or Loss.

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14) NET FINANCE INCOME (EXPENSES)

Net finance income (expenses) from insurance contracts recognized in profit or loss

	2025	2024
	\$	\$
Property	(892)	(1,476)
Cyber	(2,032)	(935)
Directors and Officers	(332)	(427)
Excess Liability	(5,244)	(9,199)
Marine	(1)	(3)
Effects of movement in exchange rate	(1,142)	1,579
Total	(9,643)	(10,461)

Net finance income (expenses) from reinsurance contracts recognized in profit or loss

	2025	2024
	\$	\$
Property	583	948
Cyber	1,777	767
Directors & Officers	259	1,087
Excess Liability	4,098	6,467
Marine	-	-
Effects of movement in exchange rate	446	306
Total	7,163	9,575

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15) INVESTMENT RETURN

Interest revenue for financial assets not measured at FVTPL (Cash, Short-term and Bonds) at December 31, 2025, and 2024 totalled \$13,674 and \$13,669, respectively. Interest was calculated using the effective interest method.

Investment Results

	2025	2024
	\$	\$
Interest Revenue on Financial Assets	13,674	13,669
Realized gains	760	816
Less Investment expenses	(399)	(290)
Net Investment Income	361	526
Unrealized gains (before taxes)	4,543	5,402

The Branch continually monitors its investments particularly those whose carrying/fair value is less than amortized cost. After taking into consideration credit quality, historical and expected losses and projected cash flows, the Branch made a determination that there was no need for an ECL allowance at December 31, 2025 and 2024, respectively.

16) CAPITAL MANAGEMENT

Capital is comprised of the Branch's Home Office account. The Branch's objectives when managing capital is to maintain its financial strength and protect its claims-paying abilities, to ensure the Branch's ability to continue as a going concern, to maintain creditworthiness, and to meet regulatory requirements. The Branch, under its capital management policy, has a fully developed capital strategy and capital management process. Capital is managed considering both OSFI regulatory capital measures and internal metrics.

OSFI regulates Canadian property and casualty insurance companies, requiring foreign branches to maintain a minimum solvency ratio in excess of the regulatory Branch Adequacy of Assets Test ("BAAT") ratio requirement of 150%. The BAAT ratio measures net eligible assets relative to the required margin. The Branch's internal capital management policy targets a BAAT ratio of 350% (2024 – 350%) to ensure capital levels remain well above regulatory requirements. As of December 31, 2025, and 2024, the Branch's BAAT ratio was 881.4% and 923.2%, respectively.

In addition, to measure the degree to which the Branch can meet regulatory solvency requirements, the appointed actuary must present an annual report to OSFI and the Branch on the Branch's current and future solvency. The Branch reassesses the capital required based on the results of actuarial reports.

To comply with the Canadian insurance regulatory requirements, the Branch has cash and investments in trust of \$371,081 and \$359,199 on December 31, 2025, and 2024, respectively. The portion of assets required to be vested is based on the BAAT ratio.

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17) RISK MANAGEMENT

Insurance risk management

The Branch accepts insurance risks through its insurance contracts and is subject to the risk of loss from persons or organizations. The Branch is exposed to uncertainty surrounding the timing, frequency, and severity of claims under these contracts and the principal risk that the actual claims payments exceed the carrying amount of the insurance liabilities or that claims are under-reserved.

The Branch manages insurance risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions regarding insurance loss trends and past experience. Gross insurance exposures are managed through underwriting limits, prudent risk selection and rating criteria. Reinsurance is purchased to mitigate the effect of potential losses to the Branch from individual large or catastrophic events, while allowing the flexibility to write specialty contracts to manage capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

The concentration of insurance risk by line of business based on insurance revenue and reinsurance premiums:

	<u>2025</u>		<u>2024</u>	
	Insurance Revenue	Reinsurance Premiums \$	Insurance Revenue	Reinsurance Premiums \$
	\$		\$	
Property	18,002	12,698	23,230	15,245
Cyber	14,376	13,149	14,370	12,354
Directors & Officers	7,878	2,758	8,628	3,248
Excess Liability	44,521	16,743	39,507	15,668
Marine	68	-	-	-
All Lines	<u>84,845</u>	<u>45,348</u>	<u>85,735</u>	<u>46,515</u>

Sources of uncertainty in the estimation of future claim payments

In the occurrence of a covered event, the claim is dependent on the type of injury suffered by the claimant or caused by the policyholder to a third party. Property policies are occurrence (event driven) policies and if the event occurred during the policy period, then the insured is covered. While Casualty are claims-made policies where the insured has to provide notice during the policy period if they want the claim covered. A delay between the occurrence and the reporting of an insured event can exist and therefore, an IBNR reserve is required. Changes in claims reporting, recording, estimating, or closure patterns from historical levels or from the assumptions is used to calculate the required reserves.

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a. Process used to decide on assumptions

Several factors are taken into account when selecting a suitable method and the assumptions to calculate the overall required reserves. The estimation of the unpaid liabilities is based primarily on several types of actuarial methods as outlined below: The standard actuarial methods used by the appointed actuary, were determined based on the line of business, accident year, and risk and loss characteristics.

Reported Bornhuetter-Ferguson Method

The reported Bornhuetter-Ferguson ("B F") method is essentially a blend of two other methods. The first method is the loss development method whereby actual reported losses are multiplied by an expected loss development factor. For slow reporting coverages, the loss development method can lead to erratic and unreliable projections because a relatively small swing in early reporting's can result in a large swing in ultimate projections. The second method is the expected loss method whereby the future IBNR reserve equals the difference between a predetermined estimate of expected losses and actual reported losses. This has the advantage of stability, but it does not respond to actual results as they emerge.

The reported B-F method combines these two methods by setting ultimate losses equal to actual reported losses plus expected unreported losses. As an experience year matures and expected unreported losses become smaller, the initial expected loss assumption becomes gradually less important. Two parameters are needed to apply the B-F method: the initial expected loss ratio and the expected reporting pattern. The initial expected loss ratio is selected based on AEGIS Canada's historical data combined with industry data, while the expected reporting pattern is based on the reported loss development analysis described above. This method is often used for long-tail lines and in situations where the reported loss experience is relatively immature or lacks sufficient credibility for the application of other methods.

Paid B-F Method

The paid B-F method is essentially the same as the reported B-F method, with the difference being that paid losses and loss development factors are used as opposed to reported losses and loss development factors.

Roll-Forward Method

For each line of business reviewed, a roll-forward of the liabilities was performed. Calendar year-end liabilities are derived from the ultimate reported losses as estimated based on reported values. This approach is based on the assumption that the indicated RTR development factors would not be significantly affected by the development of reported losses during the last months of calendar year. In addition, this approach is based on the B-F principles:

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- where the IBNR reserves are calculated based on the ultimate reported losses and are projected to the year-end based on the RTR development factors; and
- then added to the actual reported losses

Paid-to-Paid Method

The paid-to-paid development method is used to project ultimate ULAE. The historical calendar year paid-to-paid ratios are calculated as the ratio of paid ULAE divided by paid losses. The selected paid-to-paid ratio is multiplied by the selected ultimate losses to estimate the ultimate ULAE.

b. Change in assumptions and sensitivity analysis

The latest accident year is the most immature from a development perspective and therefore, in general, has the highest impact on total reserves when the expected loss ratio assumptions are changed.

As of December 31, the expected impacts on gross unpaid liabilities if the loss ratio assumptions were increased by 5% and discount rate were increased by 1% are:

Line of Business	2025		2024	
	\$		\$	
	Reserves +5%	Discount rate +1%	Reserves +5%	Discount rate +1%
Property	331	(108)	333	(315)
Cyber	505	(694)	2,169	(457)
Directors & Officers	586	(187)	612	(161)
Excess Liability	3,635	(3,780)	3,357	(1,132)
Marine	3	-	3	-
All Lines	5,060	(4,769)	6,474	(2,065)

Financial risk management

The Branch monitors and manages the financial risk relating to operations through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include credit risk, liquidity risk and market risk.

Credit risk

The Branch is exposed to credit risk primarily through its investments in debt securities and balances receivable from policyholders and reinsurers. The Company maintains policies that are aligned with the Branch's strategy to limit and monitor its exposure from individual issuers and classes of issuers of debt securities, which do not carry the guarantee of a national or Canadian provincial government.

The Branch's policies are distributed by brokers and agents who manage cash collection from insureds on the Branch's behalf. The Branch monitors its exposure to brokers and agents.

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The Company maintains policies applicable to the Branch, which limits its credit exposure to individual reinsurers and regularly evaluates the creditworthiness of reinsurers with whom it transacts business. All third-party reinsurers are required to have a minimum financial rating of A- for the 2025 and 2024 treaties by AM Best at the inception of each treaty. Provisions are incorporated in the treaties to protect the Branch in the event a reinsurer's credit rating deteriorates during the term of the treaty. Management has determined that a provision in the amount of \$0 (December 31, 2024 - \$0) is required for potentially uncollectible reinsurance as of the balance sheet date. Of the total amount receivable from reinsurers, \$0 (December 31, 2024 - \$0) is past due but not considered to be impaired.

On December 31, 2025 and December 31, 2024, the maximum exposure to a single reinsurer was \$33,545 and \$17,323 respectively.

The fair value and credit quality of the bond portfolio and amounts recoverable from reinsurers based on the counterparties' ratings applicable allocations on December 31, 2025, and 2024, are as follows:

Debt Securities		
Credit Rating	2025	2024
AAA	\$ 295,478	\$ 262,859
AA+	4,683	8,533
AA	22,133	26,967
AA-	10,180	39,180
A+	29,455	15,395
A	4,212	4,285
	\$ 366,141	\$ 357,219

Reinsurance Assets		
Credit Rating	2025	2024
A++	\$ 38,413	\$ 13,281
A+	172,106	75,350
A	59,182	53,236
A-	449	787
	\$ 270,150	\$ 142,654

Liquidity risk

Liquidity risk is the risk that the Branch will not be able to meet its cash outflow obligations as they come due. The Branch is exposed to liquidity risk to the extent that the sale of a fixed-income security prior to its maturity is required to provide liquidity to satisfy policyholder claims and other cash outflows. To mitigate this risk, the Company maintains policies applicable to the Branch to ensure that assets and liabilities are broadly matched in terms of their duration. As of December 31, 2025, and 2024, to manage its cash flow requirement, the Company maintains all its invested assets in liquid securities.

Market risk

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Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market factors, including currency risk and interest rate risk. An investment policy is in place, and its application is monitored by the Branch's management. The investment policy minimizes risk by placing certain limitations on investments in any one entity, group of related entities, or industry. Limitations are also placed on the quality of investments permitted in the portfolio.

Currency risk

The Branch is exposed to currency risk to the extent that non-Canadian dollar (US dollar) denominated amounts are paid or received when adverse changes to foreign exchange rates occur.

	2025			2024		
	Canadian Dollars	Canadian Dollar Equivalent	Total Canadian Dollars	Canadian Dollars	Canadian Dollar Equivalent	Total Canadian Dollars
Assets						
Reinsurance Contracts Held	\$ 76,811	\$ 193,339	\$ 270,150	\$ 33,432	\$ 109,222	\$ 142,654
Investments	366,141	-	366,141	357,219	-	357,219
Accrued Investment Income	1,598	-	1,598	1,571	-	1,571
Cash and cash equivalents	40,140	21,864	62,004	24,714	57,531	82,245
Tax Asset	6,189	-	6,189	-	-	-
Other assets	(57)	99	42	-	47	47
Total assets	\$ 490,822	\$ 215,302	\$ 706,124	\$ 416,936	\$ 166,800	\$ 583,736
Liabilities						
Insurance contracts Provisions, Accruals and Other Liabilities	\$ 103,953	\$ 172,450	\$ 276,403	\$ 121,606	\$ 21,012	\$ 142,618
Tax Liabilities	80,087	(1,406)	78,681	41,406	74	41,480
	-	-	-	6,088	-	6,088
Total liabilities	\$ 184,040	\$ 171,044	\$ 355,084	\$ 169,100	\$ 21,086	\$ 190,186
Net assets & liabilities	\$ 306,782	\$ 44,258	\$ 351,040	\$ 247,836	\$ 145,714	\$ 393,550

To mitigate this risk, the Branch has policies to ensure that assets and liabilities are broadly matched in terms of their currency. The table below shows the effect on net income and Home Office account of a +/- 10% change in the Canadian Dollar/USD exchange rate for the year ended December 31, 2025.

	Net Income		Home Office	
	+10%	-10%	+10%	-10%
December 31, 2025	\$6,002	\$(6,002)	\$4,426	\$(4,425)
December 31, 2024	\$16,057	\$(16,057)	\$14,622	\$(14,622)

Interest rate risk

The Branch is exposed to interest rate risk to the extent that future cash flows from assets and liabilities are not matched. To mitigate this risk, the Branch has policies to ensure that assets and liabilities are broadly matched in terms of their duration.

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If interest rates were to increase or decrease by 50 basis points at the reporting date, the fair value of investments, and therefore the pre-tax OCI, would decrease by \$8,053 (2024: \$7,519) or increase by \$7,805 (2024: \$7,285), respectively.

18) AUTHORIZATION OF FINANCIAL STATEMENTS

The audited financial statements for the year ended December 31, 2025, were approved for issue on May XX, 2026.

Independent Auditor's Report

To the Chief Agent of Associated Electric & Gas Insurance Services Limited - Canadian Branch, and the Superintendent of Financial Institutions Canada, and the Provincial Superintendents of Financial Institutions/Insurance

Opinion

We have audited the financial statements of Associated Electric & Gas Insurance Services Limited - Canadian Branch (the Branch), which comprise the statements of assets, liabilities and equity as at December 31, 2025, and the statements of profit or loss, comprehensive income and accumulated other comprehensive income, head office account, and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, on pages 20.10, 20.11, 20.22, 20.42, 20.45, 20.52 and 20.60 of the Branch's P&C Core Financial Statement Quarterly Return (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the (1) information included in pages of the Branch's P&C Core Financial Statement Quarterly Return except for pages 20.10, 20.11, 20.22, 20.42, 20.45, 20.52 and 20.60, (2) additional schedules or exhibits within these pages that are not referred to in our opinion, and (3) the page references in the Branch's P&C Core Financial Statement Quarterly Return except for those that cross-reference between pages referred to in our opinion. Accordingly, we do not express an opinion on the information on these other pages and the additional schedules, exhibits and cross-references of the Branch's P&C Core Financial Statement Quarterly Return.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 12, 2026